



RENEWABLE ENERGY INVESTOR GUIDEBOOK



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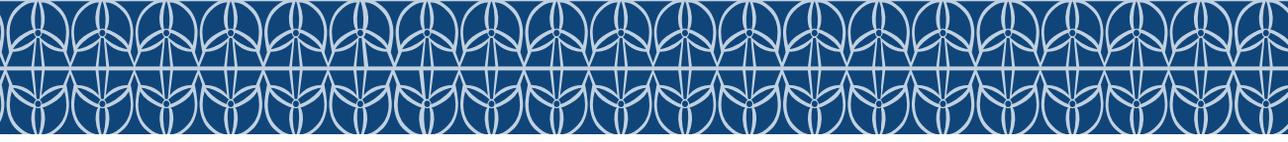
ACRONYMS

AM	Ante Meridiem
BOO	Build-Own-Operate
DRP	Development Regulation Plan
EIA	Environmental Impact Assessment
ESCO	Electricity Market Operator / Electricity System Commercial Operator
FS	Feasibility Study
GEL	Georgian Lari
GIS	Geographic Information System
GNERC	Georgian National Energy and Water Supply Regulatory Commission
GoG	Government of Georgia
GSE	Georgian State Electrosystem
kV	Kilovolt
kW	Kilowatt
LEPL	Legal Entity of Public Law
m	Meter
m³	Cubic Meters
MEPA	Ministry of Environment Protection and Agriculture of Georgia
MoESD	Ministry of Economy and Sustainable Development of Georgia
MoF	Ministry of Finance of Georgia
MW	Megawatt
O&M	Operation and Maintenance
OECD	Organization for Economic Co-Operation and Development
PM	Post Meridiem
PPP	Public-Private Partnership
SCADA	Supervisory Control and Data Acquisition
USAID	US Agency for International Development
USD	US Dollar
VRE	Variable Renewable Energy



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EXECUTIVE SUMMARY

On May 4, 2018, Government of Georgia (GoG) adopted the Law of Georgia on Public-Private Partnership (PPP), which defines a PPP as an agreement between a public sector institution or municipality and a private developer, in which the private developer assumes substantial financial, technical, and operational risk to design, finance, build, and operate the project. The law admits the selection of a private partner through direct negotiations only in the energy sector.

A PPP agreement must meet the following criteria:

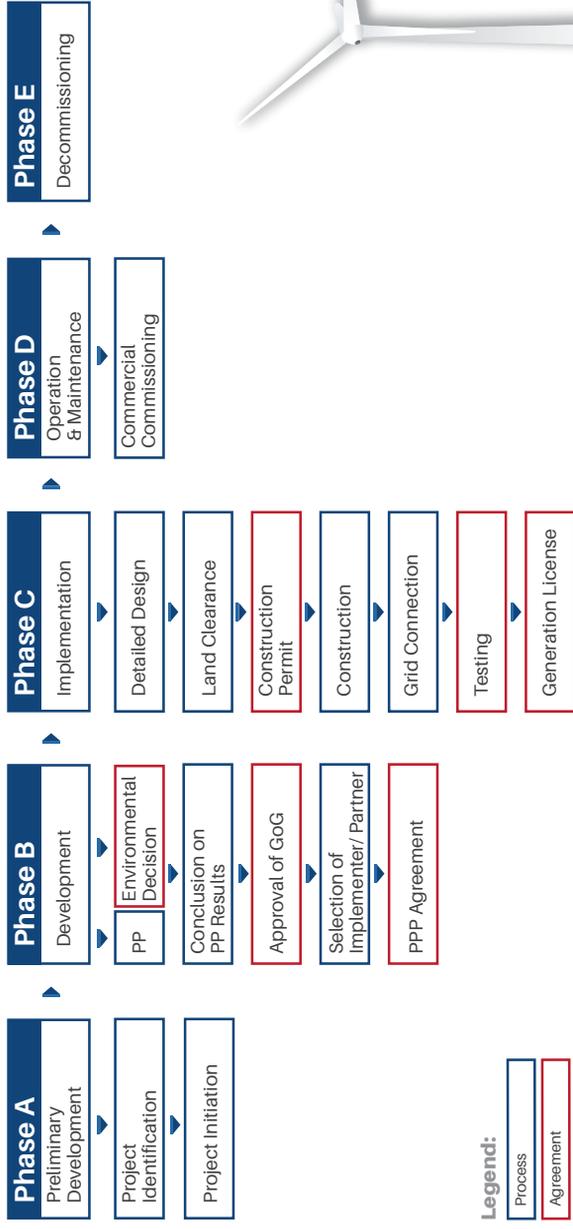
- **Long-Term** — The minimum term for the PPP agreement shall be defined by the legal act of GoG, but may not be for less than a five-year period;
- **Value** — Until July 1, 2020, the project value shall be no less than 5 million Georgian Lari (GEL); after July 1, 2020, the minimum project value shall be defined by the legal act of GoG;
- **Public Service or Infrastructure** — The project must involve the provision of a public service or the construction, maintenance, and/or operation of public infrastructure by the private partner;
- **Risk Sharing** — Sharing risks between the public and private partners;
- **Private Financing** — Full or partial private financing of the project.

GoG Resolution No. 426 on “Approval of the Rules of Developing and Implementing Public-Private Partnership Projects,” enacted on August 17, 2018, sets detailed instructions for the identification, initiation, preparation, implementation, and post-implementation stages of a PPP project. Additionally, the PPP law and corresponding bylaws in GoG Resolution No. 426 are applicable to energy projects.

Furthermore, power generation projects that do not meet the PPP criteria, but are initiated by private developers, are subject to GoG Resolution No. 515 on “Rules and Conditions for Submit to the Ministry of Economy and Sustainable Development and Reviewing the Proposals on Conducting Construction Feasibility Studies, Construction, Ownership, and Operation of those Power Plants that Are not Public-Private Partnership Projects,” enacted on October 31, 2018.

This Renewable Energy Investor Guidebook explains all the necessary steps for the successful implementation of a successful renewable energy project in Georgia — from project initiation through project decommissioning — and outlines all existing legislation, permits’ (i.e., environmental, construction, and operation), deadlines, fees, and procedures involved.

PROJECT DEVELOPMENT PHASES

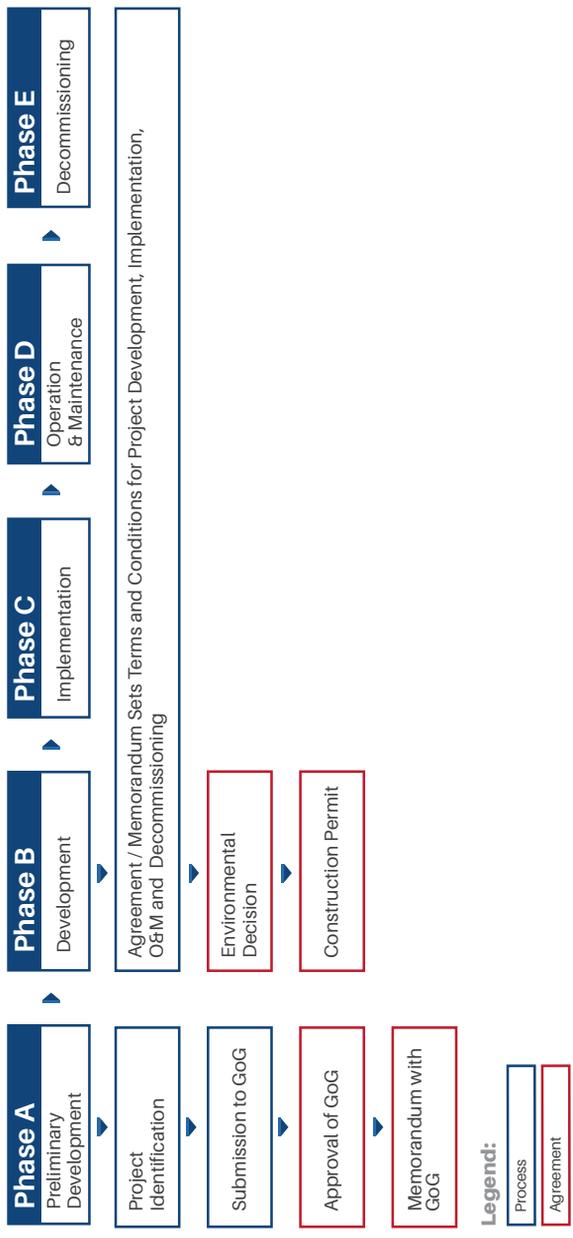


Legend:

- Process
- Agreement

PP - Project Preparation **GoG** - Government of Georgia **PPP** - Public Private Partnership

PROJECT DEVELOPMENT UNDER BOO LEGISLATION



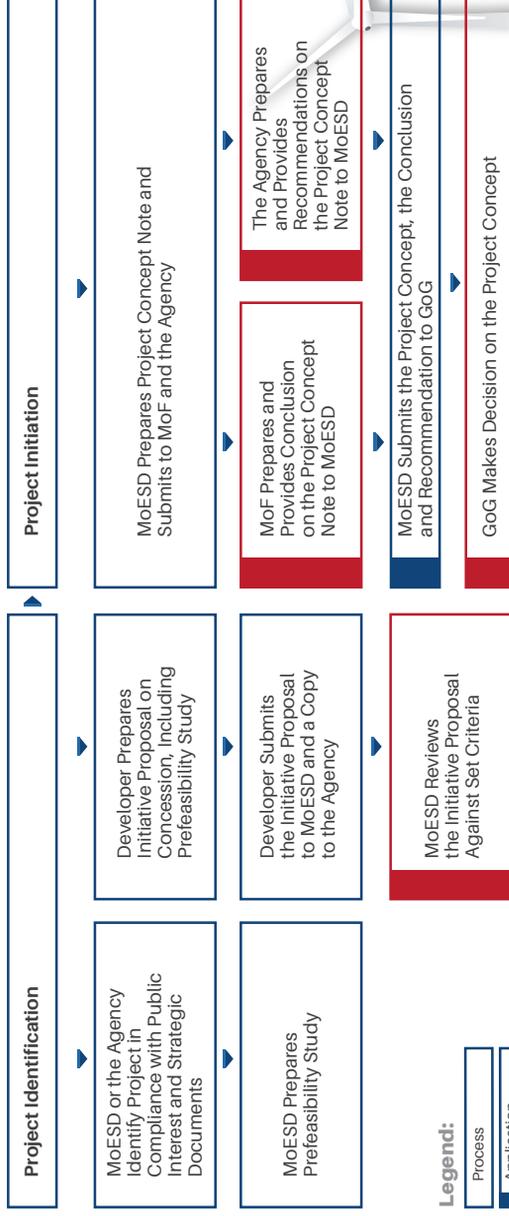
Legend:

Process

Agreement

BOO - Build-Own-Operate **GoG - Government of Georgia** **O&M - Operation and Maintenance**

PHASE A - PROJECT PRELIMINARY DEVELOPMENT



Legend:

- Process
- Application Submission
- Agreement

MoESD - Ministry of Economy and Sustainable Development of Georgia **Agency** - Public Private Partnership Agency
MoF - Ministry of Finance of Georgia **GoG** - Government of Georgia

PROJECT IDENTIFICATION

Description

The Ministry of Economy and Sustainable Development of Georgia (MoESD) or the PPP Agency (the "Agency") shall identify potential projects, including projects based on initiative proposals submitted by private developers. MoESD and/or private developer must prepare a prefeasibility study.

