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The 7 Phases of the IPP Development Journey

A Structured Path from Concept to Construction Readiness

Power Investment Incubation Limited
No. 62 Newark Avenue, Sun City Estate, Abuja FCT, Nigeria
+2349037747809 (Phone/WhatsApp) | info@powerincubation.com |
https://powerincubation.com

The 7 Phases of the IPP Development Journey:

A Structured Path from Concept to Construction Readiness

ABSTRACT

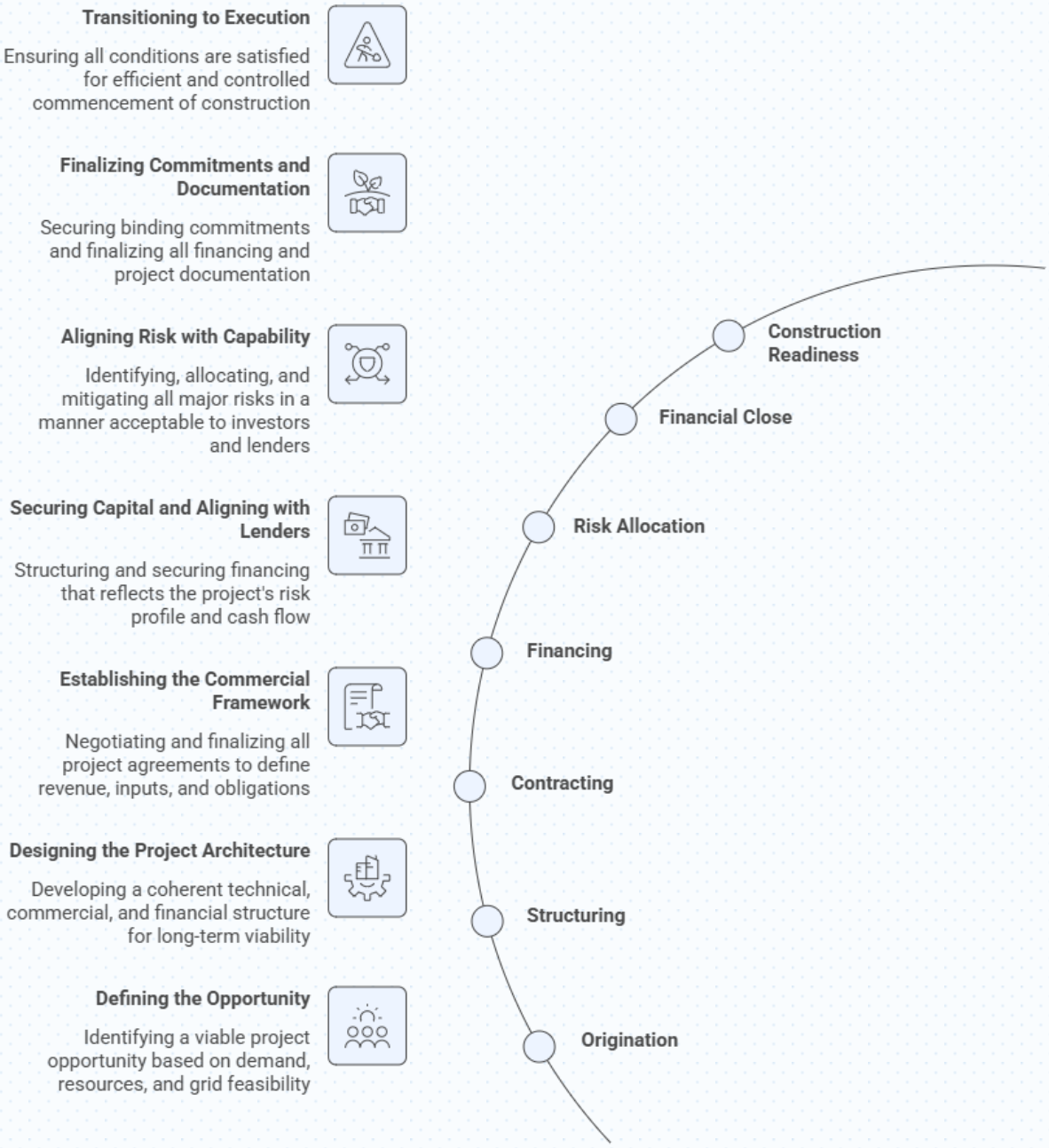
The IPP Development Journey Framework provides a structured, phase-based approach to delivering bankable power projects from concept to construction readiness. It defines seven critical phases, namely origination, structuring, contracting, financing, risk allocation, financial close, and construction readiness, each with clear objectives, activities, and decision points.

