

Proposed Competitive Procurement Process for the Renewable Energy Program

**(A Document Under Development)
(Invitation for Public Feedback)**

**“Discussions of Saudi policies are purely hypothetical, as such policies are subject to
change and refinement”**

Proposed Competitive Procurement Process for the Renewable Energy Program

Prepared by King Abdullah City for Atomic and Renewable Energy

2013

The Kingdom of Saudi Arabia (KSA)'s initiative to further diversify its energy mix and introduce renewable energy as a major component of that future energy mix is a strategic and an ambitious one.

King Abdullah City for Atomic and Renewable Energy (K.A.CARE) was established by a Royal Order on April 17th, 2010 with a mandate to contribute to sustainable development in Saudi Arabia in industries related to renewable and atomic energy for peaceful purposes. The K.A.CARE Charter establishes an all-encompassing approach to contributing to a sustainable energy mix that emphasizes education, research, global collaboration, local integration, commercialization and social benefit.

K.A.CARE, as the lead organization designated to lead the diversification process, is developing the necessary tools to enable a successful and sustainable energy mix. One of these important tools is the Competitive Procurement Process (CPP).

KSA's renewable energy competitive procurement program is being designed utilizing the best practices from similar procurements worldwide, and adapted uniquely to meet energy mix targets and the Kingdom's economic development objectives. It has been developed with the objective of having it ready for implementation when the need arises. Initially, the process is envisioned to consist of multiple procurement rounds preceded by an Introductory Round over a two to three year period.

The Sustainable Energy Procurement Company (SEPC), a separate standalone government-guaranteed entity, will be responsible for administering the procurement and executing and managing the power purchase agreements (PPA). Qualified proponents will be able to submit proposals electronically through the procurement website (<http://www.kacare.gov.sa/cpp>) up to the closing date for the request for proposals (RFP). The evaluation of proposals will combine price and non-price factors, enabling alignment of the CPP with the broader objectives of K.A.CARE including procurement leverage. For instance, the RFP and the PPA will contain specific rules and procedures for determining the local content of a proposal. Prior to the launch of each round, qualified proponents will have the opportunity to review and comment on draft RFPs and the terms of the PPAs, and K.A.CARE and SEPC will have the opportunity to revise the documents before the final RFP and PPA are issued.

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1 Executive Summary

The Kingdom of Saudi Arabia (KSA)'s initiative to further diversify its energy mix and introduce renewable energy as a major component of that future energy mix is a strategic and an ambitious one. K.A.CARE, as the lead organization designated to lead the diversification process, is developing the necessary tools to enable a successful and sustainable energy mix. One of these important tools is the Competitive Procurement Process (CPP).

The program will be open to new renewable generating facilities and expansions of existing renewable generating facilities. A renewable generating facility will be defined as one that produces electricity from a renewable energy source, including: wind, solar, geothermal, and waste to energy (WTE). In the evaluation of proposals, wind, solar photovoltaic (PV), solar thermal or concentrated solar power (CSP),¹ geothermal, and WTE projects will be evaluated in separate tranches. Following the Introductory Round, there will also be additional tranches for hybrid renewable generating facilities, remote/off grid projects and other technologies. For remote/off grid areas, all technologies will compete against one another. Eligibility requirements and scoring methodologies for these additional tranches will be announced prior to the respective procurement rounds. K.A.CARE may also elect to pursue special strategic projects with entities offering solutions with extremely high correlation to its local content and human capital development mandates, but only if such projects are of a type not already covered within the announced procurement framework and are competitively priced.

The CPP will consist of an Introductory Round with pre-packaged sites identified by K.A.CARE, followed by additional procurement rounds conducted over a two to three year window that will target up to 7,000 MW capacity of contracted capacity. The target for the CPP is in line with the broader renewable energy targets of 54 GW by 2032 as established by K.A.CARE.

Each procurement round will follow a similar pattern, including a request for qualification (RFQ) prior to the launch of the request for proposal (RFP). A technical workshop will be held for registered proponents, where they will have the opportunity to comment on the draft RFP and draft power purchase agreement (PPA) before they are formally issued.

In addition to a completeness review and mandatory requirements, proposals and proponents will be evaluated on their financial strength, experience, project development status, and degree of local content. As described in greater detail later in this paper, local content will be evaluated on the basis of the total money spent on goods and services provided by permanent establishments in the Kingdom as approved by a certification body to be established by K.A.CARE, as well as for training and research and development activities performed in the Kingdom.² Each non-price factor will carry equal weight and the combined score will be used to

¹ During the Introductory Round, CSP plants will be required to provide a minimum of 4 hours of storage. In subsequent rounds, the minimum amount of storage required may increase based on K.A.CARE's assessment of technical and economic feasibility. Where CSP proposals are priced equivalently, but one project provides greater storage capacity, the project with the higher storage capacity will be selected.

² K.A.CARE will establish the Sustainable Energy Services Center (SESC), also referred to as a One Step Shop (OSS), to provide institutional support to developers and stakeholders in facilitating participation in the renewable energy program. SESC's role will include, but will not be limited to, local content facilitation and certification,

adjust the bid price in the final round of the evaluation. Depending on the score, proposed contract prices will be discounted (i.e., their ranking according to cost alone will be adjusted due to the non-price factors) by up to [30]% to account for these non-price factors.

Transmission costs will be included in the proposal evaluation. Proponents will submit a proposed contract price inclusive of transmission costs up to the point of interconnection. Beyond the meter costs (i.e. system upgrade costs) will be evaluated by K.A.CARE and National Grid Saudi Arabia (NGSA) and added to the proposed contract price in the final round of the evaluation. NGSA will be responsible for physical construction of the interconnection.

A standard form PPA will be issued as part of the RFP. Monthly payments will be made under the PPAs for 20 years based on the total amount of metered electricity. The price paid will be adjusted annually for changes in the US-KSA currency exchange rate. The PPA will be subject to Saudi Common Law and an internalized dispute resolution process will be established that refers cases to an expert body with the authority to issue binding decisions. Expectations with regards to training, job localization, and research and development will be embedded in the PPA.

A summary of key features of the CPP are presented on the following page.

assistance on site identification and control related issues, and cooperating/assisting on company formation, as well acting as regulatory and zoning ombudsman.

Figure 1. CPP – Key features³

Elements	Recommendation
<i>Eligible technologies</i>	Solar thermal, solar PV, wind, geothermal, and waste to energy; hybrid and other technologies will be included in future rounds
<i>Eligible project size</i>	Min: 5 MW capacity per procurement round; Max: based on single proponent cap of 30% of capacity per procurement round
<i>Initial procurement targets</i>	Introductory Round: 500-800 MW; 1 st Round: 2,000 to 3,000 MW; 2 nd Round: 3,000 to 4,000 MW capacity
<i>Technology-specific targets</i>	Based on energy mix portions; flexible; add desalination, remote areas, others
<i>Frequency and duration of procurements</i>	After Introductory Round, anticipated 12-18 months between 1 st and 2 nd rounds; duration: 8-10 months
<i>Payment mechanism</i>	Energy-only power purchase agreement
<i>Payment term</i>	20 years for all technologies
<i>Bid evaluation framework</i>	Price and non-price factors (financial capability, development status, experience, local content etc.)
<i>Application fees and security</i>	[SR 37,500]/MW capacity cap of [SR 3,750,000] security
<i>Currency</i>	Riyals with adjustment to dollar peg changes
<i>Legal venue and arbitration</i>	Saudi Common Law with internalized dispute resolution process
<i>Local Content Requirement (LCR) definition and structure</i>	Escalating in nature, initially incentivized only and subsequently a minimum threshold requirement to be met
<i>LCR monitoring and verification</i>	Quarterly progress reports up to commercial online date; final report audited by third party
<i>Participation of state owned entities</i>	Structured to ensure level playing field

³ Projects would be allowed to aggregate to reach the 5 MW capacity minimum threshold, provided that the aggregated projects are capable of being dispatched as an integrated unit. Hybrid projects are defined as combinations of renewables with one or more of the following: a fossil fuel facility, a desalination plant, or a combined multi-utility project.

2 Common Acronyms

BTM	Beyond the Meter
COD	Commercial Operation Date
CPP	Competitive Procurement Program
CSP	Concentrated Solar Power; must include minimum of 4 hours storage
DRAC	Developer Research Advisory Council
DTAC	Developer Training Advisory Council
ECRA	Electricity and Cogeneration Regulatory Authority
EOI	Expression of Interest
GIS	Grid Impact Study
IPP	Independent Power Producer
K.A.CARE	King Abdullah City for Atomic and Renewable Energy
KSA / Kingdom	Kingdom of Saudi Arabia
MW	Megawatt
MWh	Megawatt hour
NGSA	National Grid Saudi Arabia
OSS	One Step Shop
PME	Presidency of Meteorology and Environment
PPA	Power Purchase Agreement
PV	Photovoltaic
R&D	Research and Development
RFP	Request for Proposals
RFQ	Request for Qualification
SEC	Saudi Electricity Company
SEPC	Sustainable Energy Procurement Company
SERF	Sustainable Energy Research Fund

SESC	Sustainable Energy Services Center
SETF	Sustainable Energy Training Fund
SOE	State-owned Enterprise
SOO	Statement of Opportunities
SR	Saudi Riyals
SWCC	Saline Water Conversion Corporation
WTE	Waste to Energy

3 Procurement Program Framework

The CPP will initially consist of multiple procurement “rounds” conducted over a two to three year period, with subsequent rounds thereafter to be announced in due course. K.A.CARE will establish the initial framework for the CPP and identify the targets, capacities and eligible technologies for each round. Following that, the Sustainable Energy Procurement Company (SEPC) will be responsible for administering the procurement and executing and managing the PPAs. References to K.A.CARE and SEPC in this document are consistent with this approach and with the 54 GW target to be implemented by 2032.

The following sub-sections provide a description of the technologies that will be eligible to participate in the CPP, a proposal for the timing and number of initial procurement rounds, a recommendation for the scale of the initial rounds, and an explanation of the individual components that will comprise a single round.

3.1 Eligible Technologies

The CPP will be open to new renewable generating facilities with a nameplate capacity of no less than five megawatts (MW) and to expansions of existing renewable generating facilities that increase the nameplate capacity by no less than five MW. Smaller projects that aggregate up to five MW capacity or more will be eligible to participate, provided they have a single common metering point. The CPP will also be open to phased projects, but proponents must bid for each phase individually. A contract award for the first phase will not guarantee a contract award for subsequent phases.

3.1.1 Defining eligibility

For new renewable generating facilities, the contract capacity is expected to reflect the entire output of the facility. If a portion of the installation is designated for internal use by the host, it must be separately metered, and that portion excluded from the contract. For expansions, the contract capacity will reflect only the proportion of the output associated with the expansion.

In the context of the CPP, a renewable generating facility produces electricity from a renewable energy source. A renewable energy source is an energy source that is renewed by natural processes and includes, but may not be limited to:⁴

- wind,
- solar energy,
- geothermal energy, and
- waste to energy

⁴ Waste to energy facilities will be required to utilize maximum achievable control technologies to control NOx, SOx, mercury and other harmful emissions. The Introductory Round will exclude waste to energy and geothermal energy projects. To the extent that a definition of “renewable” is developed in any future laws and regulations, the definition within subsequent procurements may change, though each procurement may or may not be structured to cover all technologies categorized as renewable in the law, depending on relative economics and the needs of the Kingdom at that time. Developers have to adhere to international best practices of environmental protection.

3.1.2 Treatment of hybrid facilities

As part of the first round, SEPC may elect to include an additional tranche focused on hybrid projects. K.A.CARE envisions three types of hybrid projects: co-located qualifying renewables projects using technologies that would fall into multiple tranche categories; qualifying renewables projects combined with desalination projects; and qualifying renewables projects co-located with and capable of joint dispatch with conventional fossil facilities. While precise specifications will be announced prior to the first procurement round, several principles will guide eligibility and selection under this tranche.

First, although proposals are likely to be more disparate from one another in this category than others, to the extent possible, as many features of other tranches as are appropriate will be adopted for the hybrid projects tranche. Thus, the same form of contract will apply, and the same scoring mechanism. K.A.CARE may continue to issue periodic calls for tenders for hybrid projects at its sole discretion.

Specific requirements for individual types of hybrid facilities will be consistent with their underlying characteristics. For co-located projects using renewables technologies from multiple tranches, the total expected output of any one renewable type must be at least 25% of the total output of the combined facility. For combined renewables and desalination projects, procurement documents for each round will specify the price to be paid for water by SEPC. SEPC will pay to the developer the avoided cost of water as agreed between SEPC and Saline Water Conversion Corporation (SWCC).

For projects which are co-located with fossil facilities, the renewable portion and the fossil portion must be separately metered, the developer must provide a separate price for each portion, and the fossil station must be capable of providing appropriate back-up for the co-located renewable facility.

3.2 Timing and Number of Rounds

There are two primary objectives for the CPP: (i) to kick-start the Kingdom's renewable energy sector and (ii) to validate the existing globally benchmarked prices across multiple technologies while applying these prices to the local market context (i.e. determining how the market will price all locally derived inputs to the developer's financial proposal, e.g. resource quality). As renewable energy production increases in the Kingdom and local industrial capacity is introduced and expanded, pricing is likely to be dynamic. This, along with anticipated factor cost changes across time, will result in a competitive pricing structure upon completion of subsequent and sequential procurement rounds.

The Introductory Round will consist of five to seven projects of varying technologies at pre-packaged sites offered to bidders at locations that can be easily connected to the grid. The timing for the sequential rounds after the Introductory Round is dependent on the length of each preceding round. Subsequent procurement rounds will not commence before contracts are executed for the prior round.

