

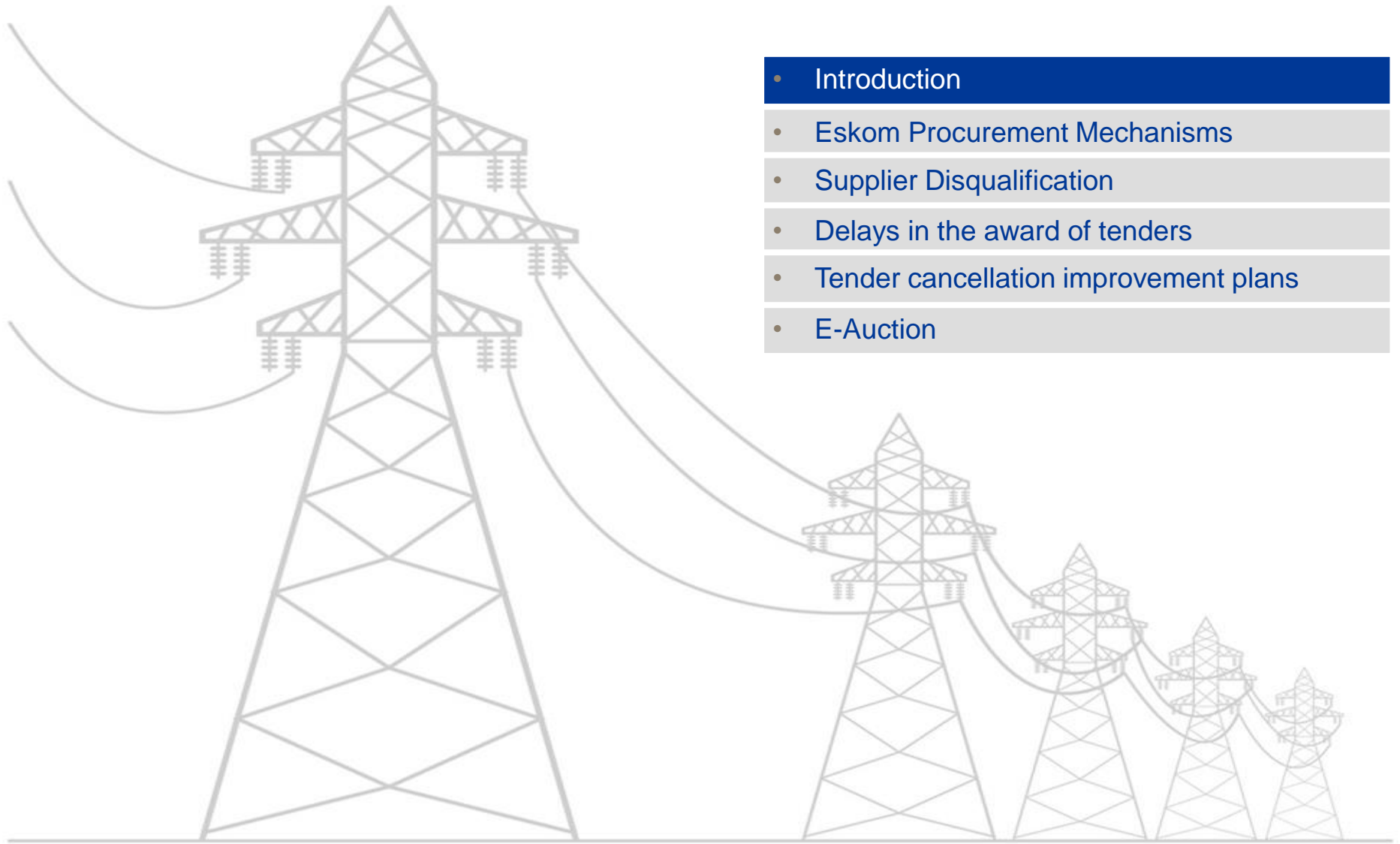
A decorative graphic on the left side of the slide, consisting of three overlapping circular frames. The top frame shows a close-up of solar panels. The middle frame shows a large industrial facility with several tall cooling towers and a body of water in the foreground. The bottom frame shows a helicopter lifting a large power line tower section into place.

# **Transmission Division Procurement and Supply Chain Management**

## **Supplier Engagement Forum**

Presented by: Linda Dennis

Date: 31 March 2022

- 
- Introduction
  - Eskom Procurement Mechanisms
  - Supplier Disqualification
  - Delays in the award of tenders
  - Tender cancellation improvement plans
  - E-Auction

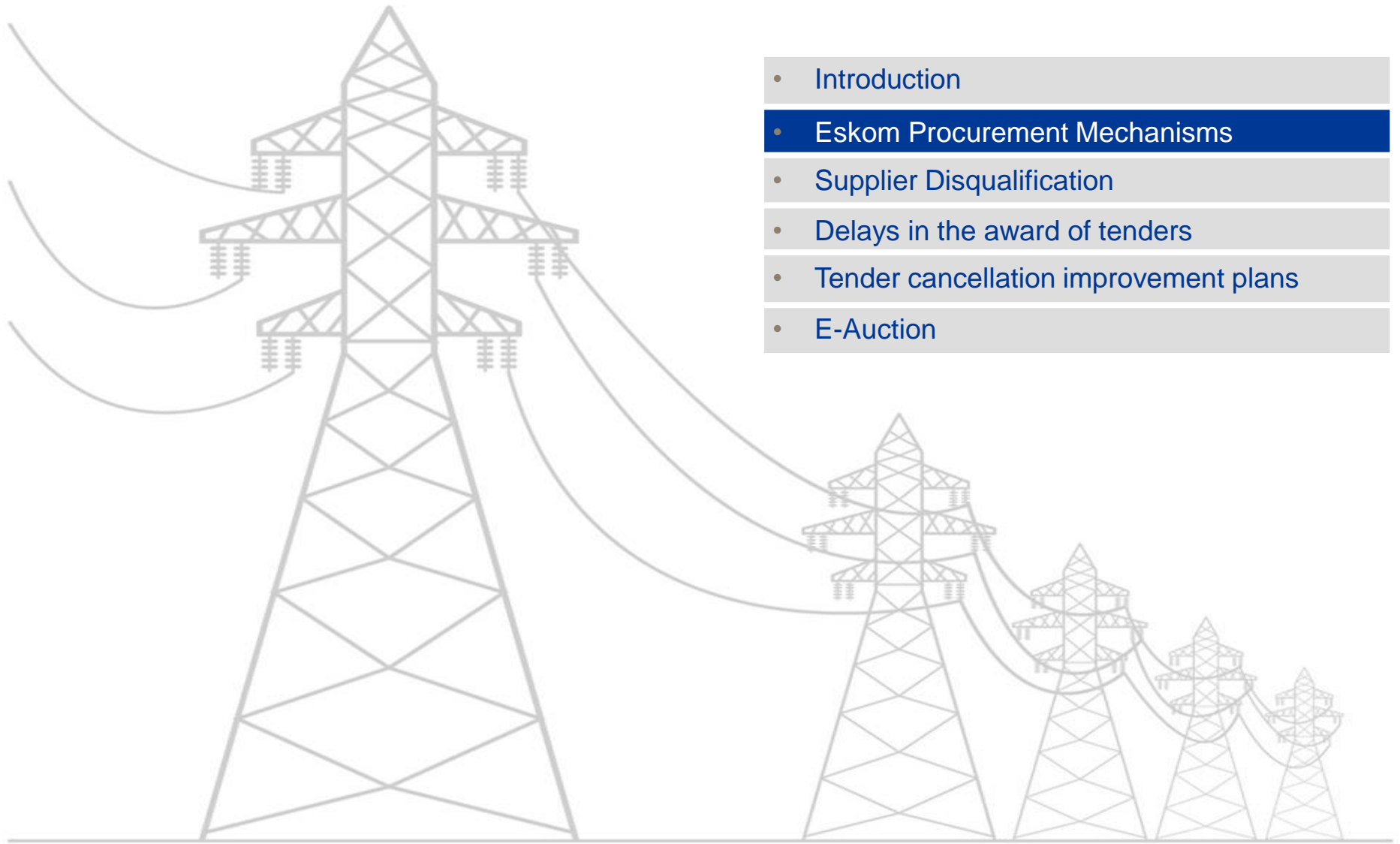
- **Objective**

- To have an **interactive engagement** with Suppliers, potential suppliers who do business with the Transmission Division
- To outline the Transmission Division Procurement and Supply Chain management **processes** for the **procurement** of goods, services and works
- Discuss commercial provisions in tender documents that lead to supplier **non-responsiveness** and **elimination**
- **Cancellation** of tenders

