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1. Introduction

This Procedure sets out the procedures and processes to be followed by various key operational areas within, Eskom Holdings SOC Ltd (“Eskom”) and its subsidiaries.

The key operational areas within P&SCM governed by this Procedure include:

1. Business Strategy and Performance;
2. Integrated P&SCM Planning;
3. Risk, Governance and Compliance;
4. Procurement;
5. Contract Management;
6. Logistics Management; and
7. Business Partners.

2. Supporting Clauses

2.1 Scope

This Procedure describes the processes and procedures to be followed by Procurement and Supply Chain Management department (P&SCM), employees, End-users and subject matter experts across the various operational areas within Eskom (including its subsidiaries) when procuring goods/works/services on behalf of End-users. P&SCM strives to achieve customer satisfaction, efficiency and compliance within the regulatory framework in all transactions as well as to fulfil its strategic objectives and that of Eskom as a whole.

2.2 Purpose

The purpose of this Procedure, which forms part of the Legal Procurement Framework, is to ensure that the processes followed are legally, commercially, financially and technically sound and which in addition, supports the Constitutional principles of fairness, equitability, transparency, competitiveness and cost-efficiency.

This document consists of:

- a) P&SCM procedure

This Procedure provides the employees with clear procedural information, key controls, accountabilities and responsibilities required for the execution of the P&SCM business processes to ensure efficient and effective achievement of the P&SCM mandate.

- b) Appendices

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The Appendices contain informational and explanatory notes in support of the procedure.

c) Guidelines

The Guidelines provide the step-by step tasks for specific P&SCM processes and sub-processes to be followed by employees involved in P&SCM activities, in order to ensure standardisation. The guidelines will eventually, at a time determined by the Chief Procurement Officer (CPO), be converted into separate Guidelines/Work Instructions to ensure standardised processes across Eskom.

2.3 Applicability

This Procedure applies throughout Eskom Holdings SOC Ltd, its Divisions and its wholly-owned subsidiaries. Should there be a need for the wholly-owned subsidiaries to develop their own procedure in order to customise it for their operations, this procedure should be used as the base to develop from.

This procedure is applicable to all functions managing and executing procurement and supply chain management services and functions within Eskom. This includes those functions that are required to procure goods, works and or services or that are required to authorise or manage contracts between Eskom and suppliers of products or services.

This procedure is also applicable to all functions that are required to manage the receipt, storage, warehousing and issuing and disposal of goods and materials.

The introduction of the Public Finance Management Act 1 (PFMA) of 1999 required all SOEs to conduct procurement in line with National Treasury (NT) prescripts, where applicable.

2.4 Effective Date

Date of last signature on the Procurement and Supply Chain Management Procedure (32-1034) (Rev 4) and the Procurement and Supply Chain Management Policy (32-1033).

2.5 Revision

This Procedure will be subject to amendments from time to time in the form of approved Procurement Instructions authorised by the CPO, or through a formal revision to this Procedure, to align with changes in legislation, business strategy, policy, industry trends, recognised good practice, as well as any other considerations required to maintain the efficiency and integrity of the procurement and supply chain management operations.

2.6 Authority to Approve

The EXCO Tender Committee (ETC) has the authority according to the Eskom Delegation of Authority (DOA Policy) to approve the adoption of this Procedure and any revision thereof.

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2.7 Deviation

Authorisation must be obtained from the ETC for relaxation or deviation of this Procedure on a case by case basis.

Relaxation and deviations from this Procedure must still comply with the principles of fairness, equity, transparency, competitiveness and cost effectiveness, which remain the overriding obligation.

Deviation from a legislative requirement can only be authorised by the legislator who issued the specific piece of legislation.

2.8 Conflict

A Procurement Instruction issued by Risk, Governance and Compliance (RG&C) and approved by the CPO has the same status and authority as this Procedure. But in the event of a conflict between the Procurement Instruction and this Procedure, the Procurement Instruction will take precedence.

2.9 Review

This Procedure will be revised every three years.

3. Legislative Environment

3.1 Normative / Informative References

Employees using this document shall apply the most recent edition of the documents listed in the following paragraphs:

3.1.1 Normative

1. Public Finance Management Act 1 of 1999;
2. The Preferential Procurement Policy Framework Act 5 of 2000;
3. 240-62072907 The Eskom Delegation of Authority Policy;
4. The Broad-Based Black Economic Empowerment Act 53 of 2003, including the Broad-Based Black Economic Empowerment Regulations, 2016;
5. Preferential Procurement Regulations 2017;
6. National Treasury Regulations (to the extent as indicated in the regulations);
7. National Treasury Standard for Infrastructure Procurement and Delivery Management (NT prescription for Infrastructure Procurement);

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8. National Treasury Instruction Notes and Guidelines;
9. National Treasury Regulations (Contract Management Framework);
10. Promotion of Access to Information Act 2 of 2000 (PAIA);
11. The Protection of Personal Information Act 4, 2013 (POPIA);
12. The Electronic Communications and Transactions Act, 2002 (ECTA);
13. The Companies Act, 2008 and including the Companies Regulations, 2011;
14. 32-1033 Eskom Procurement and Supply Chain Management Policy;
15. 32-173 Conflict of Interest Policy;
16. 32-527 The Eskom Code of Ethics Standard;
17. 32-1112 Eskom Disciplinary Code Standard;
18. 240-62196227 The Eskom Life Saving Rules;
19. 32-727 Safety, Health, Environment and Quality (SHE) Policy;
20. 32-136 Construction Safety, Health and Environmental Management Procedure;
21. 32-726 SHE Requirements for Eskom Commercial Process;
22. 240-105658000 Supplier Quality Management Specification (QM58);
23. 32-202 Periods for Retention of Accounting and Other Records;
24. 32-10954 Foreign Exchange and Commodity Exposures Policy;
25. 32-1096 Foreign Exchange and Commodity Procedure for Importation and Exportation of Goods and Services;
26. 240-81328492 Eskom Value Standardisation and Cataloguing Procedure;
27. 240- 82441069 Materials and Services Cataloguing Procedure;
28. 32-644 Eskom Documentation Management Standard;
29. 240-51017584 Group Commercial Documentation Management Procedure;
30. 240-20167556 Execution of Probity Checks within the Procurement and Supply Chain Environment;
31. 240-116154037 Eskom Policy for Infrastructure Procurement and Delivery Management (Policy on NT prescription for Infrastructure Procurement);

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32. Prevention and Combating of Corrupt Activities Act 12 of 2004;
33. 32-224 Eskom Interconnected Power System Emergency Response Procedure;
34. National Treasury Instruction Number 02 of 2016/2017: Cost Containment Measures;
35. B-BBEE Codes of Good Practice of 2013;
36. 240-113650212 Eskom Supplier Integrity Pact.

3.1.2 Informative

1. 240-53717262 Governance Secretariat Management Procedure;
2. 240-53717264 Tender Office Standard;
3. Eskom's Integrity Pact with Suppliers;
4. ISO 9001 Quality Management Systems;
5. ISO 10845-1:2010 – Construction Procurement;
6. ISO 8000-110:2009 Data quality -- Part 110: Master data: Exchange of characteristic data;
7. ISO 22745-11:2010 Industrial automation systems and integration -- Open technical dictionaries and their application to master data;
8. ISO 14001 (Environment);
9. OHSAS 18001 (Health and Safety) Standard;
10. The Constitution of the Republic of South Africa Act 108 of 1996;
11. National Treasury Regulations (to the extent as indicated in the regulations);
12. General Procurement Guidelines (National Treasury, 2003:1-8);
13. National Treasury Regulations (Contract Management Guide);
14. The Construction Industry Development Board Act 38 of 2000;
15. Construction Industry Development Board Regulations and Standard for Uniformity;
16. Promotion of Administrative Justice Act 3 of 2000 (PAJA);
17. King III Report on Corporate Governance;
18. King IV Report on Corporate Governance;
19. Eskom Materiality and Significance Framework;

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- 20. 240- 82441069 Materials and Services Cataloguing Procedure 20 March 2018 Rev 4;
- 21. Eskom Corporate Plan;
- 22. 240-124481999 Group Procurement and Supply Chain Management Business Plan;
- 23. 240-52381465 Group Commercial Management System Manual;
- 24. 32-1111 Eskom Disciplinary Procedure;
- 25. Customs and Excise Act 91 of 1964;
- 26. 32-391 Integrated Risk Management Standard.

4. Terminology

4.1 Definitions

Table 1: Definitions

Term	Definition
Accounting Authority	The Board of Directors of a public entity as per section 49(2)(a) of the Public Finance Management Act 1 of 1999.
Accreditation	The formal process of officially recognising and certifying an individual as having completed and satisfactorily passed an approved formal structured course of training, qualifying them competent to perform particular work processes or activities.
Accredited Procurement Practitioner	A Procurement Practitioner who has been trained, assessed and accredited to execute, support and/or approve procurement transactions within Dual Adjudication thresholds and who has been formally delegated with such authority in writing. The aforementioned accreditation will remain valid until revoked in writing.
Accredited Verification Agency	Means a verification agency that has fulfilled all prescribed legislative requirements for operating as a verification agency in terms of the B-BBEE Act and / or any other applicable legislation.
Anti-Competitive Behaviour	Anti-competitive behaviour can be defined as business strategies and practices such as contracts, arrangements and understandings, designed to affect or limit the degree of competition or to substantially lessen competition in a market.
Approved Procurement Framework	Refers to the approved Eskom Delegation of Authority Policy (240-62072907); Eskom’s Procurement and Supply Chain Management Policy (32-1033); this Procedure (32-1034); approved internal Process Control Manuals (PCMs); Standards and Work Instructions governing the procurement process within Eskom; authorised Guidelines, Position Papers and Procurement Instructions, and any other mandatory legislative and policy framework that governs and has a direct impact on Eskom’s P&SCM operations.
Capabilities	Core capabilities define what P&SCM must be able to perform to successfully achieve the outcomes that deliver value to its customers. Enabling capabilities are comprised of the capacity to achieve the desired outcomes from and the management of the core capabilities.

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Term	Definition
Cataloguing	Cataloguing is an internationally recognised process of describing materials/items in a standardised manner and at the same time, assigning the material/item a unique number. It is also known as codification. Cataloguing is based on the principle of “Fit”, “Form” and “Function”, which is the base of describing a unique item.
Central Supplier Database	The Central Supplier Database (CSD), an initiative of the National Treasury, is a database containing administrative information of organisations, institutions and individuals who can provide works, goods and services to government.
Commercial Strategy	Procurement and contracting execution plans, which detail the steps to be taken in establishing the appropriate contract to meet the End-user requirement.
Condonation	This is the process to condone any non-compliance with policy and procedure and legislation, which may/may not result in irregular expenditure and may also be declared as fruitless and wasteful expenditure.
Connected Person	Connected Person means; In relation to a natural person: <ul style="list-style-type: none"> any relative; and any trust of which such natural person or such relative is a beneficiary. In relation to a trust: <ul style="list-style-type: none"> any beneficiary of such trust; and any connected person in relation to such beneficiary.
Consortium	An association of two or more individuals, companies, organisations or governments, with the objective of participating in a common activity or pooling their resources for achieving a common goal.
Contract(ing) Strategy	The part of the commercial strategy that governs the nature of the relationship which the employer wishes to foster with the contractor, which in turn determines the risks and responsibilities between the parties to the contract, the contract terms and conditions and the methodology by which the contractor is to be paid.
Delegated Approval Authority	Refers to a delegation of authority to a specific body or person/s assigned to perform a task in accordance with the Eskom Delegation of Authority Policy in force at the time.
Delegation of Authority Policy	The approved Eskom Delegation of Authority Policy (240-62072907) with respect to the Approved Procurement Framework refers to the various delegations of authority passed from the Eskom Board of Directors to the Group Chief Executive, Chief Financial Officer, Group Executives and Divisional Executives, and further delegated to appointed General and Senior Managers, to Accredited Procurement Practitioners and / or to Tender (Bid) Committees (PTCs, DTCs, ETC, EXCO, IFC and Board) in order to approve the procurement, investment recovery and/or leasing assets, goods, works and services for and on behalf of Eskom.
Designated Materials	Materials from a designated sector in accordance with dti determination for local production and content, where procurement of locally produced services or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content in accordance with regulation 8(1)(b) of the PPPFA.
Design for Local	Design for Local aids in the development of local South African industries by supporting industrialisation, localisation, job creation and skills transfer that can be achieved through projects and the procurement of goods and services by Eskom. It comprises the technical specifications, commercial structures, contractual conditions or any other intervention that will enable participation by local manufacturers, without negatively compromising on value or quality to the detriment of the business.

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Term	Definition
Emergency Procurement	Emergency procurement may only occur when there is a serious and unexpected situation that poses a risk to health, life, property or environment that calls Eskom to action and where there is insufficient time to invite competitive tenders.
End-user	The consumer of a material or service. This individual would typically place the reservation or Purchase Requisition for the desired material or service to be consumed.
Enquiry	Refers to written or electronic documents which describe the business need for goods / works/ services that invite suppliers to submit a quote or tender (bid) to meet the business need. This includes competitive and non-competitive enquiries.
Eskom Agent	The Eskom Agent is the appointed Project Manager in the Engineering and Construction Contract (ECC), the Employer's Representative in the Engineering and Construction Short-contract (ECSC), Employer's Agent in the Professional Service Contract (PSC), the Supply Manager / Purchaser's Representative in the Supply Contract, the Services Manager in the Term Services Contract (TSC) or the Engineer in terms of International Federation of Consulting Engineers [Fédération Internationale des Ingénieurs-Conseils] (FIDIC).
Eskom Registered Vendor	Means a current or potential supplier who may be a natural or legal person and includes any employee of such supplier acting within the course and scope of his/her employment, or any agent or manager acting for or on behalf of, or in the interests of the supplier registered as a vendor on the Eskom Vendor Database.
Eskom Vendor Database	Refers to the electronic database created and maintained by Eskom for the purpose of assisting in the management and administration of its suppliers.
e-Tender Portal	National Treasury electronic system for advertising of enquiries and publishing of awards.
Financial Viability	This refers to whether the supplier is sufficiently financially stable to execute a contract/order of the magnitude to be awarded.
Framework Agreement	A framework agreement is a general term for contracts with contractors that set out terms and conditions under which specific procurements (releases/draw-downs) can be made throughout the term of the contract. It permits the employer to procure on an as and when required basis (releases/draw-downs) over a set term without necessarily committing to any quantum of work.
Fronting Practice	Fronting practice means a transaction, arrangement or other act or conduct that directly or indirectly undermines or frustrates the achievement of the objectives of the B-BBEE Act or the implementation of any of the provisions of the B-BBEE Act.
Fruitless and Wasteful Expenditure	Is expenditure which was made in vain and would have been avoided had reasonable care been exercised. The words "in vain" as contained in the definition refers to a transaction, event or condition which was undertaken without value or substance and which did not yield any desired results or outcome. Reasonable care means applying due diligence (careful application, attentiveness, caution) to ensure that the probability of a transaction, event or condition not being achieved as planned is being managed to an acceptable level.
Functionality	The capability and capacity of a tenderer to provide goods or services in accordance with specifications as set out in the enquiry documents. Tenders evaluated on functionality must be carried out in accordance with regulation 5(1) of the PPPFA.
Incorporated Joint Venture	Is an arrangement where two or more participants establish a separate legal entity to pursue an agreed business objective for mutual benefit It usually involves a pooling of resources (capital, personnel, physical equipment, etc.) from the participants.

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Infrastructure	Means; - 1. immovable assets which are acquired, constructed or which result from construction operations; or 2. movable assets which cannot function independently from purpose-built immovable assets.
Infrastructure Delivery	Means: - The combination of all planning, technical, administrative and managerial actions associated with the construction, supply, refurbishment, rehabilitation, alteration, maintenance, operation or disposal of infrastructure.
Infrastructure Procurement	Means; - The procurement of goods and services including any combination thereof associated with the acquisition, refurbishment, rehabilitation, alteration, maintenance, operation or disposal of infrastructure. All infrastructure procurement must conform to NT's prescription for Infrastructure Procurement and the Policy on NT prescription for Infrastructure Procurement and unless these documents are silent on a matter, then this procedure will govern.
Internal Suppliers	Means a Division, or a wholly-owned subsidiary of Eskom Holdings SOC Ltd.
Irregular Expenditure	This is, incurred when there is a transgression of any of the following: 1.Public Finance Management Act (PFMA); 2.Treasury Regulations; 3.National Treasury Instructions issued in terms of section 76 of the PFMA; 4.Provincial Treasury Instructions issued in terms of section 18(2)(a) of the PFMA; 5.Any applicable legislation.
Knowingly	Knowingly, when used with respect to a person, and in relation to a particular matter, means the person either - 1. had actual knowledge of that matter; or 2. was in a position in which the person reasonably ought to have - a) had actual knowledge; b) investigated the matter to an extent that would have provided the person with actual knowledge or; c) taken other measures which, if taken, would reasonably be expected to have provided the person with actual knowledge of the matter.
Labour Broker	Refers to any entity/individual who provides and remunerates workers for a client for reward. Such entity or individual may/may not be in possession of an exemption certificate (IRP30). The labour broker either makes available his/her own employees to perform work for a client or procures workers for a client.
Liable in Law	Means a legal responsibility of an official's acts or omissions.
Limited Market	Is alternatively referred to as a Closed Market that is small, with few suppliers and high barriers to entry.
Limited Tendering	This is a Procurement mechanism that may be used where there is a limited market or a Sole source. It may also be used where there is a single source or limited suppliers, who are preferred even though there may be other suppliers in the market.

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Local Purchase Order	It is a procurement mechanism to be used by an accredited LPO-buyer to procure specific confined categories of goods and services in accordance with the prescribed DOA Policy thresholds.
Logistics	Logistics management pertains to the management of inventory levels, stores / warehouse management, receiving and issuing, transportation, redundant / obsolete goods management (asset management) and placing and expediting of orders (MRP, LPO).
Low-value Informal Tendering	It is the Procurement mechanism that may be used for transactions not exceeding the Informal Tendering lower limit as set in the Eskom DOA Policy. These transactions must be executed by a Procurement Practitioner and approved by an accredited Procurement Practitioner.
Market Research and Analysis	The research entails an investigation into the potential suppliers, goods, works and services available. The analysis means the assessment of the data/information obtained through an EOI or RFI process done by a Procurement Practitioner, with a view to determine which procurement mechanism to proceed with.
Materiality and Significance Framework	The materiality framework sets out the requirements for those matters which require approval in terms of the PFMA and, together with the DOA Policy framework, guides the referral of matters from executive-level committees to Board and to DPE and National Treasury, where applicable. Treasury Regulation 28.1.5 [Its 28.3] – For purposes of “material” [sections 50(1), 55(2) and 66(1) of the Act] and “significant” [section 54(2) of the Act], the Accounting Authority (Board) must develop and agree a framework of acceptable levels of materiality and significance with the relevant executive authority.
Negotiation Team	This is a team identified by the Procurement Practitioner and End-user and approved by the Relevant Adjudication Authority to negotiate on the terms and conditions of the relevant contract.
Objective Criteria	Objective criteria are not mandatory and are predetermined criteria that are outlined in the enquiry document if applicable . Objective criteria must be considered in accordance with regulation 2(1)(f) and regulation 11 of the PPPFA. Objective criteria may effectively change the recommendation for award from the highest ranked tenderer to a lower ranked tenderer. Functionality and any element of the B-BBEE scorecard may not be used as objective criteria.
Oversight	The review, monitoring and supervision by the relevant authorised body. It includes the review, monitoring, and assessment of P&SCM practices in terms of P&SCM policy, procedure, process and reporting, to contribute to improved governance and enhance the effectiveness of the P&SCM function.
Panel	A panel is a contractual arrangement established with several suppliers through competitive bidding over a specified period for the anticipated provision of services, on an as and when required basis, (non-committal basis). The panel contract contains standard terms and conditions under which the services will be provided by suppliers on the panel. Task orders will be awarded to suppliers as per the TOR of the PCC or if no PCC, the approved strategy. Panels must not be established for construction type of contracts.
Panel Control Committee	A committee appointed to manage the allocation and adjudication of task orders issued against a panel (also referred to as Task Order Committee).

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Term	Definition
Personal Service Provider	<p>For tax purposes, a Personal Service Provider refers to any company/close corporation/trust:</p> <ol style="list-style-type: none"> 1. where services are rendered personally by any connected person (refer to definition) of the company/close corporation/trust; and 2. the person who renders the service would normally be regarded as an employee if the service was rendered directly to the client; or 3. the duties are performed mainly (>50%) at the premises of the client and the person is subject to the control or supervision of the client as to the manner in which duties are performed; or 4. more than 80% of income during the year of assessment is from services rendered directly or indirectly from one client or any associated institution. <p>Exclusion from being a Personal Service Provider:</p> <ol style="list-style-type: none"> 1. where such company or trust throughout the year of assessment employs three or more full time employees (other than connected persons) who are engaged on a fulltime basis in the business of such company or trust of rendering any such service.
Price Matching	In respect of goods and/or services to be provided and/or rendered to Eskom in terms of a particular tender, a tenderer is afforded an opportunity by Eskom to supply such goods and/or services at the same or a lower price as that offered to Eskom by another tenderer. Price Matching is strictly prohibited.
Procurement	Procurement is the process which creates, manages and fulfils contracts relating to the provision of goods, services and engineering and construction works or disposals, or any combination thereof.
Procurement Instruction	A formal instruction issued by the CPO to direct how the elements of Supply Chain Management must be managed and monitored.
Procurement Practitioner	Refers to an employee within Eskom appointed to manage and/or execute a procedure or a process as contained in the approved Procurement Framework (Procurement Procedure, Eskom DOA, or any of the approved PCM's relating to procure-to-pay, etc.)
Procurement Strategy	Forms part of the commercial strategy and sets out estimated pricing, pre-qualification criteria, procurement mechanism, evaluation processes and any other element of the procurement process for a transaction.
Procurement Submission Documents	Pack of documents submitted to Adjudication Authority for approval, support, ratification, noting or feedback. The pack consists of the main report, such as the Evaluation Report, and any other supporting documents.
Project	Defined scope of work undertaken during a defined period of time to deliver a specified product or result.
Project Procurement Strategy	The overarching delivery management strategy for the execution of contracting and procurement requirements for the project from which detailed commercial strategies are developed for each contract required by the project for each work package.
Purchasing in Eskom (PiE) Training	An official and mandatory training course for Procurement Practitioners regarding the execution of commercial transactions within Eskom.
Registered Supplier	A supplier who has been approved and is registered on NT's Central Supplier Database (CSD).
Repetitive Transaction	Repetitive transactions or repetitive purchases are transactions or purchases of the same goods or services repeatedly, at frequent (many times in one month) and/or regular intervals (e.g. once per month for several months in succession).

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Term	Definition
Responsive/ Acceptable Tender	Means an eligible tender that complies with basic responsiveness test stated in the enquiry and/or standard conditions of tendering.
Reverse e- Auctioning	Means an electronic procurement process for buying and selling that aims to achieve the most competitive prices for clearly specified items.
Single Source	Single source procurement may occur when more than one supplier exists in the market that can perform the contract, but a particular supplier is identified as the preferred supplier for reasons of compatibility, being on site or other specific technical reasons. Prior approval is required from NT for single source procurement.
Sole Source supplier	Sole source supplier is where only one qualified supplier possesses the unique and singularly available capacity to meet Eskom's requirements. National Treasury approval is not required for sole source procurement.
Sole/Single Source Justification Form (SSJF)	Means an internal control form completed by an End-user to motivate the use of sole or single source for a transaction after either market research (EOI/RFI done by Procurement) and analysis has been done, or based on previous transactions. This form is required to be submitted together with the procurement submission documents to the applicable Delegated Approval Authority (DAA). The SSJF may also be used as a motivation for a longer term "blanket" approval of a sole source, e.g. in the case where only a specific OEM is able to provide spare parts.
Supply Chain Management	Supply Chain Management (SCM) is the design, planning, execution, control and monitoring of supply chain activities in the delivery of goods, services or works, with the objective of creating net value and providing oversight and co-ordination of information and finances within the supply chain.
Tender (Bid)	Refers to a written or electronic offer, tender, bid, quotation or proposal made by a supplier, in a prescribed form according to the issued enquiry, for the provision of assets, goods, works or services, and/or disposals (Investment Recoveries).
Tender Evaluation Committee	The Tender Evaluation Committee (also known as the Bid Evaluation Committee) is a CFT responsible for the evaluation of tenders.
Tender Specification Committee	The Tender Specification Committee (also known as the Bid Specification Committee) is a CFT responsible for the compilation and drafting of specifications for the procurement of goods, works and / or services.
Transversal Contract	Means a centrally facilitated contract arranged by the National Treasury for goods or services that are required by one, or more than one institution.
Trust	A legal institution in which a person, known as a trustee, subject to supervision, holds or administers properties (immovable or movable) separately from his or her own, for the benefit of another person/s(beneficiaries) or for the furtherance of a charitable or other purpose.
Unincorporated Joint Venture	An association of participants to pursue an agreed business objective, and no separate legal entity is established. They are bound by the terms of the contract between them and the commercial activity that they agreed to undertake collectively.
Urgent Procurement	Urgent procurement occurs where early delivery is of critical (However, a lack of proper planning should not be constituted as an urgent case.)
Value Adding Coal Trader	Value Adding Coal Trader: a coal supplier who is not a Mining Right holder but who is in possession of an Off-Take Agreement for the supply of coal, which coal the supplier processes or beneficiates (by crushing, screening, destoning, mixing and/or washing) to meet Eskom's quality specifications.

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4.2 Abbreviations

Table 2: Abbreviations

Abbreviation	Explanation
A&F	Assurance and Forensics
APP	Annual Procurement Plan
APS	Accounts Payable Services
B-BBEE	Broad-Based Black Economic Empowerment
BPWD	Black People with Disabilities
BU	Business Unit
BWO	Black Woman-Owned
BYO	Black Youth Owned
CAPEX	Capital Expenditure
CFA	Clearing and Forwarding Agent
CFC	Customer Foreign Currency
CFO	Chief Financial Officer
CFT	Cross-Functional Team
CIDB	Construction Industry Development Board
CIPC	Companies and Intellectual Property Commission
CMF	Contract Management Framework
CMG	Contract Management Guidelines
COIDA	Compensation for Occupational Injuries and Diseases Act
CPA	Contract Price Adjustment
CPI	Consumer Price Index
CPO	Chief Procurement Officer
CRA	Concept Release Approval
CSA	Coal Supply Agreement
CSD	Central Supplier Database
CSDP	Competitive Supplier Development Programme
DAA	Delegated Approval Authority
DCF	Delegation Consent Form
DE	Divisional Executive
DFI	Development Funding Institution
DMS	Document Management System
DOA	Delegation of Authority
DOE	Department of Energy

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Abbreviation	Explanation
DOI	Declaration of Interest
DPE	Department of Public Enterprises
DRA	Design Release Approval
DTC	Divisional Tender Committee
DTI	Department of Trade and Industry
ECC	Engineering and Construction Contract
ECCMA	Electronic Commerce Code Management
ECSC	Engineering and Construction Short Contract
EME	Exempted Micro Enterprise
EOI	Expression of Interest
ERA	Execution Release Approval
ERE	Eskom Real Estate
ERI	Eskom Rotek Industries SOC
ERP	Enterprise Resource Planning
ETC	EXCO Tender Committee
EXCO	Executive Committee
EXCON	Exchange Control
FCO	Functional Compliance Officer
FEP	Front-End Planning
FIDIC	International Federation of Consulting Engineers [<u>F</u> édération <u>I</u> nternationale <u>d</u> es <u>I</u> ngénieurs- <u>C</u> onseils]
FOREX	Foreign Exchange
GE	Group Executive
GM	General Manager
GR	Goods Receipt
HR	Human Resources
IDM	Integrated Demand Management
IFC	Investment Finance Committee
IFRS	International Finance Reporting Standard
INCOTERMS	International Commercial Terms
INTCOV	International Cover
IPP	Independent Power Producer
IP&SCMP	Integrated P&SCM Planning
IR	Industrial Relations
IRP30	Labour broker exemption certificate

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Abbreviation	Explanation
ISO	International Organisation for Standardization
JV	Joint Venture
LPO	Local Purchase Order
MANCO	Management Committee
MRO	Maintenance, Repair, Operations
MRP	Materials Requirement Planning
NDA	Non-Disclosure Agreement
NEC	New Engineering Contract
NIPP	National Industrial Participation Programme
NT	National Treasury
OEM	Original Equipment Manufacturer
OHSA	Occupational Health and Safety Act
OHSAS	Occupational Health and Safety Assessment Series
OPEX	Operating Expense
PAIA	Promotion of Access to Information Act, No 2 of 2000
PAYE	Pay as You Earn
PCC	Panel Control Committee
PCM	Process Control Manual
PED	Primary Energy Department
PFMA	Public Finance Management Act
PLCM	Project Life Cycle Model
PO	Purchase Order
POD	Purchase Order Description
POPIA	Protection of Personal Information Act No. 4 of 2013
PPI	Producer Price Index
PPPFA	Preferential Procurement Policy Framework Act
PR	Purchase Requisition
PSC	Professional Services Contract
P&SCM	Procurement and Supply Chain Management
PSIRA	Private Security Industry Regulatory Authority
PTC	Procurement Tender Committee
QSE	Qualifying Small Enterprise
RFI	Request for Information
RFP	Request for Proposal

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Abbreviation	Explanation
RFQ	Request for Quotation
RG&C	Risk, Governance and Compliance
ROE	Rate of Exchange
SABS	South African Bureau of Standards
SAM	Submission Analysis Model
SANAS	South African National Accreditation System
SAP	<u>S</u> ystems, <u>A</u> pplications and <u>P</u> roducts
SARB	South African Reserve Bank
SARS	South African Revenue Service
SCOPS	Supply Chain Operations
SDL&I	Supplier Development, Localisation and Industrialisation
SEIFSA	Steel and Engineering Industries Federation of South Africa
SHE	Safety, Health and Environment
SHEQ	Safety, Health, Environment, Quality
SLA	Service Level Agreement
SME	Subject Matter Expert
SOC	State Owned Company
SOE	State Owned Enterprise
SPV	Special Purpose Vehicle
SSJF	Sole/Single Source Justification Form
TCO	Total Cost of Ownership
TO	Task Order
TOR	Terms of Reference
TSC	Term Services Contract
UMC	Unit of Measure Code
VAT	Value-Added Tax

5. Authority to Execute

5.1 Roles and Responsibilities

5.1.1 Chief Procurement Officer (CPO)

The official appointed to lead and manage P&SCM within Eskom. The CPO will ensure the Procurement and Supply Chain Management Policy and the Procurement and Supply Chain Management Procedure are put into effect and maintained.

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5.1.2 Contract Manager

This is the person within Eskom responsible for managing the execution of the contract. The Contract Manager may be appointed in writing in terms of the approved contractual terms and conditions or may be assigned by the Eskom Agent to manage the post-award phase of the procurement process.

A Contract Manager must undergo the necessary training as prescribed by the P&SCM Contract Management Department.

The relevant appointing Senior Manager (or higher) or the Eskom Agent (if not the Contract Manager) is accountable and responsible for verifying that the individual being assigned to the role of Contract Manager is suitably trained, experienced and competent to fulfil the requirements of the role.

5.1.3 Cost Centre Manager

The Cost Centre Manager may be the End-user or the manager of the End-user. The Cost Centre Manager is accountable for ensuring that any procurement requested or financial commitment to be incurred on the cost centre they manage, is first approved by them, before the commitment is made.

5.1.4 Cross-Functional Team (CFT)

Members of the CFT are identified by the Procurement Practitioner and End-user appointed by the relevant Senior Manager-P&SCM for the execution of general goods, works and services contracts within formal tendering environment.

A CFT may consist of P&SCM, Project Manager, SDL&I, Technical, Project Planning, Safety, Quality, Environment, Engineering, Finance, Tax, Legal, Quantity Surveyors and Audit. Functions may be added to the team as required.

The CFT develops the enquiry and performs the tender evaluation.

CFTs are led and co-ordinated by the Procurement Practitioner and are responsible for:

1. Compiling a comprehensive needs assessment of the required goods, works and/or services;
2. Develop Project Procurement Strategy if required;
3. Development the commercial strategy;
4. Determine detailed specifications;
5. Develop the enquiry;
6. Evaluate the tenders;

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7. Present the procurement submissions at Tender Committee meetings (minimum Procurement Practitioner, End-user/Project Manager).

5.1.5 Delegated Approval Authorities (Board, IFC, EXCO, ETC, DTC, PTC, Triple / Dual Adjudication)

DAA's are delegated by the Board in accordance with the Eskom Delegation of Authority Policy (summarised in [Appendix A](#)) to authorise procurement.

The operation of a DAA is governed by the relevant appointment letters and/or Terms of Reference (TOR).

5.1.6 End-user

The End-user is responsible for providing the necessary requirements, including descriptions, specifications and quantities to enable proper planning and procurement of business needs within their scope of responsibility. Where End-users are unable to provide detailed scope, they need to engage P&SCM to assist with a RFI, EOI or information from previous procurement transactions.

The End-user may also be requested by the Procurement Practitioner to clarify issues related to the scope that may arise out of enquiry clarification process.

The End-user has the accountability and responsibility for determining that Eskom's needs will be adequately met before a recommendation is made to a DAA because the expenditure associated with the PR will ultimately be incurred against the End-user's cost centre. They will also be required to sign the procurement submission that is presented to the DAA.

5.1.7 Eskom Agent

The Eskom Agent is responsible for ensuring that all clearly specified contractual deliverables are received on behalf of Eskom in accordance with the requirements, terms and conditions of the relevant contract. The Eskom Agent is generally defined with associated roles and responsibilities within Eskom's standard forms of contract.

5.1.8 Eskom Board of Directors (Board)

The Board, being the Accounting Authority of Eskom, from time to time approves amendments to the Eskom-wide Delegation of Authority Policy. This delegation of authority and its application to procurement approvals as extracted from Eskom's DOA policy in [Appendix A](#) and is a fundamental component of the Approved Procurement Framework.

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5.1.9 Eskom Information Officer (EIO)

The appointed Information Officer (IO) is responsible for ensuring compliance with Protection of Personal Information Act (POPIA) and Promotion of Access to Information Act (PAIA). The EIO deals with any requests related to Procurement issues in terms of the above-mentioned acts and must sign-off on the release of such information. EIO is also responsible for ensuring compliance to the conditions for lawful processing of personal/supplier/buyer/tender information collected by Eskom during the procurement process, as well as ensuring that the information is properly managed and protected according to the classifications and security safeguards determined by Eskom.

5.1.10 Group Taxation Department

Group Taxation Department provides strategic and value-adding taxation services to the Eskom Group through performance of tax planning, management of tax compliance and provision of tax advice.

5.1.11 Infrastructure Sourcing

Infrastructure Sourcing is the sourcing and contracting of capital assets, goods, services and projects for Group Capital, and execution of project procurement across Eskom. All infrastructure sourcing must conform to NT's prescription for Infrastructure Procurement and unless these documents are silent on a matter, then this procedure will govern.

5.1.12 Investment Recovery

Investment Recovery is the only delegated function in Eskom that has the right to dispose of or sell movable and immovable assets of Eskom.

5.1.13 Materials Management Function

The Materials Management function manages, coordinates and plans the warehouse storage and further distribution of procured assets, goods and materials.

5.1.14 Non-Buyers / Local Purchase Order (LPO-buyers)

Eskom employees not appointed as Procurement Practitioners, i.e. non-buyers / LPO-buyers, must be appointed in writing at the discretion of a manager (not lower than a Senior Manager) to serve as LPO-buyers.

Before being appointed as an LPO-buyer, the individual will be required to have completed LPO training. The EAL School of P&SCM, who is responsible for the LPO training, must submit the list of trained LPO-buyers to the relevant P&SCM Manager on site/head office. A copy of the appointment letters must be sent by the Senior Manager, who appointed the LPO-buyer, to the relevant P&SCM Manager on site/head office.

LPO-buyers are permitted to execute local purchase orders for specified categories of goods or services of a low value (as per the threshold set in the Eskom DOA Policy).

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The uses and constraints of LPOs are set out in this procedure in [section 14.4.1](#).

The appointment of an LPO-buyer will be valid until being revoked by the relevant Senior Manager.

5.1.15 P&SCM Contract Management Function

The P&SCM Contract Management Department provides management oversight of Contract Management throughout the Contract Lifecycle from contract initiation, through contract execution to contract closeout to ensure that contracts are properly implemented, managed, enforced, monitored and reported on across Eskom (except for PPAs). This includes ensuring Eskom Group policy and procedures are established, and continuous improvement in the contract management processes and systems is enabled in accordance to the National Treasury Contract Management Framework and applicable legislation. The Department prescribes the minimum competency requirements for persons managing contracts in Eskom. The function operates with other established contract management offices across the divisions for integration and alignment of efforts and to ensure Eskom information on contracts comply with the records management procedures.

5.1.16 Procurement Manager

The Procurement Manager is responsible for ensuring that PRs that are entered in the procurement system are dealt with expeditiously, efficiently and effectively. He/she is responsible for the performance quality of the procurement function. This includes reduced turnaround times regarding execution of PRs, consolidation of requests to achieve economies of scale, optimisation of savings opportunities where possible, establishing contracts for repetitive LPO requests, ensuring training and accreditation of self and Procurement Practitioners, liaison with End-users as internal customers, quality assurance of the submissions made to DAAs and spot checks on transactions within his/her department.

5.1.17 Procurement Practitioner

A Procurement Practitioner manages and/or executes, but not approves, a transaction, procedure or process for procurement/disposals as contained in this Procedure (32-1034) and the Eskom Delegation of Authority Procedure related to the P&SCM process forming part of the Approved Procurement Framework. Once accredited, a Procurement Practitioner approves transactions within the Dual Adjudication Authority space. The Procurement Practitioner is responsible for the procurement process from the receipt of a PR up to the award of a contract/order. Procurement Practitioners also execute modifications to contracts on behalf of End-users.

5.1.18 Risk, Governance and Compliance

RG&C is responsible for the policy and procedure, transactional advice, tender offices, Tender Committees up to DTC, compliance and managing of risks relating to procurement within Eskom. RG&C is responsible for the induction of P&SCM employees/ Tender Committees whenever there is a new revision of the approved P&SCM Policy and Procedure.

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5.1.19 Supplier Development, Localisation and Industrialisation (SDL&I)

SDL&I role is to support government's objectives for socio-economic contribution, by ensuring alignment to national transformation imperatives that will unlock growth, drive industrialisation and create employment and skills development. This will be achieved through a coordinated and strategic focus to support transformation, localisation and industrialisation.

5.1.20 Supplier Review Committee (SRC)

The SRC is a committee appointed and mandated by the ETC to consider complaints on suppliers and to approve remedial actions.

5.1.21 Tender Office

Tender office is responsible for the administration and co-ordination of the receipt of tenders in response to enquiries issued. Eskom uses physical and/or electronic tender offices.

5.1.22 Nuclear Procurement Quality Engineering (PQE)

PQE is responsible for nuclear supplier qualification, supplier monitoring activities which include audits; support of SDL&I initiatives such as supplier capability assessments.

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6. Process for Monitoring

Monitoring and evaluation of P&SCM's compliance with legislative, SHEQ and ethical standards is fundamental to ensuring the integrity of commercial transactions within Eskom.

P&SCM has established defined processes to ensure that all commercial transactions in Eskom are managed, controlled, monitored and executed in accordance with the applicable Procurement Framework and any other relevant legislation or internal policies/procedures/controls.

The following are implemented for monitoring purposes:

6.1 PFMA

1. The PFMA requires that:

- a) Eskom have "an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective" in order to give effect to Section 217 of the Constitution of the Republic of South Africa;
- b) Every Eskom employee must take effective and appropriate steps to prevent any irregular expenditure and fruitless & wasteful expenditure within his/her sphere of control. An employee that becomes aware of any other employee failing to comply with any aspect of the PFMA with respect to P&SCM activities or the Approved Procurement Framework, must immediately report such non-compliance. Any failure by any employee to disclose PFMA reportable losses will constitute a violation of the PFMA and could result in disciplinary action.

2. The Eskom Board must:

- a) Prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditure not complying with the operational policies of Eskom;
- b) Manage available working capital efficiently and economically;
- c) Take effective and appropriate steps against any employee who:
 - 1) Contravenes or fails to comply with the provisions of the PFMA; or
 - 2) Commits an act which undermines the financial management and internal control system of Eskom; or
 - 3) Makes or permits an irregular expenditure and / or a fruitless and wasteful expenditure.
- d) All confirmed instances of fruitless and wasteful expenditure, irregular expenditure or potential losses through criminal conduct must be reported to the relevant PFMA coordinator for inclusion in the PFMA report.

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6.1.1 Ethics

All Eskom employees are required to attend training on the Conflict of Interest Policy and the Eskom Code of Ethics, to ensure that all commercial activities are conducted in an ethical manner.

Managers must review all declarations of conflicts of interests made by direct reports and ensure that appropriate measures are put into place to manage any perceived, potential or actual conflicts of interest within the P&SCM environment.

A formal DOI must also be completed on the relevant template by all members of the CFT responsible for the development of specifications and evaluation for each transaction. This is in addition to the annual Eskom DOI. It is the responsibility of the Senior Manager and chairperson of the CFT to ensure that such DOIs are completed and filed for audit purposes. Where a CFT member declared interest, such a member should be excluded from the proceedings.

Members of delegated approval committees and employees presenting at these committees are required to declare their interests at the start of every meeting. A record of the declaration is to be kept within the minutes of the meeting.

Probity Checks must be performed on PTC and DTC members by Compliance section within RG&C. Probity Checks are performed on ETC and higher-level committee members by A&F. Probity checks are conducted in accordance with the Conflict of Interest Policy (32-173).

Suppliers will be required to comply with the Eskom Code of Ethics as set out within the Supplier Integrity Pact and will be required to complete a mandatory formal declaration of interest (on a Declaration of Interest Form) to be submitted with the tender/quote.

Procurement Practitioners are required to:

- a) Ensure the Supplier Integrity Pact declaration is completed and returned as per the enquiry;
- b) Verify that supplier declarations received in terms of the Integrity Pact declaration, aligns to Shareholder information and/or any other relevant information/documents to identify instances of potential conflicts of interest;
- c) Analyse supplier declarations and shareholding information to verify instances of potential conflicts of interest.

Where interests are identified these should be investigated further by A&F to determine if there was potential for any undue influence, or if there was undue influence.

Failure of employees to comply with the obligations set out in Eskom's Conflict of Interests Policy and the Eskom Code of Ethics will constitute misconduct in terms of Eskom's Disciplinary Code (32-196).

The Compliance department within P&SCM manages internal systems to determine the relationships between Eskom employees and its suppliers. This system includes investigations into shareholding, directorships and business relationships between suppliers and Eskom employees, and specifically Procurement Practitioners and Tender Committee members.

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6.1.2 SHEQ

Suppliers tendering for contracts with Eskom may be required to provide evidence of their compliance with SHEQ requirements, where applicable.

The Eskom Agent and/or Contract Manager assigned to each contract is required to monitor contracted supplier SHEQ observance and implementation.

Nuclear related procurement needs to include SHEQ requirements commensurate with the classification of the product/service/process's importance to nuclear safety.

6.1.3 Budget / Investment Approval

The necessary budget approval /investment approval must be obtained by the End-user for the procurement goods and for all modifications to a contract/purchase order, of goods, works and services, excluding for informal tendering and purchases of stock items.

For OPEX transactions, the cost centre manager is required to verify the availability of funds during the PR routing process.

For CAPEX, investment approval must be obtained from the Investment Committee which must indicate the value and time that is aligned with the ERA approval. Finance must ensure that the budget letter aligns with the time and value of the ERA.