Typically, a single procurement round will last between six to ten months depending on the length of time allowed for the preparation of proposals and the length of time required for

evaluation. In the case of the Kingdom, more time will be allowed for proponents to develop proposals in the Introductory Round than will ultimately be required in the subsequent rounds.

After the nine to twelve month process culminating in the selection of the winners of the Introductory Round, the first full scale procurement round shall be initiated.

3.3 Training, job localization, and research and development

Training, job localization, and research and development (R&D) are important objectives of the overall sustainable energy program in the Kingdom. Each will be embedded within the CPP rounds. As a critical mass of projects in the Kingdom coalesces, expectations of developers in each of these areas will increase. Measures used will include submission of training plans, incentives within the local content bonus structure, benchmarking, developer advisory councils, and transparent revenue surcharges.

3.3.1 Training

In each procurement round, developers will be required to submit a training plan as part of their bid. In addition, developers will be required to specify training expenditures during construction and start up as part of their overall itemized budget. Training plans will be a permanent part of the renewable energy program of KSA.

K.A.CARE will establish within the Sustainable Energy Services Center (SESC) a Developer Training Advisory Council (DTAC). All developers will be required to submit responses to annual questionnaires regarding training needs, and to nominate one individual from their company to serve on DTAC. From the nominees, five will be chosen at random each year to serve on DTAC in purely an advisory capacity; no nominee or company can serve for more than one year in succession, and members must represent a range of project sizes and technologies. DTAC will meet twice annually to review developer training needs and adequacy of existing training programs, and to make recommendations for improvement.

Commencing with the Introductory Round, developers will be required to factor into their bids a [1%] surcharge on gross revenues, to be paid through retentions by SEPC from developer invoices into a Sustainable Energy Training Fund (SETF) administered by SESC. SETF will use the funds to support sustainable energy training programs across the Kingdom, guided by recommendations from DTAC. Developers holding PPAs from SEPC whose projects have been in operation for more than three years will be able to apply to SETF for grants to train Saudis in skills relevant to their projects. Saudi educational institutions will also be able to apply for grants to develop skills associated with sustainable energy. Grant proposals will be based on a standard form, and evaluated on a quarterly basis. Developers are encouraged to make active and substantive contributions to the training initiatives of the Kingdom.

Job localization

After two years of operation under a PPA from SEPC, all developers will be required to submit a job localization plan to SEPC, which will be updated annually thereafter, including a compliance report stating total employees, total Saudi employees, total wages paid, and total wages paid to Saudis. Where the developers are using contractors, such figures must be provided for contractors as well. Developers will be required to comply with all local laws and minimum thresholds for job localization. Updates will include a report on progress towards job

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localization goals in excess of statutory minimums. Based on these reports, developers will be benchmarked by technology regarding the extent of job localization achieved, calculated as the sum of the percentage of wages paid to Saudis and the percentage of jobs held by Saudis. Developer scores will be reported publicly in a combined job localization score card in which each developer will be named specifically. Developers will be able to average scores across projects under common control within a technology class. Developers that do not meet the absolute statutory minimum threshold of job localization will not be able to participate in competitive procurements in the subsequent year.

In addition to the absolute minimum requirements, there will also be threshold requirements that will be evaluated relative to the developer's peers within the same technology class. Developers falling in the bottom 20% of job localization within their technology class (after the point at which there are at least 10 developers in the developer class) will be required to pay a fine equal to 40,000 Riyals per non-Saudi employee over their peer average, unless they are within one standard deviation of the average level of job localization for their technology class. Developers falling in the bottom 10% of job localization in any one year will be ineligible to compete in competitive procurements in the subsequent year. However, developers will be eligible to claim "safe harbor" treatment (exemption from fines) if their rate of job localization is at least 25% higher than the statutory minimum. Developers in the top five percent of job localization in their technology class in any one year will be awarded a bonus equal to 40,000 riyals per Saudi employee over their peer average. Any excess of fines over bonuses will be paid into SETF; any shortfall will be paid out of SETF.

3.3.2 Research and Development

K.A.CARE will establish within SESC a Developer Research Advisory Council (DRAC). All developers will be required to submit responses to annual questionnaires regarding ideas for research and development within the Kingdom, and to nominate one individual from their company to serve on DRAC. From the nominees, five will be chosen at random each year to serve as advisors on DRAC; no nominee or company can serve for more than one year in succession, or serve concurrently on both DTAC and DRAC, and members must represent a range of project sizes and technologies. DRAC will meet twice annually to review research and development priorities and recommend those most likely to contribute to the Kingdom's intellectual capital if pursued. In addition, DRAC will sponsor an annual Sustainable Energy Research Conference, and award prizes for the most effective sustainable energy research projects completed in the previous year. Commercialization is to be prioritized within the research and development initiatives pursued by K.A.CARE.

Commencing with the Introductory Round, developers will be required to factor into their bids an additional [1%] surcharge on gross revenues, to be paid into a Sustainable Energy Research Fund (SERF), also administered by SESC. As with the training surcharge, the research surcharge will be withheld from payments to developers by SEPC and paid directly into SERF. Priority will be given to research with practical applications that have a clear path to commercialization. SERF will use the funds to support sustainable energy R&D programs across the Kingdom, guided by recommendations from DRAC and a parallel academic advisory council. Developers holding PPAs from SEPC whose projects have been in operation for more than 3 years will be able to apply to SERF for funding for research projects located in KSA associated with sustainable energy. Saudi academics and universities, as well as other educational institutions, will also be able to apply for grants for research projects associated

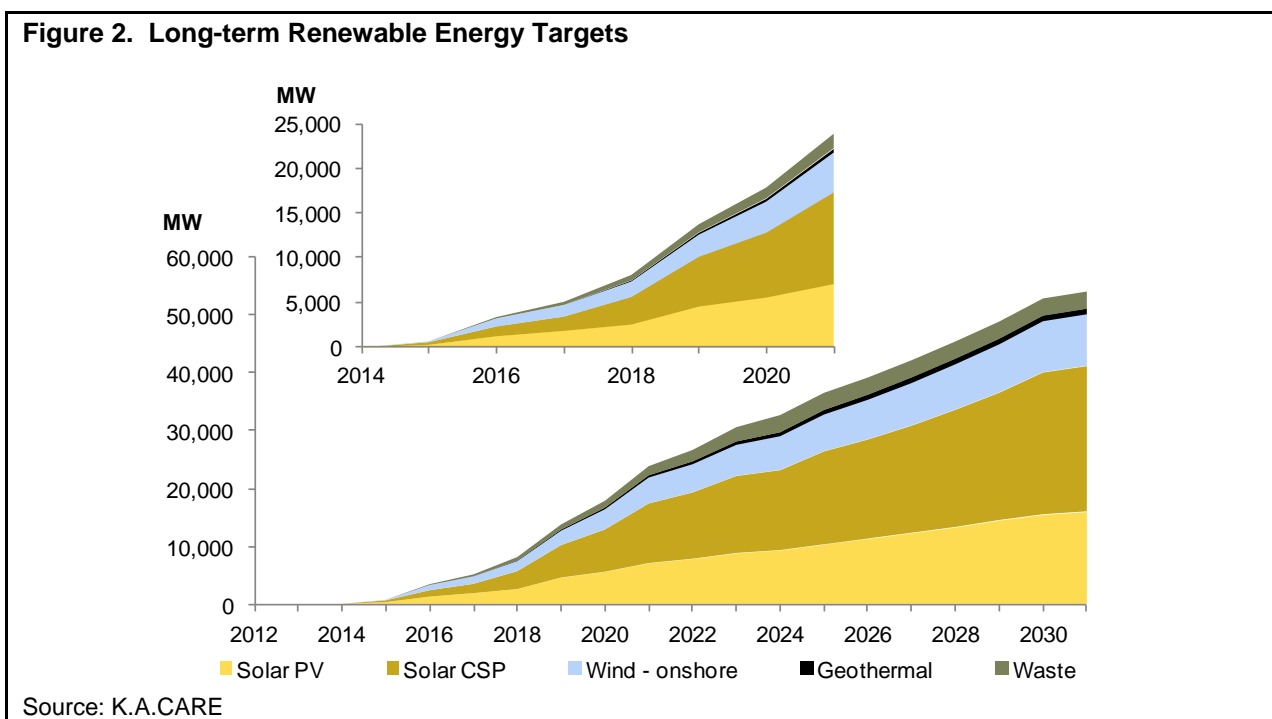
with sustainable energy. SESC will also provide a matching service to link developers with specific research needs with Saudi academics with congruent interests. Grant proposals will be based on a standard form, and evaluated on a quarterly basis. Developers are encouraged to make active and substantive contributions to the research and development initiatives of the Kingdom.

3.4 Scale

The scale of the initial procurement rounds will be consistent with the near-term renewable energy targets for the Kingdom. The initial procurement rounds will also be large enough to motivate the creation of a local developer community and send a strong signal to the market about the magnitude of the opportunity and the Kingdom’s renewable energy objectives.

In establishing the targets for the first and second procurement rounds, K.A.CARE will take into account the maturity of the local developer community and the familiarity of the international developer community with the Kingdom and their combined ability to deliver on the program’s objectives. Accordingly, the size of the first procurement round will use quantities and levels that will improve the probability of success. However, success of the Introductory and initial procurements will be measured through their ability to establish program credibility by having multiple successful projects rather than total MWs under contract. K.A.CARE may elect to pace its procurements to account for improvements in technologies and attendant efficiencies.

The most recent K.A.CARE projections envision a total of 23,900 MW capacity of renewable power by 2020, increasing to 54,100 MW capacity by 2032. The composition of these targets by technology is provided in Figure 2 below.

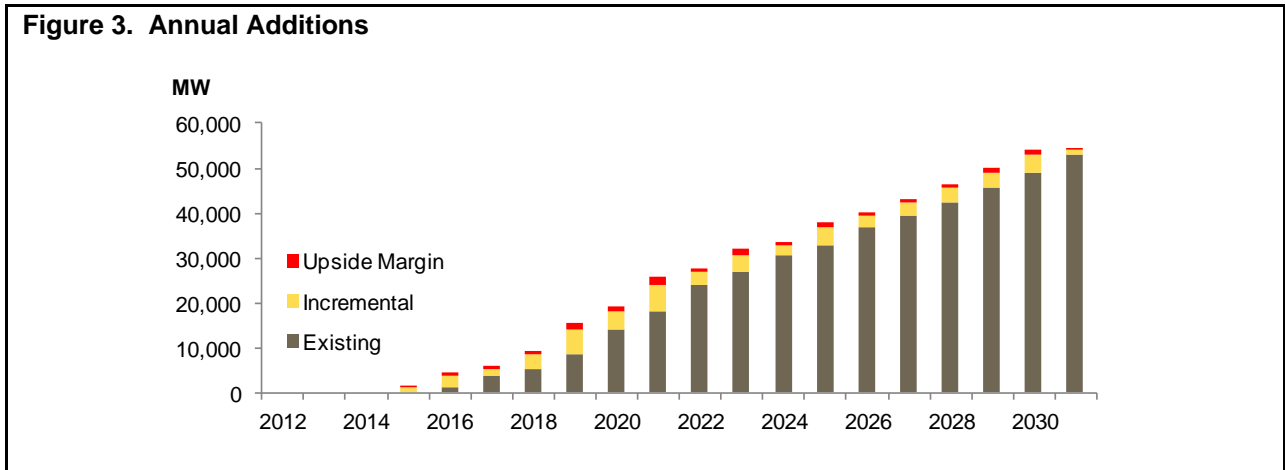


Over the first five years of the program, approximately 5,100 MW capacity of renewable capacity is to be added. To ensure that sufficient timely renewables capacity is brought online

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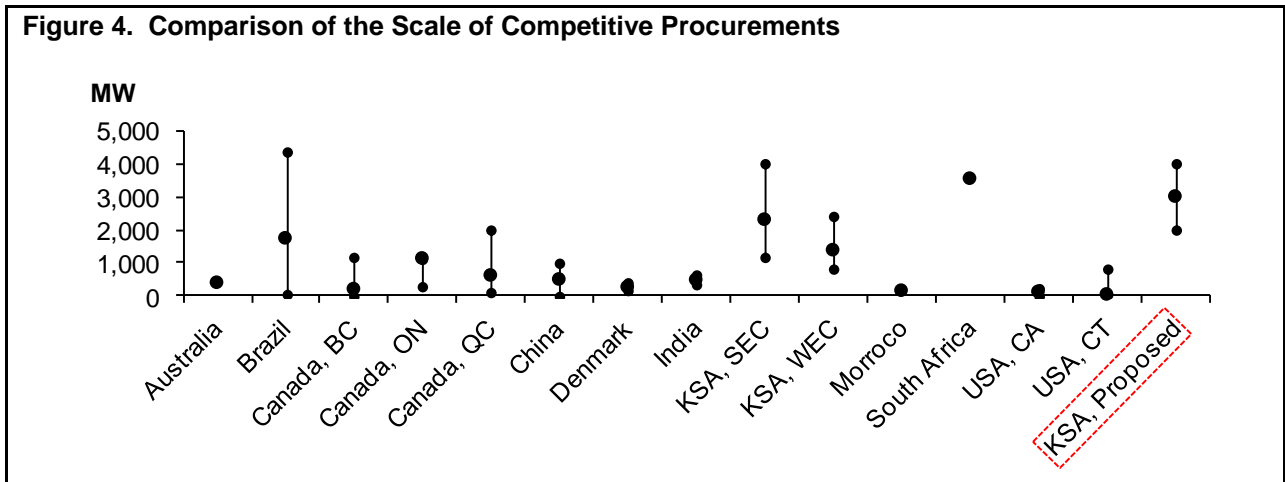
consistent with targets, and to assure a critical mass of early projects, initial procurements will be sized larger than the announced annual targets to allow for some upside margin.

