

10-15-2004

# Unserved Areas Electrification Programme- Government/Guyana Power & Light Inc. Project Agreement

Government of Guyana

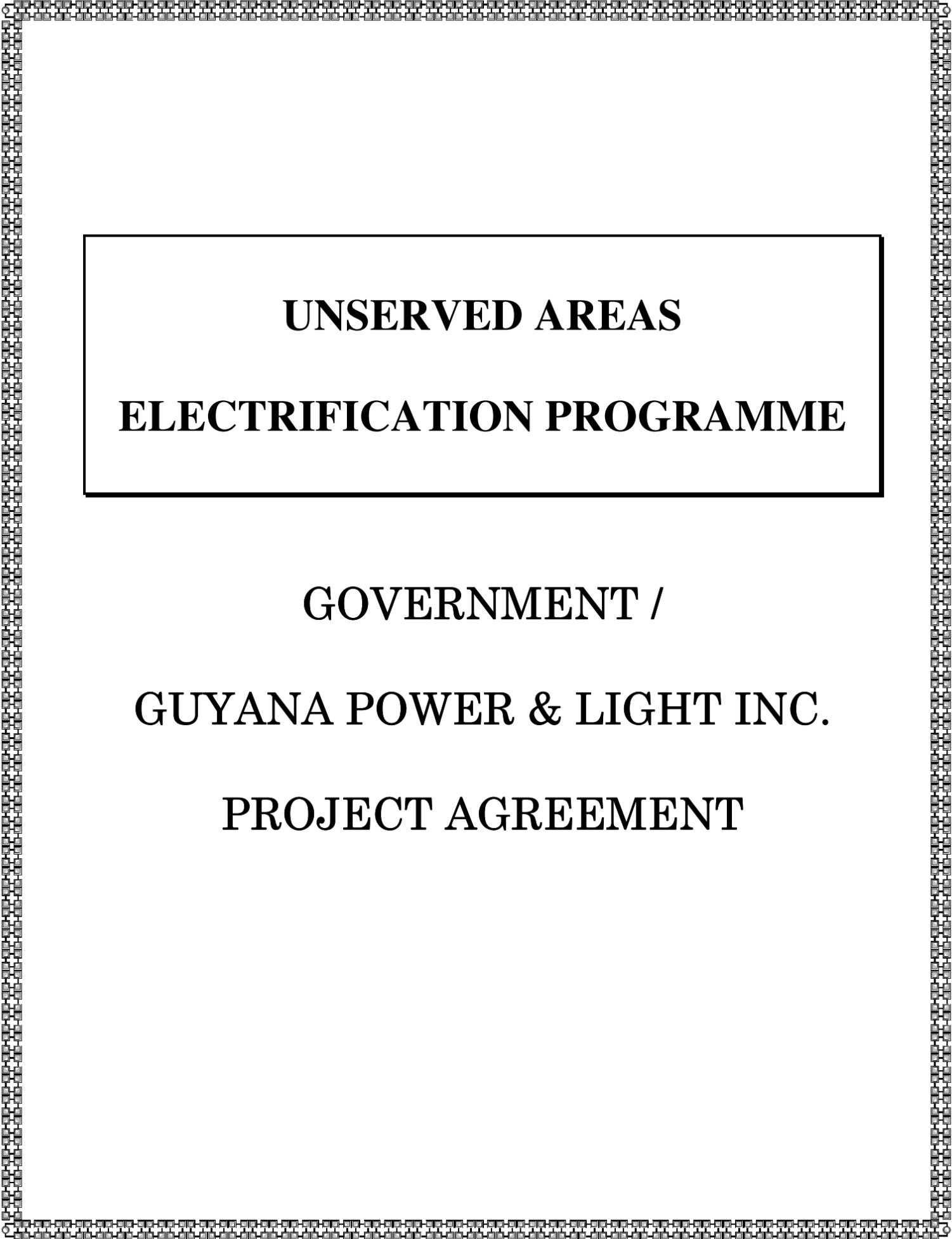
Follow this and additional works at: [https://digitalrepository.unm.edu/la\\_energy\\_policies](https://digitalrepository.unm.edu/la_energy_policies)

---

## Recommended Citation

Government of Guyana. "Unserved Areas Electrification Programme- Government/Guyana Power & Light Inc. Project Agreement." (2004). [https://digitalrepository.unm.edu/la\\_energy\\_policies/208](https://digitalrepository.unm.edu/la_energy_policies/208)

This Other is brought to you for free and open access by the Latin American Energy Policy, Regulation and Dialogue at UNM Digital Repository. It has been accepted for inclusion in Latin American Energy Policies by an authorized administrator of UNM Digital Repository. For more information, please contact [disc@unm.edu](mailto:disc@unm.edu).



**UNSERVED AREAS  
ELECTRIFICATION PROGRAMME**

**GOVERNMENT /  
GUYANA POWER & LIGHT INC.  
PROJECT AGREEMENT**

## TABLE OF CONTENTS

<b><u>Article</u></b>	<b><u>Page</u></b>
Preamble	5
<b>ARTICLE 1 – DEFINITION OF UNSERVED AREAS</b>	
1.1 Definition of Unserved Areas	6
<b>ARTICLE 2 – FINANCING FOR THE UAEP AND PROJECT COST</b>	
2.1 Financing of the UAEP	7
2.2 Project Cost	7
<b>ARTICLE 3 – SCOPE OF THE UAEP</b>	
3.1 Scope of the UAEP	9
3.1.1 Grid Connections	9
3.1.2 Loss Reduction – Assessment and Investment / Management Services	9
3.1.3 Project Management and Other Support	9
3.2 Description of the Project	
3.3 Amendment to GPL’s Standard Terms and Conditions	10
3.4 Category of consumers to benefit	10
3.5 Non-refundable charges	10
3.6 Notification to selected subprojects	10
3.7 Payment criterion not satisfied	10
3.8 Conditions applicable after an area is electrified	11
3.9 No subsequent refunds	11
<b>ARTICLE 4 - TERM OF PROJECT AGREEMENT, CONDITIONS DURING PROJECT EXECUTION AND COMPLIANCE BY THE PARTIES</b>	
4.1 Term of this Agreement	11
4.2 Conditions prior to implementation of the Investment / Management Services	12
4.3 Conditions Prior to the First Disbursement of Phase II	12
4.4 Compliance by the parties	13