- **Mission**

- To share Eskom **tender process experiences** with suppliers to eliminate failed bids and to learn from suppliers about their experiences on Eskom tenders



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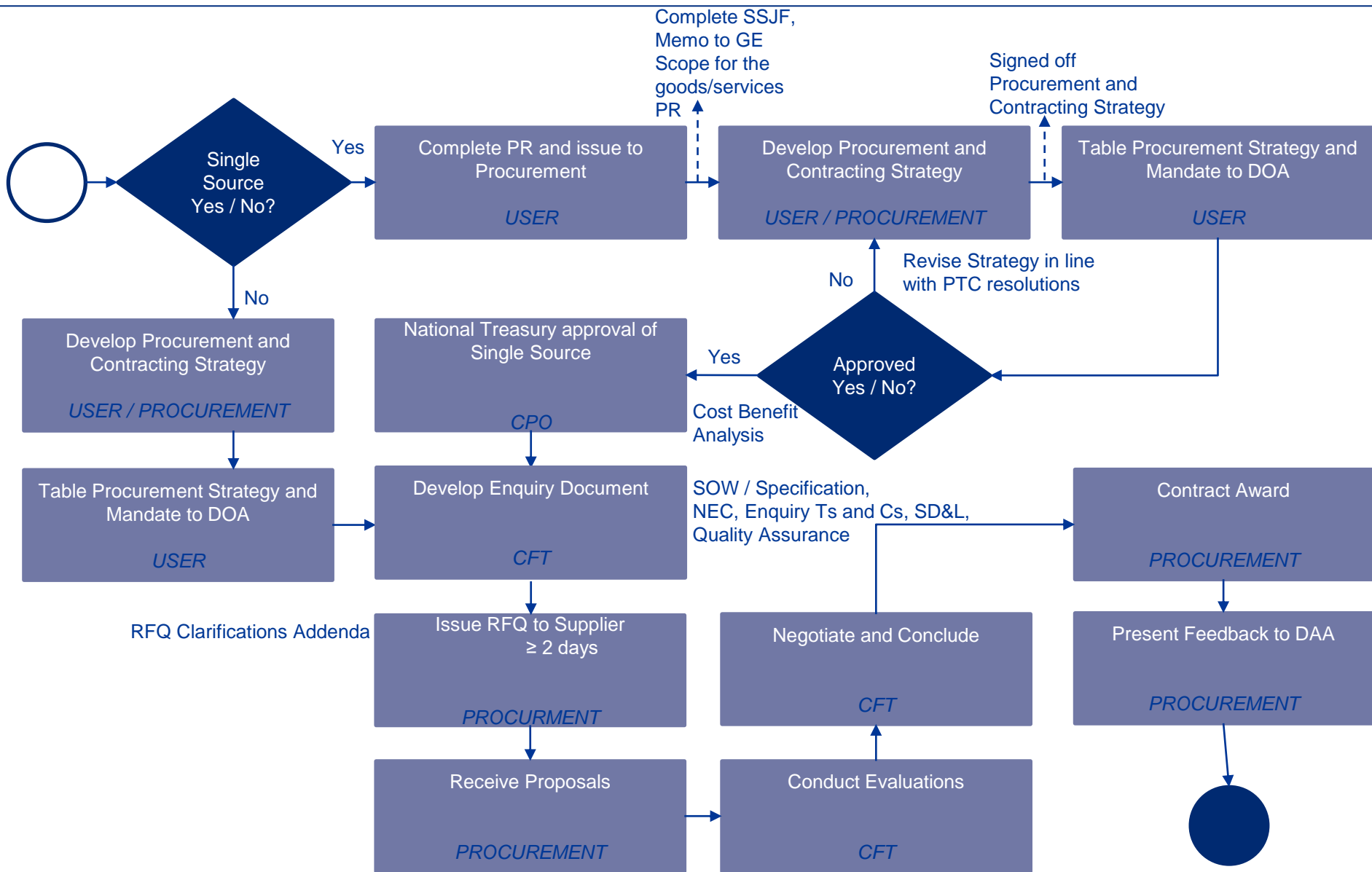
1. Local Purchase Order (LPO) – Values less than R30 000 Vat inclusive
2. Low value tendering – values less than R30 000 inclusive of VAT
3. Informal tendering - values > R30 000 VAT inclusive and less than R1 million (Vat Exclusive)
4. **Emergency Procurement**
5. Urgent procurement
6. **Sole Source, Single source**, Limited tendering
7. **Panel contract**
8. **Formal tendering**

# Initiating a Procurement Request

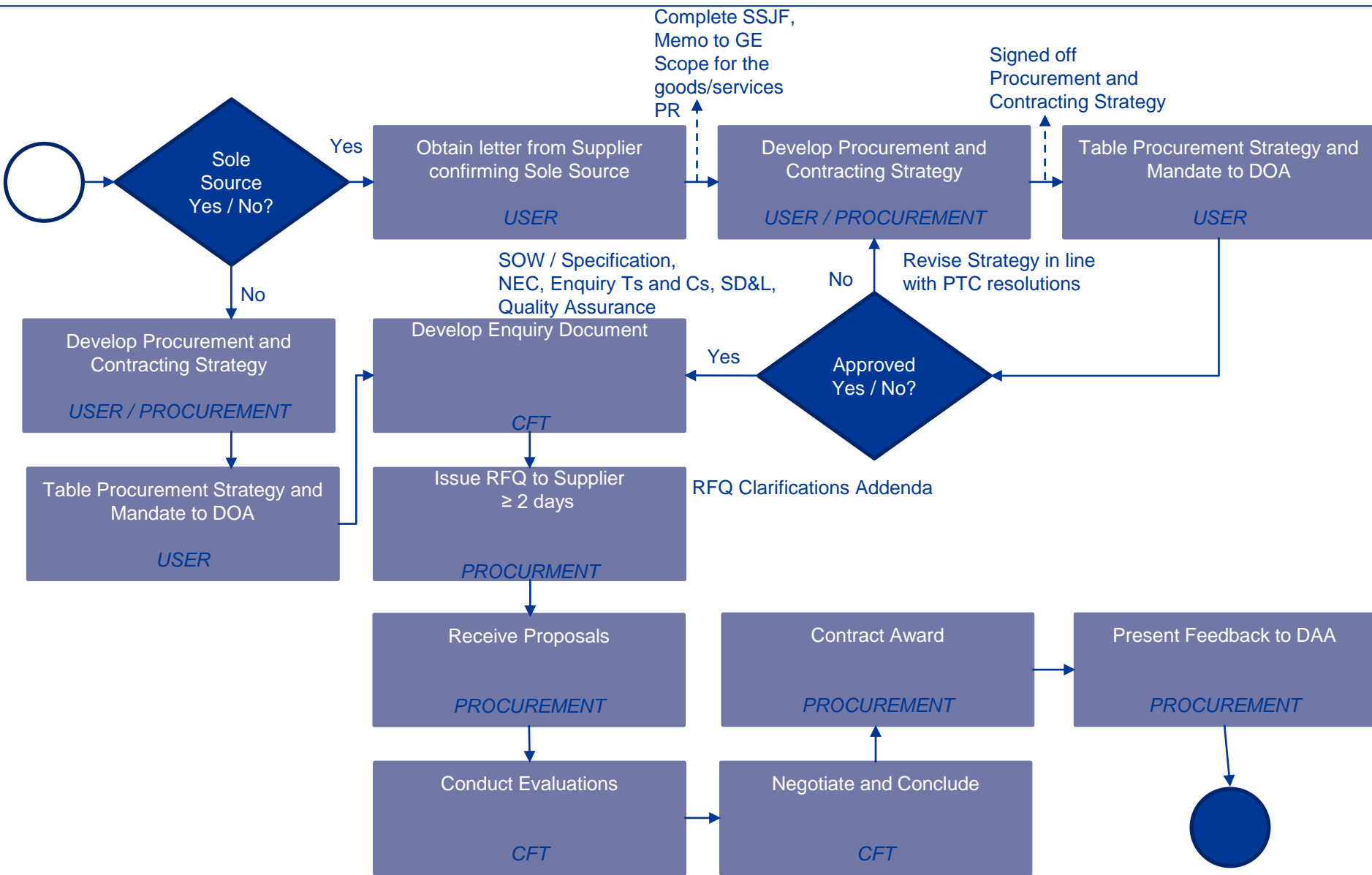
- All procurement >500 000 must be captured on the National Treasury Procurement Plan by **31 March** of each financial year.
- The End User sources a **budget** for the services, goods or works to be procured
- For Capex project the End User will obtain **Investment approval (ERA)** plus the **budget letter** to trigger procurement. End User responsibility.
- All procurement irrespective of value must be raised through a **Purchase Requisition**. This is the responsibility of the End User.
- PR needs to be completed in whole. Incomplete PRs are sent back to the End User for correction and this has in many times wasted procurement time. PRs to be correctly completed.
- Procurement and End User meet to discuss the **transaction timelines**. Durations to be estimated as accurately as possible.
- End user develops the **scope for the services, works, or goods** to be procured. The scope must be signed off even if it is for low value work, scope to be issued to procurement must have a compiler and an approver.
- **Scopes** must be professionally written. They must represent the image of Eskom to the Outside world. Poor quality scopes bring Eskom into disrepute.
- **functionality criteria**. Functionality evaluation criteria must be adequate to ensure tenderers who can do the work know what is required. Too onerous evaluation criteria lead to non-responsive tenders and waste everyone's time