Submissions made to the Tender Committee must include proof that the budget has been verified and approved.

The Procurement Practitioner may not advertise an enquiry without an approved budget.

6.1.4 Annual Cost Containment Plan

Eskom must develop a cost-containment plan annually as part of its strategic and/or annual performance planning exercises, which sets out specific measures to be taken to improve cost-efficiencies, the effectiveness of supply chain management processes and procedures, the elimination of wasteful expenditure as well as to ensure that value for money is achieved in the delivery of programmes and services.

Annual cost-containment plans must at minimum include measures to be taken to reduce:

1. Unnecessary expenditure on consultants or professional service providers;
2. Travel and accommodation expenditure, including international travel; and
3. The size of delegations to events, conferences, consultations and meetings.

6.1.5 Promotion of Access to Information Act 2 of 2000 (PAIA)

PAIA provides the means for the public to exercise its right to have access to any information held by the state. This includes information relating to tendering processes.

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For information to be released certain processes need to be followed and statutory requirements must be met.

All PAIA requests must be submitted in the form of a prescribed template "Form A" to constitute a valid PAIA request. Anybody receiving such a request must immediately notify the PAIA office.

All requests for information must be submitted via e-mail (PAIA@Eskom.co.za) to Eskom's PAIA office.

Requests received, and responses given by Eskom are monitored by the EIO in the PAIA Office who in turn provides regular feedback to GE Legal.

Further information on the handling of a PAIA request can be found on the following internet link: Promotion of Access to Information:

http://www.Eskom.co.za/OurCompany/PAIA/Pages/Promotion_Of_Access_To_Information.aspx

Applications for information via the PAIA process or requests for reasons regarding a decision made by any DAA within Eskom should not be referred to the committee for adjudication. These requests need to be channelled via the appropriate channels regarding PAIA or the relevant P&SCM: GM in instances where tenderers request reasons for not being awarded a tender.

6.1.6 Irregular Expenditure Process

If it is determined that an Eskom employee procured or disposed of assets, goods, works, services or leases by any means, without adherence to Legislation, the irregular expenditure process must be followed by that defaulting employee.

Irregular expenditure occurs where the procurement of goods or services is non-compliant with applicable legislation resulting in Eskom incurring expenditure for such procurement.

The process will comply with the Irregular Expenditure Framework issued by NT.

6.1.7 Condonation of Irregular Expenditure

(Refer to [Appendix D: Condonations](#), for a detailed process).

All requests for condonations of irregular expenditure, irrespective of value, must be presented to the relevant DAA for consideration.

All condonations requests must be signed off by the relevant GE/DE/GM PED/GM ERI before being submitted to the relevant DAA. All the necessary documents (including reference to relevant case number/s) as per the condonation process must be attached/included in the submission to the relevant DAA.

Should irregular expenditure be incurred due to a deviation from legislation, the condonation must first be submitted for recommendation to the relevant DAA, and then be submitted to NT for condonation. The CPO will sign the letter to NT and submit the relevant documents to NT.

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Should the irregular expenditure be incurred due to a deviation from the Procedure, the condonation must be approved by the relevant DAA.

Any deviation against other legislation which forms part of the Approved Procurement Framework, must also first be noted by relevant DAA, and then be condoned by the relevant Government Department responsible for the legislation.

Condonation of irregular procurement is monitored through:

1. The Condonation Register. This register must be completed and updated throughout the condonation process by the responsible line manager. The register will contain the following information;
 - a) Details of the condonation;
 - b) Outcome of adjudication;
 - c) Value of irregular expenditure if identified;
 - d) Value of fruitless and wasteful expenditure if identified; and
 - e) Remedial measures taken.
2. The Submission Analysis Model (SAM) system monitored by Procurement Trends Analysis section in the Business Enablement department.

The Compliance section within RG&C submits PFMA reports for P&SCM to Group Compliance detailing any act of irregular expenditure incurred, where payment has been made against transactions and which transactions the relevant DAA has condoned. Group Compliance will in turn provide quarterly summaries to the relevant DAA.

6.1.8 Fraudulent, Corrupt or Criminal Act

A&F must conduct an investigation if there is suspicion or possibility of fraudulent, corrupt or criminal act emanating from the incurrence of irregular expenditure.

Should the investigation confirm fraudulent, corrupt or criminal acts, charges must be laid with the South African Police Service within seven calendar days. Where criminal charges have been laid against the Board, the executive authority must inform the Treasury within seven calendar days of the charge being laid.

6.1.9 Process for Dealing with Fruitless and Wasteful Expenditure

Fruitless and Wasteful expenditure must be dealt with in terms of Eskom PFMA Reporting Procedure 32-92.

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6.1.10 Recovery or Removal of Irregular Expenditure

Should the result of the determination and investigation confirm that Eskom suffered a loss from the incurrence of irregular expenditure the following steps must be taken to recover the loss:

1. Quantify the loss and determine the value of the debt incurred (Group Finance);
2. Raise a debt in the accounts where the debt arose (Group Finance); and
3. Inform the responsible employee of the debt in writing (HR).

Removal of irregular expenditure from the notes to the annual financial statements may take place if the Board is satisfied that the recommendations of Internal Audit (or P&SCM RG&C function) or other relevant function confirms that the matter is:

1. Free from fraudulent, corrupt or criminal acts;
2. Disciplinary action was taken against the responsible employee(s);
3. Eskom did not suffer any losses;
4. The non-compliance has been addressed to ensure that it does not recur; and
5. Transactions are regularly reviewed to ensure compliance.

6.1.11 Risk Assessments

All potential risks within the commercial process must be identified by the various functions in P&SCM and monitored through the Enterprise Risk Management system and Commercial Risk Register maintained by RG&C.

Identification of risks for each stage in the procurement process must be carried out during the development of the strategy (to be identified in the Strategy document) and during contract management. If a risk is identified, it must be recorded in a Risk Register. The risk assessment must, as a minimum, take into account factors such as pricing risks, safety risks, health and environmental risks, scope-related technical risks, quality risks, time-related risks, human resource risks, supplier and market risks; nuclear safety, quality risks, operational sustainability risk, governance risk, financial sustainability risks and information management risks.

Requests for contingency money and time must also be based on the aforementioned risk assessments.

The contract should be drafted to ensure that all identified risks are appropriately described and treated.

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6.1.12 Use of Non-Disclosure Agreements (NDAs)

Eskom uses NDAs to manage and control confidentiality during execution of the procurement process. This is necessary to safeguard Eskom's information, and to avoid breaches in confidentiality that may cause Eskom and its supplier's commercial as well as reputational harm.

NDAs are required to be completed by every Eskom representative, including fixed term employees, third party contractors and external consultants involved in the execution of commercial transactions on behalf of Eskom.

NDAs may be completed on a discretionary basis for transactions below R1m, depending on the potential risks relating to confidentiality.

It is the responsibility of the relevant Procurement Practitioner to appropriately manage the completion and record keeping of all NDAs relating to the transaction that he/she is executing.

The NDA needs to be completed irrespective of the phase of the procurement process the Eskom representative will participate in (e.g. developing strategy, developing the enquiry, etc.). NDAs must be reviewed and approved by a Senior Manager: P&SCM/accredited non-P&SCM Senior Manager on the standard prescribed NDA template.

It is the responsibility of the Procurement Practitioner to ensure that all NDAs are completed, in full with all required information and appropriately recorded, filed and stored for audit trail purposes.

NDAs for suppliers must be completed and signed and submitted as a tender returnable.

A&F will monitor risks to confidentiality through regular audits.

6.1.13 Proactive Auditing of Commercial Transactions and Contracts

Internal Audit (within A&F) will proactively audit and provide assurance regarding the manner of executing procurement processes for commercial transactions as prescribed by a procurement instruction..

Proactive auditing will include the review of the strategy, the enquiry, tender evaluation and contract implementation. This shall be limited to compliance to the applicable procurement legal framework.

In all instances, a formal report detailing the audit methodology, findings, risks and recommended corrective actions must be submitted to the CPO and relevant DAA in order to inform decision-making.

6.1.14 General Principles of Delegation of Authority

The Delegation of Authority Policy forms part of the Approved Procurement Framework and is reviewed by the Board and published by the Office of the Company Secretary from time to time, upon the approval by the Board.

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The core principle is that individual employees may be permitted by a written delegation of authority to bind Eskom into contracts of purchase or sale regarding assets, goods, works or services. This includes the authority given to selected employees, and as limited in the related DCF, to deal with contingencies arising under contracts.

It is the responsibility of the P&SCM Senior Manager to ensure that all Procurement Practitioners under his/her management direction undergo approved training and accreditation and are issued with written delegations of authority.

Where Procurement Practitioners are still awaiting accreditation, such Procurement Practitioners may only recommend a transaction for approval, and not authorise a transaction.

Sole adjudication (sole signature) authorities are not permitted. Approvals of LPOs are not regarded as sole adjudication - as the Cost Centre Manager grants approval via workflow on SAP.

Commercial transactions are not permitted to be split into smaller values to circumvent or target certain levels of delegation, merely for convenience or undue preference. This is regarded as 'splitting' of transactions.

Transactions may be unbundled to promote new entrants to the market. This unbundling may not be used to avoid going to a higher DAA for approval.

P&SCM analysis function will conduct ongoing monitoring of commercial transactions to assess emerging trends in the splitting and unbundling of transactions.

Authorisation to conduct Dual and Triple Adjudication must be managed by RG&C. Only the CPO or his/her delegated authority can approve Dual and Triple Adjudications of authority.

Senior Managers (E-Band or higher) from other Groups or Divisions within Eskom, but external to P&SCM are permitted to participate in the PiE training and accreditation programme.

Non-P&SCM Senior Managers who pass the required assessment may be conferred with Triple Adjudication authority (as per Eskom DOA Policy), which will be approved by the CPO.

6.1.15 Monitoring of SDL&I Commitments

SDL&I or the Eskom Agent (depending on the agreement reached between them) monitors the meeting of the SDL&I targets in the contract.

SDL&I collates SDL&I commitments by contractors and suppliers as stated in their contracts with Eskom.

Penalties, which shall include but not limited to a minimum of 2.5%, where applicable, are invoked should a contractor/supplier not meet their contractual obligations in terms of the SDL&I targets.

SDL&I reports spend on the designated groups to P&SCM Management and Eskom's Shareholder.

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7. Acceptance

Relevant stakeholders were consulted to submit inputs.

8. Revisions

Table 3: Revisions

Date	Rev.	Compiler	Remarks
October 2010	0	S Shongwe / V Panday	Back 2 Basics Programme (As-Is Phase)
August 2011	1	V Panday	Revised to align to Back2Basics (To Be Process)
April 2014	2	V Panday	Revised to align with new Delegations of Authority, PPPFA application and revised supplier reconsideration processes.
March 2018	3	G Doubell	Revised to align with the new Eskom DOA, National Treasury Instruction Notes, the revised PPPFA., and new business requirements
March 2019	4	G Doubell	Reviewed and revised for Shareholder assurance

9. Development Team

The following people were involved in the development of this document:

1. P&SCM RG&C

10. Acknowledgements

Acknowledgement is given to all who contributed.

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11. Overview of P&SCM

The P&SCM’s mandate is to optimally, cost effectively and safely manage the procurement and supply chain management organisation, compliant to all relevant regulatory and legislative frameworks that will:

1. Have a clear line-of-sight over all external spend, including Eskom wholly-owned subsidiaries;
2. Enable Eskom to achieve best in class capabilities in the areas of:
 - a) Procurement;
 - b) Inventory management;
 - c) Warehousing and logistics;
 - d) Supplier management and development;
 - e) Contract lifecycle management;

The capabilities and processes are illustrated by the P&SCM Value Chain Model below:

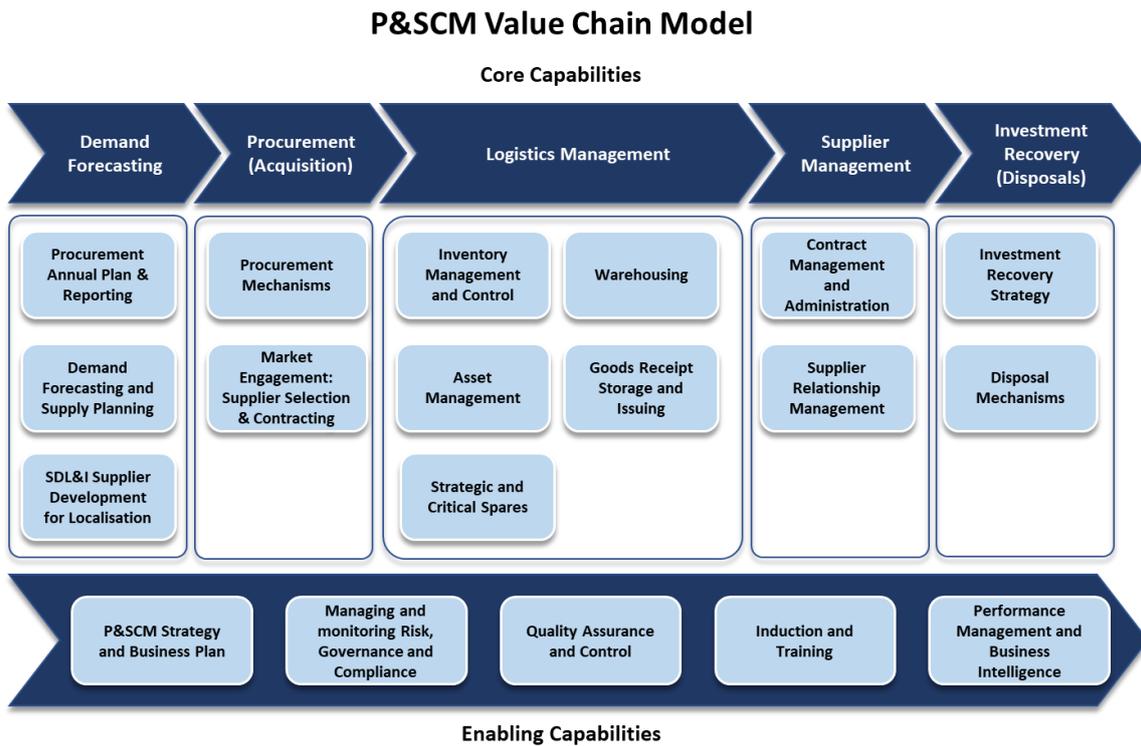


Figure 1: P&SCM Value Chain Model

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The associated processes and procedures are applicable to P&SCM employees, members and secretariats of Tender Committees and End-users, for the effective planning, organisation, leadership, management and control of the following P&SCM capabilities within Eskom:

1. Integrated P&SCM Planning;
2. Procurement (Acquisition);
3. Logistics management;
 - a) Inventory management;
 - b) Warehousing.
4. Supplier management;
5. Investment recovery (Disposals);
6. Enabling capabilities.

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12. Integrated P&SCM Planning

12.1 Introduction

Integrated P&SCM Planning consists of two key business process areas, namely:

1. Annual procurement plan and reporting process;
2. Integrated P&SCM Planning and supply planning process.

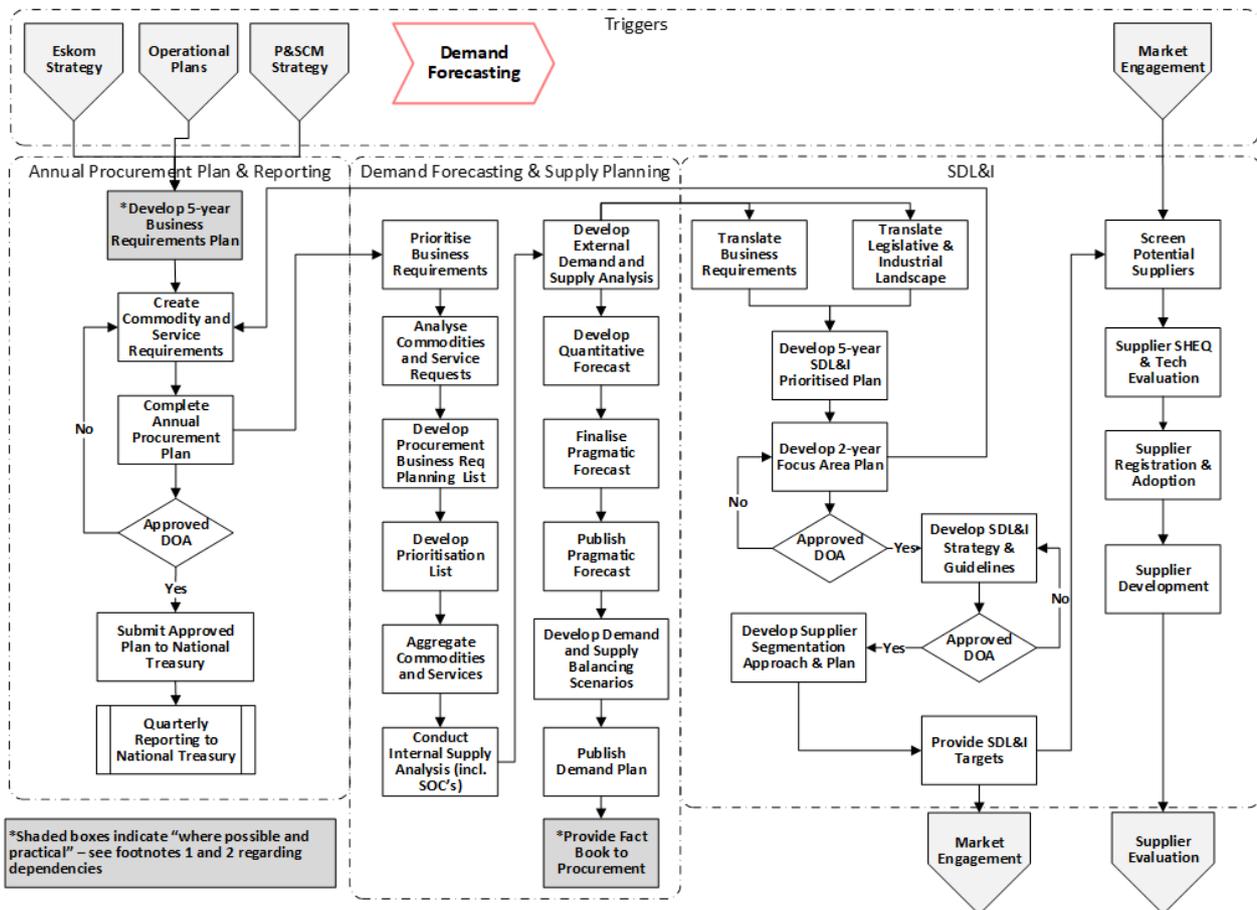


Figure 2: Integrated P&SCM Planning Process Flow

12.2 Annual Procurement Plan and Reporting

Eskom is required to prepare and submit to NT an Annual Procurement Plan by the 31st March of each year and quarterly submissions by the 15th of the month following the end of the financial quarter, detailing all goods, works and services to be procured in any given financial year within the required NT threshold (currently R500 000 including VAT).

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The Eskom Board approves the Annual Procurement Plan. The Board may delegate some of their responsibilities on amendments and quarterly updates and reporting on the Annual Procurement Plan.

It is the responsibility of Procurement to capture the Annual Procurement Plan data and the quarterly data on the dedicated portal for reporting in line with the NT instruction.

The Annual Procurement Plan, amendment and quarterly updates are collated by Integrated P&SCM Planning Department and approved by Board or the Board delegated authority and prepared for NT submission. The approved amended Procurement Plan must be submitted within ten calendar days after approval by Board or its delegated approval authority, to NT.

12.3 Integrated P&SCM Planning

12.3.1 Introduction

The output from the demand forecasting and supply planning (DFSP) portion of the process is, where possible and practical, to:

1. Co-ordinate, develop and maintain a rolling demand plan for the commodities and services which Eskom procures¹;
2. Provide demand forecasts, for prioritised commodities, to support sourcing and SDL&I initiatives and/or strategies;
3. Provide a detailed overview of internal and external demand and supply environment documented in the form of a Factbook² on a business prioritised basis;
4. Report to NT on Eskom's Annual Procurement Plan and submit quarterly reports.

12.3.2 Prioritising Business Requirements

Integrated P&SCM Planning is responsible to develop a list of prioritised commodities and/or services for demand and supply analysis and planning purposes. The criteria for developing the prioritised commodities and/or services list are based on, but not limited to, value, volume, strategic or of critical importance.

¹ This is subject to an en masse forecasting system implementation. At this stage, P&SCM can only provide demand forecast for prioritised commodities that are catalogued. Service master is still in its infancy therefore the ability to provide demand plans for services are limited.

² External demand and supply data will be obtained from Business Intelligence section.

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12.3.3 Develop Demand Plan and Prioritisation List

The demand plans for prioritised commodities and/or services are drafted by a process of gathering data, including Steering Committee of Technology (SCOT) equipment and technology inputs where applicable, by forecasting the demand, consolidating the demands, collaboration, reviewing and adjusting the demand, and finalised by means of consensus with the key stakeholders.

The objective is to create a long-medium term pragmatic demand plan that will be a forecast for three to five years with the highest possible confidence level.

The demand plan will provide procurement information in terms of the estimated quantities and the related values based on Eskom's moving average price.

This prioritised list will be determined by, but not limited to, high-value spend, high-volume call-off, criticality, potential to support strategic localisation priorities.

12.3.4 Develop Internal and External Demand and Supply Analysis

Available internal and external supply data is gathered from open contracts, purchase orders, and/or market data and includes legislated requirements, supplier data, market intelligence, manufacturing capacity, manufacturing lead-time, stock on hand and any other supply related information required. The data of all commodities and services are aggregated and analysed and reviewed to provide a supply market environment insight.

12.3.5 Develop Quantitative and Pragmatic Forecast

Consumption and purchase order data is extracted to develop a quantitative forecast. The quantitative forecast data and internal / external demand analysis are integrated into a Pragmatic Forecast.

Integrated P&SCM Planning is responsible to create a medium to long term pragmatic demand plan that will be a forecast for three to five years with the highest possible confidence level.

12.3.6 Integration of Supply and Demand

Demand and supply will be analysed and reviewed to balance demand and supply within the context of the legislative requirements and to provide proposals to Procurement and SDL&I by means of a Factbook.

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13. Supplier Development Process

13.1.1 Introduction

Supplier Development processes within P&SCM set up to operationalise all governmental socio-economic requirements, including, but not limited to Broad-Based Black Economic Empowerment (B-BBEE), localisation, skills development, job creation, industrialisation and supplier development.

SDL&I employees facilitate and give effect to the legislative and policy framework as it pertains to the socio-economic imperatives of the country through liaison with industry associations as well as government departments involved with legislation / policy development relating to socio economic imperatives.

The SDL&I mandate is therefore to achieve maximum and sustainable local development impact through leveraging Eskom's procurement spend in a manner that allows flexibility within the business in order to accommodate government's local development initiatives and policies.

SDL&I's key objective is to create an enabling environment for industrialisation and transformation that must materialise through Eskom's procurement spend without negatively impacting on Eskom's primary role.

13.1.2 Develop 5-year and 2-year SDL&I Plan

Based on the Eskom 5-year business requirements plan and the requirements of the legislative and industrial landscape, a 5-year SDL&I plan is created which prioritises focus areas for medium to longer term SDL&I development initiatives.

The 2-year SDL&I plan provides specific focus areas based on the demand forecasting and supply planning process and SDL&I development strategies and guidelines.

Proper scanning of procurement plans and the supplier landscape is required to inform the development of strategies to address SDL&I opportunities. This will include the interpretation of changes that may occur during the validity period of the plan and triggers the development of the appropriate responses (actions from SDL&I) to maintain the objectives of the SDL&I Plan.

The categorisation, segmentation and evaluation of the Eskom spend bucket items provide appropriate guidelines to maximise the local development impact on SDL&I objectives.

The strategy and guidelines ensure effective management and utilisation of all socio-economic development and localisation opportunities pertaining to suppliers and other relevant enterprises.

13.1.3 Provide SDL&I targets

Providing SDL&I targets entails the use of the supply analysis outputs to determine the strategic plan for each focus area, and how Eskom will support this plan. It further entails the establishment of an appropriate CFT to research, analyse and consolidate data into a strategy or strategies following the relevant governance processes and procedures.

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13.1.4 Develop socio-economic targets (when applicable) for procurement spend.

These targets are developed and adjusted if necessary, to ensure that they are achievable within the contract circumstances, i.e. physical location of contract execution, difficulty and level of skill to be developed.

13.1.5 Screen Suppliers

Based on the needs analysis and by comparing existing suppliers and business requirements, new suppliers may be required to fulfil business needs. Availability of suppliers is determined through a check on the Central Supplier Database (CSD) and if unavailable, sourced through an external database or advertisement in the media.

Prospective suppliers are screened by evaluating their documentation against business requirements, checking completeness of supplier documentation and requesting missing documentation, if applicable. Suppliers who do not meet the business requirements are rejected, notified and channelled to a development programme as appropriate and in line with business requirements.

13.1.6 Facilitate Supplier SHEQ compliance

All new and existing suppliers must comply with Safety, Health, Environmental and Quality requirements.

13.1.7 Supplier Registration

If a supplier is not registered on the Eskom Supplier Database, the Procurement Practitioner will request Supplier Management in SDL&I, to assist with the registration process. Supplier Management in SDL&I verifies documents submitted for registration and requests outstanding documents from the suppliers. Shared Services generates the vendor number and sends it to the supplier and Supplier Management in SDL&I.

13.1.8 Supplier Development

Engage with relevant services providers (internal and external) and identifying and agreeing development targets. Suppliers are informed of expected development interventions and their progress is regularly monitored through service provider liaison and progress reports received. Suppliers are also informed of their progress status and development performance information is passed on for continuous monitoring.

SDL&I will collect and consolidate information on the performance of contracted SDL&I obligations and report the aggregate performance to the relevant stakeholders.

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14. Procurement (Acquisition)

14.1 Introduction

Any reference to procurement activities in this document, includes also disposal or investment recovery activities.

Procurement should at all times focus on obtaining the best value for money when procuring the required goods, works or services within the applicable legislative framework.

The objectives of procurement are to:

1. Provide goods, works and services that are delivered in the right quantity and reliability to the right place at the right time for the right market-related price thereby minimise the Total Cost of Ownership;
2. Strive for excellent internal customer service;
3. Ensure management of procurement and supply chain risks;
4. Enhance relationship and reputation management;
5. Operate within the applicable legislation;
6. Conform to Eskom's current Delegation of Authority DOA Policy which is summarised in [Appendix A](#) of this procedure.

The Procurement process flow is shown in Figure 3 below.

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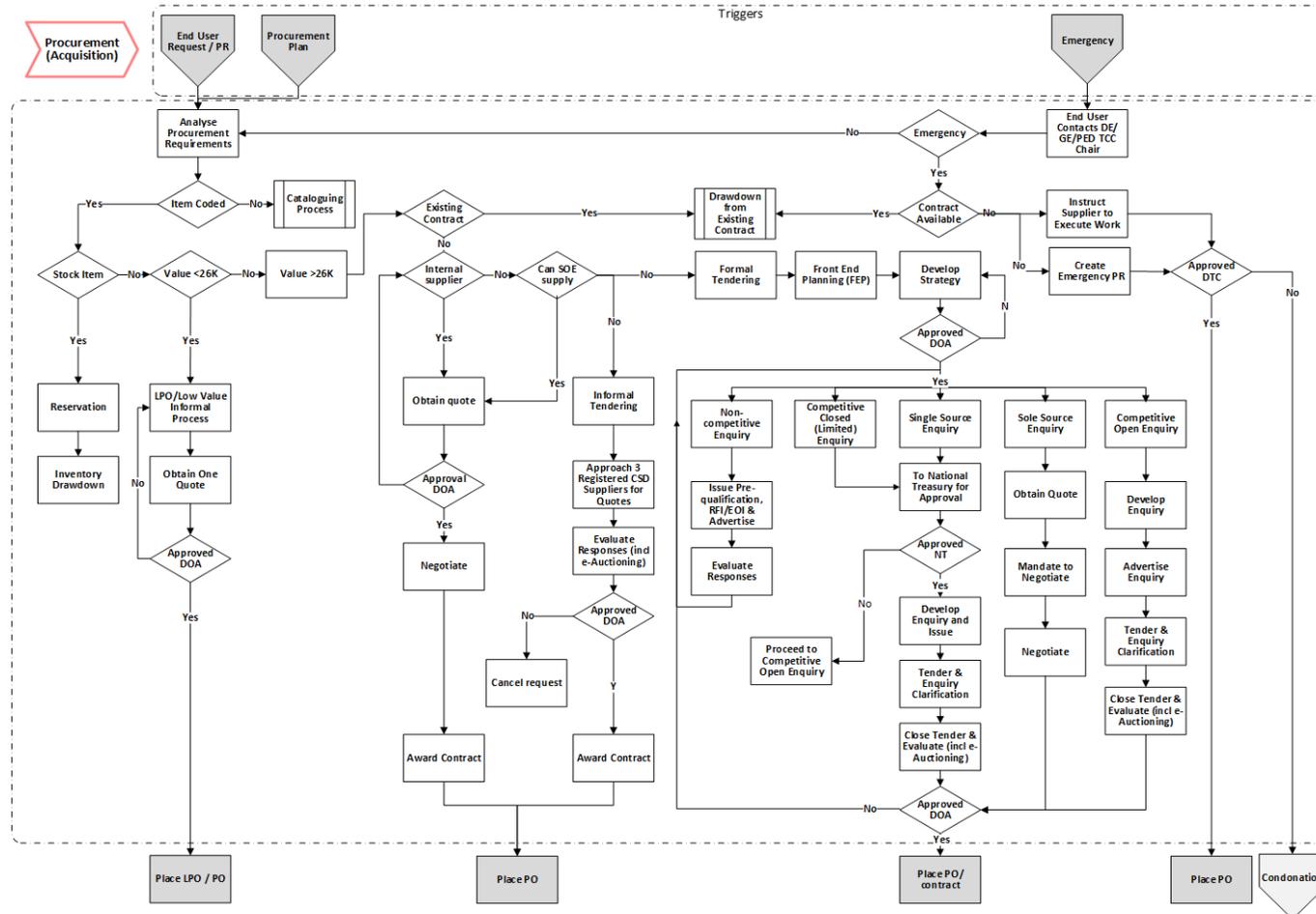


Figure 3: Procurement (Acquisition) Process Flow

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14.2 End-user Request / Purchase Requisition (PR)

14.2.1 Specifying a Requirement or Scope

14.2.1.1 Non-Project Requirements

The procurement process starts either with the MRP Controller, in the case of stock items or the identification of the need by the End-user in line with procurement plan or, where the need to place a new contract is identified, by the relevant Procurement function.

1. Stock items

- a) The MRP Controller may use SAP functionalities to automatically raise a request.

2. End-user need identification

- a) The CFT needs to specify the requirements, estimate value, duration, and specification/scope of the goods, works or services and other information as required;

- b) The End-user will ensure that the requirement / scope conforms to the following criteria:

- 1) Requirements should be "fit for purpose" rather than brand specific. Where simple and generic descriptions suffice, they must be used;
- 2) Unnecessarily stringent or brand-specific descriptions must not be used with the intention of excluding certain suppliers from participation, thereby preventing competition;
- 3) Suppliers' specifications must not be used as a standard except where a sole source situation exists;
- 4) Standards and specifications from recognised professional/industry associations may be used;
- 5) Where an appropriate specification does not exist, an Eskom specification must be referenced or developed;
- 6) Where Eskom employees are not qualified to develop the specification, an external service provider may be contracted to do so, but this would exclude that supplier/consultant from participating in the enquiry for the procurement of the goods, works or services concerned;
- 7) The suitable qualified End-user should describe the need/requirement by writing the specifications/scope in a technical specification document, which includes all designs and drawings, relevant standards, such as welding standards, quality standards, etc.

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- 8) The technical specification/scope must be submitted to the Procurement Practitioner and be signed-off by the respective delegated End-user manager prior to the enquiry being issued to the market.

14.2.1.2 Project Requirements

In the case of a project, the End-user (normally the Project Manager) will follow the Project Life Cycle Model (PLCM) and obtain the necessary approvals during the CRA, DRA and ERA stages. Procurement for the execution of the project will not proceed without ERA approval. Should it be necessary to deviate from this principle, written authorisation to proceed with the procurement must be given by the relevant End-user's GM in consultation with the relevant GM: P&SCM. Where required, the Project Manager and team are also responsible to obtain PFMA ministerial approval for the project.

14.2.1.3 Raising a Purchase Requisition (PR)

Irrespective of the value of the proposed purchase, the End-user is responsible to create a PR as required on the SAP system, to enable the Procurement Practitioner to proceed with the transaction.

The End-user generates a PR, which describes the estimated value, duration, and specification /scope of the goods, works or services and other information as required. When creating a PR, the End-user must allow sufficient lead times for execution.

The Cost Centre Manager approves the PR, taking into consideration the scope of works, business need and budget.

The Procurement Manager confirms the completeness of the PR and allocates the PR to the relevant Procurement Practitioner. The Procurement Manager must reject incomplete or inaccurate PRs and must include comments on why the PR is rejected before routing back to the End-user for correction.

The Procurement Practitioner may only delete a PR once written confirmation is received from the End-user that the goods, works or services are no longer required.

The relevant Procurement Manager must monitor the outstanding PRs and put measures in place to reduce the number of outstanding PRs.

14.3 Hierarchy of Suppliers

The Hierarchy of Suppliers indicates the steps to be followed by a Procurement Practitioner once a PR has been received, is described below. Certain suppliers e.g. SA manufacturers, are given preference when identifying suppliers in the informal tendering space. There is no rule in terms of which one of the designated groups (e.g. BWO, BYO, etc.) must be given preference, however SDL&I will, in line with the KPIs in the Shareholder Compact, inform the Procurement Practitioner which designated groups to approach for a quote/tender. Procurement Practitioners must still ensure that the correct processes are followed and that transactions are awarded on market-related prices.

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14.3.1 An existing Framework Agreement

The Procurement Practitioner investigates and decides whether the requirement can be met from existing contracts or panels within the BU, Division or nationally. Where the requirement can be met from an existing contract or panel contracts, drawdowns for the requirements may be made against the contract by an authorised official, who is generally an End-user or appointed Contract Manager.

14.3.2 Internal Suppliers

Intra-divisional and inter-divisional transactions are governed by Service Level Agreements and the formal procurement process does not have to be followed. Contracts with Subsidiaries are governed by either the NEC or FIDIC.

Eskom has subsidiaries that can provide it with certain goods, works or services that comprise their core business. This should be governed by a Framework agreement for a minimum period of three years. However, where there is no Framework Agreement and the works/goods/services comprises the core business of the Internal Supplier (only wholly-owned subsidiaries) they must be given the right of first refusal. This is on condition that the Internal Supplier can adequately provide the goods/works/services (capability, capacity, lead time and market-related prices) and are not sub-contracting more than 25% of the scope. If one or more of these conditions are not met, then the right of first refusal falls away and the market must be approached. The Internal Supplier may then also tender with the rest of the market.

Eskom's Internal Suppliers are regarded as single source suppliers. However, procuring from Eskom's wholly-owned subsidiaries does not require prior NT approval for deviation and a Sole/Single Source Justification Form (SSJF) is not required.

Until appropriate Framework Agreements are in place, the use of an Internal Supplier must be motivated within a strategy and approved by a DAA.

14.3.3 Other Public Entities

If there is an existing contract with a public entity, the normal process for drawdowns will be followed once the goods, works or services are needed.

If the goods, works or services can be supplied by a public entity, the Procurement Practitioner must follow the mandate to negotiate (no prior tendering) process to establish a contract with the public entity. In such instances, rates must be negotiated for each item within the contracts. Eskom must be satisfied that the rates charged by the public entity are fair, reasonable and market-related.

The use of Other Public Entities is regarded as single source suppliers. However, procuring from Other Public Entities does not require prior NT approval for deviation and a Sole/Single Source Justification Form (SSJF) is not required.

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14.3.4 External Suppliers / Market at Large

The external market as described below must be followed:

1. For informal procurement potential tenderers must be sourced from CSD from the following suppliers in the following order of preference:
 - a) A South African based manufacturer or service provider;
 - b) South African distributor of local South African manufactured products;
 - c) Local companies who can provide the goods/works and/or services;
 - d) Local supplier of imported products or services;
 - e) Lastly, direct imports from a foreign supplier;

Preference is given to the suppliers in the local to site area (feeder area) when searching for the following suppliers (as per SDL&I's advice):

- 1) Black people living with disability;
- 2) Black Youth;
- 3) Black women-owned;
- 4) Black owned;
- 5) EME / QSE at least 51% owned by Black people; or
- 6) EME / QSE at least 51% owned by Black people who are Youth; or
- 7) EME / QSE at least 51% owned by Black people who are Women; or
- 8) EME / QSE at least 51% owned by Black people who are Disabled Persons; or
- 9) EME / QSE at least 51% owned by Black people who are living in rural or underdeveloped areas or townships; or
- 10) A cooperative that is at least 51% owned by Black people; or
- 11) EME / QSE at least 51% owned by Black people who are Military Veterans; or
- 12) EME / QSE; or
- 13) LME.

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2. For formal procurement, open tendering is the default process and all enquiries must be advertised on the NT electronic tendering system, and, if applicable, CIDB for infrastructure transactions. Open tenders are open to participation by any interested supplier who is able to meet the minimum requirements, eligibility and/or pre-qualification criteria.

14.4 Procurement Mechanisms in Eskom

There are eight procurement mechanisms within Eskom, namely:

1. Local Purchase Orders (LPOs);
2. Low-value tendering;
3. Informal tendering;
4. Emergency procurement;
5. Urgent Procurement;
6. Restricted tendering;
 - a) Sole;
 - b) Single;
 - c) Limited.
7. Panel Contract; and
8. Formal tendering.

Note: Where applicable, opportunities for contributing towards socio-economic development (SDL&I) will be stated in procurement strategies irrespective of the transaction value.

Note: All values quoted in the procedure is excluding VAT, unless expressly stated as inclusive of VAT.

14.4.1 Local Purchase Orders (LPO)

Local Purchase Orders (LPOs) are intended for once-off transactions and not multiple, repetitive transactions.

It must be noted that the LPO-buyer is the executor of the procurement and is distinct from the Cost Centre Manager who authorises the procurement in terms of cost centre and financial delegations of authority, as conferred within Group/Divisional/subsidiary DOA policies.

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Suppliers must be sourced from the NT CSD. It is only required to approach one supplier for a quote. When identifying a supplier to approach, the LPO-buyer has to rotate the suppliers if more than one supplier is available to supply the goods, works or services. If there is more than one supplier in the area that can provide the same goods/works/services, then the LPO-buyer has to have proof that he/she has rotated the list of suppliers. The LPO-buyer must ensure that market-related prices are paid. Once a system is developed for comparing prices, the LPO-buyer will follow the instructions for use of it.

LPOs can only be used for non-complex, ad hoc, non-repetitive, non-stock goods or services that are not included within the scope of any existing contracts.

The Procurement Manager must analyse the transactions on a monthly basis and request for contracts to be put in place where there are repetitive purchases. The analysed report must be submitted to RG&C on a monthly basis.

Where the order includes CPA and/or forex, the LPO mechanism must not be used and the normal procurement process must be followed.

Only the following goods or services may be procured using LPOs:

1. Consumable materials such as electrical items, mechanical items, stationary, IT equipment, plumbing items, off-the-shelf items;
2. Rateable services (where rates are quoted per hour or per call-out, etc.) still within the LPO threshold, however, not Professional services;
3. Assets, which cannot be procured off existing national, regional or divisional contracts, subject to the written authorisation of the site financial verifier or financial manager;
4. Minor works for which planning permission by a local authority is not needed, e.g. painting or capital items that will be written-off on purchase and not listed in an asset register, such as small power tools;

The LPO process to be followed is set out in [Appendix G](#)

14.4.2 Low-value Tendering

Procurement Practitioners are the only employees in Eskom mandated to execute low-value tendering processes.

Low value transactions that do not contain any forex, CPA or CIDB implications must be executed by Procurement Practitioners when there are no authorised LPO-buyers or when goods, works or services fall outside the ambit of the categories of supply that are permissible for the use of LPOs.

The Material Manager or Procurement Practitioner may, if duly authorised, purchase stock items for which a PR was generated in the SAP system.

Procurement Practitioners or Material Managers must execute the same low-value tendering process as the LPO-buyer.

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The Procurement Manager must analyse the transactions on a monthly basis and request for contracts to be put in place where there are repetitive purchases.

The Procurement Practitioner obtains Dual Adjudication approval before placing the order. In the case of stock items, approval is obtained through SAP routing process that allows the Procurement Practitioner or the Material Manager to place the PO.

Ad hoc audits by A&F may be conducted on these transactions to ensure risks are highlighted that need to be mitigated.

The documents and reports forming the audit trail for the transactions are archived for the period required in accordance with Eskom's Document Retention Policy.

14.4.3 Informal Tendering

Procurement Practitioners are the only employees in Eskom mandated to execute informal competitive tendering processes.

The nature of these transactions may vary from low complexity, off-the-shelf goods with minimum requirements where a once-off order will suffice, to more complex transactions for services or works with additional requirements, where a NEC short contract may be appropriate.

Where it is anticipated that functionality and designated materials will be applied and multiple returnables requested for detailed evaluation, the formal tendering process should be used. The informal RFQ process is not designed for complex procurement requiring lengthy detailed evaluations and is intended primarily for non-complex goods, works or services that must be procured with speed and efficiency.

The Procurement Practitioner applies the informal tendering process based on the criteria set out below:

1. The duration of the contracts or orders are not more than three years;
2. The DAA is a Dual Adjudicator;
3. Transactions which cannot be sourced via LPO or low value tendering processes executed by a Procurement Practitioner, due to forex, CPA or CIDB must be executed using this informal tendering process;
4. The price may include foreign currency that will necessitate EXCON approval. Forward cover must be taken out if the foreign portion of the price is R150 000 or more;
5. The Procurement Practitioner must approach the number of potential tenderers, as prescribed from time to time, for the specific scope of work, feeder area and designated groups, found on CSD. A feeder area must be widened if the original feeder area used as a filter, does not give sufficient or relevant tenderers.

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6. However, if only one quote is received, the Procurement Practitioner must cancel the enquiry and re-issue again to all the potential tenderers on the list. If only one quote is still received after the second issuing, then the Procurement Practitioner may go ahead with the evaluation process.
7. The tenderers should be independent (not “related-persons”) suppliers to ensure competition for purposes of a competitive tender. If it is found through the tender returnable that certain suppliers are “related-persons”, then this renders those tenderers ineligible and they will not be evaluated further;
8. The Procurement Practitioner may seek guidance from the SDL&I department to determine which group to advance on a particular transaction in line with the targets in the Shareholders Compact. If it is not possible to identify the prescribed number of potential tenderers in a specific designated group from the CSD list, then SDL&I must assist the Procurement Practitioner to conduct market research (through an EOI/RFI) to identify additional potential tenderers. The relevant Procurement Manager must approve the list of suppliers before the RFQ is issued. The additional identified tenderers must be registered on CSD before orders are awarded;
9. The expenditure must be budgeted for (as approved by the Cost Centre Manager during the PR workflow). No budget letter is required;
10. Tender evaluation must be applied in accordance with the 80/20 preference point system as required in terms of the PPPFA. Functionality is generally not required as a threshold for these transactions. However, the End-user must verify if it is the correct goods as specified in the RFQ;
11. If goods required are of a designated material as per DTI list, the required threshold for local content to be met by the tenderers, must be included as part of the RFQ;
12. Eskom uses an Informal Tendering System (currently OLT), which manages the enquiries and tenders electronically, thus acting as a tender box;
13. Eskom’s Standard Conditions of Tender is applicable as well as the Eskom General Conditions of Purchase for informal tendering;
14. Only Procurement Practitioners that have received formal training from an Eskom designated P&SCM facilitator are allowed to utilise the Informal Tendering System;
15. The Informal Tendering System will be deemed the only official solution to use for issuing of and receipt of informal Tendering RFQs to the market;
16. All Procurement Practitioners must continuously ensure that they use the latest updated system templates/attachments available from the informal tendering portal.

