

PART 3: SCOPE OF WORK

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C3.1: EMPLOYER’S SCOPE

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1 Description of the *services*

1.1 Executive overview

This document outlines the Scope of services required from the Consultant for **the provision of structural, debt and financial advisory services panel in respect of National Transmission Company South Africa SOC Ltd (“NTCSA”) on as and when required basis for period of two (2) years.**

1.2 Interpretation and terminology

The following abbreviations are used in this Scope:

Abbreviation or Acronym	Definition
FAS	Financial Advisory Services
SHEQ	Safety, Health, Environmental and Quality
IT	Information Technology

2 Specification and description of the *services*

The scope of *services* will vary for each Task Order. As a guideline it should be noted that the scope of work/services, at any particular time is expected to include, but will not be limited to the following:

2.1 SCOPE FOR PANEL A (TRANSACTION AND DEBT ADVISORY SERVICES)

2.1.1 Provide a retrospective view on the structural and financial aspects in respect of the implementation of the merger transaction between Eskom Holdings SOC Limited and NTCSA, including the following:

- Implications for NTCSA of the Upstream Guarantee provided;
- Impact on future borrowings;
- The intercompany loan structure and its specific terms;
- The organisational structure;
- The transfer pricing policies / mechanisms;
- Governance structures; and
- Shareholder relationship considerations

2.1.2 Provide “Best Practise” globally of integrated utility companies that have unbundled their transmission businesses, including:

- A comparison to NTCSA’s structures focussing on regulatory frameworks, organisational structures, revenue and cost models, governance and shareholding frameworks;
- Global case studies highlighting entities that are majority held by a conflicted shareholder with examples of decision-making matrices, funding models and operating models utilised;
- A comparison to NTCSA’s capex roll-out model i.e. based on IRP vs. market demand driven roll out;
- A comparison to NTCSA’s proposed Market Operator model;
- A gaps analysis and recommendations for NTCSA to implement its standalone transmissions strategy in the context of the South African utilities market.

2.1.3 Provide advice on the credit rating framework that would likely be adopted by rating agencies in deriving a view on NTCSA’s credit rating, including:

- Key levers that would impact NTCSA’s rating; and
- Key steps to be taken to prepare NTCSA for a rating process

2.1.4 Review and assess the adequacy of the financial model, including:

- An assessment of the reasonability of NTCSA assumptions; and
- A comparative view on the International best practice of revenue, costing and Return on Assets (ROA) models seen in the Transmission Industry as well as the industry norms on tariff increases.

2.1.5 Review and assess the adequacy of the current operating model across all NTCSA business units and provide a comparison to the models most widely used globally.

2.1.6 Review and assess NTCSA’s approach to private sector participation through the ITP programmes, including:

- Global ITP case studies (developed and developing markets), including successes and challenges which were experienced;
- Unpacking the various ITP procurement models and the pro’s and con’s of each model;
- NTCSA’s readiness for implementing the ITP strategy;
- NTCSA’s approach to setting up the ITPO, including global comparatives; and
- Assess the levers required to support commercial viability for prospective ITP’s, e.g. incentive structures and compare these levers to global precedents.

2.1.7 Review and assess NTCSA’s planned capital allocation across all business units, including allocation towards the ITP roll out, resourcing, system and telecommunication enhancements.

2.1.8 Provide a funding framework and parameters for bankable transactions, including:

- The financial parameters (within the Transmission industry and within the context of NTCSA) which have to be met at a minimum, e.g. business sustainability indicators;
- Debt capacity for NTCSA considering global benchmarks and rating requirements. This will include the appropriate financial metrics and comparison with global peers; including peer group and case studies (unbundling and independent gridco);
- Provide a view on the possible credit rating of NTCSA and minimum rating required by funders / SBSA;
- Provide insight into how credit ratings will impact on (a) quantum and (b) pricing of funding; and
- Provide any credit enhancement requirements to support a credit rating uplift in an instance where there is a deterioration of the credit rating due to gearing, credit risk, MYPD6 proposal not being agreed to by NERSA or Upstream Guarantee.

2.1.9 Create a funding strategy for NTCSA, including specific considerations for the following:

- Funding alternatives / options and credit enhancement requirements. Provide a comparison against relevant / comparable international best practice, international benchmarks and suitable peers;
- Optimal capital structure, including international benchmarking; and
- Impact of regulatory, tax, legal and financial implications of the various funding alternatives.

2.1.10 Provide an overall view of how the NTCSA capital plan can be rolled out in terms of the funding strategy:

- Advise on the funding implications across the various ITP procurement models.

The above scope of work will require the service providers to submit a proposal of the work, demonstrating their necessary skills, experience (including human resources that will be available for the advisory work).