Note: Small projects are identified and initiated only by MoESD.

Small projects meet all PPP criteria, except the project value falls below the minimum threshold.

Note: Criteria for PPP contract include:

- Duration of PPP contract may not be less than five years;
- Project value no less than GEL 5 million (until July 1, 2020);
- Provision of a public service or the construction, maintenance, and/or operation of public infrastructure by the private partner;
- Risk sharing between the public and private partners;
- Full of partial private financing of PPP project.

1. PROCEDURE FOR POTENTIAL PROJECT IDENTIFICATION BY THE MOESD OR THE AGENCY

At the project identification stage, MoESD or the Agency shall identify potential projects in accordance with public interests, considering any one or all of the following:

- State development plan, strategy, or action plan;
- Municipal development plan, strategy, or action plan;
- Development plans, strategies, or action plans of the Autonomous Republics of Adjara / Abkhazia;
- Energy sector needs identified by MoESD or GoG.

Note: In the energy sector, inclusion of a facility on the List of Potential Power Plant Projects in Georgia and/or publication of the above-mentioned list on the MoESD's official website shall not be deemed as identification of a potential project.

2. PROCEDURE FOR PROJECT IDENTIFICATION BASED ON INITIATIVE PROPOSAL SUBMITTED BY PRIVATE DEVELOPER

A private developer has the right to prepare and submit to MoESD an initiative proposal about a concession in the energy sector. The private developer should also submit a copy of the initiative proposal to the Agency.

Note: Concession is defined as a PPP that is based of a concession agreement whereby the concessionaire receives remuneration directly or indirectly from end users for the provision of public services or from both the public partner and end users, and whereby the concessionaire assumes a significant portion of operating risks, including the demand or supply risks of both parties.

The initiative proposal shall be formulated in such a way as to allow preliminary assessment of the offered project, its potential, and the opportunity to implement it as a PPP project.

MoESD, in cooperation with the Agency, will review the submitted initiative proposal against the following criteria:

- a. Does the project satisfies state or public needs?
- b. Will the project add value and/or innovation compared to a project initiated by the state?

MoESD may request the developer to provide additional information and documents to properly assess the developer's qualification and feasibility of the proposed project as well as the possibility of its successful implementation in the form acceptable for the public partner.

- If it is made for a project in which the selection process is already underway and/or announced;



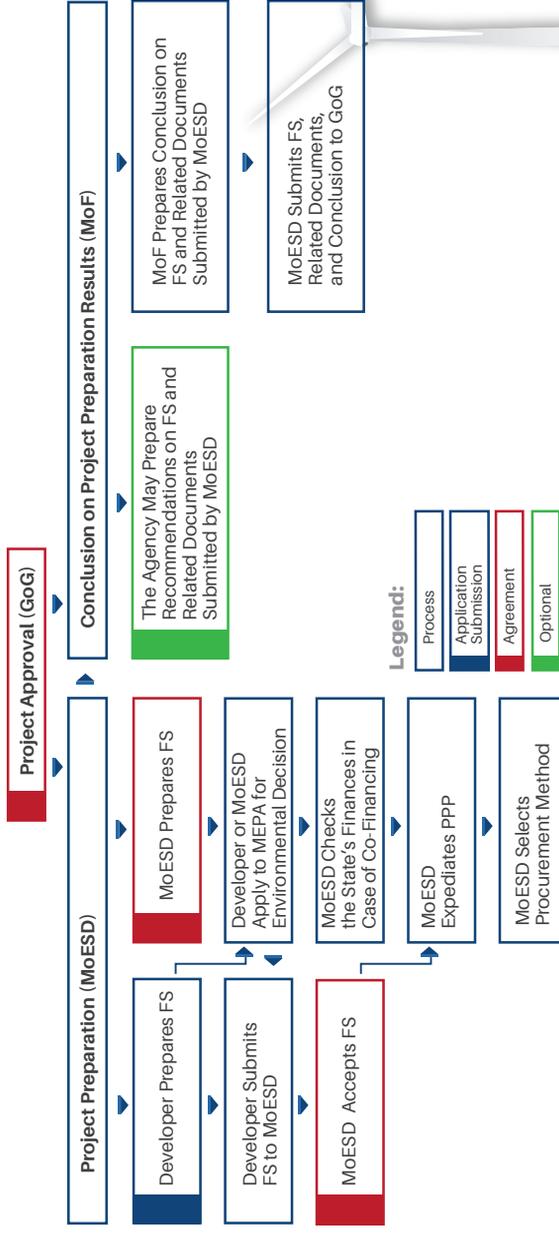
	<ul style="list-style-type: none"> - If it does not satisfy the above criteria; - If the results of the project’s feasibility and financial analysis are not satisfactory; - If the project is not financially affordable or involves big risks for the public partner related to the public partner’s participation, funding, guarantees, or obligations; - If the conditions drafted in the initiative proposal are not duly balanced and/or the Ministry of Finance of Georgia (MoF) gives a negative opinion on the project and/or the project is not accepted by GoG. <p>If MoESD determines the initiative proposal is acceptable, it will ensure implementation of the activities needed to initiate the project.</p>
Responsible Party	MoESD, the Agency, and the private developer
Requirements	<p>Before submission of the initiative proposal, the private developer has right to discuss or exchange information with MoESD regarding the specifics of the potential project and modify the initiative proposal accordingly.</p> <p>MoESD may request the developer to provide additional information and documents to properly assess the developer’s qualification and feasibility of the proposed project as well as the possibility of its successful implementation in the form acceptable for the public partner.</p>
Regulations	GoG Resolution No. 426 on “Approval of the Rules of Developing and Implementing Public-Private Partnership Projects,” enacted on August 17, 2018; “Law of Georgia on Public-Private Partnerships,” enacted on May 4, 2018.
Validity	N/A
Fee	None
Timeline	Unlimited
Stage	Beginning of Phase A

PROJECT INITIATION - PREPARATION OF THE PROJECT CONCEPT NOTE

Description	<p>After the completion of a prefeasibility study on the potential project, MoESD will prepare a Project Concept Note that includes assessments of the following:</p> <ul style="list-style-type: none"> • Project Goals — This assessment must prove the project: <ul style="list-style-type: none"> - Addresses public interests; - Addresses priority PPP sectors: <ul style="list-style-type: none"> » Defined in GoG’s state development plan, strategy, or action plan; » Defined in the municipal development plan, strategy, or action plan; » Defined in the development plans, strategies, or action plans of the Autonomous Republics of Adjara or Abkhazia. - Addresses needs identified by the authorized body in the corresponding sector; - Creates public infrastructure and/or improves existing infrastructure;Includes provision of public services. • Project Costs — At a minimum, this assessment should evaluate the project’s scope, parameters, and funding requirements for implementation (i.e., construction, maintenance, and/or operating costs), as well as the project’s ability to generate income. • Options to Implement the Project through a PPP — This assessment should determine if a PPP is possible, define the PPP type (i.e., concessional versus non-concessional), specify the functions of the public and private parties, and assess project-related benefits and risks and identify studies that need to be carried out. • Financial and Fiscal Risks for the Project — This assessment must estimate the potential impact of the entire project (i.e., all project stages) on the budgets of both the public and private parties. If possible, to create acceptable conditions for project implementation, it is also advisable to assess the fiscal risks of the project.
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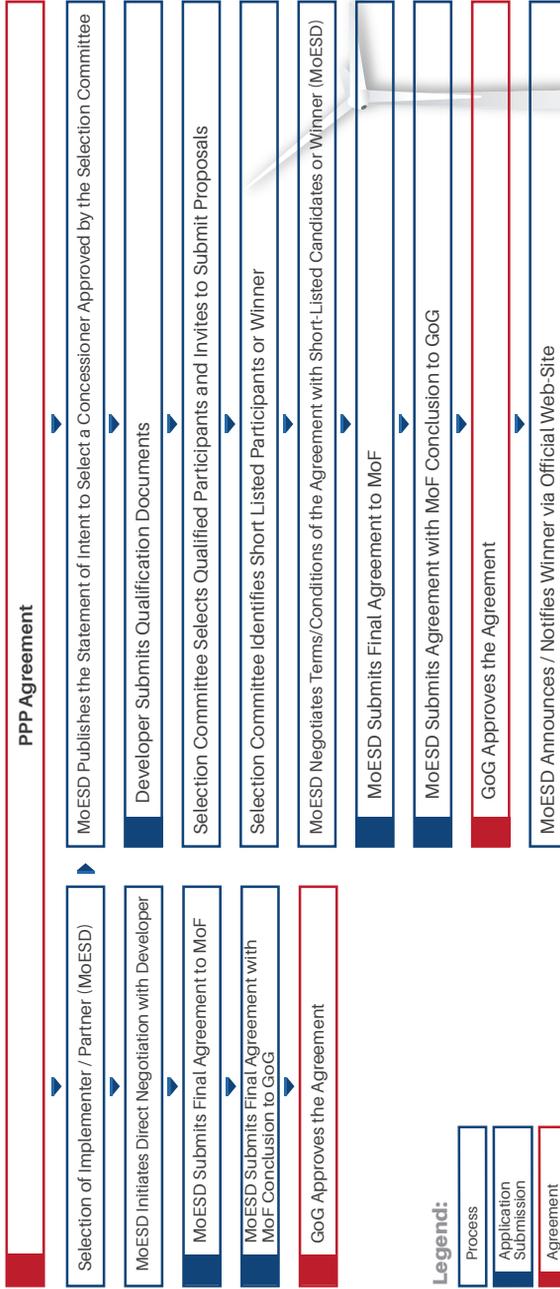
Responsible Party	MoESD
Requirements	N/A
Regulations	GoG Resolution No. 426 on "Approval of the Rules of Developing and Implementing Public-Private Partnership Projects," enacted on August 17, 2018; "Law of Georgia on Public-Private Partnerships," enacted on May 4, 2018.
Validity	N/A
Fee	None
Timeline	Unlimited
Stage	Phase A - after project identification and preparation of the prefeasibility study
SCHEME INITIATION - SUBMISSION OF AND DECISION ON PROJECT CONCEPT	
Description	<p>MoESD will submit the Project Concept Note to the Agency and MoF, and within one month, the Agency will prepare recommendations and MoF will prepare a conclusion.</p> <p>MoF and the Agency have the right to ask MoESD to make amendments and re-submit the Project Concept Note. Once all input has been received and necessary changes are made, MoESD will submit the Project Concept, together with MoF's conclusion and the Agency's recommendations to GoG.</p> <p>Next, GoG will decide to accept, decline, or revise the Project Concept based on the following criteria:</p> <ul style="list-style-type: none"> - Strategic or public importance of the project; - Economic impact of the project; - Impact of the project on state finance affordability. <p>If GoG approves commencement of the project, MoESD will undertake the project preparation work in cooperation with the Agency and MoF.</p> <p>Note: For small projects, MoESD will only submit the project concept to the Agency and MoF.</p>
Responsible Party	MoESD
Requirements	N/A
Regulations	GoG Resolution No. 426 on "Approval of the Rules of Developing and Implementing Public-Private Partnership Projects," enacted on August 17, 2018; "Law of Georgia on Public-Private Partnerships," enacted on May 4, 2018.
Validity	N/A
Fee	None
Timeline	One month for the recommendations and conclusion from the Agency and MoF, respectively.
Stage	Phase A - After preparation of the Project Concept Note

PHASE B - PROJECT DEVELOPMENT

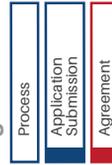


GoG - Government of Georgia MoESD - Ministry of Economy and Sustainable Development of Georgia FS - Feasibility Study MEPA - Ministry of Environment Protection and Agriculture of Georgia PPP - Public Private Partnership MoF - Ministry of Finance of Georgia Agency - PPP Agency

PHASE B - PROJECT DEVELOPMENT



Legend:



PPP - Public Private Partnership **GoG** - Government of Georgia **MoESD** - Ministry of Economy and Sustainable Development of Georgia
MoF - Ministry of Finance of Georgia

PROJECT PREPARATION - FEASIBILITY STUDY

Description

At the project development stage, MoESD or the private developer will prepare a Feasibility Study (FS).