The informal tendering process to be followed is set out in [Guideline A: Informal Tendering Process](#).

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14.4.4 Formal Competitive Tendering

Procurement Practitioners are the only employees in Eskom mandated to execute formal competitive tendering processes. The criteria to determine whether formal competitive tendering must be applied to transactions are as follows:

1. The value of these contracts or orders are according to the DOA Policy (currently above R1m excl VAT);
2. The contract duration generally exceeds one year;
3. Forex and/or CPA may be applicable;
4. Requirements for design, manufacturing, supply, erection and construction, commissioning of works, goods or a plant must generally be procured via formal competitive tendering, irrespective of value, unless a sole / single source has been authorised;
5. The expenditure must be budgeted for and/or ERA / investment approvals must be obtained by the End-user prior to execution of the process;

Note: Evaluation will be based upon the 80/20 preference point system for transactions with a value from R26 000 exclusive of VAT up to R50m inclusive of VAT and all applicable taxes, and 90/10 preference point system for transactions above R50m inclusive of all applicable taxes.

14.4.5 Restricted Tendering

14.4.5.1 Sole Source

Where only one supplier (see definition of sole source) in the market has been identified as being capable or available to supply the goods, works or services in the existing circumstances, it may then become necessary to deviate from competitive tendering and follow the sole source process.

Market research (through an EOI/RFI process done by Procurement) should indicate that a sole supplier situation exists both in the national and international markets. However, in the longer term, Eskom should consider alternatives or try to encourage development of competition.

The SSJF is used to motivate the use of a supplier as a sole / single source for certain category of goods, works or services to Eskom. The SSJF must be supported by documented market research. In the case of formal tendering environment, the SSJF and the supporting market research must be submitted with the strategy (which includes the mandate to negotiate request) to the relevant DAA for approval.

An end-user must indicate on the SSJF if the sole source is applicable to one or more than one site. In the case of more than site, the SSJF must be sent to the GM: Sourcing to establish either national contracts or contracts for the specific sites mentioned in the SSJF.

Suppliers falling into the sole source category are generally OEMs.

NT's approval is not required for a sole source procurement.

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The following steps must be followed when a sole source supplier is identified:

1. The End-user completes a SSJF and motivates the use of the supplier as a sole source;
2. The CFT, led by the Procurement Practitioner, develop the commercial strategy based on the SSJF and the outcome of the market research;
3. Request a mandate to negotiate as part of the strategy from the relevant DAA;
4. The DAA approves and instruct the team to obtain a quote from the supplier;
5. The Procurement Practitioner engages the Sole Source supplier by issuing an RFP/RFQ. The CFT must follow the guidelines to establish a market-related price that must be used as the basis for negotiations with the supplier;
6. Once the strategy with the mandate is approved and a quote has been received, the CFT proceeds directly with negotiations;
7. The CFT gives feedback to the relevant DAA and request approval to award the contract.

There are several ways in which a supplier may be justified as a sole source:

1. True Sole Source

Goods, works or services can be supplied only by one supplier and no reasonable alternative or substitute exists. This may relate to intellectual property rights (e.g. patents or copyrights). The absence of competition may also be a justification to use a Sole Source Supplier.

2. Installed Base [Original Equipment Manufacturer (OEM)]

Eskom may not obtain spare parts or additional goods, works or services that are not compatible or interchangeable with existing goods, works or services that were obtained from an original supplier. Spares can only be bought from the OEM, unless risk analysis shows that the use of parts from alternative manufacturers is feasible, and this has been confirmed in writing by the applicable technical experts.

The implications on the installed base should be fully assessed and factored into procurement decisions.

The sole source status may be supported by evidence that the initial sourcing of the equipment was through an open tender mechanism or it may have been through mandated negotiations.

3. Incompatible Material

Changing the source or type of materials, such as chemicals, lubricants or fuels, would necessitate the complete exchange of material due to incompatibility of material from different sources.

The End-user together with the CFT should conduct an analysis to establish whether the complete change of material, which may require “flush-out”, and opportunity costs will be beneficial over time.

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14.4.5.2 Single Source

The SSJF is used to identify a supplier as a single source for certain category of goods, works or services to Eskom. Single source procurement may occur when more than one supplier exists in the market who is capable supplying the goods, works or services, but a particular supplier is identified as the preferred supplier for reasons of compatibility, being on site or other technical reasons. Prior approval is required from NT for single source procurement.

An example of single source procurement is the existence of an established (on-site) supplier. At times, additional works or services not forming part of the initial contract of an on-site supplier may become necessary in order to complete the works or services. If separating the additional works / services from the original contract will be difficult for technical or economic reasons and/or the separation will cause significant cost or time constraints to Eskom, a valid single source motivation exists.

The End-user, with the support of the CFT if so required, must do a formal cost/benefit analysis to establish whether it is more cost-effective to continue with on-site/established supplier, or whether to request competitive tenders/ proposals. This must form part of the motivation for the use of the supplier as a single source. If it is envisaged that negotiations will be conducted only with the single source supplier, the negotiations must be based on a best estimate of the cost of the works / services (excluding site establishment costs) and a properly motivated request for a mandate to negotiate must be presented to the CPO and his/her delegated official.

Internal Suppliers and other State-owned entities, are regarded as single sources, however, a SSJFs will not be required in these transactions.

NT must approve the use of a single source before issuing the PO. The relevant DAA approves the award of the contract.

14.4.5.3 Limited Market

A limited market applies where there are only a limited number of suppliers identified, based on market research, whom Eskom will issue the tender to without inviting the market at large.

In this case, advertising of the tender is not required.

Tenderers must submit proof of registration on the CSD (CSD number) on submission date.

Limited tendering may be applied where:

1. There is an approved strategy authorising sourcing via a limited market authorising the suppliers selected for participation;
2. It has been established through market research that there are only a few known suppliers that are capable and available to provide the goods, works or services, due to the specialised field they operate in; and
3. Prior approval from NT has been obtained before using this mechanism.

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Once the DAA has granted approval to award the contract/order, there is no need to approach NT again.

14.4.6 Emergency Procurement

Emergency procurement may only occur when there is a serious and unexpected situation that poses an immediate imminent risk to health, life, property or environment that calls Eskom to action and where there is insufficient time to invite competitive tenders.

When emergencies arise, the emergency procurement process may be used to resolve the emergency.

All requests for ratification of emergency procurement, irrespective of value, must be presented by the End-user to the relevant DAA. NT approval is not required when following the emergency process.

If a supplier is not CSD registered, the supplier must register on CSD within seven calendar days of award of the contract/order.

To the extent that the relevant DAA determines that the procurement was not warranted by an emergency as defined in this Procedure, condonation must be sought for the procurement, as per the process for condonation set out in this Procedure.

RG&C must perform audits on the Emergency number book (in the case of suppliers wanting an purchase order number) to ensure that all emergencies have been correctly ratified. Any discrepancies must be followed-up and closed out appropriately.

End-users must complete a DOI when they propose potential supplier/s for the emergency procurement to the relevant DE/GE/GM PED/GM ERI.

The emergency procurement process to be followed is set out in [Guideline B](#).

14.4.7 Urgent Procurement

Urgent cases are cases where early delivery is of critical importance. (However, a lack of proper planning should not be constituted as an urgent case).

Urgent Procurement still requires that the normal procurement process and sourcing mechanisms are followed, just on a fast track basis. Thus, it must still be administered via a PR in the electronic Purchasing system.

The fast tracking of the transaction, to eliminate any unnecessary standing or idle time in the process, may require the following:

1. Immediately prioritised by the relevant Procurement Manager and the DAA;
2. Reducing the tendering period (within reasonable consideration for tenderers to effectively tender) as per the process, based on the urgency motivation and as approved by the Procurement Manager;

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3. Fast tracking and prioritising of the tender closing time by the Tender Office, based on the motivated urgency;
4. Reducing evaluation timeframe by the CFT through ensuring all evaluation members are available and focussed to complete the evaluation effectively and efficiently once received from the Tender Office/OLT;
5. Fast tracking of approvals from the relevant approval authority via “special meetings” or round-robins.

Thus, to effectively administer Urgent Procurement transactions, an Accredited Senior Manager/GM at site, must declare a transaction as Urgent with an approved written motivation (for audit purposes) on why the transaction is urgent.

The approver, who declared the transaction as “urgent”, must then allocate a line/ End-user expeditor that facilitates drives and even walks the transaction to completion, to eliminate any unnecessary standing or idle time in the process.

4.8 Reverse e-Auctioning

Reverse e-auction is an electronic procurement process for buying and selling that aims to achieve the most competitive prices for clearly specified items.

Reverse e-auction, when applicable, will only be considered once the potential suppliers have been identified from the CSD.

The CPO identifies items (goods/works/services) that will be suitable for reverse e-auctioning.

The e-Auction process to be followed is set out in [Guideline E](#).

14.4.9 Panel Contracts

The appointment of a panel of service providers should be informed by an approved procurement and contracting strategy. If a panel is intended, the strategy must be approved by the CPO. The motivation or reason for the panel must be clearly stated in the strategy.

Where there is a panel in place with sufficient time and value and the scope aligns with the panel contract, then the suppliers from the panel contract must be used. If for some reason the panel cannot be used, it must be approved by the relevant Senior Manager: P&SCM responsible for panel contract, prior to going outside the panel.

Panel contracts may be established where the same scope of work is regularly required, and the suppliers have been qualified and contracted for a specific range of services.

In certain instances, as determined by the strategy, a Panel Control Committee (PCC) may be established to manage the approval of task orders. Where a PCC is established, the task order allocation process is documented in the TOR and the strategy.

Panel contract must be established through competitive bidding.

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Depending on the panel strategy, prices and rates may be prescribed by Eskom (based on legislative rates) or negotiated with the suppliers at inception of the panel with the objective of standardising them across the panel. Standardised rates are not mandatory. Where rates are to be standardised, the motivation for rates standardisation is based on rates prescribed by government bodies, councils, professional bodies regulated by legislation and Gazette, e.g. DPSA, PSIRA. Once the establishment of the panel is complete the secondary procurement process entails issuing task orders to suppliers on the panel.

In urgent cases, the Legal divisional head/ GM: A&F may allocate the work to the Legal and Audit panel members and submit a report to a PCC for ratification. In its submission to the PCC, the Head of legal/GM: A&F must demonstrate that a fair process was undertaken in the selection of the supplier.

The response to RFQ's from suppliers on the panel may either be sent via e-mail to the relevant Procurement Practitioner assigned to a PCC or if a system was used to request quotes, via the system.

Eskom reserves the right to re-negotiate the prices if the market environment has changed to ensure prices stay on market-related level.

Task Orders are drawn down (each with a SAP 45 number) against contracts with sufficient funds and time available for the completion of the task order.

Modification of the panel contracts and modification of a task order under the panel contracts, must be avoided as far as possible. In the case of task order variation, a new task order must be created to cover for the additional scope of work. The approval of NT is required if it deviates by more than 15% or R15m (including VAT) on the original contract value or Task order value (excluding CPA, contingency money etc.).

Any other changes to the contracts, for example change in payment methodology, must be approved by the relevant DAA.

Any condonation on the panel contracts and the task orders, must be presented by the contracts manager for approval by relevant DAA.

The Contracts Manager / Project Manager is required to monitor the performance of the contractor.

14.5 Market Analysis (Front-End Planning Process)

The Front-End Planning (FEP) process is the key driver to the sourcing process (excluding informal tendering) and forms the basis for the development of a procurement strategy.

Once the Procurement Practitioner has determined that there is no existing contract or available internal sources of supply that can adequately provide the goods, works or services, then formal market research must be conducted on the external supply market.

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Market analysis must be carried out before issuing an enquiry to a limited (including sole source) number of suppliers or where the market is unknown, so that the correct supply market is targeted. Market analysis may also inform the formal commercial strategy, market-related prices and parameters for negotiations. The use of EOIs and RFIs may facilitate such market research, and determine supplier interest, capability and capacity in the category of supply/services.

Where market analysis does not present a complete view of the market, or reveals uncertainty about the solutions available, or the capabilities and availability of suppliers, it may be best to issue an RFI to the market prior to proceeding with a relevant procurement process.

An EOI is a non-competitive enquiry issued to the market to establish market interest in offering the required goods, works or services to Eskom.

An EOI must not request pricing, even on an indicative basis. However, indicative pricing may be requested with an RFI.

Where the market is not known, or the need cannot be clearly defined, an RFI may be issued to ascertain which suppliers and what goods, works or services are available in the market. This does not constitute a competitive enquiry, and therefore cannot be used directly as a basis for placing a contract or an order. An invitation to tender / RFP needs to be advertised in the open market for the specific goods, works or services after the responses received through the EOI and RFI process, if so required. Advertising of an EOI /RFI must not be less than 10 working days.

For purposes of transparency, the EOI / RFI must be administered (i.e. issued and received) in the same manner as a formal enquiry, via an Eskom Tender Office

The End-user may use the information gained to improve the design or specification of the solution to his need but must not write the specification or requirements to suit only one supplier. The End-user must avoid binding Eskom to any specific supplier's offering or brand. An enquiry may be issued thereafter.

Where necessary an RFI process may be used to select a limited number of suppliers to be invited to respond to the enquiry process. Where this option is followed, the RFI should make it clear what the intention and criteria are.

Procurement Practitioners must bear in mind that the greater the time lapse between the EOI / RFI and the issuing of an enquiry, the greater the likelihood that the landscape of the market may have changed.

The level of detail to be included in the FEP will depend on the size, complexity, value and strategic significance of the transaction.

The FEP process will be the responsibility of the Procurement Practitioners in consultation with the designated CFT. The FEP process may be very useful in the commodity sourcing space.

The FEP process may include the following:

1. Demand Analysis

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- a) Consolidate Eskom's and, if possible, other SOC's demand for the goods, works or services;
- b) Link Eskom's demand requirements with an analysis of the supply industry to drive supplier development.

2. Commodity Analysis

- a) Conduct a detailed breakdown of the scope of work and commodity/product life cycle based on the TCO principles.

3. Industry / Sector Analysis

- a) Development of a detailed understanding of industry and sectors in order to identify opportunities for socio-economic development;
- b) Conduct an in depth understanding of industry (supplier) capability and capacity;
- c) Establish the demographic representation of the market participants and their market share;
- d) Develop an understanding of the barriers to entry.

4. Develop a Supplier Preference Model

- a) Establish a commodity-related Supplier Preference Model, using Eskom's Hierarchy of Supplier Preference as a basis.

5. Supplier Positioning Model

- a) Establish a commodity-related Supplier Positioning Model.

6. The FEP serves as input into the Procurement Strategy and gives direction on the procurement method to be followed, the type of contract, the specification or scope of work, etc.

14.6 Developing a Project Procurement Strategy and Commercial Strategy

When procuring a project, a Project Procurement Strategy and a Commercial Strategy per work package/contract, will be required. However, for a once-off contract, only a commercial strategy will be required.

14.6.1 Project Procurement Strategy

The overarching Project Procurement Strategy will provide an overview of how the procurement activities for the entire project will be executed on a high level. The intention is to provide a high-level view of what may be required in terms of forecasted timelines and activities required for procurement and to highlight legal and regulatory requirements for the execution of procurement without being able to provide the detail.

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The requirement for an overarching Project Procurement Strategy prior to detailed Commercial Strategies is only applicable to projects that require the procuring of multiple work packages.

Procurement for a single project that may consist of multiple work packages, leading to multiple contracts, for the execution of the work may be procured over a longer period of time than a normal once-off contract.

The Procurement Practitioner must prepare an overarching Project Procurement Strategy before initiating procurement processes for each of the individual work packages.

The Project Procurement Strategy will allow the Procurement Practitioner and End-user to plan procurement activities to align to the project execution plan.

The project procurement strategy will be approved as per DOA Policy and be approved prior to the commencement of commercial strategies for each work package required by the project.

This overarching Project Procurement Strategy will as a minimum, but not limited to, provide:

1. Overview of work packages that require procurement and interfaces;
2. Scope of each work package;
3. Estimated cost of overall project and estimated cost of each work package as per Investment approval;
4. Forecasted plan and timelines to complete procurement for the entire project;
5. High-level market analysis which would have been carried out during development of the project;
6. High-level indication of how much work will be sourced locally or internationally and what materials are designated;
7. Where possible the procurement mechanisms to be applied to source each work package;
8. High-level evaluation methodology and techniques to be applied to evaluation of tenders but no detailed criteria;
9. Proposed contracting form for each work package but not detailed terms and conditions;
10. Regulatory requirements and approvals for the commencement of procurement activities and formal engagement with the market;
11. Strategies for optimisation of procurement and the feasibility thereof such as fleet procurement, etc.;
12. High level risk analysis of the challenges that may be experienced which could lead to delays in the project completion;
13. SDL&I targets and requirements;

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14. Allocation criteria if the bid will be awarded to more than one supplier.

The DAA will be given insight into how procurement for the project will be executed and managed, any possible challenges or risks that may jeopardise the execution of procurement and therefore the project as a whole. After having received all pertinent information, the DAA will be required to review and consider the presented information and be permitted to influence the overall procurement strategy prior to formal engagement with the market.

The approval of this overarching Project Procurement Strategy by the DAA will allow for Procurement Practitioners to be appointed to work packages and the mobilisation of resources to be appointed to CFTs to begin working on the detailed package procurement strategies to kick-off procurement of the individual work packages.

Once approved, this overarching Project Procurement Strategy becomes the basis for all detailed Commercial Strategies for the entire project.

Any changes to the overarching Project Procurement Strategy that may be as a result of a change in business needs will require that it go back to DAA for approval.

PRs do not have to be created for Project Procurement Strategies.

14.6.2 Commercial Strategy

Commercial Strategies are required for once-off contracts and for project work packages.

The Commercial Strategy will define the procurement strategy and contracting strategy for each work package. Depending on the mandate granted, the Commercial Strategy must be submitted to and approved by the DAA for that individual strategy considering the estimated cost for that particular work package.

Once this overarching Project Procurement Strategy is submitted to and approved by a DAA, the Procurement Practitioner can commence with procurement activities for each of the work packages as per the procurement plan.

A detailed Commercial Strategy for each work package is developed with the appointed CFT just as for any once-off contract.

A CFT must be assigned to assist in the development of commercial strategies and must be involved in the squad checking thereof prior to submission for approval.

Once a comprehensive market analysis has been completed, the outcome will determine if a competitive enquiry will be issued to an open or closed (limited) market.

If there are only one or two capable and available suppliers qualified to provide the goods or services, a mandate to negotiate (no prior tendering) may become appropriate subject to NT approval if required.

Where there are large numbers of suppliers in the market, a pre-qualification process may be followed to short-list suppliers to compete for contract award.

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When drafting a Commercial Strategy, the “Design for Local” concept should be considered. Design for local is a method applied to ensure that the scope of work is more attractive to the local market than to the international market. This includes e.g. breaking the scope of work into smaller contracts or breaking the scope of work to allow certain contracts to be more attractive to the local market.

Development of local industries will be maximised through the “Design for Local” concept. This is a key to unlocking SDL&I opportunities in commercial transactions. SDL&I should advise on the various mechanisms for facilitating front-end loading of SDL&I levers, such as the technical design, procurement time lines, financing of the project, payment terms, project structure and geographic location.

The Commercial Strategy document will include the following information unless not applicable:

- a) The scope of works, goods or services;
- b) The preference point system applicable to the transaction;
- c) Whether pre-qualification criteria are applicable;
- d) Whether goods, works, services are in a designated sector (materials) or designated product for local production and content as prescribed by NT from time to time;
- e) Whether compulsory sub-contracting is applicable;
- f) Whether objective criteria are applicable;
- g) Whether the bid will be awarded to more than one supplier and the allocation criteria;
- h) The type of contract to be used (NEC and/or FIDIC or other forms of contract as approved by Eskom Legal from time to time);
- i) Outcome of the market research and the relevant procurement mechanism to be used (i.e. EOI, Pre-qualification, RFQ);
- j) Functionality requirements;
- k) Estimated value of the transaction (which should be the market-related price);
- l) Optimisation of procurement and the feasibility thereof such as fleet procurement, etc. (if applicable);
- m) Whether a Panel contract is envisaged;
- n) Contractual requirements (SHEQ, financial analysis etc), where applicable; and
- o) SDL&I requirements.

Procurement and sourcing strategies need to be developed and approved prior to execution of the procurement process.

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A Commercial Strategy should also be developed for the sale of major Eskom assets.

14.7 Market Engagement: Supplier Selection and Contracting

14.7.1 Prepare Enquiry Documentation: Types of Enquiries

Enquiries can be categorised into non-competitive and competitive enquiries.

Non-competitive enquiries (EOIs and RFIs) are mainly used for market research. Market interest, capabilities and capacities are source from the open market. Competitive enquiries are pre-qualification enquiries, RFQ, RFP and ITT to the open market.

14.7.1.1 Pre-qualification Enquiries

The Commercial Strategy must provide guidance whether a pre-qualification process should be followed. The purpose of a pre-qualification process is different from the pre-qualification criteria prescribed in the PPPFA.

The pre-qualification must clearly stipulate the requirements / criteria for a supplier to be pre-qualified, the relevant information and documents to be submitted and the further sourcing process steps that will be applied.

The process of pre-qualification may be used in various ways in a procurement process. These may include but are not limited to the following:

1. Issuing a single enquiry with built-in pre-qualification criteria;
2. Issuing a two-stage enquiry in which the:
 - a) First stage involves meeting pre-qualification criteria; and
 - b) Second stage involves issuing an enquiry to tenderers who have met the pre-qualification criteria to establish a list of pre-qualified suppliers ("preferred suppliers") for a specific once-off enquiry.
3. The practice of establishing a list of informal prequalified suppliers without following a clear and well-defined pre-qualification process is prohibited. Pre-qualification is the only mechanism allowed to establish a list of pre-qualified suppliers to contract with.

In complex transactions, Eskom may conduct a due diligence on the suppliers by visiting the plants /sites of the suppliers to assess the appropriate technical processes followed or to test the materials used in the manufacturing of the goods.

Eskom may also decide to visit project sites given as reference by the suppliers, to determine the quality and safety standards of the work done.

Pre-qualification should not be less than 10 working days in the market.

Pre-qualifications are administered (issued and received) in the same manner as formal tenders.

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Once the pre-qualification responses have been received at the Tender Office and the formal receipting and tender opening process has been followed, only the names of the suppliers who submitted a pre-qualification response may be read out.

The pre-qualification documents are then handed over to the Procurement Practitioner to commence with evaluations.

The CFT applies the criteria clearly specified in the pre-qualification and establishes a shortlist of pre-qualified suppliers.

Where there is only one pre-qualified supplier and a decision has been made to proceed with the process, a quote must be obtained as a basis for a mandate to negotiate which must be obtained from the relevant DAA.

14.7.1.2 Competitive Enquiries (RFPs, RFQs, Invitation to Tender / Bid)

A RFQ is a request for a quotation for supply of low value goods, works or services which are clearly defined, specified, quantified, and are typically off the shelf, and where price is the primary consideration for contract / order award. When executing informal tendering, the OLT system is used to send RFQ's to the market and to receive quotes from tenderers.

An Invitation to Tender is issued when business is clear regarding the scope of work, specifications, and other requirements pertaining to the goods, works or services to be procured and where the value exceeds the informal tendering threshold.

A RFP is issued where the End-user's requirements cannot adequately be described or specified, or where innovative solutions to a problem are sought.

A RFP is a document setting out the outcome required in as much detail as possible, without unnecessary limitations as to the solution. Suppliers are requested to propose a solution based on the available information. Suppliers may be required to make presentations of their proposed solutions for which they will be allocated points toward their total score for functionality based on the requirements specification include in the RFP document.

RFPs are administered (issued and received) in the same manner as formal tenders. The RFP may be followed by mandated negotiations with such supplier, in order to place a contract. The process following a RFP must be clearly specified in the RFP enquiry.

Reference checks, sampling and testing may be done before acceptance of a proposed solution.

Evaluation criteria with pre-determined points for each criteria and sub-criteria and the minimum qualifying score for functionality, (as agreed with the CFT) must be included in the RFP and/or the Invitation to Tender document.

SDL&I provide input to the preparation of the RFP /RFQs/Invitation to Tender.

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Before an enquiry is issued to the market, the Procurement Practitioner must, where applicable, verify that all required information in the enquiry is included and correct. This can be done by squad check. In the case of infrastructure projects, a professional person (Engineer, QS, Project Manager) is required to check that the enquiry is compliant with business and legal requirements [CIDB regulations, CIDB Standard for Uniformity (SFU)].

14.7.2 Compiling a Competitive Enquiry

An enquiry document may take the form of a Request for Proposal (RFP) / Invitation to Tender (ITT)/ or a Request for Quotation (RFQ).

Depending on the type of procurement, value and product or service required, the Procurement Practitioner will need to select the most appropriate type of enquiry document.

The Procurement Practitioner must ensure that the content of the enquiry document is consistent with the approved procurement strategy, where applicable.

End-users are required to accurately estimate the costs for the provision of the required goods or services to be able to determine:

1. the appropriate preference point system;
2. The level of CIDB registration;
3. The relevant DAA to approve the Procurement / Commercial Strategy and award;
4. That the prices paid for the services, works and goods are market-related.

Estimated costs should be determined by conducting a thorough industry and commodity analysis to obtain indicative market-related prices to be utilised for benchmarking purposes.

Based on the findings, the relevant preference point system (80/20 or 90/10) must be clearly specified in the enquiry documents and must be utilised for the evaluation of the tender.

The Tax Department within Group Finance must be involved where imported materials will form part of the transaction and where importation taxes are applicable as per the Customs and Excise Act.

Procurement Practitioners and Contract Managers are not permitted to handle transactions containing foreign exchange and / or commodity exposures on behalf of Eskom without the successful completion of the required training provided by the Eskom Treasury Department, who will keep a list of all trained.

All procurement involving foreign exchange and / or commodity exposures must be in strict accordance with the latest revision of Eskom Treasury Department's Foreign Exchange and Commodity Exposures Policy (32-1095) and its Foreign Exchange and Commodity Procedure for Importation and Exportation of Goods and Services (32-1096).

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All foreign currency exposures exceeding R150 000 (excluding VAT) at the time the exposure originates, must be hedged by establishing an internal hedge contract by Eskom Treasury Department.

The costs of shipping and any duties associated therewith must be quoted for and paid in Rand only.

An enquiry document will contain the following overall sections:

1. Letter of invitation;
2. Standard conditions of tender;
3. Tender Data;
4. Evaluation process and criteria;
5. Conditions of Contract;
6. Scope of work and specified requirements;
7. Goods or Services / Works Information;
8. Pricing; and
9. Tender Returnables.

The content of each enquiry will differ in relation to the product or service being procured.

The core structure and content should fundamentally remain the same for all enquiries due to regulatory and legal requirements.

Enquiries for formal tendering must be squad checked and signed-off by the members of the CFT confirming the correctness and accuracy of the enquiry.

The Procurement Practitioner prepares the enquiry documentation with the input of the End-user, or in the case of more complex transactions, the assigned CFT.

For more detail refer to the following appendix:

- a) [Appendix F: Compiling a competitive Enquiry.](#)

14.7.3 Issuing an Enquiry

The Procurement Practitioner obtains a date from the relevant Tender Office for the closing of tenders.

The Tender Office will provide an enquiry number to use as reference for the enquiry.

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The Procurement Practitioner issues the Enquiry either in hard copy to the selected / short-listed suppliers for a limited / closed tender (by arranging a pick-up at the relevant Tender Office) or sends it electronically to the selected suppliers. A register must be maintained of all Enquiries issued by the Tender Office and by the Procurement Practitioner.

For informal tendering, the Informal Tendering System generates the Enquiry number. The RFQ is issued via the OLT system to the suppliers. The Procurement Practitioner must check on the system whether the suppliers have received the RFQ. Such confirmation is recorded and maintained for audit purposes.

Amendments to the Enquiry document must be issued to all participating suppliers in a closed tender.

In respect of open tenders, amendments must be published adhering to the same method used to advertise the initial Enquiry.

14.7.4 Advertising of Open Tenders

Enquiries, which are issued as open tenders, are published / advertised in the Eskom Tender Bulletin, NT's electronic tendering system, (currently called the NT e-Tender Portal), CIDB (if construction related) and/or the relevant media (if applicable).

If the approved Commercial Strategy stipulates open tendering, then an advertisement must be published on the NT's electronic tendering system and on Eskom's Tender Bulletin or through other local, national or international media (depending on the anticipated target market).

Construction contracts more than R30 000 must be advertised on the CIDB i-tender system.

When advertising on the NT's electronic tendering system, Eskom's Tender Bulletin and CIDB, the Procurement Practitioner must complete all necessary fields on the screens developed for creation of advertisements.

The costs of advertising must be considered when making the decision to advertise in the media.

When advertising in the media, a standard template for advertisements must be used. The advertisement must be signed-off by a P&SCM Senior Manager/an Accredited Senior Manager/GM at site. This must be submitted to the Communications Department, together with a briefing note detailing the reason for advertising and the date for publication.

The advertisement must clearly specify the:

1. Competitive process to be followed;
2. Scope of work and specified requirements;
3. Closing date and time;
4. Contact person in Eskom;

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5. E-mail address to direct queries on the enquiry; and
6. Physical address to where the tender documents must be delivered.

Generally, competitive tenders are required to be advertised for at least 21 calendar days in order to provide suppliers with a fair amount of time to respond to an enquiry. This time can be shortened to not less than ten calendar days, with the approval of the relevant Senior Manager: P&SCM.

With informal tendering, at least five working days must be given to the suppliers to respond to the RFQ. Where deemed necessary, a shorter period (not less than 24 hours) may be allowed as determined by the relevant Senior Manager: P&SCM.

Advertisements via different media (NT's electronic tendering system, Eskom's Tender Bulletin, CIDB's website, magazines, newspapers, etc.) must all be placed on the same day. Should a website not be available (e.g. CIDB's website) and delays cannot be afforded, CIDB or NT must be informed of the situation and a printout must be made as a proof of the website being off-line. Once the website is available again, the enquiry must be advertised as soon as possible.

NOTE: In order to enhance the fairness of the process and to support SDL&I initiatives, and advertising in the media is applicable, it is Eskom's preferred position to publicly advertise tenders as far as possible in the local / adjacent market to enable open market participation. Notwithstanding this preference, it may be permissible to proceed with a tender on a closed/limited basis where only selected suppliers are targeted, provided that this is supported by an approved Commercial Strategy, which motivates why the use of an open tender system is not possible or not practically feasible. Furthermore, the prior approval of NT is required before proceeding with the process.

14.7.5 Responding to the Enquiry

Responses may be received in the form of quotations, tenders, bids or proposals, which may collectively be referred to as tenders.

Eskom will only accept tenders from tenderers registered on the CSD.

Participating tenderers must be given adequate time to respond to ensure quality responses and considering the complexity of the enquiry.

While preparing their tender, participating tenderers may request clarification from Eskom regarding aspects of the enquiry.

The Procurement Practitioner must be the single point of contact regarding queries associated with the enquiry, and this must be clearly set out in the enquiry documents. No other Eskom employee may communicate directly with the suppliers while they are in the process of responding to the enquiry.

The responses to the clarifications are recorded in writing and sent to all participating tenderers, without divulging the names of the tenderers requesting the clarification.

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With respect to open tenders, the record of the clarifications and the associated responses from Eskom must be published on the same advertising platform/s that was/were used to advertise the initial enquiry.

If any participating tenderer asks for an extension of time before the deadline and the requested extension will not be prejudicial to Eskom's requirements, the decision may be made by the Project Manager / End-user and the Procurement Practitioner to extend. This decision will be published on the same media than the enquiry was advertised on. The decision not to extend the bid must be approved by the CPO or his/her delegated official.

All suppliers must immediately be informed of any extensions to the deadline for submitting tenders. The relevant Tender Office should agree to the new closing date.

Tenderers whose tenders were submitted and received by Eskom before the extension was granted must be informed that they may leave the tender submission as valid, withdraw the tender submission (by sending a withdrawal notice) or they may send in an amended tender submission (marking the envelope "Amended Tender").

Any amendment to the enquiry must be issued to the tenderers well in advance to enable tenderers to adequately address such changes within their tender submissions and consideration may have to be given to extending the deadline for submission.

The Procurement Practitioner and the End-user / CFT must ensure that the amendment is correct before it is issued.

The Procurement Practitioner must maintain a schedule of amendments which must be published to tenderers each time an amendment is issued to ensure that tenderers are aware of all amendments.

All amendments must be numbered for ease of reference. No amendment may be made after the deadline of tender submissions.

14.7.6 Cancellation of, and Re-Issuing of an Enquiry

Cancellation / re-issuing of enquiries may occur at any time after the enquiry has been issued to the market and before contract award.

The Procurement Practitioner must clearly indicate the reason for cancellation and steps / actions required to avoid similar future incidences. The approval to cancel must be obtained from the relevant DAA.

After approval has been obtained, the Procurement Practitioner informs all participating tenderers of the cancellation.

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.).

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Where the enquiry was issued to a closed list of suppliers, then written notification of cancellation must be sent to each of the invited suppliers.

The following rules apply with respect to the cancellation and re-issuing of a tender:

1. 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;
2. If the End-user changes his requirement significantly, based on a revised approved strategy, the enquiry must be cancelled and re-issued. The cancellation must be supported by a sound technical and/or business case, including budgeting and / or investment approvals, or where required, by legislation;
3. An enquiry 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)

If the Commercial Strategy was to establish a panel of consultants / service providers or to award the contract to more than one supplier (not a panel) due to the different regions or scope of work, and there were no successful supplier/contractor/service provider for every region or scope of work, the process should be concluded with the successful supplier and the enquiry should be re-issued for the remaining regions/scope of work.

Where invited suppliers to a closed enquiry choose not to respond, but the tender list is valid, and all procurement processes have been fairly and correctly followed, the receipt of one acceptable tender means that the tender is valid and may not be re-issued.

As a rule, Eskom does not return tenders received, to tenderers. However, if samples or units of the goods were submitted for evaluation, and a return of the goods is specifically requested, RG&C will determine the merit of the case and must give approval for the samples to be returned. The tenderer is required to collect the samples in this case.

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Eskom may only with the prior approval of NT cancel an enquiry for the second time. This cancellation does not refer to Informal Tendering. The relevant GE / DE / GM PED / GM ERI must sign the submission to the CPO for submission to NT for the second cancellation. The validity of the tender must be extended until a response is received from NT.

The decision to cancel an enquiry must be published in the same manner in which the original enquiry was advertised.

14.7.7 Unsolicited Tenders /Proposals

Tenders received in the IDM environment are excluded from the process below.

Eskom is not obliged to consider unsolicited offers received outside a competitive tender process, or outside mandated negotiations.

There are two types of unsolicited offers that may be received:

1. The first type is a tender that is offered by a supplier when there is no procurement process (unsolicited proposal); and
2. The second type is a tender that is offered during a closed / limited competitive process (tender or competitive negotiations) where an "uninvited" supplier has approached an Eskom employee / director before the closing date requesting permission to submit a tender (unsolicited tender).

Eskom employees that are approached by a supplier with an unsolicited proposal should immediately report it to the relevant GM: P&SCM / an Accredited Senior Manager / GM at site, who in consultation with the relevant End-user GM determines the need for these services. Should it be determined that there is a need for such goods / works or service, the End-user must then prepare a commercial strategy for approval. The open tendering process and advertising must be followed to test the market.

If only one response is received, it will be evaluated and awarded if the tender is responsive and meets all criteria.

14.7.8 Tender Receiving and Opening

The Tender Receiving and Opening process to be followed is set out in [Guideline C](#).

14.7.8.1 Validity of Tender for Acceptance

Tenders are required to remain valid until such time that the relevant DAA awards tenders, but within the validity of the timeframe stipulated in the enquiry or any extensions.

Procurement Practitioners are required to extend the validity of all tenderers until the final contract has been concluded.

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The Procurement Practitioner must obtain permission in writing to extend the tender validity period from the P&SCM Senior Manager / an Accredited Senior Manager / GM at site.

The extension of a tender validity period means that the tenderer maintains its original pricing and all other terms and conditions as tendered.

If a tenderer cannot maintain the original tender (including prices) during the tender validity extension period of the tender, then the tender may not be considered for further evaluation, and the supplier therefore cannot be awarded a contract.

Extension of the validity period is not an invitation to the tenderer to amend the tendered price, scope and / or the delivery period.

NB: Tenders cannot be extended after tender validity had expired. Tender validity can ONLY be extended while the tender is still valid.

If extensions to validity periods occur frequently, the efficiency of the evaluation process needs to be assessed by the relevant P&SCM Senior Manager / an Accredited Senior Manager / GM at site so that necessary steps are taken to improve the efficiency of the evaluation process, as one of the identified KPAs of the procurement function.

Should the validity of the tenders expired and it should have been extended, but it was not, the respective Procurement Practitioners must submit a report to the relevant DAA for a decision.

14.7.9 Evaluation of Tenders

14.7.9.1 Preparation for Tender Evaluations

Once tenders have been administered and processed by the relevant Tender Office and officially released to the delegated Procurement Practitioner, the process of evaluation commences.

For formal tendering, the Procurement Practitioner ensures that tenders are stored and evaluated in a dedicated, lockable room with access limited to CFT members, where the confidentiality of documents is not compromised in any way.

Tenders will not be allowed to be removed from or evaluated outside an official Eskom site (e.g. at an employee's home).

Where tenders or copies thereof need to be moved between Eskom sites or locations, this must be co-ordinated by the relevant Tender Office and the Procurement Practitioner. A Security Officer should transport the tenders, or where tenders are closed centrally, tender documents can be couriered to the Procurement Practitioner. An efficient document control system must be created to account for the location of the originals and copies at any given time.

For tenders that are evaluated in "C-Max" at Megawatt Park:

1. Only computers and other electronic equipment / hardware made available in "C-Max", must be used for purposes of tender evaluations;

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2. The use of cellular phones, laptops that are personal to holder and any other electronic devices should be restricted during the course of tender evaluations. It is the responsibility of the delegated Procurement Practitioner to check and ensure appropriate measure will be in place to comply during evaluations.

A CFT will be assigned and appointed to conduct the evaluation of tenders received.

For infrastructure construction projects at least three qualified and competent employees are required to perform the quality / technical evaluation, in accordance with the CIDB Standard for Uniformity in Construction Procurement.

In rare cases, there may be more than one Technical Evaluation Team, provided that they evaluate independently of each other and that their composition is the same. In cases where there is more than one Technical Evaluation Team, a third independent technical expert will review and consolidate the reports from the teams.

Each member of a CFT, whether an employee of Eskom or a third party to Eskom, has to complete a Non-Disclosure Agreement (NDA) for all tenders.

All communication with the supplier about a specific tender during the evaluation process must be in writing and co-ordinated only through the delegated Procurement Practitioner managing the transaction.

Should the functionality criteria require that a site visit / evaluation be done at the tenderers' site, then the Procurement Practitioner must accompany the CFT and be present at the site visit / evaluation, to ensure adherence to the process as the delegated Procurement Practitioner is the Employer's Agent during the tender process. This is particularly important for foreign offshore visits, unless an Eskom approved inspection, verification, testing and certification company has been appointed to provide the service.

The Procurement Practitioner and End-user must ensure that the CFT understands the procurement and evaluation process and criteria to be used during evaluation and that they are knowledgeable with the tender documentation.

The Technical Evaluation Team must prepare the score sheets for evaluation prior to commencing the evaluation. The score sheet should contain all criteria with the relevant point allocation for each of the criteria and sub-criteria based on an approved evaluation methodology. The minimum threshold for functionality should also be indicated.

CFT meetings for construction contracts must be formalised, with the project manager chairing the meetings.

In all instances, evaluation meetings must be recorded, and the attendance registers and meeting minutes retained on file for audit purposes.

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14.7.9.2 Checking Tender Acceptability and Responsiveness

The purpose of checking for responsiveness is to determine whether tender submissions meet the basic minimum requirements for acceptability and are generally compliant with the conditions of tender in order to qualify for evaluation against thresholds and criteria for scoring and ranking.

Before the actual evaluation process is started the Procurement Practitioner in collaboration with the End-user / CFT assesses the responsiveness of tender submissions by assessing the following:

1. Eligibility of the tenderer;
 - a) The tenderer is assessed against the eligibility and / or pre-qualification criteria as stated in the enquiry. Eskom will disqualify ineligible tenderers.
2. More than one tender submission;
 - a) Where more than one tender is received under the same supplier name, this is recorded by the Tender Office;
 - b) The CFT must disqualify any supplier who submit more than one tender even if the second tender is from its associates;
 - c) If alternative submissions were allowed, both the main submission and the alternative(s) will be evaluated if it meets the responsiveness test.
3. Material Deviations;
 - a) A responsive tender is one which conforms to all the terms, conditions, and requirements specifications of the tender documents without material deviation;
 - b) A material deviation is one which will:
 - 1) Detrimentially affect the scope, quality or performance of the works, services, goods, identified in the Works, Services or Goods Information, respectively;
 - 2) Render a tender submission incapable of being fully evaluated for purposes of passing a stated minimum threshold;
 - 3) Result in major changes to Eskom's or the supplier's risks and responsibilities under the contract; or
 - 4) Affect the competitive position of other suppliers presenting responsive tender submissions, if it were to be rectified.
 - c) If a material deviation is identified, it will render the tender non-responsive.
4. Completed and Signed Authorisation Form;

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- a) A supplier must declare that the information provided in the tender submission is true and correct and that the signatory to the tender submission is duly authorised, by completing the Authorisation Form;
- b) If the signatory and name on the tender differs from the name in the Authorisation Form, then the tender may be rendered non-responsive if, after clarification with the supplier, authority cannot be confirmed or established;
- c) Only those suppliers who have duly completed and signed the Authorisation Form with accurate information will be considered to be responsive.

5. Mandatory Tender Returnables;

- a) Should the supplier fail to provide any mandatory tender returnables as clearly specified in the tender enquiry, the tender submission will be deemed non-responsive;
- b) Where a supplier fails to complete the required Supplier Integrity Declaration Form or, where a Declaration of Interest is made that discloses an actual, potential or perceived conflict of interest (determined in consultation with the assigned function within P&SCM), such a tender may be deemed unacceptable to the extent that the conflict of interest cannot be appropriately managed. The decision to disqualify the tender on this basis must be made by the relevant GM: P&SCM;
- c) If a B-BBEE level is stated as a pre-qualification criterion in the enquiry document, the original or certified copy / sworn affidavit of a valid B-BBEE certificate must be required for evaluation. Failure to submit such a certificate / worn affidavit will render the tender disqualified. A purchase order/contract may not be awarded without a proof of B-BBEE level;
- d) Where there is a failure on the part of the supplier to submit a valid B-BBEE certificate for purposes of evaluation and scoring (not as a pre-qualification criteria), and the proof of B-BBEE status is not submitted, then the tender will be scored zero under the Preference Point scoring;
 - 1) Where SHEQ is a legal or contractual requirement for the execution of the ensuing contract, all legal and contractual requirements pertaining to SHEQ must be demonstrated to be in place and legally valid.