The framework emphasizes disciplined progression, coherent structuring, and alignment across technical, commercial, and financial elements. It highlights the importance of integrating key considerations such as market demand, contractual arrangements, risk allocation, and infrastructure interfaces throughout the development process.

Designed as both a roadmap and a diagnostic tool, it supports more effective execution and improves the probability of successful project delivery.

Dr. Nnaemeka Ewelukwa
Founding Principal

The 7 Phases of the IPP Development Journey



Defining the Opportunity

Identifying a viable project opportunity based on demand, resources, and grid feasibility

Designing the Project Architecture

Developing a coherent technical, commercial, and financial structure for long-term viability

Establishing the Commercial Framework

Negotiating and finalizing all project agreements to define revenue, inputs, and obligations

Securing Capital and Aligning with Lenders

Structuring and securing financing that reflects the project's risk profile and cash flow

Aligning Risk with Capability

Identifying, allocating, and mitigating all major risks in a manner acceptable to investors and lenders

Finalizing Commitments and Documentation

Securing binding commitments and finalizing all financing and project documentation

Transitioning to Execution

Ensuring all conditions are satisfied for efficient and controlled commencement of construction

1. Origination

Defining the opportunity

Objective

Identify a viable project opportunity grounded in real demand, resource availability, and grid integration feasibility.

Key Activities

- Market demand assessment
- Site identification and evaluation
- Resource analysis (fuel supply, renewable resource)
- Preliminary grid access assessment (capacity, proximity, constraints)
- Initial stakeholder mapping (including transmission operator)
- High-level financial viability assessment

Key Outputs

- Concept note or project brief
- Preliminary financial model
- Defined site and technology option
- Initial grid connection concept

Critical Questions

- Is there credible and sustained demand for the power?
- Is the site viable *from both a resource and grid perspective*?
- Is there available transmission capacity or a realistic expansion path?

Common Pitfall

Advancing projects based on perceived opportunity without validated demand or grid need.

2. Structuring

Designing the project architecture

Objective

Develop a coherent technical, commercial, and financial structure that can support long-term viability.

Key Activities

- Selection of sponsors and strategic partners
- Definition of ownership and governance structure
- Preliminary financial modelling and scenario testing
- Technology selection and configuration
- Grid connection studies (load flow, evacuation capacity, interconnection design)
- Identification of key risks

Key Outputs

- Defined project structure (equity, roles, governance)
- Refined financial model
- Clear project configuration
- Preliminary grid interconnection plan and cost estimate

Critical Questions

- Is the ownership structure aligned with financing expectations?
- Are roles and responsibilities clearly defined?
- Does the structure support long-term operational and financial stability?

Common Pitfall

Misalignment among sponsors or overly complex structures that deter investors.

3. Contracting

Establishing the commercial framework

Objective

Develop a coherent set of agreements that define revenue, inputs, and delivery obligations.

Key Activities

- Negotiation of Power Purchase Agreement (PPA)
- Fuel supply and transportation agreements
- Engineering, Procurement, and Construction (EPC) contracts
- Operations and Maintenance (O&M) agreements
- Land agreements
- Grid connection agreement / interconnection agreement
- Transmission use-of-system or wheeling arrangements (where applicable)

Key Outputs

- Executable or near-final project agreements
- Defined allocation of commercial and operational responsibilities

Critical Questions

- Is revenue predictable, enforceable, and creditworthy?
- Are supply and logistics risks adequately addressed?
- Are contractual terms aligned across all agreements?