1. PREPARATION OF FS BY MOESD

The MoESD will prepare the FS (i.e., financial, technical, and economic analysis) to assess, among other things, the following:

- a. Project costs;
- b. Expected social and economic results;
- c. Authorized body's access to financing for project implementation, in case the state is co-financing the project with the private developer;
- d. Social and environmental impact of the project, including mitigation measures provided in Georgian legislation to address any negative impact.

Note: For any energy sector project expected to generate an installed capacity of more than 100 megawatts (MW), the FS should be prepared by an independent party.

The goals of the FS are to:

- a. Confirm the results of the prefeasibility study;
- b. Verify the availability of funding for the project;
- c. Assess the fiscal risks of the project;
- d. Determine the price-quality correlation of the project.

The FS should include a qualitative assessment that measures:

- a. Expected socioeconomic benefits of the project;
- b. Positive net benefits of the project (i.e., benefits minus expenses), including a quantitative assessment of positive socioeconomic benefits;
- c. Affordability of the proposed tariff, service fee, price for the public to use project infrastructure or services, in case the private developer will be paid by consumers.

If a project is subject to the environmental impact assessment the FS should also include an Environmental Impact Assessment (EIA) report prepared in compliance with the Environmental Assessment Code, with the final environmental decision attached, if such decision exists.

Additionally, the FS should include a financial model that takes into account all aspects of the FS.

The project's viability will be positively assessed if the analysis:

- a. Project implementation is technically feasible;
- b. Technical study demonstrated the project is ready for implementation;
- c. Expenses carried by the public partner and/or consumers are proportional to the benefits they will receive from the new services or infrastructure created by the project;
- d. Cost-benefit correlation of the project is acceptable.

The profitability of a PPP project will be assessed positively, if research shows:

- a. Project implementation is feasible from an economic point of view;
- b. It is possible to attract financial resources of a private partner and private financing;
- c. Distribution of risks between the parties is acceptable to a potential private partner.

Note: For a small project in the energy sector, MoF or the Agency may request MoESD carry out a simplified FS based on an assessment of fiscal risks and submit a draft contract to GoG for review.

2. PREPARATION OF THE FS BY THE PRIVATE DEVELOPER

If the Project Concept Note is accepted by GoG, MoESD is authorized to ask the private developer to prepare the FS and other studies at its own expense.

The FS prepared by the private developer should include:

- a. A qualitative assessment of the project's socioeconomic impact;
- b. An EIA report, if needed, and an environmental decision, if available;
- c. A financial model of the project;
- d. An assessment of funds available in the state budget to finance the project, in case the state is co-financing the project with the private developer.

Responsible Party	MoESD and the private developer
Requirements	If requested, the private developer must submit a draft contract on the main concession conditions, as well as a detailed cost estimate of expenses incurred or to be incurred before submission of the final project proposal (except internal engineering, legal, and financial costs).
Regulations	GoG Resolution No. 426 on "Approval of the Rules of Developing and Implementing Public-Private Partnership Projects," enacted on August 17, 2018; "Law of Georgia on Public-Private Partnerships," enacted on May 4, 2018.
Validity	N/A
Fee	None
Timeline	Unlimited
Stage	Phase B - First stage of Phase B after GoG approves Project Concept Note

PROJECT PREPARATION - EIA AND ENVIRONMENTAL DECISION

Description	<p>For an energy project that will generate an installed capacity of 2 MW of electricity or more from wind power, sea waves, or other renewable sources, the private developer should apply to the Ministry of Environmental Protection and Agriculture of Georgia (MEPA) for a screening decision on whether the project is subject to a full EIA.</p> <p>1. PROCEDURE FOR MAKING SCREENING DECISION</p> <p>At an early planning stage, the private developer should submit a screening application to MEPA that includes:</p> <ul style="list-style-type: none"> • Name of administrative body to which the private developer has applied; • Identity, address, and signature of private developer; • Date application is submitted; • List of documents attached to the application; • Brief summary of the project; • Project characteristics, including location and the nature of potential impacts. <p>Between 10 to 15 working days after submission of the screening application, MEPA will make a decision on whether the project is subject to an EIA based on the following criteria:</p> <ol style="list-style-type: none"> a. Project characteristics; b. Project location; c. Characteristics of potential impacts. <p>Note: Even if MEPA determines the project is not subject to an EIA, the project must still comply with Georgia's technical environmental regulations and environmental norms.</p> <p>On some occasions, the minister of MEPA may not approve implementation of a project if:</p> <ol style="list-style-type: none"> a. Implementation will violate the requirements envisaged in Georgian legislation; b. Project characteristics (i.e., volume, location, risks, impacts) are not reasonable; c. An earlier or concurrent court decision excludes the possibility of accepting the project. <p>2. PROCEDURE FOR MAKING SCOPING DECISION</p> <p>If MEPA determines the project is subject to an EIA, the private developer is obliged to submit a scoping application and scoping report to MEPA that include:</p> <ol style="list-style-type: none"> 1. Brief description of the project and possible alternatives; 2. Location of the project, including Geographic Information System (GIS) coordinates; 3. General technical specifications of the project (e.g., capacity, length, area, output); 4. Types and significance of potential impacts of the project; 5. Potential significant impacts of the project on protected areas; 6. Potential transboundary environmental impacts, if applicable; 7. Baseline surveys and investigations that should be carried out; 8. Methods and criteria required in the EIA;
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9. Mitigation measures that may be (or have already been) considered;
10. Documentation required by the Waste Management Code, if the project involves waste;
11. Concerns expressed by the public and public involvement in the EIA process;
12. Potential impact on human health, social environment, and cultural heritage.

Between 26 to 30 working days after submission of the scoping application, MEPA will issue a scoping opinion, per the individual administrative legal act of the minister of MEPA. The scoping opinion will outline the information that will need to be obtained and analyzed for the EIA and the methods to reflect this information in the EIA report. The scoping opinion is binding for the private developer during the preparation of the EIA report.

Note: If the private developer fails to obtain an environmental decision within two years of MEPA's scoping opinion, then per the Environmental Assessment Code, the opinion will become invalid.

After completion of the scoping procedure, MEPA may refuse implementation of the project if:

- a. Implementation will violate the requirements envisaged in Georgian legislation;
- b. Project characteristics (i.e., volume, location, risks, impacts) are not reasonable;
- c. An earlier or concurrent court decision excludes the possibility of accepting the project.

3. PROCEDURE FOR ISSUING ENVIRONMENTAL DECISION

After MEPA declares its scoping opinion, an EIA report should be developed that includes:

1. Description of relevant project features, including:
 - GIS coordinates of the project location (with shape files);
 - Justification of alternative project locations and technology;
 - Technological process, including the capacity of installations;
 - Current environmental state and the natural changes from this baseline; scenario that may occur if the project is not implemented, based on scientific knowledge;
 - Likely positive and negative effects (i.e., direct, indirect, secondary, cumulative, transboundary, short term, midterm, long term, temporary, and permanent) on:
 - » Population;
 - » Human health and safety;
 - » Biodiversity (i.e., fauna and flora, habitats and ecosystems);
 - » Soil (i.e., soil uptake);
 - » Land (i.e., organic matter, erosion, composting, degradation);
 - » Water (i.e., hydromorphological changes to quantity and quality of water);
 - » Air;
 - » Climate (i.e., greenhouse gas emissions);
 - » Material assets;
 - » Cultural heritage (i.e., architectural and archaeological impacts);
 - » Landscape.
2. Probability and possible consequences of accidents that could occur due to the project;
3. Measures envisaged in both the construction and operational phases of the project; to avoid, prevent, reduce, or offset significant adverse effects on the environment;
4. Assessment of the project's irreversible impact on the environment and justification of its necessity, including comparative analyses of the losses and benefits based on environmental, cultural, economic, and social contexts;
5. Assessment of project-related risks during the construction and operational phases, including the nature and possibility of the risks and an assessment of expected results;
6. Methods to revert the environment back to its initial state, in case of project termination;
7. Expected significant adverse environmental effects of the project due to the vulnerability of the project to the risks of major accidents and disasters;



	<ol style="list-style-type: none"> 8. Means to inform the public, assess public opinion, and invite public comments during the scoping procedure; 9. Description of methods and sources of environmental information; 10. Identified uncertainties and lack of knowledge encountered in compiling the EIA report; 11. Nontechnical summary of this information to inform the public and ensure participation; 12. Detailed list of methods and sources used during the preparation of the EIA report. <p>The following information must be included along with the EIA report:</p> <ol style="list-style-type: none"> a. Action plan for environmental impact mitigation measures; b. Emergency response plan; c. Name and address of the consultant who helped prepare the EIA report, if any; d. Project implementation master plan, including project location (i.e., GIS coordinates), temporary installations, utility systems, and other components that may be affected; e. Extract from State Register for private developer, whether legal entity of private law or individual entrepreneur; identification for a natural person, per existing legislation; or certified copy of founding documents in case of Legal Entity of Public Law (LEPL). <p>To obtain an environmental decision, the private developer must submit a written application to MEPA accompanied by the following documents and/or data:</p> <ol style="list-style-type: none"> a. EIA report; b. Estimation of limits for emission of harmful substances into the atmosphere, as well as discharge of polluting substances into surface waters and waste waters; c. Notification about a confidential part of the submitted application, if applicable; d. Copy of the application and fee payment receipt in accordance with existing legislation; e. Electronic copies of all documents mentioned in this list (i.e., from a, b, c, and d). <p>Additionally, the private developer must pay a 500 GEL fee upon submission of the application. This fee is nonrefundable, even if MEPA does not approve the project.</p> <p>Between 51 to 55 working days after submission of the application, MEPA will issue an environmental decision, per the individual administrative legal act of the minister of MEPA.</p> <p>Note: The environmental decision is valid indefinitely; however, if the private developer fails to start implementation of the project within five years, the environmental decision will become invalid.</p> <p>MEPA may refuse implementation of the project if:</p> <ol style="list-style-type: none"> a. Implementation will violate the requirements envisaged in Georgian legislation; b. Project characteristics (i.e., volume, location, risks, impacts) are not reasonable; c. An earlier or concurrent court decision excludes the possibility of accepting the project. <p>Note: The private developer is entitled to request an environmental decision on several activities through a single application, if the activities are significantly interconnected.</p> <p>Five days after issuing its decision, MEPA will publish the EIA report, the expert conclusion, the environmental decision, or the legal act on refusal to implement the project, as well as the results of public participation on its official website and (upon request) on notice boards of relevant local authorities and/or representative bodies by providing paper copies of the documentation to such entities in accordance with existing legislation.</p>
Responsible Party	MoESD and the private developer
Requirements	<p>If the private developer fails to obtain an environmental decision within two years of MEPA's scoping opinion, per the Environmental Assessment Code, the opinion will become invalid.</p> <p>Additionally, if the private developer fails to start implementation of the project within five years, the environmental decision will become invalid.</p>