Figure 3. Annual Additions



The Introductory Round is expected to result in contracts for 500 to 800 MW. Considering the scale of competitive procurements around the world, previous initiatives in the Kingdom, and the long term energy mix, between 2,000 and 3,000 MW capacity is considered to be a reasonable total target capacity for the first procurement, increasing to between 3,000 and 4,000 MW for the second procurement. By following the Introductory Round with robust procurements, the Kingdom can more rapidly reach the critical mass needed to underpin local value chain development.

Figure 4. Comparison of the Scale of Competitive Procurements



The initial procurement rounds also have technology-specific targets that are consistent with the Kingdom’s broader supply mix objectives.⁵ These technology specific target capacities will help to assure resource composition consistent with the supply mix before consideration of other

⁵ The technology specific targets were identified based on a 'technology-load matching' approach that optimized the target technology contribution, together with resource availability

factors (e.g., least cost, etc.) in the evaluation stage. The technology specific targets are presented below for the 1st and 2nd procurement rounds respectively:⁶

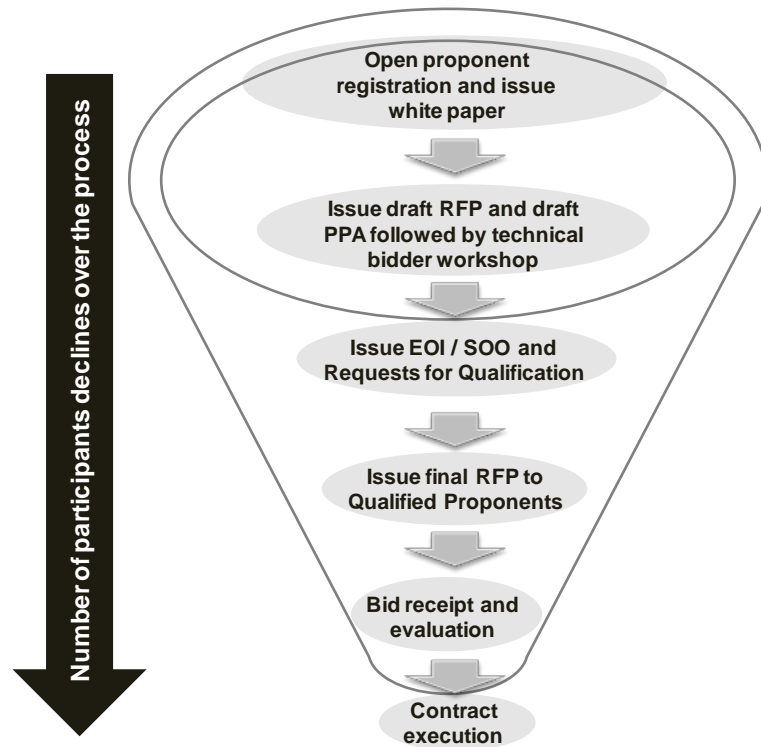
Figure 5. Technology-specific targets

Technologies	Round 1	Round 2
Solar PV	1,100	1,300
Solar Thermal	900	1,200
Wind	650	1,050
Others (including geothermal, waste to energy)	50-350	50-350

3.5 Process

Competitive procurements for energy resources generally follow a common framework. The proposed structure for the procurement rounds in the Kingdom includes seven major milestones, which are outlined below in Figure 6.

Figure 6. Competitive Procurement Round Process



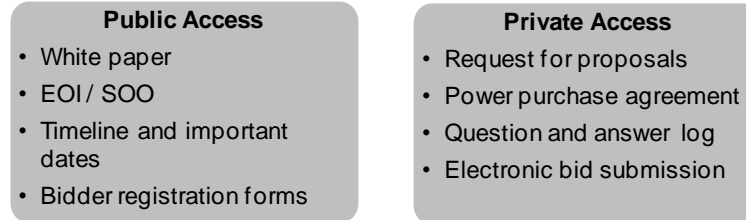
Note: Proponent registration has already commenced; EOI stands for Expression of Interest and SOO stands for Statement of Opportunities.

⁶ The targets may be revised in light of capacity contracted in the Introductory Round.

3.5.1 White Paper and Proponent Registration

This White Paper has been issued to attract comments from a variety of stakeholders regarding the overall competitive procurement program background and framework, proposal submission and evaluation framework, local content incentives and requirements and high level details about the power purchase agreements. Proponent registration is available through the procurement website. The procurement website is segmented into public access and private access sites (as highlighted in Figure 7 below).

Figure 7. Procurement Website Architecture



Note: The private access site will only be accessible to registered proponents.

3.5.2 Issuing Draft Procurement Documents and Technical Workshop

Developing the procurement in reasonable collaboration with proponents helps to increase participation levels and reduce attrition rates. Furthermore, it ensures efficient allocation of risk, which reduces the likelihood of unwarranted risk premia in proposal pricing. To incorporate this best practice in the procurement program design for the Kingdom, a draft RFP and draft PPA will be made available to registered proponents for comment. This will be administered through the procurement website, which makes it easier for proponents to participate and comment (proponent participation in developing the RFP and PPA documents is considered critical to success of such programs worldwide). Registered proponents will have a fixed period of time to submit written comments on the draft documents.

While the documents issued to registered proponents for comment will be labeled as “draft” they will reflect to the extent possible the final approved versions within K.A.CARE and SEPC.

Prior to the comment submission deadline, three technical workshops will be hosted for registered proponents. One workshop will be held locally in Riyadh. Others can be held in cities with high concentrations of potential proponents. The workshops provide K.A.CARE and SEPC with an opportunity to walk proponents through the major technical elements of the procurement (e.g. eligibility criteria, evaluation framework, contract terms, etc.). They also provide proponents with an opportunity to ask questions directly to K.A.CARE and SEPC staff. A detailed question and answer log will be kept for the technical workshops and will be posted to the procurement website for proponents that were unable to attend either session.

3.5.3 Issuance of Expression of Interest / Statement of Opportunities and Request for Qualifications (Pre-Qualification Round)

An Expression of Interest (EOI) / Statement of Opportunities (SOO) will be issued outlining the desired scale and timing for the upcoming procurement round, general eligibility requirements, filing requirements and the evaluation criteria. This document will be used to invite registered

proponents to submit qualifications for participating in the procurement. In order to qualify proponents for the initial procurement rounds, the focus will be on financial capability and experience.

For the financial capability requirements, a proponent must have the following in order to qualify:

- an investment grade credit rating; **or**
- a tangible net worth equivalent to no less than Saudi Riyal (SR) [400,000] per MW capacity of the total proposed contract capacity at the end of the last two fiscal years; **or**
- net income equivalent to no less than SR [200,000] per MW capacity of total proposed contract capacity at the end of the last two fiscal years.

For the experience requirements, the proponent or at least three of its designated team members must have (i) planned and developed, (ii) constructed, or (iii) operated at least one or more renewable generating facilities of similar size and technology to those being proposed, in order to qualify.

Both the financial capability and experience requirements need to be documented and submitted by the proponent, and with financial statements certified by an independent auditing/accounting firm.

3.5.4 Issuance of RFP to Qualified Bidders, Receipt and Evaluation of Proposals, and Contract Negotiation

Once registered proponents' comments have been reviewed and incorporated (if applicable) into the procurement documents and qualified bidders are shortlisted, the RFP will be issued only to qualified bidders and the clock will start on time allotted for proposal preparation.

For the Introductory Round, proponents will be given a minimum of six months to prepare binding proposals. A shorter period of time (i.e. four months) can be allotted for subsequent procurements as the renewable energy project developer community in the Kingdom matures.

The evaluation of proposals will occur within the Kingdom and will follow immediately after the closing date for the RFP.⁷ All proposals must be received before the closing date to be considered in the evaluation. In the interest of fairness, no exceptions can be made in this regard.⁸

The terms of the PPA will be non-negotiable.

⁷ A detailed description of the evaluation process is provided in Section 5.

⁸ The time stamp of an independent third party will be used to avoid potential for disputes over the official time that a proposal was received.

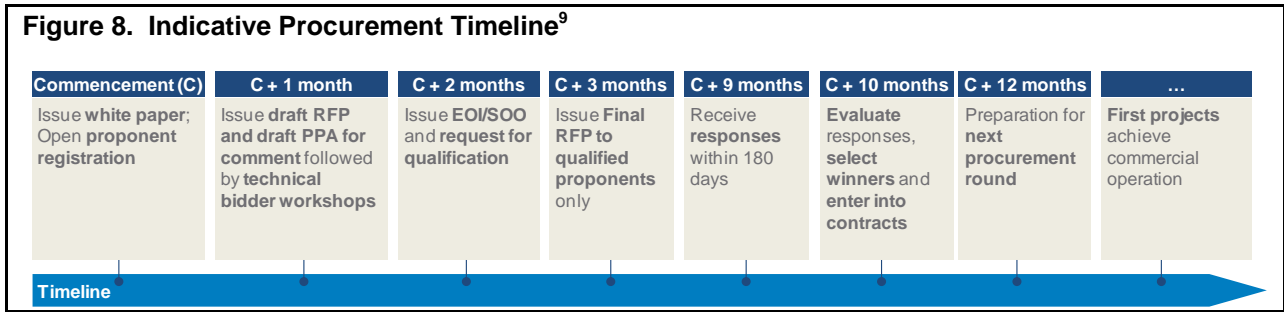
Terms and preliminary definitions to be refined in the RFP and/or PPA

- » **Closing Date:** Final submission date for proposals for a given procurement round as specified in the RFP
- » **Preferred Proponents:** Proponents with whom SEPC will proceed to execute PPAs

3.6 Release of Procurement Results

SEPC will release the names and details of the preferred proponents and the projects that are awarded contracts under the CPP. SEPC will also release the weighted average contract price for each technology type, provided that more than one contract was awarded.

Figure 8. Indicative Procurement Timeline⁹



⁹ Current plans are to follow up the issuance of the White Paper with the draft RFP and PPA. A developer conference will be held followed by bidder prequalification.

4 Proposal Submission

4.1 Submission Process

Qualified proponents will be able to submit proposals electronically through the procurement website up to the closing date for the RFP. Each proposal that is received will be logged and will be given a time and date stamp.

Proposals must be for a single contract facility. Qualified proponents that have multiple contract facilities will be required to submit multiple proposals.

4.2 Form of Proponent

A limited number of restrictions will be placed on the legal form of proponents so as to allow for efficient structures. A proponent's corporate entity must be organized and existing under Saudi law, or undergoing the registration process with proof of same. Furthermore, whatever the form of the proponent -- *Limited Liability Company, Joint Stock Company, etc.* -- it must be consistent with the business of developing renewable power projects in the Kingdom. Finally, to the extent the proponent is a joint venture, it must be incorporated and the joint venture entity will be liable for all obligations under the procurement (and PPA as applicable).

4.3 Proposal Security

It is important to ensure that proposals are binding, irrevocable, and capable of acceptance for a specified period after they are submitted. This obligation will be enforced through the requirement of proposal security, which is forfeited if a proposal is withdrawn by a proponent. The irrevocability window will be for 180 days, sufficient time to ensure completion of the evaluation, but not so excessive as to limit proponents' options for major equipment purchases and land acquisition.

Proposal security of [SR 37,500] per MW capacity up to a cap of [SR 3,750,000] will be required at proposal submission. Proposal security must be provided in the form of:

- a certified check or bank draft;
- an irrevocable unconditional standby letter of credit; or
- a bid bond.

A form of letter of credit and bid bond will be provided as part of the RFP.

As indicated, the proposal security will increase with the scale of the proposed contract facility. This approach will help to mitigate a barrier to entry for smaller developers.

Proposal security will be returned or cancelled if a proponent is disqualified in Stage I or Stage II of the evaluation (as described in Section 5). This will occur within 10 days of the notification of the proponent. For each proponent that passes Stage II, proposal security will be returned or cancelled within 10 days of the announcement of the preferred proponents. The proposal security for selected proponents will be returned or cancelled within 10 days of submission of the performance security required under the PPA.

4.4 Form of Submission

The RFP will include a number of standard forms that will comprise the bulk of each proponent's proposal. Standard forms help to ensure that (i) all information deemed relevant to the evaluation is provided and (ii) the information is provided in a relatively consistent manner across all proposals.

Proponents will be able to, and in certain instances will be required to, supplement the information provided on the standard forms.

4.4.1 Required Documentation

Four standard forms will comprise the proposal:

- a proposal submission form;
- a technical form;
- a financial form;
- a proposal price statement; and
- others as required

Proposal Submission Form

The proposal submission form will confirm the proponent's intentions with respect to the proposal, including an agreement to execute the final agreements if selected. It will acknowledge that the proponent has reviewed all of the RFP documents and agrees to be bound to the terms and conditions of the procurement. It will incorporate statements of non-collusion and conflict of interest. It will also include a mandatory requirements checklist that the proponent will be required to complete.

Technical Form

As the name implies, the technical questionnaire will contain all of the technical information relevant to the proponent and the proposed contract facility. Information contained in the technical questionnaire will be broken down into four categories:

- general information about the proposed contract facility;
- general information about the proponent;
- mandatory technical requirements; and
- rated technical criteria.

