



Gridworks

Inadequate transmission and distribution (T&D) results in unreliable power, limited access, and slows the transition to renewable energy. There is very little private investment in T&D and no private developers to support. BII created a new company to develop the private T&D market in Africa.

Investment Summary

Country: Africa

Sector: Transmission and distribution (T&D)

Total size: \$300 million (target commitment)

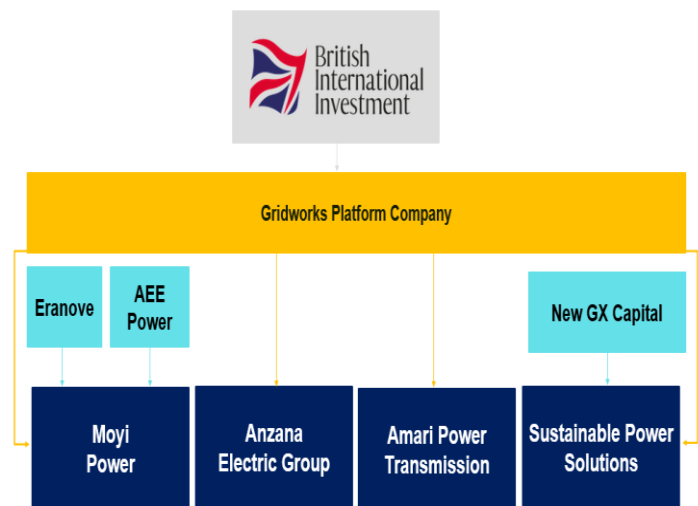
Established: 2019

Structure: UK limited liability partnership (LLP)

Private capital mobilised: In progress

Impact rationale: Under-investment in T&D limits electricity access, quality, renewable integration, and impedes investment in power generation. Due to the absence of existing T&D developers in Africa that BII could invest in or acquire, BII chose to start-up Gridworks from scratch. BII established Gridworks as an organisation backed by patient and risk-bearing capital and staffed by experienced project development and engineering experts with the credibility to develop and implement complicated T&D opportunities. BII – as per its mandate as an investor – did not have staff in-house with all the experience to run a T&D business.¹ In addition, establishing an independent T&D-focused company insulates shareholders and reduces conflicts between investors in generation and off-takers.

Structure



The primary focus is on transmission and distribution, including mini and metro-grids. Investment in distribution concessions remains in scope, but fewer opportunities are expected.

After its incubation and “set up” phase, Gridworks is now in what BII considers to be at “scale-up” phase, when projects under development move into becoming substantial investments on the ground. Its first transmission project expected to reach financial close is Amari. If so, it will be the first independent transmission project in sub-Saharan Africa, consisting of significant upgrades to strengthen the Ugandan grid.

Private capital mobilisation rationale: To make a transformational contribution to the sector, Gridworks seeks to pave the way for other investors to enter the markets. Its projects will need to raise capital from multiple investors. For that purpose, dedicated vehicles for each project are the best fit. As the business matures, BII also intends to attract investors at the platform (holding company) level. For each investment that the platform develops, finding the right mix of partners will be critical; the intention being to find partners who complement the skills of the Gridworks team (e.g. operating expertise, local knowledge). Attracting like-minded and influential co-investors at the platform-level – which could be other DFIs or private investors – presents strategic benefits, including bolstering credibility, providing additional networks to create development opportunities and support with government relationships.

¹ Some BII staff with relevant skills and experience were transferred into Gridwork’s founding team.

Financial and legal structure: Gridworks is registered as a UK limited liability partnership (LLP). This structure was chosen because it allows the most flexibility should other investors wish to participate at the platform HoldCo level, and at which point the legal structure can change. Project-specific holding companies will facilitate project financing with limited recourse to Gridworks itself and act, as well, as a pooling vehicle for co-investment and JV partners.

Governance: Gridworks is a wholly owned subsidiary of BII. The governance structure has been modelled on Globeleq and Ayana as a board-led company. The board has a majority of external non-executive directors. Although BII has reserved rights (veto) over certain specific matters, the company is being managed independently by its board and executive team. Impact linked incentives have been established for the management team.

Operational experience: Given the nascence of the market for private investment in T&D and unproven business model, BII took a phased approach towards Gridworks formation:

- **Incubation Phase** In late 2015, BII mandated a consulting firm to perform an analysis of the opportunity set for investments in the T&D space in Africa. Subsequently, BII hired a consultant to develop a pipeline and strategy on how BII could invest in the sector. As part of that strategy development, BII developed a concept around a stand-alone T&D development platform, which was initially presented to BII's board in 2016. Further work on the platform concept took place between 2017 and 2018, including a detailed operational and approval to set up the platform was obtained towards the end of 2018.
- **Set up Phase** In this development phase, the platform was set up as a distinct legal entity in early 2019. A small startup team, with a business development and transaction focus was recruited. BII provided some transaction and back-office support, including tax, legal, IT, ESG, and development impact support. To maintain a lean structure, Gridworks agreed a service level agreement (SLA) with BII that could be adapted to the specific needs of the platform until all required competencies were available in-housed.

