



Instructions to Qualified Bidders

- For -

**the Development of Hydropower Plants
on the Morača River in Montenegro**

18 November 2010



Important Notice

These Instructions to Qualified Bidders (these “**Instructions**”) are issued for information purposes only and are being provided solely for use by Qualified Applicants (as hereinafter defined) to assist them in submitting proposals in relation to development of hydropower plants for the purpose of use of the hydro power potential of the Morača River that includes: (i) the design, research, engineering, financing, construction, operation, maintenance, rehabilitation and transfer of hydropower plants on the Morača River in Montenegro; (ii) the design, research, engineering, financing, and construction of the transmission lines necessary to connect such hydropower plants to PRENOS’s transmission network; (iii) the design, research, engineering, financing, construction and transfer of any roads that are required to be relocated or any new roads that are necessary to replace any roads that are rendered unusable by the such hydropower plants, the transmission lines, or the inundation of certain lands in order to develop such hydropower plants; (iv) the expropriation by the Government of Montenegro of all lands required in connection with the development of the such hydropower plants, transmission lines, or roads, or with the inundation of such inundated areas; and (v) the stabilization by the Government of Montenegro of the site of the Morača Monastery.

Neither the Government of Montenegro, the Ministry of Economy, Elektroprivreda Crne Gore or any other publicly owned enterprise, the International Finance Corporation, Hunton & Williams LLP, Bojović, Dašić, Kojović Attorneys at Law, or MWH Global, Inc., Econ Poyry AB, EnergoProject Hidroinzenjering nor any of their respective agents, representatives, advisors, or consultants (the “**Specified Parties**”) make, will make, or will be deemed to have made, any representation or warranty, express or implied, as to the accuracy, reliability, or completeness of the information contained herein, in the Data Room or eData Room, or any information otherwise provided, whether orally or in writing, other than such representations or warranties as may be contained in the final Project agreements related to the Project contemplated by these Instructions, and the Specified Parties expressly disavow any obligation or duty (whether in contract, tort, or otherwise) to any Qualified Applicant in connection with the Instructions, including any obligation or duty to correct, amend, or update such information. These Instructions contain information obtained or derived from a variety of sources as indicated in the content. The Specified Parties have not sought to establish the reliability of those sources nor have they verified the information so provided. Each Qualified Applicant accepts full responsibility for conducting an independent analysis of the feasibility of the Project and for gathering and presenting all necessary information. Qualified Applicants assume all risks associated with the Project other than those risks specifically allocated to a different party by the final Project Agreements, and no adjustments whatsoever will be made based on the Qualified Applicant’s interpretation of the information provided.

Neither the receipt of these Instructions, nor any information contained herein or supplied herewith or subsequently communicated to any person or party, whether orally or in writing, in connection with the Project (whether by a Specified Party or its agents, representatives, advisors, or consultants) is to be taken as constituting the giving of investment, legal, technical, or other advice. All Qualified Applicants are advised to seek their own independent financial, legal, tax, technical, and other advice in respect of their jurisdictions and Montenegro.

Neither these Instructions nor any other written or oral information made available to any Qualified Applicant or any other person or party or their respective representatives, agents, or advisors will form the basis of any offer or contract. A proposal regarding the Project or any part thereof will give rise to contractual obligations only if and when the final Project Agreement related thereto have been executed in writing by the parties thereto.

The Ministry of Economy of the Government of Montenegro reserves the right, in its sole discretion, to modify any of the rules or procedures relating to these Instructions and any subsequent tender, including

the right to refuse to accept offers or, without prior notice or assigning any reason therefore, to terminate the tender. The Specified Parties will not be liable or responsible to any person or party for any cost or expense incurred in relation to these Instructions or in any investigation, negotiation, or transaction, whether or not consummated, which may follow. Neither the Government of Montenegro nor any of the Specified Parties shall be liable for the actual expenses of the first ranked tenderer in accordance with Section 34(3) of the Concession Law in the event the Government of Montenegro abandons the award of the concession.

In submitting a proposal in relation to these Instructions, each Qualified Applicant certifies that it understands, accepts, and agrees to the disclaimers on this page. Nothing contained in any other provision of these Instructions nor any statements made orally or in writing by any person or party shall have the effect of negating or superseding any of the disclaimers set forth on this page.

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1 Introduction and Description of the Project

1.1 Introduction

The Ministry of Economy (the “**Ministry**”) of the Government of Montenegro (“**GoM**”) seeks to further the development of the electric generation capacity in Montenegro by inviting applicants that qualified pursuant to the public invitation for pre-qualification dated February 26th, 2010 (“**Qualified Applicants**”) to make proposals for the award of the right by concession (the “**Concession**”) for the project of development of hydropower plants for the purpose of use of the hydropower potential of the Morača River that includes:

- (i) the design, research, engineering, financing, construction, operation, maintenance, rehabilitation and transfer of hydropower plants on the Morača River in Montenegro;
- (ii) the design, research, engineering, financing, construction and transfer of the transmission lines necessary to connect those hydropower plants to PRENOS’s transmission network;
- (iii) the design, research, engineering, financing, construction and transfer of any roads that are required to be relocated or any new roads that are necessary to replace any roads that are rendered unusable by the those hydropower plants, the transmission lines, or the inundation of certain lands for the purpose of construction of those hydropower plants;
- (iv) the expropriation by GoM of all lands required in connection with the development of the such hydropower plants, transmission lines, or roads, or with the inundation of such inundated areas; and
- (v) the stabilization by GoM of the site of the Morača Monastery,

on a build operate transfer basis (the “**Project**”). The Concession will be awarded to the Qualified Applicant chosen as the preferred applicant (the “**Preferred Applicant**”) through a transparent, open, and competitive international two-stage procedure for the award of a concession, in accordance with Montenegrin law and international best practice (the “**Tender**”), which process is set forth in these Instructions to Bidders (the “**Instructions**”).

1.2 Project Overview

1.2.1 Background

During the course of the past four decades, Elektroprivreda Crne Gore (“**EPCG**”) has performed a number of geological, hydrological, and other investigations on the Morača

River and has prepared documents and plans for the hydropower plants on the Morača river at the level of a preliminary design, as well as main designs for preparation works. These investigations culminated with the production of two technical solutions for the construction of four hydropower plants produced by engineering consulting firms Energoprojekt, Belgrade and Elektroprojekt, Ljubljana, in 1987-1988, which called for a cascade composed of the Andrijevo, Raslovići, Milunovići, and Zlatica hydropower plants. Both variants were considered by the Water resources development master plan of Montenegro (Vodoprivredna osnova Republike Crne Gore, May 2001):

- The first basic technical solution (“**Basic Technical Solution I**”) contemplates construction of a hydropower plant with a total installed capacity of 238.4 MW, an average annual generation of 721 GWh, a maximum reservoir level at the Andrijevo HPP of 285mm, and a reservoir volume of 250hm³.
- The second basic technical solution (“**Basic technical solution II**”) contemplates the construction of a hydropower plant with a total installed capacity of 238.4 MW, an average annual generation of 616 GWh, a maximum reservoir level at the Andrijevo HPP of 250mm, and a reservoir volume of 100hm³.

The GoM has prepared a draft of a Detailed Spatial Plan for the area of multifunctional reservoirs on Moraca river (“**DSP**”) and draft of the Strategic Environmental Assessment for the DSP (“**SEA**”) for the Basic Technical Solution I in accordance with the relevant Montenegrin legislation.

Accordingly, the documentation of the Basic Technical Solution I is available to all Qualified Applicants for the preparation of the Qualified Applicants’ Proposals.

Qualified Applicants may base their proposals (the “**Proposals**”) on:

- Basic Technical Solution I
- Basic Technical Solution II, or
- Alternative technical solution (“**Alternative Technical Solution**”) that would be more favourable from the perspective of economical benefit and environmental impact than Basic Technical Solution I and Basic Technical Solution II.

Proposals have to be made according to the minimum technical and economic requirements specified by Annex E of these Instructions (the “**Minimum Technical and Economic Requirements**”) in the form and with the content provided by the by Annex F of these Instructions.

Qualified Applicants that submit Proposals based on Alternative Technical Solution shall develop the Alternative Technical Solution on the feasibility study level, and shall submit the information required for the GoM to update the existing draft DSP and draft SEA in accordance with Annex G (*Data required for updating of DSP and SEA on the*

basis of Technical Proposals based on Basic Technical Solution II and Alternative Technical Solutions).

1.2.2 Description of the Project

(a) Project Components

The Project will consist of the following elements:

- (i) the design, research, engineering, financing, construction, operation, maintenance, and rehabilitation of hydropower plants on the Morača River (the “**Morača HPPs**”), and the transfer of the Morača HPPs to GoM following the expiration of the Concession Period;
- (ii) the design, research, engineering, financing, and construction of the transmission lines necessary to connect the Morača HPPs to PRENOS’s transmission network, and the eventual transfer of such transmission lines to PRENOS;
- (iii) the design, research, engineering, financing, and construction of any roads that are required to be relocated or any new roads that are necessary to replace any roads that are rendered unusable by the Morača HPPs, the transmission lines, or the inundation of certain lands that will be inundated with water following the construction of the Morača HPPs, and the transfer of such roads to GoM;
- (iv) the expropriation by GoM of all lands required in connection with the development of the Morača HPPs, such transmission lines, or such roads, or with the inundation of the such inundated areas; and
- (v) the stabilization by GoM of the site of the Morača Monastery.