Financial Questionnaire

The financial questionnaire will contain all of the financial information relevant to the proponent and the proposed contract facility. Information contained within the financial form will be broken down into three categories:

- general information about the proponent;
- mandatory financial requirements; and
- rated financial criteria.

Proposal Price Statement

The proposal price statement will contain the proponent's offered contract price. The contract price will be a single value that includes predefined adjustments. All elements of the proposal price statement must be entered precisely using the format provided, without further information, condition, or qualification whatsoever. Proponents will be advised that any deviation from the required format of the proposal price statement whatsoever, such as the provision of a price range, conditional price, qualified price, or an incomplete price, shall result in the disqualification of the proposal. Moreover, the contract price and any other element of the proposal price statement shall not be disclosed or described in any other part of the proposal, failing which the proposal will be disqualified.¹⁰

Others

Based on the technology deployed, other documentation, for example, environmental impact studies, may be required.

4.4.2 Ad Hoc Documentation

Additional documentation will be required and accepted to support the claims made in the technical and financial forms. Such documentation shall be submitted in (scanned) PDF versions signed by an authorized officer. Examples of the type of documentation (for not more than three years prior to the current year) include, but are not limited to:

- audited financial statements;
- annual reports;
- resource quality data;
- site control agreements (waived for pre-packaged sites); and
- equipment purchase agreements.

Reference to the specific documents must be made in the technical and/or financial form in order for the document to be included in the evaluation.

4.5 Change of Control

Changes to the legal structure and control of the proponent will be restricted from the time of initial registration until the award of a PPA to: (i) restructurings in the ordinary course of business, and (ii) a limited ability to transfer the pre-qualified or registered entity to an affiliate of the original proponent. The latter exception is required if there is insufficient lead time or opportunity for interested participants to establish the legal entity that will ultimately be responsible for the development of a project.

¹⁰ It will be forbidden for the proponent to meet with K.A.CARE/SEPC after proposals have been submitted until results are announced. Proponents will only correspond via email and fax to specific requests made by K.A.CARE/SEPC related to further documentation etc., if any.

4.6 Interconnection Costs and Grid Impact Study

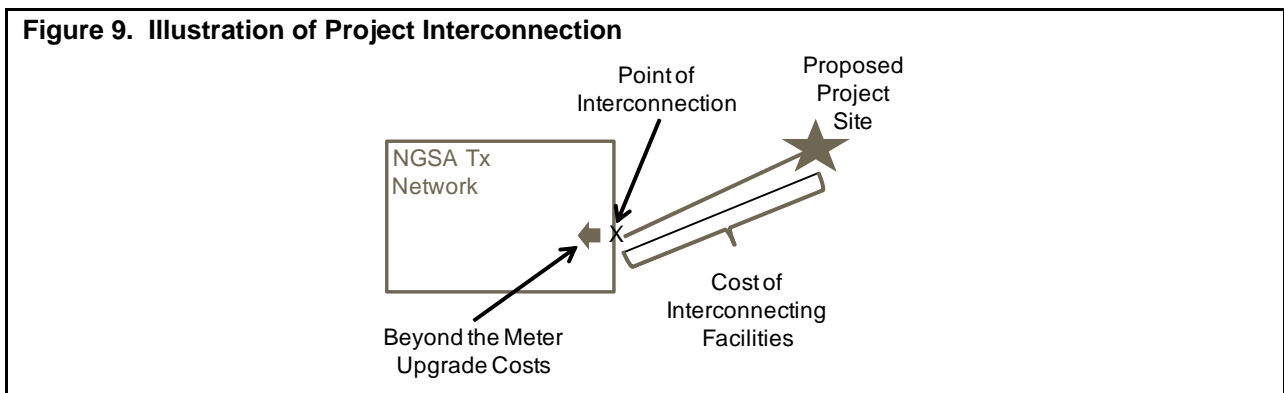
One of the guiding principles of the CPP is that projects will be evaluated inclusive of incremental transmission costs, (even if these costs are not imposed directly on the developer) and that the cost of interconnection be primarily recovered through the contract price. Total transmission costs will be calculated and amortized over the life of the project, and added on to the developer bids on a volumetric basis.

The Saudi Arabia Grid Code requires that users submit a request to the transmission system provider to perform a Grid Impact Study (GIS) for new or modified connections to the grid. The transmission system provider has 30 days from the submission of a complete application within which to complete the study and to make an offer of interconnection to the applicant. The offer is to include “a description of any modification in the transmission system that the user is required to pay for” and “an estimate of all the charges/costs for the connection that the user has to pay for”. The user then has 30 days to accept the transmission service provider’s offer. The acceptance by the user of the offer then leads to the signing of a connection agreement.

To ensure that NGSa has sufficient human resources to conduct detailed GISs for all of the “potential” renewable generation facilities that are likely to arise as a result of the launch of the program, a technical consultant will be jointly appointed by K.A.CARE/SEPC and NGSa to evaluate all proposed projects simultaneously.¹¹ To be consistent with the grid code, the technical consultant will provide all information to SEPC regarding costs for interconnection for each project. However, the projects will not formally apply for interconnection until receiving notification of award of a PPA. NGSa will respond with an offer of interconnection based on the technical consultant’s study, and the proponent will respond per the specified timeframe.

Interconnection costs can be broken down into two categories (see Figure 9 below):

- the cost of the interconnecting facilities that physically connect the proposed project site to the existing transmission network; and
- the cost of beyond the meter (BTM) upgrades to the existing transmission network that are triggered by the new renewable generating facility.



¹¹ Grid impacts need to take into account the impact of all the projects when they are simultaneously in operation, rather than each project in isolation; this necessitates a comprehensive review.

4.6.1 Cost of interconnecting facilities

Estimating the cost of the interconnecting facilities is fairly standard for transmission and distribution engineers the world over. The one caveat to that is the cost of acquiring the necessary rights of way, which tend to vary significantly depending on the project's location. For the CPP rounds, proponents will be responsible for estimating the cost of the interconnecting facilities and including this cost in their binding proposed contract price. Proponents will own the interconnecting facilities up to the point of connection with the grid provided they are for the sole use of the generator and will be required to maintain them in accordance with good industry practice.

4.6.2 Cost of BTM upgrades

Estimating the cost of the BTM upgrades is more challenging and requires detailed knowledge of the existing transmission network. A technical consultant will be hired by K.A.CARE/SEPC to conduct a comprehensive combined GIS and evaluate the beyond-the-meter upgrade costs for proposals that are received in the same study.

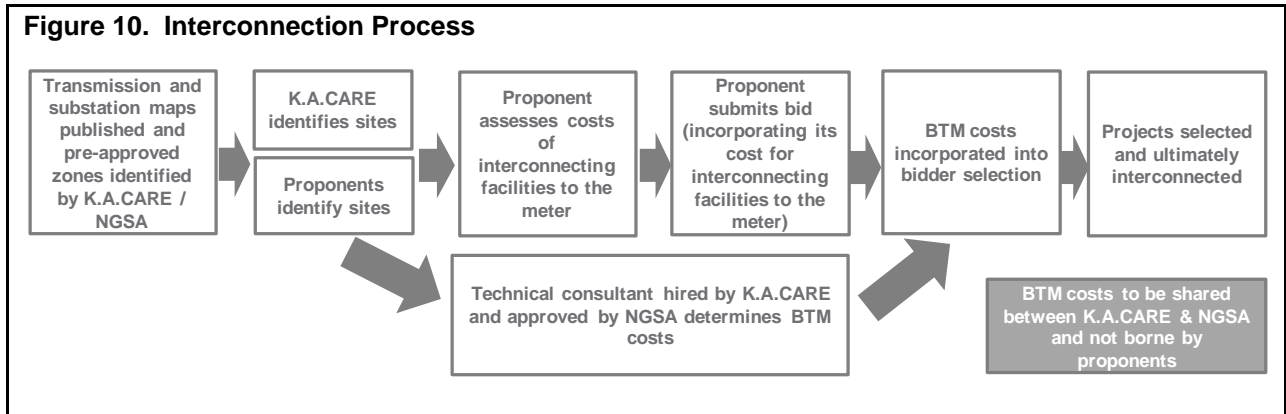
BTM costs for both pre-packaged sites and developer-identified sites will be evaluated simultaneously, and will be optimized to minimize both generation and transmission costs. These costs will be levelized over the project's expected production and will be incorporated in the contract price evaluation. To the extent that multiple projects trigger BTM upgrades, the cost will be spread over the entire production of all of the proposed facilities that derive benefit from them. To be clear, BTM costs will not be borne by proponents for any project; NGSA and SEPC will be responsible for paying for the necessary BTM upgrades. However, BTM costs will be taken into account in the selection of preferred proponents.¹²

4.6.3 Pre-approved zones and interconnection process

At the time of issuing the final RFP, transmission network and substation maps will be provided to qualified proponents. Pre-approved zones (resulting from discussions between K.A.CARE/SEPC and NGSA) will also be identified. As discussed above, although the proponents themselves will be responsible for estimating the cost of interconnecting facilities, the maps and pre-approved zones can allow proponents to make preliminary assessments on overall impact of their project to the transmission grid. Proponents may, but are not required to, include in their proposal a discussion and estimate of BTM costs, which will be non-binding, and may aid the technical consultant. However, the actual costs associated with BTM upgrades will only be finalized after the GIS by the technical consultant.

¹² If two proponents put in bids in the same region such that BTM costs are minimal if only one is successful but much higher if both succeed, both projects will have costs allocated pro rata (by output). Furthermore, those projects which have a positive impact on the grid, for example by reducing line losses, will receive a credit equal to the amortized value of the transmission benefit.

The following figure presents the interconnection process we envision.



After the selection of preferred proponents based on the cost of interconnecting facilities proposed by the developers and BTM costs ascertained by the technical consultant, NGSA will make an offer of interconnection to the preferred proponents.

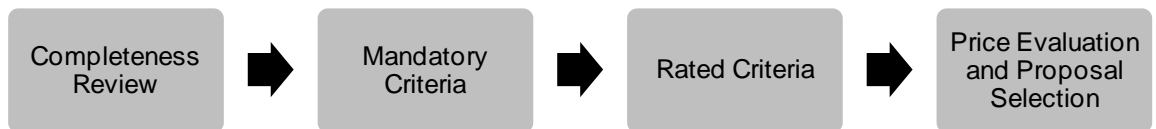
5 Proposal Evaluation

The evaluation of proposals will combine price and non-price factors. This approach will help to reduce the attrition rate by awarding contracts to projects that are deemed to be the most viable. It will also enable alignment of the CPP with the broader objectives of K.A.CARE.

Each proposal will be evaluated through a four-stage process. Stage I is a review for completeness, Stage II is a mandatory criteria assessment, Stage III is an evaluation of specific rated criteria, and Stage IV is the price evaluation and the selection of preferred proponents.

Proposals must meet the requirements of each stage in order to proceed to the next stage. Those proposals that fail to meet the requirements of any of the first three stages will be disqualified.

Figure 11. Four Stage Proposal Evaluation



5.1 Stage I: Completeness

Proposals will pass Stage I if they contain all of the required documents and declarations as specified in the RFP. As discussed in Section 4.4, the required documents and declarations will include:

- a copy of the proponent's registration form;
- a proposal submission form;
- a technical form;
- a financial form;
- a proposal price statement; and
- the required proposal security.

All of the required documents and declarations must be signed by an authorized representative of the proponent.

Substantially complete proposals will be provided with the opportunity to cure minor deficiencies¹³ after the closing date, at SEPC's discretion. Proponents that submit incomplete proposals will not be given a chance to provide additional documents or declarations after the closing date.

¹³ Minor deficiencies include leaving out one or two pieces of non-material information that SEPC deems to have been unintentional.

5.2 Stage II: Mandatory Criteria

Mandatory criteria establish the minimum requirements for proponents and their contract facilities. Note that these criteria are in addition to the mandatory criteria applied in the pre-qualification round; thus, developers will have already been screened for their prior experience and financial capabilities. A proposal will pass Stage II if it meets all of the mandatory criteria outlined below. Failure to meet even one of the mandatory criteria will result in disqualification.

The mandatory criteria also address a range of standard concerns related to the viability of a renewable generating facility and the project proponent.

Contract Facility

The proposed contract facility must be a new renewable generating facility with a nameplate capacity of not less than five MW capacity or an expansion of an existing renewable generating facility that increases the nameplate capacity of the facility by not less than five MW. Existing facilities and upgrades to existing facilities will not be eligible unless separately metered. Smaller projects that aggregate up to five MW capacity or more will be eligible to participate, provided they have a single common metering point.

A description of the contract facility, including the capacity, technology, physical location, proposed interconnection point, major equipment specifications, among others, will be provided by the proponent in the technical form.

Contract Capacity

The contract capacity for a new renewable generating facility must be equivalent to all of the output from the facility. The contract capacity for an expansion of an existing renewable generating facility must be equivalent to all of the output from the expansion.

The proposed contract capacity will be disclosed by the proponent in the technical form.

Commercial Operation Date

The contract facility must attain commercial operation within two years¹⁴ from the execution of a PPA to avoid liquidated damages, as discussed in Section 7.8. If a plant is more than six months delayed beyond the specified commercial operation date, SEPC may at its discretion cancel the PPA award, except in cases of force majeure. Day-for-day extensions may be available under certain force majeure conditions, provided the proponent makes the necessary notifications and there is evidence to support the claim of force majeure.

The commercial operation date (COD) will be disclosed by the proponent in the technical form.

¹⁴ For pre-packaged sites, the deadline to achieve commercial operation will be reduced to 18 months.