## ARTICLE 5 - RESPONSIBILITIES PERTAINING TO BOTH PARTIES

5.1	Commitment to meet project objectives	13
5.2	Selection criteria for subprojects under the grid connection subcomponent	13
5.3	Maps	14
5.4	Determination of costs	14
5.5	Conditions precedent to disbursement of IDB loan	14
5.6	Period of disbursement of IDB loan	15
5.7	Procurement	15

## ARTICLE 6 - GOVERNMENT RESPONSIBILITIES

6.1	Composition and functions of Project Steering Committee	17
6.2	Project Management	17
6.3	Disbursement Requests	17
6.4	Support for Tariff Rebalancing	17
6.5	Coordination with other Agencies	17
6.6	Financial Management	18
6.7	Documentation	18

## ARTICLE 7 - GPL'S RESPONSIBILITIES

7.1	Membership in PSC	18
7.2	Execution of UAEP	18
7.3	Environmental matters	19
7.4	Training	19
7.5	Structure of GPL – PIU	19
7.6	Charges to GPL's contribution	19
7.7	Coordination of Physical Works	19
7.8	Tariff Rebalancing	19
7.9	Audits	20
7.10	Maintenance of UAEP Equipment	20
7.11	Safety	20

7.12	Financial Management	20
7.13	Inspections	20
7.14	Communication	21
7.15	Insurance	21
7.16	Investments in Generation and Transmission	21
7.17	Marker in Billing System	21
7.18	Targets for grid connections	21
7.19	Transparency and Accountability	21
7.20	Future Operations of Networks financed under the UAEP	21
7.21	Operational Performance and Performance Targets	21
7.22	Authorized Representatives	22
7.23	Monitoring losses	22

#### ARTICLE 8 - CONDITIONS OF EXECUTION OF WORKS

8.1	General Provisions	22
8.2	Implementation Schedule	22
8.3	Modifications	22
8.4	Prices and Public Tender	22
8.5	Use of Goods	22
8.6	Disbursement Amounts and Form	23
8.7	Disbursement Requests	23
8.8	Suspension of Disbursements	23

#### ARTICLE 9 - DISPUTE RESOLUTION, ARBITRATION AND GOVERNING LAW

9.1	Amicable Settlement	23
9.2	Right to Arbitrate	23
9.3	Composition of Arbitrators	23
9.4	Initiation of Proceedings	24
9.5	Procedure	24
9.6	Governing Law	24

**THIS AGREEMENT** made as of the 15<sup>th</sup> day of October 2004:

**BETWEEN:**

**GUYANA POWER & LIGHT, INC.**, a company incorporated under the Companies Act 1991 being the laws of the Cooperative Republic of Guyana, having its registered office at 40 Main Street, in the City of Georgetown, in the Cooperative Republic of Guyana ("GPL" or the "Company");

- and -

**THE COOPERATIVE REPUBLIC OF GUYANA**, a sovereign state organized in such territory, on such principles and according to such rules as are described in the Constitution of the Cooperative Republic of Guyana and being represented for the purposes hereof by its government (the "Government" or "GoG").

**WHEREAS** Guyana Power & Light Inc.'s (GPL's) Standard Terms and Conditions (ST&C) provide for, among other matters:

- a definition of connections / locations which qualify for rural electrification ("Rural Electrification"),
- an agreed funding arrangement for Rural Electrification projects which includes funding by GPL of 25% of the cost of connection subject to a maximum expenditure in any one year of US \$1 million, over a maximum duration of five years and the balance of funding requirements to be provided from other sources.

**AND WHEREAS** GPL and Government (GoG) have agreed that aspects of the existing arrangements for electrification of previously unserved areas in the ST&C will be amended;

**AND WHEREAS** on May 9, 2001 the GoG and the Guyana Power & Light, Inc. (GPL) entered into an Agreement for the Unserved Areas Electrification Programme (UAEP) referred to herein as the "May 9, 2001 Agreement";

**AND WHEREAS** the May 9, 2001 Agreement redefined the programme for electrification of previously unserved areas of Guyana and outlined the arrangements for administration of the UAEP;

**AND WHEREAS** the Office of the Prime Minister (OPM) is the GoG agency responsible for the electricity sector and is responsible for the overall implementation of the IDB Loan referred to below;

**AND WHEREAS** the Parties hereto have agreed to terminate the May 9, 2001 Agreement;

**AND WHEREAS** this UAEP Project Agreement constitutes a replacement to the May 9, 2001 Agreement and fully details the terms and conditions relating to the UAEP;

**AND WHEREAS** the GoG has entered into a Loan Contract with the Inter-American Development Bank ("IDB") which has a Country Office at 47 High Street, Kingston, Georgetown numbered LO 1103 / SF-GY dated September 3, 2002 and amended on the 26<sup>th</sup> day of August, 2004 (hereinafter referred to as the "IDB Loan");

**AND WHEREAS** the IDB Loan relates to the financing of the UAEP which is estimated at a cost of thirty-four million, four hundred thousand United States dollars (US \$34,400,000) with the IDB providing total financing of up to twenty-seven million four hundred thousand United States dollars (US \$27,400,000) as a loan to the GoG;

**AND WHEREAS** the project described in the said Loan Contract to which the IDB Loan relates comprises the following components: (i) Investment Component; (ii) Hinterland Project Preparation Component; and (iii) Institutional Strengthening and Capacity Building Component;

**AND WHEREAS** this UAEP Project Agreement covers only activities and conditions relevant to the Investment Component of the IDB Loan which impact GPL's operations and all references herein below to the UAEP as be read and construed as the Investment Component of the IDB Loan;

**AND WHEREAS** under a separate **On Lending Agreement**, GPL will be responsible for repaying to GoG the portion of the IDB Loan that will be used to finance: (i) GPL's loss reduction activities; (ii) support to GPL for the negotiation of Power Purchase Agreements with Independent Power Producers; and (iii) applicable financial costs.

**NOW THEREFORE THIS AGREEMENT WITNESSES** that the Parties hereto covenant and agree as follows:

## **ARTICLE 1 – DEFINITION OF UNSERVED AREAS**

1.1 To provide guidance for the definition of Unserved Areas qualifying for the terms of the UAEP, the following criteria are to be considered:

1.1.1 The Unserved Areas are to be well defined, contiguous locations with recognizable natural geographic features;

1.1.2 The minimum distance from existing networks specified in the ST&C is eliminated for the UAEP;

- 1.1.3 There will be broad consistency of approach in designating areas as qualifying under the UAEP;
- 1.1.4 Long standing areas with a mix of old and new developments may be designated;
- 1.1.5 Individual connections will not be designated under the UAEP, whether adjacent to or remote from GPL's system, however GoG as part of its socio-economic development policy may designate additional funding to subsidize individual connections in areas that are already served; in such cases GPL's contribution will not apply ; and
- 1.1.6 Areas remote from GPL's system will not be designated under the UAEP. Any area with a cost of connection in excess of G\$200,000 per customer will not be designated under the UAEP.

