REPURPOSING OF CAMDEN, GROOTVLEI AND HENDRINA POWER STATIONS
PROCUREMENT OF TRANSACTION ADVISORY SERVICES

AUTHORIZATIONS

This document has been seen and accepted by:

Name	Designation
Saneshan Govender	General Manager Master Specialist
Nomcebo Matekgane	Programme Manager
Brendah Shange	Middle Manager Procurement
Rudi Sono	Camden Project Engineering Manager
Dorothy Hlapolosa	Accounting Officer
Yugan Naidoo	Middle Manager Project Engineering
Mduduzi Zulu	Hendrina Project Engineering Manager
Isaac Blou	Senior Manager Clean Energy Unit
Julie Kabasela Kombua	Chief Advisor Legal
Gabriel Mkhonza	Middle Manager SD&L
Mishack Mdluli	Grootvlei Project Engineering Manager

DOCUMENT HISTORY

Rev.	Date	Preparer	Document No	Changes
0	23 April 2024	L. Memela	559-1050446718	Initial Draft Revision
1	30 May 2024	L. Memela	559-1050446718 Rev1	Final Draft Revision
2	12 June 2024	L. Memela	559-1050446718 Rev2	SDL&I Inclusion
3	11 October 2024	L. Memela	559-1050446718 Rev3	Added Management of TA by Eskom

Compiled by:	Supported By:	Authorized by:
.....	.....	.....
Lebo Memela	**Luke Walker**	**Tom Skinner**
Middle Manager Project Portfolio	**Senior Manager Project Portfolio**	**General Manager Clean Energy Unit**
Date: 11 October 2024	**Date:** 11 October 2024	**Date:** 22 November 2024 ~~11 October 2024~~

REPURPOSING OF CAMDEN, GROOTVLEI AND HENDRINA POWER STATIONS BY ESKOM

PROCUREMENT OF TRANSACTION ADVISORY SERVICES

TERMS OF REFERENCE

1. INTRODUCTION

1.1 PURPOSE

The Camden, Grootvlei and Hendrina ("CGH") power plants currently owned by Eskom, are being considered for repurposing, with consideration for multiple technologies (the "Projects").

The purpose of these Terms of Reference ("ToR") is to invite proposals from suitably qualified and experienced consulting firms ("bidder") to provide **transaction advisory** ("TA") to Eskom in terms of financial, technical, legal etc. in respect of the Projects.

Each interested bidder shall form the necessary consortium or joint venture arrangements to demonstrate that it has the requisite for suitably qualified and experienced international or local financial, technical, and legal advisors. Each bidder shall submit a single bid covering the three phases outlined in these ToR and shall use the format prescribed therein.

1.2 CONTEXT

Within the framework of South Africa's Integrated Resource Plan (IRP 2019 is currently under review by the Department of Electricity and Energy and is expected to be approved as IRP 2024) and its Just Energy Transition (JET) strategy, its state power utility, Eskom, plans to undertake an initiative to repurpose its old coal power plants (the "Initiative"). Through the Initiative, there is a need to acquire cleaner energy infrastructure by reusing and fully utilizing the existing power transmission infrastructure of Eskom, developing new generation capacity needed for projected demand and providing relevant ancillary services to the system while mitigating any socio-economic impact that this Initiative may have.

More specifically, the objectives of the Initiative are to support strategic imperatives laid out in Eskom's integrated long-term plan as well as the country's Department of Electricity and Energy medium-term objectives, which are:

a. To provide reliable and predictable electricity.
b. To ensure and maintain a financially viable and sustainable company.
c. To ensure that Eskom's structure is responsive to a changing energy landscape.
d. To reduce the impact on the environment of power generation activities through identifying, implementing and/or supporting internal and external options for low carbon emitting generation, transportation and other opportunities; and
e. To consolidate socio-economic contribution to ensure alignment to national transformation imperatives to unlock growth, drive industrialization and create employment and skills development.

In preparation for the Projects, Eskom has undertaken specific technical, environmental, and socio-economic analyses under a separate exercise supported by the World Bank, and these will be provided to the TA selected to implement these ToR. The review of these analyses is within the scope of the Projects. To ensure clear understanding of the Eskom requirements, the current technical reports, such as the VPC Reports for each station (Annexure 1), will outline the minimum requirements that Eskom expects from the Projects. It will not be necessary to do a full technical study on the technical solutions proposed but rather a cursory review for, understanding and implementation, and where necessary additional comments/recommendations based on TA sapiental authority.

It is expected that the TA is to provide a solution that Eskom can implement with a Public Private Partnership (PPP), in conjunction with the definition and scope of international PPP framework, and of PPP framework[1] of the Government of South Africa. The TA is to advise on the potential for PPPs, analyze various PPP options and determine the most suitable option for Eskom and the RSA. All this within a clear understanding of Eskom and the country's financial position, strategic generation plans, sector restructuring initiatives including the unbundling of Eskom, the adjusted decommission programme and schedule, demolition and rehabilitation plans and the associated liabilities.