Proponent Limit

The combined contract capacity of all the proposals submitted by the same proponent or on behalf of the same proponent must not be greater than 30% of the total capacity procured in any one technology tranche in a single procurement round.¹⁵

A complete list of all of the proposals and their respective contract capacities submitted by the applicant will be provided as part of the technical form. Failure to disclose this information will lead to the disqualification of all of the proponent's proposals.

Location

The proposed contract facility must be located within the Kingdom of Saudi Arabia. Additional exclusions may be applied on the location of the proposed contract facility to the extent that NGSAs has identified areas where renewable generating facilities could not be accommodated by the existing network infrastructure.

As part of the technical form, the proponent will be required to submit longitudinal and latitudinal coordinates, a map showing the location of the contract facility, as well as a conceptual site plan and layout.

Site Control

The proponent must provide evidence that it controls the site by having, at a minimum, an option to purchase, lease, license, or use the land(s) for the site. Any such option must be exercisable by the proponent for at least 180 days after the closing date. Site control arrangements must not expire before the end of the contract term.

This information will be disclosed by the proponent in the technical form. As well, as part of the technical form, the proponent will be required to provide supporting documentation in the form of an executed option agreement or a registered title, lease, or license.

To the extent that SEPC has included pre-packaged sites or land developers can utilize, and the pre-packaged sites are under the control of K.A.CARE or SEPC, proponents would be exempt from this requirement if bidding on the pre-packaged sites.

Permitting

At a minimum, proponents will be required to demonstrate an understanding of the approvals (i.e. permits) required to construct and operate the proposed renewable generating facility.¹⁶ While the SESC webpage will provide a general list of the relevant regulatory processes and procedures, including those of both Electricity and Cogeneration Regulatory Authority (ECRA) and Presidency of Meteorology and Environment (PME), it is the responsibility of the developer to identify all permits and requirements specific to the site they have selected. To the extent

¹⁵ If a single proponent forms consortia on various projects, the sum of its equity stake times the capacity in each of the proposed projects will be used to determine the cap.

¹⁶ For pre-packaged sites, where K.A.CARE provides site control to the proponents, such permits would not be required from proponents.

that they have not already been obtained, the proponent must provide a plan and timeline to obtain them.

Space will be provided in the technical form to allow the proponent to respond to this requirement.

Resource Assessment

Proponents will be required to provide evidence that, at a minimum, they have commenced the process for collecting and obtaining site-specific resource data for the proposed contract facility. At this point in the evaluation process, the intent is not to force developers to have data for an extensive period, as successful bidders will have the opportunity to confirm resource quality, but rather to demonstrate that site selection and the underlying pro forma reflect what data is available. To be clear, the minimum thresholds described below are to demonstrate that the developer has performed analysis of the site sufficient for preparing the bid, while recognizing the further data is required to obtain financing. As more data becomes available in the Kingdom, the requirements to demonstrate knowledge of the resource base will increase. Note that for pre-packaged sites, data monitoring and evaluation has been commenced and this map will be made available to developers prior to bid submission. While the data gathering will be according to international accepted norms and performed by an entity which has prior experience creating data analysis, developers will be encouraged to perform their own independent analysis, as K.A.CARE will provide the data for developers to use at their own risk.

To meet this requirement, the proponent must respond to the technical form and must also submit evidence for the applicable technology category:

- Wind – at least one month worth of meteorological data from a tower located on the site of the proposed contract facility **or** at least three months of meteorological data from a tower site with similar meteorological conditions;¹⁷
- Solar – at least one month worth of radiation data using direct terrestrial measurements or at least three months of radiation data using measurements based on satellite data;
- Geothermal – a discussion of the resource potential and the methods that have been used to evaluate it; and
- Waste-to-Energy – a detailed plan for the procurement and delivery of the required waste stream; the plan must outline fuel availability and potential supply terms for the duration of the contract term.

Developers have to provide K.A.CARE with access to site-specific resource data.

To the extent that a proponent is relying upon data from a tower site with “similar” meteorological conditions, the similarity must be confirmed in writing by an appropriately qualified meteorologist.

¹⁷ It is likely that lenders and financial institutions will require further data before investing. Also, as discussed later in Rated Criteria (Section 5.3), developers will get increasing points for more detailed and rigorous resource availability data.

To the extent that SEPC has offered pre-packaged sites that developers can utilize, and K.A.CARE or SEPC has initiated and shared site-specific resource data with registered proponents, proponents would be exempt from this requirement if utilizing one of the prepackaged sites.

Financial Strength

In addition to fulfilling financial capability requirements for the pre-qualification round as discussed earlier in Section 3.5.3, the qualified proponent will be required to demonstrate that an equity provider accounting for at least [20%] of proposed project cost has the required minimum financial strength, as demonstrated either by:

- an investment grade credit rating from a reputable agency (e.g. a rating of Baa3 or higher from Moody's / Standard & Poor's); **or**
- a tangible net worth at the end of the last two fiscal years equivalent to no less than [10%] of the total project cost; **or**
- a reported net income equivalent to no less than [5%] of the total project cost at the end of the past two fiscal years.

In the case where an equity provider is on multiple proposals, the minimum financial strength requirement must be met based on the cumulative total proposed contract capacity of all its proposals.

As discussed above, the financial form will require the proponent to disclose the information necessary to evaluate this condition. It will also require the disclosure of the proposed sources of capital (e.g., equity, debt, Islamic finance alternatives, etc.) that will be used to fund the project. To the extent possible the financing plan should be accompanied by letters of intent, or the equivalent. Developers are required to maintain an equity share in the project for a minimum of five years starting from PPA.

Local Content

The inclusion of local content and the development of the nascent sustainable energy value chain is paramount to the K.A.CARE mandate. As such, proponents that integrate local content into their projects will benefit from strong incentives through the rated criteria evaluation for utilizing labor and equipment that provide a positive net benefit to the local economy. While K.A.CARE is aggressively pursuing the development of the local value chain, projects will be expected to escalate their local content inclusion accordingly.

In order to satisfy the mandatory criteria set at any given time, the proponent would be required to demonstrate that it met the minimum local content requirement through responses to questions in the technical and financial forms and the provision of supporting documentation.

5.3 Stage III: Rated Criteria

Proposals that meet the mandatory criteria will be further evaluated in four areas:

- the financial capability of the proponent and the financial plan for the project;
- the experience of the proponent and the proponent's designated team members;

- the status of project development; and
- the extent to which the project incorporates locally sourced equipment and labor.

Up to 100 points will be awarded to each proposal as follows:

- Financial Capability and Plan – X Points
- Experience – X Points
- Development Status – X Points
- Local Content – X Points

The total number of points awarded to a proposal will be its rated criteria score. The rated criteria score will modify the proposed contract price for the purposes of selecting the optimal proposal once all rated criteria and price have been taken into account.

Financial Capability and Plan

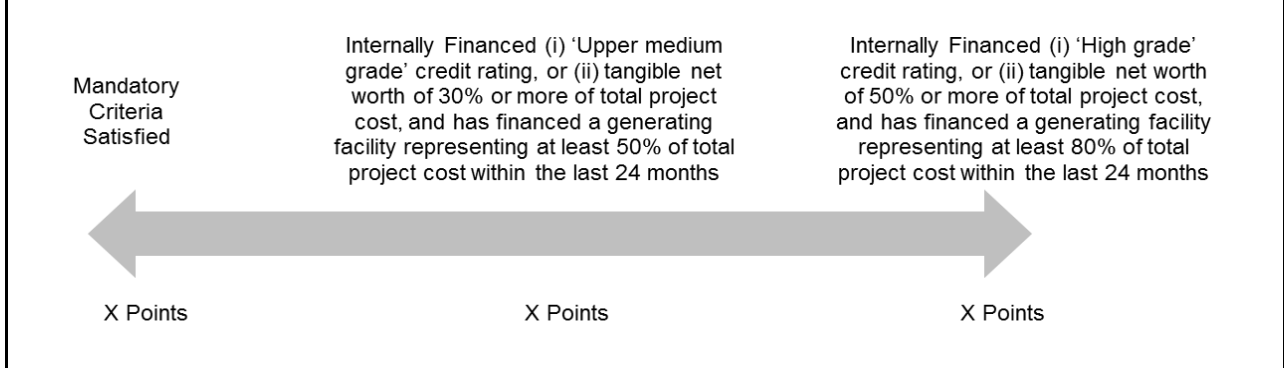
The financial assessment is designed to ensure that the proponent's financial plan is sound and that the proponent has the necessary financing for the proposed contract facility. The financial assessment will be based on proponent's responses to the financial form and all other supporting financial information that is provided.

In the financial form, the proponent will be asked to provide a description of the financial plan for the proposed facility, including whether it intends to finance the development and construction through internal funds or through external sources of debt and/or equity. The financial assessment will consider both sources of capital and the strength of the providers.

For example, for internally financed projects, up to X points would be awarded based on the financial strength of the proponent. Points will be awarded on a sliding scale. X points would be awarded if a proponent only meets the mandatory financial strength requirements described previously, whereas X points would be awarded if the proponent has:

- a "high grade" credit rating (e.g. Aa3, AA-, or higher); **or**
- a tangible net worth at the end of the past two fiscal years equivalent to no less than [50]% of the total project cost; **or**
- a reported net income on average over the past two fiscal years equivalent to no less than [25]% of the total project cost; **and**
- financed a generating facility representing at least [80]% of the total project cost within the last [24] months.

Figure 12. Range of Financial Criteria for Internally Financed Projects



For externally financed projects, the assessment will consider the nature of the commitments (i.e. firm or soft), the strength of the provider (i.e. equity investors and lenders), and the proponent's past experience financing projects of a similar scale. As an example, a proposal would receive the full points if it has provided documented evidence of:

- firm commitments from both the equity providers and the lenders, **and**
- equity providers with (i) a "high grade" credit rating (e.g. Aa3, AA- or higher), **or** (ii) a tangible net worth at the end of the last two fiscal years equivalent to no less than [50]% of the proposed total project cost, **or** (iii) a net income on average over the past two fiscal years **or** demonstrated cash and undrawn lines of credit equivalent to no less than [25]% of the proposed total project cost ; **and**
- lenders with a "high grade credit rating" (e.g. Aa3, AA- or higher); **and**
- the proponent of a control group member financed a generating facility representing at least [80%] of the total project cost in the last [24] months.

A complete breakdown of the evaluation framework and proposed point distribution is provided in Appendix A.

Experience

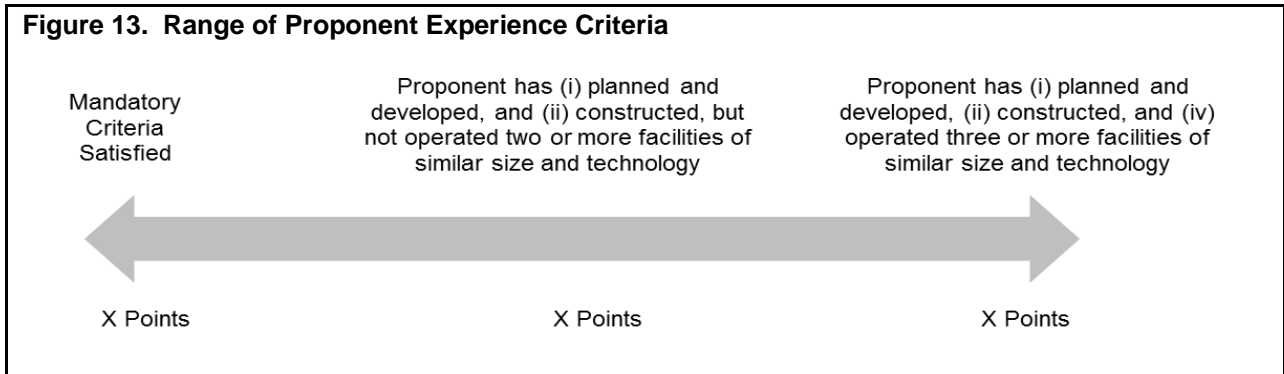
In addition to proving minimum experience requirements for the pre-qualification round as discussed earlier in Section 3.5.3, the experience assessment is designed to ensure that the qualified proponent and its team have sufficient experience developing projects similar to the proposed contract facility and that there is a high likelihood of reaching commercial operation on time. Up to X points will be awarded in this category.

Up to X points will be awarded based on the proponent's experience and up to X points will be awarded based on the experience of the proponent's designated team members. Up to X points will be awarded based on the proponent's experience operating in KSA and the extent to which this experience is relevant to power generation project development.

Proponent experience will be evaluated based on the track record of the proponent and its control group developing projects of similar scale and technology. The highest score will be awarded to proposals that demonstrate that the proponent has planned, developed, constructed, and operated three or more designated facilities of similar or larger size and technology. A mid-range score will be awarded to proposals that demonstrate the proponent

has planned, developed, and constructed, but not operated, two or more facilities, one of which is of similar size and technology. The full range of evaluation criteria is outlined in Appendix A.

Figure 13. Range of Proponent Experience Criteria



Designated team member experience will be evaluated along the same criteria.

Proponents will be asked to provide supporting evidence and describe the designated facilities, including the type/technology, the location, the nameplate capacity, the capital cost expenditure, and the current development status.¹⁸

In order to achieve the highest score in the local Saudi experience category, the proponent must have business operation experience in the Kingdom in the power generation sector. A mid-range score would be awarded for proponents that have active business operations in any sector in the Kingdom. In place of the proponent, the experience of designated team members could also be considered. In the case of designated team members, the individuals must hold management positions within the proponent and must have held management positions with their previous employers.

