



## Azerbaijani Legal Updates

18 August 2023

### Recent Important Changes to Legislation in the Republic of Azerbaijan

1. The President of The Republic of Azerbaijan issued a decree on approval of “**the Rules on selection of electricity producer in the territory of renewable energy sources**” on August 2, 2023.

The Rules define *the procedure for selection of electricity producer as well as terms and conditions of agreements to be concluded with the producer. Also, the Rules establishes criteria for formation of guaranteed tariffs during the selection of an electricity producer as per the Law "On the use of renewable energy sources in the production of electricity"*.

#### Selection methods

According to the Rules, the competent authority shall apply one of the following methods for the selection of electricity producers:

- holding a bidding;
- direct engagement.

#### Direct engagement

Direct engagement is applied on the following cases:

- for implementation of pilot and other projects necessary for the public interests and strategic importance of the country;
- if the bidding is not successful.

#### Holding a bidding

At least 2 (two) candidates must be present for qualification and RFP stages of bidding in order for the bidding to be considered successful.

#### Guaranteed tariffs

Guaranteed tariffs are set through bidding to select an electricity producer and if the producer is selected through direct engagement, it is set on the basis of an agreement reached between the producer and competent authority.

During the selection of producer, the competent authority determines the upper limit of the guaranteed tariff.

**Bidding procedure will include the following stages:**

***Initial stage:***

- The competent authority creates a bidding commission to hold the bidding;
- The competent authority publishes the bidding announcement.

***RFQ stage:***

- Bidding commission provides the participants with the relevant information related to the RFQ stage and submission of RFQ documents;
- Participants of the bidding submit required documents and information on the evaluation of qualification to the competent authority;
- Bidding commission makes an evaluation of submissions and makes decision on the qualification on the basis of the criteria set out in the RFQ document;
- List of participants to whom the RFP will be sent is determined by the bidding commission;
- The participant is notified in writing whether the bidder has passed the RFQ stage.

***RFP stage:***

- RFP document is sent to the participants who have won the right to participate in the RFP stage;
- Bidding participant submits his bids;
- The competent authority arranges a visit of the participants to the project site and arrange discussions to provide information on the project;
- The successful participant is selected.

The process of selection of the successful participant may be through:

- a) Auction;
- b) Contest.

**Auction**

For an auction form of bidding, the competent authority selects the electricity producer with best offered **electricity tariff as the primary selection criteria.**

The auction form of the bidding is held under the following considerations:

- Proposals of participants who submitted bids above the tariff announced by the bidding announcement is not be accepted.
- The lowest bid offered is taken as successful.

The participant with the lowest proposed price is considered the winner of the auction.

**Contest**

For a contest form of bidding, the competent authority may apply criteria such as experience, technology, use of local products in addition to the electricity tariff to select the electricity producer.

The successful bidder is selected on the basis of RFP by collecting the points under the evaluated criteria.

**The Rules envisages the following Agreements with Successful Participant**

The successful participant is invited by the competent authority to sign an **investment agreement** for the production of electricity. A **power purchase agreement** is concluded between successful participant and guaranteed buyer, which could be AzerEnergy or AzerIshig, the state-owned enterprises. Depending on the

grid to which the power plant will be connected, a *connection agreement* is entered into between the state electric power enterprise and producer.

Please contact us for further information at:

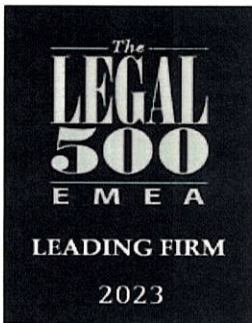
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