Regulations	"Law of Georgia on Environmental Assessment Code," enacted on June 1, 2017
Validity	Environmental decision is valid for an indefinite time period
Fee	500 GEL
Timeline	55 days after registration of application to obtain environmental decision
Stage	Phase B - In parallel with the preparation of the FS

PROJECT PREPARATION - EXPEDIENCY OF PPP

Description	<p>If as a result of an FS, MoESD decides to expedite project implementation, it will assess and decide upon the most preferable method for implementing the project, including the expediency of a PPP. MoESD can submit its decision to the Agency for preliminary assessment and recommendations prior to completion of the FS.</p> <p>MoESD will identify and demonstrate the advantages of the procurement method it chooses for implementation. If the project satisfies the PPP criteria, MoESD may decide a PPP is the most optimal project implementation option, compared to the public procurement option.</p> <p>If a PPP is chosen, MoESD will use the value for money method to identify and prove the advantages of using either a concession PPP or a nonconcession PPP.</p>
Responsible Party	MoESD
Requirements	None
Regulations	GoG Resolution No. 426 on "Approval of the Rules of Developing and Implementing Public-Private Partnership Projects," enacted on August 17, 2018.
Validity	N/A
Fee	None
Timeline	Unlimited
Stage	Phase B - After preparation of the FS

PROJECT PREPARATION - CONCLUSION OF PROJECT PREPARATION

Description	<p>MoESD will submit the following package to MoF for review and assessment:</p> <ol style="list-style-type: none"> The FS; Supportive studies, if any; Project-related documents. <p>Within 45 calendar days of submission, MoF will prepare an FS conclusion, and if needed, engage an independent party for assessment, and issue a conclusion on the viability of a PPP to implement the project. Copies of the package and FS conclusion will be sent to the Agency.</p> <p>MoF will submit the package and FS conclusion to GoG for approval, along with an outline of the financial and economic risks and impacts of the project, especially direct and indirect fiscal obligations, fiscal risks, and conditional obligations related to project financing and guarantees. These may be directly specified in the project or implied in the FS for the project.</p>
Responsible Party	MoESD and MoF
Requirements	None
Regulations	GoG Resolution No. 426 on "On Approval of the Rules of Developing and Implementing Public-Private Partnership Projects," enacted on August 17, 2018.
Validity	N/A
Fee	None
Timeline	Within 45 calendar days of submission, MoF will provide an FS conclusion and outline the financial and economic components of the project.

Stage	Phase B - After assessment of PPP expediency
PROJECT PREPARATION - ACCEPTANCE AND APPROVAL OF THE PROJECT	
Description	<p>MoESD will submit the following package to GoG for final approval:</p> <ol style="list-style-type: none"> Project-related documents and corresponding research studies; MoF's conclusion on the FS and the use of a PPP for implementation; MoESD's conclusion on the expediency of implementing the project. <p>Within 120 days of submission, GoG will decide to accept, decline, or revise the project based on the submitted documents, particularly the issues identified in MoF's conclusion.</p>
Responsible Party	MoESD and GoG
Requirements	None
Regulations	GoG Resolution No. 426 on "Approval of the Rules of Developing and Implementing Public-Private Partnership Projects," enacted on August 17, 2018.
Validity	N/A
Fee	None
Timeline	Within 120 days of submission, GoG will decide to accept, decline, or revise the project
Stage	Phase B - After MoF prepares the FS conclusion
SELECTION PROCESS - QUALIFICATION STAGE	
Description	<p>Qualifications for private partners to join the PPP will be sent to all potential candidates in advance. At least 30 calendar days prior to the start date for the private partner selection process, MoESD will publish a Statement of Intent to select a winner (concessionaire) on:</p> <ol style="list-style-type: none"> MoESD's website; Agency's website; Public Procurement Agency's website. <p>The Selection Commission and Agency will define the PPP qualification criteria. The Selection Commission will qualify or disqualify candidates based on their qualifications against this criteria.</p>
Responsible Party	MoESD and the Selection Commission
Requirements	None
Regulations	GoG Resolution No. 426 on "Approval of the Rules of Developing and Implementing Public-Private Partnership Projects," enacted on August 17, 2018.
Validity	N/A
Fee	None
Timeline	Unlimited
Stage	Phase B - After GoG approves the project
SELECTION PROCESS - SUBMISSION OF PROPOSALS, NEGOTIATIONS, AND ANNOUNCEMENT OF WINNER	
Description	<p>The Selection Commission will send (i.e., upload into the electronic system, after creation of such system) an invitation to all private partner candidates (i.e., private developers) who successfully passed the qualification stage. The invitation will ask the candidates to submit proposals and/or applications in accordance with the requirements set for submission of proposals.</p> <p>Note: Private developers may not submit more than one application or proposal in the same selection process; however, they may change their applications or proposals at any time before expiration of the submission deadline. Private developers may withdraw from participation in the selection process at any time before announcement of the winner. This withdrawal will not restrict the rights of MoESD to claim securities, including bank guarantees.</p>

Each candidate will submit a proposal that includes the following:

1. Guarantee on the proposal submitted for the selection process;
2. Technical proposal and application that includes all or part of the following:
 - a. Technical solution for the public service defined in the Invitation to Submit Proposal;
 - b. Description of the proposed work;
 - c. Proposed solution for operations;
 - d. Capabilities to achieve the required results in quantitative and qualitative terms;
 - e. Issues related to environmental standards.
3. Financial proposal and application that includes all or part of the following:
 - a. Costs for construction and project activities;
 - b. Annual operation and maintenance costs and capital expenses;
 - c. Proposed financial solution for ensuring public services;
 - d. Estimated income to be received from the provision of public services;
 - e. Tariff, service fee, or charge during the contract validity period;
 - f. Amount of financial support, if any is expected from the public partner;
 - g. Profit distribution plan under which the private partner will make payments to the public partner for the right to implement the PPP project;
 - h. Terms and conditions of the contract that define when and how the public partner will fully or partially receive or pay for the project;
 - i. Financial parameters and cash flows expected during the contract validity period.
4. Legal proposal and application that includes all or part of the following:
 - a. Legal form for the selection process candidate (i.e., the private developer);
 - b. Legal form for the private partner;
 - c. Legal form for the full project, which may include contracts between multiple parties;
 - d. Compliance of project with active legislation;
 - e. Comments on the draft contract, if allowed in the Invitation to Submit Proposal.

MoESD has the right to claim the proposal guarantee only if the selection process candidate:

- a. Recalls or changes the proposal after expiry of the proposal submission deadline;
- b. Refuses to negotiate with the authorized body;
- c. Refuses to sign a contract after the proposal is adopted in accordance with set rules;
- d. Refuses to submit a performance guarantee for the contract after the proposal is adopted;
- e. Before signing the contract, fails to fulfill terms defined in Invitation to Submit Proposal;
- f. Fails to meet any other conditions specified in the Invitation to Submit Proposal;
- g. Uses the identification of the winner as grounds for recalling the proposal guarantee.

Both a winner and a shortlisted set of candidates (alternates) will be identified based on assessments of submitted proposals and applications. The criteria and rules for assessing proposals are defined by the Selection Commission based on the specific features of the project, including the PPP project implementation period, the amount of required private funding, quality and other criteria of the work to be implemented and services to be provided.

At the proposal submission stage, the Selection Commission can organize both group and individual meetings of with candidates, as specified in the Invitation to Submit Proposal. The following workflow will set the pace of the proposal submission stage:

- a. No earlier than five days after the proposal submission deadline, MoESD will invite all candidates, shortlisted candidates, or the winner to negotiate the contract conditions;
- b. MoESD will submit an assessment report prepared by the Selection Commission and the final agreed-upon contract terms to MoF for review;
- c. MoF will submit its opinion on the draft contract to MoESD;



	<p>d. MoESD will submit the contract terms along with MoF’s opinion to GoG;</p> <p>e. GoG must will either approve and sign the contract or return it to MoESD for additional changes based on the issues and comments specified in MoF’s opinion.</p> <p>If MoESD decides it is impossible to sign a contract with the winner, it must stop negotiations with the winner. After negotiations are terminated with the winner or any other candidate, MoESD cannot renew negotiations with that winner or candidate.</p> <p>Upon termination of negotiations with the winner, MoESD has two options to continue the selection process:</p> <p>a. Invite the next best shortlisted candidate to negotiate until an agreement is reached or negotiations are terminated. If no agreement is reached, keep moving down the list of shortlisted candidates until an agreement is reached with one candidate;</p> <p>b. Carry out negotiations with shortlisted candidates in parallel, rather than one at a time. MoESD must inform the shortlisted candidates of this selection process in writing.</p> <p>MoESD will send or upload into the electronic system, if any, the announcement of the winner and publish this information on the official websites of MoESD and the Agency. This information shall contain the name of the private partner and the main conditions of the contract. The Agency will store all information related to the selection process and winner announcement.</p> <p>PLEASE NOTE: Once the winner signs the contract, it becomes the concessionaire.</p> <p>There is also a closed selection process carried out without the selection process announcement. In this case, candidates identified for the selection process are given written notifications.</p> <p>If the selection process is the result of an initiative application submitted by a private initiator, then this will be stated to interested private developers at the selection process announcement stage. Additionally, the private initiator may be given an advantage in the selection process, which will also be specified in the selection process documentation. In the event the selection process is won by a candidate other than the private initiator or its affiliated entity, the winner must compensate the private initiator for reasonable, justified, and properly documented expenses incurred by the private initiator for the preparation and submission of the initiative proposal. The amount of such expenses will become public at the selection stage. The amount may not exceed the guarantee amount that must be submitted by the candidates to secure the proposal.</p> <p>Note: For small energy sector projects, the authorized body will carry out the selection procedure in a simplified way, in compliance with PPP principles (including by means of a closed selection process). In such cases, the MoESD will submit the draft contract to the GoG for review, a contractor will be selected in compliance with the Law of Georgia on State Procurement, and a winner (concessionaire) will be selected without the obligation to form a Selection Commission.</p>
Responsible Party	MoESD
Requirements	None
Regulations	GoG Resolution No. 426 on “Approval of the Rules of Developing and Implementing Public-Private Partnership Projects,” enacted on August 17, 2018; “Law of Georgia on Public-Private Partnerships,” enacted on May 4, 2018.
Validity	N/A
Fee	None
Timeline	Not specified
Stage	Phase B – After identification of qualified candidates

SELECTION PROCESS - DIRECT NEGOTIATIONS

Description	<p>For an initiative proposal, if the FS is endorsed and MoESD decides to implement the initiated project, MoESD shall ensure that the selection process is started in compliance with the selection stages or through direct negotiations, based on the consent of GoG.</p> <p>Selection through direct negotiations shall be carried out in compliance with the closed selection procedures without obligation to have three candidates. The process will be transparent in order to achieve results as similar as possible to those produced in the competitive selection process.</p> <p>In case of direct negotiations, the publicly accessible information published on MoESD and the Agency websites will, at a minimum; include the draft contract; final FS; independent research; assessment, if any; and a summary of the project's main financial indicators, with the exception of confidential information protected in compliance with applicable Georgian legislation.</p> <p>A winner (concessionaire) will be selected in compliance with the above procedures, while a contractor will be selected in compliance with the Law of Georgia on Public Procurement.</p>
Responsible Party	MoESD
Requirements	None
Regulations	GoG Resolution No. 426 on "Approval of the Rules of Developing and Implementing Public-Private Partnership Projects," enacted on August 17, 2018.
Validity	N/A
Fee	None
Timeline	Not specified
Stage	Phase B - After GoG approves the project