- Emergency procurement may only occur when there is a serious and unexpected situation that poses an immediate **risk to health, life, property** or environmental that calls Eskom to action and where there is insufficient time to invite competitive tenders.
- Complete the emergency request form. Ensure the identified supplier is on CSD. Preferably if you can get three quotes as the DTC will need you to demonstrate market rates.
- Care to execute a transaction as an emergency only to find its not. Tendency for including scope that does not fall under emergency. This is a serious transgression.
- RFQ to the chose supplier must request:
  - CSD registration and active status
  - BBBEE certificate
  - COIDA
  - Tax Compliant supplier
  - Check liquidation status. No order with supplier under liquidation
- User must complete DOI plus memo when leveling emergency request with the GE

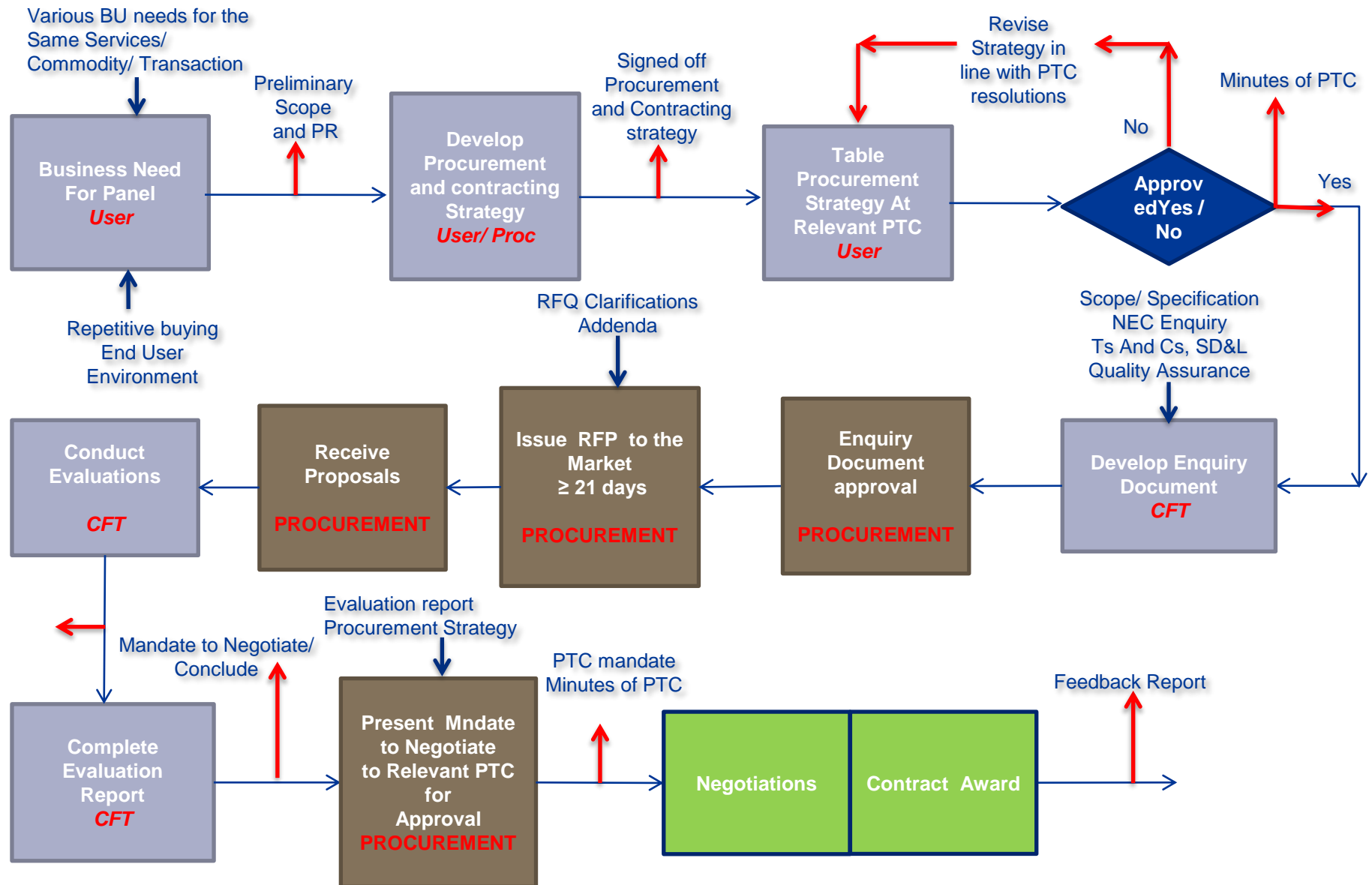
# Single Source Procurement



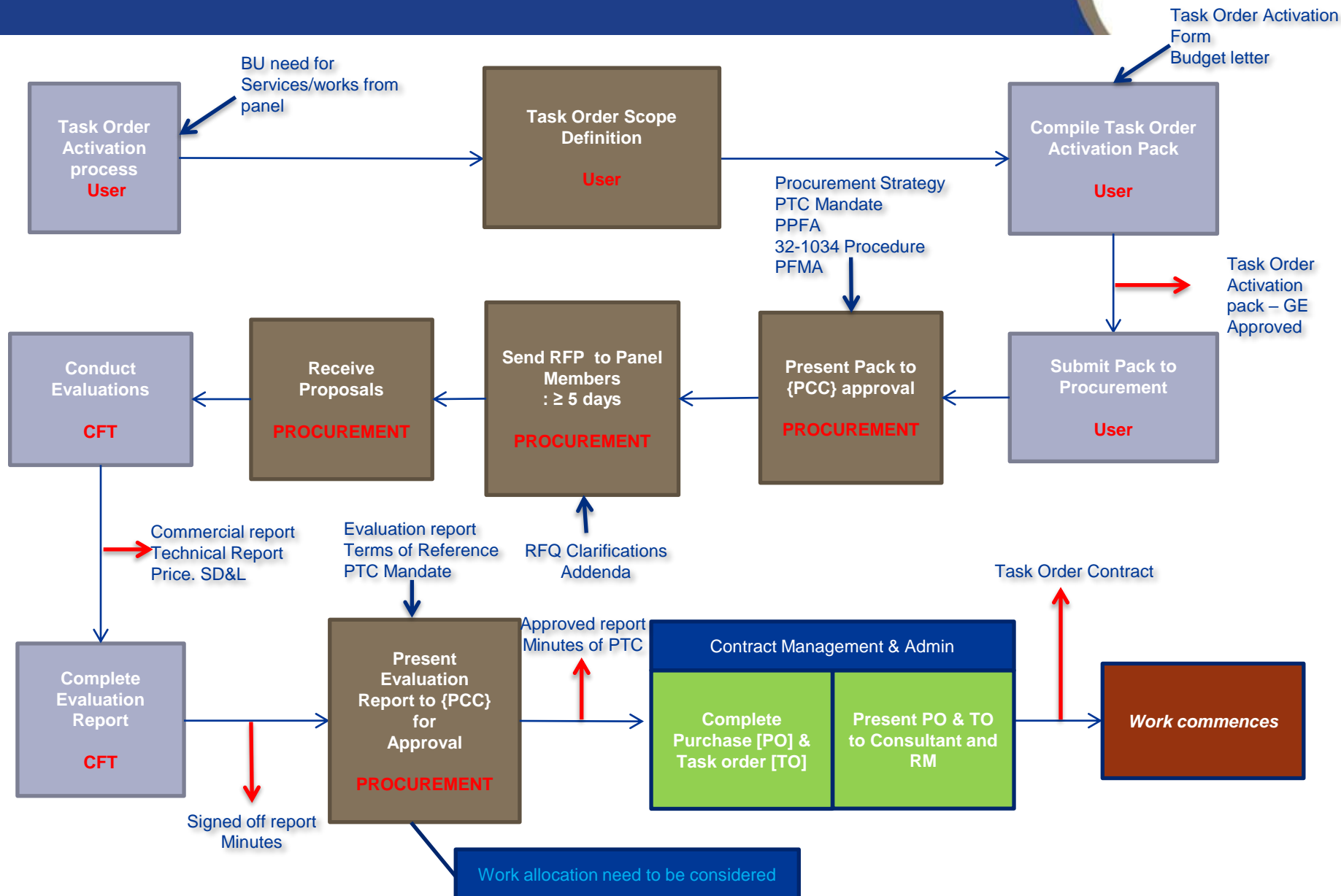
# Sole Source Procurement

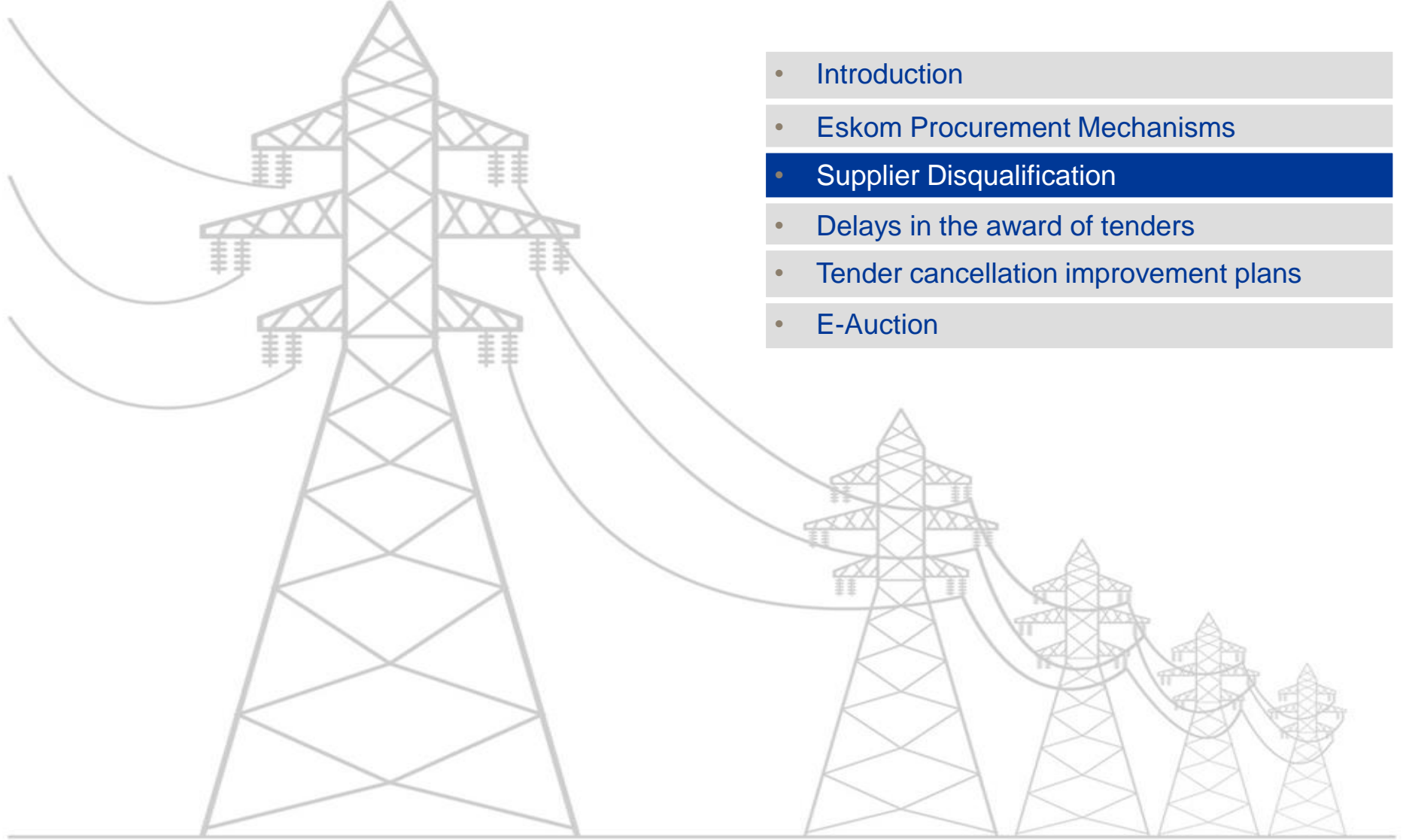


## Competitive Bidding Process (Open Tender)

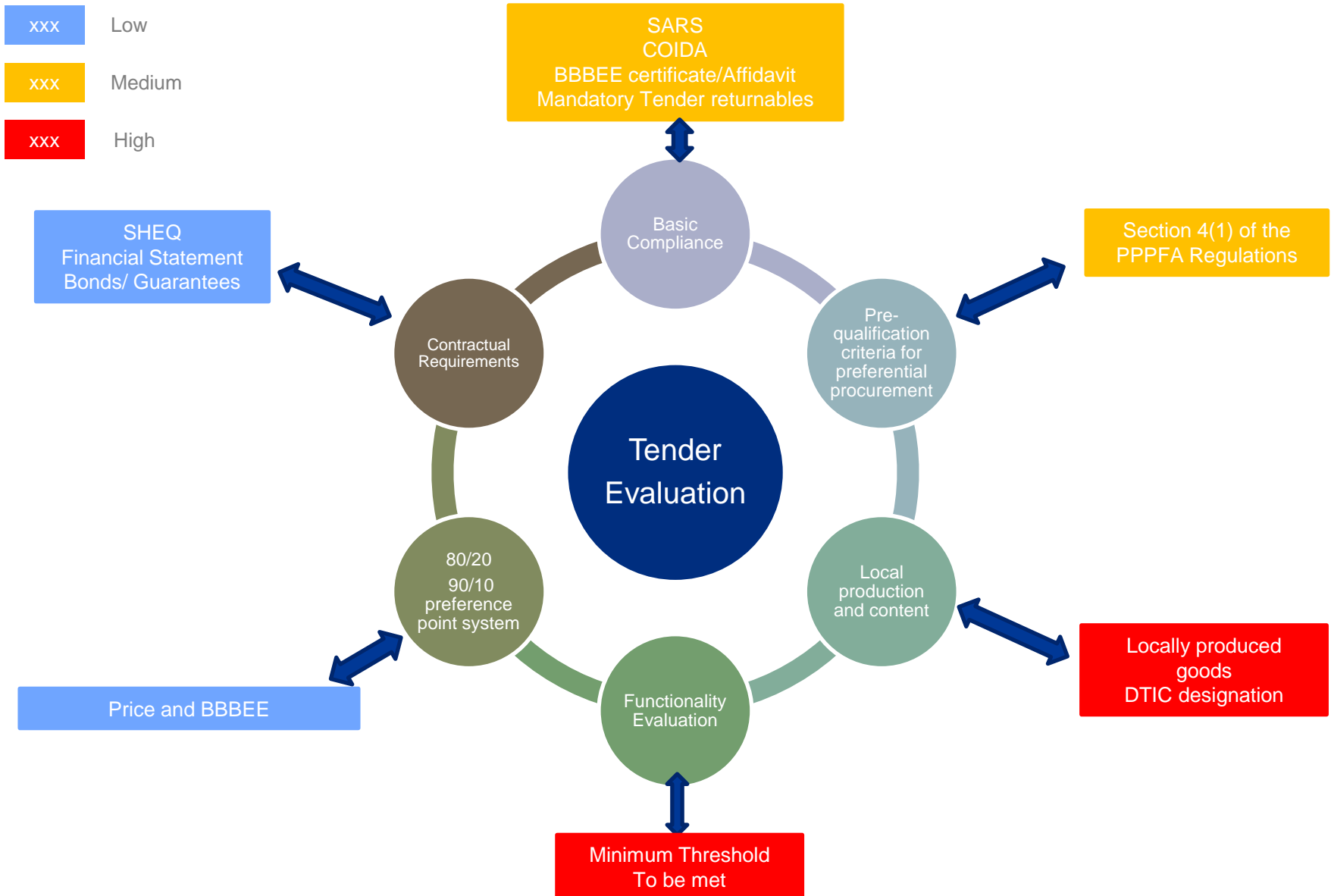


# Panels - PCC Process



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# Six areas of the Tender Process



## Invitation to tender letter

- Eskom has delegated the responsibility for this tender to the Eskom *Representative* whose name and contact details are set out in the **Tender Data**.
- Queries relating to these invitations/RFP documents may be addressed to the **Eskom Representative**.

### 1.1 Parties

- The Employer is Eskom Holdings SOC Ltd
