Saudi Arabia Solar Industries Association (SASIA)

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SASIA
الجمعية السعودية لصناعات الطاقة الشمسية
SAUDI ARABIA SOLAR INDUSTRIES ASSOCIATION

5th April 2013

King Abdullah City for Atomic and Renewable Energy

RE: Feedback on Proposed Competitive Procurement Process for the Renewable Energy Program

It is clear that the King Abdullah City for Atomic and Renewable Energy (K.A.CARE) Renewable Energy Program is a world-class energy policy initiative and that the K.A.CARE whitepaper has undergone a great deal of thought and research. The Saudi Arabia Solar Industries Association (SASIA) appreciates the opportunity to contribute to this vision by providing feedback and recommendations leveraging our many members' local and international renewable energy development experiences and expertise.

Dedicated to the Kingdom of Saudi Arabia, SASIA's mission is to expand the use of all solar technologies at the national and regional level, strengthen the local Saudi Arabian solar industry and establish a vibrant renewable and clean energy industry in the Kingdom of Saudi Arabia. SASIA members, representing various stakeholders across Renewable energy supply chain (i.e. Investors, developers, manufacturers, EPC, OEMs), work together and act as a single point of contact for information and advice regarding the solar industry.

In this spirit of the collaboration, the members of SASIA have **collectively pooled their comments** on the K.A.CARE whitepaper in the attached **power point documents**.

We would welcome a chance to have **a working session** between K.A.CARE and SASIA to explain our comments and to allow for our collective members to provide their viewpoints and consolidated industry perspective to you. We look forward to working with you in the development of a leading and sustainable renewable energy sector in Kingdom.

Please don't hesitate to contact us should you need any further clarification of our comments.

Sincerely,

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SASIA Feedback on K.A.CARE CPP Proposal

Saudi Arabia Solar Industry Association

Structure

This SASIA feedback on KACARE CPP
is organized according to the Sections in the White Paper

3. Procurement Program Framework

- Training & R&D funds (2% of revenue) are too high
  - Training & R&D funds would be better spent by proponent on KACARE-approved plans (to promote SME)
- Job localization requirement (after 2 years) would be a deterrent to get traction due to (a) phasing of people i.e. more people up front in project and (b) the fine of 40k SAR per person for bottom 20%
  - Implement <20% localization of human resources for initial rounds
- Proponents should have free access to maps of existing and planned conventional power plants and national grids
- Bid timing should be technology specific; ie PV requires less timing to construct over CSP
- Technology mixes to be reviewed for the initial period. With current economics and experience curve, more projects on PV to be allocated during initial years.

4. Proposal Submission

- Inability to obtain rights of way should be covered by force majeure under the PPA
  - Suggestion: K.A.CARE to include an administration function to support proponents on rights of way, permitting issues

5. Proposal Evaluation

- The pre qualification and mandatory criteria is not set at a particularly challenging level – could lead to a higher than manageable level of bidders participating
- Options for lease or purchase are not possible under Saudi law and that it will be necessary for developers to enter into leases or purchase agreements which are capable of termination.
- Parent companies' financial strength and experience be taken into account as it is a merket practice to create special purpose vehicles to own assets
- It is not sensible to award higher points simply because a developer has financed [80]% of a project in the last [24] months.
- Remove BTM cost in the final evaluation to help develop remote areas and regional economies
- 30% overall premium is very low to develop local manufacturing sector as it is distributed among local content and development risks. It gives significant advantage to existing small number of existing IPP players
- Currently maximum points given to very small number of local IPPs – it should be extended to wider companies with energy-related experiences internationally

6. Local Content

- Overall premium of 30% is too low of which local content only share a part of it. Need to increase the figure specific to local content alone
  - As an example of a c-Si PV module: Current Chinese module price of $0.60/watt is already 30% cheaper than international benchmark of $0.78/Watt and module accounts for roughly 40% of the system cost.
  - Thus local content alone should get at least 35% of premium as at best case scenario manufacturers in Saudi can not exceed internationally benchmark price
- Current annual procurement round will not help the development of competitive manufacturing sectors;
  - Local manufacturing needs visibility of several years rather than annual procurement rounds. To stimulate the Saudi supply chain and bankable manufacturing projects - KA CARE should create several 500MW multi-year allocations to be built over a 6 year timeframe each. Such allocations would be subject to guaranteed local content and will provide better utilization of local factories
  - Each sub technology (i.e. -Si, Thin Film) within a targetted technology (PV) should be given enough scale in PPA as to build competitive manufacturing plants.
- Include other technologies: CPV, “Fresnal”
- SESC should ensure that list of local content providers is not only limited to only few players, an that it continues to be competitively
- Clarify how vertically integrated company will differ from developer in local content treatment

7. Power Purchase Agreement

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- The governing law should be English law as currently in place for conventional IPP
- "Internalized" dispute resolution is problematic and to be clarified
- Credit and specific details of guarantors related to SEPC needs to be clear and transparent
- The PPA should include force majeure provisions to include delays in securing the development assets (e.g. grid connection, permits and Government approvals), discrepancy in K.A.CARE supplied data, grid connection delays and/or failures, rights of way delays, government-imposed costs, etc.
- Periodic indexation in the PPA is required
- The payment cap related to "output > 105% of contracted amount" is very vague. It should be clarified given the context of intermittent renewable energy production. It could be normalized based on seasonal and time-of-day factors (e.g. DNI, wind) or / and with an annualized true-up calculation.
- Should provide different criteria for pre-packaged vs. self-sourced sites
- Suggest that KACARE assist developers on permitting, ROWs
- Launched phased projects to allow economics of scale and develop local manufacturing
- Estimated cost of interconnection to be included in the bid whereas actual cost can only be known after the bid submission. Risk of deviation to be addressed
- PPA after 20 years to be clarified.