(b) Concession Agreement and Sponsor Support Agreement

Following the selection of the Preferred Applicant pursuant to the process set forth in these Instructions, GoM and the Preferred Applicant will enter into the following two (2) agreements drafts of which have been delivered to the Qualified Applicants along with these Instructions:

- (i) an agreement setting forth the terms on which GoM will grant a concession for the rights to develop the Project and to sell the capacity and electrical output of the Morača HPPs (the “**Concession Agreement**”); and
- (ii) an agreement setting forth the terms on which the Preferred Applicant will make certain commitments regarding the posting and maintenance of development security and the contribution of equity to, and transfer of ownership interest in, the Company (the “**Sponsor Support Agreement**”).

Pursuant to the Law on Concessions, within sixty (60) days following the execution of the Concession Agreement and the Sponsor Support Agreement, the Preferred Applicant will form a special purpose business organization under the laws of Montenegro (the “**Company**”), which will undertake the Project. Within ten (10) days thereafter, the Preferred Applicant, the Company, and GoM will execute a novation agreement (the “**Novation Agreement**”) for the purpose of novating the Concession Agreement from the Preferred Applicant to the Company and for amending and restating the Concession Agreement to replace the Preferred Applicant as a party to the Concession Agreement with the Company. The Table of contents of the Novation Agreement is attached as a Schedule to the draft of the Concession Agreement.

(c) Morača Monastery

The area around Morača monastery is an area of historic and cultural significance. GoM will be responsible for stabilization of the site of the Morača Monastery.

1.3 Qualified Applicants

Following the publication of the public invitation with Pre-qualification Document on February 26th 2010 (the “**Pre-qualification Document**”), Pre-qualification Applications were submitted by five (5) applicants (each, a “**Pre-qualification Applicant**”). The Tender Commission established by the Decision of the Ministry of Economy No. 01-29/41 dated 26.04.2010 and No. 01-29/45 dated 29.04.2010 that the Pre-qualification Applications submitted by four (4) Pre-qualification Applicants satisfied the pre-qualification criteria set forth in the Pre-qualification Document, and thereby qualified as Qualified Applicants. The Qualified Applicants are, listed in alphabetical order:

- (i) A2A S.p.A. (as the lead member of a consortium);
- (ii) ENEL S.p.A.;
- (iii) Sinohydro Corporation Ltd.; and
- (iv) Strabag International GmbH.

1.4 Definitions

A list of defined terms used in these Instructions can be found in Annex A.

1.5 Overview of the tender process

The Concession will be awarded to the Qualified Applicant chosen as the Preferred Applicant through a transparent, open, and competitive international two-stage procedure for the award of a concession, in accordance with Montenegrin law and international best practice, which process is set forth in these Instructions.

The indicative timetable for the tender process is summarized in the table below:

Activity	Target Start Date	Target End Date
Invitation for Bids	19-Nov-10	-
Issuance of the Bid Documents (Round 1)	19-Nov-10	-
Qualified Applicants submit questions and comments on the Bid Documents (Round 1)	20-Nov-10	06-Dec-10
Qualified Applicants' Conference	15-Dec-10	17-Dec-10
Ministry/IFC produce a revised version of the draft Bid Documents (Round 2)	21-Jan-10	-
Qualified Applicants submit additional questions and comments on the Bid Documents (Round 2)	-	09-Feb-11
Ministry/IFC issue final draft Bid Documents	09-Mar-11	-
Deadline for Qualified Applicants to submit last questions to Ministry/IFC	27-Mar-11	-
Ministry/IFC issue the last response to questions	03-Apr-11	
Proposal Submission Deadline	15-Apr-11	
Evaluation of Proposals	15-Apr-11	06-May-11
The Ministry publishes the final rankings on its website	07-May-11	-
The Montenegrin Parliament decides on giving concession on the basis of the proposal of the Ministry	TBD	TBD
Revision and harmonization of the draft DSP and SEA (if required)	TBD	TBD
Signing of the Concession Agreement and the Sponsor Support Agreement	TBD	TBD

The Ministry may, and without prior notice to the Qualified Applicants, amend the above timetable, The Ministry shall give notice of changes to the above timetable, if any, by issuing addenda to these Instructions.

1.6 Overview of the Process Following the Award of the Concession

The indicative and non-binding timetable and steps that will follow the award of the Concession, is summarized in the table below:

Activity	Target Date
Formation of the Company	Not later than fifty 60 days after the Execution Date of the Concession Agreement.
Novation of the Concession Agreement to the Company	Not later than ten 10 days following the formation of the Company.
Financial Closing	Up to 3 months after the Execution date of the Concession Agreement

Activity	Target Date
Construction start date	Up to 10 months after Financial Closing
Start of Commercial Operations	Up to 72 months after Construction start date

1.7 Cost of Preparing Proposals

The costs and expenses incurred by a Qualified Applicant in preparing a Proposal for submission, in submitting a Proposal, and in finalizing and executing the Project Agreements, including costs and expenses incurred in relation to travel to Montenegro, shall be borne by such Qualified Applicant.

GoM will not be liable for, nor pay for, any expense or loss that may be incurred by any Qualified Applicant in preparing and submitting its Proposal regardless of whether GoM abandons the award of the Concession. This includes, but is not limited to, the situation in which GoM abandons the award of Concession after the Preferred Applicant has been selected.

2 Preparation and Submission of Proposals

2.1 Structure of Qualified Applicants

Qualified Applicants may take the form of a consortium comprised of companies, firms, corporate bodies or other legal entities. Members of a consortium are jointly and individually responsible for complying with the rules, laws and regulations governing the preparation and submission of Proposals as issued by the relevant authorities from time to time.

References to a Qualified Applicant that is a consortium refer both to the consortium as a whole and to each individual member of the consortium. Accordingly, in the event that the Preferred Applicant is a consortium, then each member of the consortium shall enter into the Concession Agreement and the Sponsor Support Agreement.

In addition, a Qualified Applicant that is a consortium must submit a written consortium agreement that:

- (i) confirms each member's commitment to the consortium;
- (ii) identifies a lead member who is duly authorized (through a notarized power of attorney to be submitted along with the consortium agreement) by each other consortium member to act on their behalf for all purposes in relation to this Tender; and
- (iii) identifies the percentage of the equity required to be contributed to the Company in connection with the Project that will be contributed by each member of the consortium.

2.2 Language of Proposals

All Proposals shall be written in English, and all correspondence and documents related to the Proposals exchanged by the Qualified Applicants and the Ministry shall be written in English; *provided, however*, that any printed literature furnished by a Qualified Applicant may be written in another language, so long as such literature is accompanied by a translation of its relevant passages in English, in which case, for purposes of interpretation of the Proposal, the translation shall govern.

2.3 Proposal Structure and Content

Each Qualified Applicant may submit only one proposal (a "**Proposal**"), which shall consist of a technical proposal (the "**Technical Proposal**") and a financial proposal (the "**Financial Proposal**") for the Project contained in two separate envelopes.

The contents of each envelope of the Proposal are outlined below and refer to forms in Annex C. Complete information must be provided, and failure to provide the full information requested shall lead to rejection of the Proposal.

In addition, any materially false data contained in either the Technical Proposal or Financial Proposal shall constitute grounds for the disqualification of the Qualified Applicant, and any finding that the Qualified Applicant has will fully provided false material information or withheld material information in its Proposal will constitute grounds for termination of the Concession Agreement. The Qualified Applicant should use only the standard documents of these Instructions, without making any modifications to the terms thereof.

2.3.1 Envelope 1 — Technical Proposal

Envelope 1. shall contain:

- (i) A filled in Technical Proposal Form
- (ii) a Technical Proposal prepared in accordance with Annex F (*Form and Content of the Technical Proposal*) and, if applicable, Annex G (*Data required for updating the SEA and DSP on the basis of Technical Proposals based on Basic technical solution I and on Alternative Technical Solutions*).
- (iii) a Proposal Security;
- (iv) in the event the Qualified Applicant is a consortium:
 - (A) a consortium agreement that satisfies the requirements of Section 2.1; and
 - (B) a power of attorney that satisfies the requirements of Section 2.1; and
- (v) a filled in Conflict of Interest Statement form.

2.3.2 Envelope 2—Financial Proposal

Envelope 2 shall contain:

- (i) A filled in Financial Proposal Form.

2.4 Proposal Security

GoM has determined that Qualified Applicants should provide security against the risks that the Preferred Applicant may withdraw its Proposal prior to the execution of the

Concession Agreement and the Sponsor Support Agreement. Accordingly, each Qualified Applicant is required to deliver a performance guarantee issued by a Qualified Bank with a guarantee amount of five million Euros (€5,000,000) and terms that are consistent with the terms contained in Annex D (a “**Proposal Security**”) to secure its obligation to execute the Concession Agreement and the Sponsor Support Agreement in the event such Qualified Applicant is selected as the Preferred Applicant.

Qualified Applicants shall ensure that that the Proposal Security remains valid for a period of thirty (30) days after the expiration of the initial Proposal Validity Period and thirty (30) days after any extension of the Proposal Validity Period subsequently requested by the Ministry.

