

Development Plan

- **Project Development Agreement**
 - Similar to a “Shareholders’ Agreement”
 - Defines roles, responsibilities, expectations, management structure, decision-making
 - Timelines, budgets, projections
- **Why needed now**
 - Numerous interconnected issues need centralized management to effectively consider and process

Some Important Decisions

- Developer entity composition
- Power plant ownership entity
- Gas plant ownership entity
- Almost always want special purpose new companies (because of historical debts)
- Licensing – is the project an IPP or a DABM asset, when

Key Project Contracts

- Power Purchase Agreement
- Gas Supply
- Engineering, Procurement, and Construction
- Operations and Maintenance Agreement
- Heat contract (supply for Amine)
- BOT agreement/transfer conditions

- Work up from business issues, not from detailed contracts. Business issues inform contracts

Some Main Issues in Key Contracts

- Who are the counterparties
 - Experience, creditworthiness, legal standing
- Performance requirements
 - Service delivery, timeliness, what measure, when deficiency can be excused
- Payment terms, conditions, penalties
- Interface between donors, contractors, and GOA
- Dispute Resolution

Power Purchase Agreement

- Energy amount to be delivered, when
- Capacity that can be called on, capacity payment
- Power price, seasonal, time-of-day
- Minimum take, or fixed payment
- Metering

Gas Supply

- Amount of gas, quality, when delivered
- Price, indexing
- Minimum payment / ability to stop service
- Option to re-sell if gas not needed

Engineering, Procurement and Construction

- Defines plant specifications
- Performance parameters:
 - Efficiency
 - Availability
 - Capacity
- Schedule, penalties, bonuses
- Has to be coordinated with O&M contract

Operations and Maintenance Agreement

- Defines responsibilities
- Performance standards, bonuses aligned w/goals
- Can be fixed price, or time and materials
- May not need a long-term commitment
- Has to be coordinated with EPC contract

Heat contract (supply for Amine)

- Defines amount of heat energy to be supplied from power plant to gas conditioning plant
- When, price, performance standards

Interconnection Agreement

- Interconnection Service and Service Standards
- Operation and Maintenance
- Relaying – system protection
- Access to Facilities
- Billing and Payment
- Identification of the Interconnection Facilities
- Not needed if plant owned by DABM

BOT agreement/transfer conditions

- Establishes how, when, conditions to transfer power plant asset to DABM / MEW
- “Twinning:” Afghans and international experts work beside each other (as in “twins”)

Conclusions, Next Steps

- Development agreement w/pertinent parties
- Create project development entity
- Draft terms sheets for key contracts [Don't start from prior sample contracts]
- Maintain master budget

