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|  Eskom | Standard | Distribution |
|-----------------------------------------------------------------------------------------|----------|--------------|

Title: **GOVERNANCE RULES AND PROCESSES FOR MANAGING THE TECHNICALLY EVALUATED AND ACCEPTED PRODUCTS (TEAP) DATABASE IN ESKOM DISTRIBUTION**

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## Content

|                                                                    | Page |
|--------------------------------------------------------------------|------|
| 1. Introduction .....                                              | 4    |
| 2. Supporting clauses .....                                        | 4    |
| 2.1 Scope .....                                                    | 4    |
| 2.1.1 Purpose .....                                                | 4    |
| 2.1.2 Applicability .....                                          | 4    |
| 2.2 Normative/informative references .....                         | 4    |
| 2.2.1 Normative .....                                              | 5    |
| 2.2.2 Informative .....                                            | 5    |
| 2.3 Definitions .....                                              | 5    |
| 2.3.1 General .....                                                | 5    |
| 2.3.2 Disclosure classification .....                              | 6    |
| 2.4 Abbreviations .....                                            | 6    |
| 2.5 Roles and responsibilities .....                               | 6    |
| 2.6 Process for monitoring .....                                   | 6    |
| 2.7 Related/supporting documents .....                             | 6    |
| 3. Technically Evaluated and Accepted Products .....               | 7    |
| 3.1 Problem statement .....                                        | 7    |
| 3.2 The TEAP concept .....                                         | 7    |
| 4. Benefits of THE TEAP Database .....                             | 8    |
| 4.1 Procurement .....                                              | 9    |
| 4.2 Projects .....                                                 | 9    |
| 4.3 Material Assessments .....                                     | 9    |
| 4.4 Industry Benefits .....                                        | 10   |
| 5. Governance Rules .....                                          | 10   |
| 5.1 Compliance with Eskom P&SCM Procedure and NT Regulations ..... | 10   |
| 5.2 TEAP DB .....                                                  | 10   |
| 5.3 Accountabilities and Dispute Resolution .....                  | 11   |
| 5.4 Adding accepted product .....                                  | 11   |
| 5.5 Managing the Listings .....                                    | 12   |
| 5.6 Removing Listings .....                                        | 12   |
| 5.7 Quality Control .....                                          | 12   |
| 5.8 Audit Trails .....                                             | 13   |
| 5.9 Designation .....                                              | 13   |
| 5.10 Products Manufactured in Other Countries .....                | 13   |
| 6. Authorization .....                                             | 13   |
| 7. Revisions .....                                                 | 13   |
| 8. Development team .....                                          | 13   |
| 9. Acknowledgements .....                                          | 13   |
| Annex A – View of the Listing Sheet of the TEAP DB .....           | 14   |

## Figures

|                              |   |
|------------------------------|---|
| Figure 1: TEAP Concept ..... | 8 |
|------------------------------|---|

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|                                                                                                                   |    |
|-------------------------------------------------------------------------------------------------------------------|----|
| Figure 2: TEAP DB Benefits .....                                                                                  | 8  |
| Figure 3: Using the TEAP DB to reduce the quantity of technical evaluations .....                                 | 9  |
| Figure 4: Updating the TEAP DB with accepted products from national contracts and Cluster level procurement ..... | 11 |

**Tables**

|                            |    |
|----------------------------|----|
| Table 1: EIE Process ..... | 12 |
|----------------------------|----|

## **1. Introduction**

Prior to the implementation of National Treasury (NT) Regulations, a List of Accepted Products (LAP) was established within Distribution Technology (1998 to 2019). The entry onto the list was defined and managed by a Committee of Accepted Products (CAP). However, the list and the process of listing was not compliant with the current Eskom Procurement & Supply Chain Management (P&SCM) Procedure or National Treasury (NT) Regulations.

The list was established based on technically evaluated and accepted products. However, supplier names were included, which is now a contravention of the NT regulations (Instruction Note 4A of 2016/17). The NT regulations require that the scope of work not be brand specific – i.e. supplier names cannot be mentioned.