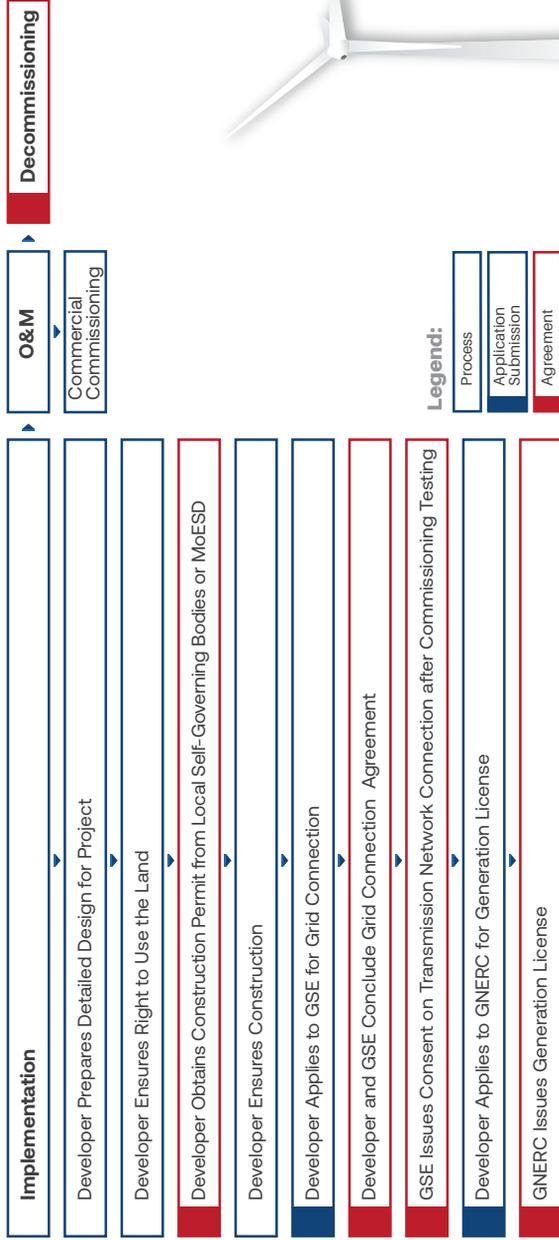
PPP CONTRACT/AGREEMENT AND PENALTIES

Description	<p>A candidate in the selection process will be declared the winner (concessionaire) if the candidate meets the qualifications set out in the Invitation to Submit Proposal, and the candidate's proposal, as assessed by the Selection Commission and GoG, contains the best terms in comparison to other candidates. Once selected, the concessionaire will progress to the contract (i.e., PPP agreement) phase. The main provisions of a PPP agreement include:</p> <ol style="list-style-type: none"> 1. Subject of the PPP agreement; 2. Scope and characteristics of the work to be carried out; 3. Other matters related to public infrastructure and/or services to be provided; 4. Distribution and transfer of property rights for public infrastructure and/or other property; 5. Period of validity for the PPP agreement; 6. Availability payments and performance-based compensation to be made to private partner; 7. Payments, if any, to be made to the public partner; 8. Terms, procedures, and consequences of termination of the PPP agreement; 9. Contract implementation guarantee, which may not exceed 10% of the project cost. <p>The contract will contain provisions for other issues agreed upon by the responsible parties. For example, in the energy sector, guarantees may be granted for long-term purchases of certain types of goods and services based on the prices agreed upon between the parties.</p>
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	<p>The contract will also include penalties to impose on the private partner for failure to fulfill an obligation. The minimum amount of each such penalty may be no less than 0.01% of the total project cost for each day of delay. Penalties unrelated to the private partner's failure to meet a deadline or an obligation shall be defined in the Invitation to Submit Proposals and the contract.</p> <p>The penalty imposed on a private partner can be pardoned by GoG based on a well-substantiated intermediation of the public and private partners that proves the delay was caused by circumstances beyond the private partner's control. GoG has the right to form a commission to decide upon this issue.</p> <p>For nonconcessional PPPs, penalties shall be based on performance results. The impact of a penalty on the private partner's revenue must be comparable to performance quality and volume.</p> <p>The contract terms must be defined by MoESD and must take into account the requested services and/or work. The maximum term of the contract may not exceed the reasonable period in which the concessionaire is expected to fully recover its investments (i.e., total amount to be invested in the project) and receive profits in return for the implemented work and/or services.</p>
Responsible Party	MoESD
Requirements	None
Regulations	GoG Resolution No. 426 on "Approval of the Rules of Developing and Implementing Public-Private Partnership Projects," enacted on August 17, 2018; "Law of Georgia on Public-Private Partnerships," enacted on May 4, 2018.
Validity	N/A
Fee	None
Timeline	Not specified
Stage	Phase B - After announcement of winner (concessionaire)

PHASE C, D AND E - PROJECT IMPLEMENTATION, OPERATION AND MAINTENANCE, AND DECOMMISSIONING



MoESD - Ministry of Economy and Sustainable Development of Georgia **GSE** - Georgian State Electrosystem
GNERC - Georgian National Energy and Water Supply Regulatory Commission **O&M** - Operation and Maintenance

PHASE C - PROJECT IMPLEMENTATION

DETAILED PROJECT DESIGN AND LAND CLEARANCE

Description

Prior applying for a construction permit from relevant self-governing bodies or MoESD's Technical and Construction Supervision Agency, which is LEPL, the private partner should prepare a detailed project design and obtain the right to use the land.

Note: To initiate privatization of nonagricultural land, the private developer should apply to MoESD.

The land utilized for the project may belong to the private partner, legal entity, or the state. If it is state-owned agricultural land, the private developer must apply to MoESD's National Agency of State Property to privatize the land.

Note: Based on the Constitution of Georgia, agricultural land is a resource of special importance that may only be owned by the state, a self-governing unit, a Georgian citizen, or an association of Georgian citizens. Exceptional cases may be evaluated based on organic law, which must be adopted by at least a two-thirds majority of members of parliament. Also, based on Article 4 of the Law of Georgia on Agricultural Land Ownership, agricultural land may be owned by the State of Georgia, an Autonomous Republic of Georgia, a Municipality of Georgia, an LEPL of Georgia, a Georgian citizen, and a private legal entity registered in Georgia whose dominant partner is a prior listed owner.

Privatization of state-owned agricultural and nonagricultural land may be completed through:

- a. Auction;
- b. Direct sale;
- c. Competitive direct sale.

State-owned, unleased agricultural land should be planned, surveyed, and set out by the initiator or property administrator. Privatization is typically done by auction and may be initiated by a Georgian citizen, a legal entity under private law registered in Georgia, a property administrator, or a third person. To initiate privatization by auction, the entity or person must:

- Select a state-owned, unleased agricultural land plot;
- Divide the land plot into parcels of at least three hectares each, unless the land plot is less than three hectares;
- Prepare detailed cadastral surveys and planning drawings of the land plot and obtain information on its category and quality;
- Submit an expression of interest to the Agency, which conducts auctions to privatize state-owned land.

The initial privatization cost of state-owned, unleased agricultural land plots put up for auction is determined by GoG's administrative and territorial units. If state-owned outbuildings, ancillary structures, and perennial plants are located on the state-owned, unleased agricultural land plot, the land plot is auctioned only for the price of the land plot, not the price of the outbuildings, ancillary structures, and perennial plants located on it.

Within 30 calendar days after the auction, the winner of the auction will pay the privatization price of the state-owned, unleased agricultural land plot and present the money to the property administrator, along with a document certifying the payment. The property administrator will issue a confirmation of the fulfillment of obligations, in part or in full, in a written or electronic form (via the website of the National Agency of State Property (www.privatization.ge), if it is a property of MoESD or the National Agency of State Property, either of which will serve as the basis for discharge or modification of obligations with the Public Registry).

The purpose of privatizing state property by direct sale or competitive direct sale is to transfer the title of ownership to the purchaser who fulfills, in good faith, the privatization conditions. The direct sale and competitive direct sale of state-owned, unleased agricultural land is carried out by a decision of GoG upon the initiation and/or recommendation of the property administrator.

In the process of preparing for privatization of a state-owned, unleased agricultural land plot by direct sale on the basis of a GoG decree, the property administrator will request applicants to submit a bank guarantees for at least 10% of the investment obligation during the timeframe between adoption of GoG decree and the conclusion of an appropriate sales agreement.

If there are multiple investment conditions or interested parties offer different bids, a competitive direct sale of the state-owned, unleased agricultural land plot is carried out.

Proposals from parties interested in purchasing the property will be reviewed by the property administrator or, in special cases, GoG, and the respective entity will decide upon appropriate measures to carry out a competitive direct sale.

For a competitive direct sale, a property administrator or, in special cases, GoG, will publish its decision on the privatization conditions in the national and/or international media and will determine the time limit for expression of interest, which normally must not be less than 30 calendar days. If a delay in the sale may damage the state and/or public interests, the time limit may be reduced by GoG, as long as there is sufficient publicity to notify potential investors.

The property administrator will review applications submitted after the deadline for expression of interest and will submit substantiated proposals to GoG (and the National Agency of State Property, through MoESD) for the competitive direct sale of the state-owned, unleased agricultural land plot. A decision on the direct sale of the land plot will be made by GoG.

For a competitive direct sale, in order to ensure the fulfilment of the privatization conditions, interested parties will, before expiration of the deadline for expression of interest, provide unconditional and irrevocable bank guarantees or deposit a sum in an appropriate account in the amount of 10% of the asking price for the state-owned, unleased agricultural land plot.

If the conditions for privatization of a state-owned, unleased agricultural land plot contain investment obligations, the bank guarantee specified above will be submitted or the sum will be deposited into an appropriate account to ensure the privatization obligations are completed. If the amount of the offered investment exceeds the cost of the state-owned, unleased agricultural land plot, the unconditional and irrevocable bank guarantee or deposited sum must be equivalent to 10% of the offered investment amount. In the event of failure to meet the privatization conditions, the deposited sum will be transferred to Georgia's State Budget.

If a sales agreement with investment obligations and/or privatization conditions has been entered into by the respective parties, the unconditional and irrevocable bank guarantee or deposited sum will be used for the following purposes:

- In a direct sale, if a precondition for privatization is an investment obligation, the purchaser will submit an unconditional and irrevocable bank guarantee for at least 10% of the investment obligation during the timeframe between adoption of GoG decree and the conclusion of an appropriate sales agreement;
- In the case of an auction, one month before the auction, the validity of the unconditional and irrevocable bank guarantee will be extended to at least four months longer than the timeframe for fulfillment of the investment obligation.

The amount of an unconditional and irrevocable bank guarantee may be reduced by GoG. Additionally, GoG may make a decision on the competitive direct sale of a state-owned, unleased agricultural land plot without the measures specified above.

Note: The obligation to submit an unconditional and irrevocable bank guarantee or deposit does not apply to purchasers who are granted state-owned immovable property through privatization in relation to the construction of power plants, according to an agreement entered into with GoG.

