Scope of Work

Advisory Service for Distributed Rooftop Solar Project Development in Danang and Ho Chi Minh City

BACKGROUND

According to a recent study by McKinsey & Company, Vietnam has reached the tipping point where renewable energy is the lowest-cost option to meet rapidly growing demand for electricity in the country. A major urban and commercial center in the country, Ho Chi Minh City (HCMC) and Danang have great potential to meet growing electricity demand through solar power due to the advantageous irradiation characteristics of the region. Despite their tremendous potential, at the end of 2020 the city had only 2,500 residential rooftop solar customers, representing a total installed capacity of only 79 MWp and HCMC also had only 14,249 rooftop solar customers, representing a total installed capacity of 361.98 MWp. These figures are considered modest compared to HCMC's and Danang's potential.

Recently, Danang People's Committee authorized the implementation of a project promoting the development and use of renewable energy in Danang by 2025, with a vision towards a material shift towards renewables by 2035. This support has assisted in making rooftop solar products more generally accepted and affordable, providing tailwinds to significant future growth. Within this context, developers of residential rooftop solar have a critical role to play in realizing this target.

One such developer is Control & Automation Solutions Co., Ltd (CAS), a Vietnamese provider of modern, reliable, economical solutions for automation in power plants, substations, and dispatch centers. CAS aims to contribute to Danang's energy transition project by installing at least 1,000 MW in rooftop solar capacity by 2025. Being one of the first solar electricity providers to offer innovative lease-to-buy payment schemes for its solar products, CAS is targeting at least 60% market share in Danang within the next 10 years by providing residents with high-quality, reliable, and maintenance-free residential rooftop solar systems. CAS is also targeting to develop 200MW-ha Solar Power and Agricultural Products (APV).

APV, also known as agri-photovoltaics or agrivoltatic, is the combination of solar energy systems and agriculture on one piece of land, without diminishing the performance of either system. APV creates a symbiotic relationship between farmers and solar developers, allowing farmers to make full use of available land, while also producing clean, renewable energy for the utility grid. In support of Danang's 2035 goal and CAS' ambitions, CAS believes that APV is one of the best solutions for developing the distributed energy resources for Vietnam urban areas, which secures both energy and foods, the two important things for urban people. Luckily, Vietnam is in the very good region for agriculture business, so this model is very suitable for Vietnam. With this model, more green jobs will be created for urban people, especially for the empower group, which will make the green energy transition fairer and more sustainable. The Project is supporting CAS to augment its portfolio of APV projects.

CAS plans to develop new 300MW Solar Rooftop projects in HCMC and Danang (150MW in each area) through the self-consumption, Direct Power Purchase Agreement mechanisms. Besides that, CAS also plans to acquire existing mini solar farms surrounding Danang and HCMC and upgrade them to APV farms with the capacity of 100 MW-ha through Mergers & Acquisitions implementation. These surrounding satellite APV farms will be setup as the supporting facilities for the distributed mini-scale garden inside urban area. These activities will increase the CAS portfolio for development of renewable energy projects. Revenue of these existing projects will come from selling electricity to Vietnam Electricity (EVN) at a fixed price of 8.38 US cents/kWh for a contract 20 year-period, as well as from selling agri-products (foods) under rooftop.

The USAID Vietnam Urban Energy Security project implemented by DAI: As Vietnam experiences steep increases in energy demand and rising air pollution challenges, there is growing recognition that cleaner, more reliable sources of energy are needed and greater capital investment is necessary. The USAID Vietnam Urban Energy Security project works closely with the Government of Vietnam at multiple levels to improve enabling frameworks, mobilize investment, and increase the adoption of innovative solutions for advanced, distributed energy. The overall goal of the project is "advanced, distributed energy solutions deployed to improve urban energy resilience and energy security" in Vietnam. CAS' ambitions align with one of the Project's three objectives which is to "mobilize public and private sector investment for the deployment of advanced, distributed energy systems". USAID Vietnam Urban Energy Security/DAI will manage the contracting of and co-pay (together with CAS) for the work.

OBJECTIVE

The objective of this assignment is to improve impact investment and attract targeted potential investors and lender for CAS.

To seek capital at competitive interest rates to implement the above projects which include: i) development of new projects and ii) M&A of existing mini farms. To do these, CAS requires an advisory service for:

- Developing a strategy for getting the impact investment for CAS' goals of developing the urban energy projects in Danang and HCMC.
- Structuring (restructure or keep the current structure) the current CAS businesses clearer for potential investors.

RESPONSIBILITIES AND TASKS:

To support CAS, USAID Vietnam Urban Energy Security seeks transaction advisory services to accomplish the following tasks:

1. Understand and review business lines and financial status of CAS, capital requirement of the project to advise the company's structure and strategy

2. Prepare a business plan for CAS' project which will be used by the company to approach targeted investors and lenders.

DELIVERABLES AND TIMELINE:

Deliverable 1: Business model review, business plan, financial forecasting and capital requirement update

- Review business model and financial status
- Review and update business plan
- Review and update long term financial forecasting and capital requirement

Deliverable 2: Business structure and financing strategy recommendation

- Propose company's business structure
- Propose financing strategy
- Prepare business information memorandum and related documents for investors and lenders

All deliverables will be submitted in both Vietnamese and English.

The expected timeline for the deliverables is shown below:

#	Deliverables	Time (after contract signing)
1	Business model review, business plan, financial forecasting and capital requirement update	10 weeks
2	Business structure and financing strategy recommendation	14 weeks

DURATION AND PLACE OF PERFORMANCE:

Work under this SOW is anticipated to begin in February 2023 with a duration of 14 weeks. The place of performance will be Danang, though some work may be conducted remotely.