Secondly, invitations to participate in the LAP process were not posted to be visible in the open market. Invitations were sent to known manufacturers and agents of manufacturers.

Thirdly, the market was not tested at specific timeframes to provide opportunities for new products to be evaluated and listed, i.e. the list was not aligned with the current P&SCM Procedure.

The list was therefore regarded as a possible risk if the organisation continued to utilise it. It was withdrawn, which left gaps within several business areas (procurement, projects, warehouses).

To address these gaps as well as to introduce efficiencies in the technical evaluation processes, it was considered prudent to introduce an alternative solution to the LAP. With this solution, consideration needs to be given to the regulations and the most important principle that guides the procurement procedure – the principle of ‘fairness’ needs to be included.

Such an alternative solution will reduce repetitive technical evaluations. The risks of unacceptable products being stocked at warehouses and wholesalers will be reduced. The risks of unacceptable products being used at contractor-supplied or self-build project sites will also be reduced.

It was agreed that Eskom Distribution will establish a database (DB) that captures details of technically evaluated and accepted products. The database will be referred to as the ‘Technically Evaluated and Accepted Products’ (TEAP) DB.

The mandate to establish pre-qualification lists currently resides solely with Eskom Commercial. Engineering cannot establish this database without Commercial’s guidance, mandate, and participation.

## **2. Supporting clauses**

### **2.1 Scope**

This document contains the governance rules, processes, and requirements for managing Eskom Distribution’s Technically Evaluated and Accepted Products (TEAP) Database.

#### **2.1.1 Purpose**

This document provides a common understanding of the governance rules, processes, and requirements regarding the TEAP Database within Eskom Distribution. It also provides industry stakeholders with information on the Database.

#### **2.1.2 Applicability**

This document shall apply within Eskom Distribution

### **2.2 Normative/informative references**

Parties using this document shall apply the most recent edition of the documents listed in the following paragraphs.

**2.2.1 Normative**

- [1] 32–1034, Eskom Procurement & Supply Chain Management Procedure (rev 4)
- [2] NT Regulation Instruction Note 4A of 2016/17

**2.2.2 Informative**

- [3] Process Control Manual for Technology Management

**2.3 Definitions****2.3.1 General**

Definitions from Eskom Procurement & Supply Chain Management Procedure (rev 4) apply.

| Definition                               | Description                                                                                                                                                                                                                                                   |
|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>ATT Form</b>                          | The excel sheet that is completed and approved to authorise the inclusion of accepted products onto the TEAP DB.                                                                                                                                              |
| <b>Accepted Product</b>                  | Distribution network equipment that has been technically evaluated and confirmed by a technical specialist to comply with Eskom's technical requirements.                                                                                                     |
| <b>Distribution</b>                      | Refers to Eskom Distribution.                                                                                                                                                                                                                                 |
| <b>Engineering Initiated Evaluations</b> | Products are technically evaluated for the sole purpose of listing accepted products on the TEAP DB.                                                                                                                                                          |
| <b>Listing</b>                           | Details of an accepted product on the TEAP Database.<br><b>Note:</b> The listing will contain Eskom's and the OEM's descriptions of the product.                                                                                                              |
| <b>Listed Products</b>                   | Products on the TEAP DB.                                                                                                                                                                                                                                      |
| <b>Original Equipment Manufacturer</b>   | Refers to a company that designs, manufactures and brands a product.                                                                                                                                                                                          |
| <b>RFT Form</b>                          | The excel sheet that is completed and approved to authorise the removal of listed products from the TEAP DB.                                                                                                                                                  |
| <b>SAP Material Number</b>               | The unique number allocated to a product by Eskom's cataloguing system.                                                                                                                                                                                       |
| <b>SAP Material Number Listings</b>      | Listings on the TEAP DB for a given SAP material number.<br><b>Note:</b> There will be more than one listing per SAP material number because there will be accepted products from different OEMs.                                                             |
| <b>Supplier</b>                          | Any person or entity that does business with Eskom or tenders to do business with Eskom, or is registered on Eskom's supplier database, such as consultants, contractors, sub-contractors and providers of goods and services (Source - Eskom Ethics Policy). |
| <b>Technical Requirements</b>            | Refers to the technical specifications and the technical evaluation criteria used for technical evaluations.                                                                                                                                                  |
| <b>Technical Specialist</b>              | Staff identified to lead the team that perform technical evaluations for national contracts or EIEs.<br><b>Note:</b> This staff is normally also responsible for defining the technical requirements for the product.                                         |
| <b>Technically Evaluated</b>             | Evaluated by Eskom technical staff against Eskom's technical requirements.                                                                                                                                                                                    |
| <b>TEAP Database</b>                     | Database containing details of accepted products.                                                                                                                                                                                                             |

