

Energy & Natural Resources - Greece

Public international tenders for establishing new gas supply companies

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Author

[Gus J Papamichalopoulos](#)



Introduction

On November 9 2011 the Ministry of Environment, Energy and Climate Change issued preliminary guidelines for public international tenders which have been announced for the creation of three new gas supply companies in the Sterea Ellada, Evia, Central Macedonia, Eastern Macedonia and Thrace regions.

These tenders are to be overseen by the Public Gas Corporation SA (DEPA), with the aim of selecting private investors which will participate (along with DEPA) in the incorporation of the new gas supply companies. The private investors will hold a percentage of no less than 35% in the share capital of the gas companies and will be granted management rights and the right to select the general manager of their respective gas company.

Main provisions

Tenders Committee

DEPA will form a five-member committee to manage the tenders. It will be responsible for:

- receiving and processing expressions of interest, evaluating applications for pre-qualification and submitting recommendations to DEPA's board of directors depending on the outcome of the pre-qualification procedure;
- forwarding draft tender documents to the pre-qualified tenderers on DEPA's behalf, receiving and processing comments on these drafts, submitting recommendations to DEPA's board of directors on amendments and finalising tender documents;
- dispatching the final and approved tender documents to the tenderers, receiving and evaluating their binding bids and submitting recommendations to DEPA's board of directors on the award of each tender; and
- examining and opining on any objections which may be lodged by the tenderers, on which DEPA's board of directors will rule.

DEPA's option right

The Tenders Committee will evaluate the tenderers' binding bids and will make recommendations to DEPA regarding the binding offer which achieved the highest score for each gas company. However, DEPA will maintain an 'option right' with regards to the percentage that it can hold in each gas company. Specifically, if the financial bid of the tenderer which achieved the highest score exceeds 49% of the value of the company, DEPA has the right to state its intention to:

- make an additional contribution in financing; and/or
- make an additional contribution of material assets in order to subscribe to a percentage of up to 51% of the shares of the relevant company.

Bid evaluation

In selecting a tenderer to become an investor, the Tenders Committee will evaluate the financial bids and the business plans of each gas company (weighted 80% financial bids, 20% business plans, as specified in the invitation to tender).

Bidding for more than one gas company

The same tenderer may submit a binding bid for more than one gas company, on the

condition that its submitted bid for one company is neither linked to, nor dependent on, its offer for another.

Duration

In accordance with the European Commission's derogation decision, the exclusive right for the development and operation of the distribution system, and for related supply activities, will be granted to the winning tenderers in Sterea Ellada and Evia for 10 years, and to the winning tenderers in Central Macedonia, Eastern Macedonia and Thrace for 20 years, from the time that the supply of natural gas commences.

Invitations to pre-qualify and tender

The general guidelines on the operation of the tenders will be further specified in the invitation to pre-qualify and the invitation to tender.

The invitation to pre-qualify, which has already been made available to interested parties, includes:

- a concise description of the tender documents;
- the procedure and the indicative timetable for each tender;
- the procedure and conditions for pre-qualification;
- a confidentiality agreement;
- a sample pre-qualification application;
- the terms and conditions for the participation of gas undertakings as members of a group of tenderers; and
- any other details deemed necessary for the completion of the pre-qualification process.

The invitation to tender will include:

- the formation process of the groups of tenderers;
- the process for the submission of comments on the draft tender documents;
- the process for the submission of binding bids; and
- the timetable for administering the tenders.

The minimum content and the basic parameters of the business plan and any other regulations are deemed necessary by DEPA in order to fulfil the purpose of these tenders.

Comment

The tenders for the creation of new gas supply companies represent an attractive investment opportunity that would introduce the supply of natural gas to areas of Greece where the service is currently lacking, with the backing of the European Commission and partnership with the public natural gas company.

As three gas supply companies already operate in Greece, DEPA has experience in conducting such tenders, which should help to facilitate a smooth application and examination process. This, along with the fact that the percentage that each investor will acquire will be based on its submitted bid, makes this tender an interesting opportunity.

For further information on this topic please contact [Gus J Papamichalopoulos](#) at [Kyriakides Georgopoulos & Daniolos Issaias](#) by telephone (+30 210 8171 500), fax (+30 210 6856 6578) or email (g.papamichalopoulos@kgdi.gr).

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