6. Tax clearance certificate;

7. The Procurement practitioner determines if there was proof of tax compliance. Evidence must be available to show that Eskom has verified the tax compliance status of the winning tenderer before awarding the contract;

8. If a printed copy was submitted, the Procurement Practitioner must verify it on CSD;

9. Procurement Practitioners must verify the tax compliance status of tenderers either by using the tenderer's TCS PIN or CSD number;

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10. Senior Managers: P&SCM are required to designate employees to verify the tax compliance status of tenderers on the SARS e-filing system;
11. Verification results should be printed and submitted to the relevant delegated authority at the time of tender award. A copy must also be kept on file;
12. Copies of tenders for formal tendering;
 - a) The supplier is required to submit only one original and one complete hard copy of the original tender submission;
 - b) If a copy of the tender is not submitted, then the tender is disqualified. However, if an incomplete copy (one or more document is missing) is submitted, then the Procurement Practitioner has to request that the tamper bag where the original tender is kept, must be opened to check if the missing documents are there. If found, the Procurement Practitioner has to make copies of the missing document and use it for evaluation purposes;
 - c) Suppliers will not be disqualified if they failed to submit electronic soft copies of the tender;
 - d) The request for multiple copies is not allowed as this might be viewed as unfair procurement practices.
13. JV agreement or intent to form a JV;
14. Should the tender indicate that the tenderers plan to form a JV, the Procurement Practitioner, with the help of the Legal department, must ensure that the JV agreement is valid, and includes a statement that the JV partners will mutually and severally liable. The JV agreement must also indicate who will be the lead partner, and what the ratio is in which work and / or payment will be split;
15. It is also acceptable for an unincorporated JV, to submit a letter of intent. It must be followed up with a JV agreement should the tender be successful;
16. SDL&I Undertaking;
 - a) Eskom may require tenderers to submit an SDL&I Undertaking. Eskom will specify its targets regarding the various SDL&I initiatives;
 - b) The SDL&I Undertaking requires tenderers to commit to various SDL&I objectives such as job creation, skills development, enterprise development etc.;
 - c) If applicable the SDL&I Undertaking may be required as a tender returnable for contract award and incorporated as a condition of contract with the successful tenderer;
 - d) Tenderers who fail to submit the SDL&I Undertaking will be required, before contract award, to submit it to Eskom;

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- e) If tenderers submit the SDL&I Undertaking but do not meet the targets in full, the tenderer will not be disqualified. Eskom may use this as a negotiation point.

17. Disqualification of tenderer in terms of Regulation 14 of PPPFA Regulations;

- a) Upon detecting that a tenderer submitted false information regarding its B-BBEE status level of contributor, local production and content, or any other matter required in terms of the PPPFA Regulations which will affect the valuation of a tenderer, the Procurement Practitioner must:

- 1) Inform the tenderer accordingly; and

- 2) Give the tenderer an opportunity to make representations within 14 days as to why:

- a. The tender submitted should not be disqualified; and

- b. The tenderer should not be restricted by the NT from conducting any business for a period not exceeding ten years with any organ of state.

- 3) If the SDL&I concludes, after considering the representations referred to above, that such false information was submitted by the tenderer, SDL&I must disqualify the tenderer and refer the matter to the Supplier Review Committee for consideration and implementation of the remedial actions.

- 4) The Office of the CPO must:

- a. Inform the NT, in writing, of any actions taken in terms of the above paragraph;

- b. Provide written submissions as to whether the tenderer should be restricted from conducting business with any organ of state; and

- c. Submit all correspondence relating to the remedial actions..

14.7.9.3 Post Tender Clarification

The Procurement Practitioner in collaboration with the End-user and/or CFT must clarify and resolve any ambiguities in the tenderer's tender submission.

The CFT may request the Procurement Practitioner to clarify any issue with a tenderer in writing.

The Procurement Practitioner may seek advice and / or guidance from the Procurement Manager and / or the RG&C function with regard to the wording of a request for clarification.

A clarification is not permitted to be used to enable a non-responsive tender responsive or to change the outcome of scoring or ranking. Clarifications must not be requested in such a way that it seeks to trigger changes in the price, scope, lead times or risk position of Eskom or the tenderer.

A clarification must only be used to clarify information already presented within the tender submission.

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Documents required for contract award should preferably be submitted with the tender, but if they have not been submitted, they can be submitted prior to contract award.

14.7.9.4 Meeting Pre-qualification Criteria

If an original or certified copy of the B-BBEE certificate / sworn affidavit (in the case of EME/QSE) had to be submitted as proof of meeting the pre-qualification criteria and it has not been submitted, then the tenderer will be disqualified. The SDL&I employee must determine whether the pr of B-BBEE level is still valid and in the same name as the registered name of the tenderer.

Should sub-contracting also be a pre-qualification criteria, then proof of the sub-contractors B-BBEE certificate / sworn affidavit, must be submitted. Proof of a sub-contract agreement, must be submitted as proof of meeting the pre-qualification criteria.

Tenderers that do not meet the required subcontracting prerequisites are considered as being not acceptable tenders and must be disqualified and may not be considered for further evaluation or award.

Tenderers who meet the prequalification criteria will move to the next stage of the evaluation process.

Where prequalification criteria are applied, and no tenderer meets the prequalification criteria, the enquiry must be cancelled and an investigation must be conducted to establish the reasons for tenderers failing to meet prequalification criteria specified.

Tenderers that do not meet the pre-qualification criteria clearly specified in the tender document should be disqualified from further evaluation.

14.7.9.5 Mandatory Sub-contracting for Contracts more than R30m

The Procurement Practitioners together with SDL&I, determine whether the requirement for mandatory sub-contracting is met. There must be proof of B-BBEE levels, copies of sub-contracting contracts or copies of letters from the tenderer to the sub-contractors, stating the intent to sub-contract. Tenderers that do not meet the required subcontracting prerequisites are considered as being not acceptable tenders and must be disqualified and may not be considered for further evaluation or award.

14.7.9.6 Evaluation of Local Content Threshold (Designated Materials)

Based on the requirement for local content adherence, the supplier is required to complete and submit the Local Content Forms. The Procurement Practitioner must check if the required threshold percentages have been met.

To the extent that designated materials are procured or where special permission / a directive has been obtained to include local content thresholds and conditions for non-designated sectors, tenders must be evaluated in terms of the evaluation criteria clearly specified in the enquiry.

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The amendment of the clearly specified minimum threshold for local production and content after the close of tenders will not be permitted, as this will compromise the fairness and integrity of the system.

A tender is regarded as acceptable for further evaluation if it achieves the clearly specified minimum threshold for local production and content.

Tenders that fail to achieve the clearly specified minimum threshold for local production and content will be disqualified.

Where a supplier submits a letter of exemption for Local Content, issued by DTI, this will be acceptable, and the supplier will not be disqualified.

14.7.9.7 Evaluation of Functionality Criteria

All responsive tenders are further evaluated by technical of functional evaluator using the functionality criteria as clearly specified in the enquiry to determine if tenders meet the overall threshold.

The technical / functional evaluators are generally one of the following persons:

1. The End-user, only where he/she has the required technical or other expertise;
2. A technical expert nominated by the End-user; or
3. A Divisional technical functionary with the necessary expertise.

Technical evaluators for transactions more than R10m, are identified and appointed by the relevant technical section to do the evaluations. The Division may procure external expertise in accordance with the relevant and applicable processes for the appointment of external service providers (e.g. consultants), for the purposes of conducting technical and/or functional independent evaluations.

If functionality was included as a criterion in an enquiry / RFQ, the evaluation must be conducted by the following persons:

- a) For transactions under R10m: The Procurement Practitioner in liaison with the End-user must evaluate according to the criteria;
- b) For transactions above R10m in the general goods/services/works environment: The Procurement Practitioner, the End-user and another technical person who has the necessary expertise in line with the scope of work;
- c) For transactions above R10m in the construction environment, a minimum of three technical representatives must evaluate according to the prescripts of the NT;
- d) Should it not be possible to identify enough people with the necessary skills to do the evaluation, the relevant Senior Manager who requested the goods / works / services, must confirm that there are not enough technical employees with the necessary skills to do the evaluation.

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Each evaluator independently evaluates and scores tenders against the functionality criteria in line with the criteria.

Each technical evaluator will allocate points against each functional criteria based on the agreed evaluation methodology.

The functionality evaluation must not be used to prefer a particular tenderer, product or brand preference of the End-user or the technical evaluator/s. It should only determine the technical merits of the tender in relation to the scope and associated functional requirements criteria set out in the tender enquiry documentation.

Scores given by the evaluators are averaged and the average score is assigned to a tender. Significant variances in the scores provided amongst the evaluators should be questioned and clarified and documented by the CFT.

After clarification, if any, has been received, the technical / function evaluator does his/her scoring and provides written reasons on the evaluation sheets for any scoring applied.

The amendment of functional criteria, weights, applicable scoring methodologies and / or the minimum threshold for functionality after the deadline for tender submissions will not be allowed as this will compromise the fairness of the procurement system.

Points scored must be rounded off to the nearest two decimal places.

If a tender meets the required minimum functionality threshold, it is regarded as acceptable for further evaluation for price and BBEE.

If a tender submission fails to score enough points to meet the threshold, the tender is disqualified and will not proceed to further evaluation.

14.7.9.8 Evaluation of Alternative Tenders

If submission of alternative tenders is allowed (the enquiry document must state that it is allowed), the Procurement Practitioner and / or End-user must determine whether a main tender was also submitted that meets the basic requirements of the enquiry. If a main tender was submitted, then the alternative tender will also be evaluated against the criteria set in the enquiry for alternative tenders.

14.7.9.9 Evaluation of Price

A supplier can score a maximum of 90 points on price if the estimated Rand value of the contract is more than R50m (inclusive of all applicable taxes), or a maximum of 80 points where the value of the contract is greater than R30 000 but less than R50m (inclusive of all applicable taxes).

The PPPFA prescribes that the lowest acceptable tender will score 80 or 90 points for price. Tenderers that quote higher prices will score lower points for price on a pro-rata basis, based on the formula prescribed.

The Evaluation Sheet will assist Procurement Practitioners in the evaluation of the price.

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Corporate Finance evaluates all submissions falling within the delegation of ETC or higher. For values under ETC threshold, Commercial Finance / Group Finance Business Partners / Project accountants evaluates the prices on request from the Procurement Practitioners. When a financing package is offered, Eskom Treasury must be contacted to determine if there is a need for such a package and how it may influence Eskom as a whole.

The Procurement Practitioner is responsible for evaluation of price for transactions less than R1m. If forex or CPA is included, Commercial Finance may assist with the determining of the prices.

Points scored must be rounded off to the nearest two decimal places.

The prices used for purposes of evaluations are prices where:

1. Arithmetical errors have already been corrected;
2. CPA is applied;
3. Unconditional discounts are considered; and
4. Foreign currencies are converted into Rand.

Where applicable, the assigned financial function calculates the net present value (NPV) of contract prices using Eskom's current discount rate, the tendered programme and prices, estimated CPA factors and rate of exchange fluctuations. The evaluated price used for PPPFA scoring (80/20 or 90/10), must be inclusive of VAT and all applicable taxes.

The evaluator will look at the completeness and accuracy of the pricing schedules as well as arithmetical errors and adjust as necessary.

Should arithmetical errors be found and corrected in terms of the prices, the Procurement Practitioner is required to notify the supplier of the applied corrections and requires that the supplier accept the corrections in writing, or that the tender will be withdrawn. The Procurement Practitioner does not permit the supplier the opportunity to stand by the uncorrected price or offer a new revised price.

When completing the Calculation Sheets, the Procurement Practitioner must ensure that a complete audit trail of the method of calculation and all calculations is maintained on file.

Tendered prices must be reduced to a common basis to ensure like-for-like comparison.

In the case of rate-based tenders, the price to be used for evaluation purposes is either the rates multiplied by estimated quantities or the rate per unit.

All subtotals in an activity schedule are added to give a final total. This final total will be used to establish a score against the 80 or 90 points allocated for price.

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Should a Supplier omit to provide rate / prices for any particular item, Eskom reserves the right to apply the highest rate / price of the other tenderers for that item. (This is necessary to evaluate all tenders on the same basis). The Procurement Practitioner notifies the supplier of the applied corrections and requires that the Supplier accepts these corrections in writing, or that the tender will be withdrawn.

If the pricing schedule stipulated that failure to quote on all items will render a tender non-responsive, tenderers who failed to provide pricing for all items will be disqualified.

Eskom currently has a policy of being fully hedged against exchange rate risk. Where agreements are concluded where Eskom will be required to pay foreign currency for the imported components / services, or the payment is linked to exchange rate movements. For all foreign currency payments, proof is required of the foreign commitment.

The party with whom Eskom contracts has to be the direct importer for Payment Methods 1A, 1B or 2 to be applicable. Under no circumstance, will Eskom effect payment into a third party's CFC account.

Where goods were previously imported into stock by the supplier, for delivery to various customers, including Eskom, the price quoted must be in South African Rand. In such cases Eskom will not undertake any foreign exchange commitment or arrange forward cover.

For framework agreements and Eskom-wide contracts based on forex, a fixed and ascertained commitment must be demonstrated by confirming at least a 90% take-up of the estimated usage / forecast, if possible.

Where the End-user is unable to confirm at least a 90% take-off, they may hedge 50% of the estimate and give an undertaking that there will be an approximate usage of the 50% hedged.

Eskom has developed the following options relating to payments for those particular agreements.

14.7.9.9.1 Payment for Imports

1. **Payment Method 1A** - payment is made directly overseas;

Payment will be effected to a nominated bank account in a foreign country in a foreign currency (payment will be made to the party and account nominated by the Supplier in the contract, and not to any other party).

2. **Payment method 1B** - payment is made to a valid SARB approved CFC account in South Africa;

Payment will be made in a foreign currency (payment will be made to the CFC account nominated by the supplier in the contract, and not to any other party).

3. **Payment Method 2** - payment is made in South African Rand;

Payment will be at the selling spot rate of exchange obtained by Eskom's Treasury on the date that the forward cover is cancelled.

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Eskom will notify the supplier of the date that the forward cover is cancelled as well as the intended payment date, which will be as per the agreed payment terms.

Any exchange rate adjustment after Eskom has notified the supplier of the date and the rate which the forward cover is cancelled will be for the account of the supplier.

Payment Method 2 can only be used for imported goods related contracts and not for any service-related agreements.

Payment Method 2 must be accepted by RG&C within P&SCM before tendering close. If it is not approved before tender closing, Payment Method 1A will be the default.

The tenderer must provide a letter of undertaking that neither they nor any of their subsidiaries will acquire forward cover for this exposure.

For payment methods 1A, 1B or 2, Eskom will require substantiating proof of importation at the time of invoicing.

14.7.9.9.2 Hedging by the Supplier

Eskom will permit the supplier to hedge the exposure themselves and quote Eskom a fixed ZAR price only where Eskom will have no exposure to any exchange rate movement. Eskom however, reserves the right to require that both Eskom and the supplier simultaneously, on the same date and at the same time, obtain pricing from their respective bankers to ensure that any exchange rate passed on to Eskom is a market-related rate. The supplier will be required to either match or better the exchange rate that Eskom would obtain in the market. If not, the supplier will be required to select any one of the other payment methods indicated above which would be applicable to them. If an exchange rate has been agreed by both parties, Eskom will not be liable for any exchange rate adjustment thereafter. The same rules as for imported goods applies to hedging by the supplier for services contracts.

14.7.9.9.3 Service-related Payments

Payment Method 1A is the default method for foreign payment when foreign specialist skills are required in South Africa and they are sourced directly from a foreign supplier, payment will be effected directly into a foreign bank account (Payment Method 1A).

Payment Method 1B will be used when foreign specialist skills are required in South Africa. The local supplier will source the appropriate talent from their network of specialist companies overseas. The foreign specialist is then brought into the country (South Africa) on one of two possible methodologies:

1. Secondment

- a) In this approach, the foreign specialist retains their employment contract with their home unit (Employer overseas) but is seconded to the local company that has a contract with Eskom to work under the direction and control of the local management;

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- b) The salary/ies will be paid to the foreign specialist/s by their home country and the foreign entity will then invoice the local supplier (in South Africa) in foreign currency for the cost/s relating to such employees. The invoices would typically be in US\$, Euro or GBP, this methodology is usually for short to medium term engagements.

2. Payroll Transfer

- a) In this approach, the specialist's contract with the overseas employer will be suspended and the specialist will take up a local contract with the local company;
- b) The overseas employer will not provide a foreign currency denominated invoice because the employment with the specialist is suspended;
- c) This methodology is preferred for long term engagement;
- d) There is no foreign commitment and the contract and remuneration will be in ZAR.

14.7.9.10 Evaluation of B-BBEE

QSEs and Large Enterprises are assessed by SANAS accredited Verification Agencies for the purposes of obtaining their B-BBEE status verification certificates.

Verification of the validity of B-BBEE certificates may be done by visiting the SANAS website.

An EME, with an annual turnover of less than R10m, is required to submit, on an annual basis, a sworn affidavit signed by an EME representative and attested by a Commissioner of Oath, confirming annual total revenue of R10m or less and the level of black ownership.

To the extent that a QSE qualifies for enhanced B-BBEE recognition, a QSE may also submit a sworn affidavit signed by a QSE representative and attested by a Commissioner of Oaths as proof of its B-BBEE status, confirming:

1. Their annual total revenue of between R10m and R50m; and
2. Level of black ownership or a B-BBEE level verification certificate to claim points as prescribed by regulation 6 and 7 of the Preferential Procurement Regulations 2017.

The sliding scale as published in the PPPFA Regulations must be followed for the evaluation of tenders for B-BBEE.

The B-BBEE scores as per the PPPFA Regulations must be entered in the Calculation Sheet. This score will be out of 10 points according to the PPPFA Regulations for tenders more than R50m (inclusive of all applicable taxes) and out of 20 points for tenders equal to and more than R30 000 but less than R50m (including all applicable taxes).

For tenders exempt from PPPFA application, B-BBEE evaluation is based on the requirements as stated in the enquiry.

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Contracts funded by the Development Funding Institutions (DFI), are exempted from adhering to the PPPFA and will follow the Commercial Guidelines of a DFI depending on the relevant clauses in the loan agreement between Eskom and the funder.

Where there is a failure on the part of the supplier to submit a valid verification certificate for purposes of evaluation and scoring by the clearly specified closing time of the tender, the supplier will automatically score zero on B-BBEE for purposes of evaluation.

No PO must be placed without an original/certified copy of a valid B-BBEE certificate or a sworn affidavit.

A supplier must not be awarded the points claimed for its B-BBEE status if it is indicated in the tender that such a supplier intends sub-contracting more than 25% of the contract value to any other enterprise / supplier that does not qualify for at least the same number of points that the participating supplier qualifies for, unless the intended sub-contractor is an EME that has the capability and ability to execute the sub-contract.

In instances where Sector Charters apply, the threshold for qualification for measured entities may be different from the generic threshold. In such instances, the relevant Sector Charter will be used as a basis to measure the potential tenderer (e.g. the approved thresholds for EMEs for the Construction Sector Charter is R1.5m).

Further guidance on verification of B-BBEE levels in respect of measured entities, may be obtained from the Implementation Guide on PPPFA.

Should a procurement official of Eskom become aware that a tenderer has knowingly provided false information or misrepresented information relevant to assessing the B-BBEE status of an enterprise to Eskom, or has knowingly engaged in a fronting practice, CPO must report such matter to the B-BBEE Commission in accordance with Regulation 15 of Part 4 of the B-BBEE Regulation. The Procurement Practitioner must lodge a complaint with A&F for further investigation.

14.7.9.11 Scoring and Ranking of Tenders

After completion of all aspects of the evaluation, the Procurement Practitioner supported by the CFT ranks the tenders based on price and B-BBEE scoring.

Records of the ranking must be submitted to the relevant DAA for verification. The ranking in terms of points must be reflected in the Procurement Submission Documents submitted to the DAA in support of the recommendation contained therein.

1. The points scored for price must be added to the points scored for B-BBEE status in order to obtain the tenderer's total points scored out of 100;
2. In the event that two or more tenderers have scored equal points, the successful tender must be the one that scored the highest points for B-BBEE;

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3. If two or more suppliers scored equal points, including equal preference points for B-BBEE, the successful tender must be the one scoring the highest score for functionality, if functionality is part of the evaluation process;
4. In the event that two or more tenders are equal in all respects, the award must be decided by the drawing of lots;
5. The process of drawing lots will be as follows:
 - a) The CFT to gather in a venue where the lot will be drawn, and attendance register must be signed;
 - b) The relevant procurement practitioner will write the names of the tenderers on pieces of paper of the same size, shape and colour;
 - c) The Procurement Manager will verify that the process was followed in accordance with the aforesaid requirements;
 - d) An independent person (from the procurement transaction and from P&SCM and End-user departments) will draw the lot/s. The independent person will read out the name/s of the successful tenderer/s. Where available, it is recommended that the auditor, who audits the process, draws the lots;
 - e) This process must be recorded by the Procurement Practitioner and the minutes must be accepted in writing by the CFT and acceptance of the minutes must be sent to the Procurement Practitioner for record keeping.

14.7.9.12 Objective Criteria

Objective criteria must meet the requirement of PPPFA clause 2(1)(f).

The contract must be awarded to the tenderer scoring the highest points unless an objective criterion justifies the award of the tender to a tenderer other than the highest scoring tenderer.

Objective criteria must be clearly stated in the enquiry.

14.7.9.13 Contractual requirements

Contractual requirements exclude objective criteria and must be clearly stated in the enquiry. Contractual requirements are not evaluation criteria and is required to be met after the evaluation and ranking of the tenders.

Proof that the highest ranked tenderer is able to meet the contractual requirements, must be submitted prior to the contract award. Those documents or actions that are required after contract award and during execution of the contract, must be made a contractual requirement.

In the case that a supplier does not meet the requirement, e.g. Financial viability, mitigating factors may be decide on and made contractual requirements.

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If the tenderer does not meet or agree with the mitigating factors or the contract requirements, a tender may be awarded to a supplier who did not score the highest number of points on the 90/10 or 80/20 preference points system

Contractual requirements may include but are not limited to a due diligence on the tenderer, financial statements and meeting of SHEQ requirements. The feasibility of including SHEQ and financial analysis as contractual requirements, must be determined during the strategy stage and only included if feasible and really applicable to the type of transaction.

Due diligence may be done through a review of financial viability and risk mitigation steps by the Centre of Excellence in Finance. The latest and approved financial statement not older than 18 months after year end, as per requirements of company law, must be submitted if applicable. Risk mitigating factors may include obtaining a performance bond, parent company guarantee, any other financial assistance or procuring items from another supplier at the expense of the contracted supplier. If the risks cannot be mitigated to ensure performance against the contract, the contract may be awarded to another supplier, which may not be the highest ranked supplier if offering market-related prices.

The analysis of a supplier's financial statements is not a criteria for the purposes of the scoring and awarding of points, or the determination of competitive ranking but to determine if the supplier is financially stable enough to execute a contract/order of the magnitude to be awarded, and if not, the risk to Eskom.

For all transactions to be approved at the ETC or higher, the financial viability assessment of the suppliers to execute a contract will be done by Financial and Management Reporting (within Group Finance) which maintains a database with supplier analysis reports from which information may be extracted if need be.

For all other Delegated Approval Authorities, financial viability of the supplier may be analysed by the Finance and Management Section (Finance Division) to the extent that the risk to Eskom justifies it.

Where a supplier has been awarded multiple contracts with Eskom, the financial analysis from Financial and Management Reporting (within Group Finance) must include the cumulative effect of all contractual commitments with Eskom in order to determine Eskom's risks, and to determine whether the supplier has the financial viability to take on further contractual commitments with Eskom.

In the case of an unincorporated JV or a SPV, each partner of the entity must submit their financial statements which will be consolidated to determine their joint capability to execute the applicable contract.

Where a new company is unable to provide audited financial statements for the last 18 months they may, at the discretion of Eskom, be permitted to provide audited financial statements for the most recent twelve-month operating period.

Due diligence may also be done by considering previous civil judgements against the preferred tenderer. Eskom may also consider whether the preferred tenderer or any of its directors or senior management employees have been convicted of a serious offence.

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Eskom may consider any pending litigation in a court of law or administrative tribunal as part of its risk assessment.

If Eskom is likely to suffer substantial reputational harm as a result of doing business with the preferred supplier, it may take this into account as part of its risk assessment.

14.7.9.14 Dealing with Bonds / Guarantees

If a performance bond or any other bond / guarantee was required in the enquiry, the names of the proposed financial institutions (as requested in the enquiry) must be submitted to the Eskom Treasury Portfolio Assessment (TPA) Department.

The TPA gives approval for the financial institutions who grant the bonds / guarantees to the tenderers for the execution of Eskom contracts. In order to mitigate any risk of a financial institution not being able to honour the bond, TPA will determine if the financial institutions are acceptable or not; if they are still under their credit limit (Procurement Practitioner must advise the guarantee amount to TPA) and if it is easy for Eskom to claim from the bond.

The TPA will maintain a list of the Approved Guarantees and the Procurement Practitioner can request an updated register of Guarantees from TPA as and when required.

Where proposed financial institutions are not on the Approved Guarantors' list, TPA will advise the use of alternative guarantors or request from the Procurement Practitioner the information needed to assess potential guarantors for a credit limit recommendation to the Treasury Committee.

TPA will advise the acceptance of the guarantee on condition that:

1. It is issued by an Eskom Treasury approved guarantor;
2. The guarantee amount is within the approved limit of the guarantor;
3. All necessary legal approvals have been obtained by the Procurement Practitioner; and
4. The guarantee terms and conditions meet the Eskom standard template requirements, including the relevant contract conditions pertaining to such guarantee being included in the contract.

14.7.9.15 Acceptance of Terms and Conditions of Contract

The Procurement Practitioner, with the assistance of the Eskom Legal Department, is responsible for the evaluation of contractual terms and conditions offered, based on Eskom's standard forms of contract.

If a supplier does not accept Eskom's conditions of contract or deviates from the requirements thereof, the Procurement Practitioner must obtain advice from the Eskom Legal Department, in order to determine the risks to Eskom if the conditions proposed by the supplier are to be accepted.

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If it is determined that the risk to Eskom is too great and a clarification with the supplier does not resolve the mitigation of the risks, then the tender will be rejected as commercially unacceptable, and therefore ineligible for contract award.

14.7.9.16 Short-Listing for Post-Tender Negotiations

1. If the price of the highest ranked tenderer is not market-related, Eskom will embark on negotiations to obtain market-related prices;
2. The negotiation team must negotiate with ranked supplier/s in terms of guidelines developed by NT and the mandate contained in the strategy approved by DAA;
3. The negotiation team must:
 - a) Negotiate a market-related price with the tenderer scoring the highest points;
 - b) If the tenderer does not agree to a market-related price, terminate the negotiation and negotiate a market-related price with the tenderer scoring the second highest points;
 - c) If the tenderer scoring the second highest points does not agree to a market-related price, terminate the negotiation and negotiate a market-related price with the tenderer scoring the third highest points

If a market-related price is not agreed with the third highest tenderer, feedback must be given to the relevant DAA for a decision.

Minutes must be taken during the negotiations and be signed-off by both parties. All negotiated offers stemming from formal tenders must be formally received and logged at the relevant Tender Office.

14.7.9.17 Anti-competitive Behaviour: Suspicions of Bid-Rigging, Price-Fixing or Collusion

P&SCM employees should look out for and be alert to the potential for anti-competitive practices when planning, structuring and managing commercial arrangements for the procurement of goods, service and works.

When conducting an evaluation of tenders, signs of collusion, price-fixing or bid-rigging which is intended to eliminate the benefits of a competitive tender must be investigated.

Indicators of anti-competitive behaviour include:

1. Out of a batch of tenders, only one can be evaluated because the others have submitted “non-responsive” tenders that cannot be evaluated, or have not responded to the tender by the closing date;
2. Prices tendered by certain suppliers are very high without technical justification in comparison to one particular supplier, making only that supplier eligible to be awarded the contract;

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3. The same pool of suppliers participates in several tenders, and there appears to be some sort of “rotation” in relation to the submission of tenders;
4. Participation of Related Parties within the same tender thereby eliminating independence and inhibiting competitiveness;
5. Tenders from different suppliers have almost identical pricing, and information provided has similar or identical wording.

Price-fixing and / or bid-rigging, if proven, is a contravention of the Competition Act (89 of 1998) and will constitute a trigger for the reconsideration of a supplier’s registration status on the Eskom Supplier Database for which a supplier may be suspended or de-registered from the Eskom Supplier Database.

Suspicious of bid-rigging must be reported to the Competition Commission by the CPO after conducting preliminary investigation..

NT must be informed of the outcome of any investigations into price fixing or bid-rigging within five working days of the decision being made by the Supplier Review Committee.

Eskom reserves the right to take appropriate remedial steps against any supplier found guilty of bid-rigging / price fixing.

14.7.10 Negotiations

14.7.10.1 Negotiations – No Prior Tendering

The circumstances under which a Procurement Practitioner and End-user may make a recommendation to negotiate without prior tendering are limited to:

1. Sole Source Suppliers;
2. Single Source Suppliers;
3. In cases involving unsolicited tenders; and
4. Internal Suppliers.

The following are examples of where negotiations without prior tendering may be used:

- a) Eskom procures prototypes, goods or services that are developed, at Eskom's request, under contract for research, experiment, study or original development, and Eskom obtains the rights to the design;
- b) After the development contract has been fulfilled, further purchases (re-buys) are subject to Eskom's normal procurement procedures, using the design so obtained;
- c) Eskom has the opportunity to buy under exceptionally advantageous conditions that only arise in the very short term;

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- d) This provision covers unusual disposals by entities in the market, including disposal of assets of businesses in liquidation or receivership;
- e) Eskom wants to obtain rights from the supplier, such as servitude rights, leasing or renting of land from a landowner;
- f) Due to warranties supplied by the supplier or the handling agreement between Eskom and the supplier, Eskom has to use this supplier (example in the case of storage provided for material).

Once a supplier is identified either through market research or previous transactions, a RFP / RFQ is sent to the supplier, requesting a proposal or a quote. The supplier has to submit his proposal / quote so that Eskom can develop the mandate to negotiate. A negotiation strategy must be developed and a mandate to negotiate must be obtained from the CPO or his/her delegated approval official.

A Sole / Single Source Justification Form (SSJF) is required (except for an Internal Supplier and state-owned entity) to be completed.

14.7.11 Approval / Adjudication of Tenders

14.7.11.1 Introduction

Once the evaluation process has been completed, the Procurement Practitioner and the CFT are required to complete and obtain signatures, in line with DOA Policy, on the Procurement Submission Documents ready for submission to the appropriate DAA in line with the levels shown in Tables 5 and 6 in [Appendix A](#).

After obtaining the necessary signatures, the Procurement Practitioner arranges for the submission to be placed on the agenda of the appropriate Tender Committee.

Procurement Practitioner supported by the End-user (and other members of the CFT if necessary) presents the submission at the Tender Committee.

The members of the DAA apply their minds to the submission and approve / not approve / conditionally approve the proposed transaction.

If a tender is to be awarded to multiple suppliers, then approval is required from the relevant DAA in whose authority the total value and time of the contracts fall. The contracts will be awarded as per allocation strategy.

1. Procurement Submission Documents

The signatories sign the submission document on the relevant submission template to confirm that Eskom's needs will be met.

The submission documents must be as complete and clear as possible to allow for the DAA to adjudicate on the matter. The applicable information must be stated and documents submitted so that a clear audit trail will be left.

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2. Tender Committees

The Tender Committees are established to approve commercial transactions within Eskom and provide tender adjudication to all business units in accordance with the Eskom's DOA policy as delegated by the Eskom Board of Directors.

The Tender Committee shall exercise its delegated authority, as determined by the Board of Directors / Chief Executive / EXCO and ensure compliance to NT Instruction Notes issued from time to time, subject to the provisions of the Companies Act No 71 of 2008, Eskom Memorandum of Incorporation (MoI), the Shareholder Compact, the Public Finance Management Act No. 1 of 1999 and any other applicable legislation.

The outcomes of the review of the Procurement Submission Documents will, via the secretariat of the committee, be communicated to the Procurement Practitioner and CFT within the deadline and by the method specified in the TOR.

14.7.12 Award of Contracts / Orders

The acceptance of the tender constitutes a binding contract and not the signing of the contract. It is important that the Procurement Practitioner ensures that successful tenderer returns the signed notification.

Post-contract award, End-user engagements with suppliers must be in strict accordance with the provisions of the relevant contract.

Refer to [Guideline F: Loading of Contracts onto The Purchasing \(SAP\) System](#).

14.8 Special Categories of Procurement

14.8.1 Consultants

A consultant can be defined as a person, company or close corporation that provides expert or specialised advisory skills and / or services.

A consultant does not necessarily supply the ultimate end product but provides recommendations and / or outputs that will contribute to or lead to the best solution to a specific need based on his / her specialist knowledge and / or expertise.

Consulting services cover a broad spectrum, which can be obtained from Strategic Business Management Consultants, Financial Advisory Consultants, Professional Engineering firms, construction firms, legal firms, procurement firms, inspection agents, auditors, multi-national organisations, investment and merchant banks, universities, research agencies, government agencies, non-governmental organisations (NGOs) and specific individuals.

The actual services obtained from consultants may include advice on policy and strategy, engineering services, construction supervision, social and environmental studies, feasibility studies, project implementation, etc.

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It is, therefore, not limited only to strategic advice or technical services.

When there is a need for appointing consultants, or to use a panel of consultants or when the contract with the consultant needs to be modified, the End-user / requestor for the services must do a gap analysis, reduction plan and a motivation and / or business case.

The gap analysis is needed to confirm that the business does not have the requisite skills or resources in its full time employ to perform / provide the specific scope of services required. Consultants must only be appointed where Eskom does not have the requisite skills in-house

The reduction plan is to show how Eskom will reduce the use of and dependency on consultants.

The business case is to motivate why the service of the consultant is needed.

Panel contracts have already been established for the various disciplines, such as SHEQ, Engineering houses, Legal, Strategic Business Management and Financial Advisory services.

In the case of the need to use Strategic, Business, Management and Financial Advisory services panel, Corporate Finance must be approached with a motivation for use of such consulting services from the established panel. A motivation template must be completed, approved by the relevant DE \ GE / GM PED / GM ERI, together with a budget letter confirming budget for the request, must be submitted to Corporate Finance for review. Corporate Finance will review the request for in terms of, amongst others, NT guidelines and then recommend to the CFO to either approve or decline the request.

Where ERI requires consulting services, the relevant process of submitting to the PCCs must be followed. Each BU / OU (including ERI) needs to determine if they are included in the scope of works of the consultants' panels.

If there is a PPC appointed, the approval by the PCC or Task Order Committee is required before a TO can be created.

For all requests not covered by any panel, the normal procurement process will be followed with the necessary approval from the delegated adjudication authority before contract award.

A dedicated centralised commodity team managed by a Category Manager operates as part of the Sourcing department within P&SCM in order to manage the procurement of consultants across Eskom.

When employing the services of a consultant, the Procurement Practitioner should further ensure that the consultant has a confidentiality clause in his / her contract and signs a Non-Disclosure Agreement as part of the contract. This is also required where panel contracts are to be established.

A formal signed declaration of interest must be submitted by the consultant at the time of competitive tendering / mandated negotiations, to ensure that there is no conflict of interest.

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Where it is foreseen that the particular consulting services will be followed by further assignments, phases or related services, such as an implementation phase, it must be clearly stated in the enquiry so that the potential consultants are aware of it. It is not allowed for a consultant who did the design / planning phase, to participate in the implementation phase.

Should it be required that only one consultant participates in the design and the implementation phases, the strategy and scope of work must clearly state that it will be handled as a 'turnkey' contract. In this case there will only be one contract.

The Procurement Practitioners must liaise with SDL&I and HR in order to establish skills development programmes, and monitor skills transfer as a contractual obligation. The applicable requirements must be included in the contract conditions.

Consultancy contracts must include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements.

Consultants may not be remunerated at higher rates than prescribed by their respective professional body or those prescribed by the NT.

Where contracts have been established (either stand-alone or in a panel) the rates as agreed must be applied. These rates should not exceed the legislative thresholds.

P&SCM must adopt a fair and reasonable remuneration framework for consultants, taking into account:

1. The "Guideline on Fees for Audits done on behalf of the Auditor-General of South Africa (AGSA)1" as issued by the South African Institute of Chartered Accountants (SAICA);
2. The "Guide on Hourly Fee Rates for Consultants", as issued by the Department of Public Service and Administration (DPSA); and / or
3. Remuneration guidelines issued by professional service organisations or regulatory bodies, as may be relevant.

When negotiating cost-effective consultancy rates for international consultants, Eskom may also take into account the relevant international and market-determined reference rates.

Evidence of such benchmarking must be included in the submission to the relevant DAA for approval and for a proper audit trail.

P&SCM may motivate for the approval of alternative travel and subsistence arrangements for international consultants. This must be done whilst taking into account relevant cost-efficiency measures, approved budgets and is subject to approval by the relevant parties / authorities.

Consultants must, where practical, be appointed on an output-specific basis (activity based), subject to a clear specification of deliverables and associated remuneration rates.

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Where consultants are appointed on a time and cost basis (rate per hour), requirements for regular monitoring and reporting on activities, outputs, deliverables and Key Performance Indicators must be specified in the contract.

For accommodation and transport costs, the actual costs will be paid as follows:

1. Domestic hotel accommodation and related costs in respect of consultants may not exceed the rate prescribed by NT;
2. Air travel (local and international) must be restricted to economy class;
3. Car hire may not be from a category higher than Group B (EDMR) or an equivalent class;
4. Claims for use of private vehicles are in line with the Automobile Association of South Africa's rates per kilometre (These rates may not exceed the rates approved by the Automobile Association of South Africa); and
5. No fee percentage may be added to accommodation and travel costs. (Only actual expenditures to be verified and reimbursed, where applicable, per the contract).

Note that NT may revise these rates from time to time. Procurement Practitioners must acquaint themselves with the current NT rates when issuing enquiries.

P&SCM Contract Management Department must ensure that appropriate monitoring and reporting requirements are set for relevant consultancy contracts and that penalty provisions are invoked when deemed necessary.

14.8.2 Service Providers / Contractors / Suppliers

The normal procurement process will be followed with the appointment of service providers / contractors / suppliers and does not need to follow the process for consultants.

These include services such as catering, maintenance, facilitation, training, cleaning, gardening, courier services, travel agents, recruitment agents, IT services, security services.

14.8.3 Nuclear Sourcing

Nuclear sourcing is applied when procuring goods, works or services relating to the generation of electricity through the use of nuclear technology, where specific regulatory requirements are applicable due to their importance to nuclear safety.

In addition to complying with all the requirements for procurement / investment recoveries in accordance with the Approved Procurement Framework, the specific requirements clearly specified in the following documents must also be taken into account within each step of the procurement / investment recovery:

1. 238-28 (Nuclear Safety Management Programme);
2. 238-28 (Nuclear Safety Management Programme);

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3. 238-101 (Quality and Safety Management Requirements for Nuclear Suppliers Level 1);
4. 238-102 (Quality Management Requirements for Nuclear Suppliers Level 2);
5. 238-103 (Supplier Quality General Requirements);
6. 238-105 (Nuclear Supplier Qualification and Audit Manual);
7. 238-219 (Level 1 Supplier Safety Culture Enhancement Programme (SCEP) Requirements);
8. RD-0034 (Quality and safety Management Requirements for Nuclear Installations);
9. PP-0012 (Manufacturing of Component Parts for Nuclear Installations);
10. 238-8 (Nuclear Safety and Quality Manual);
11. 32-83: (Eskom Nuclear Management Policy);
12. ASME NQA-1 Quality Assurance Requirements for Nuclear Facility Applications);
13. IEA Safety Standard GSR Part 2: Leadership and Management for Safety;
14. Nuclear Energy Act 1999, Act 46 of 1999.

Representatives from the relevant Quality Department in Nuclear must be consulted at every stage of the procurement to ensure compliance to the aforementioned documented requirements.

The input from the PQE functionaries with respect to the determination of quality requirements for procurement is required for supplier pre-qualification, determination of functional criteria, review and approval of submissions / reports to Delegated Approval Authorities, evaluation of supplier performance, supplier quality management audits and product or process surveillance audits and the verification of received goods, works or services.

14.8.4 Land and Rights

The securing of real rights (e.g. servitudes) relating to land for the purposes of Eskom's infrastructure development and operational requirements, is a specialised category of procurement, not always subject to the same competitive sourcing mechanisms and principles applicable to the procurement of moveable goods, works or services, due to the intangible nature of real rights.

These rights are generally secured via direct negotiations with land-owners, who are not classified as Suppliers as defined in this Procedure.

A mandate to negotiate must be obtained from the Lands and Rights PTC.

These landowners are seen as sole sources and payment to them will be via a cheque requisition (also known as Adobe payments).

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The approval for acquiring of land and rights transactions is subject to the specific Delegations of Authority as set out in [Appendix A](#).

Further guidelines and standard practices regarding the handling of land and rights transactions will be contained in the Eskom Land and Rights Consideration and Compensation Standard (32-844).

In this instance, the procurement manager or Procurement Practitioner is not involved, but the Portfolio Team or the Land Development Teams will contact and negotiate with the landowners directly.

Even though Properties / land are unique and comparison on attributes is not the best method for deciding on the final property, market-related prices should still be paid and negotiated.

An enquiry is normally not sent to Landlords / brokers / estate agents, they make offers and negotiate.

14.8.5 Eskom Treasury Activities

Contracts entered into by the Eskom Treasury Department regarding Treasury activities in line with Treasury's mandate, relating to:

1. Issuing of domestic and / or international bonds;
2. Borrowings including loan or loan facility agreements;
3. Investment of surplus fund;
4. Market marking in domestic bonds and money market instruments;
5. Hedging of financial exposures;
6. Assessing Eskom's current and future credit rating status;
7. Professional services for purposes of:
 - a) Executing the borrowing programme;
 - b) Reviewing of methodologies and testing of models related to financial risk hedging transactions;
 - c) Executing financial instruments and hedging strategies;
 - d) Provision of commodity forecasts for use by the business; and
 - e) Sourcing, analysis and review of funding proposals are specifically excluded from the ambit of the procurement delegations of authority and this Procedure (32-1034). This is in line with the Eskom DOA Policy for Treasury.

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All other activities that are not included in the list above and are of general financial advisory nature and must be transacted either via the Finance Advisory Panel (or alternative Eskom panels in the future). Alternatively, Treasury must follow the P&SCM process by requesting assistance from Procurement for the award of those contracts.

The general financial advisory services which are subject to the P&SCM Procedure include services such as reviewing of loan covenants, sourcing, maintenance or upgrading of Treasury specific IT systems.

14.8.6 Power Purchase Agreements (PPAs) with Local IPPs

When purchasing electricity via PPAs with IPPs, either Eskom's procurement process will be followed, or the DoE will follow its own procurement process (as per section 34 Ministerial Determination).

This decision will be made in consultation with the Eskom Shareholder (DPE).

In cases IFC investment, approval needs to be obtained within Eskom.

When following Eskom's procurement process, the normal DAA approval will be obtained, as per the Eskom DOA Policy. Eskom will be a party (the authorised buyer) to the PPA with the IPP.

14.8.7 Cross-Border Agreements

Cross-border agreements will be handled on a case by case basis, following a procurement process as agreed with the different cross-border stakeholders and the local South African shareholder involved in the PPA.

IFC and approval by the Eskom Shareholder (DPE) must be obtained for PPAs as Eskom will be a legal party to the PPA, as per the Eskom DOA Policy.

Eskom may act in different capacities, either as "off-taker" or as a partner with the relevant SADC authorities with regard to Wheeling Agreements and / or Connection and Use of System Agreements.

In these cases, no DAA approval needs to be obtained in order to enter into such agreements.

14.8.8 Strip and Quote Transactions

"Strip and quote" transactions, are transactions where a quote can only be given for a repair of an item once the equipment is stripped and the damage assessed e.g. a turbine.

