Financial security of the application for participation in auction and of the fulfillment of PPA terms
Why is it provided?

- Guarantee of fulfillment of obligations by auction participants and auction winners;
- Confirmation of seriousness of intentions of auction participants;
- Confirmation of financial possibilities of auction participants and auction winners;
- Hedging from unreliable auction participants and auction winners;
- Hedging disruption of commissioning of RES objects.
Types of financial security

In order to participate in the auction, at the preparation stage applicants provide following:

- **FINANCIAL SECURITY OF THE APPLICATION FOR PARTICIPATION IN AUCTION** (Bid bond) (issued in favor of FSC)

In order to guarantee the construction of RES object, auction winners at the stage of PPA signing provide following document:

- **FINANCIAL SECURITY OF THE FULFILLMENT OF PPA TERMS** (issued in favor of FSC) (Performance bond)
The requirements for banks to provide financial security

Financial security in form of bank guarantee or stand-by letter of credit is received from resident and non-residents banks with following long-term credit ratings:

<table>
<thead>
<tr>
<th>Rating agency</th>
<th>Banks-residents</th>
<th>Banks-non-residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard&amp;Poor’s</td>
<td>not lower than &quot;B&quot;</td>
<td>not lower than &quot;BBB&quot;</td>
</tr>
<tr>
<td>Fitch</td>
<td>not lower than &quot;B-&quot;</td>
<td>not lower than &quot;BBB&quot;</td>
</tr>
<tr>
<td>Moody’s Investors Service</td>
<td>not lower than &quot;B3&quot;</td>
<td>not lower than &quot;Baa2&quot;</td>
</tr>
</tbody>
</table>
Second-tier banks of Kazakhstan which correspond with ratings

<table>
<thead>
<tr>
<th>№</th>
<th>Bank name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Altyyn Bank JSC</td>
</tr>
<tr>
<td>2</td>
<td>AsiaCredit Bank JSC</td>
</tr>
<tr>
<td>3</td>
<td>ForteBank JSC</td>
</tr>
<tr>
<td>4</td>
<td>Kaspi Bank JSC</td>
</tr>
<tr>
<td>5</td>
<td>Tengri Bank JSC</td>
</tr>
<tr>
<td>6</td>
<td>Alfa Bank JSC</td>
</tr>
<tr>
<td>7</td>
<td>ATFBank JSC</td>
</tr>
<tr>
<td>8</td>
<td>Bank CenterCredit JSC</td>
</tr>
<tr>
<td>9</td>
<td>Halyk Bank JSC</td>
</tr>
<tr>
<td>10</td>
<td>Kazkommertsbank JSC</td>
</tr>
<tr>
<td>11</td>
<td>Sberbank JSC</td>
</tr>
<tr>
<td>12</td>
<td>Tsesnabank JSC</td>
</tr>
</tbody>
</table>

The list of banks is defined for 1st of March on the basis of data published on official web-sites of second-tier banks, web-sites of rating companies Standard&Poor’s, Fitch, Moody’s Investors Service. FSC is not responsible for the reliability of the data submitted.
Bid bond

The size of bid bond is:

2000 tenge by 1 kW of project installed capacity

Types of bid bond:
- bank guarantee issued in SWIFT system;
- stand-by letter of credit issued in SWIFT system.

Terms of granting:
- Not later than 2 working days from date of auction

Validity period:
- not less than 90 calendar days from the date of auction
Bid bond  
(preparatory stage)

Case:
Date of auction: 04.10.2018
Type of RES: Wind
Applicant: Company «A»
Size of project of Company «A»: big, 50MW (50 000kW)

Key steps of Company «A» in preparing for auction and providing bid bond:

- Defining the size of bid bond
  \((50 \, 000\, kW \times 2\,000\, \text{tenge/kW} = 100\,000\,000\, \text{tenge})\);
- Choice of bank according to the rating

- An appeal of the company "A" to the Bank and execution of the Bank guarantee;

- Term of validity of the bank guarantee
  \(\text{until 2}\text{nd of January, 2019 – 90 calendar days}\)

- Providing by company “A” of bank guarantee to FSC not later than 1\text{st} of October, 2018  \((2\, \text{working days before auction})\).
Bid bond
(terms of return and payment requirements)

FSC of RES returns bid bond in cases of:
✓ Participant did not win auctions
  (bid bond is returned to participant which lost during the auction in 3 working days after the official appeal to FSC of RES)
✓ Auction winner signs PPA
  (bid bond is returned to auction winner in 3 working days after the official appeal to FSC of RES and after signing PPA)

✓ FSC of RES exposes a claim to the bank for payment in case auction winner did not sign PPA
Amount of performance bond:

10,000 tenge for 1 kW of project’s installed capacity

Types of performance bond:
- bank guarantee issued in SWIFT system;
- stand-by letter of credit issued in SWIFT system;
- money

Terms of granting:
With the apply for PPA signing

Validity period:
- for solar – not less than 25 months;
- for wind and bio – not less than 37 months;
- for hydro – not less than 49 months
Performance bond
(PPA signing stage)

Case:
Date: 04.10.2018
RES type: Wind
Auction winner: Company “A”
Project size: big, 50MW (50 000kW)

Key steps of Company “A” in preparing for auctions and providing performance bond

- Defining the size of performance bond:
  \[(50 000 \text{ kW} \times 10 000 \text{ tenge/kW} = 500 000 000 \text{ tenge})\];
- Choice of bank according to the rating;
- An appeal of the company “A” to the Bank and execution of the Bank guarantee;
- Term of validity of the bank guarantee
  (37 month from the date of signing the document)
- Providing by company “A” of bank guarantee to FSC together with appeal of PPA signing.
Performance bond (terms of return)

FSC of RES returns the performance bond in case of:

Timely commissioning of the RES object in accordance with the terms of the concluded PPA within 10 working days from the date of submission of the written request.
Performance bond (payment requirement)

FSC of RES issues a claim to the Bank for payment of relevant bank guarantee or stand-by letter of credit:

- in case of not providing a copy of the notice of the start of construction and installation works for the RES object within 12 months from the date of signing PPA – 30% of performance bond;

- in case of not providing a copy of the act of acceptance of RES object in operation – 100% of performance bond