The Ministry will return the Proposal Securities of the unsuccessful Qualified Applicants as promptly as possible, but not later than thirty (30) days after the expiration of the Proposal Validity Period (as such period may be extended), or, in the case of the second-highest ranked Qualified Applicant, not later than thirty (30) days after the execution by the Preferred Applicant of the Concession Agreement and the Sponsor Support Agreement and delivery by the Preferred Applicant of the Financing Security in accordance with the Sponsor Support Agreement. The Proposal Security of the Preferred Applicant will be returned upon delivery of the Financing Security in accordance with the Sponsor Support Agreement.

A Qualified Applicant shall be in breach of its obligations under these Instructions, and the Ministry may draw on the full amount of a Qualified Applicant’s Proposal Security in the event that:

- (i) the Qualified Applicant withdraws its Proposal during the Proposal Validity Period;
- (ii) the Qualified Applicant is selected as the Preferred Applicant and fails to execute the Concession Agreement and the Sponsor Support Agreement within a period determined by the Parliament’s decision on the award of the concession;
- (iii) if the Qualified Applicant is selected as the Preferred Applicant and fails to deliver the Financing Security on the date of execution of the Sponsor Support Agreement;
- (iv) if, at any time during the Proposal Validity Period, the Qualified Applicant fails to continue to satisfy the pre-qualification criteria set forth in the Pre-qualification Document; or
- (v) if the Qualified Applicant offers, pays, promises to pay, or authorizes the payment of any amount, or offers, gives, promises to give, or authorizes the giving of anything that will have material value to:
 - (A) any officer or employee of GoM or any department, agency, or instrumentality of GoM, or to a person acting in an official

capacity for or on behalf of any such entity (each, a “**Government Official**”) for purposes of (1) influencing any act or decision of such Government Official in his official capacity, (2) inducing such Government Official to do or omit to do any act in violation of the lawful duty of such official, (3) securing any improper advantage, or (4) inducing such Government Official to use his influence with GoM or any instrumentality thereof to affect or influence any act or decision of GoM or any instrumentality thereof in order to assist such Qualified Applicant in obtaining or retaining business for or with, or directing business to, any person;

- (B) any Montenegrin political party or official thereof or any candidate for Montenegrin political office for purposes of (1) influencing any act or decision of such party, official, or candidate in its or his official capacity, (2) inducing such party, official, or candidate to do or omit to do an act in violation of the lawful duty of such party, official, or candidate, (3) securing any improper advantage, or (4) inducing such party, official, or candidate to use its or his influence with GoM or instrumentality thereof to affect or influence any act or decision of GoM or any instrumentality thereof in order to assist such Qualified Applicant in obtaining or retaining business for or with, or directing business to, any person; or
- (C) any person, while knowing that all or a portion of such money or thing of value will be offered, given, or promised, directly or indirectly, to any Government Official, to any Montenegrin political party or official thereof, or to any candidate for Montenegrin political office, for purposes of (1) influencing any act or decision of such Government Official, political party, party official, or candidate in his or its official capacity, (2) inducing such Government Official, political party, party official, or candidate to do or omit to do any act in violation of the lawful duty of such Government Official, political party, party official, or candidate, (3) securing any improper advantage, or (4) inducing such Government Official, political party, party official, or candidate to use his or its influence with GoM or any instrumentality thereof to affect or influence any act or decision of GoM or any instrumentality thereof in order to assist such Qualified Applicant in obtaining or retaining business for or with, or directing business to, any person,

(each, a “**Drawing Event**”).

2.5 Validity Period of Proposals

Proposals shall remain valid for a period of two hundred forty (240) days from the Proposal Submission Deadline (the “**Proposal Validity Period**”). A Proposal with a stated validity period of less than two hundred forty (240) days shall be rejected by the Tender Commission as non-responsive.

2.6 Submission of Proposals

Each Qualified Applicant shall seal the original and each copy of its Proposal in separate envelopes, duly marking the envelopes as “**PROPOSAL - ORIGINAL**”, “**PROPOSAL - COPY NO. 1**”, and “**PROPOSAL - COPY NO. 2**”, as appropriate. The envelopes containing the copies of the Proposal shall also contain CD-R/DVD-R with electronic version of the Proposal, and such electronic proposal shall be used solely for the purpose of more efficient work of the Tender Commission. The envelopes shall be sealed in an outer envelope. The inner and outer envelopes shall be sealed, addressed to the Ministry at the address given in the Bid Data Sheet provided in the Annex B, and shall bear the words “**MORAČA HYDROPOWER PLANTS PROJECT PROPOSAL. DO NOT OPEN BEFORE [•] 2011**”.

The inner envelopes shall each indicate the name and address of the Qualified Applicant so that the Proposal can be returned unopened in the event that it is not opened for the reasons described in these Instructions.

If the outer envelope is not sealed and marked as required above, the Ministry will assume no responsibility for the Proposal’s misplacement or premature opening.

Qualified Applicants should include in each outer envelope:

- (i) a sealed envelope bearing the words “**MORAČA HYDROPOWER PLANTS PROJECT - ENVELOPE 1 - TECHNICAL PROPOSAL**”, which envelope shall contain the Qualified Applicant’s Technical Proposal; and
- (ii) a sealed envelope bearing the words “**MORAČA HYDROPOWER PLANTS PROJECT - ENVELOPE 2 - FINANCIAL PROPOSAL**”, which envelope shall contain the Qualified Applicant’s Financial Proposal.

The two inner envelopes described above shall each indicate the name and address of the Qualified Applicant.

In the event of any discrepancies between the content of the original and copies of the Proposal, the content of the original of the Proposal shall prevail.

2.7 Deadline for Submission of Proposals

Proposals must be received by the Ministry at the address specified in the Bid Data Sheet no later than the time and date stated in the Bid Data Sheet as the “**Proposal Submission Deadline.**”

2.8 Modifications and Withdrawals of Proposals

A Qualified Applicant may modify or withdraw its Proposal after submission, provided that written notice of the modification or withdrawal is received by the Ministry prior to the Proposal Submission Deadline.

2.8.1 Modifications

The Qualified Applicant’s modifications shall be prepared, sealed, marked, and delivered as follows:

- (i) The Qualified Applicant shall provide an original and two copies of any modifications to its Proposal, clearly identified as such, in separate envelopes marked “**MORAČA HYDROPOWER PLANTS PROJECT - PROPOSAL MODIFICATIONS – ORIGINAL**”, “**MORAČA HYDROPOWER PLANTS PROJECT - PROPOSAL MODIFICATIONS – COPY NO. 1**” and “**MORAČA HYDROPOWER PLANTS PROJECT - PROPOSAL MODIFICATIONS – COPY NO. 2**”, as appropriate. The envelopes containing the copies of the modifications shall also contain CD-R/DVD-R with electronic version of the modifications, and such electronic version shall serve solely for the purpose of more efficient work of the Tender Commission. The envelopes shall be sealed in an outer envelope, duly marked “**MORAČA HYDROPOWER PLANTS PROJECT - PROPOSAL MODIFICATIONS**”.
- (ii) The modifications of the Financial Proposal and Technical Proposal are submitted in separate envelopes in accordance with Section 2.6. Other provisions concerning the marking and dispatch of Proposal modifications shall be in accordance with Section 2.6.

2.8.2 Withdrawal

A Qualified Applicant wishing to withdraw its Proposal shall notify the Ministry in writing prior to the Proposal Submission Deadline. The notice of withdrawal shall:

- (i) be addressed to the Ministry at the address indicated in the Bid Data Sheet; and

- (ii) bear the name of the Project and the words “**MORAČA HYDROPOWER PLANTS PROJECT - PROPOSAL WITHDRAWAL NOTICE**”.

Notices of withdrawal received after the Proposal Submission Deadline will be ignored, and the submitted Proposal will be deemed to have been submitted. In the event that a Qualified Applicant withdraws its Proposal during the interval between the Proposal Submission Deadline and the expiration the Proposal Validity Period, then the Ministry may draw on the Proposal Security posted by such Qualified Applicant for the full amount thereof pursuant to Section 2.4.

3 Proposal Evaluation and Award

3.1 Proposal Opening

The requirements for submission of Proposals are outlined in this Section 3.1. Each Qualified Applicant shall designate an authorized representative, which representative shall initial each page of such Qualified Applicant's original Proposal. The Proposals shall be sent to the address referred to in Section 4.1 in the number of copies specified in the Bid Data Sheet.

The opening of the Proposals will be held at the date, time, and location specified in the Bid Data Sheet. Qualified Applicants are invited to be present at the opening of the outer envelopes and the Technical Proposals, and representatives of Qualified Applicants that are present shall sign a register evidencing their attendance.

The Tender Commission shall first determine whether the Proposals have been received by the Proposal Submission Deadline. Only timely received Proposals shall be opened. A Proposal received after the Proposal Submission Deadline shall not be considered by the Tender Commission and shall be rejected and returned unopened to the relevant Qualified Applicant.

The Tender Commission shall then open the outer envelopes first, including withdrawals and modifications made pursuant to Section 2.8. Outer envelopes marked "**MORAČA HYDROPOWER PLANTS PROJECT - PROPOSAL WITHDRAWAL NOTICE**" shall be opened first and the name of the Qualified Applicant shall be read out. If the notice of withdrawal has been submitted pursuant to Section 2.8, then the relevant Proposal shall not be opened irrespective of the circumstances.