Development Status

The development status assessment will be designed to evaluate:

- the length and reliability of resource data;
- the status of local permits and approvals; and
- the proponent's progress in obtaining the major equipment for the proposed contract facility.

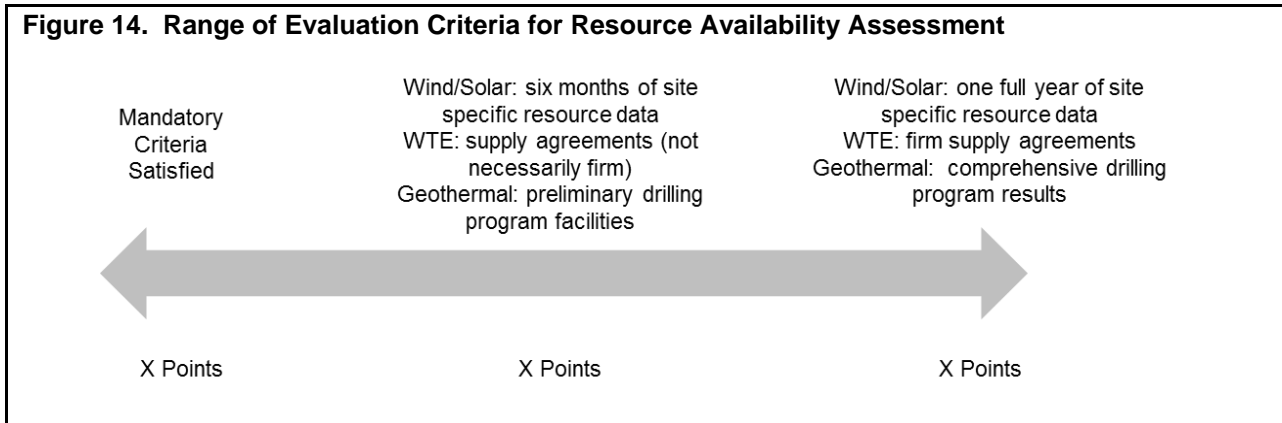
Up to X points will be awarded for each of the first two categories and up to X points will be awarded for the last.

The more detailed and rigorous the resource availability data the greater certainty that a proposed contract facility will reach commercial operation. X points will be awarded if the proponent only meets the mandatory criteria. For wind projects, X points will be awarded if the proponent has collected at least 12 months of data from at least one tower on the project

¹⁸ Supporting evidence will be required in a documented form, such as a contract signed between the proponent and an offtaker on another project. Another document could be a certified letter from a utility or offtaker that this proponent does indeed have a project supplying power to them.

specific site. For solar projects, X points will be awarded if the proponent has collected at least 12 months of data for its site using direct terrestrial measurements. For waste to energy projects, X points will be awarded if the proponent has firm waste supply agreements covering all of the fuel and transportation requirements for the term of the PPA. For geothermal projects, X points will be awarded if the proponent has carried out a comprehensive drilling program.

Criteria that result in point awards between zero and X are outlined in Appendix A.



Progress towards obtaining all of the necessary local permits and approvals is evidence of the viability of a proposed contract facility. Zero points will be awarded for projects that only satisfy the mandatory criteria. X points will be awarded to proposals where the proposed contract facility has all necessary permits and regulatory approvals in place. Points will be awarded on the continuum from zero to X based on the degree of advancement, taking into consideration factors such as the status of applications and the extent to which the site is currently zoned for the proposed activity, among others.

Finally, up to X points will be awarded based on the proponent’s progress in obtaining the major equipment for the proposed contract facility. The highest number of points will be awarded if the proponent has entered into an equipment supply agreement with a fixed price that guarantees delivery in a timeframe consistent with the project milestones. Fewer points will be awarded if the proponent is in the process of negotiating an equipment supply agreement and the proponent has a binding letter of intent from the manufacturer for the delivery of the required equipment. Yet fewer points will be awarded if the proponent has selected an equipment provider and has a non-binding term sheet. Finally, no points will be awarded if no commitment related to the equipment supply is in place.

Local Content

Proposals will also be evaluated on the extent to which they source equipment and labor that provides added value to the Saudi economy. A more detailed discussion of the local content provisions that will be included in the RFP is provided separately in Section 6.

Local Content will be scored with points awarded in the evaluation of proposals. Up to X points will be awarded on a sliding scale based on the local content level of a proposal. The local content level will be calculated as the total allowable local expense as a percentage of the total project cost. The local content level that results in a maximum score will be calibrated by

Discussions of Saudi policies are purely hypothetical, as such policies are subject to change and refinement. 2013

technology. It will be set to a level that is deemed by K.A.CARE and SEPC to be technically and economically feasible at the time the RFP is issued. In general, proponents must achieve a 20% local content level in order to receive any points. Specifics regarding local content requirements will be announced in due course.

Following the initial procurement rounds, the evaluation criteria for local content may be subject to change. As mentioned previously, a mandatory criterion that addresses local content will be added to Stage II of the proposal evaluation. Subsequently, the range over which the points are awarded for incremental local content will be adjusted to reflect additional points for exceeding the minimum required threshold.

5.4 Stage IV: Price Evaluation and Selection

Proposals will be separated into tranches for the price evaluation and selection. All remote area projects will be combined into a single tranche, regardless of technology. The remaining grid connected and embedded facilities will be sorted into six tranches (for a total of seven):

1. wind power projects;
2. solar photovoltaic projects;
3. concentrated solar power projects;
4. geothermal projects;
5. waste to energy projects; and
6. others as required

Geothermal and waste-to-energy projects will not be considered in the Introductory Round. A category for hybrid projects may be added in the first or second procurement round. Remote area projects generally include those that are connected to a distribution system that is not currently or envisioned to be connected to the national transmission grid. However, sites specifically designated by Saudi Electricity Company (SEC) as being part of remote areas will also be included in this tranche, regardless of their connection status.

Projects within each tranche will be compared on the basis of an evaluated contract price. Those projects with the lowest evaluated contract prices, adjusted for the rated criteria, within each tranche will be awarded a contract.

As discussed above, each proposal will contain a proposal price statement in a separate sealed envelope that includes the proposed contract price. The proposed contract price will be the price that the generator receives for output from the facility effective on the COD.

A discount factor will be calculated for each proposal based on the rated criteria score. The discount factor is equal to the rated criteria score divided by 100 multiplied by [23.07%]¹⁹ (Figure 15).

¹⁹ 23.07% is calculated to be consistent with the willingness to pay a Contract Price that is up to 30% more than the Evaluated Contract Price for full points under rated criteria. If a proponent has full 100 points in Rated Criteria and its proposed Contract Price is \$50/MWh, by using 23.07% in the Discount Factor equation, his Evaluated Contract Price will be \$38.47/MWh. This results in the Contract Price being 30% more than the Evaluated Contract Price. The same will be true for any proposed Contract Price.

Figure 15. Calculation of Proposal Discount Factor

$$\text{Discount Factor} = (\text{Rated Criteria Score} / 100) \times 0.2307$$

The evaluated contract price for each proposal will then be calculated as the proposed contract price multiplied by one minus the discount factor, plus the levelized cost of behind-the-meter upgrades to the transmission system. This implies that K.A.CARE and SEPC is effectively willing to pay up to [30]% more for projects that have higher local content and less development risk.²⁰

Figure 16. Calculation of Evaluated Contract Price²¹

$$\text{Evaluated Contract Price} = \text{Contract Price} \times (1 - \text{Discount Factor}) + \text{BTM Upgrade Costs}$$

The average and standard deviation of the evaluated contract price within each tranche will be calculated. Those proposals with an evaluated contract price greater than one standard deviation above the average may be rejected. Proposals that are evaluated as lower outliers may be subject to further review and investigation.

From the remaining proposals, contracts will be awarded to the lowest evaluated contract price within each tranche up to the technology specific target capacities. To the extent that the cumulative capacity of contracts awarded does not meet one or more technology specific target capacities, SEPC will have the right to award a contract to the project in the other tranches with the next lowest evaluated contract price.²² This may continue until the total capacity target is realized.

The RFP will also clearly state that K.A.CARE will have the right to increase or decrease the total target capacity and the technology target capacities at any point after the closing date.

²⁰ The discount factor equation caps the premium that K.A.CARE is willing to pay at 30%, i.e., under a case where rated criteria score is full 100 points. To illustrate in an example, let's assume two proponents who bid for the same site (with essentially the same BTM upgrade costs) as follows: (i) Proponent 1 bids \$100/MWh and scores 100 points for rated criteria, and (ii) Proponent 2 bids \$77/MWh and scores 0 points for rated criteria. Using the above equation for Evaluated Contract Price, and ignoring BTM upgrade costs, the Evaluated Contract Price for Proponent 1 is \$76.93 and for Proponent 2 is \$77/MWh, making Proponent 1's proposal more competitive.

²¹ BTM Upgrade Costs would be levelized by first converting the total BTM budget to an annual amortized payment assuming a 20 year term and a 10% discount rate. This amount will then be divided by the expected annual production; the resulting volumetric figure will be added to the contract price.

²² For instance, if we assume that in the first procurement round, cumulative capacity of contracts awarded for all technologies meet their target, with the exception of wind, which is 100 MW capacity less than the wind-specific target. In this case, SEPC can decide to contract an additional 100 MW capacity of some other technology, say Solar PV. SEPC will have the right to award the project(s) to proponents that have the next best evaluated contract price as compared to already contracted projects within the Solar PV tranche, provided it is not an outlier with regards to standard deviation relative to average.

5.5 Proposal Evaluation Committee

The evaluation committee will include seven to nine individuals with a wide range of relevant experience and expertise, including commercial, technical, and legal. A member of the procurement department from within SEPC will chair the committee. The evaluation committee will consist of two technical, two legal, and two to four commercial experts.

The chair, along with two designates from the committee will evaluate all of the proposals for completeness and compliance with the mandatory requirements. For the rated criteria evaluation, the eight committee members, excluding the chair, will be divided into two evaluation teams. Each team will be assigned half of the proposals.

The teams will identify the individuals responsible for evaluating a single rated criterion across all of the proposals. Following the evaluation of all the individual rated criteria, each team will reconvene internally and review the points that have been awarded to each proposal. After the teams have evaluated half of the proposals, they will swap and conduct a second evaluation on the remaining half. The chair will facilitate this process, and will ensure that the result of the first team's evaluation is not shared with the second team. The final score awarded to each proposal will be the simple average of the scores awarded by the two teams.²³

External commercial, technical, and legal experts can also be included on the evaluation committee, either augmenting or replacing internal staff.

The evaluation of proposals will be conducted in a secured environment. Evaluation committee members will not be permitted to take proposals out of the secured area.

²³ However, if large discrepancies are observed between the scores awarded by the two teams, SEPC will require the scoring in the anomalous category to be reviewed by the teams one more time clearly noting rationale behind their scores.

6 Local Content

The RFP and the PPA will contain specific rules and procedures for determining the local content of a proposal. The following sections provide a summary of the intended approach, including definitions, the level and type of documentation required, and the auditing plan for SEPC.

6.1 Structure

The local content provisions in the RFP and the PPA will focus on costs incurred by proponents prior to commercial operation. This includes but is not limited to equipment purchase costs, construction labor, engineering, and other professional services.

For each proposal the amount of local content, or the local content level, will be based on the concept of allowable local expense. As discussed above, in the initial procurement round, proposals will receive up to X points in the rated criteria evaluation based on the local content level. As the level of allowable local expense increases as a percentage of the total project cost, the number of points awarded to the proposal will increase.

The method for calculating allowable local expense will be defined in the RFP and the PPA. In all cases, the allowable local expense will be equal to the total cost of a service or equipment purchased from a SESC approved permanent establishment in the Kingdom, multiplied by its respective local content factor. Only goods or services purchased from a permanent establishment located in the Kingdom of Saudi Arabia will receive credit towards allowable local expense; facilities which provide limited value add, such as local assembly, will only be eligible for partial credit based on SESC's assessment. K.A.CARE along with the SESC will be responsible for maintaining a list of eligible permanent establishments.

The local content factors will be defined in the RFP and PPA, and are presented below for each of the major technologies.