The TA will also be expected to include the latest Eskom or Generation Board approved strategies in relation to the three power stations.

2. OBJECTIVE OF ASSIGNMENT

The selected TA will undertake the Projects by conducting pre-feasibility and detailed feasibility studies on CGH as suitable candidates for a PPP structure of financing and delivering the repurposing of these stations based on the outcome of the review and studies, to subsequently provide advisory support to Eskom on the most suitable PPP structure; and lastly to provide procurement and advisory support to Eskom in the structuring, negotiation and execution of the proposed PPP solution.

The scope of work to be undertaken under these ToR is provided below. Each stage will require an internal Eskom review before permission is granted to proceed to the next stage.

3. SCOPE OF WORK

The activities to be undertaken under these ToR for the Projects are divided into three phases:

Phase 1: Pre-feasibility assessment with identification and shortlisting of PPP options
Phase 2: PPP feasibility studies
Phase 3: PPP procurement activities

Eskom will retain the right to accept deliverables at completion of each phase. These phases are described in more detail below and shall be preceded by the background documentation and preparatory work described below.

[1] https://www.treasury.gov.za/documents/national%20budget/2021/review/Annexure%20E.pdf

3.1 BACKGROUND DOCUMENTATION AND PREPARATORY WORK

The TA will be responsible for the necessary preparatory work, including but not limited to undertaking initial technical, environmental, financial, and legal framework reviews that are deemed necessary for successful completion of the projects, such as the following non-exhaustive list:

a. Relevant existing reports, studies, audits, etc. necessary for familiarization with the renewables, REIPPPP and electricity sectors in South Africa.

b. All information pertaining to electricity market structure and the critical role of Eskom.

c. Existing financial forecasts, historical and current financial performance and technical operating history for Eskom and existing power generation arrangements in South Africa.

d. Existing electricity sector laws and regulatory functions.

e. PPP framework (e.g., Regulation 16 of the National Treasury) of the Govt of South Africa, including specific provisions (e.g., procurement regulations) that are applicable to State Owned Enterprises.

f. Proposed funding frameworks in the Just Energy Transition Implementation Plan and relevant documentation and guidelines from the JET Project Management Unit (PMU) in the Presidency of the Government of South Africa.

g. Responsibilities and relationships of Government and Eskom with other government entities at different levels.

h. Historical details on the projects including technical, environmental, and social considerations (based on both Eskom's environmental and social studies and additional studies undertaken by the Transaction Advisor); and

i. The reports annexed to or provided alongside these ToR

j. Relevant documents on international PPP Framework and experience.

3.2 PHASE 1: PRE-FEASIBILITY ASSESSMENT WITH IDENTIFICATION AND SHORTLISTING OF PPP OPTIONS

The TA will undertake the pre-feasibility studies including investigating all possible financing and implementation options with a specific focus on PPPs, with the scope of international PPP framework, and of PPP framework of South Africa, and shortlist the applicable PPP options for the Projects [as described in section 4.1 of these ToR]. As part of the Phase 1, the TA will need to assess the market readiness of the South African market given the previous experiences and attempts to bring private sector in repurposing existing infrastructure sites (i.e. "brownfield") vis-à-vis the new RE ("greenfield") development sites that may attract the existing and future market capacity,

3.3 PHASE 2: PPP FEASIBILITY STUDIES

Based on the shortlisted PPP options that will be agreed by Eskom, the TA will produce technical, financial, and commercial feasibility studies. This includes analyzing value for money (VfM) relating to the Projects using a public sector comparator ("PSC") from South Africa for new-build Renewable Energy Plants and PPP reference models from the market. These studies shall include a preliminary assessment of the potential environmental and social risks and impacts not captured under Eskom's studies (considering international best practices). Also, it should consider the specific requirements related to available funding and the related conditions. Within this context, the study should develop and provide the most transaction structuring for the projects as a recommendation to Eskom. This will provide details around the roles and responsibilities of private sector and Eskom. Based on this recommendation, Eskom shall receive internal approvals to procure a private sector partner under the PPP solution. Section 5 below sets out the PPP feasibility study deliverables.

3.4 PHASE 3: PPP PROCUREMENT

Subject to Eskom's acceptance of the Phase 2 recommendation of the most suitable solution for implementing the repurposing of CGH, the TA will support and advise Eskom in the procurement, selection of a private sector partner and achieving a successful financial closure. This includes supporting Eskom with necessary legal and financial support to establish project implementation arrangement (e.g., a special purpose vehicle), including where relevant, in partnership with the private sector partner. The activities in this phase shall be carried out in compliance with applicable legislation, regulations made thereunder and the Eskom procurement policy but also include those of any other potential international partner/donor institutions. The procurement deliverables are set out in Section 6.