Additional conditions include:

- a. For privatization by direct sale or competitive direct sale on the basis of a GoG decree, the price of the land and the procedures for payment will be determined by GoG;
- b. Procedures for the competitive direct sale of state-owned property do not apply to immovable property transferred for use and/or on the books of a state authority or LEPL;
- c. Agricultural land within the boundaries of recreational areas and within the boundaries of Tbilisi and Batumi and other agricultural lands are subject to land category change;
- d. Agricultural land plots outside of recreational areas are not subject to land category change if the purchaser constructs a house, agricultural, or auxiliary buildings;

- e. Agricultural land plots should be transferred into a nonagricultural land category:
 - In case of public need;
 - In case of necessity to use such land for nonagricultural purposes.
- f. Legal entities pay the fee amount for the land category change only if the land is in the administrative boundaries of a recreational area or Tbilisi and Batumi;
- g. If agricultural land is within the borders of a recreational area, the fee amount for the land category change will be 100,000 GEL per hectare;
- h. If agricultural land is within the borders of Tbilisi and Batumi, the fee amount for the land category change will be 34,001 GEL per hectare.

Damages — Land owners who incur damages due to deterioration of land quality as a result of using agricultural land for nonagricultural purposes will be compensated. The amount of compensation per hectare is specific to each municipality and cities defined in the Law of Georgia on “Compensating for Substitute Land Development Value and Sustained Damage When Allocating Agricultural Land for Nonagricultural Purposes.”

Note: According to GoG Resolution No. 57 on “Rules of Issuing Construction Permit and the Permitting Requirements,” enacted on March 24, 2009, construction in agricultural zones is limited to buildings that correspond to the functions of the territory. Accordingly, prior to applying for a construction permit, the private developer should have the land category changed to nonagricultural land.

Land Category Change — The National Agency of Public Registry of the Ministry of Justice is entitled to change the land category. The chairman of the Agency will create a commission that assesses and decides on the appropriateness of land category changes.

The commission will consider land category change requests in chronological order according to the date of registration for each change request entered into the system of the Ministry of Justice, and a conclusion on each change request will be delivered within 15 days of registration.

If the commission finds it must obtain additional information, it will suspend the matter. In such cases, the Agency will immediately ask the entity that registered the change request to provide the necessary information within 10 days. Once the information is submitted, the commission will review the applicable change request during its next meeting and deliver a conclusion.

Next, the commission will submit the conclusion to the chairman of the Agency who will make the final conclusion within five days after submission.

To register the land category change, the interested party should register the change request with the territorial offices of the National Agency of Public Registry of the Ministry of Justice.

Documents to submit when registering the change request include:

- Statement of reason for the land category change request;
- Identification documents for the initiator of the land change request;
- Statement on the public need for the land category change, with accompanying documentation, substantiated individual administrative legal acts, and/or a substantiated statement by the authorized body that owns the agricultural land plot;
- Confirmation of fee payment for the land category change, if necessary;
- Confirmation of service fee payment, typically 50 GEL.

The registration period starts the day after the land category change request has been submitted to the applicable office of the National Agency of Public Registry of the Ministry of Justice. The registration period ends at 9 pm on the last working day of the registration period.

If the land category change request is submitted no later than 12 pm on a working day, and the change must be performed within one working day after submission, the registration period will end at 9 am on the last working day of the registration period. If the land category change request is submitted after 12 pm on a working day, the registration period will end on the last working day of the registration period.

If the last day of the registration period coincides with a holiday, the next working day will serve as the last day of the registration period.

Responsible Party	MoESD and the National Agency of Public Registry of the Ministry of Justice
Requirements	When applying for a land category change, the National Agency of Public Registry of the Ministry of Justice may require additional information necessary for registration of property rights.
Regulations	Law of Georgia on "State Property," enacted on July 21, 2010; Law of Georgia on "Compensating for Substitute Land Development Value and Sustained Damage When Allocating Agricultural Land for Nonagricultural Purposes," enacted on October 2, 1997 (to be abolished and replaced on July 1, 2020); Order No. 487 of the Minister of Justice of Georgia on "Approval of Instruction of Public Registry," enacted on December 31, 2019; Constitution of Georgia; Law of Georgia on "Agricultural Land Ownership," enacted on June 25, 2019.
Validity	N/A
Fee	50 GEL to register the land category change request
Timeline	Not Specified
Stage	Phase B - After concluding PPP agreement

CONSTRUCTION PERMIT AND CONSTRUCTION

Description	<p>To obtain a construction permit, the permit seeker must submit an application and accompanying documentation to the applicable self-governing body, such as the Tbilisi Architecture Service.</p> <p>Self-governing bodies issue construction permits for Class II, Class III, and Class IV buildings and structures. If the construction is taking place in Tbilisi, the permit is issued by the Tbilisi Architecture Service, which is an LEPL under the Tbilisi Mayor's Office. MoESD's Technical and Construction Supervision Agency issues construction permits for Class V buildings and structures, including radioactive and nuclear plants. Buildings and structures are grouped into the following five classes:</p> <p>Class I buildings include:</p> <ul style="list-style-type: none"> - Structures with a volume of less than 20 meters³, height less than 10 meters, and subsurface depth less than 10 meters on average; - Structures that span less than 5 meters; - Fences with a height of less than 2.2 meters from the surface of the soil; - Hydropower, solar, and biogas plants with a capacity of less than 50 kilowatts (kW); - Communication lines laid using existing infrastructure; - Electricity transmission lines of 35 kilovolts (kV). <p>Class II buildings include:</p> <ul style="list-style-type: none"> - Structures with a volume up to 60 meters³, height of 10 meters to 15 meters, and subsurface depth of 10 meters to 15 meters; - Structures that span less than 7 meters; - Fences with a height of less than 4 meters from the surface of the soil; - Water reservoirs with a volume up to 1,000 meters³; - Tanks for liquid substance storage with a total volume up to 100 meters³. <p>Class III buildings include:</p> <ul style="list-style-type: none"> - Structures with a volume up to 200 meters³ height up to 30 meters, and subsurface depth up to 20 meters; - Structures that span up to 12 meters; - Water reservoirs with a volume of 1,000 meters³ to 10,000 meters³; - Electrical substations with a capacity of 35 kV to 110 kV; - Hydropower plants with a capacity of 1,000 kW to 10,000 kW connected to a 35 kV to 110 kV network; - Hydro, wind, and geothermal power plants with a capacity of 50 kW to 1,000 kW. - Oil and liquefied gas storage tanks with a volume of 100 meters³ to 500 meters³. <p>Class IV buildings include:</p> <ul style="list-style-type: none"> - Structures with a volume of 200 meters³ to 1,000 meters³, height of 30 meters to 50 meters, and subsurface depth of 20 meters to 30 meters;
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	<ul style="list-style-type: none"> - Structures that span 12 meters to 24 meters; - Water reservoirs with a volume of 10,000 meters³ to 100,000 meters³; - Electrical substations with a capacity of 220 kV; - Transmission lines between 110 kV to 220 kV; - Hydropower plants with a capacity of 10 MW to 50 MW; - Oil and liquefied gas storage tanks with a volume of 500 meters³ to 1,000 meters³. <p>Class V buildings include structures of special importance, such as:</p> <ul style="list-style-type: none"> - Structures with a volume of more than 1,000 meters³, height more than 50 meters, and subsurface depth more than 30 meters on average; - Structures that span more than 24 meters; - Industrial facilities for hazardous industrial processes; - Tunnels and underground rail; - Hydropower plants with a capacity exceeding 50 MW; - Electrical substations with a capacity of 330 kV and above; - Power plants connected to 330 kV transmission lines and above; - Main (i.e., magistral) pipelines, including gas pipelines; - Mines. <p>Relevant administrative bodies issue construction permits through three stages:</p> <p>Stage I — Determination of construction terms is completed within 12 days from the date of submission of the permit application and approval of terms for usage of a land plot for construction, annexed with the required documents. Stage I is completed within 15 days for Class IV buildings; Bakhmaro, Bakuriani, and Ureki recreational territories; and construction (except Class V) requiring ecological expertise. Stage I is completed within 30 days for Class V buildings.</p> <p>Stage II — Agreement on the architectural-construction project is completed within 18 days from the date of submission of the permit application. Stage II is completed within 20 days for Class IV and Class V buildings; Bakhmaro, Bakuriani, and Ureki recreational territories; and Class V buildings that require ecological expertise.</p> <p>Stage III — Permit issuance is completed within five days of the submission date of the permit application, except Class V permits, which are issued within 10 days.</p> <p>Exceptions to Stages: It is not necessary to go through Stage I if the territory where construction is planned is included in the Development Regulation Plan (DRP), unless the DRP does not include all required terms. The DRP defines the particular zoning requirements and restrictions of the territory, as well as construction parameters, a map of main and local water networks, a map of the power and natural gas supply, and a map of main and local road and street networks. The construction terms are determined by the DRP.</p> <p>The permit seeker may choose a simplified two-stage process that allows the private entity to combine Stage II and Stage III and submit the documentation required for both stages at the same time. For this simplified process, Stage I is completed within 12 days, and Stage II is completed within 20 days. For Class IV and Class V buildings; Bakhmaro, Bakuriani, and Ureki recreational territories; and construction requiring ecological expertise, Stage I is completed within 15 days.</p> <p>After obtaining a construction permit, the private developer can start construction work.</p>
Responsible Party	MoESD, Technical and Construction Supervision Agency, and local self-government bodies.
Requirements	None
Regulations	GoG Resolution No. 57 on “Rules of Issuing of Construction Permit and the Permitting Requirements,” enacted on March 24, 2009; GoG Resolution No. 257 on “Rules for Issuing Permits for Construction of Objects of Special Importance (Including Radiation and Nuclear Facility Permit Conditions),” enacted on May 31, 2019; Law of Georgia on “Licenses and Permit Fees” enacted on August 12, 2003; Law of Georgia on “Local Fees” enacted on May 29, 1998. GoG Resolution No. 255 on “Approval of the Procedure and Conditions for Issuing Construction Permit and Commencement of Operation,” enacted on May 31, 2019.