- The **Eskom Representative** is:
  - Name: Dorothy Francis
  - Tel: 011 800 5587
  - E-mail: francdo@eskom.co.za

# Factors that lead to supplier disqualification (2/5)

ITT Condition	
2.1 Eligible tenders	[Tenders/proposals] submitted by a JV or consortium where the JV/consortium agreement <b>does not explicitly state</b> that the parties of the JV or consortium shall be jointly and severally liable for the execution of the Contract in accordance with the Contract terms. BBBEE Certificate, Banking acc, Signatory
2.6 Copy of original tender	The tenderer must submit the tender as a complete original tender, plus one (1) <b>hard copy</b> of the original tender at tender submission deadline.
2.12 Provision of security for Performance	Parent company guarantee or performance bond required. Tenderer to select two from the list of approved financial institutions approved by Eskom.
3.6 Designated materials and thresholds	<b>SBD 6.2 -Declaration certificate for local production and content and Annexures C, D, E.</b>
3.12 Contractual Requirements (if applicable )	Contractual Requirements for this tender include the following: <ul style="list-style-type: none"> <li>• Safety, Health and Quality requirements;</li> <li>• Financial statements (analysis);</li> <li>• Supplier Development and Localization (SD&amp;L) requirements</li> </ul>

# Factors that lead to supplier disqualification (3/5)

Forms	Reasons for supplier disqualification
Acknowledgement form	Not completed in full.
Tenderer's particulars	Not completed in full. Challenge to confirm tendering entity
