



Bratislava, 10 December 2010

Dear Mr. Lauko,

Please be informed that UNDP agrees with an extension of the project „Removing barriers to the reconstruction of the public lighting systems in Slovakia“, Atlas Nr. 00047936/PIMS Nr. 2144.

The decision was made based on your proposal dated 23 November 2010 as presented to UNDP. The considered extension is by 31 May 2011 and represents the first stage extension aiming to reach a final decision on the ongoing public procurement, in which the project Investment Facilitation Department (CEVO Ltd.) is participating. Upon success and award of the contract, further extension of 8 months, as proposed, will be subject of additional approval.

Current decision of extension of the project does not entitle the project for any additional funding. The revised Workplan for 2010 has been presented in line with the extension proposal. The remaining budget of 413,000 USD has been rephased to the year 2011.

We look forward to our continued cooperation.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'Daniela Gasparikova', is written above the printed name.

Daniela Gasparikova
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UNDP Bratislava Regional Centre
Grosslingova 35
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Bratislava, 23.11.2010

PIMS # 2144 / Proposal for Project Prolongation

The Energy Centre Bratislava as the Implementation Agency for the project „Removing barriers to the reconstruction of the public lighting systems in Slovakia“ (PIMS # 2144 CC MSP) herewith proposes a prolongation of the project duration. The prolongation is recommended in two stages as follows:

- 1/ prolongation until completion of a public procurement** organized by City of Snina for offer entitled “Operation, repairs and maintenance of public lighting system coupled with provision of energy efficiency measures on public lighting equipments”, in which the project Investment Facilitation Department (CEVO Ltd.) is participating. Completion of the public procurement is expected in May 2011 at latest, what a means prolongation of the project **by five months** (as the actually planned closing date of the project is 31st December 2010)
- 2/ prolongation for realization** of the energy efficiency measures on public lighting equipments in the City of Snina. This stage is conditional to success of the project Investment Facilitation Department (CEVO Ltd.) in the above mentioned public procurement. Duration of this stage is expected for **eight months**.

The aim of the proposed prolongation is to start up Energy Performance Contracting based investments within the Outcome 2 of the project. The proposed prolongation will not require additional financial resources from GEF (related financial information's are provided in attachments 2, 3, 4, 5 and 6). Further information's and explanations are provided in attached Annex 1 – Current status of the IFD activities within Outcome 2 and Annex 2 – Workplan for public lighting system reconstruction in the City of Snina.

Ing. Marcel Lauko, PhD.
Director

List of Annexes:

- 1/ Annex 1 – Current status of the IFD activities within Outcome 2
 - 2/ Annex 2 – Workplan of public lighting system reconstruction in the City of Snina
 - 3/ AWP2010_proposal_11_2010.xls – Revised Annual Workplan 2010
 - 4/ AWP2011_proposal_11_2010.xls – Revised Annual Workplan 2011
 - 5/ budget revision_proposal_November 2010_DP.xls
 - 6/ PIMS 2144 - Annual budget revision - budget detail_proposal_November_2010.xls
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Proposal for Project Prolongation

PIMS # 2144

ANNEX 1

Current status of the IFD activities within Outcome 2

Prepared by:



Bratislava, 23rd November 2010

Project overview

The project "Removing barriers to the reconstruction of the public lighting systems in Slovakia" was started in December 2005 with the objective to avoid 63,993 tones of carbon equivalent (or 234,641 tones of CO₂) by catalyzing investments in energy efficient public lighting (PL) technology, over the 20 year lifecycle of those investments.

It was intended, that the overall objective will be realized through three outcomes:

Outcome 1: An effective and sustainable advisory service created to catalyze PL investment.

Outcome 2: Finance technical demonstrations with the support of a concessional fund.

Outcome 3: Support investment in energy efficient PL through information dissemination.

Outcomes 1 and 3 have been successfully finished within the initially planned duration of the project. Several activities (from these outcomes) previously financed from project resources are continuously being offered and provided as commercial services of the project Investment Facilitation Department (CEVO Ltd.).

The realization of **Outcome 2** in the initially planned form (establishment of concessional fund) was suspended by decision of Local Program Appraisal Committee on meeting in July 2005, as low interest loans became available in Slovakia for municipalities. In 2008 the concept of the Outcome 2 has been amended, and the IFD has started offering reconstructions of public lighting systems based on the EPC (Energy Performance Contracting) concept.

Past development on the market

From 2008 until end of 2010 hundreds of municipalities were informed by the IFD about the possibilities of realization of energy effective PL system reconstruction through EPC. Unfortunately, three grant resources calls focused on public lighting were published (one from Norwegian financial mechanism, two from EU Structural funds) within the same time. The tendency of municipalities to use non-repayable (non-commercial) resources presents the main barrier for utilization of EPC concept.

After closure of the third (and by all available information's last) call for grant resources in June 2010, the IFD has recognized higher and more serious interest of several municipalities to consider also the EPC as an option for their PL systems reconstructions. Following this development the IFD has prepared almost ten preliminary checks and price offers for interested municipalities. Current status of all of the most promising projects is summarized in the end of this document. In term of a progress of the preparation, the most developed project is in the City of Snina.

