

Version: May 2009

HEATING SYSTEM, KOPŘIVNICE

I. General project information

Project	Central heating supply in Kopřivnice
Public authority	City of Kopřivnice
Strategy	<p>The city of Kopřivnice owns equipment for heat distribution within the city. The current central heating supply system is operated by TEPLŮ Kopřivnice s.r.o., a company owned by the city. The modernization of the city's heat management is one of the measures within the "Kopřivnice Strategic Plan". This measure envisages the following activities:</p> <ul style="list-style-type: none">▪ modernization of the heating distribution system,▪ construction of new heat sources,▪ combined production of power and heat.
Project aim	<p>The city plans to continue in its active participation in central heating supply in the future in the form of a public service, in particular by ensuring its modernization, development and subsequent operation. The "Kopřivnice Strategic Development Plan in 2007 – 2022" was approved by the Kopřivnice city council at its 6th December 2007 meeting.</p> <ul style="list-style-type: none">▪ ensure reliable heat supply, in sufficient quantity and quality,▪ ensure economic acceptability of the price of heat supply as a public service under a long-term contract,▪ perform the necessary investments at the operator's costs, without any impact on the city's budget,▪ reduce the negative effects of heat production on the environment,▪ long-term guarantee of heat supply,▪ service improvement – allow to meet individual requirements on heat supply in terms of time and quantity.
Project description	<p>The project includes the overall modernization of heat distribution systems and the construction of a heat source. The existing distributions systems should be replaced with modern ones and an urban heat source using natural gas should be acquired; in the future, this source should be complemented with combined heat and power production equipment (gas motors).</p>
Status	The Outline Business Case was approved by the city council.
Capital value	The investment costs are about CZK 250 million.

II. Envisaged characteristics of the PPP project

Note

The information contained below (*) is just a preliminary projection made by the Authority and shall not be in any case deemed as binding. The final information will be specified when the concession procedure is over.

PPP form*

The form of DBFO is planned as a preliminary option.

Contract duration*

The projected duration is 15 years.

Risk transfer*

The private partner will especially bear construction, financing and service availability risks, and partly also demand risks (for commercial activities).

Method of financing*

The Outline Business Case proposes a model for an investment of about CZK 250 million, a subsidy from EU funds in the amount of approx. CZK 40 million and contract duration 15 years, with the following conditions:

- delayed payments for work performance until after the launch of the work and its handover to the Authority; the method and conditions of handover will be defined in other phases of the concession procedure,
- lease of the investment to the operator, while the amount of the rent corresponds with the investment and the contract duration; the process of determination of the rent will be contained in the Project Agreement,
- filing an application for a subsidy from EU funds (city),
- obtaining the subsidy (city),
- adjustment of the rent, its reduction to account for the subsidy. The process of determination of the new rent will be contained in the Project Agreement,
- return of the rent in the amount of the obtained subsidy to the partner. The obtained subsidy will fully reflect in the reduced price of heat based on the procedure stipulated in the Project Agreement,
- the rent is part of fixed costs used for calculating the price of heat.

Project schedule*

Year	2007				2008				2009				2010				2011			
Activities / quarter	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Preparation of Outline Business Case (OBC)																				
OBC approval																				
Selection of concessionaire																				
Execution of Project Agreement (MF's opinion)																				
Construction commencement																				
Operation commencement																				

** The schedule contains projected deadlines taking into account the extension of the planned concessionaire selection.

*** Published subject to Koprivnice's approval.

PPP Centrum
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All information about this project was approved by the City.