Validity	Construction permit is issued for a reasonable validity based on the information provided in the construction performance documentation. The construction permit becomes effective on the day construction work begins based on the construction organization project.
Fee	Electricity generation facility and transportation permit fee is 200 GEL (per the Law of Georgia on Licensing and Permit Fees, enacted on December 8, 2003). For Class II to Class IV buildings, the construction permit fee is calculated in accordance with the Law of Georgia on Local Fees. For Class V buildings: <ul style="list-style-type: none"> • Building-structure value that does not exceed 500,000 GEL -1,000 GEL + 0.5% of the value; • Building-structure value that ranges from 500,000 GEL to 1,000,000 GEL- 8,000 GEL • Building-structure value that ranges from 1,000,000 GEL to 3,000,000 GEL - 14,000 GEL; • Building-structure value that ranges from 3,000,000 GEL to 5,000,000 GEL - 19,000 GEL; • Building-structure value that ranges from 5,000,000 GEL to 10,000,000 GEL - 24,000 GEL; • Building-structure value that exceeds 10,000,000 GEL to 24,000 GEL + 0.01% of the value.
Timeline	60 working days
Stage	Phase B - After land clearance and preparation of detailed design

GRID CONNECTION

Description	<p>If the private developer wants the project connected to the power transmission grid, the private developer must apply to the transmission and dispatch licensee, Georgian State Electrosystem (GSE), and sign a grid connection agreement with the GSE.</p> <p>Power transmission grid connection will be carried out in two stages:</p> <ol style="list-style-type: none"> 1. Stage I — The private developer will submit an application for grid connection and supporting documents per the Grid Code to the transmission licensee who will review the documents with the dispatch licensee and make an offer to the private developer. In case of grid connection refusal, the transmission licensee is responsible for delivering a well-justified and referenced refusal to the private developer, the Georgian National Energy and Water Supply Regulatory Commission (GNERC) which is responsible for verifying the refusal. 2. Stage II — The transmission licensee, the dispatch licensee, and the private developer will sign a grid connection agreement. Relevant parties will perform work outlined in the technical requirements of grid connection agreement. The dispatch licensee will approve the technical project. Equipment envisaged by the grid connection agreement will be tested successfully and prepared for operation. In case of a cell arrangement in the substation of the transmission licensee: <ul style="list-style-type: none"> • Transmission licensee will be responsible for cell installation at the substation; • Dispatch licensee will ensure the installation of the communication element of the Level I Supervisory Control and Data Acquisition (SCADA) system at the substations of the private developer and transmission licensee; • All other work related to the connection will be organized and carried out by the private developer seeking connection. As a result of the cell arrangement, the connection unit (i.e., cell or bay) will be the property of the transmission licensee, while the communication element of Level 1 SCADA will belong to the dispatch licensee. In case of deep connection: <ul style="list-style-type: none"> • The connection to the transmission network limited by the consumption capacity of customer and/or generation unit capacity; - New connection to 500 kV line won't be allowed if new customer capacity for consumption and/or new generation unit capacity of power generation is less than 250 MW;
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	<ul style="list-style-type: none"> - New connection to 400 kV line won't be allowed if new customer capacity for consumption and/or new generation unit capacity of power generation is less than 200 MW; - New connection to 330 kV line won't be allowed if new customer capacity for consumption and/or new generation unit capacity of power generation is less than 150 MW; - New connection to 220 kV line won't be allowed if new customer capacity for consumption and/or new generation unit capacity of power generation is less than 50 MW; - New connection to 110 kV line won't be allowed if new customer capacity for consumption and/or new generation unit capacity of power generation is less than 10 MW; - From the above provided limitation exempted: existing connections, connections for which technical condition was issued until the 25th of July 2019, applicants which already have connection offer and applicants signed connection agreement until the 25th of July 2019¹. <ul style="list-style-type: none"> • Transmission licensee will be responsible for: <ul style="list-style-type: none"> - Designing the technical project; - Obtaining land ownership; - Acquiring any other permits necessary to bring the transmission line to the private developer's substation; - Work related to cutting and bringing the transmission line to the private developer's substation, including the procurement and installation of line commutation equipment necessary for the restoration of the integrity of the transmission line; - Install cell and metering points at the private developer's substation; • Dispatch licensee will ensure the installation of the communication element of Level I SCADA at the private developer's substation; • All costs related to the connection will be carried by the private developer seeking connection. <p>As a result of the deep connection and the constructed electricity transmission line, unit and metering points will be the property of the transmission licensee, while the communication element of Level 1 SCADA will belong to the dispatch licensee.</p> <p>Commissioning tests are the final tests to electrical equipment and installations. These tests protect mechanisms and other systems, as well as verify electrical equipment functions properly.</p> <p>All tests envisaged in the Grid Code and/or grid connection agreement will be carried out in accordance with the commissioning test schedules preapproved by the dispatch licensee. Testing should be attended by a representative of the dispatch licensee. After completion of testing, the dispatch licensee will consent to the connection or issues instruction on additional testing. In case of consent, relevant participants will be connected to the transmission network after it fulfills the requirements for transmission and dispatch services in Georgian legislation.</p>
Responsible Party	The private developer, dispatch licensee, transmission licensee, and GNERC
Requirements	Connection offer from the transmission licensee to the private developer is active for three months.
Regulations	Ordinance No. 10 of the Georgian National Energy and Water Supply Regulatory Commission on "The Approval of Network Rules," enacted on April 17, 2014; Decision No. 21/31 of the Georgian National Energy and Water Supply Regulatory Commission on "The General and Technical-Economical Criteria for the Refusal of Grid Connection and Its Assessment Methodology," enacted on March 23, 2017.

¹ Ordinance # No. 17 of the Georgian National Energy and Water Supply Regulatory Commission on "The Amendment to the Network Rules", enacted on July 25, 2019

Fee	<p>The grid connection fee is determined for 500 kV, 400 kV, 330 kV, 220 kV, 110 kV, 35 kV, 10 kV, and 6 kV lines. The grid connection fee is paid in two stages.</p> <p>Stage I of the grid connection fee:</p> <ul style="list-style-type: none"> - Fee for 6 kV, 10 kV, 35 kV is 2,500 GEL; - Fee for 110 kV is 3,000 GEL; - Fee for 220 kV and higher is 4,000 GEL. <p>Stage II of the grid connection fee, in addition to voltage, differs based on type of connection: standard (i.e., deep or nonstandard).</p> <p><u>Standard Connection Fee:</u></p> <ul style="list-style-type: none"> • Cell arrangement in open type switchyard: <ul style="list-style-type: none"> - 35 kV results in fee of 218,000 GEL. • Cell arrangement in enclosed type (i.e., factory finished) switchyard: <ul style="list-style-type: none"> - 35 kV results in fee of 300,000 GEL; - 110 kV results in fee of 560,000 GEL; - 220 kV results in fee of 819,000 GEL. • For 500 kV, 400 kV, 330 kV, 10 kV, or 6 kV, the grid connection fee is calculated based on cost estimation performed by the transmission licensee. <p><u>Deep Connection Fee:</u></p> <ul style="list-style-type: none"> • Single circuit: <ul style="list-style-type: none"> - 35 kV results in fee of 178,000 GEL; - 110 kV results in fee of 352,000 GEL; - 220 kV results in fee of 428,000 GEL. • Double circuit: <ul style="list-style-type: none"> - 35 kV results in fee of 260,000 GEL; - 110 kV results in fee of 517,000 GEL; - 220 kV results in fee of 677,000 GEL. • Cost of 1 km cable line: <ul style="list-style-type: none"> - 35 kV results in fee of 199,000 GEL. <p><u>Nonstandard Connection Fee:</u></p> <ul style="list-style-type: none"> • The private developer is responsible for all costs associated with work related to the grid connection, as well as work related to the enhancement (i.e., reconstruction) of the network (i.e., fully or partially).
Timeline	<p>Stage 1 will continue for 35-65 working days based on the nominal voltage of connection requested by the private developer.</p> <p>Stage 2 will be completed within the terms of the agreed-upon grid connection agreement.</p>
Stage	Phase C – After obtaining construction permit
GENERATION LICENSE	
Description	<p>To obtain a generation license, the private developer must submit a written application to GNERC that includes:</p> <ol style="list-style-type: none"> a. Extract from State Register; b. Extract from Public Registry on ownership, use of generation facilities, cadastral map; c. Conclusion on conformity with state standards and norms of the technical condition of the generation facility issued by State Inspection of Technical Supervision of Georgia; d. List of assets and the valuation of the enterprise (i.e., audit); e. Technical condition issued by the relevant transmission and distribution licensee; f. Permit conditions and environmental decision issued by MEPA; g. Electric network scheme relevant to the requested license. <p>The private developer is responsible for the accuracy and completeness of the information included with the generation license application. The commission will review the private developer's application and make a decision within 20 days.</p> <p>Note: Small power plants are exempt from the generation license requirement.</p>
Responsible Party	GNERC

Requirements	The application shall be accompanied by: <ul style="list-style-type: none"> a. Extract from State Register; b. Extract from Public Registry on ownership, use of generation facilities, cadastral map; c. Conclusion on conformity with state standards and norms of the technical condition of the generation facility issued by State Inspection of Technical Supervision of Georgia; d. List of assets and the valuation of the enterprise (i.e., audit); e. Technical condition issued by the relevant transmission and distribution licensee; f. Permit conditions and environmental decision issued by MEPA; g. Electric network scheme relevant to the requested license.
Regulations	Ordinance No. 23 of the Georgian National Energy and Water Supply Regulatory Commission on "Approval of Licensing Rules for Electricity and Natural Gas Sector," enacted on September 18, 2008; Law of Georgia on Energy and Water Supply, enacted on December 20, 2019; Ordinance No. 24 of the Georgian National Energy and Water Supply Regulatory Commission on "Approval of Rules on Calculation of Regulation Fee and Payment in Electricity Natural Gas and Water Supply Sector," enacted on July 31, 2019.
Validity	Designed operational period of generation facility
Fee	$R=Q \times K$ Regulatory fee (R) Supplied electricity (Q) Regulation fee coefficient (K) = 0.002
Timeline	20 days
Stage	Phase C - After grid commissioning testing performed by dispatch licensee

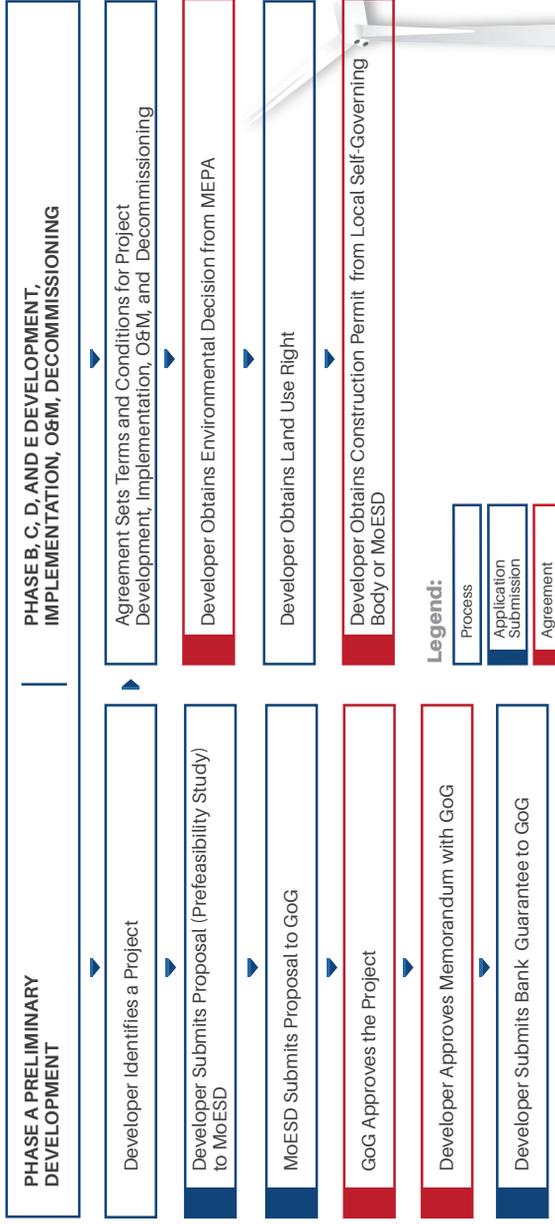
Phase D - Operation and Maintenance

COMMERCIAL COMMISSIONING	
Description	After successful completion of the testing period, approved by the appropriate acts issued by GSE, (i.e., the dispatcher licensee), the private developer has the right to commence commercial operations based on its registration as qualified entity by the Electricity Market Operator (ESCO).
Responsible Party	The private developer and GSE
Requirements	To meet technical specifications defined by GSE
Regulations	Ordinance # 10 of the Georgian National Energy and Water Supply Regulatory Commission on "The Approval of Grid Connection Rules," enacted on April 17, 2014.
Validity	N/A
Fee	None
Timeline	N/A
Stage	Phase D - After obtaining generation license