2.2 Stage 1 Preparation

The Employer's objective is to appoint a panel of financial advisors that will benefit the entire business by:

- Ensuring quicker appointment of consultants or firms to address the needs of the business
- Greater governance in the appointment of consultants through the Panel Control Committee.
- Better co-ordination between Divisions and improved control over financial and related services spend across the business
- Greater control of spend on the contract

3 Constraints on how the *Consultant* Provides the Services.

3.1 Management meetings

The Consultant and the Employer will review the Deliverables in meetings organized and scheduled by the Employer.

- b. The Consultant ensures that all follow-up actions are carried out within the time stipulated.
- c. The Employer may, in addition to the scheduled review meetings indicated, request additional reviews.
- d. The Employer may involve independent third parties in any of the review meetings.

Regular meetings of a general nature may be convened and chaired by the *Employer's Agent* as follows:

3.2 *Consultant's key persons*

An organogram from The Consultant showing key persons and their line of authority / communication shall be submitted to the *Employer* with four weeks of Task Order start date. Any additional information related to will be detailed in The Task Order.

3.3 Documentation control and retention

3.3.1 Identification and communication

Standard forms to be used by the Contractor in the administration of the contract for example early warning notifications shall be addressed to the *Employer's Agent*.

All formal contractual communications shall be on company letterhead and bear minimum the date, subject, reference number, identity of the sender and receiver and signature of the sender and shall be delivered as attachment in the case of emails and not as a message in the email itself. All formal communication to the Employer shall be addressed to the *Employer's Agent*.

3.3.2 Retention of documents

All documentations must be retained in line with *Employer's* documentation retention guideline. The documents received from the Employer are for the sole use of the activities associated with this framework contract and shall not be transmitted or shared with others who are not part of the *Consultant's* team working under this contract.

3.4 Records and forecasting of expenses

Estimated forecast of itemised expenses shall be submitted by the *Consultant* at each assessment period for the acceptance by the Employer before expenses are incurred. Clear records of expenses shall be maintained by the Consultant and submitted on request to the Employer's Agent for verification.

Where applicable, only invoice from service provider's (e.g. hotel or car hire company) showing actual expenses incurred in the cases of Travel and Subsistence (T&S) expenses shall be accepted for processing by the *Employer*. The *Employer's Agent* will not approve cost that are incurred outside their prior approval.

3.5 Records and forecasting of the Time Charge

The Consultant shall submit forecast of time charges for each assessment period and maintain records thereof.

Clear records hours worked, time sheets in respect of all time charges shall be kept by the Consultant and shall indicate resource utilised, location, duration, and times, associated expenses incurred and a summary of summary of service rendered which shall be cross referenced to deliverables rendered. The *Employers Agent* shall review the records and request any additional records in necessary before signing approval of assessments for further processing.

The Consultant shall maintain the records of all documentation and make available to the Employer any or all such documentation on request.

3.6 Invoicing and payment

The following details shall be shown on or attached to each Invoice to show how the amount due has been assessed:

The *Consultant* shall address the tax invoice to _____ and include on it the following information:

- Name and address of the *Consultant* and the *Employer's Agent*;
- The contract number and title;
- *Consultant's* VAT registration number;
- The *Employer's* VAT registration number 4710303126;
- Total amount invoiced excluding VAT, the VAT and the invoiced amount including VAT;
- (add other as required)

[Add procedures for invoice – **to be include at contract awrad**

3.7 Inclusions in the programme

As per the Task order

3.8 Quality management

3.8.1 System requirements

Refer to Quality requirements.

Performance evaluation templates will be discussed after contract award by both Employer and the Consultant. Service performance will be measured twice a year by the Consultant and provide feedback to the Employer.

Non -conformance report will be issued the Consultant does not meet Employer Quality requirements, if there are any defects as per technical specification, the non-conformance report will be issued and monitored until closure.

3.8.2 Information in the quality plan

Clause 40.2 requires that the *Consultant* provide a quality policy statement and quality plan which complies with requirements stated in the Scope. Refer to Quality requirements

3.9 The Parties use of material provided by the *Consultant*

3.9.1 *Employer's* purpose for the material

All rights to the material belongs to the Employer for purposes stated in the scope.

3.9.2 Restrictions on the *Consultant's* use of the material for other work

The documents received from the Employer are for the sole use of the activities associated with this framework contract and shall not be transmitted or shared with others who are not part of the *Consultant's* team working under this contract.

3.10 Management of work done by Task Order

Refer to Addendum A for the format of a Task Order which shall be used by the Employer as the means of instructing the *Consultant* to deliver services. No work shall be carried out without a signed Task Order issued by the *Employer's Agent*.