Thereafter, the Technical Proposals will be opened. The Tender Commission will establish for each of the proposals whether the content of the Envelope 1 – Technical Proposal corresponds to the Section 2.3.1. The Proposals with content of Envelope 1 incompliant with Section 2.3.1 shall be rejected as non-responsive and shall not be considered in further proceeding.

The Tender Commission shall take minutes on the procedure of opening of Proposals and Technical Proposals, which shall be signed by members of the Tender Commission and authorized representatives of the Qualified Applicants. Further proceeding shall be carried out without the presence of the authorized representatives of the Qualified Applicant's.

The Financial Proposals accompanying each Technical Proposal will be stored securely and will remain unopened until the time of the opening of the Financial Proposals.

3.2 Evaluation of Technical Proposals

Technical Proposals will be evaluated in two steps.

3.2.1 Technical Evaluation: First Step (Pass / Fail)

As a first step, each Technical Proposal will be evaluated to confirm:

- (i) that it is complete and consistent with the requirements of these Instructions and that it has been prepared in the manner enabling the Tender Commission to make an evaluation;
- (ii) that it is consistent with the Minimum Technical and Economic Requirements specified in Annex E;
- (iii) the accuracy of the average annual energy generation calculation methodology and its assumptions; and
- (iv) the accuracy of the estimated size of the area to be flooded and to be expropriated.

A Proposal will be rejected at this point if the Tender Commission is unable to confirm the foregoing from the Technical Proposal.

If necessary, the Tender Commission may request the Qualified Applicants to make clarifications in accordance with Section 3.3. In the event that a Qualified Applicant does not respond to a request for clarification within the time period specified or does not provide the information or documentation so requested, the Technical Proposal may be considered to be non-responsive and the Qualified Applicant's Proposal may be rejected by the Tender Commission.

If a Qualified Applicant's Technical Proposal has not passed the first step of the technical evaluation, such Qualified Applicant's Financial Proposal shall be returned unopened to such Qualified Applicant.

Not later than five (5) days following the first step evaluation of the Technical Proposals, the Tender Commission shall inform the Qualified Applicants whose Technical Proposals not passed the first step of the technical evaluation.

3.2.2 Technical Evaluation: Second Step (Score)

As a second step, all remaining Technical Proposals will be scored on the basis of following criteria:

- (i) average annual energy generation (maximum 20 points)
- (ii) total installed capacity (maximum 5 points)
- (iii) usable volume of the reservoir Andrijevo (maximum 5 points),
- (iv) concession period (maximum 25 points)

(v) environment impact(maximum30 points), and

(vi) quality score of the technical solution (maximum15 points),

Total evaluation score of Technical Proposals (“**Technical Score**”) will be determined in accordance with the following formula:

$$TechScore = EnergyProdSc + InstCapSc + VolumeSc + DurationSc + EnvAss + QualAss$$

where:

TechScore means Technical Score;

EnergyProd Sc means the number of points achieved on the basis of criterion of the average annual generation, calculated as follows:

$$EnergyProdSc = (EnergyProd/ EnergyProdmax)*20$$

where:

EnergyProd means the average annual energy production, expressed in GWh, as described in the Qualified Applicant’s Technical Proposal Form;

EnergyProdmax means the largest proposed average annual generation, expressed in GWh.

InstCapSc represents the number of points achieved on the basis of the criterion of the total installed capacity calculated as follows:

$$InstCapSc = (InstCap / InstCapmax)*5$$

where:

InstCap means total installed capacity of Morača HPPs expressed in MW as described in the Qualified Applicant’s Technical Proposal Form.

InstCapmax means the largest proposed total installed capacity of the Morača HPPs expressed in MW

VolumeSc represents the number of points achieved on the basis of the usable volume of the reservoir Andrijevo, calculated as follows:

$$VolumeSc = (Volume / Volumemax)*5$$

where:

Volume usable volume of the reservoir of the hydropower plant Andrijevo expressed in millions of m³ as described in the Qualified Applicant's Technical Proposal Form;

Volumemax means the largest proposed usable volume of the reservoir of the hydropower plant Andrijevo expressed in millions of m³.

DurationSc represents the number of points achieved on the basis of the concession period criterion, calculated as follows:

$$DurationSc = (25 / Duration) * 25$$

where:

Duration means proposed Concession Period expressed in years as described in the Qualified Applicant's Technical Proposal Form;

EnvAss represents the number of points achieved on the basis of the environmental impact criterion, calculated as follows:

$$EnvAss = EnvCoef * 30$$

where:

EnvCoef means the coefficient that has the value within the following limits:

- $0,8 < EnvCoef \leq 1$ if proposed technical solution has low negative environmental impact,
- $0,6 < EnvCoef \leq 0,8$ if proposed technical solution has medium low negative environmental impact,
- $0,4 < EnvCoef \leq 0,6$ if proposed technical solution has medium negative environmental impact
- $0,2 < EnvCoef \leq 0,4$ if proposed technical solution has medium high negative environmental impact, or
- $EnvCoef \leq 0,2$. if proposed technical solution has high negative environmental impact.

EnvCoef is determined upon following parameters:

- Social environment impact;

- Flora and fauna impact
- Cultural heritage impact
- Inundated Areas and Project Roads Lands
- Water flow regulation
- Landscape effect
- Greenhouse gas emission reduction
- Trans border effect, etc.

QualAss represents the number of points achieved on the basis of quality assessment of the technical solutions and is calculated by the formula:

$$QualAss = QualCoef * 15$$

where:

QualCoef means coefficient that has value within following limits:

- $0,8 < QualCoef \leq 1$ if an excellent technical solution is proposed,
- $0,6 < QualCoef \leq 0,8$ if a very good technical solution is proposed,
- $0,4 < QualCoef \leq 0,6$ if an medium technical solution is proposed,
- $0,2 < QualCoef \leq 0,4$ if a good technical solution is proposed, or
- $QualCoef \leq 0,2$. if an acceptable technical solution is proposed.

QualCoef is determined upon the assessment of the following criteria:

- Efficiency and quality of the equipment that is being built-in in the Project Facilities
- Installed flow of units and hydro power plants,
- Possibility of ulterior increasing of the installed force for 50%,

- Possibility of ulterior towering of Andrijevo hydro power plant dam above 250mm,
- Electrical energy production model and hydropower plant operation regime,
- Annual water overflow,
- Transmission Grid characteristics,
- Project Roads characteristics,
- Adequate fitting of the Project facilities into the surroundings, etc.

After the evaluation of the Technical Proposals shall be commenced with opening and evaluation of the Financial Proposals in accordance with criteria set in the Section 3.4.

All remaining Financial Proposals will be opened and evaluated in accordance with the evaluation criteria outlined in Section 3.4.

3.3 Clarification of Proposals

The Tender Commission may seek clarifications regarding a Qualified Applicant's Technical Proposal. Such clarifications shall be solely for the purpose of clarifying the contents of the documents submitted by a Qualified Applicant, and not for the purpose of modification or supplementation of a Qualified Applicant's Technical Proposal. Any such requests for clarifications and responses thereto shall be attached to the relevant Qualified Applicant's Technical Proposal.

Qualified Applicants shall respond to requests for clarification in writing and in the form requested by the Tender Commission not later than five (5) business days after the date on which the Qualified Applicant received the request for clarification from the Tender Commission.

3.4 Evaluation of Financial Proposals

All other Financial Proposals will be evaluated in accordance with the following criteria:

- (i) estimated annual income realized on the basis of the Concession Fee and Revenue Sharing Fee in the first 10 years of the Concession Period(maximum 20 points);
- (ii) estimated annual income realized on the basis of the Concession Fee and Revenue Sharing Fee upon expiry of 10 years of the Concession Period (maximum 15 points);

- (iii) estimated annual income realized after expiry of the Concession Period and transfer of Morača HPPs to the ownership of the Grantor (maximum 45 points);
- (iv) area of the Inundated Areas (maximum 20 points),

Total score in the evaluation of the Financial Proposals (“Financial Score”) will be established in accordance with the following formula:

$$FinScore = RSFS_{Y1-10} + RSFS_{Y11-n} + TermValSc + FloodAreaSc$$

Where:

FinScore means the Financial Score;

PVRSF_{Y1-10} RSFS_{Y1-10} represents the number of points achieved on the basis of the estimated annual income realized on the basis of the Concession Fee and the Revenue Sharing Fee in the first 10 years of the Concession Period , calculated as follows:

$$RSFS_{Y1-10} = (RSF_{Y1-10} / RSF_{Y1-10max}) * 20$$

where:

RSF_{Y1-10} means estimated annual income realized on the basis of the Concession Fee and the Revenue Sharing Fee in the first 10 years, calculated as follows;

$$RSF_{Y1-10} = EnergyProd * Price * (ConcFee + RSFee_{Y1-10})$$

where:

EnergyProd means the average annual energy production, expressed in GWh, as described in the Qualified Applicant’s Technical Proposal Form;

Price means estimated average annual price of electric energy expressed in €/GWh;

ConcFee means Concession Fee expressed in percents, as described in the Qualified Applicant’s Financial Proposal Form;

$RSFee_{Y1-10}$ means the Revenue Sharing Fee proposed for the first 10 years, expressed as a percentage, as described in the Qualified Applicant's Financial Proposal Form;

$RSF_{Y1-10max}$ the highest value of all RSF_{Y1-10} calculated for each of the Qualified Applicants' Proposals individually.