### 2.3.2 Disclosure classification

**Controlled disclosure:** controlled disclosure to external parties (either enforced by law, or discretionary).

## 2.4 Abbreviations

| Abbreviation | Description                                              |
|--------------|----------------------------------------------------------|
| ATT          | Add to TEAP                                              |
| CAP          | Committee of Accepted Products                           |
| COE          | Centre of Excellence                                     |
| DB           | Database                                                 |
| DTIC         | Department of Trade, Industry and Competition            |
| EIE          | Engineering Initiated Evaluation                         |
| OEM          | Original Equipment Manufacturer                          |
| P&SCM        | Procurement & Supply Chain Management                    |
| LAP          | List of Accepted Products                                |
| NTCIF        | National Technology Change Implementation Forum          |
| NT           | National Treasury                                        |
| RFT          | Remove from TEAP                                         |
| SDL&I        | Supplier Development, Localisation and Industrialisation |
| SI           | Standards Implementation                                 |
| SME          | Subject Matter Expert                                    |
| T&E          | Technology and Engineering                               |
| TEAP         | Technically Evaluated and Accepted Products              |
| TS           | Technical Specialist                                     |
| TT           | Technical Team                                           |

## 2.5 Roles and responsibilities

Eskom Distribution is responsible for the implementation of this document.

The Design Base Department in Distribution Technology and Engineering (T&E) is responsible for updating this document.

## 2.6 Process for monitoring

Eskom Distribution is responsible for monitoring compliance with this document.

## 2.7 Related/supporting documents

Not applicable.

### **3. Technically Evaluated and Accepted Products**

#### **3.1 Problem statement**

There are several technical evaluations of products that take place across Distribution. These evaluations are time consuming and place a significant burden on technical staff. Technical staff spend time performing technical evaluations at the expense of other important tasks.

Procurement enquiries need to be repeated because market participants do not submit the required documents and technical evidence with their submissions. Non-availability of products could lead to poor business performance in Distribution.

There are risks of products that do not meet Eskom's technical requirements, or products that do not comply with NT regulations, being used.

The LAP did address many of the above-mentioned challenges. Therefore, the re-introduction of a similar system that complies with Eskom Procurement and NT requirements is seen as the best solution.

#### **3.2 The TEAP concept**

Based on the above, a decision was made to introduce a database that captures the details of products that have been technically evaluated and complies with Eskom's technical requirements.

It is referred to as the Technically Evaluated and Accepted Products Database or the TEAP DB.

The concept of the TEAP DB is shown in Figure 1. The governance rules and processes shall ensure that there is compliance with Eskom Procurement and Supply Chain Procedure (32-1034) and NT requirements. The governance rules that apply to the DB are covered in clause 5.

To comply with the openness principle and allow the market opportunities, accepted products from the following processes will be considered for inclusion into the TEAP DB:

- 1) National contracts established,
- 2) Engineering Initiated Evaluations performed, and
- 3) Cluster level procurement

All additions and removals from the database will need to be authorised by the NTCIF. This is important for the following reasons:

- The NTCIF is tasked with ensuring that governance rules are complied with.
- NTCIF members could provide input and raise risks regarding listings.
- NTCIF members will be aware of the listings for informed decision-making and for sharing within their business areas.