The Task Order shall specify the scope of services, deliverables, starting and completion dates and the cost allocation. The *Consultant* shall deliver services within the constraints stipulated on the Task Order and engage the Employer as soon as the *Consultant* becomes aware of any risk in this regard. Any work executed outside the parameters stipulated on the Task Order, including cost, shall be for the *Consultant's* account notwithstanding delivery and acceptance of services that may be made by the *Employer* or people in the *Employer's* organisation.

All Expenses shall be paid for by *Consultants* and reimbursed at cost after assessment. The *Consultant* shall include itemised estimated expenses in all proposals in response to Request for Proposal issued by the *Employer*. Forecasts of estimated *Expenses* shall be submitted to the *Employer's* Requesting Manager for acceptance at the Assessment meeting. Expenses that are incurred without the Employer's prior acceptance in writing shall not be reimbursed by the *Employer*.

3.11 Health and safety

The *Consultant* shall at all times comply with the health and safety requirements prescribed by law and the Employer as they may apply to the *services*. Failure to comply shall result in the *Employer* suspending the execution of services and removing the *Consultant* from site until compliance is achieved. The *Employer* may cancel a Task Order and /or terminate the contract depending on the situation and risks to people, plant and equipment, reputation and the Employer's business of electricity supply.

The *Consultant* shall comply with the health and safety requirements contained as per each Task Order and as per all Eskom SHEQ policies and procedures. It is essential that the *Consultant* is conversant with Eskom safety procedures training prior commencing any work on site.

If the *Consultant* may be required to work on Eskom premises, where health and safety requirements additional to those prescribed by law apply, refer to applicable SHEQ policies and procedures.

Life Savings Rules

In the interest of promoting a safe and healthy working environment, the Eskom has approved the implementation of Life Savings Rules, to improve safety in the organisation. Those rules will also be applicable to all contracting staff.

The business is concerned about the emotional, social as well as economic effect of all these incidents and would like to correct behaviour pro-actively.

The provision of structural, debt and financial advisory services panel in respect of National Transmission Company South Africa SOC Ltd (“NTCSA”) on as and when required basis for period of two (2) years.

These rules are determined beforehand to enable the organisation to clearly communicate the established Life Saving Rules and how to deal with non-compliance to the workforce prior to the implementation of such rules.

Failure by any person or *Consultant/Contractor* engaged in doing business with Eskom to adhere to these rules will lead to serious action being taken with serious consequences (including being refused access to site). These actions include termination of service of an individual and even blacklisting of *Consultant/Contractors* not taking the rules seriously. It is therefore strongly advised that these rules be taken seriously, communicated to all your staff, ensure that they all understand the rules, understand the consequences of violating a rule and sign a document stating that they understand and acknowledge the implications of these rules.

Eskom Life Saving Rules are:

Rule 1: Open, Isolate, Test, Earth, Bond and/or Insulate before touch (above 1 000 V)

Rule 2: Hook up at heights

Rule 3: Buckle up

Rule 4 Be Sober

Rule 5: Ensure that you have a permit to work

3.11.1 Subcontract documentation, and assessment of subcontract tenders

To be confirmed at contract award and reference is made to SDL&I requirements.

3.11.2 Limitations on subcontracting

Refer to SDL&I requirements

3.12 Working on the *Employer's* property

3.12.1 *Employer's* entry and security control, permits, and site regulations

The *Employer's* sites are classified as National Key Points and access is controlled and regulated by law. Such classified sites have very strict entrance requirements and allowances for security clearance checks and sufficient time needs to be made by Consultants requiring access at the sites. The taking of photographs is prohibited at all sites and special permission shall be required if necessary. Persons under the influence of intoxicating substances and alcohol are strictly not permitted to enter the *Employer's* premises. All persons entering or leaving the *Employer's* premises may be subjected to physical security checks, including alcohol tests.

3.12.2 People restrictions, hours of work, conduct and records

It is very important that the *Consultant* keeps records of people working on the *Employer's* property, including those of his Sub-consultants. The *Employer's Agent* shall have access to these records at any time. Where applicable these records may be needed when assessing compensation events. The restrictions on hours worked shall be specified on the task order

3.13 Things provided by the *Employer* / *Receivable*

Access to NTCSA sites and clear deliverables per each Task Order. The *Consultant* shall ensure all information stored on the laptops is not shared, removed, copied to environments external to the contract.

3.14 Things provided by the *Consultant* / *Deliverables*

Deliverables on each Task Order placed with the *Consultant* is the report on the services required for the Task Order. This report is signed off by the *Consultant's* directors or senior partner who take accountability for the results of the work as required in the Task Order. The *Consultant* will ensure it is available for any requests by Eskom for it to testify in any enquiry, investigation, or court proceedings on the work done and for which it was appointed.

Refer to Scope of Services document.