The main objective of this phase was for Gridworks to develop a pipeline of opportunities. T&D investment opportunities can include utility concessions, management contracts, rural electrification programs, isolated grid systems, off-grid-to-on-grid investments, and utility services companies. While initial plans included utility concessions (distribution) market evolution and receptivity has meant that transmission has presented more opportunities. To date, Gridworks has made the following investments or has these projects under development:

- **Moyi Power**, a greenfield utility in northern DRC that will bring reliable power, primarily provided through solar solutions, to households and businesses in three isolated cities; underserved urban areas. Moyi power is one of the country's first private-led electrification approaches with renewable-based mini-grid solutions. Moyi will construct and operate mini-grids in three cities in northern DRC, which currently have no viable grid, so electricity is predominantly supplied by private diesel generators or solar home systems. Viability gap financing, provided by a partner organisation, will bring the tariff down to substantially below existing power costs. The grid will be built out in stages, with additional generation capacity being added in response to demand.
 - Two private co-investors (Eranove and AEE Power) have been mobilised into the Moyi HoldCo. The Sustainable Energy Fund for Africa, a donor-fund managed by the African Development Bank (AfDB), will also provide funding.
- **Anzana Electric Group** (previously Virunga Power) is a hydropower developer and rural utility which Gridworks invested in 2023. Alongside the Government of Burundi, in 2023, Anzana launched Weza Power, a privately-owned and operated electricity distribution company that aims to bring grid power to almost 70% of Burundi's population and will aim to connect 9 million people by 2030. Beyond developing Weza Power, Anzana has operations in Burundi, Kenya, Malawi, Tanzania, and Zambia.
 - DFC – the US Government's development finance institution – has provided a \$3.1 million grant to Weza Power, an electricity distribution utility launched in 2023 by Anzana and the Government of Burundi.
 - Weza Power will increase electricity access in Burundi, where just 12% of the population has access to electricity today. An initial 2-year pilot phase will expand the existing grid to

add 300,000 connections. If successful, it will convert into a long-term distribution concession. Again, viability gap financing will be needed to keep tariffs affordable, and numerous potential partners, including IFC, World Bank, DFC are involved in the project design.

- **Amari Power Transmission** is one of Africa's first privately financed transmission projects and will upgrade Uganda's transmission network connecting generation with users.
- **Sustainable Power Solutions (SPS)**, a company founded in 2008 that Gridworks has invested in, works with commercial and industrial (C&I) clients across sub-Saharan Africa to fund, develop, build and operate solar power technologies, including battery storage, that provide consistent, affordable clean energy to enhance grid power.
 - In 2021, Gridworks brought in New GX Capital, the South African investment firm, as a co-investor in the SPS HoldCo.
- **Chimuarua-Nacala Transmission Project:** Aimed at strengthening and increasing the reliability of the transmission infrastructure connecting central and northern regions of Mozambique.
- **Scale-up Phase:** As Gridworks has built up a strong pipeline of development projects, it is now entering its scale-up phase whereby projects under development are reaching financial close and raising finance for construction and operation. Accordingly, more in-house capacity will be needed as the portfolio grows, to execute investments and to secure the participation of other investors to finance the construction phase of projects.

Key insights

- **Phased approach to scaling a platform company.** The phased approach designed for Gridworks offers an effective model for scaling platform companies by setting clear targets and tailoring support during initial stages, thereby limiting capital at risk. When a DFI is setting up a platform company it is difficult to find a balance between providing it with the resources it needs to grow and avoiding premature expansion before a solid pipeline of revenue-generating assets is established to support operating and development costs. Achieving this balance is crucial for ensuring financial sustainability and the company's ability to scale. By employing a phased approach, BII has set clear targets and triggers that guide Gridworks' progress. This method ensures that the platform's governance, team size, financing objectives, and support levels evolve in alignment with investment activities. Moreover, outlining a phased approach requires a realistic assessment of the time required to get to scale, which helps focus team efforts and manage expectations. For example, the phased approach recognises the need to concentrate on achieving asset level mobilisation in the short term and expects platform level mobilisation efforts to follow only in due course.
- **First mover impact rewards/returns.** In 2019, with the exception of BII, there was little or no appetite amongst DFIs to take the risk of developing T&D projects in Africa. BII recognised that under-investment in Africa's electricity networks was a significant market failure and needed to be addressed. In the almost six years since Gridworks was created, the sentiment towards encouraging private investment into this vital sector has slowly improved, both amongst African governments, and impact and commercial investors. Gridwork's market-shaping activity has prompted growing interest amongst other DFIs in offering private sector solutions to complement the public sector solutions African governments currently have to the funding shortfall.