

# **Beijing Yuantong Heat Implementing PPP Project on Centralized Heating - Introduction to Cases on PPP Demonstration Projects**

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## **I. Introduction to Private Partner**

Beijing Yuantong Heat Co., Ltd. is the selected private partner for the PPP demonstration project of the Ministry of Finance - Project on Centralized Heating in Qiaoxi District, Zhangjiakou City.

The company has registered capital of RMB100 million, about 600 employees, and annual sales revenue of nearly RMB 900 million. It also boasts a set of advanced management system for thermal operation and the relevant experience, including: "Internet plus" heating management, management system for balance and adjustment of secondary water, temperature control system for secondary water, and water regulation technology, as well as a number of patented inventions and technologies for the heating system. The company has been rated as an advanced unit engaged in heat supply for many years, and the heating center under its management center is a demonstration project on energy conservation and emission reduction of the Beijing Municipal Development and Reform Commission and the Beijing Municipal Commission of Economy and Information Technology. Currently, it has subsidiaries in Beijing, Liaoning, Hebei, Gansu and other places, and has cooperated with Vanke, Shanghai

Greenland and real estate companies on projects, thus accumulating rich experience in heat supply.

## **II. Experience regarding Private Partner's Involvement**

The PPP project on central heating in Qiaoxi District, Zhangjiakou City is a stock project using the mode of transfer-operate-transfer (TOT). After the start of PPP, under the joint efforts of the district government and the company, the project company provided heat as scheduled in 2015, receiving positive responses from the residents. Through the implementation of the project, the company helped the government solve the difficulty, bringing tangible benefits to the people.

1. Carrying out in-depth research and developing a detailed plan to ensure the success of the project docking. After the company enrolled in the bidding for the PPP project, it arranged technical, financial, and legal personnel to conduct research to understand the current operational conditions, find space for improvements and work out specific solutions, in order to ensure that it would be able to handle critical work quickly after undertaking the project and that the heat could be supplied as scheduled.

2. Developing contingency plans for risk control in advance to reduce risks associated with project implementation. In respect of centralized heating, the main risks were insufficient preparations, sudden weather change, inability to fulfill the requirement on earlier heat supply, etc. The company prepared for supplying heat half a month earlier, and made arrangements for storage of fuel, commissioning of equipment and pipelines and organization of personnel as early as possible, to avoid any serious social impact likely to be caused by delay in heat supply.

3. Working out the plan for fund raising and utilization in advance to ensure timely funding. For the large amount of funds required by the project, the company should conduct self-financing first, and borrow loans from the financial institution which must be provided timely. The company developed the investment and financing plan and

contacted the financial institution in advance, to ensure timely availability of funds after undertaking the project.

### **III. Implications for Nongovernmental Investors**

The company has implemented BOT project on heat supply since 2010, had full cooperation with Vanke, Shanghai Greenland and other property developers in BOT projects, and accumulated rich experience in applying the BOT mode. At the Third Plenary Session of the 18th CPC Central Committee, it was proposed to establish a transparent and well-regulated mechanism for investment and financing regarding urban development, allow private partners to participate in investment and operation associated with urban infrastructure by franchising and other approaches, and promote the application of PPP model. Against such a background, the company has seized the opportunity and successfully participated in the first batch of PPP demonstration projects of the Ministry of Finance. After undertaking the project on centralized heating in Qiaoxi district, Zhangjiakou City, the company completed the task of heat supply in the first heating season as scheduled, providing efficient and high-quality public service for the people; and by the increase in the heating area, the company has also improved its overall benefits; and therefore, a win-win situation has been achieved for the government and the company.

(Contributed by: Beijing Yuantong Heat Co., Ltd.)

Schedule

<b>Name of Private Partner (Enterprise)</b>	Beijing Yuantong Heat Co., Ltd.	<b>Name of PPP Demonstration Project of the Ministry of Finance</b>	Centralized Heating for Qiaoxi District, Zhangjiakou City
<b>Registered Capital</b>	RMB 100 million only	<b>Location of Demonstration Project</b>	Qiaoxi District, Zhangjiakou City, Hebei Province
<b>Mode of Government Procurement</b>	Competitive Negotiation	<b>Signing Date for Contract on Demonstration Project</b>	September 10, 2015
<b>Name of Project Company</b>	Zhangjiakou Yuantong Huasheng Heat Co., Ltd.	<b>Term of Cooperation for Demonstration Project</b>	25 years



Overview of the Factory for Centralized Heating Project in Qiaoxi District

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