## **ARTICLE 2 – FINANCING FOR THE UAEP AND PROJECT COST**

- 2.1 **Financing of the UAEP:** The UAEP will be financed in the following manner:
  - 2.1.1 GPL will finance US \$1 million per annum for five (5) years commencing June 1, 2004 and extending for a further period by up to two years, if necessary, so as to allow the completion of the UAEP.
  - 2.1.2 Consumers who are eligible to receive supply under the UAEP will pay a capital contribution of G \$10,000 (approximately US \$50 equivalent) (UAEP Consumer Capital Contribution). GoG and GPL may agree to increase this amount at a subsequent date.
  - 2.1.3 GoG will provide additional funds for the UAEP through the IDB Loan.
  - 2.1.4 GoG will provide any further monies required to bring GPL / consumers contribution to a total of US \$7,000,000 (seven million United States dollars) as shown in Tables 1 & 2 below.
- 2.2 **Project Cost:** The estimated cost of the UAEP as described in Article 3.2 is twenty-eight million, two hundred and sixty one thousand, seven hundred and fifty United States dollars (US \$28,261,750) in accordance with the following investment categories and sources of financing as shown in the Tables of Cost No. 1 and 2 below:

Table of Cost No. 1

Investment Category	Phase 1	Phase 2	Total	IDB / GOG	GPL/consumers
<b>Sub-Total Grid connection &amp; project management</b>	<b>7,300,000</b>	<b>9,600,000</b>	<b>16,900,000</b>	<b>12,300,000</b>	<b>4,600,000</b>
<b>UAEP Grid Extension</b>					
Number of connections @ estimated \$US517 per connection	6,600,000	8,900,000	15,500,000	11,375,000	4,125,000
	12,000	18,000	30,000		
Project Administration	700,000	700,000	1,400,000	925,000	475,000
<b>Loss Reduction</b>	<b>3,198,000</b>	<b>5,000,000</b>	<b>8,198,000</b>	<b>6,348,000</b>	<b>1,850,000</b>
Assessment/Feasibility of Loss Reduction Program	198,000	-	198,000	198,000	-
Investment/Management Services	3,000,000	5,000,000	8,000,000	6,150,000	1,850,000
<b>Project Management and other support</b>	<b>675,000</b>	<b>225,000</b>	<b>900,000</b>	<b>750,000</b>	<b>150,000</b>
PPA Negotiation Support	150,000	100,000	250,000	100,000	150,000
Technical and Institutional Support for Loss Reduction	400,000	-	400,000	400,000	
Financial and Operational Audits	125,000	125,000	250,000	250,000	
<b>Other Cost</b>	<b>896,000</b>	<b>1,367,750</b>	<b>2,263,750</b>	<b>1,963,788</b>	<b>400,000</b>
Contingencies	553,500	1,025,250	1,578,750	1,278,788	400,000
Financial Cost	342,500	342,500	685,000	685,000	-
<b>Investment Component (GPL)</b>	<b>12,069,000</b>	<b>16,192,750</b>	<b>28,261,750</b>	<b>21,361,788</b>	<b>7,000,000</b>
<b>Percentage</b>	<b>43%</b>	<b>57%</b>	<b>100%</b>	<b>76%</b>	<b>25%</b>

Table Cost No. 2

Investment Category	Phase 1	IDB / GOG	GPL/consumers	Phase 2	IDB/GOG	GPL/consumers	Total	IDB/GOG	GPL/consumers
<b>Sub-Total Grid connection &amp; project management</b>	<b>7,300,000</b>	<b>5,300,000</b>	<b>2,000,000</b>	<b>9,600,000</b>	<b>7,475,000</b>	<b>2,125,000</b>	<b>16,900,000</b>	<b>12,775,000</b>	<b>4,125,000</b>
<b>UAEP Grid Extension</b>									
Number of connections @ estimated \$US517 per connection	6,600,000	4,838,000	1,762,000	8,900,000	7,013,000	1,887,000	15,500,000	11,851,000	3,649,000
	12,000			18,000			30,000		
Project Administration	700,000	462,000	238,000	700,000	462,000	238,000	1,400,000	924,000	476,000
<b>Loss Reduction</b>	<b>3,198,000</b>	<b>2,623,000</b>	<b>575,000</b>	<b>5,000,000</b>	<b>3,250,000</b>	<b>1,750,000</b>	<b>8,198,000</b>	<b>5,873,000</b>	<b>2,325,000</b>
Assessment/Feasibility of Loss Reduction Program	198,000	198,000	-	-					
Investment/Management Services	3,000,000	2,425,000	575,000	5,000,000	3,250,000	1,750,000	8,000,000	5,675,000	2,325,000
<b>Project Management and other support</b>	<b>675,000</b>	<b>525,000</b>	<b>150,000</b>	<b>225,000</b>	<b>225,000</b>	<b>-</b>	<b>900,000</b>	<b>750,000</b>	<b>150,000</b>
PPA Negotiation Support	150,000	-	150,000	100,000	100,000	-	250,000	100,000	150,000
Technical and Institutional Support for Loss Reduction	400,000	400,000	-	-	-	-	400,000	400,000	-
Financial and Operational Audits	125,000	125,000	-	125,000	125,000	-	250,000	250,000	-
<b>Other Cost</b>	<b>896,000</b>	<b>796,000</b>	<b>100,000</b>	<b>1,367,750</b>	<b>1,067,750</b>	<b>300,000</b>	<b>2,263,750</b>	<b>1,863,750</b>	<b>400,000</b>
Contingencies	553,500	453,500	100,000	1,025,250	725,250	300,000	1,578,750	1,178,750	400,000
Financial Cost	342,500	342,500	-	342,500	342,500	-	685,000	685,000	-
<b>Investment Component (GPL)</b>	<b>12,069,000</b>	<b>9,244,000</b>	<b>2,825,000</b>	<b>16,192,750</b>	<b>12,017,750</b>	<b>4,175,000</b>	<b>28,261,750</b>	<b>21,261,750</b>	<b>7,000,000</b>