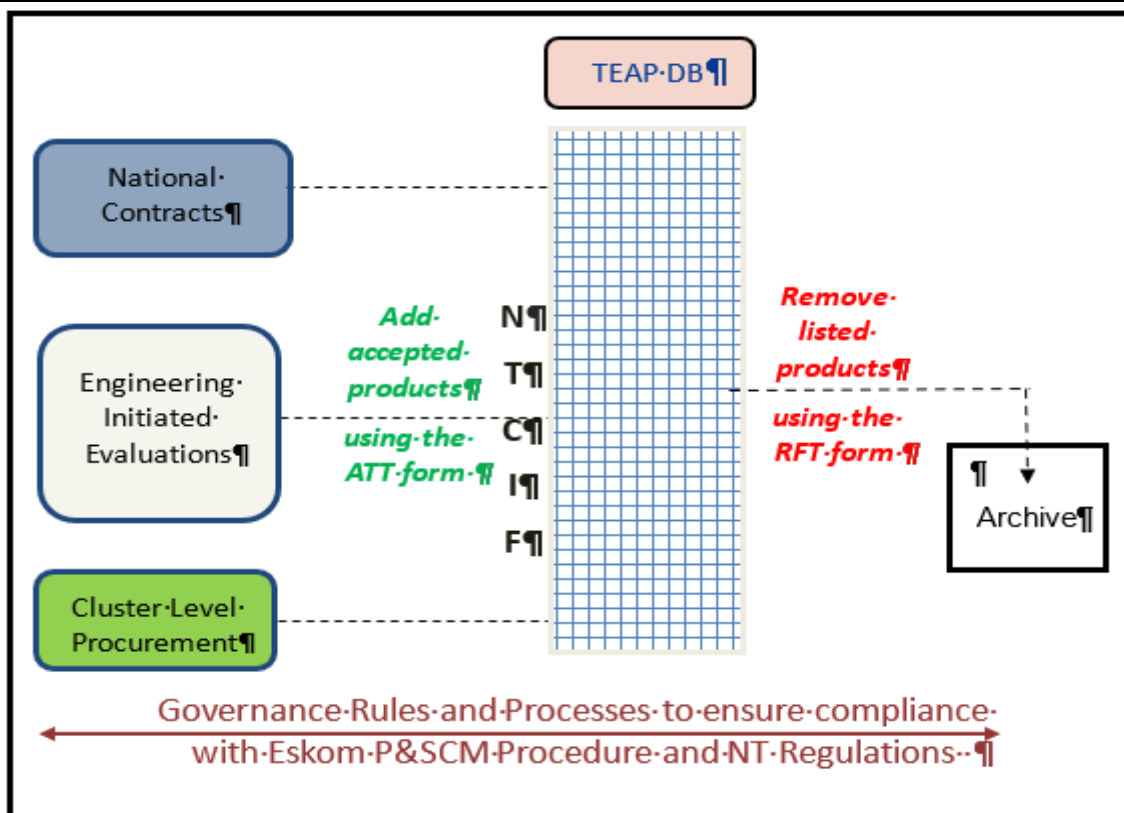


Figure 1: TEAP Concept

#### 4. Benefits of THE TEAP Database

The various benefits of the TEAP Database are shown in Figure 2. The DB will be published on Eskom's external web for access by industry stakeholders.