PHASE E - DECOMMISSIONING

DECOMMISSIONING	
Description	The private developer must obtain a permit for decommissioning work. The procedure for obtaining such a permit is the same as that described in "Phase C - Construction Permit and Construction."
Responsible Party	The private developer or MoESD
Requirements	Permit to demolish Class II and Class III buildings will be issued based on a project document. Permit to demolish Class IV and Class V buildings will be issued based on a project document and the relevant expert conclusion.
Regulations	GoG Resolution No. 57 on "Rules of Issuing of Construction Permit and the Permitting Requirements," enacted on March 24, 2009.
Validity	N/A
Fee	N/A
Timeline	N/A
Stage	Phase E - End of project life cycle

VRE POWER DEVELOPMENT IN GEORGIA UNDER BOO LEGISLATION



VRE - Variable Renewable Energy **BOO** - Build-Own-Operate **O&M** - Operation and Maintenance **MoESD** - Ministry of Economy and Sustainable Development of Georgia **GoG** - Government of Georgia **MEPA** - Ministry of Environment Protection and Agriculture of Georgia

PHASE A - PRELIMINARY DEVELOPMENT

PROJECT IDENTIFICATION AND SUBMISSION TO MOESD	
Description	<p>The private developer will identify the project and submit it to MoESD using a written application that includes the following information:</p> <ul style="list-style-type: none"> - Name of the ministry; - Information about the private developer (e.g., name, identification, phone number); - Request, including statement on candidate's refusal to implement a PPP project; - Request to protect confidentiality of submitted documents, if required; - Date application is submitted; - Private developer's signature; - List of documents attached to the application. <p>The private developer will attach a technical-economic prefeasibility study to the application that contains the following data:</p> <ul style="list-style-type: none"> - Location and main parameters of the project; - Topographic map of the potential construction site (scaled to 1:25,000); - Geological data and map of the site (based on materials available in the data fund); - Seismic data and seismic map of the territory; - Hydrological and meteorological data, including wind parameter observations for wind farms and solar parameter observations for solar power plants; - Energy generation model (forecasted generation); - Initial assessment of environmental impact; - Possible grid connection scheme and the grid's capacity to receive generated electricity; - Information about infrastructure (i.e., existing roads and roads under construction) shown on topographic maps that specify presumable distances; - Forecasted cost estimate; - Economic report (i.e., analysis of the project's economic characteristics, as well as investment volume, period, and credit interest). <p>The private developer should provide all documents as hard copies and electronic versions.</p> <p>The private developer should submit a bank guarantee within 30 calendar days after signing the agreement.</p>
Responsible Party	The private developer
Requirements	MoESD may request additional information from the private developer
Regulations	Rules and Conditions for Submitting to the Ministry of Economy and Sustainable Development and Reviewing the Proposals on Conducting Construction Feasibility Studies, Construction, Ownership, and Operation of those Power Plants that Are not Public-Private Partnership Projects," enacted on October 31, 2018.
Validity	N/A
Fee	N/A
Timeline	Not specified
Stage	Phase A - Preliminary Development

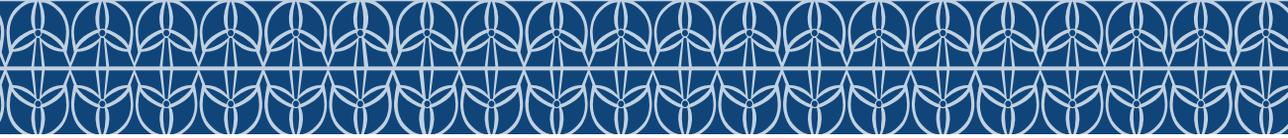
PROPOSAL REVIEW AND SUBMISSION TO GOG

Description	<p>MoESD will check the proposal and submitted documents to ensure they conform with the requirements of the application and prefeasibility study.</p> <p>If the application or attached documents do not contain requested information, MoESD will provide the private developer with reasonable time to submit the proper documents. If the private developer fails to provide the necessary documents within the defined time-frame, MoESD will not review the application.</p> <p>MoESD will review the application no later than one month after submission. If needed, the application review period can be extended, but may not exceed three months.</p> <p>The project implementation entity may request MoESD honor confidentiality of submitted proposal (corresponding documents).</p> <p>If the proposal and corresponding documents also satisfy active legislation, MoESD will submit the package to GoG for a decision.</p>
Responsible Party	MoESD
Requirements	None
Regulations	Rules and Conditions for Submitting to the Ministry of Economy and Sustainable Development and Reviewing the Proposals on Conducting Construction Feasibility Studies, Construction, Ownership, and Operation of those Power Plants that Are not Public-Private Partnership Projects,” enacted on October 31, 2018.
Validity	N/A
Fee	N/A
Timeline	One to three months
Stage	Phase A - Preliminary development

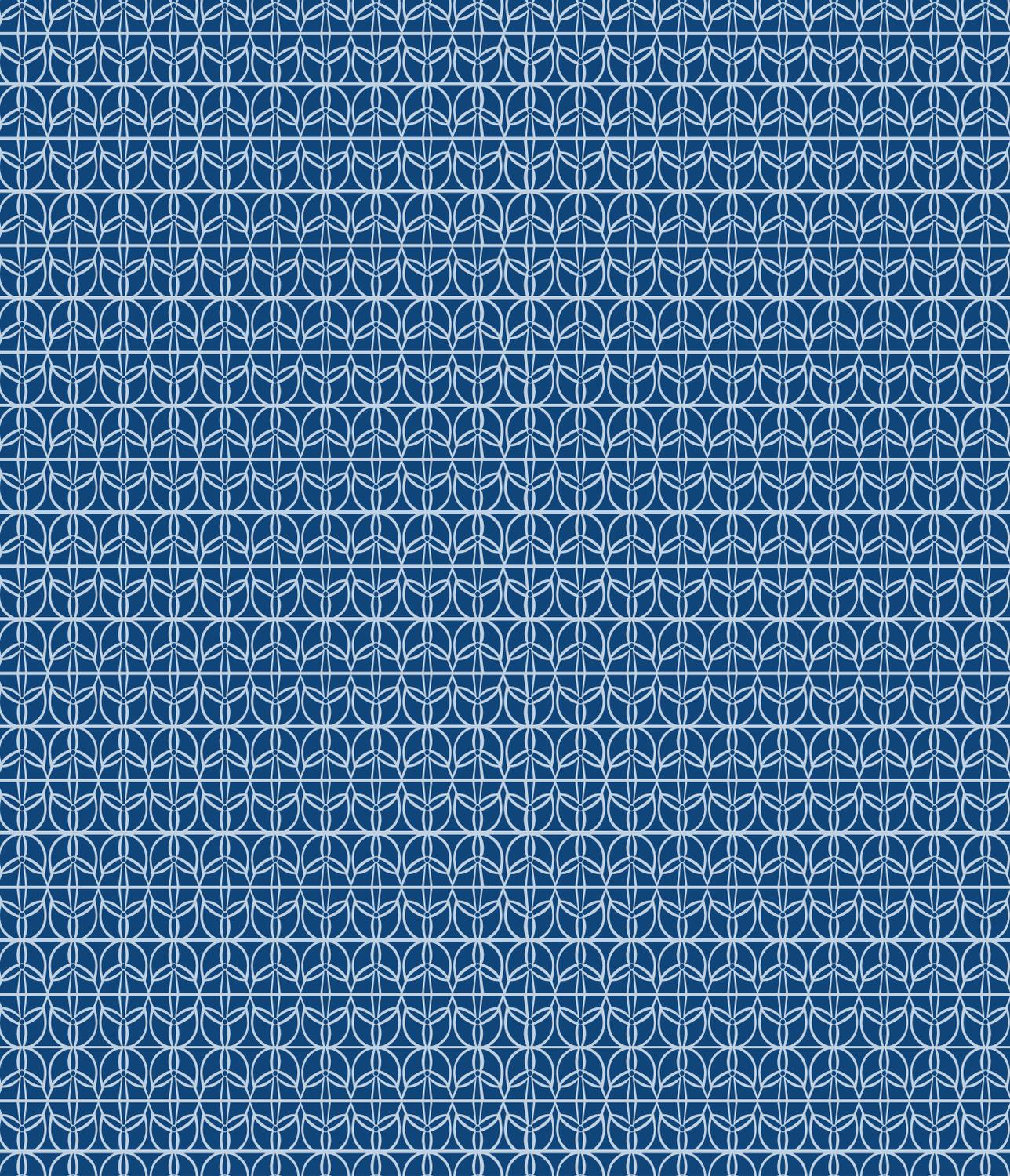
PHASE B, C, D, AND E - DEVELOPMENT, IMPLEMENTATION, O&M, DECOMMISSIONING

Decision of GoG and Agreement Signing

Description	<p>If GoG approves the submitted proposals, a corresponding legal statute will be issued after which an agreement will be signed between GoG and the private developer.</p> <p>The agreement may contain provisions for other issues agreed upon between the parties. Several agreements may be signed to conduct feasibility studies on wind farm and solar power plant construction on the same territory and/or part of the same territory. All parties of the agreement will be informed in writing.</p> <p>GoG will sign the agreement within three months after issuing a corresponding legal act.</p> <p>To secure implementation of obligations under the agreement, the private developer will submit to MoESD a preconstruction or construction guarantee in favor of GoG, issued in any Organization for Economic Cooperation and Development (OECD) member countries and/or or by a bank licensed in Georgia. Bank guarantees may be submitted after signing the agreed-upon terms between the parties, but no later than 30 days after signing the agreement.</p> <p>The preconstruction guarantee is a bank guarantee calculated based on the total installed capacity of the power plant, typically 5,000 US dollars (USD) for each MW or its equivalent in euros (based on the exchange rate set by the National Bank of Georgia at that time).</p>
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	<p>Amount of bank guarantee should be:</p> <ul style="list-style-type: none"> • 5,000 USD per MW; • 100,000 USD per MW (i.e., 100 MW power plants or power plant cascades); • 50,000 USD per MW (for power plants or power plant cascades of more than 100 MW) or its equivalent in euros (based on the exchange rate set by the National Bank of Georgia at that time). <p>The agreement may consist of a preconstruction phase and/or a construction phase.</p> <p>After the agreement is signed, for project implementation purposes and based on the request of the private developer, GoG will give the private developer reciprocal rights to purchase state-owned land within the project site. Such rights are necessary for project implementation, in compliance with the rules provided by Georgian legislation that private developers will fully comply with the requirements and conditions of Georgian legislation and the agreement.</p> <p>For project implementation purposes and based on the request of a private developer, if appropriate, GoG, within its competence, will help the private developer receive the licenses or permits necessary for the project implementation. The private developer will comply with the corresponding license or permit conditions in compliance with active legislation.</p>
Responsible Party	GoG, MoESD
Requirements	Bank Guarantee
Regulations	Rules and Conditions for Submitting to the Ministry of Economy and Sustainable Development and Reviewing the Proposals on Conducting Construction Feasibility Studies, Construction, Ownership, and Operation of those Power Plants that Are not Public-Private Partnership Projects,” enacted on October 31, 2018.
Validity	N/A
Fee	N/A
Timeline	Three months after GoG issued a legal act on acceptance of proposals
Stage	Phase B, C, D, and E - Development, implementation, O&M, decommissioning



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