



## **MINISTRY OF ENERGY**

# **Renewable Energy Auctions Policy**

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## Table Of Contents

<b>Definitions .....</b>	<b>2</b>
<b>Introduction .....</b>	<b>4</b>
<b>Objectives of the Policy .....</b>	<b>4</b>
<b>Transition from FIT scheme .....</b>	<b>4</b>
<b>Site Selection and Preparation of Sites.....</b>	<b>4</b>
<b>Auction Mechanism.....</b>	<b>4</b>
<b>Stage 1 - Preliminary Evaluation.....</b>	<b>5</b>
<b>Stage 2 - Detailed Technical and Financial Evaluation .....</b>	<b>5</b>
<b>Detailed Technical Evaluation.....</b>	<b>5</b>
<b>Financial Evaluation .....</b>	<b>6</b>
<b>Connection obligations.....</b>	<b>6</b>
<b>Review of REAP .....</b>	<b>6</b>

## Definitions

In this Renewable Energy Auctions Policy (REAP), unless the context otherwise requires, the following capitalised words shall have the following meanings:

- i. **"Agreement" or "PPA"**: Power Purchase Agreement means the agreement between the Investor and the Off-taker together with any related agreement(s) and approved by the Energy and Petroleum Regulatory Authority (EPRA);
- ii. **"Commissioning"**: the conduct of tests necessary to put an interconnection facility, Unit or the Plant (as the case may be) into operation, and supply to the grid;
- iii. **"Commercial Operation Date"** – the date on which the plant is available for commercial operation after Commissioning.
- iv. **"Contracting Authority"**: Means a state department, agency, state corporation or county government which intends to have a function undertaken by it performed by a private party.
- v. **"EPRA"**: Refers to Energy and Petroleum Regulatory Authority as defined in the Energy Act No. 1 of 2019
- vi. **"FiT Policy"**: refers to the Feed-in-Tariff Policy.
- vii. **"Feed-in-Tariff power plant"**: refers to renewable energy power plant procured under this policy also referred to as "Plant"
- viii. **"Grid Connection Agreement (GCA)"**: means an agreement between the independent power producer (IPP) and network owner/operator that set out the terms and conditions on which the plant connected to and use the network.
- ix. **"Integrated National Energy Plan (INEP)"**: refers to the national energy plan in respect of coal, renewable energy and electricity developed by the Cabinet Secretary for the time being responsible for Energy pursuant to section 5 of the Energy Act 2019.
- x. **"IPP"**: Refers to the Independent Power Producer
- xi. **"kW"**: abbreviation for kilowatt where one (1) kW is equal to one thousand (1000) Watts
- xii. **"kWh"**: abbreviation for kilowatt hour where one (1) kWh is equal to one thousand (1000) Watt-hours;
- xiii. **"Least Cost Power Development Plan (LCPDP)"**: The national power development plan as updated from time to time covering a specified time period or its successor.

- xiv. **“MoE”**: Refers to the Ministry of Energy
- xv. **“MW”**: abbreviation for megawatt being one thousand (1,000) kW;
- xvi. **“Off-Taker”**: the buyer of electrical energy for the purpose of selling the electricity to consumers connected to the national grid.
- xvii. **“RE”**: Refers to Renewable Energy
- xviii. **“Project Agreement”**: means a contract concluded between a contracting authority and a private party, and includes any ancillary agreement entered into by the parties in relation to an agreement.

## **Introduction**

1. This REAP outlines the approach to renewable energy procurement in Kenya based on competitive auctions. The policy applies to all Solar and Wind power projects, as well as other RE projects larger than 20MW.
2. The Feed-in Tariffs (FiT) policy will continue to apply for projects not exceeding 20MW in Biomass, Biogas and Small Hydro technologies. Geothermal projects will be procured under the Policy on Licensing of Geothermal Greenfields.
3. These auctions will be announced by MoE upon advice by the LCPDP/INEP Committee on the appropriate timing and targeted capacity.
4. The Ministry of Energy (MoE), through the Renewable Energy Auctions committee, will be responsible for the implementation of this Policy.