Contracts (enabling agreements) with more than one supplier may be established for strip and quote activities and/or common elements of repair work where possible. TOs may be issued when repairs are required. The strategy must indicate the process to be followed to choose a supplier to submit a quote.

The supplier with whom Eskom has a contract, is requested to "strip and quote".

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Specific standard activities / tasks may be agreed to with the suppliers, on a rate basis.

A call-out rate per hour per category of repair or resource may be used as a basis for the contract.

Only one supplier is approached with a request to “strip and quote” for any given repair required.

There is a distinction between enabling agreements for repairs that have to be done by an OEM versus repairs for non-proprietary items and equipment.

A record should be kept of the movement of the asset or item, should the asset or item be moved off Eskom’s premises in order to do the strip and quote.

14.8.9 Primary Energy

Primary Energy Division's (PED) role is to optimally identify, develop, source, procure and deliver the required amounts of primary energy (water, coal, limestone and biomass), to client specification, to the required locations, on time and at minimum cost over the full plant life cycle of Eskom's generating assets.

Coal Suppliers can be identified into two categories, namely Value Adding Coal Traders and Mining Right Holders.

Coal Suppliers are required to adhere to and provide proof of adherence to the following requirements, where applicable, that will be clearly specified in the enquiry:

1. Environmental and Legal Requirements;
2. Health and Safety Requirements;
3. Technical Requirements;
4. Commercial Requirements.

14.8.10 Transversal Contracts

A transversal contract is a contract that has been established by NT, for the use by any State-Owned Entity. Eskom, if in need of the contract, will contact NT to use the contract.

Eskom will use the specific contract conditions and prices as has been negotiated by NT to award a contract.

Eskom may participate in the NT’s Tender Specification Committee, NT’s Tender Evaluation Team and NT’s Tender Adjudication Team when the transversal contract is to be established.

Refer to [Guideline M: Transversal Contracts](#).

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14.8.11 IDM Transactions

Proposal received in the IDM environment is distinct from unsolicited proposals and the proposal will be considered by the IDM Committee.

14.8.12 PPPFA Exempt Transactions

If Eskom has obtained Ministerial exemption from the PPPFA, then this must be stated in the enquiry.

Eskom may request the Minister of Finance to grant exemption from any aspect of the PPPFA if:

1. It is in the interest of national security;
2. The likely tenderers are international suppliers; and
3. It is in the public interest.

It must be noted that requests for exemption on strategic or critical procurement may significantly delay procurement due to the length of time the process may take. Therefore, requests for exemption must be made timeously and factored into the procurement plan.

Eskom has in the past obtained exemption in respect of specific contracts funded by the Development Funding Institutions (World Bank, African Development Bank, European Investment Bank etc.).

The loan agreements with funders will determine the procurement process to be followed. For any new projects funded by the Development Funding Institutions (DFIs), specific exemption must be sought from the relevant Minister.

In the case of non-DFI-funded contracts where exemption has been obtained, the processes as described below for PPPFA-exempt procurement will be followed.

The determination of evaluation criteria and the methodology for evaluation must be determined and agreed upon by the CFT and incorporated in the procurement strategy for approval prior to issue of the enquiry. This shall include the evaluation criteria for the migration of suppliers, in particular for Panel Contracts, during contract execution.

For exempted transactions (not DFI transactions) the evaluation criteria must, as a minimum, include technical (including SHEQ and other supplier development and localisation initiatives) requirements.

14.8.13 Selling of Eskom companies / entities

P&SCM RG&C must be contacted for the process to be followed when Eskom wants to sell off an Eskom entity. The Procurement process must be followed as far as possible with this sale. The relevant department has to get approval within Eskom, to sell the company, however, approval for the transaction will be done by the relevant DAA.

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14.8.14 Leasing of space on the Telecommunications towers, fibre leasing, maintenance of leased fibre

The procurement processes as applicable and as described in the procedure, must be followed. However, if Eskom is approached by a company (private or state owned), then there will not be a need for a SSJF or advertising of the lease. Approval to lease or maintain the asset, must be obtained from the End-user's department. Bespoke contracts will be set up by Legal and the relevant DAA will approve the transaction.

14.8.15 Transfer of stock items or other Eskom assets to other state-owned entities

In the case of that there is a need by another state-owned entity for an item / asset of Eskom, a Memorandum of Understanding (MOU) must be set up for the transfer of the item to the other state-owned entity. Legal must assist with the setting up of the MOU. MOU will describe how, when and where the other state-owned entity must replace the item/asset. This will be handled through inter-governmental transactions. The relevant DAA will approve the transfer.

14.9 Managing Marketing and Sales Promotions by Suppliers

Eskom employees may on occasion be approached by suppliers and/or providers of professional services wanting to inform Eskom of emerging, new and improved products, methods and solutions and accepted best practices. When done in a fully transparent manner without any offer of reward, inducement or conditions attached, this is an acceptable business practice.

When Eskom employees are approached by a private individual or business entity wanting to promote their product or service, employees must be fully aware of their responsibilities within the framework of the 32-527 The Eskom Code of Ethics Standard and 32-173 Conflict of Interest Policy.

Should a supplier wish to provide any form of sponsorship, entertainment, promotional gifts or other form of inducement to attend the promotion of their product or services, then 32-527 The Eskom Code of Ethics Standard must be referred to for guidance.

Eskom employees must be aware of not making any commitments or actions that may raise expectations for future engagement by the supplier or potential beneficial commercial outcomes. The supplier or service provider must be informed and made aware that Eskom employees are not permitted to take any decision that may in anyway commit Eskom to a future engagement or commercial arrangement.

It is recommended that where a supplier requests to make a presentation that this is always done on Eskom premises, that a formal meeting is scheduled and that an attendance registers and minutes of the meeting are documented and retained for future reference. Where possible it is recommended an independent person from P&SCM is also in attendance.

Should there be an interest in the product or service or a need by Eskom for the product of service, then the standard P&SCM process must be applied

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15. Logistics Management

15.1 Warehousing

15.1.1 Accountability and Responsibility for Management of Stores

The Materials Management Manager is accountable to ensure that all store facilities comply with the following requirements:

15.1.1.1 Permanent Storage Facilities

The Materials Management Manager is accountable and responsible for the overall management of all stores in the BU but may delegate the responsibility for operation and management of the stores to suitably qualified and experienced subordinates.

At project sites the appointed Eskom Agent, as the Project Manager, is accountable and responsible for the overall management of all site stores in the BU but may delegate the responsibility for operation and management of the site stores to suitably qualified and experienced subordinates. For maintenance site stores, such as CNCs, the Maintenance Official managing the CNC will be accountable and responsible for all inventories kept at the site.

P&SCM is responsible for the stores management business processes, policies and procedures and process compliance reviews within Eskom, its Divisions and wholly-owned subsidiaries.

Where staff has been allocated conflicting SAP roles, the Accountable Manager shall sign off the conflicting role report as and when required. Manager shall sign off the conflicting role report and run applicable conflicting reports monthly.

15.1.1.2 Remote / Temporary Storage Facilities

Where inventory is issued to End-users for construction and / or maintenance projects, or ordered for delivery directly to such sites, and temporarily stored at a location remote from official storage facilities, the Project Manager concerned shall assume accountability for security and control of such material. Suitable auditable records of inventory balances and transactions are kept. At the end of such projects, the Project Manager must return all unused and / or decommissioned material and records (material reconciliation) to the official storage function.

15.1.1.3 Storage Facilities

Storage facilities are designed and constructed to facilitate proper security of the goods stored and to limit access into stores as far as possible. The accountable Manager will ensure that each store facility complies with the following requirements.

15.1.1.4 Access Control

Access to any specific storage facility and receiving bay is limited to authorized stores staff and controlled by the person in charge of such storage facility/receiving bay.

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Where temporary access is granted to non-stores employees for whatever reason, they must be accompanied by authorized stores employees.

The storage facility may be separated into zones, with access limited to the stores' employees responsible for each zone.

15.1.1.5 Demarcated Areas

Stores must have physically separated receiving, storage and issuing areas.

Receiving Area with the following clearly demarcated areas:

1. Material awaiting inspection;
2. Material awaiting binning;
3. Non-stock items awaiting collection by the End-user (Generation Division only);
4. A quarantine area for rejected items;
5. Stores return area;
6. Items required to be returned to the supplier; and
7. Rotable process- Refurbishment Damaged area - Items returned as Damaged / scrap.

Access to receiving areas shall be provided to facilitate delivery access, allow for speedy off-loading, protection of goods from inclement weather and to ensure security of the goods awaiting inspection or binning.

Storage Area

There shall be a separate demarcated storage area. Only material recorded as stock on SAP should be contained in the storage area. The storage area must be aligned with prescribed policies, procedures and legislative requirements.

All storage areas must comply with OSHACT and applicable legislation.

Every attempt must be made to utilise cubic space by the installation of suitable racking and handling equipment.

Issuing / Despatch Area

Only material that has been processed and issued must be contained in the issuing / despatch area.

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15.1.2 Materials Handling and Storage Equipment

Materials handling equipment must be selected, operated and maintained to facilitate proper handling of the goods stored, and to limit risk of injury to workers or damage to goods and the environment. Operators of handling equipment must be trained and accredited in accordance with the prescription of the supplier's equipment instructions or any legislative requirements, or any applicable Eskom policies, directives and procedures.

Storage equipment must be selected and designed to accommodate the specific requirements of the goods stored and to ensure safety, ease of access to and retrieval of goods. Equipment must be tested according to any prescribed legislative requirements.

15.1.3 SHEQ and Housekeeping

Standards of housekeeping, SHEQ requirements and loss control shall be maintained, as required by Eskom procedures, and any prescribed legislation relating thereto. This includes the maintenance of special facilities for flammable, corrosive, poisonous and other dangerous / hazardous items / substances and for environmentally unsafe materials. Storage facilities and equipment must be selected and maintained so as to avoid safety risks.

Items that need special storage conditions with respect to SHEQ requirements should be identified by the Materials Management Manager and End-user, and such special conditions must be provided and maintained by stores management.

15.1.4 Quality Assurance

Appropriate procedures must be followed to ensure that goods received are of the required quality by visual inspection. The stores function assumes responsibility for the maintenance of the physical condition of inventory once in storage.

Should the stores not have qualified and authorised employees to conduct the quality verification, the items should be placed in quality inspection or goods received (GR blocked stock) until a specialist quality control function (S&I – Group Technology) or the approved End-user or the assigned Quality Control Officer, verifies the quality thereof. Quality variation should be dealt with by means of non-conformance reporting and appropriate actions taken. This is the responsibility of the End-user, the Contract Manager on site and stores employees. Relevant documented information shall be maintained and retained and be made available when required.

List of annually updated and approved quality inspectors with specimen signatures must be available where End-users are tasked to perform quality inspections.

Maintenance spares must be quality inspected by an approved Quality Officer or assigned End-user prior to binning. Transaction 101 101 (Quality Inspection/Blocked stock –Supplier can still be paid. If in blocked stock then it cannot be issued out) or Transaction 103 GR Blocked stock (prevents suppliers not being paid until quality is approved) must as far as possible be used for maintenance spares.

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15.1.5 Stores Administration

There shall be full document control and a reconciliation of all transactions daily. Each warehouse must have an appointed Document Controller whose responsibility is to manage and control the flow of documentation, storage of received material data, supplier tests results, material certificates, data books, drawings etc and the maintenance of the documents/ register. (QIM requirement).

Inventory or non-stock items must not be moved into, or out of, any storage facility without the correct documentation, and the processing of the relevant receiving, transfers or issue transactions. These transactions should be processed within one working day after the transaction has been completed. The relevant budgeting authorities must approve all issues from inventory especially in the case of projects.

For further guidance refer to [Guideline J: Warehousing](#).

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15.2 Goods Receiving, Storage and Issuing

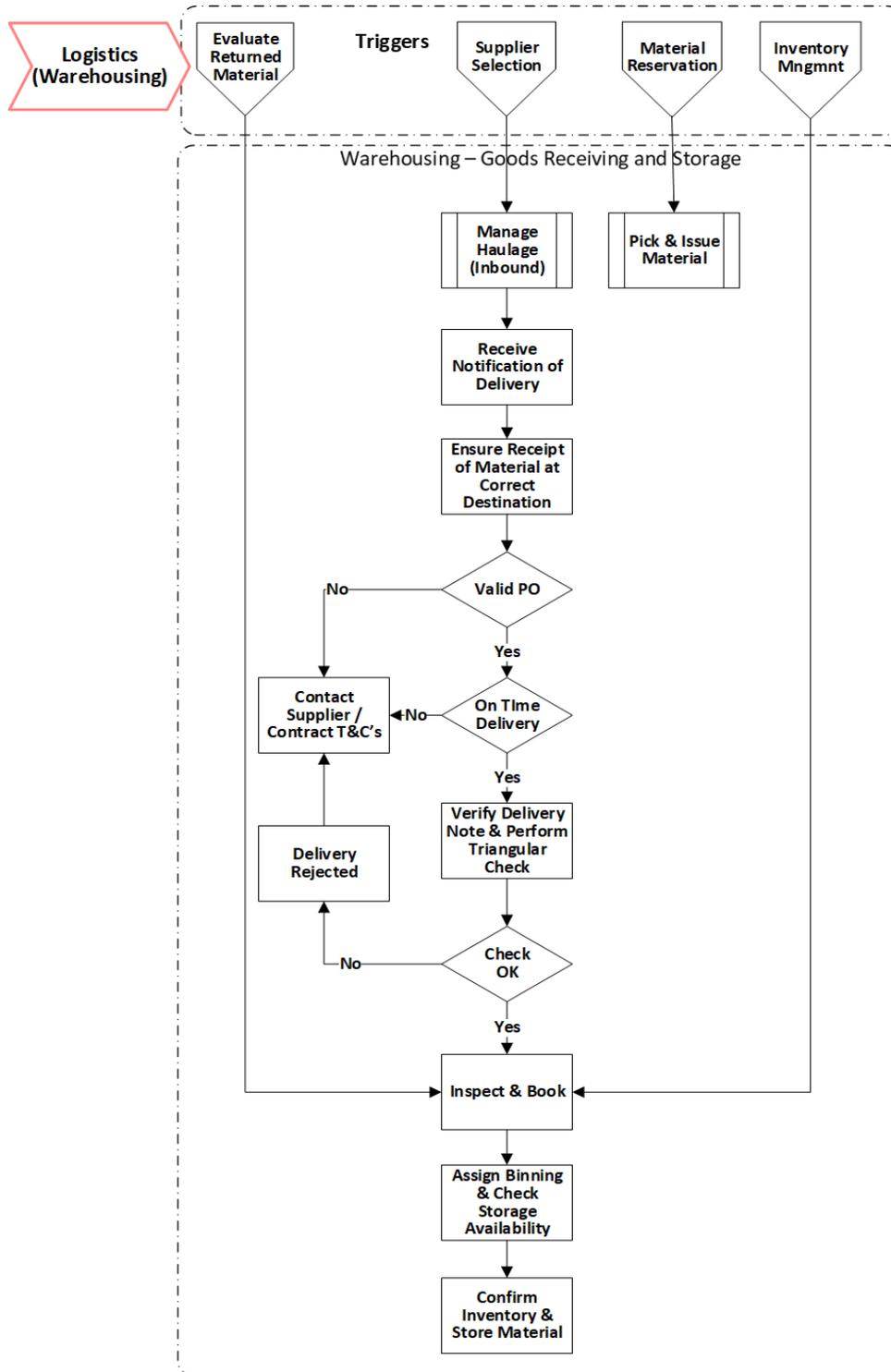


Figure 4: Warehousing - Goods Receiving and Storage Process Flow

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15.2.1 Goods Receiving

Except where it is at Eskom's request, early delivery against an order is not acceptable unless terms of payment are re-negotiated to suit Eskom's cash flow requirements. Late delivery must be managed in accordance with the conditions of contract and the procurement system must be updated accordingly.

Where Eskom needs to roll forward cover due to late delivery not requested by Eskom, the cost will be for the supplier's account and the supplier must be notified accordingly.

In the event that a supplier delivers goods, works or services that are incomplete, of a lower quality, or quantity than agreed to, a non-conformance report must be raised, and the necessary steps taken to remedy the quality or quantity. The defect must be remedied in terms of the contract.

When Materials Management returns goods for credit, the necessary transaction must be made in the procurement system to ensure that credits are received. Even when goods are returned as unacceptable on delivery, the necessary transactions must be made on the procurement system.

A non-conformance report must be raised in every case. Endorsing only the supplier's delivery note is not acceptable.

All goods received must be visually inspected for quality.

All GR goods must be assigned to a binning task and stored in a predetermined binning location.

15.2.2 Managing Delivery

Except where it is at Eskom's request, early delivery against an order is not acceptable unless terms of payment are re-negotiated to suit Eskom's cash flow requirements.

Late delivery must be managed in accordance with the conditions of contract.

The procurement system must be updated accordingly.

Where Eskom needs to roll forward cover due to late delivery not requested by Eskom, the cost will be for the supplier's account and the supplier must be notified accordingly.

In the event that a supplier delivers goods, works or services that are incomplete, of a lower quality, or quantity than agreed to, a non-conformance report must be raised, and the necessary steps taken to remedy the quality or quantity. The defect must be remedied in terms of the contract.

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15.2.3 Storage

All material and bin locations must be appropriately marked and labelled. Material must be packaged and preserved according to OEM specifications and shelf life items must be marked accordingly.

Any material that is safe kept for End-users and projects must have proper control systems (e.g. safekeeping register) similar to the warehouse ERP system that indicates all quantities and movements.

15.2.4 Inventory Maintenance and Preservation

Inventory items that need maintenance during storage must be identified by the End-user department (maintenance or projects/engineering). Such maintenance should be scheduled and performed by the End-user in co-operation with Warehousing.

15.2.5 Picking / Issuing of Goods

The End-user raises a Reservation in SAP and creates a shopping cart for all required goods.

All reservations must be captured in a picking register prior to be handed over to storage section for picking purposes.

15.3 Inventory Management

15.3.1 Introduction

The main objective of Inventory management is to hold an optimal balance of inventory with the highest Stock Turn Ratio (STR).

SAP MRP will determine if replenishment is necessary based on the changes to the material master, stores transactions and changes to open documents such as requisitions, purchase orders and reservation as they influence the MRP list and runs.

This Section specifically excludes primary energy and water, as well as nuclear requirements, but deals with inventory bought and stocked by Eskom BUs for capital works, and for the maintenance, repair and operation (MRO) of all Eskom assets.

Demand for breakdown maintenance will take preference with availability of stock.

The SCOPS function within P&SCM is accountable for the operational management and controls regarding inventory.

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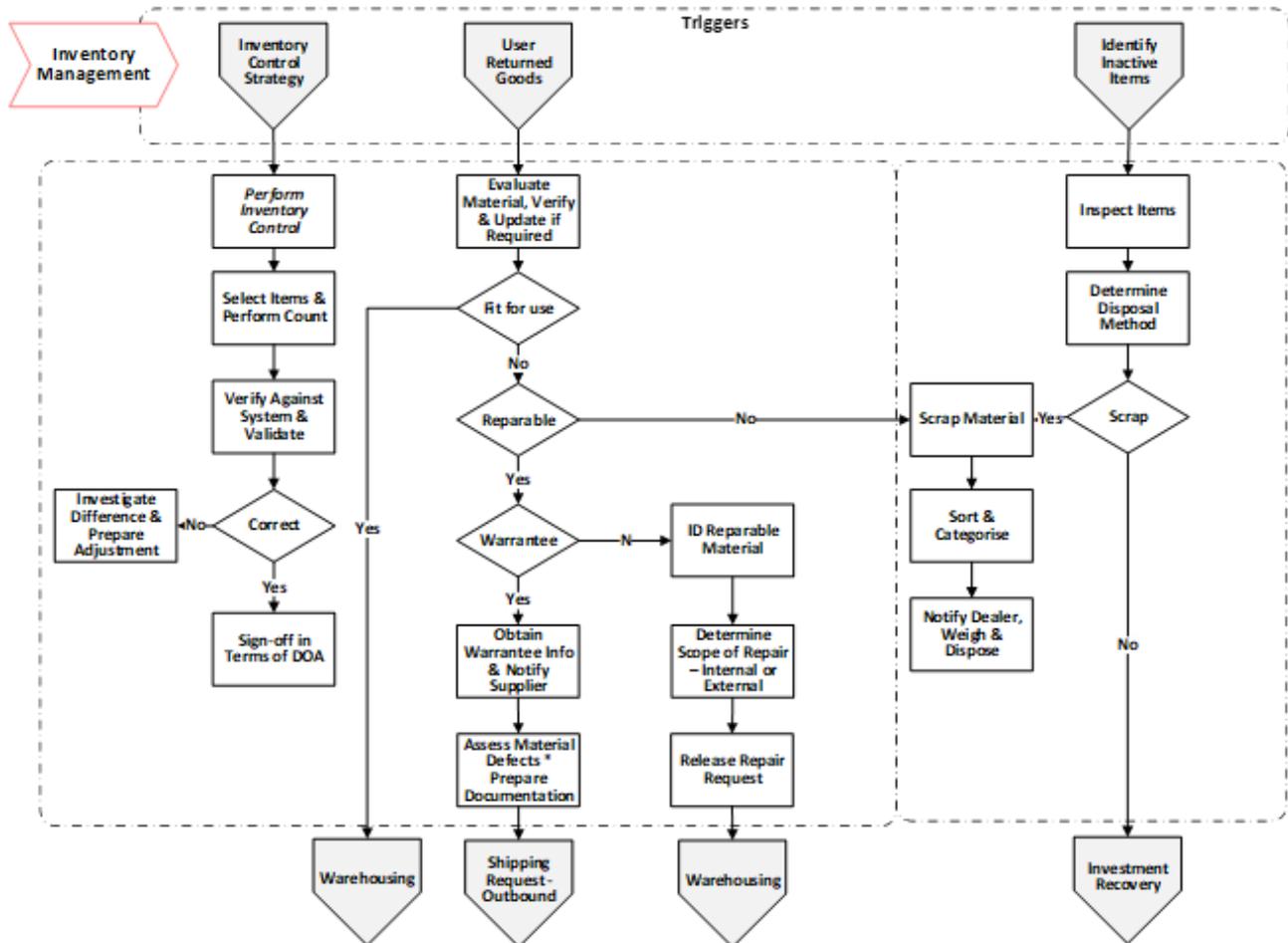


Figure 5: Inventory Management Process Flow

15.3.2 Materials Requirement Planning (MRP)

Material replenishment rules shall be maintained on an appropriate frequency.

The minimum recommended target is 98% (ninety eight percent) accuracy.

Senior Warehouse Supervisor / Storage Supervisor is accountable to conduct all stock investigations on final deviations.

15.3.3 Consignment and Vendor Managed Inventory (VMI)

Where a supplier is willing to supply stock on consignment, effective physical and administrative control measures, re-stocking and payment procedures must be applied to ensure that Eskom suffers no loss.

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15.4 Asset Management

15.4.1 Identification of Obsolete, Slow Moving and Scrap Items

The End-user (Maintenance / Engineering, Standards Implementation (DX)) is responsible and accountable to conduct a 'walk down', at least once a year to verify whether the material is obsolete or not against the list provided by Materials Management.

It is the responsibility of the Supply Chain Planning to draw the slow moving and dead stock report and send it to relevant decision-making End-users for verification.

It is the responsibility of the End-user to physically identify and verify the material as per slow moving and dead stock report as obsolete.

An authorised End-user needs to sign-off on the report after the physical walk down and inspection of material.

All materials identified within a specific financial year must be written-off as per work instruction prior to financial year end.

Materials Management, with the assistance of relevant technical representatives and Project Managers, will ensure safe keeping of scrap and redundant equipment returned from project sites and Customer Network Centres (CNCs).

All material identified as obsolete need to be disposed of prior to year-end.

Stock re-evaluations need to be performed by the relevant Finance Section.

15.4.1.1 End-user Returned Goods

End-users return goods to the store which are damaged, not working (warranty claim), redundant or scrap. Returned goods are inspected, evaluated and classified as per below:

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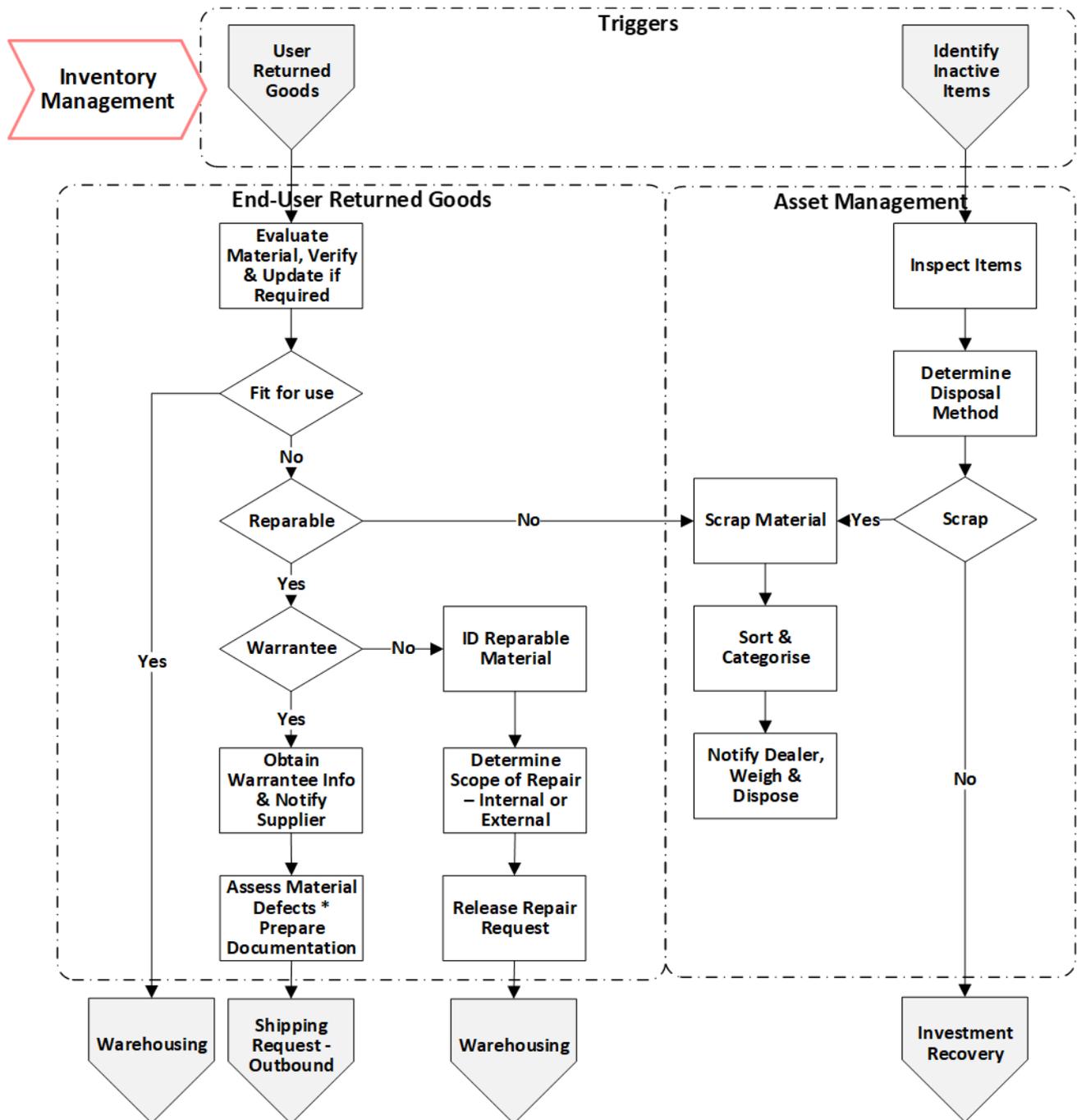


Figure 6: End-user Returned Goods and Asset Management Process Flow

15.4.1.2 Return to Stock

The returned goods are inspected to determine if it is still in good condition (typical redundant goods). If goods can be used it is returned to stock.

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15.4.1.3 Repair

If the returned goods require repairs, it is checked against any warranties that exist for the goods. If under warranty, the defects are assessed, and the supplier is notified. The supplier arranges for the transport back to the supplier.

If the defect goods are not covered by a warranty, the scope of repair is determined, and the repair can be done internally or use external supplier to repair the goods. The damaged materials must be returned on ERP system to warehouse so that the warehouse can execute the relevant repair orders.

15.4.1.4 Scrap

If returned goods are not fit for further use, the goods are marked for disposal. The scrapped goods are sorted and categorised. If a framework agreement exists to remove scrapped goods, the supplier is notified to collect goods. Goods identified as scrap must be disposed of as per investment recovery process.

15.5 Strategic and Critical Spares

Strategic and Critical Spares are classified as items of plant that is critical in terms of supply quality, legislative requirements and safety.

The required stock level is in accordance with the risk profile and analysis conducted by relevant specialists and strategic spares technical team.

A team comprising technical, maintenance and Materials Management representatives determine the required stock level (bin level).

All strategic and critical spares shall be managed as a priority-one critical factor with an aspiration of a 100% service level.

15.6 Haulage (Transport)

Eskom's warehouse-owned haulage shall be the first option and utilised optimally. All 3PL haulage of less than 32 tons must be transported by Eskom's local subsidiary, Rotran Outbound transport must be sourced via a transport requisition process.

15.7 Cataloguing

Master data management for Materials and Services (Cataloguing)

A centralised cataloguing system and philosophy shall be adopted to facilitate the cataloguing process. It will be applicable to both goods (stock and if necessary non-stock) and services. Both cataloguing and classification philosophies must subscribe to ISO 8000-110:2009 and ISO 22745 standards. A data dictionary must form the basis from which templates for commodities can be built to facilitate the cataloguing process.

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The Supply Chain Operations Department within P&SCM is responsible for developing,

Implementing and maintaining a strategy and the governance to catalogue new items, maintain the data for existing records and the monitoring of the accuracy and completeness of existing records.

Eskom has adopted a multiple systems approach in the cataloguing environment. It is essential that all systems be kept in synchronization. New records and changes are to be made from the source system and integrated to the remaining systems. Only approved and qualified cataloguers will be enabled to add/modify data on the SAP systems via the relevant interfaces within the cataloguing systems. Records can either be created as fully catalogued or as structured. Fully catalogued records are assigned a SAP material / service number whereas structured records contain a temporary number and are not assigned specific SAP information that is used to classify it. Management decisions will be set in place to determine when a structured record is to be converted into a fully catalogued record.

The cataloguing process for new records is to be a proactive and not a reactive process i.e. it should either be initiated at the point of design or the identification of a need to procure a material / service. It is necessary to use a reactive approach for existing records. This includes, but is not restricted to:

- Data enrichment
- Removing duplicate records
- Value standardization (VS)
- Removing obsolete records
- Removing obsolete data.

The cataloguing process for new records is initiated via one of the following manners:

- Procurement Specialists involving the cataloguer at the beginning of a procurement process. This usually culminates in the creation of a contract
- A request for a once-off new item. Users initiate this by completing a Document Capture Form (DCF). This form must be approved prior to it being processed. It must include the necessary Eskom approval document if it is to be for a Sole Source transaction
- The creation of a structured record by a User when creating a PR.

Request for modifications to existing records must be initiated via the completion and submission of an approved DCF.

A strategy is to be in place to ensure that the cataloguing of items is prioritized:

- All line items on National and Regional contracts
- Stock items falling in the ABC usage / on hand value of "A" items

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- Critical spares
- High value Assets.

In principle all new Material / Services will be catalogued to a level “4” i.e. it is compulsory that all mandatory attributes are populated. This is applicable to fully catalogued and structured records. Informative attributes should also to be completed and other reference information provided (where applicable to enhance the description). The object name within the data template dictionary is developed using the philosophy of “noun, adjective”. This is the fundamental principle upon which the naming of all items within the data dictionary is developed. This naming convention shall be strictly adhered to. Creation of duplicate materials must be avoided as this defeats the benefits of cataloguing. The respective discipline specific engineers are accountable for approving the templates for the various commodities as well as the format of the various descriptions culminating from the cataloguing process. The 40 character SAP short form description (SFD) shall not to be used for purchasing purposes, but shall only be used as a guide to identify a record when undertaking searches or during reporting.

•In the event of a Sole Source/ Original Equipment Manufacturer (OEM): The Part number may be included in the SFD (if sufficient space is available) and/or Purchase Order Description (POD). Other reference data e.g. drawing number may only be included in the POD. The brand name or vendor name may appear in the SFD and/or POD

•In the event of a non-sole source/ non OEM: The Part number may be included in the SFD (if sufficient space is available) and/or POD only if all mandatory information is provided. Other reference data e.g. drawing number may only be included in the POD. Brand name or vendor name may NOT appear in the SFD and/or POD.

Requirements specific to Service records:

- The SAP service master contains actual services [i.e. A system supplying a need (such as transport, communications, or utilities, hire taxi, rent apartment)], as well as services of a human/s (the action of helping or doing work for someone), which Eskom procures externally
- All Eskom Services procured externally will be distributed to the SAP Service Master. The Material Type “DIEN” in the Material Master is not to be used
- ERI has been given a temporary moratorium to use the Material Type DIEN when creating services until a solution can be found to enable their solution to accommodate the SAP Service Master
- The Service Master is NEVER to be used to define the scope of work
- The Service Master record for a human must ALWAYS be created in line with the approved Eskom job profile
- A requirement on a PR cannot be stated as “Supply / install and deliver”. Two separate records need to be captured, one for the Service and the other for the Material.

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In general, the use of "Free Text (FT)" is disallowed when users capture their requirements on PRs. This may only be done under the following circumstances:

- The Cataloguing solution is unavailable
- Once of Projects of a capital nature i.e. the purchase of a boiler for a power station
- Emergency situation. Note the requirements that define an emergency. This is not applicable for an "urgent" procurement process.

There are numerous sources for providing the necessary information for cataloguing a record:

- Vendors / Suppliers
- Engineers
- Users - Creating PRs using structured records (STG) from either the SAP Materials Management, Plant Maintenance or Project modules
- Cataloguers.

Eskom would like its Vendors / Suppliers to comply with our requirement for cataloguing of items as it will enhance our processes and reduce lead times.

It is the responsibility of the Procurement Practitioner to invite the cataloguer to be part of the cross-functional team members especially when a procurement Strategy must be developed. The Cataloguer will advise the Procurement Practitioner whether the Enquiry documents are to include the requirement for cataloguing in the Scope Of Works (SOWs). The NEC3 templates stored on the document management system for the Enquiry and the Contracts contains the necessary cataloguing information for this requirement. This is not restricted to transactions requiring a procurement strategy, but may be applicable to repetitive purchases as well depending on the nature of the requirement.

All the cataloguing templates and clauses are available on the P&SCM R&G Template folder on the Document Management System.

The respective discipline specialist engineers are accountable for approving all templates for the various commodities as well as the format of the various descriptions culminating from the cataloguing process. A change control process will be used to manage requests for changes to the existing commodity templates. Requests for new templates and updates/changes to the ECCMA Open Catalogue Dictionary (eOCD) data dictionary will be routed via the correct channels to Electronic Commerce Code Management (ECCMA) organization. The Data Steward (reporting to the Master Data Committee) representing SCOPS is responsible for developing a strategy to direct the materials and services master data maintenance organisation to achieve the master data maintenance objectives operationally, in line with the Complete, Accurate, Relevant, Accessible and Timely data quality principles, as well as the data quality KPA's defined by the Master Data Committee. The Data Steward represents the Materials and Services Master Data domain at the Master Data Work Group.

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The engineering and maintenance managers shall support the data quality initiatives driven by the master data maintenance organisation by committing resources to assist the cataloguers. It stands to reason since it is these respective departments that will benefit the greatest from improved data quality.

End-Users are responsible for providing the necessary information to catalogue new materials/services. They are also responsible for capturing the information onto the cataloguing system. Cataloguers will review them prior to sending the records to MDM/ECC6A. Eskom has adopted a multiple systems approach in the cataloguing environment. It is essential that all systems be kept in synchronization. New records and changes are to be made from the source system and integrated to the remaining systems. No access will be granted to make changes in the integrated system by using the transactions available in them. These transactions will be masked out to prevent unauthorised changes being introduced.

Monthly reporting is required to monitor the progress of the Cataloguing strategy. This should include:

- The measurement of the progress of enriching records to a Level “4” status
- The measurement of the progress of the usage of Catalogued as opposed to Structured records on PRs
- The identification of individuals who are abusing the PR processes and are bypassing the STG process to create FT purchases.

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16. Contract Management

Contract management is the process of managing contract creation, execution and close-out of contracts. As such, it is an integral part of the procurement cycle.

The Contract Manager manages the contract in accordance with the approvals granted by the DAA, the terms and conditions of the contract and the rules within this Procedure. [See Guideline L on Contract Management.](#)

16.1 Supplier Relationship Management

16.1.1 Supplier Administration and Management

Supplier registration in Eskom is informed by legislation, such as NT instruction note 4A of 2016/2017, B-BBEE codes of good practice and master data management principles. All prospective suppliers must be register on the CSD. As soon as the procurement process is completed, a supplier who has been successful in a tender process but not registered on the Eskom's Data Base will be registered.

Suppliers will be registered on the Eskom Supplier Data Base (exclusions are transactions concluded via petty cash, sundry payments and foreign suppliers).

Suppliers are added onto the Supplier database, data updated and also delimited from the Supplier Database by Shared Services.

16.1.1.1 Supplier Registration

Once the procurement process has been concluded, the following supplier registration documents will be sent by the Procurement Practitioner via email to Supplier Evaluation Officer in SDL& I Department for the registration of a supplier:

1. Proof of award of contract / PO (this is in the form of signed Tender Committee minutes or Acceptance letter, C3 approval schedule or Dual Adjudication Evaluation report). In the case of LPO the quotation must be submitted;
2. Current CSD report;
3. Original or certified copy of a valid BBBEE certificate / Sworn Affidavit for EME's and 100% Black Owned QSE's;
4. Letter of Good standing / COID;
5. Tendering letter, if applicable;
6. SHE and Quality reports that were done during tender evaluation if applicable;
7. Declaration of Interest report;

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8. Shared certificate for 51 – 99 % black owned applicable private companies (Pty) only not CC's;
9. If a company is owned by a person living with disability - a medical certificate confirming permanent disability.

As soon as the CSD interface with SAP ECC6 is finalised, there will be no need for suppliers to do an online registration with Eskom. There will also be no need for SDL&I to send the documents to Vendor Master Shared services. However, it will still be required from the supplier to submit the above-mentioned documents as CSD is currently not verifying such information.

Upon receipt of the above documents for registration, the Supplier Evaluation Officer will first verify the completeness and correctness of the documents as well as supplier tax compliant status on CSD / e-filing PIN number. It might be possible that the validity of the tax clearance certificate has expired or that the supplier became non-compliant after the proof of tax compliancy was sent by the Procurement Practitioner to SDL&. In this case the supplier will be required to contact SARS and the registration process will be on hold until the supplier's tax status is compliant.

When all the required documents have been received, it will be scanned to the Vendor Master Officer to create the user name and password in order for a supplier to start the online registration process. In the event a Small Medium Enterprises does not have internet access, Supplier Evaluation Officers will assist suppliers with on line registration.

Once the supplier completes the online registration process, the Vendor Master Data Officer will review the information provided. The supplier and Supplier Management in SDL&I will be notified of the vendor number once generated.

The continued registration of a supplier on the Eskom Supplier Data Base is subject to:

1. Ongoing submissions of the annual returnables such as Letter of Good Standing, original or certified copy of a valid BBEE certificate from an Accredited Verification Agency / Sworn Affidavit for EME's and 100% Black Owned QSE's to SDL& I;
2. Suppliers must maintain a tax compliance status at all times on CSD;
3. In the event a supplier changes their business information it will be the supplier's responsibility to firstly update the changes on CSD and to communicate the changes to Eskom;
4. If the Supplier undergoes a name change without changes to its legal persona, ownership and / or management, then such a name change must be duly notified to Eskom within 30 days thereof. All appropriate documentation confirming the name change, together with all updated documentation containing the supplier's new name must be submitted to Eskom. The supplier's vendor registration number will not be changed in this instance;
5. Where a registered supplier undergoes a name change which is as a result of a change to its legal persona (e.g. conversion from a CC to a limited liability company), All appropriate documentation confirming the name change, together with all updated documentation containing the supplier's new name must be submitted to Eskom. The supplier's vendor registration number will not be changed in this instance.

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6. Banking details changes requirements are:

- a) Letter signed by all directors / authorised signatory(ies) as per company DOA. In the case of small entities where there are more than four directors, the minimum that can sign is three and
- b) Letter from the bank / verified bank details on CSD.

16.1.1.2 Registration Requirements for Foreign Suppliers

The process for the registration of international suppliers will be different only in terms of the requirements. International suppliers are exempted from registration on CSD.

The requirements for International suppliers who have no local office will be as follows:

1. Proof of contract award / PO (this is in the form of signed Tender Committee minutes or Acceptance letter, C3 approval schedule or Dual Adjudication Evaluation report);
2. Company registration documents issued in the country of their incorporation, written in English;
3. Tax clearance certificate, or SBD1 form for those who are not required to register for tax together with proof that the SBD1 form has been submitted to SARS;
4. SHE and Quality reports that were done during tender evaluation if applicable;
5. Declaration of interest.

Those international vendors who have local offices or have a local registration should provide us with their company registration document issued by CIPC.

The following are treated as exclusions: Municipalities, Schools Government departments etc.

In the event of Eskom having reasonable grounds to suspect misrepresentation on an application form or any other document, or if it is suspected that the person who submitted an application is unaware of adverse information, Eskom will notify that person of such misrepresentation or adverse information. Eskom will afford such person an opportunity to deal / resolve the matter before a clearly specified date. Thereafter Eskom may take a decision on the basis of all the information then at its disposal or available to it, including a decision not to approve an application.

Eskom will inform the supplier's authorised representative who submitted the application, that the application has been approved and that the entity has been registered on the Eskom Supplier Database as a supplier of assets, goods and services to Eskom. Eskom will inform the entity also of the supplier number assigned.

Supplier documents must be filed and archived for a period of seven years for audit purposes.

Regular internal audits must be conducted by the Internal Audit function on the process followed and verification of the information provided by the suppliers.

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16.1.1.3 Supplier Review Committee

The Supplier Review Committee considers complaints against suppliers and approves remedial actions against suppliers found to have breached the contracts or committed fraud / corruption.

The Supplier Review Committee acts in accordance with their TOR and the Supplier Review Committee Guideline.

After an investigation or proof of misconduct or wrongdoing by A&F or any relevant function, on the side of the supplier, Eskom may either deregister a supplier from the system, or apply one of the following actions where applicable:

1. Purchase Block

This means that no contracts / orders can be placed on the system if this flag is affected on a vendor profile, however payments can be processed.

2. Mark for Deletion

Since a vendor record cannot be completely deleted, the mark for deletion flag is affected. This means that no contracts / orders as well as payments can be made to a vendor on the system, i.e. SAP ECC.

3. Payment Block

This means no payments can be made to a vendor if this flag is affected, however contracts and orders can be placed on SAP ECC.

4. Posting Block

This means that invoices cannot be captured on the system, so this only affects financial transactions, however contracts and orders can be placed on SAP ECC.

16.1.1.4 Supplier Name Changes, Mergers, Acquisitions, and Cessions

A supplier is contractually obliged to notify Eskom of any official changes to its legal name, changes to its legal persona, ownership and management, and any cessions of rights and delegation of obligations in terms of contracts with Eskom.

Where a supplier undergoes a name change without changes to its legal persona, ownership and / or management, then such a name change must be duly notified to Eskom within 30 days thereof.

All appropriate documentation confirming the name change, together with all updated documentation containing the supplier's new name must be submitted to Eskom.

