

OUR selects renewable energy preferred bidder at low 8.54 US cents/kWh

(KINGSTON, Jamaica; 2016, May 09): Jamaicans are on track to benefit following the successful completion of the most recent electricity generation procurement process managed by the Office of Utilities Regulation (OUR). The process saw the selection of Eight Rivers Energy Company Limited (“EREC”) as the preferred bidder to build own and operate a 33.1 MW solar photovoltaic (PV) power generation facility at Paradise Park, Westmoreland. The proposed price (all-in tariff) is 8.54US cents/kWh.

This latest OUR-managed project is the most competitive renewable energy procurement project to date and is in keeping with the trend in the reduction in the price of energy from renewable sources. This bid is significantly cheaper than the tariffs proposed for the projects which were selected from a similar competitive procurement commenced in 2012 which were based on wind turbine and solar technologies.

The 37MW project has so far met all its deadlines, with the evaluations being completed by the OUR on 2016 April 26 and the highest ranked bidders being notified of the evaluation results on 2016 May 6. “The OUR is pleased with the proposed all-in tariff of 8.54 US cents/kWh, which we believe has set the pricing bar for future renewable projects,” said Mr. Albert Gordon, Director General of the OUR.

Commenting on the project, the Minister of Science Energy and Technology (“MSET”) Hon. Dr. Andrew Wheatley noted that the project executed by the OUR “marks the lowest cost ever for solar power in Jamaica, and also advances Government’s major policy objective, namely, the diversification of Jamaica’s energy supply mix to reduce cost and dependence on imported oil.”

In response to its solicitation, the OUR received nineteen (19) bids, totalling nearly 500 MW, of which eleven (11) were Base Proposals and eight (8) were alternative proposals from entities vying for the opportunity to establish electricity generation projects from renewable energy sources that contribute up to 37 megawatts (MW) to the national grid. The proposals received included eighteen (18) projects offering energy only (5 wind projects, 11 solar PV, one (1) hydro, one (1) waste to energy and one (1) project based on biomass offering firm capacity.

The highest ranked bidder, EREC's project is a 33.1MW solar photovoltaic (PV) which is 50% owned by Neoen, an international independent power producer, through its wholly owned subsidiary, Neoen International, and 50% owned by Rekamniar. The next step in the project requires EREC, the highest ranked bidder, to finalise the various project agreements. If they fail in this regard, then the OUR moves to the bidder(s) next in line. A number of financial institutions have expressed interest in providing debt financing for the project and have issued their letters of support.

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BACKGROUND:

On 2012 November 26 in keeping with the GOJ's fuel diversification strategy and efforts to achieve the targets set out in the 2009 National Energy Plan (NEP) for the increased participation of renewable energy sources (RES) in the Country's electricity System energy supply mix, the OUR issued a Request for Proposal (RFP) entitled: "Supply of up to 115 MW of Electricity Generation Capacity from Renewable Energy Based Power Generation facilities on a Basis." However, only projects supplying 78 MW out of the requested 115 MW were selected for implementation from this procurement. During the negotiations with the selected bidders a further 2MW were secured at a discounted price. All projects are expected to be commissioned by July 2016.

In order to complete the procurement for the build out of the 115 MW of renewable energy projects the OUR, at the request of Cabinet, issued a Request for Proposal ("the RFP") entitled: "Supply of up to 37 MW (Net) of Electricity Generation from Renewable Energy Resources on a Build, Own and Operate (BOO) Basis" on 2015 July 31.

In the Jamaican electricity system, renewable energy generation is supplied mainly by wind and hydroelectric technologies. In 2014, annual generation from renewable energy sources accounted for approximately 6% of total system generation, with contributions of 2.5% and 3.5% from hydro and wind respectively.

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