$RSFSc_{Y11-n}$ represents the number of points realized on the basis of the estimated annual income realized on the basis of the Concession Fee and the Revenue Sharing Fee after expiry of the 10 years of the Concession Period, calculated as follows:

$$RSFSc_{Y11-n} = (RSF_{Y11-n} / RSF_{Y11-n max}) * 15$$

where :

RSF_{Y11-n} means the estimated annual income on the basis of the Concession Fee and the Revenue Sharing Fee upon expiry of 10 years of the Concession Period, calculated as follows:

$$RSF_{Y11-n} = EnergyProd * Price * (ConcFee + RSFee_{Y11-n})$$

where:

$EnergyProd$ means the average annual energy production, expressed in GWh, as described in the Qualified Applicant's Technical Proposal Form;

$Price$ means estimated average annual price of electric energy expressed in €/GWh;

$ConcFee$ means Concession Fee expressed in percent, as described in the Qualified Applicant's Financial Proposal Form;

$RSFee_{Y11-n}$ means the Revenue Sharing Fee expressed as a percentage that is applied to a portion of the Concession Period upon expiry of 10 years of the Concession Period, as described in the Qualified Applicant's Financial Proposal Form;

$RSF_{Y11-n,max}$ the highest value of all RSF_{Y11-n} calculated for each of the Qualified Applicants Proposals individually.

$TermValSc$ represents the number of points realized on the basis of the estimated annual income realized after expiry of the Concession Period and transfer of Morača HPPs to the ownership of the Grantor, calculated as follows:

$$TermValSc = (TermVal / TermValmax) * 45$$

where:

TermVal means estimated annual income of generated electrical energy upon expiry of the Concession Period, calculated as:

$$TermVal = EnergyProd * Price$$

EnergyProd means the average annual energy generation, expressed in GWh, as described in the Qualified Applicant's Technical Proposal Form;

Price means estimated average annual price of electric energy expressed in €/GWh;

TerValmax the highest value of all *TermVal* calculated for each of the Qualified Applicants' Proposals individually.

FloodAreaSc represents the number of points achieved on the basis of the area of Inundated Areas criterion, calculated as follows:

$$FloodAreaSc = (FloodAreamin / FloodArea) * 20$$

where:

FloodArea means the area of the Inundated Areas expressed in hectares, as described in the Qualified Applicant's Technical Proposal Form.

FloodAreamin means minimal proposed area of Inundated Areas in hectares.

3.5 Selection and Award

Following evaluation of the Financial Proposals, the Tender Commission shall prepare a report describing the Proposal evaluation process, ranking the Proposals of the Qualified Applicants, and setting forth the rationale for such rankings (the "**Ranking Report**").

Total scores will be determined according to the following formula:

$$TotalScore = TechScore + FinScore$$

Where:

TotalScore means total score for the given Proposal;

Proposals shall be ranked according to their total scores. The Proposal with the highest total score shall be ranked first, with the other Proposals ranked subsequently in decreasing order.

Not later than the date specified in the Bid Data Sheet, the Ministry shall publish on the Ministry's website the final rankings of the Qualified Applicants reflected in the Ranking Report. Each Pre-qualification Applicant shall have the right upon written request to inspect the Ranking Report within eight (8) days from the date of publication of the final rankings, and shall have the right to submit an appeal to the Commission for Concessions about the final rankings within fifteen (15) days from the date of publication of the final rankings.

Upon expiry of the fifteen (15) day claim period specified above, the Ministry shall deliver the Ranking Report along with all other documentation required by Article 33 of the Law on Concessions to GoM, and the GoM will subsequently forward this to the Montenegrin Parliament for enactment of the decision on the award of a concession.

Within five (5) days after the Montenegrin Parliament accepts the GoM's recommendation and renders the decision on the award of concession, the Ministry shall inform in writing all Pre-Qualification Applicants of the Tender results and shall issue a notification to such Preferred Applicant, which will be invited to execute Project Agreements within a deadline determined by the decision on the award of the concession.

3.6 Finalization and execution of Project Agreements

In the procedure of the finalization of the Project Agreements the Ministry shall not consider possible modifications of the Project Agreements that may materially affect the Project and maintains the right not to accept any modifications in the Project Agreements in the finalization . In the event that the Ministry and the Preferred Applicant fail to execute the Project Agreements within the deadlines determined in the decision on the award of the concession the Ministry has the right to draw the Proposal Security and call other Pre-qualification Applicants pursuant to their ranking on the ranking list to the finalization and execution of the Project Agreements.

3.7 Selection of New Preferred Applicant

In the event that the Preferred Applicant:

- (i) fails to execute the Concession Agreement and the Sponsor Support Agreement according to Section 3.6 and deliver the Financing Security in accordance with the Sponsor Support Agreement; or
- (ii) fails to comply with any other term or condition of these Instructions and becomes disqualified from further participation in the Tender or the Project as a result,

then, in any of such cases, the Montenegrin Parliament may declare the next-highest ranking Qualified Applicant as the Preferred Applicant, and such new Preferred Applicant will thereafter be treated as the Preferred Applicant for all purposes of these Instructions.

3.8 Payment of Fees of Government's and IFC's Advisors

The Preferred Applicant shall pay the fees and expenses of the IFC and of the advisors to the IFC and GoM with respect to the Project as set forth in the Sponsor Support Agreement.

4 Requests for Clarifications

4.1 Requests for Clarifications

Qualified Applicants are requested to direct any requests for clarification in writing or by e-mail to:

Project team

Ministry of Economy of the Government of Montenegro

Address : Rimski Trg 46, 81000, Podgorica, Crna Gora

Phone: +382 20 482 485

Fax: +382 20 482 318

E-mail 1: moracahpps@moe.gov.me

E-mail 2: info@moracahpps.com

with a copy to:

International Finance Corporation

2121 Pennsylvania Avenue, NW, Washington DC 20433

Phone: +1 202 250 4079

E-mail: moracahpps@ifc.org

Responses to all requests for clarification will be made available to all Qualified Applicants which submitted the request without attribution.

Qualified Applicants should not rely on any oral explanations provided by the Ministry or the Tender Commission.

The Ministry may, by issuance of the addenda to the Instructions, delete, modify, or extend any part of these Instructions, at any moment before opening of the Proposals. Such addenda will be circulated by e-mail to each Qualified Applicant and should be acknowledged by return email.

Annex A Definitions

“Commercial Operations Date” – Has the meaning given there to in the Concession Agreement draft.

“DSP” – Has the meaning given there to in Section 1.2.1.

“Company” – Has the meaning given there to in Section 1.2.2(b).

“eData Room” - any document in e-form which has been made available to a Qualified Applicant by the Ministry, in order to enable analysis of the Project.

“EPCG” – Elektroprivreda Crne Gore AD Nikšić.

“Euro” or “€” – The single currency of participating member states of the European Union.

“Financial Proposal” – Has the meaning given there to in Section 2.3.

“Financial Score” – Has the meaning given there to in Section 3.4.

“Financial Proposal Form” – A form containing the information necessary for the financial proposal evaluation, the form of which is included as Form II of Annex C.

“Proposal Application Form” – A form setting forth the terms on which a Qualified Applicant submits its Proposal, the form of which is included as Form I of Annex C

“Technical Proposal Form” – The form which contains technical specifications proposed by a Qualified Applicant, in the form attached as Form III of Annex C. “Morača HPPs” – Has the meaning given there to in Section 1.2.2(a).

“IFC” – The International Finance Corporation.

“Instructions” – Has the meaning given there to in Section 1.1.

“Conflict of Interest Statement” – A statement disclosing potential conflicts of interest of a Qualified Applicants, the form of which is included as Form IV of Annex C.

“Ranking Report” – Has the meaning given there to in Section 3.5.

“Commission for Concessions” – The independent regulatory entity established pursuant to the Law on Concessions with adjudicatory authority over appeals presented by participants in procedures for the award of concessions.

“Concession” – Has the meaning given there to in Section 1.1.

“Concession Fee” –A quarterly fee in the amount of a specified percentage of the Company’s revenue, which percentage shall be equal to the percentage set forth in the Financial Proposal Form of the Preferred Applicant.

“Concession Period” – The period commencing on the Commercial Operations Date and ending on the anniversary of the Commercial Operations Date which corresponds to the proposed duration of the Concession Agreement specified in the Technical Proposal Form.

“Qualified Bank” – A commercial bank whose long-term senior unsecured debt obligations denominated in Euros are rated at or above AA by Standard & Poor’s (or its equivalent from another internationally recognized major credit rating institution) and that is not engaged in any material litigation with GoM or any public authority of GoM.

“Qualified Applicants” – Has the meaning given there to in Section 1.1.

“Morača HPPs Sites” – Has the meaning given there to in the Concession Agreement draft.

“Morača Monastery” – Has the meaning given there to in Section 1.2.2(c).

“Minimum Technical and Economic Requirements” – Has the meaning given there to in Section 1.2.1.

“Ministry” – Has the meaning given there to in Section 1.1.

“Preferred Applicant” – Has the meaning given there to in Section 1.1.