4. PROJECT PRE-FEASIBILITY DELIVERABLES

4.1 COMPONENTS OF THE PRE-FEASIBILITY STUDIES

PPP Pre-feasibility assessment objective: The objective of the pre-feasibility studies is to investigate all possible PPP financing and implementation options for the repurposing of the CGH power plants and shortlist the applicable PPP approach considering all technical, legal, and financial aspects. The pre-feasibility studies shall include the components detailed in Appendix I to these ToR.

5. PPP FEASIBILITY STUDY DELIVERABLES

PPP Feasibility Study Objective: Following the findings of the pre-feasibility, the TA will analyze, determine, and develop the PPP option most suitable from the South Africa, Eskom, and Climate Investment Fund Accelerating Coal Transition (CIF ACT) considerations, including all relevant technical, commercial, financial and legal aspects. A specific focus shall be made on the risk allocation and bankability of the PPP option. The feasibility study reports will comply with *applicable standards* as defined by (amongst others) Eskom engineering, finance, procurement, legal and project development standards, as well as South African PPP and other applicable legislation for the project, which will depend on the chosen PPP option.

5.1 COMPONENTS OF THE PPP FEASIBILITY STUDIES

The PPP feasibility studies shall include the components detailed in Appendix II to these ToR.

5.2 PRESENTATION OF THE FEASIBILITY STUDY REPORTS

The feasibility studies, comprising all the above deliverables, shall be compiled in a single report in Word format (with relevant annexures), and delivered as both electronic and hard copy documents. All financial models shall be in Excel format, and shall clearly set out all assumptions made, sensitivity analyses carried out, and model outputs. The financial models shall be sufficiently adaptable for use by others at later stages. The feasibility study shall be presented with a thorough executive summary and shall be accompanied by a PowerPoint presentation that encapsulates all the key features of the study. The executive summary and PowerPoint presentation shall be compiled in such a manner that they can be used by Eskom's management for decision-making purposes.

5.3 SUBMISSION REQUIREMENTS FOR THE FEASIBILITY STUDY REPORT

The feasibility studies shall be undertaken in accordance with the stipulations of applicable legislation of South Africa and of a standard that will be accepted by relevant authorities for the purposes of Eskom obtaining the requisite approvals to proceed with the procurement of a PPP service provider. The TA is therefore required to be fully familiar with the requirements of legislation and of the relevant authorities.

6. PPP PROCUREMENT DELIVERABLES

Subject to Eskom's acceptance of a preferred PPP procurement solution, the TA will manage the procurement process for developing the procurement bid documents, drafting contractual agreements between Eskom and private sector partner(s), undertaking procurement activities; advise and support Eskom during the structuring, documentation, and negotiation processes; and advise and support Eskom on project execution stages pertinent to Eskom; mainly, commercial, and financial closures. All this needs to be in accordance with the systems and standards set out for PPPs in relevant laws and regulations of South Africa and Eskom's policies.

The TA will have to deliver the following:

6.1 PROCUREMENT DOCUMENTATION AND PROCESS ADMINISTRATIVE SUPPORT AND ADVICE

The TA will prepare the complete set of procurement documents described below, complying with South Africa's public sector procurement law, policies, and guidelines, and in accordance with the procurement management systems of Eskom. The documentation shall be consistent with the results of the feasibility studies and enable Eskom to obtain relevant approvals.

The TA will also give Eskom all the necessary drafting, bidder communication and administrative support necessary for the entire procurement process to be conducted in accordance with South African law and policy, and to the highest standards of efficiency, quality, and integrity.

6.2 DETAILED PROCUREMENT PLAN

The TA will design a complete procurement plan and process, based on applicable procurement requirements, including:

- Support Eskom in developing a procurement strategy, including timeline, key milestones and steps involved for Eskom interim and final approvals, including advice on mechanisms to maximize competition while avoiding unrealistic bids and Project vulnerability from overly aggressive bidding.
- Develop robust governance process and support Eskom in managing the overall procurement process efficiently.
- Reviewing information to be provided by the Government to bidders to manage liabilities.
- Technical review (based on the Eskom technical studies), including
    - Review of proposed general functional/technical solutions.
    - Assessment of the estimated capital, operating costs and potential PPA tariffs to be paid to suppliers.
    - Review the proposals and compare them with current best practice, highlighting areas where the proposed solutions will increase risk (and therefore price) and making suggestions for changes in current proposals.
    - Capacity of the site, and appropriateness for the technology and performance required of the project.
    - Weather conditions, status of land availability, status of permissions and permits, traffic.
    - Management and construction management contraints etc.
    - Preparation of all alignment drawings and specifications (to the extent not provided in the feasibility study).
    - Review of Project data, including ground conditions and geotechnics.
    - Review of capital cost estimates from feasibility study, benchmarking against our turn costs /published cost estimate data on other projects.
    - Review of operability of scheme in relation to technical specification, infrastructure, off-take demand and required levels of output, availability, and safety.
    - Commentary on integration with and linkages to network.
    - Requirement for the preparation of an environmental and social impact assessments or further studies based on both Eskom's environmental and social studies and additional studies undertaken by the Transaction Advisor).