Figure 17. Components of Renewable Generating Facilities and Local Content Factors

Cost Category	Equipment or Service	Local Content Factor
CSP - Parabolic Trough		
Engineering	Service	50%
Legal	Service	50%
Other Professional Services	Service	50%
Construction Labor and Management – Saudi	Service	50%
Construction Labor and Management – Other	Service	0%
Collector	Equipment	50%
Mirrors	Equipment	50%
Absorber	Equipment	50%
Molten Salts	Equipment	100%
Steam Turbine and Generator	Equipment	100%
Storage Tank	Equipment	100%
Balance of Plant	Equipment	25%

Discussions of Saudi policies are purely hypothetical, as such policies are subject to change and refinement. 2013

Cost Category	Equipment or Service	Local Content Factor
CSP - Power Tower		
Engineering	Service	50%
Legal	Service	50%
Other Professional Services	Service	50%
Construction Labor and Management – Saudi	Service	50%
Construction Labor and Management – Other	Service	0%
Heliostat	Equipment	50%
Mirrors	Equipment	50%
Receiver	Equipment	100%
Molten Salts	Equipment	100%
Steam Turbine and Generator	Equipment	100%
Storage Tank	Equipment	100%
Balance of Plant	Equipment	25%
PV – Thin Film		
Engineering	Service	50%
Legal	Service	50%
Other Professional Services	Service	50%
Construction Labor and Management – Saudi	Service	50%
Construction Labor and Management – Other	Service	0%
Modules	Equipment	50%
Invertors	Equipment	100%
Racking System	Equipment	100%
Balance of Plant	Equipment	25%
PV – Polycrystalline		
Engineering	Service	50%
Legal	Service	50%
Other Professional Services	Service	50%
Construction Labor and Management – Saudi	Service	50%
Construction Labor and Management – Other	Service	0%
Polysilicon Manufacturing	Equipment	50%
Wafers	Equipment	100%
Cells	Equipment	50%
Modules	Equipment	50%
Inverters	Equipment	100%
Racking System	Equipment	100%
Balance of Plant	Equipment	25%

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Cost Category	Equipment or Service	Local Content Factor
Wind		
Engineering	Service	50%
Legal	Service	50%
Other Professional Services	Service	50%
Construction Labor and Management – Saudi	Service	50%
Construction Labor and Management – Other	Service	0%
Blades	Equipment	50%
Towers	Equipment	50%
Gearbox	Equipment	100%
Generator	Equipment	100%
Power Converter	Equipment	100%
Nacelle Housing and Assembly	Equipment	25%
Balance of Plant	Equipment	25%
Waste to Energy		
Engineering	Service	50%
Legal	Service	50%
Other Professional Services	Service	50%
Construction Labor and Management – Saudi	Service	50%
Construction Labor and Management – Other	Service	0%
Steam Turbine and Generator	Equipment	100%
Boiler	Equipment	100%
Balance of Plant	Equipment	25%
Geothermal		
Engineering	Service	50%
Legal	Service	50%
Other Professional Services	Service	50%
Construction Labor and Management – Saudi	Service	50%
Construction Labor and Management – Other	Service	0%
Steam Turbine and Generator	Equipment	100%
Heat Exchanger	Equipment	100%
Condenser	Equipment	100%
Balance of Plant	Equipment	25%

In some instances the local content factor is 100% whereas in others it is 50% and 25%.²⁴ The differentiation provides an incentive for proponents to utilize a particular Saudi good or service. Cost categories where localization is naturally expected to occur only receive 25% credit, whereas categories where localization is strong and/or additional incentives may be required receive 50% or 100% credit towards allowable local expenses, depending on their localization potential and significance for renewable industry development. For example, designating that construction labor and management performed by Saudis is eligible for a one-for-one credit towards allowable local expenses encourages proponents to hire Saudis, whereas no credit is available for non-Saudi labor and management.

As the project progresses, the proponent will be required to provide updates on its local content plan as part of the regular reporting requirements in the PPA. Within six months after COD the proponent will be required to submit a report documenting the capital expenditures on the project and the allowable local expenses, audited by an independent 3rd party auditing firm. Upon receiving the report, SEPC will, at its discretion, have the allowable local expenses audited separately by an independent firm of its choice.

Failure to achieve the level of allowable local expenses included in the proposal will result in liquidated damages. Liquidated damages in this case will be equivalent to the difference between the proposed allowable local expense and the achieved allowable local expense. Liquidated damages will be collected from the PPA performance security, and if PPA performance security is insufficient, the proponent will be billed for the difference. All amounts collected will be placed into a technology research and development fund administered by K.A.CARE. The effect of this provision is that proponents will be forced to spend in country exactly the amounts they represented in their bids in the Kingdom, with K.A.CARE investing any shortfall on their behalf.

6.2 Documentation Requirements

As mentioned above, proponents will be required to provide regular updates on the status of its local content plan. Furthermore, within six months of COD, they will be required to submit a complete report outlining the level of allowable local expenses achieved, audited by an independent 3rd party auditing firm.

Proponent will be required to maintain separate accounting records for each project. Proponents' suppliers will also be required to maintain separate accounting records for each project, insofar as their contribution to the allowable local expense is greater than 25%. Proponents, along with its own suppliers and their respective subcontractors, will also be required to retain the supporting documentation and vouchers regarding the cost of the project and components in order to ensure that there is an audit trail.

²⁴ Cost categories assigned as follows: (i) 50% local content factor classified as "activities at the core of renewable industry development"; (ii) 100% local content factor classified as "activities with localization potential but facing important challenges that may hinder their localization success"; and (iii) 25% local content factor classified as "non-strategic, non-value added activities for the country but with macro impact".

6.3 Auditing Plan

SEPC will have the discretion to separately audit the final local content report after they have been filed by proponents. The audit will be based upon the following principles:

- free access;
- individual project accounting;
- traceability;
- fair market value in related transactions; and
- no double inclusion.

Audits will be carried out by a qualified third party selected by SEPC; SEPC may conduct training programs in local content auditing to build capabilities in this area.

7 Power Purchase Agreement

A standard form PPA will be issued as part of the RFP package. Changes to the PPA will not be negotiated with individual proponents. Prior to the launch of each round, qualified proponents will have the opportunity to review and comment on the terms of the agreement and K.A.CARE and SEPC will have the opportunity to revise the agreement before the final RFP and PPA are issued.

K.A.CARE and SEPC will retain the right to change any of the terms of the PPA at any point during the process. If electing to do so, however, SEPC will be required to notify all registered proponents of the change and (i) if the change is made prior to the closing date, extend the closing date to allow ample time for all proponents to adjust their proposals, or (ii) if the change is made after the closing date, allow all proponents the opportunity to revise their proposals. This will ensure that apprehensions of unfairness are minimized and all proponents are given the opportunity to submit a proposal under the same terms.

Successful proponents will be required to execute a PPA of the form included in the RFP, at which point they become suppliers of electricity.

The following sections provide a description of key elements of the PPA.

7.1 Payment Structure

Mechanism

Under the PPA, suppliers will receive 240 consecutive monthly payments calculated by multiplying the adjusted contract price in the calendar month by the total metered electricity in the calendar month. When the amount produced in a calendar month exceeds 105% of the contracted monthly output, the price for subsequent volumes produced in that month will be reduced to the levelized cost of a simple cycle turbine, calculated according to a formula to be published by SEPC in advance of contract signing.

Metering equipment must be installed at the point of interconnection in accordance with the provisions of the connection agreement and the standards defined in the Saudi Arabian Grid Code. In the case of expansions of existing renewable generating facilities, the expansion must be metered separately from the existing renewable generating facility. Proponents will need to have a third party certify in advance the amount of pre-existing capacity, and that only the expansion facilities are connected to the expansion meter.

In order to minimize working capital requirements for suppliers, payments will be made as soon as practicable. It would be reasonable to stipulate in the PPA that payment will be made as quickly as possible, but not later than the 30th day of the succeeding month.

Currency

The contract price will be denominated in Saudi Riyals and all payments under the PPA will be made in Saudi Riyals.

Given the size of the investments that are being considered, a portion of the debt used to finance the projects is likely to be denominated in US Dollars or another international currency

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(e.g. Euro, etc.), because it is easier to swap such international currencies against the US Dollar. As such, the PPA will include a mechanism that adjusts the contract price if the pegged US-KSA exchange rate changes. This provision will facilitate raising debt that is denominated in international currencies against a PPA that is denominated in Saudi Riyals.

Figure 18. Contract Price Exchange Rate Adjustment

$$\text{Adjusted Contract Price} = \text{Contract Price} \times ((\text{Current SR} : \text{USD Exchange Rate}) / 3.75)$$

7.2 Counterparties

The PPA will be solely between the proponent and SEPC, along with an endorsement from the Saudi government guarantor. In turn, SEPC will have a consolidated PPA with SEC to sell the power at SEC's avoided cost, with the difference made up through direct payments from a specified government source.

7.3 Legal Venue

The PPA will be based on Saudi Common Law.

7.4 Assignment and Change of Control

Following the award of the PPA, the restrictions on changes to the legal structure and control of the supplier can be broken down into two phases: the development phase (prior to reaching commercial operation) and the operational phase (once commercial operation has been achieved).

In the development phase, assignments would only be permitted to an affiliate of the supplier and changes of control would not be permitted, except in the case of publicly traded companies (which may not have the ability to prevent a change of control). An exception would be made to the restriction on assignment and change of control for a lender taking a security interest in the project. This level of restriction during the development phase is necessary to have confidence that the entity that was selected in the competitive procurement is the entity ultimately responsible for the construction of the project. Once commercial operation has been achieved, there is no need for substantive restrictions.

It is anticipated that the development phase restrictions last until six months after commercial operation has been achieved. The benefit of this extended "hold period" is that it prevents projects from changing hands immediately upon commercial operation, which obligates the original developer to resolve any outstanding project issues (e.g. the completion of punch list items).²⁵

In both cases, pre-COD and post-COD, assignments on the part of supplier will require the consent of SEPC, which would not be unreasonably withheld. Similarly, the PPA will have

²⁵ For newly formed joint stock companies in Saudi Arabia, there is in any case a restriction on transferring shares for the first two years of a company's existence.

provisions for SEPC assigning the contracts to another organization in the future, and it needs to be ensured that the other organization not only has similar financial strength, but also is in no manner perceived as less creditworthy than SEPC itself. The transparent funding mechanism and any government guarantees for SEPC need to be transferred to the other organization as well.

7.5 Performance Security

Performance security of [SR 75,000] per MW capacity will be required at the time of executing the PPA, which must occur within 14 days of notification of award. One year after the execution date of the PPA the performance security requirement will increase to [SR 150,000] per MW.

Performance security must be provided in the form of:

- a certified check or bank draft;
- an irrevocable and unconditional standby letter of credit; or
- a bid bond.

A form of letter of credit and bid bond will be provided as part of the PPA.

If a proponent cancels a project or it fails to reach commercial operation the performance security will be forfeited. At COD, half of the performance security will be returned, leaving SR [SR 75,000] per MW. After COD, at the end of every fifth year [SR 18,750] per MW capacity of performance security will be returned to the supplier. The final amount will be returned at the termination of the PPA at the end of the twentieth year. Performance security may be drawn upon in the event a project fails to operate for a consecutive three month period, and force majeure has not been declared. Failure to operate for a period of more than six months may result in termination of the PPA, except in cases of major equipment failure where the project can demonstrate that it is making good faith efforts to restore the plant to operations in a timely fashion, and delays are due to repair or equipment availability issues beyond the developer's control.

7.6 Milestones

The PPA will contain a number of reporting events in order to track a project's progress through the development and construction phases. Failure to meet the milestone dates associated with the milestone events will trigger greater scrutiny by SEPC. Effectively, as long as the COD is achieved, suppliers can avoid financial penalties. Suppliers that fail to meet the COD will be subject to liquidated damages, and if the delays are lengthy (more than six months), they may be deemed to be in default under the PPA.

Each supplier will be required to provide expected dates for the following milestones events:

- Site control secured;²⁶
- Connection assessment complete;
- Site-specific resource studies complete;

²⁶ For pre-packaged sites, site control will be secured by K.A.CARE and provided to suppliers.

- Financial closing;
- Start of construction;
- Facility connected to the grid; and
- Commercial operation.

7.7 Reporting Requirements

Progress against the contract milestones will be tracked through a quarterly report prepared by the supplier and submitted to SEPC. If a material delay (seven calendar days or more) is expected for a milestone event, the supplier will have the obligation to notify SEPC within seven calendar days. Any expected delay to the commercial operation date will have to be reported to SEPC as soon as the supplier becomes aware of it.

The supplier will also be required to provide SEPC, upon request, an opportunity to meet with appropriate personnel to discuss and assess the contents of the quarterly progress report.

7.8 Liquidated Damages

Failure to meet the COD in the PPA will result in liquidated damages. Instead of a cash penalty, liquidated damages will be assessed through shortening the term of the PPA by three days for every one day the project is delayed.

7.9 Force Majeure

The PPA will contain force majeure provisions that cover both the pre-COD and post-COD periods. Pre-COD, the force majeure provisions will allow for one-for-one day extension of the COD requirement, provided that (i) the supplier notifies SEPC of the force majeure event within an appropriate time frame, and (ii) commercially reasonable efforts to remedy the situation are taken. After 365 days of force majeure provisions, both SEPC and the supplier will have the option to terminate the agreement without prejudice, following which SEPC will return the outstanding performance security to the supplier.

Post-COD, the force majeure provisions will relieve either party of its obligations to make payments or operate and maintain the facility in accordance with good industry practice, but will not result in an extension of the term.

Typical force majeure provisions include:

- acts of God Almighty;
- fire or explosions;
- local, regional or national states of emergency;
- strikes and labor disputes;
- delays in waste supply for WTE plants resulting from a force majeure event (party/third party); and
- civil disobedience/war;

Additional force majeure provisions could be included to address delays in obtaining interconnection agreements, permits, government approvals, etc.