“Revenue Sharing Fee” – A quarterly fee in the amount of a specified percentage of the Company’s revenue, which percentage shall be equal to the percentage set forth in the Financial Proposal Form of the Preferred Applicant, which purpose is sharing of economic benefits of the Project and reimbursement of the funds invested in the Project by the GoM.

“Financing Security” – The standby letter of credit issued and maintained by the Preferred Applicant, as described in more detail in the draft of the Sponsor Support Agreement.

“Proposal Security” – Has the meaning given there to in Section 2.4.

“Basic Technical Solution I” – Has the meaning given there to in Section 1.2.1.

“Basic Technical Solution II” – Has the meaning given there to in Section 1.2.1.

“Proposal Validity Period” – Has the meaning given there to in Section 2.5.

“Pre-qualification Applicant” – Has the meaning given there to in Section 1.3.

“Proposal” – Has the meaning given there to in Section 2.3.

“Inundated Areas” – Has the meaning given there to in the draft of the Concession Agreement.

“Government Official” – Has the meaning given there to in Section 2.4.

“PRENOS” – Crnogorski elektroprenosni sistem AD Podgorica, the company for electricity transmission in Montenegro and operator of the transmission system of Montenegro and any other Person which, at any moment, will act as the operator of the transmission system of Montenegro.

“Pre-qualification Document” – Has the meaning given there to in Section 1.3.

“Pre-qualification Applications” – Applications submitted by interested investors in response to the Pre-qualification Document.

“Environmental Impact Assessment” – An assessment conducted by the Concessionaire in accordance with the Environmental Standards, as defined in the draft of the Concession Agreement.

“Project” – Has the meaning given there to in Section 1.1.

“Project Agreements” – The Concession Agreement, the Sponsor Support Agreement and the Novation Agreement.

“Proposal Submission Deadline” – Has the meaning given there to in Section 2.7.

“SEA” – Has the meaning given there to in Section 1.2.1.

“Drawing Event” – Has the meaning given there to in Section 2.4.

“Data Room” – All hard-copy (paper) documentation made available to the Qualified Applicants by the Ministry, for the purpose of the Project analysis.

“Bid Data Sheet” – A list of information, which is attached as Annex B.

“Technical Proposal” – Has the meaning given there to in Section 2.3.

“Tender” – Has the meaning given there to in Section 1.1.

“Bid Documents” – Instructions and drafts of the Project Agreements.

“Tender Commission” – The commission appointed by the Ministry for the purpose of evaluating the Proposals submitted by Qualified Applicants in response to these Instructions.

“Project Roads Routes” – Has the meaning given there to in the Concession Agreement draft.

“Contract on Operation and Use of Electricity Transmission Infrastructure” – An agreement between the Company and PRENOS, the terms of which shall be consistent with the Energy Law.

“Concession Agreement” – Has the meaning given there to in Section 1.2.2(b).

“Novation Agreement” – Has the meaning given there to in Section 1.2.2(b).

“Sponsor Support Agreement” – Has the meaning given there to in Section 1.2.2(b).

“Transmission Network Connection Contract” – An agreement between the Company and PRENOS, the terms of which shall be consistent with the Energy Law.

“GoM” – Has the meaning given there to in Section 1.1.

“Energy Law” – The Energy Law published in the Official Gazette of Montenegro, n.28/10.

Annex B
Bid Data Sheet

The following specific data shall complement the provisions of the Instructions to Bidders.

Project Name	Morača Hydropower Plants Development Project
Name of the Grantor	The Montenegrin Parliament
Address of the Grantor	Ministry of Economy, acting for and on behalf of the Montenegrin Parliament Rimski Trg 46, 81000, Podgorica, Montenegro moracahpps@moe.gov.me info@moracahpps.com
Electronic Address of IFC Project Team	moracahpps@ifc.org
Proposal Submission Deadline	[] CET on [XX April 2011]
Location, Time, and Date for the Opening of Proposals	Ministry of Economy Rimski Trg 46, 81000, Podgorica, Montenegro [] CET on [XX April 2011]
Location, Time, and Date for Submission of the Ranking Report	Ministry of Economy Rimski Trg 46, 81000, Podgorica, Montenegro [Date TBD]
Number of Copies of Proposal	1 Original and 2 Copies 1 Electronic Copy
Electronic Data Room Address	http://www.he-moraca.me

Annex C
Forms for Use in Proposals

Each Qualified Applicant shall submit the following forms, in accordance with Sections 2.3.1 and 2.3.2 of the Instructions to Bidders:

- I Proposal Application Form
- II Financial Proposal Form
- III Technical Proposal Form
- IV Conflict of Interest Statement Form

Form I
Proposal Application Form

[On letterhead of the Qualified Applicant or, in the event the Qualified Applicant is a consortium, the Lead Member of the Qualified Applicant]

[Date]

The Ministry of Economy
Rimski Trg 46, 81000
Podgorica, Montenegro

Re: The Morača Hydropower Plants Development Project in Montenegro

Ladies and Gentlemen,

Reference is hereby made to the Instructions to Qualified Bidders for the development of hydropower plants on the Morača River in Montenegro issued by the Ministry of Economy on **[date]** (the “**Instructions**”). Capitalized terms used but not defined herein shall have the meanings given in the Instructions.

Having carefully examined the Bid Documents the receipt of which is hereby acknowledged and the contents of which are hereby accepted, and having examined the actual site conditions, satisfied ourselves with the nature and location of the works and services referenced above and the general and local conditions to be encountered in the performance thereof, and having analyzed all of the documents provided in the Data Room and the eData Room we deem necessary in connection with the preparation of our Proposal, we, the undersigned, offer to carry out all services and obligations of the Concessionaire provided under the Concession Agreement and of the Sponsor provided under the Sponsor Support Agreement in full conformity with the Bid Documents.

We authorize the Ministry to verify the information and documents attached to our Proposal.

At the time of Proposal submission we continue to satisfy the pre-qualification criteria set forth in the Pre-qualification Document.

We agree to abide by this Proposal, which consists of our Technical Proposal and Financial Proposal, for a period of two hundred forty (240) days from the Proposal Submission Deadline as

set forth in the Bid Documents, and it shall remain binding upon us and may be accepted by you at any time before the expiration of that period.

If we are selected as the Preferred Applicant, we agree to execute the Concession Agreement and the Sponsor Support Agreement without any reservation or limitation.

We understand that you are not bound to accept any Proposal you may receive.

We acknowledge and agree that the Ministry will not be responsible for any errors or omissions on our part in preparing this Proposal.

We are responsible for any and all costs, expenses, and losses incurred in the preparation and submission of our Proposal. The Ministry shall not be required to compensate us for any such costs, expenses, or losses regardless of the outcome of the Tender.

[Name of Qualified Applicant or Lead Member of the Qualified Applicant]

By: _____

Name: _____

Title: _____

Form II
Financial Proposal Form

[On letterhead of the Qualified Applicant or, in the event the Qualified Applicant is a consortium, the Lead Member of the Qualified Applicant]

[Date]

The Ministry of Economy
Rimski Trg 46, 81000
Podgorica, Montenegro

Re: The Morača Hydropower Plants Development Project in Montenegro

Ladies and Gentlemen,

Reference is hereby made to the Instructions to Qualified Bidders for the Development of Hydropower Plants on the Morača River in Montenegro issued by the Ministry of Economy on **[date]** (the “**Instructions**”). Capitalized terms used but not defined herein shall have the meanings given in the Instructions.

After having carefully examined the Bid Documents and examined the actual site conditions, satisfied ourselves with the nature and location of the works and services referenced above and the general and local conditions to be encountered in the performance thereof, and having analyzed all of the documents provided in the Data Room and the eData Room, we propose as part of our Financial Proposal the following:

- A **Revenue Sharing Fee**, in the amount of **[•]** percent (**[•]**%) of the Company’s revenue, during the first ten (10) years of the Concession,
- A **Revenue Sharing Fee**, in the amount of **[•]** percent (**[•]**%) of the Company’s revenue, for the part of the Concession Period following expiry of the tenth (10th) year of the Concession Period,
- A **Concession Fee**, in the amount of **[•]** percent (**[•]**%) of the Company’s revenue,
- The **Area of the Inundated Areas** of **[•]** hectares.

[Name of Qualified Applicant or Lead Member of the Qualified Applicant]

By: _____

Name: _____

Title: _____

Form III
Technical Proposal Form

[On letterhead of the Qualified Applicant or, in the event the Qualified Applicant is a consortium, the Lead Member of the Qualified Applicant]

[Date]

The Ministry of Economy
Rimski Trg 46, 81000
Podgorica, Montenegro

Re: Morača Hydropower Plants Development Project in Montenegro

Ladies and Gentlemen,

Reference is hereby made to the Instructions to Qualified Bidders for the Development of Hydropower Plants on the Morača River in Montenegro issued by the Ministry of Economy on **[date]** (the “**Instructions**”). Capitalized terms used but not defined herein shall have the meanings given in the Instructions.