Integrity Declaration Form	Not completed in full and at times not signed or not signed by the authorised individual
SBD 6.2- Declaration Certificate for Local Production and Local Content	To be completed as required and signed. Incomplete forms lead to disqualification
<b>Annexure C, D, E-Local Content Declaration forms</b>	Very important. This is where local content/ designation is declared. Tenderers omit to complete these forms as per the dtic requirements
SBD 6.1- Preference Points Claim Form in terms of PPPFA 2017 regulations	Completion of this form at times neglected.

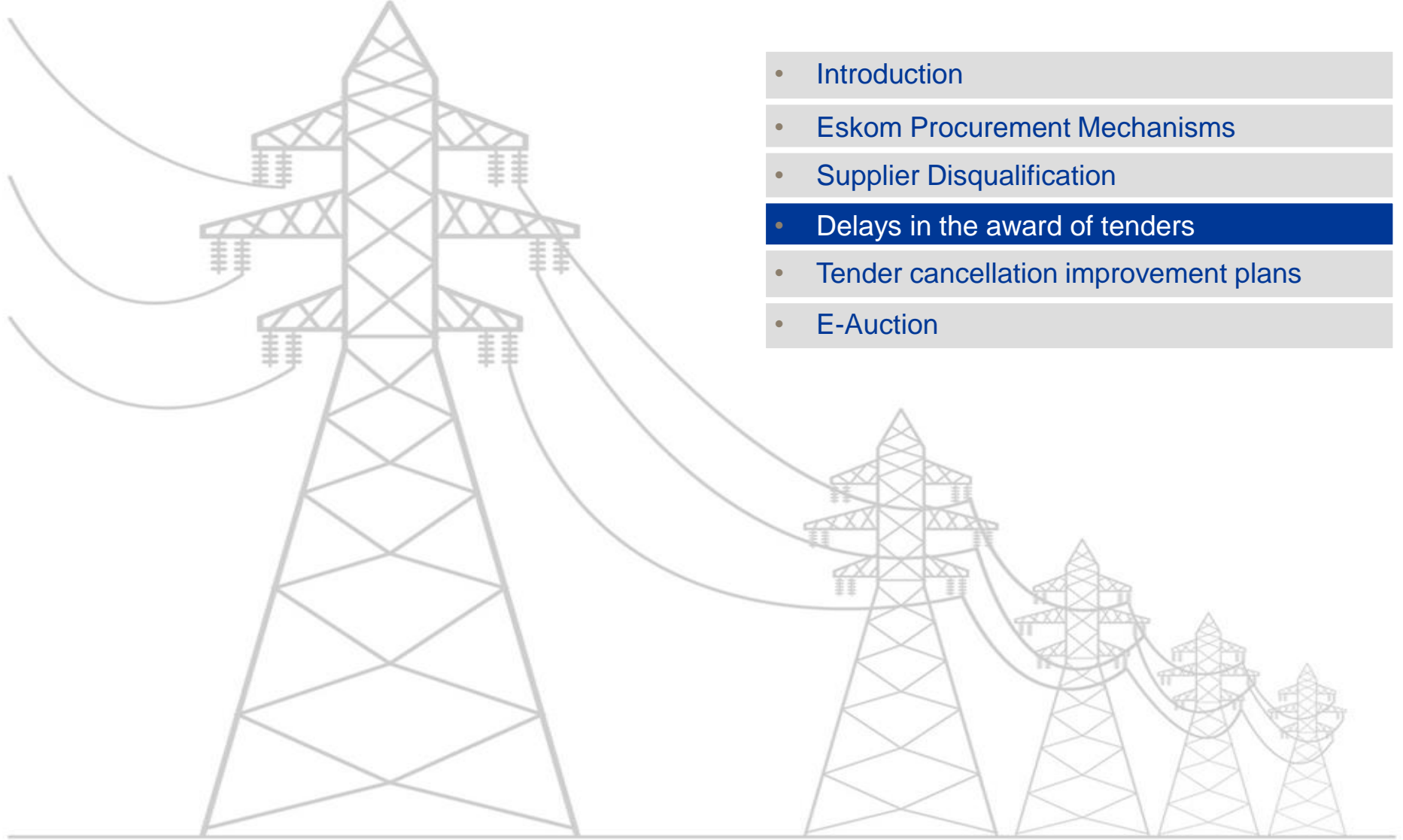
# Factors that lead to supplier disqualification (4/5)

ITT Requirements	Reasons for supplier disqualification
Compliance to functionality Criteria	<ul style="list-style-type: none"><li>• Suppliers tender with the hope of being qualified while their submission is non-compliant to the technical scope and evaluation criteria. e.g. track record not in accordance with scope</li><li>• Tenderers submitting incomplete documentation to enable them to be evaluated and to meet the required threshold.</li></ul>
Prequalification	Non-compliant BBBEE certificates or invalid affidavits.
SHEQ	Suppliers fail to respond to requirements in the tender on SHEQ. While SHEQ is not a disqualification criteria, given second opportunity to provide requirements. Still fail and are eliminated from the process

## Section 1.3 of the ITT is on TENDER RETURNABLES

The tenderer must submit the returnables set out hereunder as part of its tender. Returnables that are mandatory for evaluation will result in **disqualification if not submitted at tender closing**.