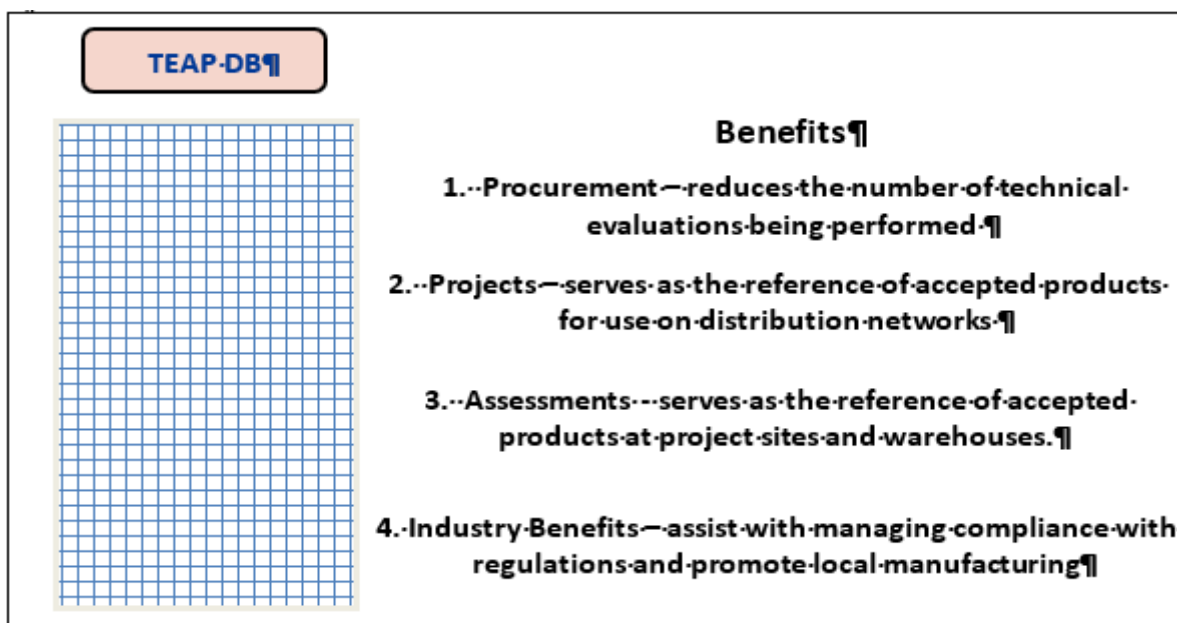


Figure 2: TEAP DB Benefits

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## 4.1 Procurement

The TEAP DB is an engineering tool. It is NOT intended to replace the procurement processes. The purpose of the database is to reduce the number of technical evaluations where circumstances allow.

Within the procurement process, technical evaluators will have opportunities to not re-evaluate products that are already listed.

