

## New Solar Power Project Tenders in Renewable Energy Resource Areas (YEKA GES II)

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On 5 October 2018, the Ministry of Energy and Natural Resources (“**MENR**”) announced tenders for three solar power projects with a total of 1,000 MWe based on the renewable energy resource area (“**RERA**”) model. The application deadline for the tenders is 31 January 2019.

Following the successful tenders for two 1,000 MW RERA projects in 2017, one wind power project and one solar power project,<sup>1</sup> and the upcoming 1,200 MWe offshore wind project tender,<sup>2</sup> MENR has now announced<sup>3</sup> the tenders for three separate solar power projects with a total of 1,000 MWe of installed capacity (the “**Projects**”). The Projects consist of (i) a 500 MWe solar power plant in Şanlıurfa-Viranşehir, (ii) a 200 MWe solar power plant in Hatay-Erzin, and (iii) a 300 MWe solar power plant in Niğde-Bor<sup>4</sup>. Below is a brief summary of the key aspects of the Projects, with a comparison with the Konya-Karapınar solar RERA tender launched in 2017:

Key Aspect	Konya-Karapınar (YEKA GES I)	New Projects (YEKA GES II)		
		Viranşehir, Şanlıurfa	Erzin, Hatay	Bor, Niğde
Capacity of the Power Plant	1 GWe	Viranşehir, Şanlıurfa	Erzin, Hatay	Bor, Niğde
		500 MWe	200 MWe	300 MWe
Possible Bidder Structures	Joint venture	Joint venture or consortium <sup>5</sup>		
Eligibility Criteria for the Bidders	The Specifications include technical eligibility criteria regarding production of at least 3,000 MWp PV solar module between 1 January 2014 and 30 June 2016.	The Specifications do not include any technical eligibility criteria or project completion certificate. The eligibility criteria are of a financial nature, and require the satisfaction of <b>at least</b> one of the following for the respective Project:		
		<ul style="list-style-type: none"> <li>The total net sales revenues in 2015, 2016, and 2017 must be more than:</li> </ul>		
		Viranşehir, Şanlıurfa	Erzin, Hatay	Bor, Niğde
		TL 300 million	TL 120 million	TL 180 million
<ul style="list-style-type: none"> <li>The total assets as of the end of 2017 must be more than:</li> </ul>				
Viranşehir, Şanlıurfa	Erzin, Hatay	Bor, Niğde		
TL 90 million	TL 36 million	TL 54 million		

<sup>1</sup> Please [click here](#) to see our Newsletter article on these tenders.

<sup>2</sup> Please [click here](#) to see our Client Alert on this tender.

<sup>3</sup> The announcement was published in the Official Gazette No. 30556 and dated 5 October 2018.

<sup>4</sup> The respective project areas were announced as RERA in the Official Gazette No. 30550 and dated 29 September 2018.

<sup>5</sup> The participation of a sole legal entity bidder is also possible. There are no criteria regarding the nationality of the shareholders.

Key Aspect	Konya-Karapınar (YEKA GES I)	New Projects (YEKA GES II)												
Generation License Period	30 years	30 years <sup>6</sup>												
Domestic Component Production Plant ("Factory") and Research and Development ("R&D") Investments	The construction and operation of a Factory to manufacture the relevant components is required. Additionally, an R&D center must be operational within 18 months following the execution of the usage right agreement with MENR.	There are no Factory, R&D or storage facility requirements for the Projects.												
Employment of Turkish Citizens	At least 90% of the employees in the Factory and the power plant, and 80% of the employees in the R&D center must be Turkish citizens. The applicable thresholds must be satisfied for each of the white collar and the blue collar employee categories.	There is no requirement to employ Turkish citizens.												
Domestic Component Criteria	A minimum of 65% is required for the first 500 Mwp of production and a minimum of 75% for the remaining production.	Both "Domestic Product Certificate" and "Domestic Production Ratio" requirements need to be satisfied. Domestic Production Ratios are determined as follows: <table border="1" data-bbox="742 996 1412 1321"> <thead> <tr> <th>Component</th> <th>Domestic Production Ratio</th> </tr> </thead> <tbody> <tr> <td>Solar Module (<i>Güneş Modülü</i>)</td> <td>≥60%</td> </tr> <tr> <td>Cable (<i>Kablo</i>)</td> <td>≥51%</td> </tr> <tr> <td>Cable Channel (<i>Kablo Kanalı</i>)</td> <td>≥51%</td> </tr> <tr> <td>Mounting Construction (<i>Taşıyıcı Konstrüksiyon</i>)</td> <td>≥51%</td> </tr> <tr> <td>Inverter (<i>Evirici</i>)<sup>7</sup></td> <td>≥51%</td> </tr> </tbody> </table>	Component	Domestic Production Ratio	Solar Module ( <i>Güneş Modülü</i> )	≥60%	Cable ( <i>Kablo</i> )	≥51%	Cable Channel ( <i>Kablo Kanalı</i> )	≥51%	Mounting Construction ( <i>Taşıyıcı Konstrüksiyon</i> )	≥51%	Inverter ( <i>Evirici</i> ) <sup>7</sup>	≥51%
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Ceiling Price in the Tender	USD 8 cent/kWh	USD 6,5 cent/kWh												
Purchase Guarantee Period	A 15-year purchase guarantee starting from the signing date of the YEKA Usage Right Agreement.													

Below are other key issues outlined in the tender specifications:

- **Milestones.** Key milestones for the Projects are the following:

Milestone	Timeline <sup>8</sup>
Submission of the work program	90 days
Commencement of construction	24 months
Commencement of operation	60 months

<sup>6</sup> Only one license will be granted per power plant.

<sup>7</sup> In cases where the inverter cannot be supplied under competitive conditions, the domestic product certificate may not be required provided that the approval of MENR is obtained.

<sup>8</sup> Starting from the signing of the YEKA Usage Right Agreement.

- **Performance Bonds<sup>9</sup>.** The bidders and the winning bidder must submit the following bonds respectively:

Project	Provisional Bond by the Bidders (USD)	Performance Bond by the Winning Bidder (USD)
Viranşehir, Şanlıurfa	3 million	15 million
Erzin, Hatay	1.5 million	8 million
Bor, Niğde	2 million	12 million

- **Contract and Share Transfers.** Contract and share transfers are subject to MENR's approval until the operation stage. After the operation stage, these transfers can be completed with a notification to MENR.
- **Issues Concerning Lenders.**
  - The assignment of the project receivables and establishing a pledge on the shares of the project company will be subject to MENR's prior consent.
  - The lenders will have the step-in rights provided by the electricity market legislation.
  - MENR can sign a direct agreement concerning the project agreement with the lenders and the project company.
- **Arbitration.** The disputes under the project agreement will be resolved by three arbitrators appointed in accordance with the ICC Rules. The seat of arbitration will be Geneva, and the arbitration proceedings will be conducted in English. The parties may agree to deviate from the ICC dispute resolution mechanism and decide to resolve disputes by an arbitral tribunal to be formed in accordance with rules of the Istanbul Arbitration Center.

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<sup>9</sup> Please note that if an application is to be made for all of the tenders, all three performance bonds must be submitted.