### ARTICLE 3 – SCOPE OF THE UAEP

- 3.1 **Scope of UAEP:** The UAEP shall be implemented in two phases in accordance with the financing plan shown as Table 1 and Table 2 in Article 2.2 of this Agreement.
- 3.2 **Description of the Project:** The UAEP comprises the following sub-components, all of which will be implemented over a five-year period:
- 3.2.1 **Grid connections:** The UAEP will provide at least 30,000 connections in over 220 unserved areas in Regions 2, 3, 4, 5, 6, 7 and 10 and entails the extension of GPL's existing distribution networks or the construction of new networks in proximity to GPL's existing distribution networks, save and except in Region 10. In the case of networks to be constructed in Region 10, GPL and OPM will determine at the time those schemes are sequenced whether GPL will be contracted to execute such works. The areas designated to be electrified are set out in **Annex 1** hereto and shall be referred to as Subprojects<sup>1</sup>. This list is not exhaustive; areas that are subsequently found to qualify for designation as an unserved area may be added to the list.
- 3.2.2 **Loss Reduction – Assessment and Investment / Management Services:** One subcomponent of the UAEP will finance:
- (a) an assessment/feasibility of non-transmission loss reduction investments that will serve as the basis to: (i) structure a loss reduction investment programme and the respective criteria to ensure the feasibility, sustainability and prioritization of these investments; (ii) define the base line and targets for mid term and end of program; and (iii) establish the institutional arrangement required for the timely execution of this loss reduction investment programme and required staffing; and
  - (b) the non-transmission loss reduction investment programme and management services resulting from (a) above, and ensuring that: (i) least cost solutions are applied and sub-projects are selected based on proper economic-financial analysis including consumers' ability and willingness to pay and the sub-projects' EIRR; (ii) subsidies to consumers are limited to a portion of investment costs, with tariffs fully covering operating and maintenance costs, consistent with IDB's policy on subsidization and cost recover, and (iii) no environmental studies, permits, and/or licenses are required

---

<sup>1</sup> The term Subproject also means unserved area.

- (c) Consultants hired to carry out the study referred to at (a) will undertake the activities detailed in the terms of reference agreed to previously between OPM and GPL.

**3.2.3 Project Management and Other Support:** This subcomponent will finance:

- (a) support for GPL to negotiate power purchase agreements to ensure that these are economically viable and do not affect the sustainability of the utility or its future privatization;
- (b) the institutional and technical advisory services and support required for GPL to implement its loss reduction programme;
- (c) the financial and operational audits; and
- (d) Consultants hired under this subcomponent will carry out the activities detailed in the terms of references previously agreed to between OPM and GPL.

**3.3 Amendment to GPL's Standard Terms and Conditions:** The changes to GPL's ST&C arising from the May 9, 2001 Agreement were submitted to and approved by the Public Utilities Commission, in compliance with Clause 2.1 of the GPL's ST&C and Conditions. GPL will seek the approval of the Public Utilities Commission on any necessary amendment to its ST&C resulting from this Agreement within three (3) months of the date of this Agreement.

**3.4 Category of consumers to benefit:** The UAEP funds will be used only for service connections to "Rate A (Residential)" and "Rate B (Commercial)" customers who have paid in advance the UAEP Consumer Capital Contribution. Other types of customers, who by definition generally require more specialized supply facilities, will be required to pay the normal customer contributions in accordance with GPL's ST&C.

**3.5 Non-refundable charges:** The UAEP Consumer Capital Contribution can be paid by the lawful occupant or property owner. In either case, these customer contributions are non-refundable under any circumstances except where construction of the given subproject is cancelled.

**3.6 Notification to selected subprojects:** For each selected subproject, a "Designated Application Period" (approximately three months) will be provided and publicized within which prospective customers will have the opportunity to pay the UAEP Consumer Capital Contribution to GPL. These periods will be phased in line with the overall construction programme. Also for each subproject, GPL will, based on a cadastral survey map produced by a Sworn

Land Surveyor, estimate the number of potential customers who would qualify under the UAEP (the “Estimated Potential Customers”).

- 3.7 **Payment criterion not satisfied:** In each subproject area, 50% or more of the Estimated Potential Customers must make their UAEP Consumer Capital Contribution payments to GPL before construction of the Project can be initiated by GPL. GoG and GPL will review areas, which do not meet this criterion, to determine whether this requirement should be lower. In the event that the threshold of 50% is not reached within the Designated Application Period, GPL may elect to refund customer payments as expeditiously as possible without any interest payment.
- 3.8 **Conditions applicable after an area is electrified:** If, during the electrification process or within three years after an area is electrified under the UAEP, other customers within the boundaries of a subproject or outside it, seek connection to networks constructed under the UAEP, the charge payable by such customers will be the UAEP Consumer Capital Contribution applicable in the year of their application for connection (or, if the UAEP has been terminated, the amount applicable in the final year of the UAEP) or the customer contribution as determined by the ST&C, whichever is greater. Monies received pursuant to this paragraph shall be treated as follows:
- (a) for customers whose consumption is expected to be above 300 kWh per year and who require only a meter and up to 60 feet of secondary line to implement their connection, the UAEP Consumer Capital Contribution received shall be applied towards future UAEP funding; and
  - (b) for all other customers, GPL’s consumer contribution shall be treated in the normal manner.

Subsequent to the three-year period described above, new applications for connection will be dealt with according to the ST&C.

- 3.9 **No subsequent refunds:** Customers supplied with a service connection under the terms of the UAEP or from UAEP networks will not be entitled to receive refunds (which they otherwise may be entitled to under the ST&C) of all or any part of the UAEP Consumer Capital Contribution, even if those networks are utilized for other purposes. This is due to the connection for the specified project having been subsidized by GOG and GPL funding.

#### **ARTICLE 4 - TERM OF PROJECT AGREEMENT, CONDITIONS DURING PROJECT EXECUTION AND COMPLIANCE BY THE PARTIES**

- 4.1 **Term of this Agreement:** This Agreement shall be effective from the date of execution. Subject to the parties fulfilling the obligations set out in this

Agreement, this Agreement shall expire on December 31, 2009 and may be extended for up to two (2) years by mutual agreement and with the consent of the IDB.