- Developing detailed project information memorandum (PIM) and conduct market sounding exercises and roadshows to receive early-stage feedback with sponsors, investors, operators, and lenders (including IFIs), and maximize the participation of potential bidders.

- Designing pre-qualification and bidding procedures to maximize the expression of interests from domestic and international bidders.

- Designing key aspects of the tender procedure, for example deciding whether and to what extent to accept variant and non-conforming bids, how many bidders shall bid before the process is valid, what rules to set in relation to the assessment of bids (scoring regimes, timing of bids and rejecting of excessively low bids) and how to maximize competition without sacrificing quality of bids.

- Outlining the bid documentation, draft PPP contract (including all annexes) that implements the chosen PPP approach:
    - Applying the risk matrix developed during the feasibility study but updated to address all Project issues and market context.
    - Developing and implementing a detailed financial model and developing the contract to fit the requirements of the model.
    - Setting out the objectives, scope, performance requirements and payment arrangements for the PPP contract.
    - Develop detailed risk allocation matrix (RAM) and bankability review of the proposed PPP arrangement.
    - Explaining to the Government whether and to what extent certain provisions could be amended without disturbing the key risk allocation goals of the Government; and
    - If the Government needs to obtain debt or provide a loan to the SPV (project company to meet Eskom's shareholding, if required) or to provide some other financial instrument (e.g. guarantee or subsidy) to make the PPP project financially viable or more cost-effective, providing advice on structuring of such instruments, their drafting, negotiation and implementation (e.g. setting up trusts and escrow accounts, arrangements with security sharing and management and other aspects of financial management and ensuring compliance with financial covenants).

- All advice compliant with applicable law and considering any constraints or opportunities associated with applicable law.

- A 2-day 'workshop' with the relevant Government and Eskom officials to discuss policy decisions and risk transfer issues, followed by an additional and more extensive 'workshop' to agree final Project design.

6.3 ADMINISTRATION AND SUPPORT FOR PRE-QUALIFICATION OF BIDDERS

The TA will design and administer a pre-qualification (request for qualification ("RFQ") process with the intention of:

- Ensuring that Eskom's exact interest is communicated clearly to the market.
- Determining the extent and nature of interest in the private sector, including through a dedicated and formal market sounding process.
- Pre-qualifying a competitive number of competent consortia in an equitable and transparent way.

The desired result is that every pre-qualified bidder can provide the facilities and services required by Eskom.

- Prepare all the necessary RFQ documentation, including advertising material.
- Set up and administer the process by which Eskom can pre-qualify the parties, including responding to questions and interfacing with bidders.
- Help Eskom evaluate and pre-qualify bidders.

As part of this process, the TA shall develop a tightly focused promotional campaign for the Project, including short press briefings, advertisement inserts to be published in international trade publications and business newspapers, followed up by the targeted marketing of the selected generation and distribution companies through organizing roadshows and Seminars for potential investors, lenders, sponsors and operators as well as initiating direct communications with them.

6.4 ADMINISTRATION AND SUPPORT FOR DESIGN OF BID EVALUATION CRITERIA AND BID PROCESS

The TA will:

- Set up a bid evaluation system and criteria.
- Design a suitable bid process that will ensure comparable bids.
- Devise effective systems for communicating with bidders.
- Inspire market confidence.

If appropriate, a system that allows for variant bids may be designed. The TA shall also support Eskom in the shortlisting of expressions of interest received thereunder.

6.5 ADMINISTRATION AND SUPPORT FOR REQUEST FOR PROPOSALS

The TA will prepare request for proposal ("RFP") documents in accordance with best industry practice and applicable laws and regulations, consistent with the results of the feasibility studies. The RFP shall concisely set out:

- Draft comprehensive PPP contract, including all schedules and annexes, specifying, among others:
  - The output specifications of Eskom
  - Requirements for compliant bids
  - A risk profile as established in the feasibility study
  - The payment mechanism
- Bid process
- Evaluation criteria
- Bidder communication systems.

The TA shall support Eskom in the selection of the successful bidder.

6.6 DOCUMENTATION FOR ESKOM APPROVAL

The TA will compile all the documentation necessary for Eskom to obtain necessary approvals to enable the procurement process to be undertaken.

6.7 VALUE-FOR-MONEY REPORT

Once the procurement results are available the TA can update the "VfM" analysis to demonstrate by comparing the Net Present Value (NPV) of the bids received with the NPV of the PSC for the selected technologies on new-build power plants with a suitable adjustment for risk assumed.

