APPENDIX C

LOT # 2

ToR for the Development of a Power Purchase Agreement (PPA) Structure Enabling Independent Power Producers (IPPs) in Montserrat

1. Background

Montserrat currently lacks a formal regulatory framework governing independent power production, energy sector liberalisation, or private sector participation in electricity generation. The island's energy system is largely centralised, and generation is currently dominated by Montserrat Utilities Limited (MUL), the national utility.

As part of its national vision for clean, reliable, and affordable energy, particularly through renewable sources, the Government of Montserrat (GoM) is seeking to develop a fit-for-purpose Power Purchase Agreement (PPA) structure**.** This structure will allow Independent Power Producers (IPPs) to develop, finance, build, own, and operate power generation assets under transparent, bankable agreements with MUL or other designated off-takers.

This ToR outlines the scope of work for a consultancy or expert group tasked with designing a PPA structure that supports private investment and project bankability, while being implementable within Montserrat's current legal and institutional context.

2. Objectives

The overall objective of this assignment is to design a robust and adaptable Power Purchase Agreement (PPA) structure that:

- Enables private sector participation in power generation;
- Supports investment from local and international IPPs;
- Provides clear legal and contractual certainty in the absence of a formal regulatory framework;
- Protects the interests of consumers, the utility, the government, and investors;
- Aligns with Montserrat's energy transition and renewable energy goals.

3. Scope of Work

The consultant shall undertake the following tasks:

3.1 Legal and Institutional Review

- Assess the current legal, institutional, and policy environment in Montserrat related to energy, utilities, contracts, public-private partnerships (PPPs), and investment.
- Identify gaps in regulation that affect IPP participation and PPA enforceability.
- Review existing energy sector roles (e.g., MUL, BUILT) relevant to PPA implementation.

3.2 Design of PPA Structure

- Develop a model structure for a bankable PPA suitable for Montserrat's context, covering key clauses such as:
    - Term and conditions of sale (e.g., pay-as-produced or firm capacity);
    - Tariff structure and pricing mechanisms;
    - Payment terms and credit enhancement measures;
    - Interconnection and delivery point;
    - Performance obligations and guarantees;
    - Force majeure, change in law, and termination provisions;
    - Dispute resolution and governing law.

3.3 Risk Assessment and Mitigation

- Identify key risks (e.g., payment risk, regulatory risk, operational risk) and propose mitigation mechanisms suitable for a small island developing state (SIDS).
- Recommend tools such as government guarantees, escrow accounts, or international arbitration.

3.4 Investment and Bankability Considerations

- Outline features that ensure the PPA structure is financeable from the perspective of development finance institutions (DFIs), commercial lenders, and equity investors.
- Address long-term revenue security, cost-reflectivity, and inflation indexing.

3.5 Integration with Future Regulation

- Propose how the PPA structure can be embedded in or transition into a future regulatory framework when one is established.
- Recommend regulatory provisions needed to govern IPPs in the future.

3.6 Stakeholder Engagement

- Engage with relevant stakeholders including:

- Pertinent departments and ministries within the Government of Montserrat;
- Montserrat Utilities Ltd (MUL);
- Governor's Office and FCDO representatives
- Potential IPPs or investors;
- Civil society representatives.

3.7 Final Deliverables

- Draft and finalize a **Model PPA Template** suitable for use in Montserrat.
- Provide an **Implementation Guide** that outlines steps for adapting the PPA to different project types (e.g., solar, wind, geothermal, hybrid systems).
- Provide recommendations for supporting institutional and legal frameworks.

4. Expected Deliverables

Deliverable	Description	Timeline
Inception Report	Understanding of context, methodology, and work-plan	
Legal/Institutional Assessment Report	Review of current framework and gap analysis	
Draft PPA Structure	Full draft of key clauses and financial model assumptions	
Stakeholder Consultation Summary	Report from stakeholder sessions	
Final PPA Structure and Implementation Guide	Includes model contract, annexes, and guide for GoM/MUL	

5. Duration

The consultancy is expected to be no longer than **5 months**, starting from the contract signing date, with timelines for, but not limited to the deliverables listed above, being defined and agreed on during the Contract signing.

6. Experience and Qualifications

The assignment should be carried out by a multidisciplinary team with at least five (5) years expertise in:

- Power sector regulation and policy;
- Legal drafting, especially energy and commercial contracts;
- Financial modelling and infrastructure finance;
- Small island energy systems (preferably Caribbean region);
- Public-private partnership design and implementation.

7. Reporting & Supervision

The consultant will report to the Permanent Secretary, BUILT and Financial Secretary, MoFEM, and work in close coordination with the MUL and relevant stakeholders. Regular check-ins, updates and milestone reviews will be required.

8. Budget & Payment Schedule

A detailed budget should be proposed by the consultant and a payment schedule will be agreed upon during contract negotiations. Payments will be made upon the successful completion of deliverables according to the agreed schedule.

9. Ethical Standards & Confidentiality

All data collected during the consultancy shall be considered the property of the Government of Montserrat. Consultants must operate in accordance with high standards of professionalism, confidentiality, and independence.

10. Proposal Submission Requirements

Interested consultants or firms are invited to submit:

- Detailed technical proposal including methodology, work-plan, and team composition
- Financial proposal including professional fees, travel, and any other costs;
- Relevant experience and qualifications
- Examples of previous similar work