



WEST AFRICAN POWER POOL
SYSTEME D'ECHANGES D'ENERGIE ELECTRIQUE OUEST AFRICAIN

General Secretariat / Secrétariat Général

**SECOND SESSION OF THE GENERAL ASSEMBLY OF
THE WEST AFRICAN POWER POOL ORGANISATION**

**DECISION WAPP/19/DEC.26/10/07 RELATING TO THE
WAPP TRANSMISSION LINE IMPLEMENTATION STRATEGY**

The General Assembly

CONSIDERING the Decision A/DEC.5/12/99 of the twenty-second summit of the Authority of the Heads of States and Governments of ECOWAS held in Lomé on December 10, 1999 relating to the establishment of the West African Power Pool (WAPP);

CONSIDERING the Decision A/DEC. 18/01/06 of the twenty-ninth summit of the Authority of Heads of State and Government of ECOWAS held in Niamey on January 12, 2006, relating to the Articles of Agreement for the establishment and functioning of the WAPP;

CONSIDERING the Decision A/DEC. 20/01/06 of the twenty-ninth summit of the Authority of Heads of State and Government held in Niamey on January 12, 2006, relating to the establishment of the WAPP Secretariat as a specialized institution of ECOWAS;

CONSIDERING the Articles of Agreement relating to the organisation and functions of the West African Power Pool dated July 6th, 2006 in particular Articles 4, 5, and 7;

CONSIDERING the Final Report of the 1st Meeting of the Executive Board in Abuja on August 11th, 2006, giving mandate to the Secretary General to coordinate the development of an implementation strategy for the realization of the 330 kV Volta (Ghana) - Mome Hagou (Togo) – Sakété (Benin) Interconnection Line as part of the Coastal Transmission Backbone of the WAPP;

NOTING that the WAPP commissioned a study to develop an implementation strategy for the development of the 330 kV Volta (Ghana) - Mome Hagou (Togo) – Sakété (Benin) Interconnection Line as part of the Coastal Transmission Backbone of the WAPP;

NOTING that the WAPP has received assistance from the Public Private Infrastructure Advisory Facility to develop the template for WAPP Transmission Line Implementation Strategy involving Special Purpose Companies under the framework of Public Private Partnerships;

CONSIDERING the Final Report of the 1st Meeting of the Strategic Planning Committee held in Cotonou from October 1st to 2nd, 2007 examining the study report and recommending for adoption the outcome of study;

CONSIDERING the Resolution WAPP/26/RES.24/10/07 of the 5th Meeting of the Executive Board of WAPP held in Abuja on October 24th, 2007 adopting the WAPP Transmission Line Implementation Strategy;

DECIDE:

- Article 1:** The concept of implementing WAPP Transmission Line Projects through Special Purpose Companies under the framework of Public Private Partnerships if necessary, as outlined in the attached Outcome Statement is adopted and shall be deployed as the WAPP Transmission Line Implementation Strategy;
- Article 2:** The Secretary General is mandated to further explore the preliminary proposal submitted by Korea Electric Power Corporation (KEPCO) to accelerate completion of the WAPP Coastal Transmission Backbone (CTB) Sub-program through a Public Private Partnership;
- Article 3:** A recommendation be submitted to the Committee of ECOWAS Ministers of Energy to:
- Adopt the WAPP Transmission Line Implementation Strategy indicated in Article 1;
 - Submit the WAPP Transmission Line Implementation Strategy indicated in Article 1 to the ECOWAS Council of Ministers for endorsement and subsequent submission to the Conference of ECOWAS Heads of State and Government for adoption;
- Article 4:** The present Decision comes into effect upon its signature.
- Article 5:** The Secretary General shall take all necessary measures to ensure the implementation of this Resolution.

Done in Abuja, Nigeria on this day of October 26th, 2007,


Chairperson

Engr. (Dr.) J.O. Makoju

WAPP STRATEGIC PLANNING COMMITTEE

Statement on the Implementation Strategy for the Volta-Mome Hagou-Sakete Transmission Project

Considering that the implementation of the West African Power Pool (WAPP), which is expected to foster power exchanges among the countries in the West African sub-region, particularly power exchanges between Ghana, Cote d'Ivoire and Nigeria, a high capacity transmission interconnection from Cote d'Ivoire through Ghana and Togo/Bénin to Nigeria will be required. This high capacity transmission interconnection line is known as the Coastal Transmission Backbone.

Considering that the WAPP Secretariat VRA, PHCN and CEB intend to undertake a project that will comprise the construction of a 330-kV transmission line from the Volta in Ghana through Mome-Hagou in Togo, to Sakété in Benin to facilitate the power exchanges among the countries in the West African sub-region. This project is known as the 330-kV Volta-Mome-Hagou - Sakété Transmission Project.

Considering that the ECOWAS Revised Masterplan for the Generation and Transmission of Electrical Energy, the 330-kV Coastal Transmission Backbone has been identified as being indispensable and critical to the development of the WAPP.

