

COLOMBIA: 500KV LA LOMA - SOGAMOSO TRANSMISSION LINE TENDER

Background

- In 2018, the Colombian government adopted a Generation – Transmission Expansion Plan for 2017-2031. In furtherance of such Expansion Plan, the Colombian Mining and Energy Planning Unit (*Unidad de Planeación Minero Energética* – UPME) has set the need for the development of several projects, including four new substations (Sahagún (500kV), Nueva Toluviejo (110kV), Nueva Río (110kV) and Nueva San Juan (110kV)) and two transmission lines (Río Cordoba-Bonda (30km) and La Loma-Sogamoso (527km)).
- The first and largest project launched is a 527km transmission line at 500kV from La Loma to Sogamoso.
- In November 2019, UPME launched the public bid for the design, acquisition of supplies, construction, testing, operation and maintenance of the La Loma to Sogamoso transmission line.

The Project

- *Framework:*
 - Pursuant to the bid documents, the project is being launched with a no risk sharing structure. Consequently, the winning bidder will assume all construction and operation risks.
 - The bidding process will not result in a contract between a government authority and the winning bidder. Instead, the project will be awarded pursuant to a resolution issued by UPME (*Acta de Adjudicación*) and governed by transmission asset regulations issued by UPME and the Energy and Gas Regulation Commission (*Comisión de Regulación de Energía y Gas* - CREG).
- *Scheduled Commercial Operation Date:* The project is set to become operational before December 31, 2023 (the “Scheduled Commercial Operation Date”). The Scheduled Commercial Operation Date may be extended by the Ministry of Mines and Energy of Colombia solely upon delays due to force majeure events, events related to public order or delays in the issuance of the environmental license.

Project Revenues

- The winning bidder will be entitled to receive the Annual Expected Income (*Ingreso Anual Esperado*) set by CREG pursuant to the winning bidder proposal.
- The project will be awarded to the winning bidder for a 25-year period counted from the Scheduled Commercial Operation Date, however, the winning bidder will receive the Annual Expected Income for such 25-year period from the date commercial operation is achieved. If the commercial operation date occurs earlier than the Scheduled Commercial Operation Date, the Annual Expected Income may begin to be received earlier solely with approval from CREG.
- The Annual Expected Income is set in dollars for each of the 25 years of operation (indexed on a yearly basis based on the USA Producer Price Index) and paid monthly in Colombian pesos pursuant to a monthly invoice issued by CREG.
- Upon the expiration of such 25-year period, the winning bidder will remain as owner and operator of the project and the project revenues thereafter will be determined pursuant to a formula set forth in the regulations applicable to transmission assets in Colombia.

The Bid Process

- Bidders, which may be domestic or international, are required to submit their bids in two envelopes containing: (i) a comprehensive plan for constructing, operating and maintaining the project and (ii) the proposed Annual Expected Income expressed as a fixed USD amount for each of the initial 25 years of operation of the project.
- UPME will select the bids that fulfill all technical and financial requirements. Subsequently, UPME will award the project to the bidder with the lowest bid.
- Among other requirements, the winning bidder will be required to deliver a performance bond that must remain in effect until the date that is three months after the Scheduled Commercial Operations Date and be approved by *Compañía de Expertos de Mercados S.A. E.S.P.*, which is the entity responsible for planning and coordinating operations in the Colombian national transmission system (STN).

Events of Default

The bid documents include certain events that entitle UPME to draw on the performance bond delivered by the bidder, including:

- the failure to achieve commercial operation on or before the Scheduled Commercial Operation Date, except if each of the following conditions is satisfied (i) the term of the performance bond is extended, (ii) the winning bidder informs *Compañía de Expertos de Mercados S.A. E.S.P.* of a new expected commercial operation date due to delays caused by circumstances other than force majeure, events related to public order or delays in the issuance of the environmental license and (iii) the winning

bidder agrees to pay the authorities one sixth of the Annual Expected Income for each month of delay;

- the failure to satisfy the technical requirements of the project;
- the abandonment of the project; and
- the failure to renew the performance bond as required by the bid documents.

Bid Schedule

Pursuant to the bid documents, the bids are scheduled to be submitted by **February 13, 2020**, and the award of the project will occur five business days thereafter (**February 20, 2020**).

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