The supplier's registration number will not be changed in this instance.

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Where a registered supplier undergoes a merger /acquisition between various entities and / or a change in ownership and / or management, then such a supplier is obliged to notify Eskom of the change, within 30 days thereof. Failure to notify Eskom of such a change may result in the supplier not being paid due to the new name and new banking details.

Where a supplier duly notifies Eskom of such change, such notification must be accompanied by a new application to register as a supplier on the Eskom Supplier Database.

The supplier, in its new form, must re-apply to be registered on the Eskom Supplier Database, against appropriate supporting documentation. The supplier will receive a new supplier number.

Changed banking details, company registration documents and certified letters from suppliers will be required in order to re-register.

The record on the system will be changed to reflect the new details.

In the case of changes to the legal persona of the supplier of an existing contract, a due diligence needs to be conducted, led by the Procurement Practitioner. This entails the CFT to identify possible risks due to the change to the supplier's legal persona and requesting documents to their satisfaction from the supplier.

The following due diligence checks must be completed:

1. The Legal Department must determine any risk in terms of possible changed liabilities and indemnities;
2. The SHEQ department must ensure that the changed entity can still fulfil the requirements as set out in the contract document;
3. Technical must ensure that the changed entity still has the capabilities and capacity to execute the contract;
4. The Procurement Practitioner must ensure that all applicable certificates are valid and in the name of the changed entity;
5. SDL&I will determine if the changed entity has the same or a better level of B-BBEE as at contract award stage. If not the same or better, then conditions may be stated in the modification (which will be part of the contract) to meet the same level or better within a certain period;
6. The Finance Department must ensure that there is no financial risk to Eskom.

The Procurement Manager must approve the outcome of the due diligence before a modification submission is made to the relevant DAA and a modification (addendum) is made to the contract.

The Procurement Practitioner makes timeous changes to the Procurement System after the approval of the modification by the DAA to ensure that Eskom does not incur payment of interest due to late payments if possible.

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Where an internal due diligence exercise indicates that the change to the legal persona, merger or acquisition, ownership and / or management, places Eskom at undue risk and disadvantage, Eskom may initiate termination of a supplier's obligation to provide the works, services or goods in terms of a contract in consultation with the Eskom Legal Department and commence a new sourcing process for the procurement of the required goods, works or services.

Should a supplier require cession and/or delegation of its contractual rights and obligations to another (legal) person, then:

1. Such a cession / delegation can only occur with the specific prior written consent of the Eskom Agent responsible for the management of the contract in question;
2. The Eskom Agent and the Procurement Practitioner must consult with the Eskom Legal Department, prior to obtaining internal modification approval;
3. The supplier must provide Eskom ample opportunity to conduct a proper due diligence on the cessionary; and
4. Eskom will base its decision on the outcome of the due diligence, inter alia.

16.1.1.5 Duties and Responsibilities of Eskom to Registered Suppliers

Eskom must keep all proprietary information of a person who submitted an application or who is registered as a supplier on the Eskom Supplier Database confidential.

Information that is generally available in the public domain or which was published by that person or entity need not be treated as confidential.

Eskom remains entitled to the use and distribution of all the proprietary information of that person or entity for managing its business and / or any procurement or the procurement system of Eskom.

Registration as a supplier on the Eskom Supplier Database is not a guarantee or assurance of any kind whatsoever that the person or entity so registered will be so selected or invited or that any purchase order or contract can be expected to be awarded or will be awarded to that person.

16.1.1.6 Duties and Responsibilities of Registered Suppliers

Every person or entity registered as a supplier on the Eskom Supplier Database and any person who signed the Supplier Application Form for that person or entity will be required at all relevant times to conduct themselves in a manner fully consistent and / or in accordance with the current Eskom Supplier Integrity Pact.

16.1.2 Supplier Complaints

Whenever any person / entity:

1. Registered as a supplier on the Eskom Supplier Database; or
2. Who is an authorised signatory to a tender / offer / proposal,

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has reason to believe that any person, either by commission or omission, transgressed any policy, protocol, procedure or rule of Eskom, whether pertaining to its procurement system or its business, or conducted himself in a manner that may, directly or indirectly, or that is calculated to, impact adversely on the procurement system of Eskom, that person shall lodge a written complaint with with A&F.

The Senior Manager: A&F, must keep a register of and facilitate investigations into any written complaint lodged by a person or entity.

The manner of conducting the investigation as well as any decision taken in respect thereof shall be within the sole discretion of Eskom.

16.1.3 Management of Internal Suppliers

Where an Internal Supplier continuously renders inadequate or sub-standard quality work, the normal contract management process must be followed with respect to rectification and remedies for breach.

The appointed Contract Manager must give the Internal Supplier written notice of the problem and / or non-conformance, and indicate the action required and time allowed to rectify the problem and / or non-conformance.

Should the problem and / or non-conformance not be rectified, the matter should be escalated to the relevant Eskom and Internal Supplier Executives, to decide on further action to be taken.

The actions to be taken should be monitored by GM Sourcing / GM PED and his / her delegate.

Should the problem / non-conformance not be resolved, the specific goods, works or services will be removed from the list of specified items/scope of work in the Framework Agreement (or a stand-alone contract) with the Internal Supplier, after determining that there are other suppliers in the market who can deliver on this goods / works / services.

As a last resort, should the non-conformance still not be rectified, Eskom may initiate the termination of an Internal Supplier's contract and a contract will be placed with another supplier.

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16.1.4 Supplier Performance Evaluations

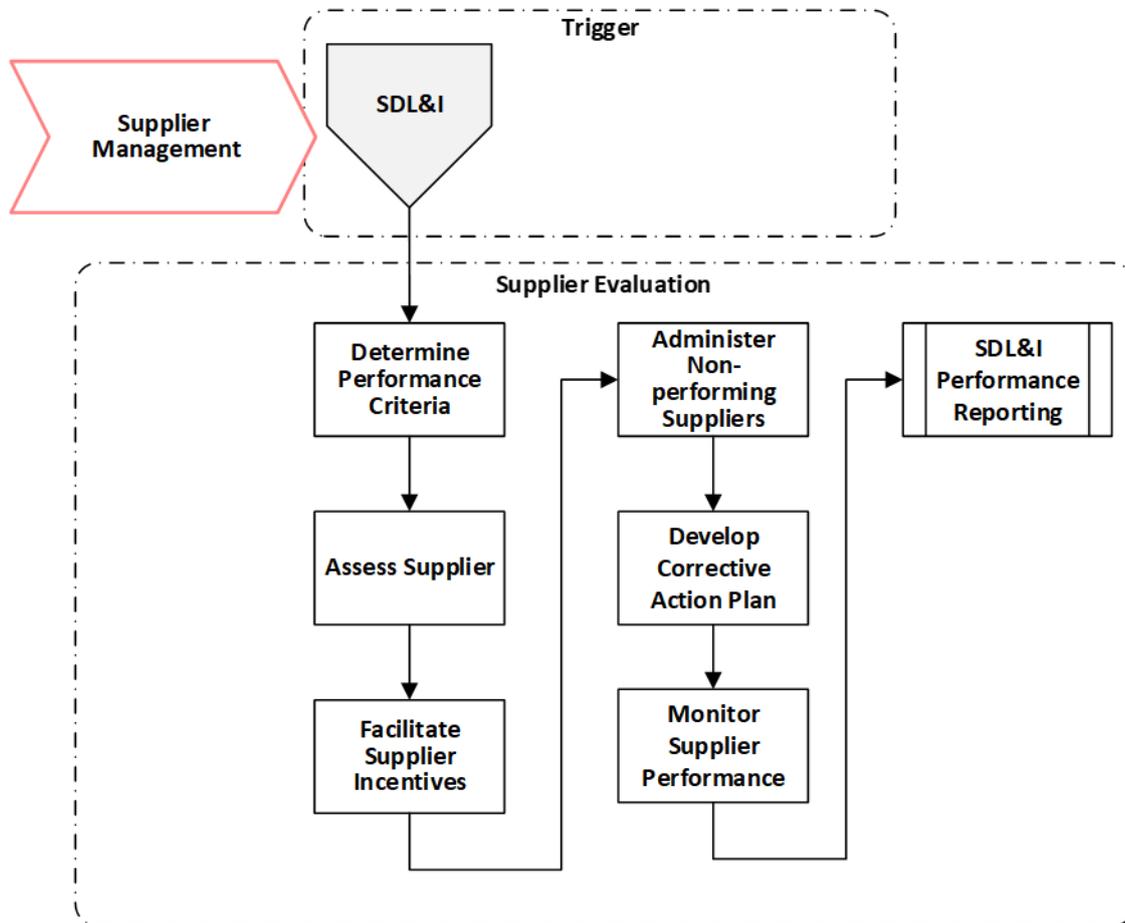


Figure 7: Supplier Evaluation Process Flow

16.1.4.1 Manage Supplier Relations and Performance

Building diverse rationale and supplier commodity approaches set the scene for the implementation of supplier segmentation processes. As a huge number of suppliers are required to fulfil business needs, a relationship is built with suppliers and their performance monitored and measured. Non-performing suppliers are dealt with through appropriate ways by either providing a chance for further development or severing the relationship with the supplier.

16.1.4.2 Perform Supplier Monitoring and Reporting

Supplier progress information is gathered, prepared, analysed, trends identified and investigated after which it is formalised into a report and communicated to various stakeholders. Regular monitoring of relevant criteria in the Shareholder's compact is also done and gaps / findings are discussed with suppliers and implications shared with the business.

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16.1.4.3 Determine Supplier Performance Criteria

Determine the supplier performance criteria by combining the standard supplier performance criteria and contract-specific criteria. This includes determining the performance evaluation frequency, creating of performance evaluation questions, groups and questionnaires.

16.1.4.4 Facilitate Supplier Incentives

Compile suppliers' performance results report and determine whether suppliers' performance results meet the relevant Supplier Development and Localisation (SDL&I) targets agreed to. Suppliers meeting performance targets are rewarded according to contract stipulations and continuous improvement plans as well as Service Level Agreements are amended to include progressive improvement of suppliers' performance.

16.1.4.5 Administer Non-Performing Suppliers

Early warning meetings are conducted with suppliers who continue to perform well below targets agreed and outcomes of meetings documented. Corrective action plans are put in place to support enhancing suppliers' performance and possibilities of supplier development is determined.

16.1.4.6 Monitor Supplier Performance

This includes requesting performance evaluation inputs from the CFT the supplier is part of. Scorecards are generated from performance evaluation inputs and provide insight into various aspects of the suppliers' performance. Meetings are held with suppliers to discuss their performance and action plans for improvement of performance are developed if required.

16.1.4.7 SDL&I Supplier Performance Reporting

Key Performance Indicators (KPIs) from the Shareholder's compact are identified for continuous monitoring purposes. Progress information is requested from suppliers and site visits are done to verify this information, if necessary. This also includes the interpretation of detailed information / findings and the identification of possible performance gaps.

Findings are shared with suppliers and their responses obtained before recommendations are formulated to address findings / gaps. Implications of findings/gaps are shared with the business.

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17. Investment Recovery (Disposal)

Investment Recovery (Disposal) aims to ensure a standard approach and methodology for the disposal of all Eskom assets in the most cost-effective manner. Disposal transactions are not subject to the provisions of the PPPFA Framework.

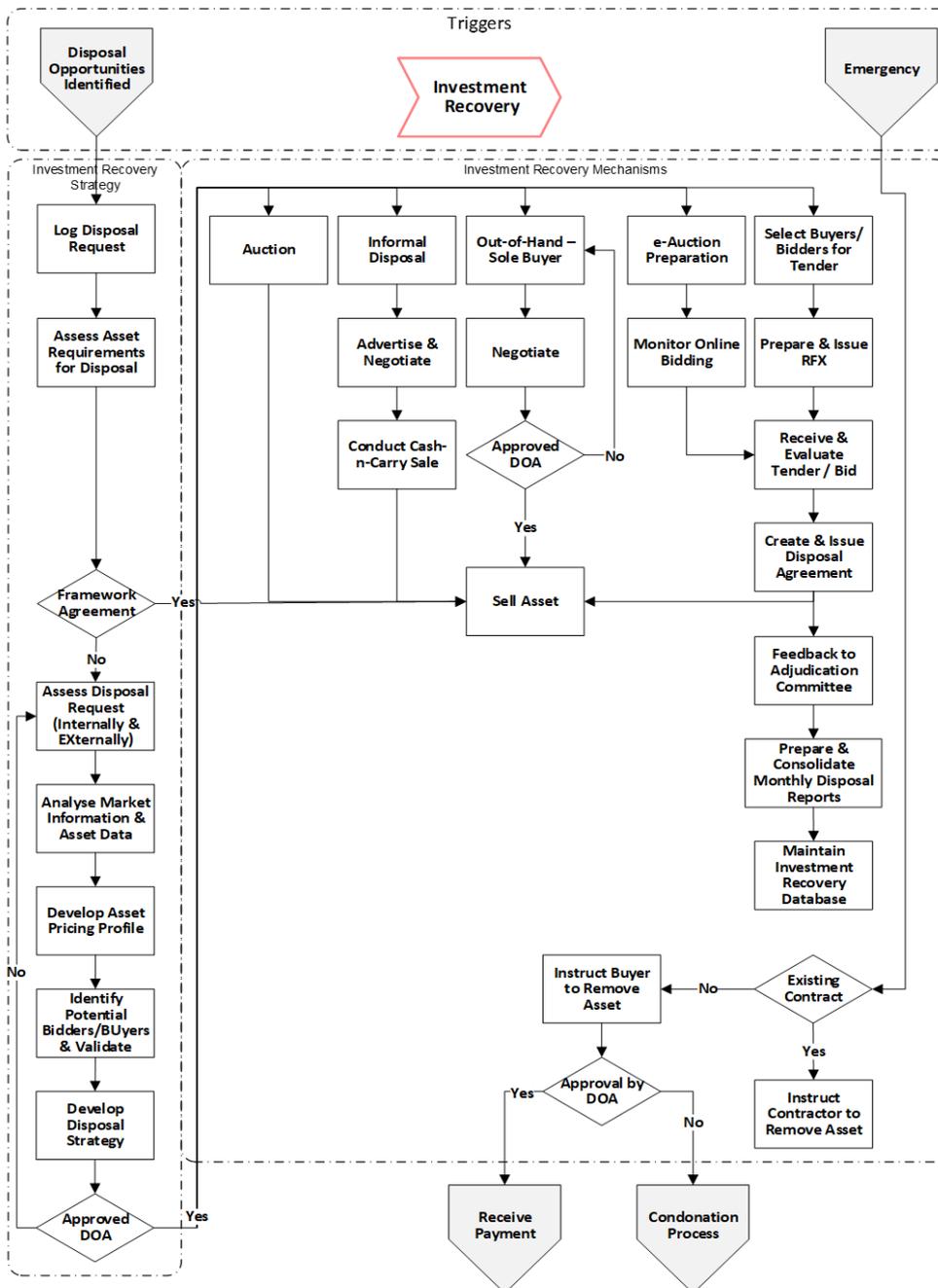


Figure 8: Investment Recovery Process Flow

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17.1 Hierarchy for Disposals / Investment Recovery

17.1.1 Existing Framework Agreements

The Disposal Officer investigates and decides first whether the requirement can be met in whole or in part from existing Framework Agreements within the BU, Division or nationally. Where the requirement can be met from an existing contract, request for collection form may be made against the contract by an authorised official, who is generally an End-user or appointed Contract Manager.

17.1.2 Eskom Employees and Subsidiary Employees

With regards to disposal of certain commodities, preference will be given to Eskom and subsidiary employees before continuing to follow the hierarchy. Commodities where Eskom and subsidiary employees will have the first right of refusal will be as follows:

1. Scrapped vehicles excluding commercial vehicles;
2. Scrapped furniture;
3. Scrapped computers (dysfunctional / non-functional computers should be sold via e-waste companies);
4. Residential Houses (employees who reside in the house as their primary residence will have first right of refusal in case the property has been declared surplus. However, all arrears should be settled in full by the employee eligible for this dispensation. Other employees shall not have the right to make an offer for the acquisition of immovable assets being disposed of by Eskom).

17.1.3 Public entity/State owned companies

Where applicable, and if approached by another public entity or state owned company, the necessary methods will be employed to sell / dispose of items require by them.

17.1.4 Market at large

Eskom may advertise that one or more of the following tenderers may respond:

1. Any EME/QSE that is at least 51% owned by Black people; or
2. EME/QSE; or
3. Large entities; or
4. Natural persons; or
5. Black groups comprise of natural persons (i.e. stokvels, investment clubs).

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17.2 Request to sell moveable goods, assets within or outside of Eskom

The following functionaries are responsible for the identification of moveable assets or goods for investment recovery:

1. Materials Management for excess, redundant or obsolete stock items;
2. Fleet Management for the investment recovery of vehicles;
3. Project Managers, engineers and on-site technical specialists for decommissioned assets;
4. Cost Centre Managers for ad hoc decisions to dispose of items;
5. During the identification process, consideration must be given to options for the transfer or usage of assets/goods within Eskom, before embarking on a process of Investment recovery. The sale of an asset must not be performed by the asset owner. All Investment Recoveries must be handled by an appointed Investment recovery officer within SCOPS. Investment Recovery Officials are responsible for the administration of the investment Recovery process in accordance with this procedure, compiling Investment Recovery enquiries, inviting and evaluating tenders, negotiating against mandated parameters and making recommendations to DAAs;
6. All requests for Investment recovery of movable assets and goods must be e-mailed to: InvestmentRecovery@eskom.co.za.
7. The owner of the assets / goods will be responsible to sign the OHS ACT 37 (2) agreement with the supplier and ensure safety is complied with.

17.3 Process to Sell Immovable Assets

The following process will be followed after consultation by Investment Recovery with ERE:

1. The asset owner (ERE) will identify assets for sale by completing the AM-107 form for approval by DAA;
2. The approved AM-107, due diligence report and Property Evaluation Report to be forwarded to Investment Recovery;
3. Investment Recovery to write a Mandate Report and present to the relevant DAA;
4. In the instance where the property is occupied by an Eskom employee as their primary residence, the property will first be offered for sale or rental, at market-related prices, to employees who are in legal occupation thereof. This is also on condition that all arrears are settled by the employee;
5. Properties identified for disposal in line with the Procedure for the Disposal of non-core immovable property (240-774609510) will be advertised on Eskom's Tender Bulletin / NTs electronic tendering system by Investment Recovery. Eskom employees may however not have the right to make an offer on these properties;

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6. An agent from the panel of Estate Agents will be appointed to market the property;
7. Once tenders are received, it will be evaluated, and contract awarded to highest tenderer; and
8. ERE will handle the transfer of ownership of the property to the successful tenderer.

17.4 Investment Recovery Strategy

For various reasons, assets and goods in excess of Eskom's needs become available. The Division or BU owning the assets / goods must decide whether such goods or assets will be disposed of and complete the required documents which must be duly approved.

At times, customers such as businesses or municipalities approach Eskom to assist them by lending or supplying assets or goods needed to restore power supply during emergency situations. Where possible, without jeopardising Eskom's service, such assistance may be rendered by selling, not lending, available stock to such customers.

Eskom is continuously approached by organisations, individuals (including Eskom staff) and charities regarding the issue of sponsorships and donations and / or the sale and investment recovery of Eskom's moveable assets. All investment recoveries must be managed on a commercial basis.

In the event where items are replaced for safety reasons, the obsolete items must be scrapped to a non-workable state and disposed of as scrap to prevent circulation and / or items ending up back in operation.

The investment recovery Manager will manage and control the updating and accuracy of the Investment Recovery Database.

Strategies are required for all Investment Recoveries above R1m excluding VAT. Strategies from R1m – R10m excluding VAT, may be approved by the Investment Recovery line manager. Formally approved strategies are required for all Investment Recoveries with an estimated value of R10m excl VAT or more. The same DOA applies as for procurement strategies.

17.5 Requesting permission to enter into an investment recovery agreement

Procurement Practitioners and Investment Recovery Officers may be granted personal delegations of authority based on the outcomes of an assessment and accreditation, granted by the CPO for the approval of mandates, via dual or triple adjudication. All Investment Recovery agreements estimated to exceed the value for triple adjudication must be delegated to PTC.

Prior to offering surplus assets, goods or materials (arising from decommissioning or scrapping of assets to the market, a mandate to dispose must be obtained from the relevant DAA. This approval is in addition and distinct from the request to dispose made by the asset owner whose cost centre / project owns the goods or assets.

The determination of the appropriate DAA is based on an estimate of the value of the proposed sale. The mandate sets out minimum prices acceptable from potential purchasers as well as any other requirements.

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A fair market price, rather than book value or system-average price, will be obtained for any goods / assets sold. Notwithstanding this, the book value or the system average price may be used to benchmark the derivation of the fair market price. This also holds true for obsolete and scrapped items. Where the expertise to establish a market, price is not available within the selling division or BU, expert advice must be obtained, and where necessary, be paid for.

The mandate spells out the method to sell or dispose of the assets / goods and the minimum estimated sale price. The outcome must be reported back to the DAA.

17.6 Investment Recovery Mechanisms

There are six mechanisms that may be used for the disposal of moveable and immovable assets / goods. The appropriate disposal method selected will be determined depending on the requirement as specified by the Investment Recovery Officer, based on the analysis of the assets / goods to be disposed of, the relevant market and any approved strategy. Disposals mechanisms of auctions and tenders may be supported electronically via a dedicated website enabling e-auction or e-tendering.

Whenever potential purchasers are sourced for transactions in the informal tendering space, they must be sourced from CSD. If open tendering is followed, the enquiry must be advertised on the NT's electronic tendering system.

17.6.1 Emergency Disposal

The same principles and procedures applicable to emergency procurement, as set out in this procedure will also be applied to emergency disposals.

17.6.2 Transfers

Transfer of functional or useable assets to other Eskom BUs at cost is the most favourable option, which results in the maximum benefit to Eskom.

Note: The transport is arranged and paid for by the new asset owner.

17.6.3 Auctions

Auctions must be performed by competent and trained auctioneers. The Disposal Officer will select the most suitable type of auction method based on the commodity, and the estimated value of the disposal.

17.6.4 Negotiations (Sale Out of Hand)

Negotiations would normally be used for a sole purchaser situation or when a market price for the assets / goods is known. An independent evaluator may be used to determine the market price. This process must be approved by the appropriate DAA.

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17.6.5 Cash and Carry

Depending on the quantity and value of the goods involved it may be recommended to have a “Tag Sale” or otherwise referred to as a “cash and carry” sale. In this case, the Disposal Officer sets the prices for each item and tags the goods with the price. Again, proper advertising and prior viewing time is allowed to achieve the best results. Proper control measures need to be implemented to handle crowd control, security, as well as payment facilities and removal of goods. This process would normally be on a first come first served basis and where the quantity of items and storage space is limited.

17.6.6 Enquiry / Invitation to tender

An open invitation to tender is issued to all potential purchasers (dealers in the second-hand market) on e-tender portal. For limited tendering (close tendering) an enquiry is issued to those listed on the CSD. The process for the issue, receipt, evaluation and award of a tender is the same process as applicable to the procurement of goods / services, with the exception of the applicability of the PPPFA.

Responsive tenders are evaluated and adjudicated. A reserve price may be used where a specific minimum sale price is required. This issuing, receiving and evaluation of formal and informal tenders are administered in the same manner as that for tender for procurement of assets, goods and services. Criteria for evaluation may include adherence to all prescribes legislative requirements and a contractors B-BBEE status. The highest price tender is generally accepted in absence of any other stipulated evaluation criteria.

17.7 Compliance with Environmental and other Prescribed Legislation

Disposals in whatever form occur at the end of a product life-cycle or usefulness, meaning that it generally has an environmental impact. With the stringent legislation and worldwide focus on carbon footprint reduction, it is imperative to build good environmental practices into disposal processes and still do so economically. The recognised best practice principle of Reuse, Recycle and Reduce must be factored into each disposal decision bearing in mind the different rules for each constituent material e.g. asbestos or oil.

The disposal of assets and goods via sales are regulated by the Consumer Protection Act 68 of 2008. The Consumer Protection Act requires that Eskom fully describes the assets / goods to be sold to the potential purchaser who is deemed to be a consumer, for purposes of the Act.

This legislative obligation remains despite all sales being declared “voetstoots” (as is).

All tenders / enquiries and subsequent agreements must address the legislative obligations of the Consumer Protection Act, to the extent applicable.

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The centralised Investment Recovery Department within SCOPS has researched a number of key commodity investment recovery strategies based on best practice for purposes of standardisation and consolidation. These commodities were decided upon both by looking at the income generated or by the regularity and risk of the commodity. The Investment Recovery Department analyses and influences the strategy of investment recovery based on the manufacture, material components, potential markets, risks and best value contracting. Approved investment recovery strategies must be utilised in the Investment recovery of identified commodities.

17.7.1 Non-ferrous metal (copper, aluminium)

All disposals of non-ferrous metals must, without exception, be done through Framework Agreements, that must be put in place by the Investment Recovery Department. Any additional mandate to dispose of any non-ferrous metals outside of the applicable Framework Agreement must be motivated to and obtained in writing from the GM: Supply Chain Operations.

The following services must form part of the contract scope, with the proviso that a BU may opt to deliver the material to the contractor:

1. Collection from stores;
2. Collection from sub-stations and constructions camps;
3. Dismantling of disused lines;
4. Collections from re-conditioning projects;
5. These disposal services are approved by ETC at contract award and managed by the Investment Recovery Commodity Manager within P&SCM.

Vehicle sales

Eskom assets are to be sold under fair and proper competitive conditions where Eskom will obtain;

Donations

All donations must be managed in terms of Eskom's policy on donations contained in Policy 32-161 (Eskom Development Foundation Policy).

The Eskom Development Fund (ESDEF) donation committee may approve donations from Eskom and/or any of its subsidiaries of fixed and movable assets to registered non-profit organizations, preferably with welfare, education or training objectives.

Eskom BUs may donate up to the maximum amount clearly specified in the Donations Policy from their budgets. However, these donations cannot be claimed from ESDEF. All other donations should be evaluated through the relevant ESDEF committees.

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18. Enabling Capabilities

18.1 P&SCM Strategy and Business Plan

The P&SCM Strategy, aligned to the overall Eskom SOC Strategy, sets out to provide overall direction for the P&SCM department and, through the P&SCM Business Plan, provides a plan of action designed to achieve the P&SCM Vision and Mandate.

Development and sign-off of the P&SCM Strategy and Business Plan is the responsibility and accountability of the Eskom CPO.

18.2 P&SCM Related / Supporting Documents

This procedure is to be reviewed together with 32-1033 Eskom Procurement and Supply Chain Management Policy (Rev 4).

This procedure replaces and supersedes Eskom Procurement and Supply Chain Management Procedure Revision 3 including all previous Position Papers and Procurement Instructions issued by RG&C prior to this procedure's approval date.

18.2.1 Training and Induction

The training section in P&SCM is responsible for training of P&SCM employees. RG&C is responsible for the induction of Procurement Practitioners, Tender Committees, their Secretariats and End-users on the P&SCM Policy and Procedure including legislative changes and NT instructions and Practice Notes pertaining to procurement and supply chain management.

Specifically, the PiE (PiE1, PiE2) training is an official training course for specific P&SCM employees and P&SCM End-users regarding the execution of commercial transactions within Eskom. Eskom PiE is endorsed by executive management within Eskom and its content will be subject to revision from time to time.

It is the responsibility of the Accredited Senior Manager / GM at site or alternatively a Senior Manager / GM in P&SCM that is not at site to ensure that all Procurement Practitioners under his / her management undergo approved training and accreditation and are issued with written delegations of authority.

Senior Managers from other Groups or Divisions within Eskom, but external to P&SCM are permitted to participate in the PiE training and accreditation programme for triple adjudication authority to be delegated to them. Alternatively, they may be permitted to be accredited based on some other form of assessment that may be introduced from time to time.

Specific training requirements in the P&SCM environment are:

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1. Procurement Practitioners must attend and complete the course and be assessed to become Accredited Procurement Practitioners. Only Procurement Practitioners that have received formal training from an Eskom designated P&SCM facilitator are allowed to utilise the Informal Tendering System;
2. Before being appointed as an LPO-buyer, the individual will be required to have completed the relevant LPO training;
3. It is required that all parties participating in the Dual and Triple Adjudication process must have successfully completed the required training and accreditation programme;
4. Contract Managers must undergo the necessary training as prescribed by the P&SCM Contract Management Department. The relevant appointing Senior Manager (or higher) or the Eskom Agent (if not the Contract Manager) is accountable and responsible for verifying that the individual being assigned to the role of Contract Manager is suitably trained, experienced and competent to fulfil the requirements of the role; and
5. It is mandatory for all Procurement Practitioners and Contract Managers to successfully complete the necessary training offered by the Eskom Treasury Department who are required to apply the Eskom Treasury Department's foreign exchange or commodity exposure control policies and procedures.

All employees are required to attend training on the Conflict of Interest Policy (32-173), and the Eskom Code of Ethics (Standard 32-527), to ensure that all commercial activities are conducted in a manner that gives priority to ethical practices.

18.3 Quality Assurance and Control

The preparation, execution and conclusion of each and every commercial arrangement must be managed and governed to minimise commercial risk and to prevent Eskom incurring unnecessary costs, loss of value or irregular and wasteful expenditure.

The CPO is accountable to ensure that appropriate and effective quality assurance and control procedural steps are implemented that will ensure the quality of all commercial processes and that its documented outputs conforms to the required standard. The Procurement Manager is responsible for the effective execution of quality assurance and control procedures within P&SCM.

Appropriate quality assurance mechanisms are, but not limited to, Peer Reviews, SQUAD Checks and Self-Audits.

In all instances where documents are to be submitted to a Tender Committee, they should have been reviewed for completeness and accuracy before being submitted to the secretariat for inclusion on the committee agenda.

A Submission Review Checklist that has been signed by the responsible individual (dependent on the requirements of the Tender Committee) must be attached to the documents submitted to the Committee Secretariat.

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18.4 Performance Management (PM) and Business Intelligence (BI)

18.4.1 Performance Management

Performance Management is the foundation of ensuring quality outputs from business processes, contracts and suppliers and P&SCM personal. The CPO is accountable for ensuring appropriate performance management processes are implemented to drive the desired performance outcomes in the P&SCM environment.

Specifically, the Procurement Manager is responsible for the performance quality of the procurement function. This includes reduced turnaround times regarding resolution of PRs, consolidation of requests to achieve economies of scale and optimisation of savings opportunities where possible, ensuring training and accreditation of Procurement Practitioners, liaison with End-users as internal customers, performance measurement against specified key performance indicators and standards, and quality assurance of the formal recommendations made to Delegated Approval Authorities.

During the Contract Execution phase, the Contract Manager is responsible to ensure that the contractor's performance meets contractual requirements in accordance with the terms of the contract and that all parties perform according to the terms of the contract and that all processes, procedures, standards and tools for the management of contracts are adhered to.

18.4.2 Business Intelligence

Business Intelligence makes use of the data accessible via the IT systems deployed to drive improvements in the critical performance measures by providing historical analysis, trend analytics and future predictions upon which to make current decisions to raise the performance in key areas.

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Appendix A: Procurement Delegations of Authority

The latest DOA must be followed for approval levels of transactions until it is replaced by a new revision.

The DOA Policy sets out the delegation of authority powers and authorities delegated by the Board. It prescribes the scope, conditions and parameters within which the powers can be exercised by directors, employees and / or committees. The DOA Framework records the nature, extent and financial limits of the authorities delegated by the Eskom Board.

The following table depicts the signing authorities for contracts:

Table 4: Signing Authority of Contracts

Transactions approved at DAA level	Signing Authority of Contracts
Board of Directors	Group Executive may nominate a Divisional Executive, SGM or GM
IFC	Group Executive may nominate a Divisional Executive, SGM or GM
Executive Committee	Divisional Executive may nominate a SGM or GM
ETC / DTC	Divisional Executive may nominate a SGM, GM or E-Band Manager
Head Office and Site PTCs	E-Band Manager/an Accredited Senior Manager/GM at site
Triple Adjudication	Middle Manager (M17 / M18)
Dual Adjudication	Manager (G14 and above) (excluding POs)

A.1 Adjudication Delegated Approval Authorities

A.2 Introduction

This section covers the Delegated Approval Authorities for Procurement or Investment Recovery commercial transactions covered in those from Dual Adjudication to EXCO. Those below Dual Adjudication are covered in the body of this Procedure.

A.3 Dual Adjudication

Dual Adjudication applies to commercial transactions not exceeding thresholds and contract duration stipulated in the Eskom DOA Policy This constitutes a total approval value including contingency and any other allowances (such as provisional sums) but excluding VAT, travel and subsistence allowances, CPA and ROE.

All Procurement Practitioners are required to become Accredited Procurement Practitioners within 12 months of their appointment or within such period as the CPO, may determine.

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The objective of a Dual Adjudication system is to enable a Procurement Practitioner (no TASK grading limitation and the Procurement Practitioners may also not yet be accredited) to execute the commercial transaction and to make recommendations on the approval of the transaction to an Accredited Procurement Practitioner. The Accredited Procurement Practitioner who approves the transactions must not be the same person as the executor.

Allocation of Dual Adjudication authorities to Accredited Procurement Practitioners across sites and categories of supply must be managed by the Relevant GM: P&SCM, in consultation with the relevant officials of the RG&C section that will co-ordinate the issuing of letters approving the relevant delegations of authority to Accredited Procurement Practitioners from the office of the CPO.

PED's Dual Adjudications of authority can only be approved by the CPO, or the GM: PED.

Delegation given to Dual Adjudicators remains valid for an unlimited period unless revoked by the CPO. The CPO may revoke this delegation at any time or require the appointed employees to undergo refresher training.

Dual Adjudication authority is limited to the following approvals:

- A.3.1 Contracts or order awards for the procurement of goods, works or services based on an enquiry process, with an order or contract value and a contract duration not exceeding thresholds set in the Eskom DOA Policy;
- A.3.2 Mandates to negotiate a contract or order award for procurement of goods, works or services, that does not exceed thresholds set in the Eskom DOA Policy;
- A.3.3 Contracts or orders with professional consultants (e.g. engineering, legal, audit and the like). This excludes appointments of Business, Strategic and Management consultants who can only be approved by a PTC, irrespective of contract or order value;
- A.3.4 Contracts or orders with Internal Suppliers;
- A.3.5 Modifications which cause the contract cost and duration to still fall within the delegation of a Dual adjudicator;
- A.3.6 Transactions that constitute low value purchases, which cannot be processed via an LPO, and where, for example, forex or CPA may be applicable;
- A.3.7 Approval of strategies within DOA Policy limits.

Approval requests for a mandate to negotiate with a sole / single source must be accompanied by a completed Sole / Single Source Justification Form.

Condonations and ratifications of emergencies cannot be granted within Dual Adjudication, but only by the relevant DAA.

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The authorising Accredited Procurement Practitioner may request information not contained in the Procurement Submission Documents, and may at his / her discretion, call for the original documents for verification of certain aspects of the transaction.

If a difference of opinion should arise between the authorising Accredited Procurement Practitioner and the recommending Procurement Practitioner, then the submission must be referred to the next level of delegation, being Triple Adjudication.

The referral to Triple Adjudication must be recorded on the Procurement Submission Documents for reference purposes.

It is not permissible for any authorising Accredited Procurement Practitioners to make such referrals to Triple Adjudication on a regular basis, as each Accredited Procurement Practitioner must take accountability for approvals granted in order to ensure speed and efficiency in procurement lead times.

The mechanism of further referral must be an exception and not normal practice.

Note: All Dual Adjudication approvals must be reported on the prescribed reporting templates, on a monthly basis, by all Procurement Practitioners, to relevant Senior Manager P&SCM / an Accredited Senior Manager / GM at site who are triple adjudicators and who in turn are accountable for the consolidated reporting of transactions to the next level of delegated PTC within the relevant BU or site.

A.4 Triple Adjudication

Triple Adjudication applies to the approval of commercial transactions not exceeding thresholds and contract duration stipulated in the Eskom DOA Policy. This constitutes a total approval value including contingency and any other allowances (such as provisional sums) but excluding CPA, travel and subsistence allowances and ROE.

Triple Adjudication is a three-tiered process involving three participants:

- A.4.1 A Procurement Practitioner who executes the procurement and recommends the approval of the transaction;
- A.4.2 Another Accredited Procurement Practitioner (TASK level G14 and above) who supports the approval; and
- A.4.3 An accredited P&SCM Senior Manager or non-P&SCM Senior Manager who authorises and approves the transaction.

It is required that all parties participating in the Triple Adjudication process must have successfully completed the required training and accreditation programme. However, non-accredited Procurement Practitioners may participate in a Triple Adjudication process, but their participation is limited only to executing transactions and offering recommendations.

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Allocation of Triple Adjudication authorities to Accredited Procurement Practitioners across sites and categories of supply must be managed by the Relevant GM: P&SCM / an Accredited Senior Manager / GM at site in consultation with the RG&C function.

The RG&C function will co-ordinate the issuing of letters approving the relevant delegations of authority to Accredited Triple Adjudicators from the office of the CPO.

Triple Adjudications of authority can only be approved by the CPO or as otherwise delegated by the CPO.

Delegation given to Triple Adjudicators remains valid unless revoked by the CPO. The CPO may revoke this delegation at any time or require the delegates to undergo refresher training.

Triple Adjudication authority is limited to the same type of approvals as a Dual Adjudicator, the limits are just differing and also prescribed by the DOA Policy.

A.5 Tender (Bid) Committees (PTCs, DTCs, ETC, EXCO, IFC and Board)

All Tender (Bid) Committees shall exercise their delegated authority, as determined by either the Board of Directors, Chief Executive, and/or EXCO and ensure compliance to the latest revisions of P&SCM Policy (32-1033) and P&SCM Procedure (32-1033), relevant NT Instruction Notes and to the provisions of the Companies Act 71 of 2008, Eskom Memorandum of Incorporation (Mol), the Shareholder Compact, the Public Finance Management Act 1 of 1999 and any other applicable legislation.

The delegation of authority granted to the Tender Committees is over and above, and distinct from, budgetary approval which is obtained as part of the financial planning process approval by a relevant Investment Committee (IC) approved by other delegated investment committees.

The constitutions and compositions of the Tender Committees are governed by their Terms of Reference (TOR).

The Chairpersons and Members of the Tender Committees are appointed in line with their TOR.

The decisions by the DAAs must be communicated by the secretariat to the relevant stakeholders of each submission within three days after the meeting. The Chairperson is required to sign the minutes as a true and accurate record of the meeting.

The Tender Committees examine the recommendation in the submission report and, considering all factors that may influence the procurement, decides whether Eskom will enter into a contractual commitment with the recommended tenderer or not.

The Secretariat of the PTC ensures that all records pertaining to the requests and approval of transactions are filed and stored electronically on the Document Management System.

NT may decide to attend a Tender Committee meeting or prescribe which meetings must be open for the public to attend.

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A.6 Reporting

All transactions placed before a PTC, DTC and ETC for approval must be reported as per their TORs by the Secretariat to the next level of DAA.

A.7 DAA Decisions

A.7.1 Recommendations where above DOA Policy limits:

The DAA that makes a recommendation to a higher DAA must ensure that the report and / or submission document pack is complete and adequate to enable the higher DAA to make an informed decision.

Having considered all relevant issues, the DAA is required to determine whether the recommendation is in the best interest of Eskom.

A.7.2 Decisions within DOA Policy limits:

The possible decisions that can be made include the following:

1. Approve the recommendations as submitted;
2. Approve the alternative recommendations as submitted;
3. Approve the recommendations / alternative recommendations conditionally;
 - a) Where an approval is conditional, the conditions must be specified in the minutes recorded by the Secretariat, or in the Procurement Submission Documents. It is the Procurement Practitioner's responsibility to ensure that all clearly specified conditions are complied with prior to order or contract award, and that the DAA is duly informed of the outcome via a Feedback submission.
4. Reject the recommendations. Where a recommendation is rejected, the DAA must provide a clear indication of the course of action required from the CFT;
5. Send the matter back to the CFT for reconsideration or re-work;
 - a) Where permission to negotiate is not requested, but the DAA deems it necessary to negotiate for better terms and conditions, the DAA will instruct the Procurement Practitioner at the discretion of the DAA, to negotiate, and to achieve the desired result. Results of negotiations must be reported back to the DAA in a Feedback submission.

Under no circumstances is the DAA authorised to substitute its own choice of supplier or solution with that which was recommended by the CFT.

The same possible decisions and rules apply whether the approval will result in a new order or contract or a modification to an existing order or contract, or any other type of recommendation sought.

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Appendix B: PPPFA Framework

The Table below is a summary of key points in the PPPFA to be considered when reading this procedure.

Table 5: PPPFA Framework

1	Acceptable / Responsive Tender
	Basic Compliance with terms and conditions of tender Number of tenders submitted (main vs. alternative; later v earlier, etc.) Copy submitted for evaluation Mandatory Returnables and requirements met e.g. CIDB registered, any other permit or certificate or proof of registration. These are documents not required for functionality scoring. Authorised Tender DOIs Verified
ACCEPTABLE/RESPONSIVE TENDER PROCEEDS TO BE EVALUATED. NON-RESPONSIVE / UNACCEPTABLE TENDERS DISQUALIFIED	
2	Pre-qualification Criteria
	Evaluate against pre-qualification criteria stated in the enquiry Disqualify tenderers not meeting the functionality threshold
ONLY TENDERERS MEETING PRE-QUALIFICATION CRITERIA QUALIFY FOR FUNCTIONALITY AND DESIGNATED MATERIALS THRESHOLD EVALUATION	
3	Thresholds (Functionality, Designated Sectors)
	1. Functionality: Technical threshold (if applicable) 2. Designated materials/sectors mandatory threshold (if applicable) 3. Mandatory sub-contracting for more than R30m (if applicable) 4. Tenderers who do not meet the thresholds, are disqualified
MANDATORY REQUIREMENTS MET – PROCEED TO 80/20 OR 90/10 EVALUATION DISQUALIFY IF FAIL TO MEET THRESHOLD/S	
4	Preference Points System
	1. Determine Evaluation Price –adjusted for arithmetical errors, VAT and all applicable taxes, CPA and unconditional discounts (refer to Calculation Sheet) 2. Apply Prescribed Formula and Determine points for Price 3. Add points for B-BBEE as per prescribed table. Score zero if no proof of B-BBEE status level 4. Total points 5. Determine Ranking (Highest Ranked to Lowest Ranked)
5	Scoring and Ranking
SUPPLIERS SCORED AND RANKED AGAINST TOTAL POINTS – IF APPLICABLE - SHORT LIST FOR NEGOTIATIONS	
6	Negotiate – (Not Mandatory)

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	<ol style="list-style-type: none">1. Obtain mandate to negotiate in the strategy for sole/single sources2. Provisions regarding short-listing set out in the enquiry3. Set objectives and parameters4. Obtain mandate to negotiate post tender5. Negotiate6. Derive Negotiated Outcome
SUPPLIERS SCORED AND RANKED AGAINST TOTAL POINTS FOR CONTRACT / ORDER AWARD	
7	APPLY CONTRACTUAL REQUIREMENTS
	<ol style="list-style-type: none">1. Due diligence2. Financial statements (where applicable)3. SHEQ criteria (to be stated upfront in enquiry document) if applicable
SELECT SUCCESSFUL SUPPLIER/S	
8	Award
	<ol style="list-style-type: none">1. To highest ranked tenderer2. Not to the highest ranked if objective criteria justifies the award to the second or third highest tenderer.

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Appendix C: Application of SDL&I Criteria

The following mechanisms may be applied to enhance procurement from Black Suppliers, where applicable:

C.1 Informal tendering

C.2 The informal tendering process requires the issuing of a Request for Quotation (RFQ) to the prescribed number of potential tenderers found on the Central Supplier Database (CSD), who meet the requirements of the enquiry.