To implement the project under the most favourable conditions and with a view to enhancing cooperation between the utilities in realising the project, the VRA, CEB and PHCN through a Memorandum of Understanding, have agreed to determine the most beneficial means of implementing the 330-kV Volta – Mome Hagou – Sakete Interconnection Project. In addition, the VRA, CEB and PHCN agreed to enter into Power Exchange Agreements that would take advantage of the existence of the Coastal Transmission Backbone.

The WAPP Secretariat constituted a task force of the stakeholder utilities for the purpose of developing a TOR and selecting a consultant to develop feasible options for the implementation of the CTB.

Thereafter, the Consultant submitted a report to the WAPP Strategic Planning Committee at its meeting of October 1 & 2, 2007 for discussion.

The Committee noted that having performed the following required tasks:

- Define and assess the various options for implementing the Project, which could include public-private partnerships,
- Assess the cost / benefit of the different implementation options, taking in consideration specified factors,
- Identify the challenges in carrying out the implementation and operational stages of the recommended option (and mitigation measures),
- Assess possible application of concepts of the recommended option to the CBT and other WAPP projects, and
- Outline the project agreements and materials involved in implementing the recommended option, including Power Exchange Agreements.

The sub-tasks involve undertaking a variety of activities, including:

Activity 1 – Evaluate the Legal and Regulatory Framework in the Participating Countries

Evaluate the legal and regulatory framework of countries involved and policies and laws that may impact the implementation of the project and the

Activity 2 – Risk Analysis

Identify potential project Risks from the perspectives of stakeholders (governments, investors, IFIs and other financiers), and risk mitigation measures.

Activity 3 – Identify Prospective Organizational Structures and Ownership Agreements

Examine and recommend a proposed structure of ownership and contractual relationships for project stakeholders and institutional framework needed to implement the project.

Activity 4 – Develop a Project Security Package

Develop a commercial framework for implementing the project.

Activity 5– Identify the Requirements of International Financing Institutions and Sources of Private Capital

Explore mechanisms for financing the project including attracting private sector partners.

The consultant recommended that:

Private companies are increasingly participating in cross border transmission projects. Such participation includes taking-up financing and management roles in a Special Purpose Company (SPC) set-up in conjunction with utilities to develop and finance cross- border transmission lines. An example of such a project is the Montraco transmission project linking Mozambique, Swaziland and South-Africa in the South African Power Pool (SAPP). Since the CTB Transmission Project crosses Ghana, Togo and Benin, project ownership in the SPC will involve VRA, and CEB as stakeholders. However, the participation of PHCN/TCN in the project will likely bring additional comfort to investors and financial institutions. Moreover, the already completed Sakete, Benin to Ikeja-west, Nigeria 330kv transmission line is in the real sense a core part of the CTB.

The Consultant recommended setting up a SPC under the ownership structure of a PPP, Design Build Finance Operate with a power wheeling operating agreement. The SPC would obtain the rights to own and operate the transmission project through a concession, transmission license and such other project rights and assets needed to support financing.

To attract private capital, the project would have to be structured to provide sufficient ROI and/or require favorable financing terms supported by adequate guarantees to mitigate commercial risks.

In order to achieve this, the SPC would need to develop and negotiate a project security package e.g. guarantees and fiscal incentives to mitigate risks and help achieve financial closure following best practice established in similar transmission projects.

In order to pursue the proposed strategy, the Consultant proposed the following next steps

- Engage a finance adviser to develop a projected cash flow; financial model; sensitivity analysis; Investment Analysis based on the various financing options and then an information memorandum prepared afterwards;
- Seek approval and commitments from relevant financial institutions, investors etc. Funding has been pledged by some Financial Institutions led by African Development Bank.
- Discussions should also commence with other potential lenders/investors to ascertain their terms of lending and participation in the project
- Re-structure strategies if necessary to attract public- private partnerships

- Outline principal terms and conditions of project implementation agreements for preferred options;
- Update financial model after final financing decision and identification of all conditions of financiers/investors
- Establish Special Purpose Company as guided by the mode of financing agreed by all stakeholders including debt/equity capital providers.

The Committee in its deliberation of the consultant's report recommended the following


1. Appointment of a Legal Team that will
 - a. Draft and review the necessary legal documents e.g. Shareholders agreements, Power wheeling agreements, lending agreements etc
 - b. Assist with negotiations
2. Appointment of a Finance Adviser that will
 - a. develop a projected cash flow; financial model;
 - b. perform sensitivity analysis; Investment Analysis based on the various financing options/fiscal incentives and then an information memorandum prepared afterward,
 - c. conduct negotiations with financial institutions/investors;
 - d. create the strategies that will raise the appropriate finance for executing and managing the CTB project

The Committee has commended the WAPP Secretariat for its foresight and initiative in identifying the need to develop alternative strategies involving the private sector for the implementation of priority projects in the sub-region.

In conclusion the WAPP Strategic Planning Committee has decided to submit this recommendation to the WAPP Executive Board for adoption and further implementation.

Done in Cotonou on the 2nd day of October 2007

The Chairman



Moussa SENE

Directeur des Etudes générales
SENELEC