After having carefully examined the Bid Documents and examined the actual site conditions, satisfied ourselves with the nature and location of the works and services referenced above and the general and local conditions to be encountered in the performance thereof, and having analyzed all of the documents provided in the Data Room and the eData Room, we propose as part of our Technical Proposal [**Basic Technical Solution I / Basic Technical Solution II / Alternative Technical Solution**] for the Project with the following characteristics:

- **[Specify the number and location of the hydropower plant]**
- **[Specify the average annual energy generation in GWh]**
- **[Specify the installed capacity of each unit within the hydropower plant, each hydropower plant and total installed capacity of Morača HPPs in MW]**
- **[Specify the installed flow of each unit within the hydropower plant and each hydropower plant]**
- **[Specify the usable reservoir volume of HPP Andrejevo in millions m³]**
- **[Specify the Concession Period in years]**
- **[Specify the area of the Morača HPPs Sites, Morača Transmission Lines Routes, Project Roads Routs, Inundated Areas and Staging Areas (these terms have the meaning given there to in the draft of the Concession Agreement)]**
- **[Specify the efficiency level of the turbines, generators, transformers and total efficiency level of the unit within the each hydropower plant (μ)]**

- [Specify the basic data on possibility of subsequent power increase of the hydropower plant in 50% (additional units installation possibility)]
- [Specify the basic data on possibility of subsequent dam surpassing of the hydropower plant Andrijevo above 250 mmm];
- [Specify the annual water inflow at the hydropower plants];
- [Specify the basic characteristics of the Morača Transmission Lines];
- [Specify the basic characteristics of the Project Roads].

[Name of Qualified Applicant or Lead Member of the Qualified Applicant]

By: _____

Name: _____

Title: _____

**Form IV
Conflict of Interest Statement Form**

[On letterhead of the Qualified Applicant or, in the event the Qualified Applicant is a consortium, the Lead Member of the Qualified Applicant]

[Date]

The Ministry of Economy
Rimski Trg 46, 81000
Podgorica, Montenegro

Re: The Morača Hydropower Plants Development Project in Montenegro

Ladies and Gentlemen,

Reference is hereby made to the Instructions to Qualified Bidders for the Development of Hydropower Plants on the Morača River in Montenegro issued by the Ministry of Economy on **[date]** (the “**Instructions**”). Capitalized terms used but not defined herein shall have the meanings given in the Instructions.

We, the undersigned, except for the cases listed in the sheet below, are not aware of any conflict or potential conflict arising from a prior or existing contract or relationship with the Ministry, its affiliates, representatives, advisors, or consultants in this Project, that could affect our capability to comply with any obligations of the Concessionaire under the Concession Agreement or of the Sponsor under the Sponsor Support Agreement.

Name of Project	Project Status (completed or on-going)	Description of Conflict or Potential Conflict of interest

[Name of Qualified Applicant or Lead Member of the Qualified Applicant]

By: _____

Name: _____

Title: _____

Annex D

Terms of Proposal Security

Each Qualified Applicants Proposal Security shall:

1. name the Ministry as the beneficiary thereof;
2. have a term of not less than Bid Validity Period;
3. become drawable on first demand solely against delivery of a demand and notice to the issuer of the occurrence of a Drawing Event;
4. include feasible and practical drawing procedures in the reasonable view of the Ministry; *provided, however*, that it shall not contain any condition to drawing other than the confirmation by the issuer that any drawing certificate required to be delivered in connection with a drawing appears to comply on its face with the requirements of such Proposal Security;
5. be issued by a Qualified Bank (or branch thereof) located in, and be drawable in, the European Union or any other location approved by the Ministry;
6. expressly state that it shall be subject to the Uniform Rules for Demand Guarantees published by the International Chamber of Commerce and, to the extent not inconsistent with the Uniform Rules for Demand Guarantees, the Laws of Montenegro;
7. have a maximum amount available for draw equal to five million Euros (€5,000,000); and
8. be reasonably satisfactory in form to GoM; *provided, however*, that a demand guarantee in the form of the demand guarantee attached hereto as Schedule 1 that otherwise meets the criteria set forth herein shall meet the requirements as to the form of the Proposal Security.

Schedule 1

Form of Proposal Security

[Letterhead of Issuing Bank]

DEMAND GUARANTEE

State of Montenegro

[•]

[•], Montenegro

Subject: Proposal Guarantee No. [•]

We refer to the Instructions to Qualified Bidders for the Development of hydropower plants on the Morača River in Montenegro (the “**Instructions**”). We have been informed that the [Bidder] (the “**Principal**”) is required by the Instructions to post a demand guarantee for the security of the proposal (“**Guarantee**”).

At the request of the Principal, [•] (the “**Bank**”) hereby irrevocably undertakes to pay the State of Montenegro (the “**Beneficiary**”), or its assignee, any sum or sums not exceeding in total the amount of five million Euros (€5,000,000) (the “**Guarantee Amount**”) upon receipt by the Bank, at this office, of the Beneficiary’s or its assignee’s demand in writing and the Beneficiary’s or its assignee’s written statement stating:

- (a) that the Principal is in breach of its obligations under the Instructions;
- (b) the respect in which the Principal is in breach; and
- (c) the amount of the Beneficiary’s demand.

Any demand for payment must be purportedly signed by the Beneficiary or its authorized officer or employee or by its assignee or its authorized officer or employee.

The Bank hereby (i) acknowledges the Beneficiary’s drawing rights under this Guarantee, (ii) acknowledges that neither the Bank nor the Principal may terminate this Guarantee prior to its stated expiration date without written consent of the Beneficiary and (iii) undertakes to honor a demand made by the Beneficiary pursuant to this Guarantee to the extent such Demand otherwise conforms to the requirements set forth herein, and to make payment in respect of such a Demand directly to the Beneficiary.

If the Beneficiary or its assignee presents a Demand for payment to the Bank by 10:00 a.m. local time on any day on which the Bank is open for business (each such day, a “**Business Day**”), in conformance with the terms and conditions of this Guarantee, the Bank will honor the

same by making payment to the Beneficiary or its assignee in immediately available funds, in accordance with the Beneficiary's payment instructions and without any restrictions, conditions, inquiry or right of objection whatsoever on the Bank's part, without notice to the Principal prior to such payment and notwithstanding any conditions, demands, or objections by the Principal or any other party, without the Beneficiary having to further substantiate such Demand, by 4:00 p.m. local time on such Business Day, otherwise the Bank will honor the Beneficiary's Demand for payment by 10:00 a.m. local time the following Business Day.

This Guarantee shall expire on [●]. Consequently, any Demand for payment under it must be received by the Bank at this office on or before that date. Neither the Bank nor the Principal may terminate this Guarantee prior to its stated expiration date without the written consent of the Beneficiary.

The Guarantee Amount is subject to reduction upon the receipt by the Bank of a written request purportedly signed by the Beneficiary stating the amount by which the Beneficiary requests that the Guarantee Amount be reduced.

This Guarantee shall be subject to the Uniform Rules for Demand Guarantees published by the International Chamber of Commerce, and to the extent not inconsistent with the Uniform Rules for Demand Guarantees, governed by the laws of the State of Montenegro.

[ISSUING BANK]

By: _____
Name:
Title:

Annex E
Minimum Technical and Economic Requirements of the Proposals

Issue	Minimum Technical and Economic Requirement
Minimum average annual generation	600 GWh
Minimum concession fee	2%
Technical Characteristics of the Morača HPPs, 220 kV, 110 kV, 35 kV OHL and of Other Facilities	<p>Basic Technical Solution I, Basic Technical Solution II: in accordance with the documents of Energoprojekt and Elektroprojekt, as well as in accordance with the Water resources development master plan of Montenegro from May 2001.</p> <p>Alternative Design:</p> <ul style="list-style-type: none"> • water level in the reservoir of HPP Andrijevo: max 285 masl. • no less than two HPP plants (the Andrijevo and Zlatica HPPs in the Base Design): the most upstream shall provide storage capacity, while the most downstream shall regulate the flows released in the River. • adequate connection of the Morača HPPs to 220 kV, 110 kV, 35 kV OHLs • design of HPP Andrijevo dam: allowance for later raising up to a minimum of 250 masl
Environmental Flows	Environmental flow releases shall be in accordance with the EIA, as adopted by the Environmental Agency of Montenegro following the development of the EIA. Environmental flows will also be required between upstream dams and downstream reservoirs.
Daily, Seasonal and Annual Water Release Curve	The seasonal and annual flow pattern of water released by the Morača HPPs should be regulated as to minimize adverse impacts on the downstream natural environment. Therefore, the releases downstream of the HPPs should be in accordance with the EIA as adopted by the Environment Protection Agency of Montenegro.
Daily Water Release Curve	The River Morača downstream of the HPPs flows through a highly urbanized area and with extensive human use. The occurrence of surge waves needs to be minimized and tightly controlled. Therefore, the ramping up and down of water release fluctuations downstream of the tailrace of the last HPP shall be in accordance with the EIA as adopted by the Environment Protection Agency of Montenegro.
Implementation Schedule	The total time from the date of Financial Closing to the commencement of commercial operations at the last hydroelectric plant to be commissioned should not exceed seventy-two (72) months.
Standards and Codes for Electromechanical Equipment and Civil Works	The dam, civil, and structural features shall provide a 100-year service life while the electrical and mechanical systems shall be designed for a service life of 50 years. All design, civil works and equipment manufacturing and installation, including materials used and methods applied, shall be performed and constructed in accordance with Montenegrin codes and standards. If local codes are not available, internationally recognized standards and codes, including EIC, ASTM, ISO, DIN, BS, SS, EN, or equivalent will be used. The electrical and

Issue	Minimum Technical and Economic Requirement
	mechanical systems shall be compatible with the Montenegrin power grid.