The Procurement Practitioner may seek guidance from the SDL&I department to determine which group to advance on a particular transaction in line with the targets in the Shareholders Compact. SDL&I must determine whether there is in fact a minimum number, according to the prescribed number of potential tenderers registered on the CSD who meet the specific Eskom's targets as per the shareholder's job compact. If not, SDL&I must identify such suppliers through market research, Eskom Supplier / Enterprise Development programmes, expression of interest etc. These suppliers are then required to register on the CSD.

The issuing of RFQs is done to a designated group(s) of potential tenderers on the CSD who are afforded an opportunity to tender.

C.3 Formal tendering

The PPPFA Regulations 2017 prescribes methods that can be applied to optimise SDL&I opportunities and achieve targets.

These methods are set out below:

1. Pre-qualification criteria for preferential procurement as clearly specified in Regulation 4 of the PPPFA Regulations 2017;
2. Pre-qualification criteria may be used to advance designated groups as per PPPFA Regulations of 2017(refer to Eskom Procurement Instruction 3 of 2017 on the criteria), i.e.;
3. If an organ of state decides to apply pre-qualifying criteria to advance certain designated groups, that organ of state must advertise the tender with a specific tendering condition that only one or more of the following tenderers may respond;
 - a) A tenderer having a stipulated minimum B-BBEE status level of contributor;
 - b) An EME or QSE;
 - c) A tenderer subcontracting a minimum of 30% to:
 - 1) An EME or QSE which is at least 51% owned by black people;
 - 2) An EME or QSE which is at least 51% owned by black people who are youth;

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- 3) An EME or QSE which is at least 51% owned by black people who are women;
 - 4) An EME or QSE which is at least 51% owned by black people with disabilities;
 - 5) An EME or QSE which is 51% owned by black people living in rural or underdeveloped areas or townships;
 - 6) A cooperative which is at least 51% owned by black people;
 - 7) An EME or QSE which is at least 51% owned by black people who are military veterans;
 - 8) An EME or QSE.
4. A tender that fails to meet any pre-qualifying criteria stipulated in the tender documents is an unacceptable tender.

C.4 Mandatory sub-contracting as per PPPFA Regulation 9 of the PPPFA 2017:

1. **“9.(1)** If feasible to subcontract for a contract above R30 million, an organ of state
 - a) Must apply subcontracting to advance designated groups.
2. If an organ of state applies subcontracting as contemplated in sub regulation (1), the organ of state must advertise the tender with a specific tendering condition that the successful tenderer must subcontract a minimum of 30% of the value of the contract to:
 - a) An EME or QSE;
 - b) An EME or QSE which is at least 51% owned by black people;
 - c) An EME or QSE which is at least 51% owned by black people who are youth;
 - d) An EME or QSE which is at least 51% owned by black people who are women;
 - e) An EME or QSE which is at least 51% owned by black people with disabilities;
 - f) An EME or QSE which is 51% owned by black people living in rural or underdeveloped areas or townships;
 - g) A cooperative which is at least 51% owned by black people;
 - h) An EME or QSE which is at least 51% owned by black people who are military veterans;
or
 - i) More than one of the categories referred to in paragraphs (a) to (h).

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(3) The organ of state must make available the list of all suppliers registered on a database approved by the National Treasury to provide the required goods or services in respect of the applicable designated groups mentioned in sub regulation (2) from which the tenderer must select a supplier”.

C.5 Local production and content according to Regulation 8 of PPPFA 2017

1. The Department of Trade and Industry may, in consultation with the National Treasury:
 - a) Designate a sector, sub-sector or industry or product in accordance with national
2. Development and industrial policies for local production and content, where only locally produced services or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content, taking into account economic and other relevant factors; and
 - a) Stipulate a minimum threshold for local production and content.
3. If there is no designated sector, an organ of state may include, as a specific condition of the tender, that only locally produced services or goods or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered;
4. The threshold referred to in paragraph (a) must be in accordance with the standards determined by the Department of Trade and Industry in consultation with the National Treasury;
5. A tender that fails to meet the minimum stipulated threshold for local production and content is an unacceptable tender.

C.6 Non-Designated Sectors

Where there is no designated sector, the Procurement Practitioner together with SDL&I may decide to include a specific mandatory requirement that only locally produced goods or services with a clearly specified minimum threshold for local production and content, will be considered, on condition that such prescript and threshold(s) are in accordance with the specific standards determined by the DTI in consultation with the NT.

C.7 Tenderer's SDL&I Undertaking

The Procurement Practitioner together with SDL&I may request tenderers to make further undertakings to advance designated groups (beyond that prescribed by PPPFA Regulations 2017) through skills development commitments, job creation commitments, Enterprise Development etc.

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Should this be the case, then Eskom's proposed targets must be specified in the Tenderer's SDL&I Undertaking Form and included in the strategy as well as in the Enquiry as a tender returnable to be submitted prior to contract award to allow for negotiation and agreement on the targets, where applicable. Tenderers who complete and submit the undertaking as required, but who do not meet Eskom's targets, will not be disqualified. Eskom reserves the right to negotiate with these tenderers and the outcome of such negotiations will become a contractual obligation if it is awarded the contract.

C.8 Enterprise Development

If Enterprise Development has been identified as a vehicle to support black business (through market research establishing that there are sufficient and capable suppliers in the relevant sector that can be developed) then this must be populated accordingly in the SDL&I Undertaking.

SDL&I may further embark on an initiative (e.g. SHEQ workshops, etc.) to ensure the readiness of identified suppliers to participate in future procurement opportunities.

Reasonable care must be taken to be fair towards all tenderers in that sector and not only those who belong to a specific organisation / group / forum, therefore tenderers must be sourced from the CSD. A random list of suppliers will be obtained with each search for potential tenderers on the CSD.

Enterprise Development can be used as a mechanism to support and develop EMEs / QSEs that are more than 50% black owned.

If Enterprise Development is identified by SDL&I as a mechanism to support EMEs / QSEs in a specific enquiry, an Enterprise and Supplier Development Agreement must be included in the enquiry and be completed by the tenderer and the EME / QSE beneficiary.

The tenderer will then submit the Enterprise and Supplier Development Agreement between it and the EME / QSE beneficiary to Eskom within the specified agreed period after contract award. Tenderers may undertake to develop suppliers in a specific area such as financial development, technical development and / or contractual development.

Development points can also be scored by Eskom when paying EMEs / QSEs in a shorter payment cycle than the norm (currently payments are done within 15 days instead of 30 days).

An Enterprise and Supplier Development agreement has to be entered into between Eskom and the EME / QSE beneficiary when planning to pay within 15 days.

C.9 Skills Development

Where applicable, SDL&I must determine the applicable skills development targets per contract. Care must be taken not to request unrealistic targets.

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C.10 Job creation

Where applicable, SDL&I must determine the applicable job creation targets per contract. Care must be taken not to request unrealistic targets.

C.11 Skills transfer

Where applicable, SDL&I must determine the applicable skills transfer to Eskom or to a JV partner, per contract. Care must be taken not to request unrealistic targets.

C.12 Task Order to Designated Groups

Where Panel contracts have been established and it is feasible and in accordance with the task order allocation process in the strategy and / or TOR of the PCC, task orders may be awarded to designated groups, as may be required as per Eskom's targets (BPWD, BYO, BWO).

Such allocations must, however, be based on market related rates and must be on a rotational basis to ensure that different entities within those designated groups are given an opportunity.

C.13 Supplier Management Committee

Each site may establish a Supplier Management Committee to govern various activities related to the management of suppliers in the respective Province.

These committees will be governed by their respective Terms of Reference.

Their activities may include inter alia, referring of supplier misconduct issues to the Supplier Review Committee, assisting suppliers to register on CSD and Eskom Supplier Database etc.

Please note: Only the above initiatives may be applied to support SDL&I targets.

Should another initiative be identified, this must be discussed with RG&C prior to including it in a strategy or enquiry. RG&C will determine the legitimacy of the initiative in line with legislation.

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Appendix D: Condonations

D.1 Recognition of Irregular Expenditure

Irregular expenditure occurs where the procurement of goods or services is non-compliant to applicable legislation.

Irregular expenditure is incurred when the resulting transaction is recognised in the financial records in accordance with the relevant Accounting Framework.

The relevant DAA, as advised from time to time, have the delegation of authority to approve and / or recommend condonations.

If the non-compliance does not prejudice other tenderers, is condoned by the relevant DAA and the non-compliance corrected prior to contract award, the contract will not incur irregular expenditure.

If the non-compliance does not prejudice other tenderers, is condoned by the relevant DAA and the non-compliance corrected after the contract is awarded, but before expenditure is incurred, the contract may continue without incurring irregular expenditure.

If the non-compliance prejudices other tenderers and a contract is awarded, such non-compliance must be submitted for condonation to the relevant DAA. Similarly, if a non-compliance has occurred which prejudices other tenderers and the contract has not been awarded yet, such non-compliance cannot be condoned, and the procurement process must be cancelled.

If the non-compliance occurred which did not prejudice other tenderers and expenditure has already been incurred on the transaction, and the relevant DAA condones the transaction, the contract may continue. Expenditure that has been incurred must be reported as irregular expenditure in the PFMA report.

Should irregular expenditure be incurred due to a deviation from legislation, the condonation must first be submitted for recommendation to the relevant DAA and then it must be submitted to NT for condonation.

Any deviation against other legislation which forms part of the Approved Procurement Framework, must also first be recommended by relevant DAA, and then be condoned by the relevant Government Department responsible for the legislation.

The following process must be followed:

D.2 Assessment Report (Preliminary Report)

Any employee who becomes aware of, or who suspects a transgression against any Eskom procedure and / or legislation applicable to procurement, must report it to the relevant Line Manager, to initiate a preliminary investigation.

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As soon as the Line Manager becomes aware of the non-compliance, he / she is responsible and accountable to conduct the preliminary investigation to determine whether a condonation of the alleged non-compliance is required.

If the line manager is of the prima facie view that the potential non-compliance was not within the sole responsibility and knowledge of Eskom, he must advise the relevant creditor in writing within 30 days of receipt of the invoice, or the contractually agreed period of payment that a dispute has arisen and that payment may be delayed until the report and condonation process has been finalised, if it can be finalised.

If the non-compliance was found to have been within the sole responsibility and knowledge of Eskom, payment of the supplier ought not to be withheld.

The following information must be addressed in the Line Manager's report:

D.2.1 Was it a transgression, i.e. it contravened applicable legislation or internal policy / procedure; and

D.2.2 Does it have a financial implication (payment was made, or a liability recognised in the books in accordance with the applicable accounting framework);

D.2.3 The nature of the transgression (what procedure/legislation was transgressed);

D.2.4 If goods / services were received; and

D.2.5 Number of repeat transgressions by the employee and the reasons for the transgression.

Where there is not an existing contract / order, the Line Manager must ensure that the employee responsible for the non-compliance, create a PR, by using the correct PR type ZCM for condonations, onto the SAP system. Users may only process transactions in SAP ECC. After creation of the ZCM PRs, it will be routed to the Procurement Manager. POs linked to these PRs will also be routed back to the Procurement Manager. No documents need to be attached to the system at this stage.

The new document types for condonation PRs will not be subject to the current PR workflow approval of Cost Centre owner, Logistics Manager and Management accountant but will be routed directly to the Procurement Manager.

Condonation PO and PR lead time calculations will be excluded from the PR to PO lead time calculation by excluding the new document type on the SAP report.

D.3 Log Non-Compliance on the Condonation Register

Once confirmed that it is a contravention, the Line Manager must log the non-compliance on the register located on Eskom's current electronic platform (SharePoint).

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Not all information may be available initially at the time of capturing; however, during the process of condoning the transaction, the Line Manager is required to update and close-out the transaction on the register.

Link to register:

<http://commercial.Eskom.co.za/sites/be/condonation/SitePages/Home.aspx>

Once information is logged, an auto generated Unique Number (CON100000) will be provided. This number must be used for tracking on all reports relating to the irregular expenditure.

D.4 Determination Report (Conduct Detailed Investigation)

The Line Manager is required to send the Assessment Report to the relevant Departmental FCO who will conduct the detailed investigation in line with the relevant legislation.

The relevant FCO will determine if it was a non-compliance with legislation or a non-compliance with Eskom's policies and / or procedures and the level of enquiry and / or investigation to be undertaken to determine whether:

- D.4.1 The expenditure in question meets the definition of irregular expenditure;
- D.4.2 The employee is liable in law for irregular expenditure (this can be done in liaison with Legal);
- D.4.3 Whether the amount of the irregular expenditure resulted in any losses or damages suffered by Eskom (Procurement to assist with a market-related price); and
- D.4.4 Eskom did not attain value for money from the transaction, condition or event.

If the employee is liable in law or Eskom has suffered losses and / or damages, then the transgression cannot be condoned.

Legal will determine if the losses can be recovered and if so, the expenditure will be regularised as it is recovered.

The signed detailed investigation report must accompany the Condonation submission report to the relevant DAA.

D.5 Consequence Management

In terms of section 51(1) (e) iii of the PFMA Act, effective and appropriate disciplinary steps must be taken against an employee who makes or permits an irregular expenditure or fruitless and wasteful expenditure.

The Line Manager must contact IR to obtain a Notice to Attend a disciplinary enquiry/ hearing.

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The assessment report, detailed investigation report and notice to attend disciplinary enquiry/hearing or evidence of consequence management must be submitted with the condonation submission to relevant DAA.

Disciplinary steps may not have been concluded at the time of adjudication. However, once the disciplinary steps have been finalised, it must be reported back to the relevant DAA via the secretariat for noting and close out.

D.6 Condonation Submission Report

The Line Manager must complete the information required in the Condonation Submission Report.

The following information must be addressed in the submission report:

- D.6.1 Evidence indicating that the enquiry /investigation revealed that no official is liable in law for irregular expenditure;
- D.6.2 Detailed motivation as to why the irregular expenditure in question should be considered for condonation;
- D.6.3 Details of the transgression;
- D.6.4 Reference to relevant transgression;
- D.6.5 Reason(s) for deviating from the required legislation or prescripts;
- D.6.6 Whether Eskom has suffered loss due the transgression;
- D.6.7 In the case of supply chain management transgressions provide reasonableness of price(s) determined in a case where only one price was sourced from one tenderer;
- D.6.8 Financial implications for such transgression;
- D.6.9 In the case of a supply chain management transgression provide contractor(s) who were involved;
- D.6.10 Corrective steps taken to prevent any recurrence (strengthen the internal control system where appropriate); and
- D.6.11 The relevant supporting documentation.

Relevant DAA will approve the consequence management actions to be taken.

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Feedback on the outcome of the consequence management actions must be reported to the relevant DAA for noting and be updated on the Condonation Register before the condonation is closed.

D.7 Adjudication by the relevant DAA

The relevant DAA committee adjudicate on the submission report and documents submitted.

D.8 Capturing of Minutes

Capturing data on the electronic system (Submission Analyst Model - SAM) is done by the secretariat.

Capturing of the minutes of the relevant DAA committee, must include the amount condoned, and specify if the condonation was approved or not.

After adjudication the Line Manager must update the Condonation Register with the required information.

D.9 Condonation by Relevant Authority

Should further condonation be required by relevant external authorities, such as NT or CIDB, then the Line Manager must submit the submission report with the supporting documents (e.g. minutes of the relevant DAA), to the Office of the CPO for approval by the relevant authority.

D.10 Creating a PO / Contract / Task Order

In the case of a new PO or contract, the End-user is required to attach the approval from the relevant DAA to the PR which he / she has created. No PR is required for a task order.

The Procurement Manager may only assign the PR to the relevant Procurement Practitioner once these documents have been attached to the PR.

A ZCM PO must be created with reference to a ZCM PR if no contract exists.

A PO for condonation cannot be created against an existing contract which was not related to the non-compliance, however, POs can be created against a condoned contract.

Further drawdowns from a contract may only occur if the non-compliance has been corrected.

D.11 Enable Payment to Supplier

If non-compliance, based on the determination or detailed investigation report, is found to have been within the sole responsibility and knowledge of Eskom and no wrong-doing by, the supplier should be paid as per the terms of the contract.

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If the non-compliance was found during the determination or detailed investigation report, to have NOT been within the sole responsibility and knowledge of Eskom, the following steps need to be followed:

- Investigation by A&F
- Determination if there is an official liable in law (A&F) and possible recoveries (Legal department)
- If there is wrongdoing on the part of the supplier in the non-compliance, the supplier review process must be followed

In the event the transaction is not condoned by the relevant DAA and / or relevant authority, it is the responsibility of the Line Manager to notify the supplier of the decision that has been taken.

D.12 Reporting

The Condonation Register will be used by Group Compliance and P&SCM RG&C for purposes of PFMA and other reporting.

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Appendix E: Developing Market-Related Prices

Eskom may not award a contract and / or purchase order if the price is not market-related.

The Procurement Practitioner must include a statement in the submission documents to the relevant DAA setting out the process followed to determine the estimated market-related price.

The following are examples of processes that can be used to determine a market-related price, at least two of which should be employed and reported on:

- E.1** The Procurement Practitioner may issue a RFI and request the market to provide an indicative pricing methodology or pricing matrix;
- E.2** The Procurement Practitioner may request pricing information from Eskom Divisions / subsidiaries or SOCs;
- E.3** System average prices on SAP – escalation may be used to determine the current price;
- E.4** If the product /service was previously purchased and contracted by Eskom, the current prevailing market conditions could be used (i.e. inflation, cost of capital etc.) to determine whether the new price is reasonable in relation to the previous price;
- E.5** The ease of obtaining product / service – i.e. the higher the demand, the lower the supply – the higher the price and vice versa;
- E.6** What the supplier is offering i.e. delivered price vs ex-Works, extended warranty vs normal warranty, extended after sales services vs just product direct sale etc.;
- E.7** Value engineering may be used by breaking down each component of the item and determining the price of each. The type of material and quantities used may give an indication of the price;
- E.8** Once another electronic system has been developed to assist the comparison of the prices, the system should be used to determine the market-related price.

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Appendix F: Compiling a Competitive Enquiry

The Procurement Practitioner prepares the enquiry documentation with the input of the End-user, or in the case of more complex transactions, the assigned CFT. Each member must ensure that their discipline's relevant requirements are included in the enquiry.

An enquiry consists of the following documents and Tender Data:

F.1 Letter of Invitation

This is a standard letter that forms part of the RFP / ITT. It invites tenders to provide the scope of goods / works and services as described in the enquiry. The letter must be signed by the designated Procurement Manager.

F.2 Standard Conditions of Tender

1. Every enquiry must contain the Eskom's Standard Conditions of Tender. These Standard Conditions of Tender regulate the procedural aspects of submitting a tender to Eskom;
2. The Procurement Practitioner must ensure that the most up to date version of the Standard Conditions of Tender are used when issuing enquiries. Procurement Practitioners are required to familiarise themselves with the Standard Conditions of Tendering;
3. The Standard Conditions of Tender must be read together with the Tender Data and will require the Procurement Practitioner to include specific information or data in the Tender Data.

F.3 Tender Data

1. The Tender Data forms part of the RFP / ITT template;
2. Tender Data comprises details such as eligibility criteria, tender submission information, mandatory returnables, validity period, site / clarification meetings, pre-qualification criteria, designated material threshold, functionality criteria, and evaluation of price and preference;
3. Refer to document "240/114238630 Invitation to Tender / Request for Proposal", available on DMS, for complete tender data requirements.

F.4 Mandatory Requirements

The Procurement Practitioner, together with the CFT, would have discussed and agreed the mandatory requirements to be applied to the evaluation of tenders during the procurement strategy and planning phase. These requirements (if any), and the supporting documents required to verify the tenderer's compliance, should be listed and where applicable, attached in the enquiry for completion.

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Due to the compulsory nature of mandatory requirements, Procurement Practitioners are cautioned against including too many mandatory requirements, as this may result in the disqualification of all tenders and a re-issuing of the enquiry. A condition should also be added to the enquiry, stating that these are “must meet” criteria i.e. they must be met in order to successfully qualify for further evaluation or award.

F.5 Tender Returnables

1. Tender returnables must be clearly listed in the enquiry with a clear and unambiguous condition as to whether the returnable is mandatory or not;
2. Mandatory returnables relate generally to legislative requirements;
3. All returnables, unless otherwise stated, must be submitted at tender closing and cannot be requested or submitted after tender closing;
4. The following list of returnables is commonly requested in an enquiry. This list is not exhaustive and depending on the enquiry, there may be more or less returnables required:
 - a) Declaration certificate for local content and production (for designated sectors / materials);
 - b) Proof of subcontracting to designated groups for procurement of more than R30m where feasible, as indicated in the SDL&I Matrix;
 - c) Proof of B-BBEE level of the main contractor and of the sub-contractors, if it was a mandatory requirement (for pre-qualification).
5. Proof includes:
 - a) An original/certified copy of a valid B-BBEE Status Level Verification Certificate issued by a Verification Agency accredited by SANAS, or
 - b) A sworn affidavit from an EME and to the extent that a QSE qualifies for enhanced B-BBEE recognition, signed by the EME / QSE representative and attested by a Commissioner of Oaths;
 - c) A trust, consortium or joint venture (including unincorporated consortia and joint ventures) must submit a consolidated B-BBEE Status Level Verification Certificate for every separate tender;
 - d) Certification e.g. proof of CIDB registration;
 - e) Technical Offer;
 - f) Pricing schedules;
 - g) SHEQ acknowledgement forms and Plans;

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h) Copy of tender.

The tenderer must submit an original tender with one hard copy of the original tender when responding to a formal enquiry (currently value above R1m excl VAT). Original tenders are marked as such and stored at an offsite document storage facility. This is necessary to i) alleviate any risks of tender tampering, ii) to provide security for the tenders during evaluation, and iii) to maintain an audit trail of the tender. Hard copies are released to the relevant Procurement Practitioner for the purposes of evaluation. Evaluations are usually based on the copy provided.

It must be stated in the enquiry that tenderers who fail to submit a hard copy will automatically be disqualified.

The Procurement Practitioner may request electronic (soft) copies of tenders in exceptional circumstances, based on factors such as the volume of pricing and technical information reasonably expected. Necessary controls around the receipt, storage and verification of information submitted electronically (such as the format, password protection, and verification of information) must be clearly specified in the Tender Data to ensure security of electronic submissions.

i) Tax Clearance certificate

It is essential to ensure that persons conducting business with Eskom are tax compliant at the awarding of order / contract.

No quotations or tenders may be awarded to persons who are not tax compliant.

It must be noted that SARS no longer issues tax clearance certificates (TCCs).

Procurement Practitioners must ensure that Standard Bidding Document 1 (SBD1) is issued as part of the enquiry document.

SARS requires tenderers to provide either their Tax Compliance Status (TCS) e-filing PIN from SARS, their Master Registration Number on CSD (the CSD number) or a printed copy of their SARS certificate.

Foreign suppliers with existing tax obligations in South Africa must also provide proof of tax compliance status in the manner described above.

Foreign suppliers with no existing tax obligations in South Africa or history of doing business in South Africa must complete a pre-award questionnaire on SBD1. If such foreign tender is selected for award, Eskom must send the SDB1 to SARS at the email address: GovernmentInstitute@sars.gov.za. SARS will issue Confirmation of Tax Obligation letter to Eskom to confirm whether the entity has tax obligations or not.

Where the goods / services are being procured from foreign suppliers with no tax obligation in South Africa for use by any South African office outside the country (e.g. the Eskom Uganda Office), there is no need to request or verify proof of the supplier's tax compliance status.

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If the recommended tenderer is not tax compliant, the tenderer must be notified of their non-compliance and be granted seven days to rectify their tax compliance status with SARS.

If the tenderer fails to submit proof of tax compliance status despite having been afforded seven days opportunity to do so, such tenderer tender must be rejected.

Where goods or services have been delivered satisfactorily without dispute, payment to the supplier should not be delayed as a result of outstanding tax matters, unless Eskom is specifically directed by SARS to do so.

F.6 Alternative Tenders

The Eskom's Standard Conditions of Tender states that where alternative tenders are requested in the enquiry, such alternative tenders will only be allowed and evaluated if a main tender has been submitted that meets the evaluation criteria. Furthermore, the enquiry document must stipulate the criteria against which an alternative tender will be evaluated.

F.7 Tender Clarification Meeting

Requirement for a compulsory tender clarification meeting should only be made when it is necessary for the scope of work for example, where the work required is of such complexity that tenderers have to attend a briefing in order to fully understand the scope of work.

Site-briefing meetings should be compulsory only where tenderers are required to physically view and / or measure a site or a part or component thereof to submit a tender.

If the Procurement Practitioner elects to conduct a compulsory tender clarification / site briefing meeting, the Tender Data must clearly stipulate this and state that failure by tenderers to attend such meeting will preclude them from submitting a tender. Minutes of the compulsory meeting must be taken and distributed to those tenderers who attended.

F.8 Contract Condition

For formal tendering and where applicable under the informal tendering transactions, the contract to be used must be attached to the enquiry document.

Eskom uses NEC as its default standard form contract. The Procurement Practitioner compiles the relevant contract by selecting the appropriate main and secondary options (based on the approved commercial strategy) and completing all Contract Data relevant to the Employer (Eskom). The Procurement Practitioner must consult with the End-user and / or the CFT for their inputs. Any amendments to standard clauses in the contract must be approved by the Eskom Legal representative appointed on the CFT.

The Eskom General Conditions of Purchase are used for all informal tendering.

The use of the FIDIC suite of contracts is limited to new build projects, only where deemed appropriate by the Eskom Legal Department and approved by ETC.

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Currently the NEC3 suite of contract is used, but the NEC4, the Engineering Construction Contract (ECC), will be implemented at a date determined by the P&SCM or Group Capital Contract Management Department in consultation with Legal.

The following contracts are standard contracts that are generally used within Eskom:

- a) NEC3 Supply Contract (SC);
- b) NEC3 Supply Short Contract (SSC);
- c) NEC3 Professional Services Contract (PSC);
- d) NEC 3 Professional Services Short Contract (PSSC);
- e) NEC3 Engineering Construction Contract (ECC);
- f) NEC3 Engineering Construction Short Contract (ECSC);
- g) NEC3 Term Services Contract (TSC);
- h) NEC3 Term Services Short Contract (TSSC);
- i) NEC3 Framework Contract (FC) (This should ONLY be used in consultation with the Eskom Legal Department);
- j) NEC3 Adjudicator's Contract (AC);
- k) Eskom General Services Contract (GSC) – only applicable to historical transactions being modified and not for new transactions;
- l) Eskom's General Conditions of Purchase – for transactions up to R1m;
- m) FIDIC suite of contracts (limited to new build projects only) with prior approval from ETC, comprising:
 - n) FIDIC Conditions of Contract for Construction (Red Book, 1999);
 - o) FIDIC Conditions of Contract for Plant and Design-Build (Yellow Book, 1999);
 - p) FIDIC Conditions of Contract for Engineering Procurement, and Construction Turn Key Projects (EPC); and
 - q) FIDIC Short Form of Contract (Green Book, 1999).

Note: When using the standard NEC suite of contracts, the P&SCM Contract Management Department prescribes templates for use and will include Eskom-specific commercial and legislative requirements as part of the 'Z' clauses.

Where there is no suitable standard form of contract or a supplier proposes the use of its own standard contract, the Procurement Practitioner may request the Eskom Legal Department to:

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- a) Draft a bespoke contract; or
- b) Approve the Supplier's Standard Contract.

Terms and conditions relating to Shipping and Insurance must be discussed with the End-user and relevant representatives of the CFT. Advice may be sought from the Shipping and Insurance function. Applicable incoterms must also be observed. In the case of project procurement, an insurance specialist must be part of the CFT to advise on the best way to include insurance obligations, so that it will be cost effective for Eskom and not duplicate obligations.

The requirement of securities and bonds for a particular contract may be discussed with the End-user and Eskom Legal representative and based on a risk analysis, included in the contract if necessary. A Parent Company Guarantee may be requested from the parent / holding company of the supplier to undertake to complete or rectify the works or services, or supply of goods, should the supplier fail to perform ("step into the shoes" of the supplier). This guarantee is not a financial bond and there is no cost associated with the issuance thereof.

Where Eskom needs to mitigate the financial risks involved in ensuring performance of a contract, a performance bond may be required.

Eskom does not encourage the provision of advance payments. However, an advance payment may be an acceptable strategy for Eskom in certain circumstances. It may be considered in cases where the supplier will have to make a significant capital outlay before starting with the contract. It may also be considered where goods, works or services have a long lead-time or where manufacturing slots need to be booked and paid for well in advance of the goods being delivered. An advance payment will only be issued on condition that an advance payment bond (on the Eskom pro-forma) is provided by a financial institution approved by Eskom Treasury. The relevant contractual provisions relating to advance payments need to be included in the contract. Approval to proceed with a contract containing advance payment conditions must be supported by the relevant financial functionary and approved by the relevant Delegated Authority. This approval cannot be granted by Dual or Triple Adjudication.

F.9 Scope of Work / Works Information / Employers Requirements

The End-user together with Engineering representatives and other relevant technical experts must compile the scope of work. The scope must be approved and signed by the relevant authorities before submitting to the Procurement Practitioner for inclusion in the enquiry.

The SHEQ Policy and specification creates an obligation on P&SCM to ensure that SHEQ objectives and requirements are included in enquiries for orders and contracts, where applicable. In order to adhere to Eskom's SHEQ Policy and specification, Procurement Practitioners must ensure that the relevant Divisional / Project Safety Risk Manager and Quality Management representative(s) must form part of the CFT and provide the relevant signed-off SHEQ specifications for incorporation as contractual requirements, where applicable.

In the case of a contract with an internal supplier, Eskom must clearly stipulate what role ERI must play in the transaction, e.g. ERI being the contractor or ERI being the implementation agent.

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F.10 Pricing

For formal, complex transactions the Procurement Practitioner must consult with the relevant function (e.g. QS, Finance, End-user P&SCM Finance function) to prepare the pricing schedules for the enquiry.

The enquiry document should state clearly whether tenderers may quote for the whole or only part of Eskom's requirements.

Should a Bill of Quantities be applicable for the transaction, either estimated quantities are stated in the price schedule or a quantity of 1 will be stated. This depends on the type of contract that will be used.

F.11 CPA

CPA may not be required for all types of transactions.

Eskom's Finance functions, engineering and technology functions, cost estimators or quantity surveyors must assist the Procurement Practitioner in ensuring that the most applicable CPA formula and indices are selected, and that the allocated percentage of each element corresponds with the technical components.

The following is prescribed with respect to the inclusion of CPA:

1. CPA must apply for where the movements in the base rate results in an adjustment of the price;
2. The indices / prices / rates nominated as a base for movement shall be from an approved recognised publishing authority, (e.g. SEIFSA or StatsSA), that can be sourced in the public domain;
3. In-house suppliers Indices provided by the supplier are not acceptable;
4. Eskom has a requirement that a minimum of 10% of the price must be fixed, the price adjustment being applied to the balance of 90%;
5. The price adjustment levels can be negotiated;
6. The minimum fixed portion does not apply to professional or consulting services agreements;
7. Eskom requires that the first 12 months of the contract may not have CPA attributed to the prices. CPA can only then be applied after the first 12 months. A base date must be specified, as well as the subsequent dates or the frequency with which the CPA will be applicable;
8. If the CPA adjustment is applicable on a specific date, the index and base date used must be one month prior to the tender closing date. The Procurement Practitioners must ensure that any breakdown of items supporting the CPA formulae is reasonable;
9. Attempts must be made to identify all components of the price that will not be subject to CPA:

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10. Exchange rate adjustments cannot be part of any CPA formula;
11. Foreign Indices must be applied only for imported items;
12. Local indices must be applied for local cost drivers.

F.12 Codification / cataloguing requirements for enquiries

Eskom expect its suppliers to comply with our requirement for cataloguing of items as it will enhance our processes and reduce lead times.

In order for Eskom to achieve the benefits of cataloguing a set of documents have been developed for enquiry and contracting purposes for all transactions, namely:

1. Narrative to be included under the Goods Information / Works Information - the label specification and sample templates to indicate the typical information required by Eskom;
2. Acknowledgement Form as a mandatory tender returnable;
3. An Excel spreadsheet must be included under the Works information / Supply information for the tenderer to complete. This spreadsheet has the necessary details that the tenderer must complete in order to catalogue his items. It has to be completed by the supplier after contract award;
4. A line item for cataloguing must be included under the Price list as Eskom will pay for the cataloguing of the items.

It must be stated in the strategies for all contracts where stock / non-stock items are to be purchased or where it is included in the scope of works/goods, that: "The tenderers will be required to provide cataloguing information and labelling of all items with Eskom catalogued data, after contract award".

Only once a contract has been awarded to a supplier, will the supplier be required to complete the cataloguing information per item.

It is the responsibility of the Procurement Practitioner to invite the cataloguer to be part of the CFT especially when a procurement strategy must be developed to advise whether the Enquiry documents are to include the requirement for cataloguing in the Scope of Works (SOWs).

The NEC3 templates stored on the document management system contain the necessary cataloguing information for this requirement.

F.13 Supplier Evaluation Pack for Service Providers - PAYE

- a) The latest supplier evaluation pack (available on Eskom's Documentation System, (currently Hyperwave) for service providers, must be submitted with all enquiries for services contracts.

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F.14 Authorisation Form

- a) The authorisation form must be submitted to confirm the authority of the supplier's representative to act as an authorised agent on behalf of the supplier.

F.15 Integrity Pact Declaration

- a) Reference must be made to Eskom's website where Integrity Pact can be viewed and accessed by the tenderers. The Integrity Declaration Form must be completed and returned by the tenderer.

F.16 Declaration of Shareholding and Directorship

- a) In order for Eskom to assess any conflict of interest, the declaration must be submitted by the tenderer.

F.17 Pre-Qualification

The PPPFA Regulations 2017 clause 4, contains detailed rules regarding the use of prequalification criteria to advance designated groups.

At procurement planning and tender stage, the Procurement Practitioner must identify procurement opportunities to advance designated groups and apply the pre-qualification criteria clearly specified in the PPPFA Regulations for this purpose.

The SDL&I officer may conduct market research or industry analysis to identify procurement opportunities, level of transformation in a particular sector or commodity, supply market, their B-BBEE status level and availability of EMEs or QSEs who may be eligible to tender. The number of enterprises in the sector must be verified to determine if there will be sufficient competition.

Pre-qualification criteria may be applied if the decision is to advance designated groups.

Where procurement opportunities for designated groups have been identified, enquiries must be advertised with a clear tendering condition that tenderers will be prequalified based on one or more of the criteria:

1. A tenderer having the clearly specified minimum B-BBEE status level of contributor; or
2. EME or QSE; or
3. A tenderer subcontracting a minimum of 30% to:
 - a) EME or QSE which is at least 51% owned by black people; or
 - b) An EME or QSE which is at least 51% owned by black people who are youth; or
 - c) An EME or QSE which is at least 51% owned by black people who are women; or
 - d) An EME or QSE which is at least 51% owned by black people with disabilities; or

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- e) An EME or QSE which is at least 51% owned by black people living in rural or underdeveloped areas or townships; or
- f) A cooperative which is at least 51% owned by black people; or
- g) An EME or QSE which is at least 51% owned by black people who are military veterans; or
- h) An EME or QSE.

Any combination of designated groups listed above may be applied in an enquiry.

The enquiry must state that proof of the B-BBEE level status of the proposed sub-contractors, must be submitted.

Eskom will in this instance, not supply a list of potential tenderers that may be used by the tenderers to sub-contract to.

F.18 Mandatory Sub-Contracting

In terms of Regulation 9 of the PPPFA Regulations, 2017, where the contract exceeds R30m in value, Eskom must, if feasible, apply a minimum of 30% subcontracting to advance designated groups.

The term “feasible” implies that it may not always be possible to subcontract in all tenders due to the nature of the goods or services being procured. (For instance, it may not be possible to sub-contract where Eskom purchases a single piece of machinery that is above R 30m).

Enquiries must contain a condition that tenderers who fail to comply with this requirement would be disqualified.

The Central Supplier Database (CSD) has been upgraded to allow tenderers access to CSD for identification of potential sub-contractors from the pool of EMEs or QSEs to advance designated groups.

In the case of construction and built environment sectors, tenderers may select sub-contractors from the CIDB database who are registered on the CSD for the purposes of compliance with the minimum 30% compulsory sub-contracting provisions. The list of potential subcontractors may be drawn by accessing the following website: www.csd.gov.za.

Eskom must make available the list of suppliers registered on the CSD to provide the required goods or services in respect of the applicable designated groups mentioned in the enquiry from which the tenderer must select a supplier to sub-contract to.

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F.19 Designated Materials

Enquiries in respect of goods, works or services that have been designated for local production and content by the DTI, must contain a specific tender condition that only locally produced goods, works or services with a clearly specified minimum threshold for local production and content will be considered.

The designated sectors and the minimum thresholds can be found on the DTI website and on the relevant Eskom Procurement Instruction, on the DMS.

The enquiry must stipulate that the exchange rate to be used for the calculation of local content (local content and local production are used interchangeably) must be the exchange rate published on the date of issuing of the enquiry.

The Declaration Certificate for Local Content must form part of the enquiry as a mandatory tender returnable where designated sectors apply and must be completed and duly signed by the tenderer.

The enquiry must state that the tender will be disqualified from further evaluation where it fails to achieve the clearly specified minimum threshold for local production and content and where the Declaration Certificate for local content is not submitted in the tender.

In relation to designated materials, a tenderer must not be allowed to sub-contract in such a manner that the local production and content of the overall value of the contract is reduced to below the clearly specified minimum threshold.

Where there are no designated materials, the Procurement Practitioner may decide to include a specific tender condition that only locally produced goods or services with a clearly specified minimum threshold for local production and content, will be considered, on condition that such prescript and threshold(s) are in accordance with the specific standards determined by the DTI in consultation with the NT. Only the South African Bureau of Standards approved technical specification number SATS 1286:201x must be used to calculate local content. This must be done prior to engaging the market.

F.20 Functionality

Not all tenders should necessarily include functionality as a criterion. The need to invite tenders on the basis of functionality as a criterion depends on the nature of specific goods, works or services considering value, quality, reliability, viability and durability and the total cost of ownership of the goods or service, and the tenderer's technical capacity and capability to execute a contract.

When functionality is applied, the enquiry must clearly specify the following aspects:

F.20.1 Evaluation criteria must be for objective when measuring functionality;

F.20.2 Points to be allocated for each criterion. The points allocated to each criterion should not be generic but should be determined separately for each tender on a case-by-case basis;

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F.20.3 Points to be allocated for each sub-criterion. The points that will be utilised when scoring each sub-criterion must be objective; and

F.20.4 The minimum qualifying threshold score that must be obtained for functionality in order for a tender to be considered further should not be generic. The minimum qualifying score must not be prescribed so low that it may jeopardise the quality of the service required, nor so high that it may be restrictive to the extent that it jeopardises the fairness of the SCM system.

The evaluation criteria may include the consultant's relevant experience for the assignment, the quality of methodology, the qualifications of key employees, transfer of knowledge etc.

Should a supplier's capability and capacity to deliver the specified requirements be evaluation criteria and a factory or facilities assessment is required, it must be clearly specified in the enquiry.

Criteria should be determined separately for each tender on a case-by-case basis.

F.21 Allocation points if more than one contract will be awarded

If the objective is to award contracts to more than one supplier, the allocation of the award must be made known to the suppliers. This could be the case where:

1. Suppliers will be awarded contracts based on equal allocation of the scope of work; or
2. Contracts will be split between various regions/power stations;
3. Contracts will be awarded to a certain number of suppliers, e.g. 3;
4. Contracts will be split according to the cheapest items provided by a supplier, etc.

F.22 Objective Criteria

The inclusion of objective criteria in an enquiry is not mandatory.

Objective criteria must meet the requirements of the PPPFA clause 2(1)(f).

F.23 Contractual requirements

The inclusion of contractual requirement in the enquiry is not mandatory. Also, the specific contractual requirements mentioned in this procedure, may not be applicable to all transactions. The CFT must apply their minds to the applicability of the contractual requirements.

F.24 NIPP Requirements

Eskom will implement the requirement of National Industrial Participation Programme (NIPP), whereby the contractor / supplier has to contact DTI to arrange for support and development of local businesses. Eskom is required to inform the tenderers of this requirement. NIPP will only be applicable for contracts with a FGN component or content of more than US\$10m.

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Appendix G: LPO Process

The LPO-buyer receives either a written request or a PR from the SAP system from an End-user for goods / works / services that falls within the parameters for LPO transactions as per the threshold set in the Eskom DOA Policy. A single request must not be split into multiple orders to avoid using the informal tendering process.

The LPO-buyer may request a quotation from only one supplier. The LPO-buyer identifies a supplier who can meet the demand. Sourcing of a supplier should be done using suppliers already registered on the Eskom Supplier Database where possible. During the sourcing process, the LPO-buyer must follow the Hierarchy of Suppliers as far as possible. The LPO-buyer must avoid using only one supplier on a repetitive and ongoing basis. To prevent this from happening, the LPO-buyer must rotate the suppliers who can provide the same scope of goods/works or services. The LPO-buyer must attach the potential list and proof of rotation, to the transaction documentation. The RG&C manager must draw monthly reports to determine adherence to this requirement.

An LPO template / LPO book may be used to request a quote from the supplier or the system can be used to create an RFQ.

The supplier responds with a quote and if verbally given, the LPO-buyer requests a written quotation that can be submitted via e-mail or fax.

Once the quotation is received, the LPO-buyer compares the price with previous prices. The LPO-buyer ascertains if the prices are fair, reasonable and market-related. If he / she is satisfied with the prices, he / she contacts the End-user who has to approve the goods or services offered from a technical perspective, and who must confirm acceptance of the quoted price(s). The End-user then informs the LPO-buyer to proceed with order placement.

Should the LPO-buyer determine that the prices are not fair after comparing with previous prices paid, or if the End-user rejects the prices or rejects the goods or services offered for technical reasons, the End-user must confirm whether he / she still needs the goods or services. If the goods or services are still needed, then the LPO-buyer approaches another supplier. In the case that no other supplier is found, the LPO-buyer may request the relevant procurement department to assist in sourcing the goods or services. If the requirement is no longer needed, then the process is cancelled by the LPO-buyer in which case the LPO-buyer files all documents and marks the file as cancelled.

The LPO-buyer then creates a "LPO Order" in SAP (starting with a "43..." number) with reference to the Eskom General Conditions of Purchase. The LPO-buyer includes the address where the goods or services must be delivered. The LPO order will then be routed to the Cost Centre Manager via workflow on SAP for approval of the procurement.

After approval of the procurement by the Cost Centre Manager, the LPO-buyer prints the order, signs it and forwards it to the supplier.

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The supplier must notify the LPO-buyer when delivery is going to take place. Once the goods or services have been delivered at the clearly specified address, the LPO-buyer requests the End-user to inspect the quality of the goods (if required) and to create a Goods Receipt (GR) in SAP. The relevant Materials Management department creates a GR in SAP if the goods were delivered to the stores.

The LPO-buyer cancels goods or services not received and returns damaged goods to the supplier. Where goods are partly delivered, a copy of the delivery document is retained until the delivery is complete.

The LPO-buyer must ensure that the total value of all deliveries for one single order remains below the threshold set in the Eskom DOA Policy.

The supplier sends the invoice directly to Finance who will effect payment only after the GR in SAP has been created. A three-way matching of the documents (PO, GR and invoice) will be done automatically by the system. The relevant Finance department will follow up any discrepancies. Payment may only be authorised once receipt of all goods and services has been confirmed.

The LPO-buyer must file all documents in a file and on the Eskom procurement records keeping system for audit purposes.