The VfM report shall be prepared and delivered in a suitable format and of a suitable standard for Eskom to obtain necessary approvals.

6.8 DRAFT PPP AGREEMENT AND DOCUMENTATION SUPPORT

The TA will prepare a draft PPP agreement, in close liaison with Eskom management, implementing the risk allocation regime and using best practice to maximize competition and keep pricing low, while protecting Eskom interests with a view to Project implementation and manageability over the term of the project. The agreement will include all necessary annexes and subsidiary documentation, e.g., performance specification, Project scope, client's requirements,

payment mechanism, technical specification, Project performance monitoring regime, code of construction practice, requirements for network integration, etc. The TA will support Eskom in the negotiation of the PPP agreement with the PPP entity. The TA will also support Eskom in negotiating other Project documentation (such as Letters of Support or Implementation Agreements, as may be necessary) as well as direct agreements with lenders. The TA will also support and advise Eskom in the commercial and financial close activities, including the submission of the final VfM report.

7. IMPLEMENTATION ARRANGEMENTS

7.1 MANAGEMENT OF TRANSACTION ADVISOR BY ESKOM

Eskom has appointed a Project Manager within the Clean Energy Unit to take full responsibility for managing and coordinating the TA's outputs to ensure timeous delivery of the project. The Project Manager has established a project team which will engage with the transactional advisor monthly. The transaction advisor is expected to report progress at these meetings which will be held either be online or face to face at the venue to be communicated by the Project Manager.

The Project Manager will be the focal point of communication and will have to provide confirmation that the TA has satisfactorily completed each required deliverable before invoices can be submitted by the TA to Eskom for payment.

Within one month of the signing of the contract, the TA shall submit an Inception Report giving a detailed work plan and assignments for each individual in the team. For the duration of the TA assignment, the TA shall submit Interim Reports every two weeks reporting progress of work, work schedule and risk update, any key constrains in the performance of activities being carried by the TA.

7.2 ADVISOR FIRM QUALIFICATIONS

The TA firm should have adequate experience and successful track records in its core business area as technical advisor in similar PPP infrastructure arrangements and developments. The firm should have also ample working experience in infrastructure projects feasibility studies and design of financing arrangements' options analysis and technical support of similar undertakings. The TA will field a team comprising relevant legal, financial, technical, commercial, environmental, and social, commercial and market expertise in the energy sector and PPPs with demonstrable experience in successfully delivering similar assignments, and with demonstration of strong international and local expertise to cover all aspects of the assignment being required.

The assignment is expected to begin as soon as the contract is signed and last for up to 24 months (the faster implementation and earlier delivery would be preferred). The TA must propose a team with demonstrable capability to successfully carry out all tasks in the ToR over this a similar period. Sufficient field time should be allocated by the key personnel to adequately tailor their proposed program plan to the local situation.

The key expertise and experience which will be evaluated include the following:

Key Expertise	*Area of Specific Expertise Required*	*Required minimum qualification and professional experience required*

Team Leader	• Infrastructure finance or project finance. • Project planning and management. • PPP procurement management.	Master's Degree in Economics or Finance, or related fields; at least 15 years of relevant local or international work experience, including transaction advisor service similar assignments.
Infrastructure Finance or Project Finance Expert	• PPP financial analysis and modelling from project inception to financial close • PPP transaction structuring or deal advisory services to public and private sector clients on large energy projects. • PPP documentation negotiation or process management experience.	Master's degree in engineering, finance, law or economics with a minimum of 10 years' experience in infrastructure finance or project finance.
Legal Expert	• Designing or structuring complex PPP structures, including corporate governance mechanisms. • Drafting and negotiating corporate agreements such as joint development agreements, shareholder agreements and share purchase agreements. • Drafting and negotiating project agreements, government support documentation, financing agreements, direct agreements, and other project finance documents for PPP projects. • PPP procurement processes/ documentation.	Graduate qualifications in law with specialization in commercial, corporate or infrastructure law. A minimum of 10 years post-qualification experience in providing legal and regulatory advisory services on complex energy sector and other PPP projects.
Technical Expert	• International and regional experience in renewable energy project development, with specific focus on coal repurposing projects. • Experience in implementing solar PV projects.	Master's degree in engineering with minimum of 5-7 years' experience in renewable energy project development and construction.
Social Expert	• International experience in social impact analysis and socio-economic studies and risk management of similar projects.	A master's degree in social sciences, Sociology, Development Studies, Economics and other related studies. Experience of at least 8 years with Social Impact Analysis especially in the power sector.
Environmental Expert	• International and regional experience in the environmental impact and risk assessments of thermal and renewal energy projects.	Master's degree in environmental management; At least 10 to 15 years relevant work experience including lender funded projects and registered with a recognized Professional

		environmental body (EAPSA or SACNASP registration)

7.3 SUPPLIER DEVELOPMENT, LOCALIZATION, AND INDUSTRIALISATION

The Supplier Development, Localisation, and Industrialisation (SDL&I) is part of the sustainable procurement policy of the Government of RoSA. It aims at local economic development, job creation and technology transfers to achieve sustainable national development program. In line with this policy, all development activities are required to embrace and streamline sustainable development policies throughout their design, implementations, and operations. This consulting assignment is also to optimize these policy objectives, as applicable.