**4.2 Conditions prior to disbursement for the implementation of the Investment / Management Services activity under the sub-component “Loss Reduction” in Phase 1:** Disbursement under the IDB Loan for the implementation of the Investment Management Services referred to in Article 3.2.2 (b) above shall be subject to the fulfillment, to the satisfaction of the IDB, of the following requirements by GPL:

4.2.1 Completion of the loss reduction assessment referred to at Article 3.2.2 (a) by a specialized consulting firm that defines the objectives, scope, costs, sources and uses of funds, eligibility/selection criteria, institutional arrangement for execution, baseline information, outputs and outcomes, and that will serve as the basis for a viable and sustainable loss reduction investment;

4.2.2 GPL shall have procured or caused to be provided the additional technical and institutional-administrative support for carrying out the investments as a result of the loss reduction assessment referred to in Article 3.2.2 (a);

4.2.3 The institutional and technical support referred to in Article 3.2.3 (b) above, must be implemented; and

4.2.4 GPL shall have published and disseminated on an annual basis during Project execution, its annual Development and Expansion Program (“D&E”), Annual Report, and procurement plan for contracts above one hundred thousand dollars (US \$100,000) as required by Article 7.19.

**4.3 Conditions Prior to the First Disbursement of Phase II:** The first disbursement of the financing under the IDB Loan for Phase II of the UAEP shall be subject to the fulfillment, to the satisfaction of the IDB, of the following requirements, by GoG and GPL as applicable:

(a) A Tariff Rebalancing Implementation Plan, with specific indicators, shall have been implemented by GPL according to the condition set forth in Article 7.8 of this Agreement;

(b) GoG shall have approved a GPL Re-privatization Policy and Strategy, and such document shall have been made publicly available through the OPM website;

(c) A Monitoring and Evaluation System shall have been established by OPM for the UAEP; and

- (d) (i) Achievement of 12,000 potential grid connections; and (ii) reduction in the net commercial and technical losses in GPL's system to achieve the indicative targets of 39%, 37% and 35% respectively by the end of the last quarter of 2004, 2005 and 2006 respectively. The targets relating to loss reduction must be revised by GPL and GoG, subject to the approval of the IDB, once the loss reduction assessment referred to in Article 3.2.2 (a) above is completed and before the loss reduction investment programme referred to in Article 3.2.2 (b) is defined.

- 4.4 **Compliance by the parties:** The parties are cognizant that compliance with this Agreement is a condition for continuing disbursement of the IDB loan and hereby agree that this Agreement shall not be materially amended, modified, or be terminated without the prior consent of the IDB.

## **ARTICLE 5 - RESPONSIBILITIES PERTAINING TO BOTH PARTIES**

- 5.1 **Commitment to meet project objectives:** GPL and GoG will commit themselves to execute the UAEP efficiently so that the objectives of the programme are achieved.
- 5.2 **Selection criteria for subprojects under the grid connection subcomponent:** In implementing UAEP, care will be taken that the underlying investments are least-cost and provide maximum impact in terms of ultimate beneficiaries and project quality. In order to ensure consistency and discipline in the investment choice, GoG commissioned as part of Project preparation for IDB Loan, a study on technical, economic-financial, socio-environmental, and institutional-administrative criteria for selecting sub-projects. This study has established realistic estimates of: the market for electricity in currently unserved areas based on energy consumption surveys, and of consumers' ability and willingness to pay.

As a result of the above study, the following selection criteria have been determined for eligibility of individual UAEP sub-projects, in regard to scope, composition, location, and sequence during the five-year project period:

- (i) **Socio-Economic.** The primary selection and ranking will be made on the basis of the subproject's EIRR. Only projects that achieve an EIRR of at least 12% under the stated assumptions should be selected. Those with highest EIRRs will generally be selected for electrification first, subject to the other criteria detailed below. Also, no sub-project will be implemented where the average connection cost per household, including the cost of service connection is above G\$200,000 (about US\$1,000).

- (ii) **Logistical/Practical.** Since there are a number of Greenfield housing schemes, as a rule, only housing schemes that can provide connections to a minimum of 50% of the available housing lots will be selected. In those cases where the number of lots is very large, the scheme will be divided into a number of discrete phases and each will be evaluated separately. Where housing schemes are developed in phases, the second and subsequent phases will not be implemented until the previous phase(s) has been completed. However, as an exception to the rule set forth above, and in order to give due consideration to other ongoing basic infrastructure and social development programs in low-income areas and promote synergies and maximum developmental impact, starting in year 3 of the Project, and after 20,000 connections in areas with a minimum of 50% population have been made, the 50% minimum limit set forth above will be reduced to 25%, giving preference to the most populated areas. In all cases, the socioeconomic, geographical, and village and squatter scheme selection criteria must be met.
- (iii) **Geographical.** Although the primary selection will be made on the basis of EIRR, consideration will be given to providing a reasonably equitable spread of viable sub-projects between the different regions.
- (iv) **Village and squatter schemes.** Titles to lots in village and squatter schemes will be regularized before any subprojects are selected for electrification.

5.3 **Maps:** Maps showing site, lot and road boundaries are required to facilitate the completion of the electrical system design for the placement of facilities. This will help to avoid the need to relocate poles and other equipment in future arising from inappropriate initial placement. Where available, GPL will take reasonable steps to obtain required maps and OPM will provide all necessary cooperation to facilitate the acquisition of such maps by GPL from the Regional Administration or Local Authority, Lands and Surveys Department, the Ministry of Public Works or such other relevant governmental agencies.

5.4 **Determination of costs:** The overall project cost is based on estimates prepared by GPL. Estimates for goods, works, services and project management are shown in the Procurement Plan attached hereto as **Annex 2**. During project execution, GPL and GoG will be guided by those estimates for the procurement of goods and services.

Notwithstanding the provisions of GPL's ST&C as amended, the costs relating to meters, meter boxes and service line for the UAEP will be funded from UAEP funds to reduce the impact on tariffs.