Actual state of the Snina project

The EPC project in the City of Snina is a result of more than three years of cooperation between the IFD and the city. After successful completion of several consultancy services (energy audit, proposal for grant resources, advisory on public procurement), the IFD has build a strong confidence of the city representatives towards its technical expertness. Following this, the IFD has recommended the EPC concept to the city as only option for its PL system reconstruction. The city has adopted this approach and started thoroughgoing preparation, which resulted in publication of public procurement for offer entitled

“Operation, repairs and maintenance of public lighting system coupled with provision of energy efficiency measures on public lighting equipments”.

This public procurement is organized in form of competition dialogue. The first step has consisted from qualification of applicants. The IFD (CEVO Ltd.) has submitted its interest to participate in the public procurement and has succeeded as one of four applicants.

The next stage of the public procurement consists of several rounds (number of the rounds depends on a decision of the city) of submission of ever more detailed proposals of technical and financial solutions by all interested participants. In the final round the applicants will submit only price for selected solution.

The first round of solutions proposals submissions started at 9th of November 2010 by presentation (and submission of required documentation) of each applicant. Results of the first round evaluation and description of further course of the procurement are expected to be sent to the participants by 26th of November 2010. Deadline for submission of proposals for the second round is expected in the third week of December 2011.

As the description of further course of the procurement is not known yet, it is difficult to determine date of completion of the procurement. Following intentions of the city, it is possible to estimate, that the procurement will be not completed later than in May 2011.

In the current stage of the public procurement it is possible to expect following parameters of the reconstruction:

Investment:	1 092 450 €
- from GEF resources 25%:	273 112 €
- from bank loan 75%:	819 338 €
Reconstructed lighting points:	1500 pcs
Current consumption:	780 000 kWh/year
Consumption after reconstruction:	477 000 kWh/year
Energy savings:	303 000 kWh/year
C equivalent savings:	66,33 t/year
Cumulative C eq. savings (20 years lifetime):	1326,65 t

Although these data may be adjusted in respect of changes in the solution, adopted by the city, it is possible to state that the Snina project has significant meaning for the overall project success. As the most important impact of successful realization of the Snina project may be identified the expected leverage effect among other municipalities, where non-existing pilot project in Slovak conditions is significant obstacle in their decision making process.

The above mentioned facts on the public procurement and the significance of the Snina project compose the base for the proposal to prolong the project duration by five months.

It is necessary to mention that the completion of the public procurement is only first step necessary for finalization of the first Slovak EPC project. The consecutive steps will lead to the completion of the final contract and following realization of the reconstruction.

Prolongation of the project duration for this stage is necessary only in the case that the IFD (CEVO Ltd.) will be awarded by the contract as a winner of the public procurement. Based on experiences from reconstructions of comparable size, it is real to expect eight months duration of this stage (from the completion of the public procurement until the end of reconstruction itself). Detailed workplan for this stage including expected terms of utilization of GEF resources is provided in separate document.

With aim to successful finalization of the Snina project we propose to extend the project duration by eight months after completion of the public procurement. This extension will be conditional to result of the public procurement.

Status of other projects

Prolongation of the project in the proposed form will provide the IFD with additional time to process further also in other projects. The most promising projects and their current status are summarized bellow:

1. municipality of Lednicke Rovne is planning to realize 2nd part of public lighting system reconstruction. 1st part will be financed by resources from structural funds. For mentioned 2nd part of PL system reconstruction IFD place an offer for EPC financing in August 2010. Final decision is planned after communal election to 1st quarter of 2011. Investment of this project is 262 000 €, 25% from GEF resources, rest 75% from bank loan. Number of installed lighting points is 279 pcs.
2. municipality of Zemplinske Hamre is planning to realize reconstruction of public lighting system financed by EPC. Decision is expected after communal election in 1st quarter of 2011. Estimated number of installed lighting points is 150 pcs with investment about 60 000 €.
3. municipality of Rohoznik is planning to realize reconstruction of public lighting system financed by EPC. Decision is expected after communal election in 2nd quarter of 2011. Investment of this project is 132 000 €, 25% from GEF resources, rest 75% from bank loan. Number of installed lighting points is 353 pcs.



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ANNEX 2

Workplan for public lighting system reconstruction in the City of Snina

Prepared by:



Bratislava, 23rd November 2010

Month	Activity	Payment		Notice
		GEF	Bank	
1	ordering and preparing	0,00 €	0,00 €	ordering of luminaires, poles, cables, switch boxes, aiming of lines, transfer of electro meters
2-3	construction and excavation	0,00 €	0,00 €	excavation works, cable changing, pole changing
4-5	luminaire changing	273 112,00 €	347 000,00 €	changing of luminaires
4-7	construction and excavation	0,00 €	0,00 €	excavation works, cable changing, pole changing
4-7	switch board changing	0,00 €	0,00 €	changing of switchboards, programming
8	finishing	0,00 €	472 338,00 €	testing, finishing, revisions
Total:		273 112,00 €	819 338,00 €	
			1 092 450,00 €	

Workplan for public lighting system reconstruction in Snina is based on current conditions and may be changed following to City of Snina requirements.

The first payment will be paid from GEF resources 4-5 month after signing of agreement, and will cover part of costs for luminaries, light sources and exchanging of luminaries. Remaining part of the these costs will be covered from bank loan.

The final payment covering the rest of the reconstruction will be covered from a bank loan and will be paid after finishing whole reconstruction.