In terms of streamlining sustainability in all development activities, the consultant is required to consider SDL&I objectives and strive to optimize and maximize the achievement of these socioeconomic imperatives throughout the project feasibility study, design and implementation supports. The selection process will merit proposals with superior skills development strategies while Expression of Interest (EOIs) from overseas firms in association with national consulting firms are encouraged.

7.4 DELIVERY SCHEDULE, PRICING AND PAYMENT SCHEDULE

Specific deliverables and due dates are provided below.

Deliverable	*Timeline (after contract signature date)*	*Payment Proportion*
Inception Report outlining the approach/methodology for each task	1 month	10%
Draft Pre-feasibility Report	2 months	10%
Final Pre-feasibility Report	2.5 months	10%
Draft PPP Feasibility Study Report (incorporating proposed PPP Structure)	5 months	10%
Final PPP Feasibility Study Report (incorporating proposed PPP Structure)	5.5 months	10%
Final RfQ/ISD	8 months	10%
Final RfB/RfP (including Draft PPP Agreement)	12 months	10%
Bids/Proposal Evaluation report & Tender support	12-16 months	10%
Financial closure process & documentation	20-24 months	20%

RfQ = Request for Quotations, ISD = Initial Selection Document, RfB = Request for Bids, RfP = Request for Proposals

The assignment will be procured and implemented by Eskom and financed from the proceeds of the World Bank funded project. Eskom is offering a lump-sum price contract for phases 1 and 2 with phase 3 under a time-based contract. The TA to provide combined a lump-sum bid for all fixed and variable costs (inclusive of taxes) for each phase - phase 1 and phase 2 providing the required services as part of the financial proposal.

A separate financial proposal will be submitted for phase III (inclusive of taxes) in case Eskom decides to proceed with proposed PPP structure for the procurement of private sector partner.

Eskom estimates that about five and a halve advisor months are required, in total, to successfully conduct the Phase 1 and Phase II of the study and eighteen and a halve advisor months for Phase III. The payment milestone schedule is tied to deliverables in these ToR. It should be noted that some phases under the scope of work might be undertaken concurrently.

8. QUALITY CONTROL

The Consultant is required to produce high-quality work products in accordance with best practice. This means, among other things, the following:

a. All reports and documents will be clear in their identification of issues, be logically structured and drafted or prepared to ultimately meet financier requirements.

b. All key outputs will be proof-read, cross-referenced, consistent etc. and have been reviewed in their entirety and approved by the Team Leader before being issued to Eskom and other stakeholders.

c. All project documents would be subject to Eskom's approval before being shared with any external parties.

d. The Transaction Advisor would be required to enter into a non-disclosure agreement with Eskom.

e. All reports and other outputs must be in English.

Appendix I

DETAILED COMPONENTS OF THE PRE-FEASIBILITY STUDIES

The pre-feasibility studies shall include the following:

a. Availability and suitability of private sector partners willing to design, fund, build and operate the plant:

   i. Whether the opportunity is sufficiently attractive to the private sector to warrant participation and possibility of off-balance sheet structuring.
   ii. Whether sufficient market interest (and competition) for the role of PPP entity exists; and
   iii. Whether private sector companies that are already offering the service exist, or not (and whether they may be competitively beneficial to the PPP structure).

b. Service outputs and scope:

   i. Whether the project scope is clear and well-defined (it is easy to identify what the private sector will finance and deliver).
   ii. Whether the proposed technical solution is sound and will deliver the needed services or capacity for Eskom or its stakeholders.
   iii. Whether performance requirements can easily be defined and measured (thus making it easier to segregate performance or issues between Eskom and the private partner); and
   iv. Whether a clearly identifiable operational interface with Eskom exists (interface with decommissioning, integration with existing assets and networks making it possible to define the specific role of the PPP vehicle versus Eskom.

c. Alignment to strategic objectives and shareholder mandate:

   i. Alignment with Eskom's strategic objectives (statement of intent, shareholders' compact, national infrastructure objectives); and
   ii. Alignment with the three categories for Eskom PPP projects (i.e. core, complementary or strategic).

d. Long-term market demand analysis:

   i. Long-term demand for the services (based on anticipated demand, volumes, customers, or other economic factors) exists, thus improving the likelihood that the PPP arrangement will be commercially viable.