Reference	Returnables from Supplier	Returnables due at tender closing and mandatory for evaluation purposes	Returnables mandatory for contract award and due prior to contract award
Compliance reference	What is to be returned with the tender	✓ ↕	✓ ↕
		Both important for expediting the finalization of the tender	

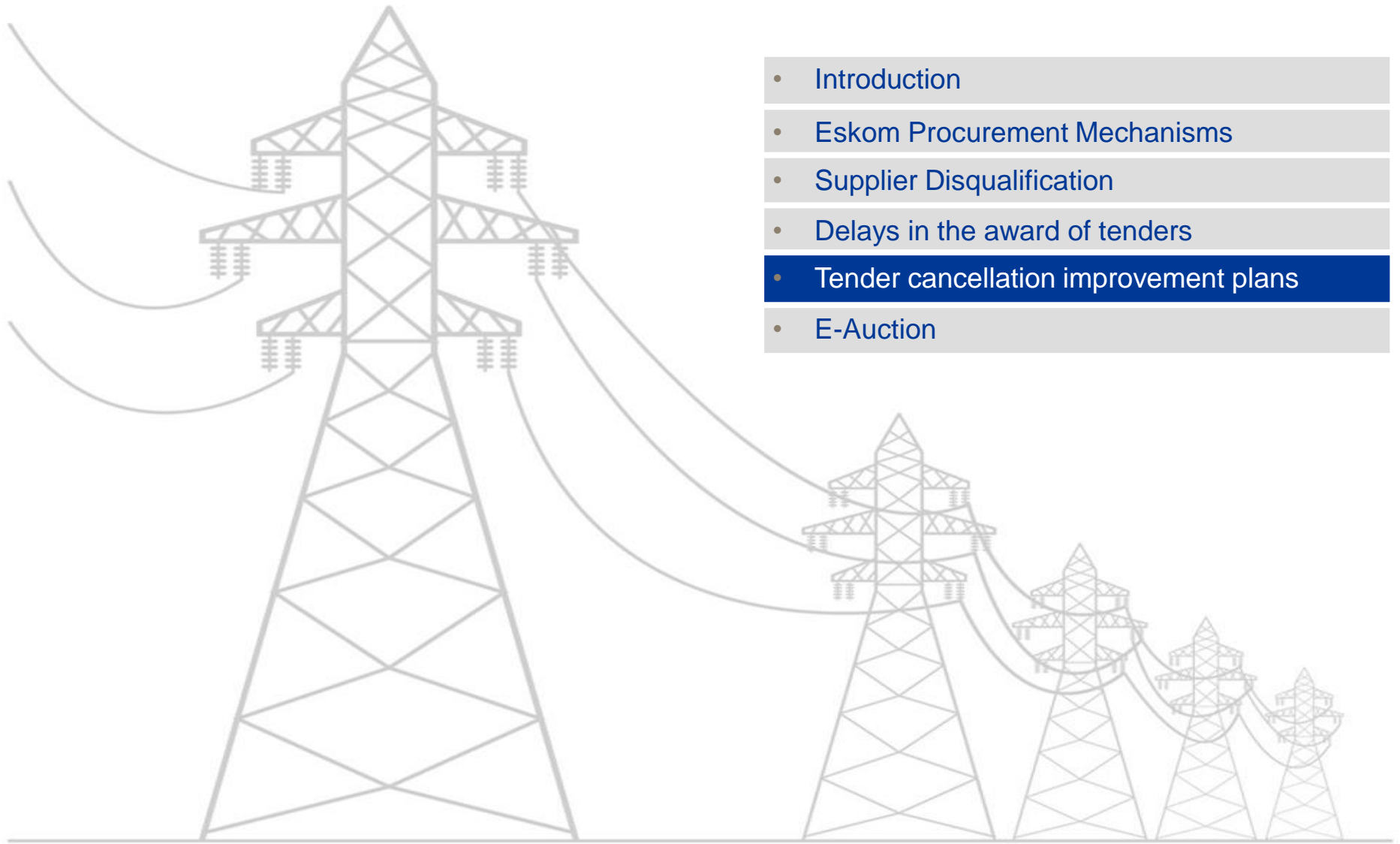
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# Factors that lead to prolonged tender award process (1/2)

Contractual Requirements	Reasons for delays
SHEQ	SHEQ compliance i.e. Security, vegetation management, construction tenders.
Financial Statements Analysis	Latest statements have to be requested. Old Financial statement submitted with the tender. At times not available/ still being audited.
Bonds and Guarantees	Institutions submitted not amongst the Eskom list. Potential successful tenderer still has to source
Deviations to commercial terms	legal interventions. Suppliers risk transfer/mitigation strategy. <b>New deviations or qualifications to the terms and conditions of contract not allowed</b>

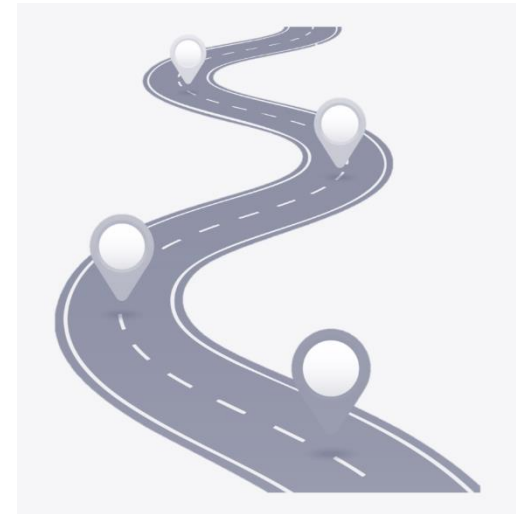
# Factors that lead to prolonged tender award process (2/2)

Other	Reasons for delays
Technical Evaluations	<ul style="list-style-type: none"><li>• Technical evaluations take the longest in the evaluation process.</li><li>• To be noted at this point that most suppliers would have qualified from the steps preceding the technical evaluation.</li><li>• Suppliers lack of submitting their response in line with the technical evaluation criteria makes it difficult to evaluate</li><li>• Care not to eliminate suppliers irregularly or unjustly</li></ul>
Delays in responses to clarifications	Suppliers delaying to respond to clarifications. Once suppliers learn that they are potentially successful, drag their feet in concluding the contracts
Tender Office	<ul style="list-style-type: none"><li>• Delays in the release of tender documents</li><li>• Tender office overwhelmed and few employees to register and stamp tenders</li><li>• Sometimes not all tender documents released. Procurement has to ensure all tenders received are issued by the office for evaluation</li></ul>

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Eskom endeavors to entrench good governance by monitoring compliance to all Procurement and Supply Chain Management processes across its functions. In response to the proposed Ministerial Equity Conditions to the Special Appropriation Bill for 2021 which are to be **enacted into Law**, a roadmap has been devised to address to following conditions:

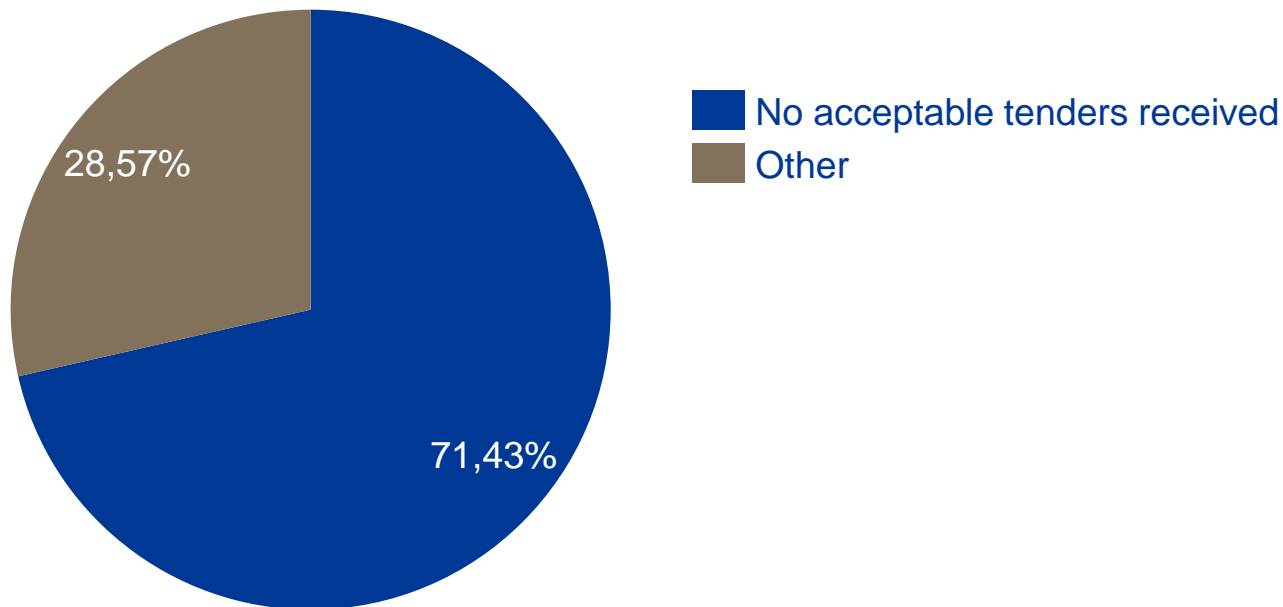
- **Condition 18 (a)** of the said Bill required that Eskom develop and submit a roadmap to achieve: “Improvement of procurement processes – to reduce the number of cancellation of published tenders and improve the percentage compliance on implementation of procurement plan”



- In terms of the PPPFA, a tender may be cancelled due to:
  - a) **Changed business circumstances where there is no longer a need** for the goods, works or services as described in the enquiry document;
  - b) **Improper / unrealistic specifications and functionality criteria** in the enquiry document;
  - c) **Funds no longer being available** to cover the whole envisaged expenditure for the goods, works or services;
  - d) No acceptable tenders received;
  - e) **Material irregularities** (such as non-compliance with legislation or where the constitutional principles of fairness etc is breached);
  - f) A **market-related price not being agreed** after negotiating with the top three tenderers (see process under **Post tender Negotiations section**)
- Competitive tenders cannot be cancelled and re-issued with the purpose of changing the outcome that would have arisen from valid responses to the original enquiry;
- Where an open tendering process requires cancellation, suppliers must be notified of the cancellation through the same media / advertising platform through which the invitation was published (i.e. newspapers, tender bulletin, e-tender Portal, CIDB tender system, etc.)

# Most cancellations were due to unacceptable tenders submitted

Reasons for cancellations



In total, **14 tenders** were cancelled of which:

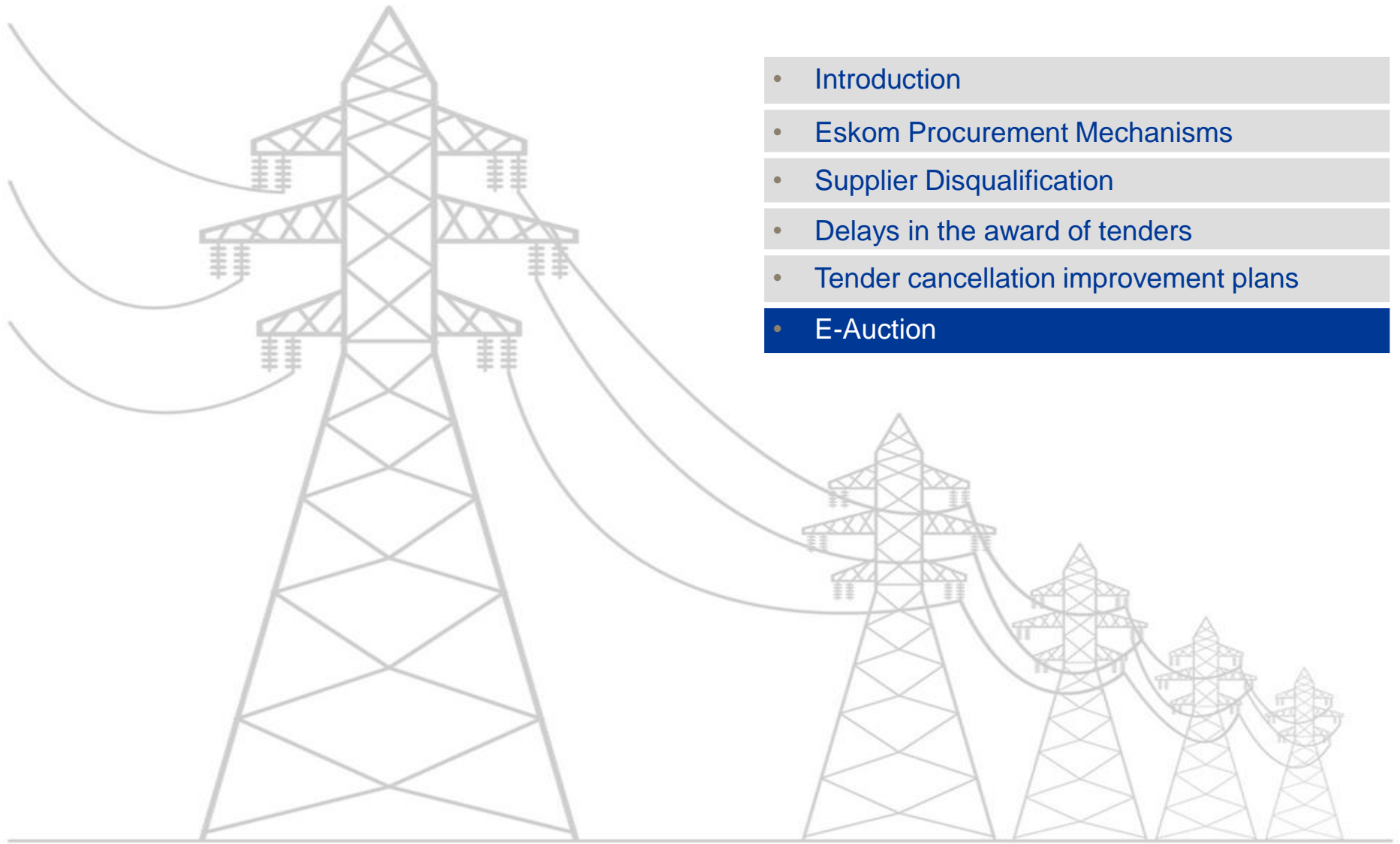
- 10 were due to unacceptable tenders received and,
- 4 were due to other reasons

## Action plan

- Independent Scope and Evaluation Criteria Review Committees/ Independent Bid Review process
- Supplier disqualification and tender cancellation review process – Middle and Senior Managers
- Ensuring all tender validity is monitored and extensions requested timeously
- SHEQ mobilized to review requirements in tenders with a clear view on responses required for evaluation prior to contract award and requirements post contract award.
- Supplier engagement on Eskom tender practices and processes
- Transmission business training on procurement procedure



**A 50% reduction in tender cancellations has been forecasted in the new financial year**

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**The Fourth Industrial Revolution** is a grand plan for countries around the world that are digitally-ready to harness the power of Artificial Intelligence (AI) and robotics to propel their economies forward. Noteworthy is that 4IR does not involve any of the technologies in isolation. It is a fusion of digital devices, smart factories, human brain modifications, gene editing, intelligent robots, and autonomous vehicles (to name but a few)<sup>1</sup>



“  
The Fourth Industrial  
Revolution is not just about  
technology or business.  
It's about society.”