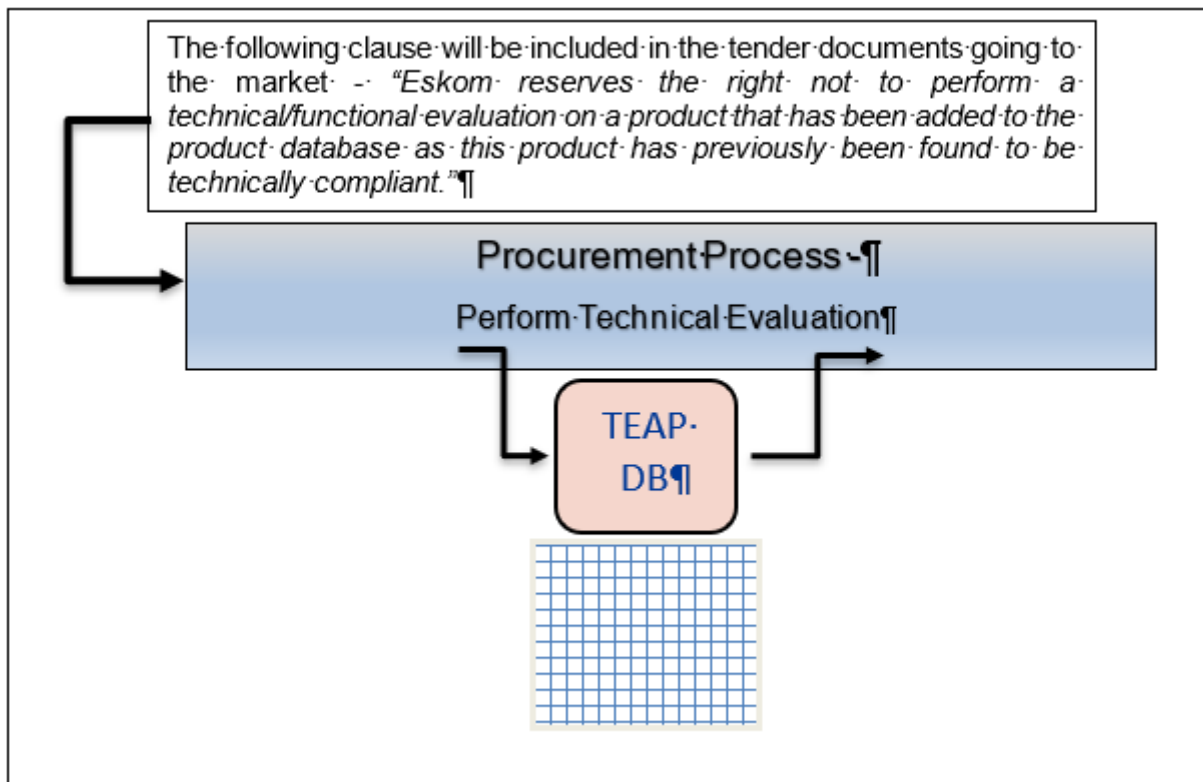


Figure 3: Using the TEAP DB to reduce the quantity of technical evaluations

## 4.2 Projects

There are numerous Distribution network projects where the products are supplied by contractors. These contractors are not required to use the products on Eskom Contracts. There is also no mechanism in place requiring them to verify that the products being used comply with Eskom's technical requirements. There is also no reference document with details of products that could be used.

This environment leads to situations where products that do not comply with the technical requirements are used. It could also result in situations where imported products are used where Designation applies.

With the introduction of the TEAP DB, contractors, consultants, and suppliers will have details of products that should be used. The relevant project management standards and construction contracts will need to reflect the requirement that only listed products should be used.

## 4.3 Material Assessments

Project assessments/material inspections are done to check that warehouses and project sites have the correct products. The products are normally checked by staff who are not product technical specialists.

The TEAP DB will contain details of the product. Staff can then compare the product on site against the product details on the DB. They will be able to identify and report if products that are not listed, are found at the site.

## 4.4 Industry Benefits

The TEAP database will assist the industry to enforce compliance with legislation. For example - only locally manufactured products can be listed where Designation applies.

An additional benefit of the database is that local OEMs will be motivated to participate in the process and get their products listed, because the listing could lead to opportunities in other markets (municipalities, other countries, etc.). This will support localisation and industrialisation in South Africa.

**Note:** An organization that submitted the required documentation that resulted in a product being listed on the TEAP DB should not expect to automatically receive orders for that product. The procurement process will still be followed.

## 5. Governance Rules

### 5.1 Compliance with Eskom P&SCM Procedure and NT Regulations

To give effect to the TEAP database and to manage the market, the following clause will be included as part of the technical requirements in market correspondence -

*“Eskom reserves the right to place the technically compliant products on the product database upon it meeting the threshold set for technical/functional evaluation”.*

To give effect to the use of the TEAP database for procurement transactions, the following clause will be included as part of the technical requirements to the requests for proposals -

*“Eskom reserves the right not to perform a technical/functional evaluation on a product that has been added to the product database as this product has previously been found to be technically compliant.”*

The TEAP database will contain information that describes the accepted products. To provide a complete description of the product, the OEM's names will also be included. Eskom will not be obligated to purchase from the OEM. The relevant Eskom procurement process will be used to procure products – thus the details of the listed products cannot form part of the enquiry documents that go to the market.

The procurement process does not prevent tenderers submitting products that are not listed. If products that are not listed are submitted, the products will form part of the tender. It will be technically evaluated and listed if it complies with Eskom's technical requirements.

The functional scoring threshold will be used as an entry requirement to the database. The entry of a product to the database is determined by compliance with Eskom's technical requirements. This compliance is determined by a technical evaluation that gets conducted during the tender process. Accepted products will be listed irrespective of the tenderer winning the tender or not.

### 5.2 TEAP DB

The TEAP DB will contain the following information regarding the accepted products:

- COE that is responsible for the product
- Eskom's description and technical information on the product
- Details of the accepted products (OEM, description, code)
- Information on the source of the listing (National Contract, EIE, or Cluster procurement)

See Annex A for an example of the listing sheet of the TEAP DB.

The ATT (Add to TEAP) Form will be completed and approved to authorise products being added to TEAP.

The RFT (Remove from TEAP) form will be completed and approved to authorise products being removed from TEAP.