e. Long-term affordability (financing, construction and operating costs vis-à-vis pricing of services). The project needs to be commercially viable and bankable or have evidently attractive economic value. The following shall be considered:

   i. Estimated total capital (also called estimated total project cost ("TPC").
   ii. Whether the revenue stream emanating from the project can be ring-fenced/isolated from other non-related revenues of Eskom; and

iii. Whether the expected financial project returns (cash flows and their timing) are sufficient to provide a fair and risk adjusted return to equity investors as well as lenders to the project.

f. Whether the project is large enough (measured by the estimated TPC):

i. The project shall be large enough to warrant the expenditure and effort of delivering it in a PPP structure, i.e., extensive technical studies, negotiation of numerous contracts between the parties, etc.)

g. Socio-economic development benefits:

i. Alignment to the national, regional or Eskom development mandates.

h. Suitable PPP options for the Project:

i. Rationale for considering a PPP initiative and the role of the private sector in the project.
ii. Areas where the private sector has stronger ownership and integration into the market, or significant experience in developing similar projects.
iii. Potential to bundle contracts into a single long-term contract, thus reducing integration/interfacing risks inherent in multiple party contracts, such as wrapped EPC contracts.
iv. The nature of the project development including environmental impacts and benefits - new build (greenfield) vs refurbishment (brownfield).
v. Envisaged project legal structure

Appendix II

DETAILED COMPONENTS OF THE PPP FEASIBILITY STUDIES

a. Introduction

i. Cover letter
ii. Executive summary
iii. Introduction
iv. Project background
v. Approach and methodology to the feasibility study

b. Section 1 - Needs analysis, including

i. Institution's strategic objectives
ii. Budget
iii. Institutional analysis
iv. Output specifications
v. Scope of the project

c. Section 2 - Solution options analysis, including

i. PPP Options considered from the Pre-feasibility stage recommendation.
ii. Evaluation and assessment of each option.
iii. Assessment of Eskom's role in the proposed PPP vehicle, whether that role corresponds with the Eskom's legal obligations, maintains sufficient power to protect the Eskom's interests and corresponds to the proposed corporate structure of the project vehicle and how in practice the Eskom role will be established in the project vehicle (e.g. voting rights, pre-emption rights, golden shares and the protection of minority shareholders).
iv. Development and provision of detail to the legal architecture and design of the transaction, identifying e.g. the (i) type of PPP contract to be used (e.g. concession, Build, Own, Operate, Transfer; Build, Own, Transfer or management contract) (ii) investment commitments to be required, their nature and management, (iii) investment plan, how, where and when investments will be made (iii) type of public sector support required, including terms and conditions and (iv) corporate structure for the investment and commercial management including nature of the SPV holding the concession, etc.
v. Summary of evaluation and assessment of all options considered.
vi. Review of risk allocation assumptions to assess whether those risks can be allocated (e.g. legally) to the private sector (e.g. land acquisition, collection of tariffs from individual consumers and safety monitoring).
vii. Review of project assumptions and whether they are practically and legally viable, e.g. management of staff rights and benefits and whether there might be legal limitations to how staff can be treated.
viii. Assessment of the financial management and accounting structures proposed to identify efficiency gains available through other structural mechanisms, e.g. taxation of revenues and accounting methods for depreciation of assets.
ix. Identification of other contractual and commercial relationships in the sector or related to the sector and how those relationships will interface with the PPP project.

x. Assessment of risk management structures for potential efficiency gains through alternative structures or modifications.
xi. Assessment of the financial feasibility and provision of valuation of revenues according to the different options along with various assumptions used in the forecasts including those of demand and pricing clearly stated.
xii. Advice on a financial (capital) structure for mobilizing debt.
xiii. Confirmation of legality of budgeting assumptions and the management of revenue flows (e.g., are there restrictions on the use of monies collected for use with public services).
xiv. Assessment of risk allocation approaches to ensure that they correspond with private sector appetite and lender requirements. This should be done before bidding to avoid failure of the bidding process and the costly and reputationally damaging recommencement of the tendering process.
xv. Assessment of chosen approach to PPP and whether any aspect of that approach will conflict with available or required procurement, contracting and financing structures.
xvi. Recommendation of a preferred option.

d. Section 3 - Project due diligence, including

i. Legal aspects, including

- Status of Base Station (Historical environmental and social issues and liability)
- Land access/rights
- Use rights
- Regulatory matters
- Approvals required
- Vires of grantor
- Legal considerations for Eskom's shareholding in a private company (the PPP entity) including requisite legal opinions and approvals

ii. Identify licensing, permitting, environmental and social and legal risks that need to be addressed and allocated under the chosen approach.
iii. Ensuring all necessary approvals and permissions are obtained for PPP processes before commencement of tender process, to allow the relevant Government entity to sign the tender documents and the PPP contract.
iv. Site enablement
v. Socio-economic Impact Assessments
vi. Preliminary assessment of the current environmental site conditions and determine the potential preliminary environmental risk and impacts (both positive and negative) for each of the repurposing technology, guided by relevant good international industry practice and standards and include, but not limited to the following aspects: biodiversity, hydrology and geohydrology, climate change and greenhouse emissions, air quality, visual and heritage.
vii. Initial market testing
viii. NERSA- needs to give an in-principle sign off on project / conditions for MYPD acceptance