## **Objectives of the Policy**

5. The primary objective of this policy is to procure RE capacity at competitive prices and aligned to the Least Cost Power Development Plan (LCPDP)/Integrated National Energy Plan (INEP).
6. The Energy sector has identified a number of areas which could benefit from localised generation that would provide voltage support, improve power quality and stimulate demand growth.

## **Transition from FIT scheme**

7. The FIT scheme has been running since 2008 so there has been considerable opportunity for developers to exploit opportunities and lock in the published FiT levels. No further solar PV and wind projects, as well as other RE projects larger than 20MW, will be eligible under FIT Policy.
8. All approved solar and wind Expression of Interests (EOIs) under the FIT Policy that have not signed PPA shall be transitioned to the Renewable Energy Auction framework.

## **Site Selection and Preparation of Sites**

9. The MoE will outline requirements for site selection in order to participate in the auctions.
10. The MoE will avail any information they may have on resource assessments and any other relevant studies to assist the developers prepare their proposals.

## **Auction Mechanism**

11. The auction mechanism will be based on a two - stage bidding process:

- a) Stage 1 is the prequalification stage during which preliminary evaluation will be undertaken.
- b) Stage 2 is the request for proposal stage which will entail a detailed technical and financial evaluation on the project's deliverability.

### **Stage 1 - Preliminary Evaluation**

12. This is the preliminary stage of evaluation and bidders will be required to demonstrate that:
  - a. The bidders and their key project partners have access to the requisite experience to implement the project;
  - b. They have sufficient financial capability
  - c. They are able to provide a Stage 1 bid bond as specified in the bid documents.
  - d. The proposed technology, preliminary design/configuration, scale and annual energy is viable and consistent with the site constraints as outlined in the maximum MW export rating from the site;
  - e. Confirmation of land rights/access for plant and interconnection infrastructure.
  - f. Proposed grid connection route.
  - g. Provision of Bidders' constitutional documents.
13. Bidders passing this stage would then be invited to submit a full proposal. The Stage 1 bid bond will be returned to bidders who are unsuccessful at this stage.

### **Stage 2 - Detailed Technical and Financial Evaluation**

#### **Detailed Technical Evaluation**

14. In this Stage, bidders will be required to submit a bid/proposal in response to Request for Proposal (RfP) and a sealed price bid which will be kept un-opened until the bidder passes this stage 2 evaluation.
15. In addition, they will be required to submit Stage 2 bid bond as specified in the bid document. The Stage 1 bid bond will thereafter be returned to bidders who progress to this stage.
16. Non-compliant bids with incomplete/invalid documentation and/or unsupported entries would be rejected, unless the issues can be addressed through clarification. A limited time window would be set for clarifications.
17. The Stage 2 bid bond will be returned to bidders who do not progress past this stage.

## **Financial Evaluation**

18. Bidders who qualify in technical evaluation will have their bid prices opened in the presence of bidders who choose to attend the opening.
19. The bids, which will be on a USD/kWh basis, will be stacked in ascending price order until the target volume is achieved.
20. The successful bidders will be invited for negotiations with the contracting Authority.
21. Upon successful negotiations, bidders will be required to enter into a Project Agreement. Failure to sign the Project Agreement, the Stage 2 bid bond shall be forfeited.

## **Connection obligations**

22. Developers will be required to undertake grid connection study which shall take into consideration existing and other approved generation projects as well as planned infrastructural projects likely to impact on the grid in the same locality. The study shall require to be approved by the Renewable Energy Auctions Committee.
23. The costs of interconnection, including the costs of construction, upgrading of transmission/distribution lines, substations, associated equipment and way-leave acquisition are to be borne by the developer.

## **Review of REAP**

24. This REAP shall be subject to review every five years from the date of publication. However, a policy review may be undertaken earlier than five years in exceptional cases. Any changes made during such reviews shall only apply to RE power plants that shall be developed after the revised guidelines are published.