5.5 **Conditions precedent to disbursement of IDB loan:** GPL and GoG will ensure that the conditions precedent to which the first disbursement of the IDB

loan is subject are fulfilled. The conditions precedent for which GPL's cooperation is required are:

- 5.5.1 The Project Implementation Unit at GPL referred to in Article 7.5 below is fully staffed;
  - 5.5.2 GPL has established financial management systems to carry out relevant project activities;
  - 5.5.3 GPL has a budget that includes the counterpart resources for the project for the first year;
  - 5.5.4 Presentation of evidence to show that sufficient resources have been allocated to cover GPL's total contribution to the UAEP over the period of project execution.
  - 5.5.5 The On Lending Agreement between GoG and GPL must be in full force and effect.
- 5.6 **Period of disbursement of IDB loan:** GPL and GoG agree to complete all activities envisaged by this Agreement for the successful completion of the UAEP and ensure that all approved expenditures are settled prior to February 26, 2010, which is the projected expiration period for final disbursement of the loan resources of the IDB. Accordingly, the final request for disbursement of IDB financing must be presented by GPL to GoG by December 31, 2009.
- 5.7 **Procurement:**
- 5.7.1 Goods and services financed with GoG and IDB resources must be procured in accordance with the tender procedures which are attached hereto as **Annexes 3 & 4** and GoG procurement policies which are in accordance with the IDB procurement rules and the procedure set out in Article 5.7 (c) hereof. The following specific conditions apply:
    - (a) When the estimated value of goods or related services is equal to or exceeds the equivalent of three hundred and fifty thousand United States dollars (US \$350,000) or that of works is equal to or exceeds the equivalent of one million United States dollars (US \$1,000,000), or the cost of consulting services exceed two hundred thousand United States dollars (US \$200,000), the method of procurement to be utilized shall be international public bidding, in accordance with the provisions of **Annexes 3 & 4** hereto.
    - (b) Prior to the acquisition of goods or the initiation of the construction of works, GPL shall submit for the consideration of OPM and the

IDB, the general plans, specifications, budgets and other documents required for the acquisition or the construction, and, as the case may be the specific guidelines and other documents necessary for the call of bids.

- (c) Contracts for materials, equipment and works associated with the UAEP will be awarded by GPL subject to the prior approval by the responsible agency listed below and subject to IDB's 'no objection':

VALUE	PROCEDURE	RESPONSIBLE AGENCY
Local procurement up to the value of G\$90,000 (supplies & works)	Direct purchase – one quotation sufficient	Implementation Manager - GPL
G\$90,000 to G\$180,000 (supplies)	Three (3) quotations	Implementation Manager - GPL
G\$90,000 to G\$450,000 (works)	Three (3) quotations	Implementation Manager - GPL
G\$180,000 to G\$6,000,000 (supplies) G\$450,000 to G\$6,000,000 (works)	Open tender	GPL's Tender Board
G\$6,000,000 to G\$9,000,000 (supplies and works)	Open tender	Minister of Finance (Central Tender Board)
Above G\$9,000,000	Open tender	Minister of Finance and subject to Cabinet approval

5.7.2 With respect to goods and services financed wholly or partially with IDB resources, for which GPL as co-executing agency will be responsible for procuring, GPL will: (i) prepare the related bid documents and submit such documents for IDB's prior no objection; (ii) place necessary advertisements requesting bids; and (ii) submit recommendations for award of contracts to the Principal Project Coordinator at OPM who will be responsible for obtaining Cabinet's approval where necessary and the IDB's no objection.

5.7.3 All related tenders for goods and services financed wholly or partially with the IDB or Government resources shall be evaluated by a committee comprising two members of GPL and one from the Government, or as otherwise appointed by the Central Tender Board of the Ministry of Finance.

5.7.4 Goods and services financed by GPL and consumer contributions shall be procured in accordance with transparent, procurement procedures acceptable to the IDB and Government.

## **ARTICLE 6 - GOVERNMENT RESPONSIBILITIES**

- 6.1 Composition and functions of Project Steering Committee:** GoG commits to establishing a Project Steering Committee (PSC), which will operate at the strategic level and will function at two (2) levels:
- (i) A Ministerial level to provide review and guidance on strategic and policy issues and which will comprise the Prime Minister who holds responsibility for the electricity sector as Chairman, the Minister of Finance, the Minister of Housing & Water, the Minister of Local Government, the Chairman of the Executive level as referred to in Article 6.1 (ii) and the Principal Project Coordinator (PPC) who will function as the Secretary. At the Ministerial level, meetings will be held quarterly and as required.
  - (ii) An Executive level to advance project implementation and report to the Ministerial level, identify project priorities, identify and recommend policies to the Ministerial level and enhance public awareness about the UAEP. The Executive level will comprise representatives from the Ministry of Finance as Chairman, the Ministry of Housing & Water, the Ministry of Local Government, GPL and the PPC as the Secretary. At the Executive level, meetings will be held monthly or as required.
- 6.2 Project Management:** At the operational level, OPM will be responsible for the overall implementation and monitoring of the UAEP through its Project Implementation Unit (PIU) headed by the PPC. OPM through the PPC will meet regularly with GPL's designated personnel to review project targets and to resolve any issues.
- 6.3 Disbursement Requests:** OPM will submit disbursement requests to the IDB including corresponding justification of expenditures. All funds allocated for the UAEP will be transferred to GPL without delay, subject to the other relevant terms and conditions of this Agreement and, provided that GPL is not in breach of its obligations under this Agreement, and has contributed its counterpart financing in an appropriate manner and in accordance with Article 2.1.1 of this Agreement.
- 6.4 Support for Tariff Rebalancing:** Subject to the approval of the Public Utilities Commission (PUC), GoG will support annual tariff rebalancing undertaken by GPL within the context of its licence, with less than full rebalancing considered only for lifeline rates (i.e. residential consumers with monthly consumption of less than 100 kWh).
- 6.5 Coordination with other Agencies:** OPM as executing agency in collaboration with GPL will coordinate with other relevant entities including other public utilities, so as to ensure synergies where possible with other ongoing developmental works.

- 6.6 **Financial Management:** OPM will maintain financial accounting and internal control systems that allows identification of sources and uses of project funds, provides documentation to verify transactions and permits the timely preparation of financial reports.
- 6.7 **Documentation:** OPM will maintain disbursement and contracting supporting documentation filing system that is in accordance with the IDB set standards for eligible project expenditure.