Annex F

Form and Content of the Technical Proposal

The Technical Proposal should contain the proposed technical design for the project, and the associated environmental and social mitigation measures. For the purposes of the Technical Proposal, the project must be presented with enough detail to allow the Tender Commission to understand the characteristics, dimensions and general specifications of its principal features, as well as to encompass all elements, structures and details necessary of the tender committee to evaluate the Technical Proposals.

Qualified Applicants will be required to present a clear and concise technical solution, which will as a minimum include the following elements:

1. Project Understanding and Description

For Basic Technical Solution I and Basic Technical Solution II, Qualified Applicants shall verify the previous field investigation studies, desk studies and documents prepared by Energoprojekt and Elektroprojekt, as well as of the Water resources development master plan of Montenegro. This should include a verification of all investigations, computations, operational regimes of hydropower plants, data for expropriation of land, etc.

For Alternative Technical Solution, Qualified Applicants shall perform verifications of the documentation for Andrijevo HPP , as well as for other HPPs included in Basic Technical Solution I and Basic Technical Solution II that are used in Alternative Technical Solution.

For Basic Technical Solution II and Alternative Technical Solution, Qualified Applicants shall also provide all the information and data required by the Grantor to update the Detailed Spatial Plan (DSP) and the Strategic Environmental Assessment (SEA) as required in Annex G.

For all technical solution, Qualified Applicants shall, in addition to the above, prepare a Feasibility Study for the Project including, as a minimum, the following contents:

- The general characteristics, dimensions, specifications and layouts of civil structures: location of dams, spillways, intakes, powerhouses, switchyards, auxiliary structures, Project Roads and transmission lines of 220 kV, 110 kV, and 35 kV.
- The general characteristics, dimensions, specifications and layouts of electro-mechanical and hydro-mechanical equipment: turbines, generators, transformers, gates, valves, stoplogs, trashracks, etc.
- The general characteristics, specifications and layouts of the telecommunications systems and protection devices for the hydropower plants and the Transmission lines.

- The general characteristics and specifications of the preparatory works for access and relocated roads, dams and other objects of the hydropower plants, transmission lines as well as plans for removal after construction.
- The general characteristics, dimensions, specifications and layouts of the borrow pits (quarries), landfills, access roads to the Project Facilities and temporary construction sites, electricity supply systems, water supply and sanitation for the construction sites, etc.
- The efficiency curves of turbines, generators and transformers.
- The turbines' maximum, minimum and rated operating head, normal speed, output, efficiency, etc.
- The generator power factor.
- Seismic calculations.
- Calculations for potential dam failures under maximum design earthquake conditions.
- Calculations of flow during construction and operations, calculation of possible maximum flow, calculations of spillage.
- The normal, maximum and minimum levels of each reservoir.
- The total installed capacity in MW and the installed capacity for each generator and each plant.
- Calculation of electricity generation (model): guaranteed and non-guaranteed energy, peak load and base load energy.
- Calculations of outage and analysis of static and dynamic system stability analyses within the Montenegrin power system.
- Operational regime of each plant and Moraca HPPs (denivelation in reservoirs, flows through Podgorica), calculation of minimum ecological flows downstream of each plant.
- In relation to expropriation of the land, to the extent possible, data for the land to be inundated and land required transmission lines, and for relocation of main and local roads.

Qualified Applicants will perform investigations needed for preparation of the feasibility study.

2. Drawings

As part of the Feasibility study, the Qualified Applicant shall prepare a set of drawings appropriate for feasibility study level including

- A Moraca river basin development map indicating the location of each proposed dam and HPP.
- Borders of land requirements for the full reservoir levels including the spillages.
- Plans, elevations, and typical cross-sections of the main features of the proposed reservoirs, dams, intakes, spillways, tunnels, other HPP facilities, and switchyards for each of the plants.
- Details of any sediment control facilities associated with the Project Facilities or in the upstream Moraca river basin.
- Alignment of the proposed transmission lines and typical cross-sections of transmission towers and switchyard equipment.
- All other drawings deemed necessary by the Qualified Applicant to fully describe the proposed technical solution.

3. Energy Calculations

For the energy calculations, the Qualified Applicants shall present a description of input and output data used to calculate expected installed capacity and annual energy generation at each plant, and submit an electronic copy of the computer program used to perform the calculations.

4. Technical Requirements

Technical conditions planned for design, manufacturing and installation of the equipment, for design and performance of construction works on Moraca HPPs, Transmission Lines and Project Roads, and for testing until the transfer, are presented in Annex 7 of Concession Agreement. Qualified Applicants will prepare Technical Proposals in accordance with the Technical Requirements, and accepted Technical Proposal will be developed in Annex 8 of the Concession Agreement. A preliminary list of tests to be performed during the various phases is presented in Annex 2 of Schedule 7 of the Concession Agreement. The bidder will provide a final list of the tests in its Technical Proposal which shall be subject to the Grantor's approval.

5. Implementation Schedule

The Qualified Applicants shall prepare an Implementation Schedule using the critical path method (“CPM”) showing the anticipated start and finish dates for preliminary design, main design, activities related to design, manufacturing and procurement of equipment and construction works for each proposed activity for implementation of

Moraca HPPs, Transmission lines, and Project roads. The implementation schedule shall include:

- A list of all activities required for implementation of the Project (typically categorized within a work breakdown structure), including the program of testing of equipment, material and civil construction works.
- The time (duration) that each activity will take to completion, and
- The dependencies between the activities.

6. Overall Objective

Qualified Applicant shall describe how will its technical solution achieve the objectives of the Government of Montenegro to maximize the benefits obtained through the development of the Morača HPPs safely, efficiently, and effectively.

Annex G

Information required to update the DSP and the SEA for Technical Proposals based on the Basic Technical Solution II and on the Alternative Technical Solution

In addition to the feasibility study for the Project, and the associated environmental and social mitigation measures, Technical Proposals based on the Basic Technical Solution II and on the Alternative Technical Solution should contain, to the extent possible, the information required to update and complete the draft DSP and SEA that have previously been prepared for the Basic Technical Solution I.

Qualified Applicants submitting the Proposals based on the Basic Technical Solution II or on the Alternative Technical Solution should therefore present:

1. **Information for the DSP:**

Qualified Applicant will be required to structure the information by adequately filling the tables below.

Table 1 – Current use of land in zones of the planned reservoirs

Use	Reservoir 1 (ha)	Reservoir 2 (ha)	Reservoir 3 (ha)	Total (ha)
Agriculture					
Forests					
Settlements					
Graveyards					
Tourism					
Sport and recreation					
Religious buildings					
Traffic - motorway					
Traffic – main road					
Traffic – local roads					
Surface area of reservoir					

Table 2 – Privately owned civil structures that will be inundated

Type of structure	No. of structures	Total surface area in m ²
Residential buildings		
Ancillary buildings (storehouses, stables, garages, etc.)		
Commercial buildings (halls, warehouses, watermills, restaurants, etc.)		
...		

Table 3 – State owned civil structures that will be inundated

Type of structure	No. of structures	Total surface area in m ²
Pumping station		
Commercial buildings		
Schools		
Local community (sub-municipal) administration office		
...		
Religious buildings		
Church		
Monastery		
...		

Table 4 – Land that will be inundated

Land	Ownership type	Surface area in ha
Cultivated land		
Meadows		
Grasslands		
Forests		
Vineyards		
Orchards		
Yards		
Total cultivable		
Barren land		
<i>TOTAL</i>		

Table 5 – Technical and communal infrastructure that will be inundated

Energy and telecommunications		Length / number
110 kV Overhead line	Km	
35 kV Overhead line	Km	
10 kV Overhead line	Km	
Low voltage lines	Km	
Transformer station	Pieces	
Telecommunication lines and base stations	Km	
...
Hydro technical infrastructure		
Captured water wells	Pieces	
Pumping stations	Pieces	
Water supply line	m	

Compensating basin	Pieces	
...
Road infrastructure		
Main road	Km	
Regional roads	Km	
Local roads	Km	
Uncategorized (village and forest) roads	Km	
Bridges	m	
...
Graveyards		
Graveyards-exhumation	Pieces	
<i>TOTAL</i>		

Table 6 – Special and protected zones that will be inundated

Cultural monuments with protected zones		
	Pieces	
	ha	
...
Protection zones of water wells		
	ha	
...
Protected natural assets		
National park	ha	
Regional park	ha	
Natural monuments	ha	
Emerald zone	ha	
...
Zones for construction of hydropower structures		
Temporary zones	ha	
Permanent zones	ha	
...
<i>TOTAL</i>		

2. **Information for the SEA:**

- a) Architectural urban solution;
- b) Operating regime of power plants;

- c) Size of reservoir;
- d) Calculation of spilling;
- e) Inundated surfaces: infrastructure, agricultural land, forests, tourism;
- f) Preparatory works: land take, locations, surfaces, etc.;
- g) Assessment of stability of dams;
- h) Information about impact on biodiversity and habitats;
- i) Information about impact on cultural heritage;
- j) Monitoring Plan;
- k) Assessment of transboundary impacts.

In preparation of Technical Proposals based on the Basic Technical Solution II and on the Alternative Technical Solution and in preparation of information required to update the DSP and the SEA, Qualified Applicants may, on their own responsibility, use information from the draft DSP and SEA and from the Study with database for preparation of the SEA.