8 Appendix A – Rated Criteria Evaluation Framework

8.1 Financial

	Internally Financed	Externally Financed						
Minimum Requirement (if applicable)	<ul style="list-style-type: none"> » Proponent has (i) an “investment grade” credit rating (e.g. Baa3, BBB- or higher), or (ii) a tangible net worth equivalent to no less than 10% of the proposed total project cost at the end of the last two fiscal years, or (iii) a net income equivalent of no less than 5% of the proposed total project cost at the end of the last two fiscal years 	<ul style="list-style-type: none"> » A designated equity provider has (i) an investment grade credit rating, or (ii) a tangible net worth equivalent to no less than 10% of the proposed total project cost at the end of the last two fiscal years, or (iii) a net income equivalent to no less than 5% of the proposed total project cost at the end of the last two fiscal years 						
Maximum Points Awarded (X) ²⁷	<ul style="list-style-type: none"> » Proponent has (i) a “high grade” credit rating (e.g. Aa3, AA- or higher), or (ii) has a tangible net worth equivalent to no less than 50% of the proposed total project cost at the end of the last two fiscal years, or (iii) has a net income equivalent to no less than 25% of the proposed total project cost at the end of the last two fiscal years; and » Proponent or a control group member has financed a generation facility representing at least 80% of the total project cost within the last 24 months 	<ul style="list-style-type: none"> » Both equity and debt commitments are firm; and » Designated equity provider has (i) a “high grade” credit rating (e.g. Aa3, AA- or higher), or (ii) has a tangible net worth equivalent to no less than 50% of the proposed total project cost at the end of the last two fiscal years, or (iii) has a net income equivalent to no less than 25% of the proposed total project cost at the end of the last two fiscal years; and » Lender has a “high grade” credit rating (e.g. Aa3, AA- or higher); and <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th>E/D Commitment</th> <th>Designated Equity Provider</th> <th>Lender</th> </tr> </thead> <tbody> <tr> <td>Firm/Firm</td> <td>4</td> <td>4</td> </tr> </tbody> </table> <ul style="list-style-type: none"> » Proponent or a control group member has financed a generation facility representing at least 80% of the total project cost within the last 24 months 	E/D Commitment	Designated Equity Provider	Lender	Firm/Firm	4	4
E/D Commitment	Designated Equity Provider	Lender						
Firm/Firm	4	4						
$\frac{3}{4}$ Points Awarded (X)	<ul style="list-style-type: none"> » Proponent has (i) a tangible net worth equivalent to no less than 40% of the proposed total project cost at the end of the last two fiscal years, or (ii) a net income equivalent to no less than 20% of the proposed total project cost at 	<ul style="list-style-type: none"> » Equity commitment is firm, debt commitment is soft; and » Designated equity provider has (i) a tangible net worth equivalent to no less than 40% of the proposed total project cost at the end of the last two fiscal years, or (ii) a net income equivalent to no less than 20% of the 						

²⁷ Points can be awarded in between scales identified here if proponent’s financial attributes are between specifications described here. For instance, tangible net worth of 50% of project cost implies X points, and 40% implies X points. Thus, an increase in tangible net worth of every 1% will imply increase in X points.

	<p>the end of the last two fiscal years; and</p> <p>» Proponent or a control group member has financed a generation facility representing at least 80% of the total project cost within the last 48 months</p>	<p>proposed total project cost at the end of the last two fiscal years; and</p> <p>» Lender has a “high grade” credit rating (e.g. Aa3, AA- or higher); and</p> <table border="1" data-bbox="909 315 1461 462"> <thead> <tr> <th>E/D Commitment</th> <th>Designated Equity Provider</th> <th>Lender</th> </tr> </thead> <tbody> <tr> <td>Firm/Soft</td> <td>3</td> <td>4</td> </tr> </tbody> </table> <p>» Proponent or a control group member has financed a generation facility representing at least 80% of the total project cost within the last 48 months</p>	E/D Commitment	Designated Equity Provider	Lender	Firm/Soft	3	4
E/D Commitment	Designated Equity Provider	Lender						
Firm/Soft	3	4						
<p>½ Points Awarded (X)</p>	<p>» Proponent has (i) an “upper medium grade” credit rating (e.g. A3, A- or higher), or (ii) a tangible net worth equivalent to no less than 30% of the proposed total project cost at the end of the last two fiscal years, or (iii) a net income equivalent to no less than 15% of the proposed total project cost at the end of the last two fiscal years; and</p> <p>» Proponent or a control group member has financed a generation facility representing at least 50% of the total project cost within the last 24 months</p>	<p>» Both equity and debt commitments are soft; and</p> <p>» Designated equity provider has (i) an “upper medium grade” credit rating (e.g. A3, A- or higher), or (ii) a tangible net worth equivalent to no less than 30% of the proposed total project cost at the end of the last two fiscal years, or (iii) a net income equivalent to no less than 15% of the proposed total project cost at the end of the last two fiscal years; and</p> <p>» Lender has an “upper medium grade” credit rating (e.g. A3, A- or higher); and</p> <table border="1" data-bbox="909 1050 1461 1197"> <thead> <tr> <th>E/D Commitment</th> <th>Designated Equity Provider</th> <th>Lender</th> </tr> </thead> <tbody> <tr> <td>Soft/Soft</td> <td>2</td> <td>2</td> </tr> </tbody> </table> <p>» Proponent or a control group member has financed a generation facility representing at least 50% of the total project cost within the last 24 months</p>	E/D Commitment	Designated Equity Provider	Lender	Soft/Soft	2	2
E/D Commitment	Designated Equity Provider	Lender						
Soft/Soft	2	2						
<p>¼ Points Awarded (X)</p>	<p>» Proponent has (i) a tangible net worth equivalent to no less than 20% of the proposed total project cost at the end of the last two fiscal years or (ii) a net income equivalent to no less than 10% of the proposed total project cost at the end of the last two fiscal years; and</p> <p>» Proponent or a control group member has financed a generation facility representing at least 50% of the total project cost within the last 48 months</p>	<p>» Both equity and debt commitments are soft; and</p> <p>» Proponent has (i) a tangible net worth equivalent to no less than 20% of the proposed total project cost at the end of the last two fiscal years or (ii) a net income equivalent to no less than 10% of the proposed total project cost at the end of the last two fiscal years; and</p> <p>» Lender has an “upper medium grade” credit rating (e.g. A3, A- or higher); and</p> <table border="1" data-bbox="909 1722 1461 1869"> <thead> <tr> <th>E/D Commitment</th> <th>Designated Equity Provider</th> <th>Lender</th> </tr> </thead> <tbody> <tr> <td>Soft/Soft</td> <td>1</td> <td>2</td> </tr> </tbody> </table>	E/D Commitment	Designated Equity Provider	Lender	Soft/Soft	1	2
E/D Commitment	Designated Equity Provider	Lender						
Soft/Soft	1	2						

		» Proponent or a control group member has financed a generation facility representing at least 50% of the total project cost within the last 48 months
No Points Awarded (0)	» Minimum requirement only	» Minimum requirement only

8.2 Experience

	Proponent Experience	Designated Team Member Experience	Saudi Experience
Minimum Requirement (if applicable)	» None	» None	» None
Maximum Points Awarded (X)	» Proponent has (i) planned and developed, (ii) constructed, and (iii) operated three or more generating facilities of similar size and technology	» Same as proponent experience, but applied to three or more individuals in the proponent's team, of which one is in a management position	» Proponent or a designated team member has business operation experience in the Kingdom in the power generation sector » Two designated team members have business operation experience in the Kingdom in the power generation sector » Proponent has business operation experience in the Kingdom » One designated team member has business operation experience in the Kingdom
$\frac{3}{4}$ Points Awarded (X)	» Proponent has (i) planned and developed, (ii) constructed, or (iii) operated two or more generating facilities of similar size and technology and (iv) has operated one or more generating facilities of similar size and technology	» Same as proponent experience, but applied to two or more individuals in the proponent's team, of which one is in a management position	» Proponent or a designated team member has business operation experience in the Kingdom in the power generation sector » One designated team members has business operation experience in the Kingdom in the power generation sector » Proponent has business operation experience in the Kingdom
$\frac{1}{2}$ Points Awarded (X)	» Proponent has (i) planned and developed, and (ii) constructed, but not operated, two or more generating facilities of similar size and technology		
$\frac{1}{4}$ Points Awarded (X)	» Proponent has (i) planned and developed, (ii) constructed, or (iii) operated		

	two or more generating facilities of similar size and technology		
No Points Awarded (0)	» Proponent has (i) planned and developed, (ii) constructed, or (iii) operated at least one generating facility of similar size and technology	» No experience	» No experience

8.3 Development Status

	Resource Data	Permitting Status	Equipment Supply
Minimum Requirement (if applicable)	<u>Wind</u> » At least one month of meteorological data from a tower located on the site; or » At least three months of meteorological data from a tower site with similar meteorological conditions; the similarity of the tower site to the project site must be confirmed by a meteorologist <u>Solar</u> » At least one month of radiation data using direct terrestrial measurements; or » At least three months of radiation data using satellite models <u>Geothermal</u> » A discussion of the resource potential and the methods that have been used to evaluate it <u>Waste to Energy</u> » A detailed plan for the procurement and delivery of the required fuel; the plan must outline fuel availability and potential supply terms for the duration of the contract term	» Proponent has identified all necessary permits and has established a plan and timeline to obtain them	» None
Maximum Points Awarded (X)	<u>Wind</u> » At least one year of meteorological data from a tower located on the site <u>Solar</u> » At least one year of radiation data using direct terrestrial measurements <u>Geothermal</u> » Results of a comprehensive drilling program <u>Waste to Energy</u> » Firm fuel supply agreements, including price, for 100% of the fuel and transportation requirements for the duration of the PPA	» All necessary permits have been obtained	» Proponent has executed an equipment supply agreement with a fixed price that guarantees delivery of major components in a timeframe consistent with

Discussions of Saudi policies are purely hypothetical, as such policies are subject to change and refinement. 2013

			the project milestones
¾ Points Awarded (X)	<p><u>Wind</u></p> <ul style="list-style-type: none"> » At least six months of meteorological data from a tower located on the site <p><u>Solar</u></p> <ul style="list-style-type: none"> » At least six months of radiation data using direct terrestrial measurements <p><u>Geothermal</u></p> <ul style="list-style-type: none"> » Resource potential demonstrated through other scientific or technical method <p><u>Waste to Energy</u></p> <ul style="list-style-type: none"> » Firm fuel supply agreements, including price, for more than 50% of the fuel and transportation requirements for the first ten years of the PPA; and » Some other form of written commitment for its fuel supply for at least non-contracted fuel supply up to 75% of total; and » The proponent has a plan to secure any remaining non-committed amounts 	<ul style="list-style-type: none"> » 75% of all necessary permits have been obtained 	<ul style="list-style-type: none"> » Proponent is in the process of negotiating an equipment supply agreement and has a binding letter of intent from a manufacturer for the delivery of the major components
½ Points Awarded (X)	<p><u>Wind</u></p> <ul style="list-style-type: none"> » At least three months of meteorological data from a tower located on the site; or » At least six months of meteorological data from a tower site with similar meteorological conditions; the similarity of the tower site to the project site must be confirmed by a meteorologist <p><u>Solar</u></p> <ul style="list-style-type: none"> » At least three months of radiation data using direct terrestrial measurements; or » At least six months of radiation data using satellite models <p><u>Geothermal</u></p> <ul style="list-style-type: none"> » A comprehensive resource assessment plan <p><u>Waste to Energy</u></p> <ul style="list-style-type: none"> » Firm fuel supply agreements, including price, for more than 25% of the fuel and transportation requirements for the first five years of the PPA; and » Some other form of written commitment for its fuel supply for at least non-contracted fuel supply up to 75% of total; and » The proponent has a plan to secure any remaining non-committed amounts 	<ul style="list-style-type: none"> » 50% of all necessary permits have been obtained 	<ul style="list-style-type: none"> » Proponent has a binding letter of intent from a manufacturer for the delivery of the major components; the letter of intent or quote must be binding for at least 90 days after the closing date of the RFP
¼ Points	<p><u>Wind</u></p>	<ul style="list-style-type: none"> » 25% of all 	<ul style="list-style-type: none"> » Proponent has

Awarded (X)	<ul style="list-style-type: none"> » At least two months of meteorological data from a tower located on the site; or » At least three months of meteorological data from a tower site with similar meteorological conditions; the similarity of the tower site to the project site must be confirmed by a meteorologist <p><u>Solar</u></p> <ul style="list-style-type: none"> » At least two months of radiation data using direct terrestrial measurements; or » At least three months of radiation data using satellite models <p><u>Geothermal</u></p> <ul style="list-style-type: none"> » N/A <p><u>Waste to Energy</u></p> <ul style="list-style-type: none"> » Comprehensive fuel supply study, including pricing and availability for 100% of fuel requirements throughout the term 	necessary permits have been obtained	identified a manufacturer and has a non-binding letter of intent
No Points Awarded (0)	» Minimum requirement only	» Minimum requirement only	» Minimum requirement only

8.4 Local Content

Local Content	Introductory Round and Round 1	Round 2
Maximum Points Awarded (X)	<p><u>Wind</u></p> <ul style="list-style-type: none"> » 50% local content level <p><u>Solar Thermal</u></p> <ul style="list-style-type: none"> » 60% local content level <p><u>Solar PV</u></p> <ul style="list-style-type: none"> » 60% local content level <p><u>Geothermal</u></p> <ul style="list-style-type: none"> » 40% local content level <p><u>Waste to Energy</u></p> <ul style="list-style-type: none"> » 40% local content level 	<p><u>Wind</u></p> <ul style="list-style-type: none"> » 60% local content level <p><u>Solar Thermal</u></p> <ul style="list-style-type: none"> » 70% local content level <p><u>Solar PV</u></p> <ul style="list-style-type: none"> » 70% local content level <p><u>Geothermal</u></p> <ul style="list-style-type: none"> » 50% local content level <p><u>Waste to Energy</u></p> <ul style="list-style-type: none"> » 50% local content level
¾ Points Awarded (X)	<ul style="list-style-type: none"> » Points in between the maximum available and zero awarded on a sliding scale based on local content level (e.g. if local content level for wind project is 40% that the project would receive 4/5 of total available points, if local content level for solar PV proposal is 30% then the project would receive ½ of total available points, etc.) 	<ul style="list-style-type: none"> » Points in between the maximum available and zero awarded on a sliding scale based on local content level
½ Points Awarded (X)		
¼ Points Awarded (X)		
No Points Awarded (0)	» Minimum requirement only	» Minimum requirement only