## **ARTICLE 7 - GPL'S RESPONSIBILITIES**

- 7.1 **Membership in PSC:** GPL will appoint a senior functionary to participate as a member of the Executive level of the PSC.
- 7.2 **Execution of UAEP:** GPL through a Project Implementation Unit (PIU) within GPL will execute the UAEP. The PIU at GPL under the leadership of an Implementation Manager will be responsible for, among others:
  - 7.2.1 The management and execution of the UAEP;
  - 7.2.2 Preparation of an annual budget that includes the GPL and consumers funds;
  - 7.2.3 Implementation of financial management systems and cost control procedures;
  - 7.2.4 Submitting written requests for disbursement of GoG's contribution financed through the IDB loan, including justification of expenditure for sums previously allocated and supported by such pertinent background information or other material that the OPM may reasonably require;
  - 7.2.5 Preparation of network designs and quantities;
  - 7.2.6 Prepare tender documents for the procurement of goods, works or services relating to the UAEP;
  - 7.2.7 Submit quarterly progress reports to the OPM within thirty (30) days of the end of each calendar quarter which report will summarize the status of the UAEP, include a status on the project funding and expenditure;
  - 7.2.8 Ensure as far as practical that annual targets are met and that all works are carried out in compliance with GPL's standards, which are based on internationally accepted networks construction standards;

7.2.9 If necessary, submit Annual Maintenance of Works Plan as provided in Article 7.10 hereof.

- 7.3 **Environmental matters:** GPL's PIU will be supported by GPL's environmental coordinator who will be responsible for liaison with the Environmental Protection Agency (EPA) on the implementation of the UAEP to ensure that all environmental requirements are satisfied.
- 7.4 **Training:** GPL will be responsible for implementing training as may be deemed necessary by the parties to strengthen and increase the manpower resources required for the project to achieve the set targets, including contractors' manpower resources.
- 7.5 **Structure of GPL – PIU:** The PIU at GPL will be headed by an Implementation Manager and will initially include a Construction Manager, one (1) senior construction supervisor, three (3) construction supervisors, one (1) procurement officer, one (1) accountant, and support staff. During the period of project execution, which is mid 2004 to mid 2009, GoG through the resources of the IDB loan will partially finance the project management costs for the manpower resources identified in this paragraph in an amount not exceeding such sum shown in the Procurement Plan, which forms Annex 2 hereto. The estimated cost of the GPL-PIU over the life of the project is attached hereto as **Annex 5**.
- 7.6 **Charges to GPL's contribution:** Other support services to be provided by GPL and charged to GPL's contribution as counterpart include: project management support, design and drawing, surveying, procurement, financial services, quantity surveying, training and transportation services.
- 7.7 **Coordination of Physical Works:** Prior to commencing any works GPL must coordinate with OPM and other entities including other public utilities so as to ensure that such development works and construction activities will not adversely impact other ongoing projects or planned activity.
- 7.8 **Tariff Rebalancing:** GPL will implement upon satisfaction of the IDB, on an annual basis a Tariff Rebalancing Implementation Plan, with specific indicators. The Tariff Rebalancing Implementation Plan must be developed by GPL; agreed upon between GPL, OPM and IDB; and approved by the Public Utilities Commission. The plan draft proposal will be submitted by GPL to OPM by October 30 for transmission to the IDB every November and its implementation will start on January 1<sup>st</sup> of subsequent year. The plan proposal will be agreed upon between GPL, OPM and IDB and GPL undertakes, after said agreement has been reached, to make it public. The Tariff Rebalancing Implementation Plan must take account of tariff rebalancing to the full extent permitted under GPL's Licence with less than full rebalancing only for lifeline rates (i.e. residential consumers with monthly consumption of less than 100 kWh).

- 7.9 **Audits:** GPL undertakes to cooperate and participate to the extent necessary in the annual financial and operational audit of the UAEP to be carried out by OPM, through an independent auditing entity acceptable to the IDB.
- 7.10 **Maintenance of UAEP Equipment:** GPL will ensure that the UAEP equipment and works financed through the IDB loan No. 1103 / SF-GY are adequately maintained according to internationally accepted technical standards and if the results of any annual operational audit so determines, GPL will prepare an Annual Maintenance Plan for the respective year and for five (5) years thereafter. Should the annual operational audit conclude that maintenance does not meet the levels agreed upon; GPL shall undertake necessary corrective actions without delay.
- 7.11 **Safety:** GPL shall comply with its safety manual, which reflects the requirements of the Occupational Safety and Health Act 1997 and other relevant legislation and which provides guidance for all workers including workers employed by contractors, and monitor all works to ensure that safety standards are adhered to.
- 7.12 **Financial Management:** GPL's PIU will:
- i. Maintain adequate financial, accounting, internal and administrative control systems that allow for the easy identification of sources and use of project funds;
  - ii. Permit the verification of transactions and facilitate the timely preparation of financial statements and reports;
  - iii. Maintain accounting systems that include sufficient details to show the goods acquired and the services contracted, as well as the goods and utilization of such goods and services;
  - iv. Provide OPM with financial reports for submission to the IDB together, with documentation to verify expenditure;
  - v. Maintain adequate disbursement and contracting supporting documentation filing system for eligible project expenditure;
  - vi. Open separate accounts in a commercial bank to (a) deposit proceeds from the IDB loan channeled through OPM and (b) deposit local contributions to the UAEP. The number and type of accounts will be defined in GPL's Financial Management Plan.
- 7.13 **Inspections:** GPL shall permit and assist OPM and the IDB to inspect at any time the equipment, materials and works associated with the UAEP and to examine such records and documents, as the OPM and IDB may deem pertinent to the UAEP.
- 7.14 **Communication:** GPL will pursue and open regular communications with OPM, PUC, EPA, IDB, other governmental agencies and the public as necessary.

- 7.15 **Insurance:** GPL undertakes to maintain adequate insurance coverage for stored materials, vehicles and other equipment financed with resources from the IDB and subject to availability and affordability, distribution networks financed through the project.
- 7.16 **Investments in Generation and Transmission:** GPL will ensure that the increased demand in capacity and energy projected by the UAEP is satisfied as such increased demand materializes. On an annual basis and by November 1 of each year GPL must present specific plans for addressing generation and transmission requirements in its rolling Annual and Five-Year Development & Expansion Programme.
- 7.17 **Marker in Billing System:** On implementation of a new billing system, GPL will place a special marker in its billing system to classify UAEP consumers and to allow ease of access to information relevant to the evaluation of the objectives of the UAEP.
- 7.18 **Targets for grid connections:** GPL will ensure that networks are constructed in the selected unserved areas to achieve the indicative annual targets for potential connections set out below. Potential connection is based on the number of house lots, whether or not occupied.

2005	2006	2007	2008	2009
6,000	6,000	8,000	8,000	2,000

- 7.19 **Transparency and Accountability:** During execution of the UAEP GPL will publish on its web site: (a) its rolling annual and five-year Development & Expansion Programme by January of each year; (b) its Annual Report for the preceding year by May of the successive year; and (c) its procurement plan for goods, services and works estimated above US \$100,000 and a list of all contracts awarded for a value above US \$100,000 to be updated every month.
- 7.20 **Future Operations of Networks financed under the UAEP:** GPL undertakes to manage and maintain the distribution system financed under the UAEP during the existence of its Licence issued effective October 1, 1999. GPL is cognizant that the provisions of Section 11 of the Electricity Sector Reform Act 1999 (ESRA) prohibits a public supplier from ceasing any part of its operations.
- 7.21 **Operational Performance and Performance Targets:** In compliance with the provisions of Clauses 16 and 24 of its Licence issued effective October 1, 1999 GPL undertakes to implement, achieve and maintain its Operating Standards and Performance Targets as may be amended from time to time, and to operate its business in accordance with commercially prudent business practices of well

managed electric utilities in North America or Europe, as applicable to and appropriate for Guyana.

