EE Projects Step-by-Step

EE Projects Development and Implementation is broken down in 3 stages and 17steps

EE Projects Selection

1. Preliminary EE projects identification: By the municipality, assisted by the PMU
2. Energy Audits for up to 30-40 sites: by Chisinau municipality (in the first two years (in stages), financed by the municipality out of their annual budget)
3. Pre-selection of 20 EE projects sites (project portfolio) based on the EAs: By the municipality, assisted by the PMU and with involvement of EEF (EEF is pre-screening eligibility for grants)
4. Request for Qualification (RFQ) (screening criteria: technical and financial capacity) launched by the municipality[1]
5. Establishment of the short-list of ESCOs (only if 2 stage process): By the municipality, assisted by the PMU and with involvement of the EEF. In the case of a 100% LG, at this stage the partner bank will also screen the RfQ submissions and give a preliminary statement of “creditworthiness” of the respective ESCO (as a criterion for pre-qualification). In case of a multiplier applicable to the LGF, the screening by the banks comes at step 11.

ESCOs short-list (RFQ) and RFP

6. Request for Proposals: EE projects implementation (tenders in lots of around 4 EE projects): by the municipality with PMU assistance. The same procedure will be repeated around 5 times during project implementation. The bidding ESCOs will be required to carry out FSs[2] for each project site in the lot as part of bidding documentation (own contribution);
7. FSs to be screened also by the EEA (quality control)
8. Selection of the winning ESCO by the municipality based on the FS and cost only (with PMU as part of the selection committee, and e.g. EEA etc.)
9. ESCO is notified after the FS approval by the PMU and Municipality, after which the ESCO will draft the bankable documents to be submitted to EEF and the FI.
10. In parallel, based on the FS, the LGF Committee (composed of municipality, PMU, EEA) will make a recommendation to FI and EEF

[1] It remains to be clarified whether this two stage process is in line with the national procurement legislation. Further it has to be decided whether the RfQ is done on a rolling basis (an open list) or how often it is repeated during project implementation. Further this stage might not be needed e.g. if we provide an open training to all ESCOs and have an open tender. The argument for the short-listing is however that short-listed ESCOs might be more likely to invest in FS upfront from their own resources. Further this stage allows pre-screening of the ESCOs by the FIs and EEF.

[2] For the financing of Feasibility Studies 3 Options were discussed: 1) FS is only done by the selected ESCO; 2) FS are done by all the short-listed ESCOs which are bidding; 3) FSs are requested as part of the bidding process in an open tender.

EPC implementation and Repayment

11. Project financing arrangement with the FI (loan, backed by the LGF) and EEF (project-based grants for EE investments and potentially loan guarantee) based on bankable documents and FS: By the ESCO. EEF and FI individually assess and approve the projects by their own mechanisms.
    [If rejected by EEF and/or FI, the project will be dropped (if no other financing is found)]
12. EE Projects implementation approval (EPC signature): By Chisinau municipality.
13. Equipment installations and EE improvements: By ESCO; at this stage FS, equipment and installation costs are fully reimbursed to ESCO: By the FI.
14. EE Project Commissioning (site-based): By Chisinau municipality. Completion report by ESCO.
15. Equipment ownership is transferred to Chisinau municipality.
16. 2 heating seasons M&V and quarterly reports: By ESCO [approach to be further consulted including the necessary provisions in the EPC templates etc. [3]]
17. Stream of Payments to ESCO: Remaining payment to ESCO (M&E services + soft costs and profit: about 20% of the Investment cost), paid off over the payback period after the project commissioning: by municipality to ESCO (via the partner bank). The Whole Project Cost payments stream to FI: After the project commissioning, Quarterly standing payments by municipality (directly to FI)

[3] The ESCO expert's recommendation is that after the first year the repayment will be based on the proven savings in the first year (meaning only one year of M&V). The advantage is reduced transaction cost and to secure the payment stream to the FI (and the ESCO). The national draft ESCO regulation however foresees that M&V has to be done every year.