### 5.3 Accountabilities and Dispute Resolution

Procurement is accountable for establishing proper governance for the TEAP DB and the EIE process.

The T&E COEs are accountable for listings within their technical areas.

The NTCIF ensures ongoing compliance monitoring of the governance rules and manages risks such as:

- a) The integrity of the listings
- b) Following the proper processes
- c) The correct approvals for updating the list

Where there is a dispute between a Cluster and a Technical Specialist (TS) regarding the acceptability of the product, the dispute is to be referred to the COE Manager for resolution.

Any disputes from outside Eskom will be referred to the Distribution Head Office Procurement Manager.

### 5.4 Adding accepted product

As shown in Figure 1 – listings are derived from -

- 1) National contracts
- 2) Engineering initiated evaluations
- 3) Cluster level procurement

National contracts and Cluster level procurement are managed by Procurement in accordance with the P&SCM Procedure. Accepted products from these transactions will be reviewed by the TS for inclusion into the TEAP DB.

Distribution reserves the right NOT to update the DB with accepted products. Such a decision is with the relevant COE. The COE would take such a decision if the listing is a risk to the business. As an example, for network protection schemes Distribution will only list the product(s) on contract because staff are not trained on the engineering and the use of the other products.

Where designation applies and Eskom has a concession from DTI&C to procure products that do not meet the designation requirements, those products shall NOT be added to the TEAP DB unless the concession includes permission to list the products on the DB.

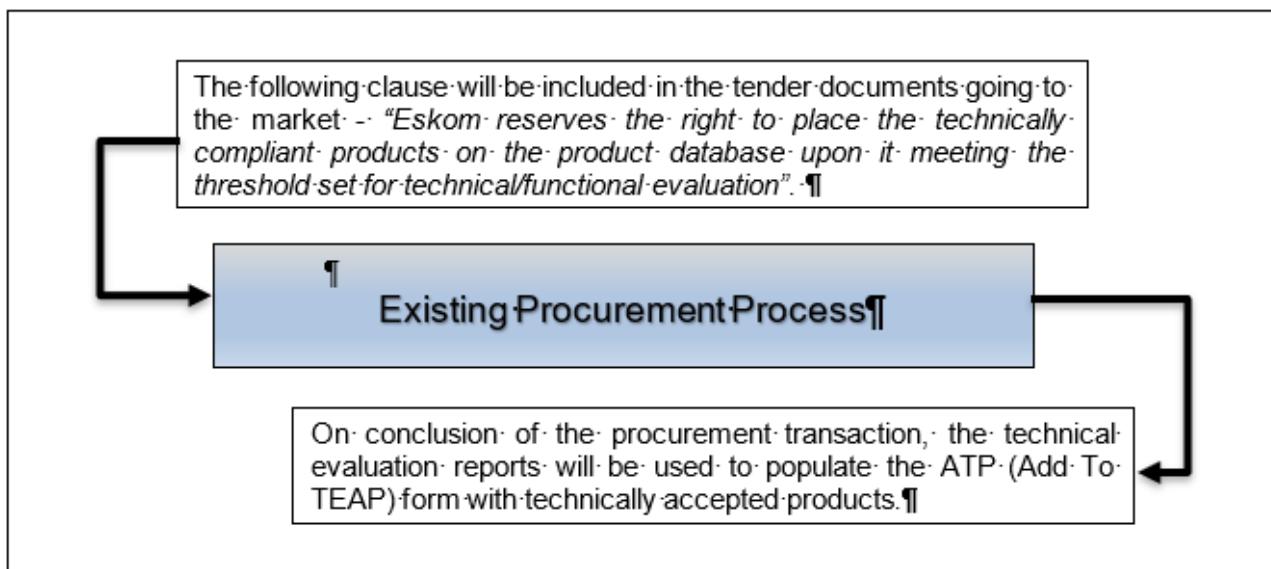


Figure 4: Updating the TEAP DB with accepted products from national contracts and Cluster level procurement

If for a product grouping, national contracts and Cluster level procurement transactions are NOT providing accepted products for listing onto the TEAP, the Engineering Initiated Evaluations process will be used to technically evaluate and list accepted products. The EIE will be done in partnership with Procurement as shown in the process in Table 1.