- 7.22 **Authorized Representatives:** GPL shall designate one or more officials to represent it in the implementation of this Agreement, which includes submitting disbursement requests, and shall furnish OPM with authentic copies of the signatures of such representative (s). Should two or more officials be designated, the designation shall indicate whether such officials may act separately or must act jointly.
- 7.23 **Monitoring losses:** Subsequent to the completion of the loss reduction assessment referred to at Article 3.2.2 (a) and implementation of the loss reduction investments referred to in Article 3.2.2 (b), GPL will consolidate and analyze information on net losses to monitor improvements.

## **ARTICLE 8 - CONDITIONS OF EXECUTION OF WORKS**

- 8.1 **General Provisions:** GPL and GoG through the OPM undertake to execute the UAEP with due diligence and in conformity with sound economic, financial, technical and socio-environmental practices, and in accordance with the plans, specifications, investment schedule, budgets, regulations and other documents agreed to by the parties and approved by the IDB. GPL further undertakes to fulfill its obligation in accordance with the terms of this and all other agreements to which GPL is a party, and which govern the UAEP.
- 8.2 **Implementation Schedule:** The Parties hereby agree that the UAEP will be implemented in accordance with the indicative Implementation Schedule for Phase 1 which is attached hereto and forms **Annex 6** and any revised Implementation Schedule to which the parties may from time to time agree. The parties undertake to finalize an Implementation Plan for Phase 2 by June 2005.
- 8.3 **Modifications:** Both parties understand and accept that any significant modifications in the plans, specifications, investment schedule, budgets, regulations or other documents, which the IDB has approved, as well as any substantial change in the contract(s) for goods or services funded through the IDB loan No. 1103 / SF-GY, shall require the written consent of the IDB.
- 8.4 **Prices and Public Tender:** Contracts for execution of works, procurement of goods and rendering of services relating to the UAEP shall be undertaken at reasonable costs, which shall generally be the lowest market price, taking into account quality, efficiency and any other pertinent factors.
- 8.5 **Use of Goods:** The parties agree to use goods acquired with the resources of the IDB exclusively for the purposes of the UAEP. Once the UAEP is completed, the assets utilized in the execution of the UAEP may be used for other purposes as the parties may agree.

## 8.6 **Disbursement Amounts and Form:**

- (a) GoG's contribution financed through the IDB loan shall be disbursed in amounts of not less than the equivalent of fifty thousand United States of America dollars (US\$ 50,000).
- (b) Such disbursement shall take the form of:
  - (i) transferring to an account to be maintained by GPL referred to in Article 7.12 (vi) hereof, such amounts which shall not exceed an advance of one million United States of America dollars (US\$ 1,000,000), or
  - (ii) by IDB, at the request of the OPM, making payments on behalf of and in agreement with GPL to suppliers, which include the guarantee of letters of credit in favour of suppliers. Any banking expenses charged by a third party in connection with disbursements shall be charged to the UAEP counterpart resources.

8.7 **Disbursement Requests:** All requests for disbursements of IDB financing shall be processed by OPM in a timely manner.

8.8 **Suspension of Disbursements:** GPL and GoG are aware that the IDB may suspend disbursements of the loan resources for a number of reasons including non-fulfillment by the parties hereto of any obligation set forth in this Agreement. If the IDB loan to the GoG is suspended for reasons not attributable to GPL, then GoG in such event will be responsible for the payment of outstanding financial obligations incurred by GPL in performance of this Agreement.

## **ARTICLE 9 - DISPUTE RESOLUTION, ARBITRATION AND GOVERNING LAW**

9.1 **Amicable Settlement:** In the event of a dispute, the parties shall use their best efforts to settle amicably all disputes arising out of or in connection with this Agreement including interpretation thereof.

9.2 **Right to Arbitrate:** Any dispute between the parties as to matters arising pursuant to this Agreement, which cannot be settled amicably may be submitted by either party to arbitration in accordance with the procedure outlined hereunder.

9.3 **Composition of Arbitrators:** A tribunal composed of three members shall be appointed in the following manner to hear disputes: one by the each party and the third who shall be the Chairman by the direct agreement between the parties and their selected arbitrator. If there is no agreement between the parties on the appointment of the third arbitrator within thirty (30) calendar days

of the appointment of the second arbitrator, the third arbitrator shall be appointed at the request of either party by the Executive Council of the Guyana Bar Association. If any of the appointed arbitrators is unwilling or unable to act, a successor shall be appointed in the same manner as for the original appointment.

- 9.4 **Initiation of Proceedings:** In order to submit any difference to arbitration, the claimant shall address to the other party a written communication setting forth the nature of the claim, the satisfaction or remedy, which it seeks, and the name of the arbitrator it appoints. The party receiving such communication shall within thirty (30) calendar days, respond to the claim and notify the claimant of the name of the person it appoints as arbitrator. If the defending party does not respond within the thirty (30) calendar days period or does not request an extension of the time, the arbitrator appointed by the claimant shall proceed to hear the case and shall issue a decision even if either party should fail to appear or present its case. The decision of the arbitrator(s) shall be final and will not be subject to any appeal.
- 9.5 **Procedure:** The Tribunal shall present a decision no later than sixty (60) calendar days after the commencement of the hearings. The award shall be in writing and the parties shall be notified by written communication signed by the arbitrator(s). The fees of each arbitrator shall be paid by the party, which appointed him and the fees of the third arbitrator (Chairman) shall be borne equally by the parties.
- 9.6 **Governing Law:** This Agreement shall be governed, construed and interpreted in accordance with the laws of Guyana.

Dated the 15<sup>th</sup> day of October, 2004

---

Government of Guyana  
 Represented by Samuel A. Hinds  
 Prime Minister and Minister responsible for the Electricity Sector

---

Guyana Power & Light, Inc.  
 Represented by Ronald Alli  
 Chairman – Board of Directors

**Witnesses:**

1. \_\_\_\_\_ 2. \_\_\_\_\_