Common Pitfall

Negotiating contracts independently without considering their combined impact on financing.

4. Financing

Securing capital and aligning with lenders

Objective

Structure and secure financing that reflects the project's risk profile and cash flow characteristics.

Key Activities

- Identification and engagement of lenders
- Structuring debt and equity components

- Refinement of financial model and assumptions
- Stress testing under downside scenarios

Key Outputs

- Financing strategy and indicative terms
- Identified or committed lenders
- Bankable financial model

Critical Questions

- Does the project meet lender expectations for risk and return?
- Are financial projections robust under stress scenarios?
- Is the capital structure sustainable over the project life?

Common Pitfall

Approaching lenders before the project is sufficiently structured or risk-defined.

5. Risk Allocation

Aligning risk with capability

Objective

Ensure that all major risks are clearly identified, allocated, and mitigated in a manner acceptable to investors and lenders.

Key Activities

- Identification and categorization of risks
- Allocation of risks through contractual mechanisms
- Development of mitigation strategies
- Integration of insurance and credit enhancement tools

Key Outputs

- Risk allocation matrix
- Defined mitigation strategies embedded in contracts and financing

Critical Questions

- Is each risk allocated to the party best able to manage it?
- Are residual risks acceptable to lenders?
- Are mitigation measures enforceable and credible?

Common Pitfall

Retaining risks at the project level that should be transferred or mitigated.

6. Financial Close

Finalizing commitments and documentation

Objective

Secure binding commitments from all parties and finalize all financing and project documentation.

Key Activities

- Execution of financing agreements
- Finalization of all project contracts
- Completion of due diligence
- Alignment across all stakeholders

Key Outputs

- Fully executed financing and project agreements
- Approved project structure
- Defined conditions precedent to funding

Critical Questions

- Are all agreements fully executed and internally consistent?
- Have all due diligence issues been resolved?
- Are conditions precedent clearly defined and achievable?

Common Pitfall

Treating financial close as a milestone event rather than the result of sustained alignment.

7. Construction Readiness

Transitioning from development to execution

Objective

Ensure all conditions are satisfied for efficient and controlled commencement of construction.

Key Activities

- Satisfaction of all conditions precedent
- Mobilization of EPC contractor and key suppliers
- Final site preparation and access
- Establishment of governance, reporting, and oversight systems
- Commencement of interconnection infrastructure (substations, transmission lines)

Key Outputs

- Notice to Proceed (NTP)
- Mobilized construction teams
- Operational readiness for project execution

Critical Questions

- Are all funding conditions satisfied?
- Is the contractor fully mobilized and prepared?
- Are governance and reporting systems in place?

Common Pitfall

Commencing construction before fully satisfying financial, contractual, and regulatory requirements.

Integrating the Lifecycle

Three Governing Principles

1. Sequential Integrity

Each phase builds on the previous one. Weak early-stage decisions create compounded risks in later stages.

2. Continuous Alignment with Bankability

At every phase, the central test is whether the project is moving closer to being financeable.

3. Iterative Development

While presented sequentially, phases often overlap. Insights from later stages frequently require refinement of earlier decisions.

Practical Application

Phase-Gate Review Approach

At the end of each phase, confirm:

- Key outputs are complete
- Risks are identified and addressed
- The project is ready to progress

If gaps remain, refinement is required before advancing.

Final Perspective

A project reaches construction readiness when:

- The opportunity is validated
- The structure is coherent
- Contracts are aligned
- Financing is secured
- Risks are appropriately allocated
- All funding conditions are satisfied

The IPP Development Journey Framework provides a disciplined pathway to achieve that outcome.

Bankable projects are not the result of speed, but of consistent, structured decision-making across each phase of development.

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Registration No. 1129498

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