**Table 1: EIE Process**

| <b>Phase</b>               | <b>Activity</b>               |
|----------------------------|-------------------------------|
| <b>Pre-work</b>            | Confirm the need for EIE      |
|                            | Establish TT                  |
| <b>Procurement Process</b> | Advertise to market           |
|                            | Receive Returnables           |
| <b>Evaluate and List</b>   | Perform Initial Evaluation    |
|                            | Perform Subsequent Evaluation |
|                            | Finalise and List             |

## **5.5 Managing the Listings**

Product listings will be reviewed after a period of five (5) years. Products maintaining the same quality standards and continuing to comply with current technical specifications will be reconfirmed, i.e. these products will remain on the list.

Products need to be re-evaluated if there are significant changes to the technical specifications.

## **5.6 Removing Listings**

Products can be removed if there are:

- 1) Significant changes to Eskom's technical requirements.
- 2) Accepted products from a formal evaluation replacing listings from informal evaluations.
- 3) Changes to the product or changes within the factory (production, management, etc.). This includes any one of the following:
  - a) Change in design of the product,
  - b) Change in materials used during manufacturing
  - c) Change in the manufacturing processes.
- 4) Evidence of imported products being supplied where Designation applies.
- 5) Ongoing product non-conformities.

## **5.7 Quality Control**

To protect the integrity of the listings on the TEAP DB, Distribution's Non-conformance (NCR) process for network products will apply to all listed products.

NCRs will be raised against the OEM when:

- 1) there are product failures,
- 2) there is evidence that the product does not comply with technical specifications, or
- 3) there is evidence that the product supplied is not the same as the listed product.

Distribution reserves the right to perform quality inspections at the OEM's factory.

## **5.8 Audit Trails**

Distribution Procurement is responsible for storing all relevant evaluation information, including technical requirement documents, submissions from the market, evaluation reports and the ATT and RFT forms. These documents will be part of the documents archived on completion of the transaction.

The proper filing and archiving of this information are important for audit and dispute resolution purposes.

## **5.9 Designation**

Where designated products are stipulated as requirements for procurement enquiries, and where Eskom finds evidence that such items may have been substituted with foreign sourced products, Eskom will refer such cases to Eskom SDL&I for investigation and action.

Industry stakeholders should create awareness of the latest updated designated products for local manufacture and emphasise the need for compliance.

In cases where there is evidence of foreign sourced items being used on Eskom networks where designation applies, such instances need to be referred to the relevant authorities in DTIC and the law enforcement agencies.

## **5.10 Products Manufactured in Other Countries**

It is not practical to travel to other countries to perform factory and product evaluations. In these cases the technical evaluation team would make use of video evidence and online meetings perform the required evaluations.

## **6. Authorization**

None

## **7. Revisions**

| <b>Date</b> | <b>Rev.</b> | <b>Remarks</b>                |
|-------------|-------------|-------------------------------|
| May 2023    | 1           | To information on the TEAP DB |

## **8. Development team**

None

## **9. Acknowledgements**

Not applicable.

## Annex A – View of the Listing Sheet of the TEAP DB

| ACCOUNTABILITY       | MATERIAL TECHNICAL INFORMATION |           |         |                      | EVALUATED AND ACCEPTED PRODUCT INFORMATION |                     |              |                     | LISTING INFORMATION |                   |             |               |         | GENERAL |
|----------------------|--------------------------------|-----------|---------|----------------------|--------------------------------------------|---------------------|--------------|---------------------|---------------------|-------------------|-------------|---------------|---------|---------|
| CENTRE OF EXCELLENCE | MATERIAL GROUP                 | D-DT DRWG | SAP No. | MATERIAL DESCRIPTION | OEM                                        | PRODUCT DESCRIPTION | PRODUCT CODE | PRODUCT DRAWING REF | LISTING DATE        | SOURCE OF LISTING | ENQUIRY NO. | TECH SPEC REF | TEC REF | COMMENT |

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