e. Section 4 - Value assessment, including

i. PSC model

- Technical definition of project
- Discussion on costs (direct and indirect) and assumptions made on cost estimates
- Discussion on revenue (if relevant) and assumptions made on revenue estimates
- Discussion on all model assumptions made in the construction of the model, including inflation rate, discount rate, depreciation, and budgets
- Summary of results from the base PSC model: Net Present Value (called "NPV"), Financial Internal Rate of Return (called "FIRR") and Debt Service Coverage Ratio (called "DSCR").

ii. PPP reference

- Technical definition of project (based on technical studies availed by Eskom)
- Discussion on costs (direct and indirect) and assumptions made on cost estimates
- Discussion on revenue (if relevant) and assumptions made on revenue estimates
- Discussion on proposed PPP type
- Proposed PPP project structure and sources of funding
- Payment mechanism
- Discussion on all model assumptions made in the construction of the model, including inflation rate, discount rate, depreciation, corporation tax and value added tax ("VAT")
- Summary of results from the PPP-reference model: NPV

iii. Risk assessment

- Comprehensive risk matrix for all project risks (The following are some of the risks that need to be considered, and this is a non-exhaustive list): Technical risk especially hydrology risk and geophysical/geological risk; Market Risk (i.e., demand, cost of alternate sources); Counterparty risk (especially payment risks by Eskom; Completion risk; Operation Risk; Price and tariff risk; Political risk; Legal risks; Fiscal/macroeconomic risks; Regulatory risk; Environmental and Social risks (legacy and technology-related); Force Majeure risks.)
  - Identify the risks that the Project would face.
  - Who among the stakeholders (governments, investors, IFIs and other financiers) would be negatively affected in the event of the risk materializing.
  - Summary of the institution's retained and transferable risks.
  - The NPV of all risks (retained and transferable) to be added onto the base PSC model.
  - The NPV of all retained risks to be added onto the PPP reference model.
- The review should contain recommendations on the mitigation mechanisms for each of the identified risks to be implemented by the party identified to bear that risk. In doing so, assessment and applicability and economy of various risk mitigation mechanisms should be carried out, including but not limited to: (a) private mechanisms such as commercial insurance; (b) specific developed country mechanisms such as export credit insurance and investment insurance available from national agencies (e.g., Overseas Private Investment Corporation OPIC of US); (c) risk mitigation and insurance mechanisms from IFIs, including partial risk and partial credit guarantee mechanisms; (d) the risk mitigation instruments available from World Bank Group's Multilateral Investment Guarantee Agency (MIGA); and (d) any special mechanisms that have been developed/deployed

around the world in a high risk contexts and their applicability and adaptation for the current context.

iv. Risk-adjusted PPP-reference

- Summary of results: NPV, key indicators
- Sensitivity analyses
- Statement of affordability
- Statement of value for money
- Recommended procurement choice

v. VfM
- First VfM report at feasibility stage to ensure that the PPP approach makes sense

vi. Information verification

- Summary of documents attached in Annexure 1 to verify information that is the baseline for the feasibility study report

f. Section 5 - Economic valuation, including

i. Introduction and evaluation approach
ii. Assumptions
iii. Valuation results
iv. Macroeconomic Impact - This should analyze the: (a) revenues that would accrue to the Government through (i) value-added taxes; (ii) other taxes and levies as contributions to specific funds (e.g- Social Fund); (iii) corporate taxes; (iv) municipal taxes; (v) customs duties and excise levies on equipment and services imported/ purchased; (vi) guarantee/on-lending margins charged by Government; (b) impact on Governments overall debt and debt service position; and (c) employment generation, regional development, betterment of directly-affected people etc.;

v. Market Analysis - Economic aspects of the target markets: plant generation profile over 25 years; alternative options to meet the projected demand; the competitiveness of the Project vis-à-vis South Africa's marginal cost of generation; the share of the Project in contributing towards Eskom's tariff applications, and share of the Project in meeting energy demand; and
vi. Project Level Analysis - Project cost-benefit analysis, including net NPV, FIRR and economic internal rate of return.

g. Section 6 - Procurement plan

h. Annexure 1: Statements for information verification and sign off from each Transaction Advisor to the project

i. Annexure 2: PSC model

j. Annexure 3: PPP reference model

k. Annexure 4: Risk assessment and comprehensive risk matrix

l. Annexure 5: Document list (list of all documents related to the project, where they are kept, and who is responsible for ensuring that they are updated)

m. Annexure 6: Attach as annexure all other documents that have informed the feasibility study and that are of decision-making relevance to the project.