Joe Kaeser  
*President and Chief Executive Officer, Siemens AG*

WORLD  
ECONOMIC  
FORUM

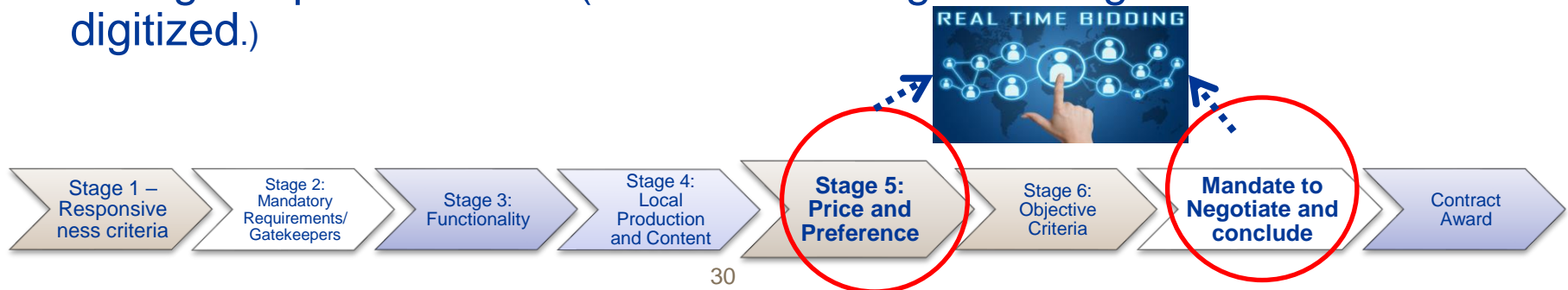
# 1 What is e-Auction all about?

- An electronic procurement process for buying and selling that aims to achieve the most competitive prices for clearly specified items.
- e-Auction is about adding value and efficiency through commercial activities.
- e-Auction is online negotiation tool that can be used to procure (reverse e-auction), and dispose goods and services (e-auction).
- Negotiating with multiple suppliers at once.
- **Reverse e-auction** seeks to obtain lowest prices for the goods and services being procured by Eskom.
- **e-Auction** seeks to obtain highest price for goods and services being disposed by Eskom.



## 2 Why has this initiative been implemented?

- This tool was implemented to improve the way Eskom does business, to ensure efficiencies in the procurement process.
- It seeks to achieve best prices through online competitive processes.
- e-Auction is part of the Eskom's P&SCM Procedure and thus where applicable in line with procedure it must be utilized by procurement practitioners to obtain market related prices.
- Pricing and negotiation tool.
- To digitize procurement. (B-BBEE Scoring & Pricing has been digitized.)



### 3 Who is affected/impacted?

**Procurement  
Practitioners & Disposal  
Officers**



**Eskom Suppliers**



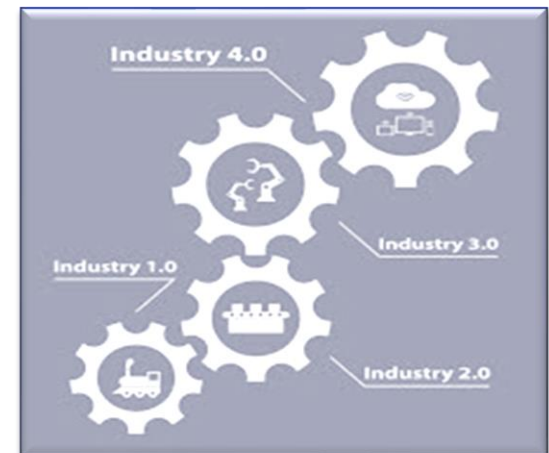
**Create & manage  
auctions**



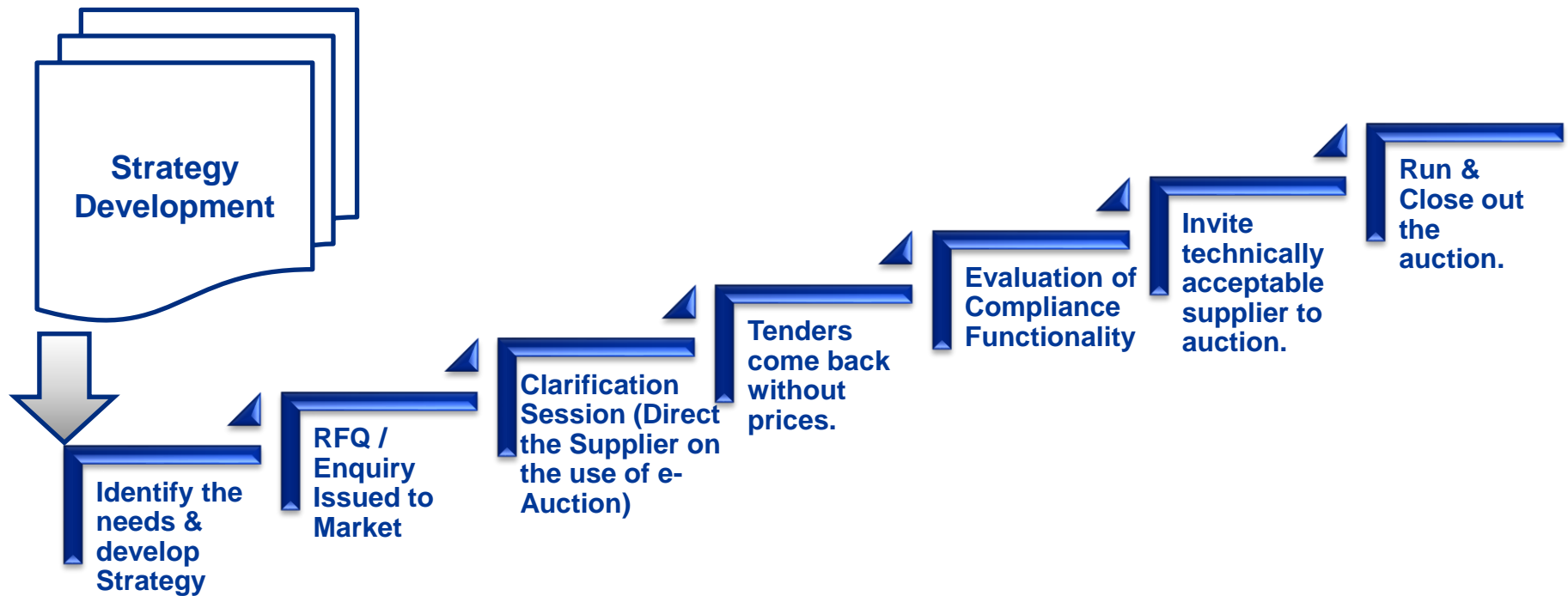
**Bidding on reverse  
e-auction**

## What system has been developed to support this tool?

- The application developed is web-based secured internet system.
- The system is stand alone from all other Eskom systems such as SAP, OLT, etc
- The Purchase Orders or Contracts conducted via e-Auction will still be placed on SAP system.
- Legal department reviewed & approved the terms and conditions of the system.



## 5 How does the application/ system work?



Procedural way of doing business remains. Only negotiation mechanism change.

- Where reverse e-auction is used, companies are required to **comply** with all **tender conditions** and support the initiative by participating fully
- The tool has a potential to **save** Eskom lots of money as **market related costs** can be realized
- The process is **transparent** and **reduces** the risk of **supplier preferences**
- Eskom require your **support** in embracing e-auction / reverse e-auction tool



Together we can contribute to a better sustainable Eskom, and South Africa



# Potential Opportunities FY22/23 > R500k

- Construction of Lines and Substations
  - Catering
  - Maintenance of Security Systems, aircons, fire sprinkler systems, etc
  - Building and Civil Maintenance
  - Building / Warehouse construction
  - Repairs to roads
  - Vegetation management
  - Demolition of asbestos containing buildings
  - Various Commodity contracts
  - PPE Contracts
  - Supply and Delivery of bird guards, trench covers, IR cameras, oil, etc
  - Waste Management
  - Gates and Fencing
  - Tower member repairs
  - Servitude / substation access roads
  - Bird Guard Maintenance
  - Insulator Replacements
  - Water Treatment
- At this point 102 upcoming transactions across the country for Tx



“Besides glaring things like safety, technical, one of the biggest reasons for failure by tenderers to succeed in tendering for Eskom work is the lack of attention to detail, names of directors, signatures, etc....

Suppliers think they understand Eskom conditions and requirements so they don't read. Suppliers are encouraged to read and treat each and every tender as if it is the first time they see an Eskom tender.”

**-Linda Dennis**



Thank you