The Procurement Manager within the relevant procurement department must run reports from SAP on a monthly basis to verify whether the same goods or services are being bought on a repetitive basis. If so, the Procurement Manager must allocate a request (PR) through to a Procurement Practitioner who must consolidate the requirements for purposes of establishing a contract.

The Regional RG&C Manager must analyse monthly reports provided to them by the Procurement Manager to determine compliance to the requirements of this Procedure with respect to LPOs. Any possible irregularities or breach of controls must be further investigated by the Regional RG&C Manager and reported to the Senior Manager of the End-user who will decide on further actions to be taken. The condonation process may be followed.

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Guideline A: Informal Tendering Process

1. Describing the need

The End-user describes the need and does the necessary planning to ensure that the goods, works or services required will be delivered at the right time, place, price, quantity and quality. As far as possible, he / she accurately estimates the costs for the provision of the goods, works or services required based on previous prices and / or any other method to determine the market-related price.

The End-user creates a PR in SAP. If the need is for an asset, the End-user obtains an asset number from the relevant Asset Department and inserts it in the applicable field on the PR. The relevant Cost Centre Manager approves the PR that is then routed to the relevant procurement department where the Procurement Manager will allocate it to a specific Procurement Practitioner after he / she has checked the PR for validity and completeness. If the PR appears incomplete or incorrect, the Procurement Manager rejects the PR, sends it back to the End-user, who will have to rectify it and send it back to the procurement department if the goods, works or services are still required. If the goods, works or services are no longer required, the End-user deletes the PR.

2. Preparing the RFQ

The Procurement Practitioner must always first check if there is an existing Framework Agreement in place for the required goods, works or services. If a Framework Agreement is in place, the Procurement Practitioner must confirm with the assigned Contract Manager if the procuring Division / BU requiring the goods, works or services is allowed to draw-down from the Framework Agreement and may then proceed with a draw-down if permitted to do so.

The Procurement Practitioner also determines if the goods, works or services can be supplied by an Internal Supplier / a SOE, in which case he / she would request a quote from the SOE and request a mandate to negotiate.

If no Framework Agreement exists, or a draw down from an existing Framework Agreement is not permissible, the Procurement Practitioner compiles a list of the prescribed number of potential tenderers, who meet the requirement of the enquiry, from CSD. If SDL&I has targeted a specific designated group to advance through the transaction and such potential tenderers are not found, then SDL&I must assist the Procurement Practitioner in doing the market research, EOI or RFI, to find such potential tenderers. Once found, the list of suppliers must be approved by the relevant Procurement Manager. Proof of registration with the CSD must be provided at the tender submission date.

When searching for potential tenderers the Procurement Practitioner must endeavour to target B-BBEE compliant suppliers by following the Supplier Hierarchy. The Procurement Practitioner also determines whether the General Conditions of Purchase will suffice, or if a NEC Short Contract is more suitable for the requirements.

The Procurement Practitioner must also confirm whether the required goods, works or services are part of designated materials as prescribed by the DTI. If the goods, works or services are part of designated materials, then the appropriate local content threshold percentage must be stated in the RFQ.

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The 80:20 preference point system for evaluation must be clearly specified in the RFQ, with 80 points allocated to price and 20 to B-BBEE status.

In the case of transactions that are more complex the RFQ will also stipulate the functionality criteria and a threshold percentage to be met. The RFQ also includes the necessary scope, price schedules and if applicable, drawings. A contract document is then compiled with the necessary information and issued with the RFQ.

All RFQs, irrespective of complexity, must:

- a) Request proof of supplier registration on the CSD (except for sundry suppliers, petty cash and international suppliers);
- b) Proof of tax compliance must be verified on the CSD, a valid SARS certificate or the SARS e-filing system; and
- c) CIDB registration for construction and engineering works, at the applicable level or within the required category of works.

3. Issuing the RFQ

- a) RFQs will be sent via the Informal Tendering System to the prescribed number of potential tenderers found on CSD. Quotes / tenders will be submitted via the Informal Tendering System to the relevant Procurement Practitioner. The Procurement Practitioner will:
 - 1) Create an enquiry number and stipulate closing date and time;
 - 2) Complete enquiry documentation; and
 - 3) Publish enquiry documentation on the Informal Tendering System.

The Procurement Practitioner must ensure that all documents (RFQ responses included) are saved on Eskom's official DMS.

It is the supplier's responsibility to ensure that Eskom receives the RFQ response only through the Informal Tendering System.

4. Evaluating the quote

The Procurement Practitioner, in consultation with the End-user, evaluates the informal tenders by applying the relevant evaluation criteria, the 80/20 preference point system and any other criteria, as was clearly specified in the RFQ.

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Only those tenders that meet the requirements as per RFQ, will be ranked based on the 80/20-point system. Suppliers, who fail to meet stipulated threshold for functionality if it was applicable, must be disqualified. Ranking of tenders is done by applying 80 points to the lowest priced acceptable tender, with pro rata percentages to be assigned to other tenderers, based on the prescribed formula in the PPPFA. The other 20 points will be allocated based on the B-BBEE status, according to the PPPFA Regulations. These two scores (score out of 80 and 20 respectively) must be added together and the tender with the highest score must be recommended for order/contract award.

If only one quote is received, the Procurement Practitioner must re-issue to the completed list of potential tenderers again. If only one quote is still received, the Procurement Practitioner goes ahead and places the order.

5. Awarding the order

- a) According to legislation, Eskom has to award the order to the highest ranked tenderer. Eskom has to justify the award of an order / contract to a supplier, who may not be the highest scoring or highest ranked supplier, only if objective criteria were specified in the RFQ and applicable;
- b) The Procurement Practitioner recommends the award of the highest ranked supplier and requests approval from a Dual Adjudication authority. The list of potential tenderers who was invited, must be attached with the submission pack;
- c) Should it be found that the outcome of the evaluation shows that the lowest acceptable tender is more than R1m, the process must be cancelled, and the requesting End-user will be required to validate and substantiate how he / she derived the estimated price. The appropriate methods to determine a market-related price, should be used to compare the prices in order to ensure market-related prices are paid. The Procurement Practitioner must then follow either the informal tendering or formal open tendering process, based on the outcome of the market price exercise, when re-issuing the tender. All documents must be kept for audit purposes;
- d) Once the recommendation is approved, the Procurement Practitioner creates either an order or a contract in SAP and forwards the contract / order to the successful supplier. If a NEC contract is used, the Procurement Practitioner must follow the checklist process in SAP when wanting to create the contract. He / she obtains the signatures for the contract from the supplier and from the relevant authorised Eskom appointed signatories. The Procurement Practitioner may also transmit the PO through SAP to the successful supplier.

A Contract Manager must be appointed to manage the contract in accordance with the conditions of contract and the delegation given to him on the DCF. The supplier submits invoices to the contact person mentioned in the order / contract. In the case of an order for goods, the End-user must do a quality check on the goods received and must do a GR or service entry (SE) in SAP if he / she is satisfied with the quantity and quality of goods. Damaged goods must be returned to the supplier.

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Payment (within 30 days of an undisputed invoice and within 15 days of invoice for EMEs / QSEs) to the supplier will be processed by Finance. The Procurement Practitioner or the procurement department will not be involved in the processing of payments to suppliers. It is the responsibility of the Employer Agent to see to it that suppliers are paid in terms of the contract.

The Procurement Practitioner and / or the Contract Manager must maintain a file for audit purposes, either in hard or soft copy.

The Procurement Manager must draw monthly reports from SAP for scrutiny, in order to identify any irregularities or trends that indicate undue preferences for specific suppliers and / or splitting of POs to circumvent or target specific delegation of authority approvals.

Ad hoc audits by A&F may be conducted on these transactions to ensure compliance to this procedure.

The Procurement Submission Documents and order / contract documents are archived and retained for a period as specified in the Eskom Document Retention Policy.

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Guideline B: Emergency Procurement

The emergency process is executed as follows:

Where an emergency arises, the End-user contacts the respective DE / GE / GM PED / GM ERI responsible for the Division / Group under which the site operates and notifies him / her of the emergency situation.

The respective DE / GE / GM PED / GM ERI will evaluate the situation and declare an emergency and decide on the action needed to prevent the threat from materialising. If procurement is required, he / she must determine, where possible, if the emergency scope falls within the scope of an existing site / OU contract. If this is the case, the emergency is executed under the contract.

The relevant GE / DE / GM PED / GM ERI must also determine whether the emergency in question will require more than 30 days' work and several payments in which case a contract must be established. The contract must only be created after the approval by the relevant DAA. This is necessary to ensure that the risk in execution of the contract, is covered for Eskom.

After the relevant GE / DE / GM PED / GM ERI has approved the emergency on an Emergency Approval Form (or e-mail if Emergency Approval Form is not readily available), the End-user instructs the identified supplier to start immediately with the required work and to submit a quote, stating the estimated value and time. Should one of Eskom's wholly-owned subsidiaries be identified to correct the emergency, the wholly-owned subsidiary should have processes in place to act fast on the request from Eskom.

After the identified supplier has started with the required work, the End-user creates a PR with document type ZEM for emergencies in the Procurement system and attaches the approval form from the GE / DE / GM PED / GM ERI to it.

The End-user completes the Emergency Submission report and submit via the secretariat of the relevant DAA for ratification as soon as possible after the declaration of the emergency. The relevant GE / DE / GM PED / GM ERI must sign-off on the submission.

Where applicable, the request for ratification must include a request for approval from the relevant DAA to place an order / contract with the respective supplier within the accepted quotation (scope, value and time). Contract / order conditions such as, advance payments, retention, performance bonds and delay damages, may be requested from the delegating authority, as well as contingency value and time to cover for compensation events / variation orders, where applicable.

A mandate to negotiate may also be requested from the relevant DAA if it is deemed that the estimates quoted are not satisfactory (not market-related, not realistic or scope is not clear).

After ratification by the relevant DAA, the End-user attaches the minutes of the relevant DAA committee, to the PR and forward to Procurement for processing.

The Procurement Manager may only assign the PR to a relevant Procurement Practitioner once the minutes of the relevant DAA meeting has been attached to the PR.

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There are situations where suppliers require an order number before they will supply Eskom with works, goods or services in case of an emergency situation. In this case:

1. For Generation Power Stations, an Emergency Book may be kept at Security or the Station Control Room where Emergency Numbers may be created by the End-user (an Emergency Number), with an explanation of the emergency and who the selected supplier is;
2. For Wires business, a book may be kept at the closest Depot / Office where the Emergency Numbers may be generated and submitted to the supplier / contractor;
3. For Eskom's subsidiaries (e.g. ERI), each Product Group / Service Group Manager (Senior Manager Level) keeps control of emergencies issued through a central Product Group register;
4. For Corporate Functions, a book is kept at the Relevant GM: P&SCM's office where the Emergency Numbers may be generated and submitted to the supplier / contractor.

This Emergency Number is then quoted on the supplier's invoice.

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Guideline C: Tender Receiving and Opening

After receiving the submitted tenders, the Tender Office must ensure that the following rules are applied.

The Tender Officer ensures that the clock at the tender box location is synchronised with the Telkom time signal before the closing time. Within Eskom's tender documentation, any reference to time will mean South African Standard Time (SAST).

At the stated time, as determined by the Telkom time signal on the telephone witnessed by those present, the Tender Officer makes the following statement: "Tenders / enquiries (state the numbers) have now closed, and no late submissions will be accepted."

The Tender Officer ensures that all tender submissions received in the tender box by the deadline for tender submission are taken to the prescribed venue where the tenders will be opened and recorded in a register.

The Tender Officer announces the number and short description of the tender that will be administered and processed.

Amendments or withdrawals must be clearly marked on the tender submission and must indicate the supplier's name and the enquiry number. The Tender Officer handling the receipt of tenders sorts all tenders in the tender box by enquiry number and separates envelopes marked "Withdrawal" and "Amendment".

The Tender Officer then opens all envelopes marked "Withdrawal" and / or reads out all withdrawal notifications issued to Eskom, states that these tenders will be withdrawn, and reads out the names of the suppliers concerned, but no further details.

The Tender Officer then opens all envelopes marked "Amendment to Tender", and states that the tender submissions concerned have been amended, and reads out the names of the suppliers concerned, but no further details.

After removing the withdrawn tenders, the Tender Officer then opens each remaining tender in turn and reads out the name of the supplier but does not read out the price of the main offer, unless the requirement to read out prices has been specifically included in terms of the enquiry documentation. In this case, the Tender Office will only read out prices which have been included on the Form of Offer.

Cancelled or amended tenders can be collected by the supplier if the tender has not closed yet. If the tender has already closed, then the document cannot be collected by the supplier.

In order to avoid the possibility of impropriety, no correspondence regarding adjustments, corrections or restrictions will be considered unless it has been deposited in the tender box on or before the deadline for tender submissions.

Participating suppliers may have a representative present at the location to witness the opening of the tender.

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Any tenders received by any means after that time are treated as late submissions and endorsed as such, regardless of the date and time of posting, delivery by couriers, delivery to some other Eskom site. (Proof of posting is not accepted as proof of delivery since Eskom does not acknowledge the South African Post Office or any other postal/courier service as its agent for the receipt of tenders).

The Tender Officer records the names of suppliers who submit late tenders in a register. The Procurement Practitioner must also record late tenders in the contract file.

The Tender Officer must notify suppliers in writing of their late tenders. The late tenders will not be opened and will be endorsed "Late Tender". Suppliers must collect late tenders within 30 calendar days of notification from the relevant Tender Office, failing which the unopened tender submission document package/s will be destroyed.

Where the enquiry documentation stated that no price will be read out, this is announced, and only the names of the participating suppliers are read.

Where a submission does not bear the name and address of the supplier or an Enquiry number, it is an unidentified tender and it is rejected as non-responsive. NOTE: This process is repeated in turn for all tenders closing at the same closing time.

As soon as possible after the tender opening process, the Tender Officer ensures that all documents submitted by the tenderer are appropriately marked in accordance with approved Tender Office protocols and standards, as having been authorised by RG&C.

The Tender Officer will verify that the tender submission contains an original and a hard copy of the original, as required in the Standard Conditions of Tender and Tender Data.

The Tender Office is not permitted to make copies of the original tender submissions for distribution to Procurement Practitioners where suppliers have omitted to provide the requisite copy, or where an incomplete copy was submitted.

The Tender Office will mark and verify copies and notify the Procurement Practitioner of those suppliers who have omitted to provide the requested copy required for purposes of proceeding with evaluations. Tenders received are captured on an electronic system.

Marked and verified complete copies in the required format will be formally handed over to the Procurement Practitioner for purposes of proceeding with evaluation.

The Procurement Practitioner arranges for the submissions to be immediately transferred to the venue where the evaluations will take place. In MWP, C-Max will be used for evaluations for all tenders above R300m, and / or where the approval authority will be the ETC or higher.

Original tenders are stored in sealed tamper proof bags or with tamper proof clips in a secure location by the Tender Office, and the marked copy of the original submission is used for evaluation purposes.

Any deviation from the approved tender office marking and verification protocols due to size and volume of tenders / offers must be approved by the Senior Manager: RG&C.

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At Eskom sites, Procurement Practitioners must ensure that the venue to be used for evaluations is secure and that all necessary security rules are implemented to ensure the confidentiality of the tenders.

Only authorised Procurement Practitioners are permitted to have access to the secure venue for evaluation.

Once submissions are released from the Tender Office, the evaluation process may commence.

Tender submissions must be securely retained on an official Eskom site at all times, and under no circumstances are confidential tender documents allowed to be removed from the venue being used for evaluation, to be held at an employee's home, or anywhere outside an official Eskom site.

Soft / electronic copies (USB memory stick / flash-drive), if requested and provided, will be handed over to the Procurement Practitioner to be used in evaluations. It must be noted that where soft or electronic copies of submissions are requested, it must be in addition to the original printed documentation.

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Guideline D: Negotiations

The CFT develops and plans their strategy for negotiation based on the supplier's proposal / quotation, the mandate to negotiate and the procurement strategy:

1. In order to proceed with negotiations, the Procurement Practitioner arranges a venue, invites the relevant supplier and the negotiation team as per the approved mandate, formulates an agenda and ensures that an attendance register, declaration of interest and minutes of the negotiations are recorded in writing. Video Conferencing (VC) and telephonic negotiations are permissible but must be recorded in writing. For informal tendering, the Procurement Practitioner, End-user and a representative from Finance Section in Commercial, must be approved as the negotiation team;
2. The lead negotiator, as assigned by the DAA granting the mandate, will lead the negotiations and ensure that all mandated parameters are discussed and agreed upon. After each session of negotiations, the supplier and Eskom sign off the recorded minutes, as proof of what has been agreed to and what remains outstanding for resolution;
3. A representative of the Finance Department or a site-based Finance Business Partner representative must form part of the negotiation team for the evaluation of any prices offered for contracts;
4. Should negotiations not transpire as per the negotiation strategy or where negotiations result in failing to achieve the required mandate, the lead negotiator must seek advice from the relevant Senior Manager: P&SCM / accredited non-P&SCM Senior Manager and/or his / her delegated manager;
5. If the outcome of the negotiations is within the ambit of the approved mandate parameters, the Procurement Practitioner submits feedback of negotiations to the DAA. Feedback must be provided upon conclusion of the negotiation process;
6. If the outcome of negotiations is outside the mandated parameters, the Procurement Practitioner, in consultation with the negotiation team / CFT may request either an approval of a negotiated outcome, a revised mandate or cancellation of the transaction from the DAA.
7. Feedback must always be given to the relevant DAA after negotiations. Feedback must also be given if the tender validity has expired during the negotiation process.
8. Where the DAA grants approval to proceed with contract finalisation, the Procurement Practitioner in consultation with the CFT prepares the contract documents and arranges for the signing thereof;
9. The Procurement Practitioner ensures that all relevant documents are filed for audit purposes.

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Guideline E: Process For e-Auction

The following process will be followed:

1. The Procurement Practitioner, together with the CFT will determine whether the item requested on the PR can be bought through reverse e-auctioning by using the criteria as set out in this procedure. There must be a clear specification for the item;
2. The Procurement Practitioner will prepare a strategy (if more than R1m) that will indicate that the purchasing of the item will follow the reverse e-auctioning process. The relevant adjudicating authority approves the strategy;
3. The Procurement Practitioner completes the template for using reverse e-auctioning, specifying the item, criteria for identifying the transaction for reverse e-auctioning, the market-related price and any other information as required for the specific transaction. The Procurement Manager must sign it off;
4. The Procurement Practitioner prepares the enquiry on the Eskom enquiry templates and clearly stipulates in the enquiry that Eskom reserves the right to use reverse e-auctioning. The relevant documents (e.g. agreement from the supplier to participate in the process) should be included. It must be mentioned in the enquiry that the lowest tender (price) will be accepted and be used in the preference scoring (80/20 scoring system);
5. The tenderers will submit a complete tender with the prices as requested in the enquiry;
6. The tender closing date and time for submission of the tenders must be specified;
7. The Procurement Practitioner and the End-user (and where applicable- a CFT team) must evaluate the tenders as per the current process. The evaluation process, based on the tenders received, will be followed up to the ranking of tenderers (i.e. applying any pre-qualification criteria, designated material requirements and functionality);
8. After each functionary on the team has signed off the evaluation, the Procurement Practitioner sends the names and contact details of the responsive tenderers, to the Service Provider, who will then contact the responsive tenderers for training. The tenderers will be trained separately from their competitors in order to eliminate the possibility of colluding. The tenderers will receive login details in order to participate. If required, the specification can also be sent to the Service Provider in order to identify the enquiry;
9. Non-responsive tenders will be excluded from the reverse e-auctioning process;
10. The Procurement Practitioner will communicate the date and time of the auction to the participating tenderers. This will depend on system availability and the number of auctions taking place. There is a specific timeframe given for the tenderers to tender for the best price (tenderers are given a time frame on each and every auction). There will be an opening and a closing tender time;

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11. For the live auction event, tenderers should log onto the website and submit their prices. Eskom will ensure that all tenderers have access to the Procurement Practitioner's and the Service Provider's contact details for any issues that may arise during the auction event. Should there be a problem and the system go down during an auctioning, the Procurement Practitioner cancels the process, ignore all prices submitted and re-open another auctioning sessions by informing every tenderer of it.;
12. The tenderers who tender electronically will only see the prices of the other tenderers, without knowing whose price it is. The tenderers will strategies and can change their price any time during the auctioning period. The relevant Procurement Practitioner is able to see the movement of prices and the names of the tenderers;
13. At the clearly specified date and time, the auction will close, and the Service Provider will send Eskom a report with the prices. The final price at closing time will be the price to be used in the evaluation – that means that the last price the tenderer has tendered, will be taken as his final price. Tenderers must complete a Tender Declaration Form electronically (to declare that the last price was their final price and that they received training to participate in the auction) and submit it to the Procurement Practitioner. This form must be kept for audit purposes;
14. The Procurement Practitioner will evaluate the tenders using the 80/20-point preference scoring method and add the scores for the B-BBEE to get to the highest ranked tenderer;
15. Approval will be by the relevant adjudicating authority. A contract / order will be concluded with the winning tenderer who scored the highest points, unless if there is an objective criteria that changes the ranking;
16. The Procurement Practitioner should record savings and retain documents for audit purposes;
17. Monitoring

The following needs to be done to ensure the process is monitored:

- a) Tenderers and Service Provider should sign a Non-Disclosure Agreement (NDA) and the Declaration of Interest (DoI) form prior to the auctioning;
- b) The Procurement Manager signs-off on the tender lists of responsive tenderers before sending it to the Service Provider;
- c) The information given to the Service Provider must be in accordance with the enquiry and must not violate the Protection of Personal Information Act (POPI);
- d) Eskom must, in terms of a written contract with the Service Provider, ensure that the Service Provider establishes and maintains the security measures referred to in section 19 of POPIA in order to ensure that personal information of all tenderers is protected (no hacking of system to occur and no leaking of information);

The tenderers must sign-off that they are willing to participate in the auction process (agreement form sent to them as part of the enquiry pack) and the Declaration form to confirm their prices as well that they have received training.

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Guideline F: Loading of Contracts onto the electronic Purchasing (SAP) System

AWARD OF CONTRACTS / ORDERS

1. Notification of Award / Acceptance of the tender

Once approval has been given for the award of the contract (more than R1m exclusive of VAT), the Procurement Practitioner completes the checklist on SAP up to the point where he / she must indicate if they have a signed contract. At this stage the Procurement Practitioner saves the checklist and discusses the checklist with the Procurement Manager. Once the Procurement Manager has reviewed the Checklist satisfying her / himself with the compliance based on the responses on the Checklist and all other requirements for award, sends an email to the Procurement Practitioner indicating that they can proceed with the process of notifying the successful supplier. The Procurement Practitioner will then submit the contract / Notification of award to the person delegated to sign the contract / notification of award. The Procurement Practitioner notifies the successful supplier via e-mail of the acceptance of his tender. The acceptance of the tender by the Procurement Practitioner constitutes a binding contract and not only the signing of the contract. The Procurement Practitioner must ensure that this notification is received by the successful supplier by requesting acknowledgement from the supplier. E-mailed notifications will be subject to the Electronic Communications and Transactions Act.

2. Compiling the Order / Contract and signing of the contract

The Procurement Practitioner is responsible for the compilation and finalisation of the contract / order.

The Procurement Practitioner together with the CFT ensures that the contract documents are correct and complete with all drawings and specifications. The Tender Data and tender conditions do not form part of the contract and must not be included. The Procurement Practitioner must include the signed price lists that were part of the supplier's tender, or if the prices have changed (due to arithmetical corrections, or negotiations), a revised, signed pricelist. The description of the goods, works or services, and the full legal names of the contracting parties (Eskom's and the supplier's) must be on the cover page of the contract. The Procurement Practitioner arranges for the printing of the contract for purposes of signature.

Once the contract is printed, the Procurement Practitioner takes the contract to the authorised Eskom signatory to sign the contract on Eskom's behalf. The Eskom signatory is determined in terms of the approved DOA Policy or as delegated by the relevant PTC / DTC, ETC or IFC. It is the responsibility of the Procurement Practitioner to ensure that the contract is signed by the duly authorised delegates of Eskom and the supplier prior to being able to proceed with the completion of the Checklist. The authority of the supplier representative is confirmed on the Authorisation Form, which is completed and returned by the supplier as part of the tender returnable. At this stage the Procurement Practitioner would then have to get the signed contract reviewed by the Procurement Manager to ensure that all relevant signatories have signed and initialled all the contract pages and the witnesses sign as witnesses on the witness's space provided in the contract template.

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The procurement Manager needs to ensure that the SAP contract is only activated via workflow once a contract has been signed and the Document Management system folder for the works is updated with the relevant SAP number (45/46). Orders cannot be executed against a contract where the contract has not been signed by the parties, and any orders placed against the contract in the absence of contract signature may place Eskom at legal risk in the event of a breach of contract, a claim against the contract or a dispute with the supplier. To the extent that orders may have to be placed before contract signature, consent must be obtained in writing from the CPO, or his / her nominated representative.

A copy of the signed contract must be given to the supplier and the Eskom Agent / Contract Manager who will manage the contract.

3. Report and publish successful and unsuccessful tenders

All awards of contracts / orders (excluding draw-downs/releases from enabling agreements) must be published on the NT e-Tender Publication Portal within seven working days of the award. Publication also includes the names and information of the unsuccessful tenderers. Award of construction contracts above R10m must be published on the CIDB website. When publishing on CIDB's website, the PR number must be used as reference on the contract number field. If this number changes after publishing the award, then the Procurement Practitioners must write the old and new PR number on the manual checklist in his contract file.

4. Loading of Contracts onto the Purchasing (SAP) System

After contract signature, the Procurement Practitioner must complete all outstanding fields on the checklist and forward to his / her Procurement Manager for approval of the checklist.

Once the checklist has been approved, the Procurement Practitioner creates the contract on SAP with a 46 number. The Procurement Practitioner ensures that all contracts / orders are correctly loaded onto the SAP system as the contract on SAP facilitates the monetary and time-related control of contracts and is used to monitor and effectively manage usage / draw-downs against contracts. A drawdown off an existing contract cannot be made without a Contract Manager's approval. The Procurement Practitioner must ensure that all conditions (i.e. contract value, contract terms, etc.) are loaded correctly and according to the original signed contract document, before the End-user or any other authorised official can place orders against the contract.

The following process for tax / PAYE is ONLY applicable to service types of contracts: Procurement Practitioners must determine if the supplier is deemed an "employee" for tax / "Pay as you Earn" (PAYE) purposes, based on the responses received from the questionnaires submitted as tender returnables.

If the supplier is a Labour Broker and does not have a valid IRP30 certificate, or a supplier is an independent contractor, HR Shared Services must be informed to upload the supplier on the SAPHR payroll system. Individual tax tables are used to determine the PAYE amount.

An individual is excluded from being classified as a Dependent contractor if:

- a) They are a resident of SA;

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- b) Employs three or more persons throughout the year;
- c) On a full-time basis;
- d) Who are engaged in the business of the individual; and
- e) Who are not related to the individual in terms of a spouse, parent, adoptive parent, child, grandparent, cousin etc.

If the supplier is a Personal Service Provider, Vendor Management must be informed to activate the tax indicator on the SAPFI system. A percentage rate of tax is used to determine the PAYE amount.

The following are excluded from being classified as a Personal Service Provider:

- a) A Company CC or Trust who is a resident of SA;
- b) Employs three or more persons throughout the year;
- c) On a full-time basis;
- d) Who are engaged in the business of the Company, CC or Trust;
- e) In addition, who are not related to the shareholders, members or beneficiaries of the Company, CC or Trust.

Completed copies of the TAX Evaluation Pack i.e. signed summary sheets and signed affidavits must be attached on communication to HR Shared Services and Vendor Management and Group Taxation Department (email: GroupTaxation@Eskom.co.za) must be copied on all communication.

The completed Pack; i.e. the signed summary sheet and signed affidavits, valid original IRP30 certificates, written notifications to HR Shared Services and Vendor Management to withhold PAYE and any other related documents must be filed and readily available for a period of at least seven years.

It is required of the Procurement Manager to conduct spot checks to determine the correct loading of contracts / orders.

1. Writing of the contract number on the contract

The Procurement Practitioner must write by hand / stamp the 46 number on the already signed contract document. This number must be sent to the successful supplier and a copy of the contract must be sent to the relevant Project Manager or contract manager.

2. Upload of contract documentation onto the Eskom Documentation System

The Procurement Practitioner is responsible to load all documents pertaining to the contract, onto the Eskom Documentation System for audit purposes.

3. Verification by the Procurement manager

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The Procurement manager must verify that all the documents pertaining to the contract is loaded correctly on the Eskom Documentation System.

The Contract manager is responsible for the loading of all contract execution documents, e.g. instruction notes, compensation events on the electronic management system as per EPMO requirement.

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Guideline G: Maintaining an Audit Trail

Efficient and effective filing systems should be implemented:

1. All documentation supporting the process followed to finalise and award the quote and / or contract, should be filed in individual files per quotation and / or contract (electronic and / or manual);
2. Management should set criteria as to the minimum supporting documentation to be kept in these files;
3. An index should be maintained as a cover to these files to allow for easy reference of documentation in the file;
4. A register of all files should be kept at a centralised location (where applicable) to allow for proper record keeping and a consolidated population of quotations and contracts;
5. This register should be reconciled to SAP at least quarterly to verify that all quotations and / or contracts as per SAP are supported by a well-documented file;
6. The Assurance and Forensic department should select files from this consolidated register and inspect the file to verify that all supporting documentation is included and that the appropriate procurement process was followed based on the evidence in the file and that all deviations are well supported and appropriately authorised by the relevant authority (NT or internal delegated official);
7. Management should select files from the registers and verify that Procurement Practitioners are maintaining an audit trail.

The Procurement Practitioner ensures that the documents are filed and also that electronic copies are saved in the Electronic Documentation Management System for audit purposes.

The Procurement Practitioner completes the Standard Checklist per each transaction. In addition, the Procurement Practitioner must keep a file containing all notes or minutes of meetings related to the entire tender process (this includes minutes of clarification meetings, negotiations, etc.).

The Eskom Agent or Contract Manager must keep a separate contract file containing all relevant documentation, including concurrent notes or minutes of meetings affecting the contract, compensation events and non-conformance reports.

Where the Procurement Practitioner is the appointed Eskom Agent and / or Contract Manager, the Procurement Practitioner must keep the original contract file up to date.

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Guideline H: Contract Modifications

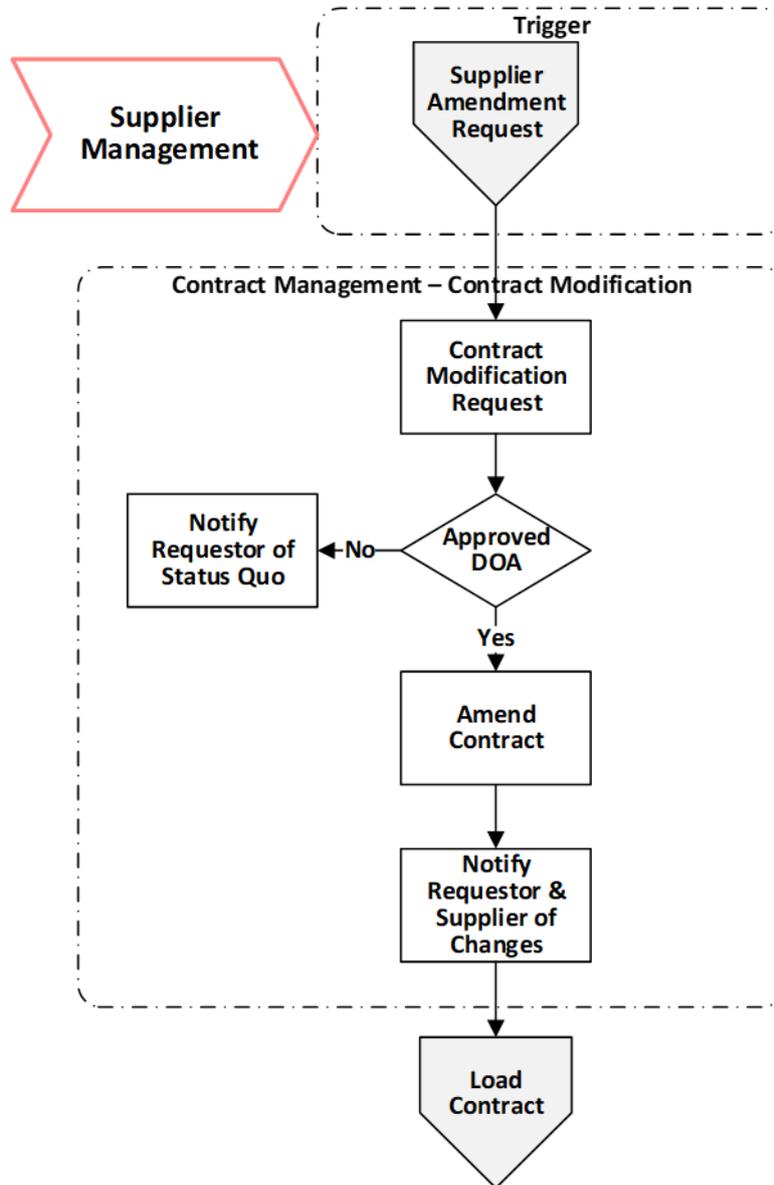


Figure 9: Contract Modifications

An increase in time and / or cost must be motivated. Market and / or contract related prices must be quoted for the modification and if the solution is to modify the scope, it must be the most optimal and cost-effective way to proceed with acquiring goods, services or works which are needed.

A modification to the contract may apply in the following circumstances:

1. Increase in the approved contract duration due to the contract being required for longer periods than originally contracted for, which will also have a corresponding effect on contract value;

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2. Increase in time which does not have a corresponding effect on contract value;
3. Material / significant changes to the conditions of contract, which may result in an increase / decrease in the contract value or duration, and thereby changes the risk position of Eskom or the supplier. An example is if the supplier requests to change retention (cash) for a retention bond;
4. Changes to the contracting parties, such as name changes or changes of legal persona of suppliers in the case of a merger or acquisition by another legal entity, or cession / delegation to another legal entity;
5. Changes to specification, design, or scope which were unforeseeable at the time of tender and contract award;
6. Increase in the quantities of goods, works or services already contained within the scope of the contract, but where the quantities thereof could not be correctly estimated or envisaged at the time of the tender or at the time of contract award; or
7. Changes in the country of origin / manufacture of assets or goods, which affect the foreign currencies in the contract, including changes in the currencies of the contract.

Modifications are not allowed after the expiry of the contract.

The Contract Manager must request a modification via the relevant procurement department when there is still sufficient time to obtain approval for the modification, which must be before the SAP expiry date of the contract. Once the SAP expiry date of a contract expires and approval has not been obtained prior to expiry date, it cannot be modified, and a new contract must be put in place through a new sourcing process, if need be.

For purposes of this Procedure, a scope change is deemed to be where new or additional goods, works or services that were not envisaged at the time of tender or original contract award are now required, but which does not warrant a new contract, where, for example, the supplier is currently operating on the site and the goods, works or services are needed urgently, and is directly associated to the specific contract.

If it is not possible to derive the rates for the new or additional scope from the current contract or any previous contract for the goods, works or services, then it may be required to request a mandate to negotiate in order to agree on new rates and / or prices.

The process to follow in the case of a modification or increase in contingency value and time is as follows:

1. During the execution phase of the contract, the Contract Manager / Eskom Agent monitors and controls the money spent and time used in accordance with the approvals given by the DAA;

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- a) Once the Contract Manager realises that the contract value and time and / or contingency value and time is near depletion and more contract value and / or time is required or where there is a compensation event / variation order that will deplete the allocated contingency value and / or time, he / she approaches the Procurement Practitioner with a request for a modification to the contract.
2. The Procurement Practitioner together with the Contract Manager and if required, the CFT, completes the Procurement Submission Documents, clearly stipulating the reasons for the modification and / or the increase to the contingency time and value;
 - a) This must be supported by a Risk Assessment which must clearly indicate the reason for the modification or increase to the contingency time / value;
 - b) The Procurement Submission Documents must state any modifications or contingency values or times previously approved, if any;
 - c) Motivation must also be provided as to why the contract needs to be modified as opposed to testing the market and concluding a new contract with possibly a different supplier;
 - d) The Contract Manager in consultation with the Procurement Practitioner and SDL&I must further ensure that all SDL&I targets / commitments are accordingly adjusted in order to benefit from increases in the contract value.
3. The Procurement Practitioner arranges for the Procurement Submission Documents to be placed on the agenda of a DAA or may present the transaction to the relevant Dual or Triple Adjudicator for approval depending on the total approval value and time;
 - a) Requests must be addressed to the DAA that approved the original contract;
 - b) Where the revised best estimate of expenditure (contract value plus cumulative contingency value as stated in the DCF) and / or total time exceeds the delegation of authority of the original DAA, the request must be submitted to the next higher level of DAA for approval.
4. Once approval has been obtained from the relevant DAA, then in the case of a modification to the contract, the Procurement Practitioner together with an assigned representative from the Eskom Legal Department (where the modification requires legal input) compiles the amendment to the contract;
 - a) In the case of increases to the contingency value and time, no change needs to be made to the contract, but the electronic purchasing system (SAP) need to be updated.
5. The Procurement Practitioner arranges for the authorised supplier's representative and authorised Eskom representative to sign the amendment / modification to the contract and submit a copy of the amendment to the supplier and the Contract Manager;

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6. The Procurement Practitioner updates the electronic purchasing system (SAP) with the amended contract values and / or time, and / or the amended contingency value and time and files the original amendment with the rest of the contract documents for audit purposes;

If a modification is not done timeously or not done at all but the contract is still being used, this will result in a condonation.

Should a modification be approved but the contract is not amended, it will have serious implications on the management of the contract and may lead to a dispute or litigation.

The approval of NT is required if the modification value and time exceeds the thresholds as prescribed by NT.

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Guideline I: Primary Energy

1. Process to be followed to award a Contract to a Coal Supplier

An open tendering process will be followed where the requirements will be advertised on NT's electronic tendering system and, if required, the Eskom Tender Bulletin.

Should a limited number of tenderers or a single tenderer be approached, approval will be requested from NT to proceed with the process.

Should an unsolicited tender be received from a Trader, and Eskom has a need for it, the enquiry will be advertised in the NTs' electronic tendering system.

The process of receiving an unsolicited tender as described in this procedure must be followed.

The tenderers are required to adhere to the enquiry and to supply to Eskom the full pack of tender returnables, in the format required as stated in the enquiry.

Only those tenderers who are responsive, will be further evaluated on functionality.

Functionality will be assessed by scoring and weighting the criteria clearly specified in the enquiry. Functionality criteria can also be assessed in phases, as long as it was clearly specified in the enquiry.

SDL&I criteria may be included as a tender returnable on the Tenderer's SDL&I Undertaking.

Pre-qualification criteria will be clearly specified in the enquiry as a measure to support SDL&I objectives (as prescribed by the PPPFA Regulations of 2017).

The evaluation process may be broken down into the following phases:

a) Phase One;

- 1) The Technical Services Department will review the tender returnables and evaluate against the criteria;
- 2) Should the documentation indicate that the coal is of a quality that meets Eskom's criteria, a ten-ton sample of the coal will be requested from the supplier;
- 3) Eskom will test three tons from the ten-ton sample provided, at the Eskom Testing Facilities; and
- 4) Should the coal meet the quality as specified, evaluation will proceed to the next phase.

b) Phase Two;

- 1) On-site evaluations will be carried out by Technical Services, Environmental, Health and Safety Representatives;

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- 2) Detail of the information in the tender returnables will be evaluated and scored;
 - 3) The evaluations will take place at every source that will make up the Eskom Product (the scope).
- c) Phase Three;
- 1) Should the tenderer meet the functionality thresholds as stated in the enquiry, the price will be evaluated.
- d) Phase Four;
- 1) Evaluation of price will be based on the principal of transparent cost plus a fair risk adjustment return for an efficient miner.
- e) Phase Five;
- 1) B-BBEE scoring will be done as per the PPPFA. The scores for pricing and B-BBEE will be added together and a final score and ranking of suppliers will take place.
- f) Phase Six;
- 1) Approval to award the Coal Supply Agreement (CSA) must be obtained from the relevant Adjudication Authority;
 - 2) Both Eskom and the Coal Supplier will sign the standard CSA (with annexures and contracting conditions).

To allow for the development of Value Adding Traders into fully-fledged Mining Right Owners, CSAs with Value Adding Traders shall only be for a maximum period of three years. Thereafter Eskom will require that the Value Adding Traders are in possession of a valid Mining Right license.

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Guideline J: Warehousing

1. Stores Administration Instructions

Reconciliation of the movement of stock within the warehouse must be done daily. This is done by utilising the SAP MB51 movement report against physical source documents.

All outstanding source documents must be followed up daily where there are no source documents available during daily reconciliations and these outstanding documents shall be recorded in an outstanding document register for control purposes.

Cycle count and Scrap Adjustment letters must be compiled monthly using MB51 stock movement report and must be authorised / signed-off by Materials Management Manager.

For rotatable materials the daily tracking control sheet needs to be updated by drawing the MB51 report on all RF Valuation types (New, Repaired, damaged and scrapped) movements.

Rotatable Controllers need to reconcile and clear the SAP IW39 reports monthly with detailed comments on why it is still outstanding. Rotatable Controllers use the ZPM 050 report as tracking report.

2. Inventory Accuracy Instructions

Inventory Accuracy is further supported by monthly Independent counts preferably done by Inventory Accountant in Finance and also by Admin Controllers. They will use four count methods which include floor to system, system to floor, daily movements from previous weeks and check previous weeks cycle counts and recounts.

In GX, TX and Telecoms Divisions a minimum of 100 items and in DX a minimum of 70 must be counted each month using above methods during each count.

3. Cycle counts

a) Mvt 309 Transfer Posting Material to Material

This transaction is used to resolve duplications, where two identical materials have different material numbers.

The quantity is posted from unrestricted-use stock of the issuing material into unrestricted-use stock in the receiving material.

It is a prerequisite that both materials have the same storekeeping unit, i.e. unit of measure. One step transfers (Mvt 309) should preferably not be used to correct stock inaccuracies other than Mvt701/702.

b) Cycle Count Process

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Cycle counting is a system of checking stock accuracy on an on-going basis spread out over the entire year. Cycle counting works from the basis that the count documents (for the items due to be counted) are created from SAP and the information on the cycle count document is compared with the physical material (quantity and descriptive information) at the storage areas.

Cycle counts are scheduled daily by SAP. The Senior Warehouse Supervisor is responsible and accountable to oversee that all counts must be completed and processed during the specific month that it was scheduled to be counted. No late count items must be on the SAP Cycle Count Past Due for more than 30 days.

All items greater than 30 days overdue must be addressed by the Senior Warehouse Supervisor at each month-end.

Generation Peaking materials have been classified as D items and will be counted on cycle counting once a year.

The physical inventory report (ZL05) and the past due (ZL06) must be signed-off by the Materials Management Manager at each month end.

Senior Warehouse Supervisor / Storage Supervisor is accountable to conduct all stock investigations on final deviations. Stock investigation sheets (per specific material numbers) must be completed in full for all variances and approved as per the relevant delegation of authority.

c) Wall to Wall Counts (Only Exceptional cases as per Managerial Decision)

Wall to wall counts will only be carried out if there is a constant difference of approximately >10% between Administration Controller / Inventory Accountant independent counts, in comparison with the SAP Cycle count accuracy. The Materials Management Manager can use his discretion on when and which storage area to re-count and must investigate why the difference occurred. These storage areas must be counted preferably by Bin location sequence and all variance need to be fully closed out before continuing with next Bin location.

All final differences need to be properly closed out via the cycle count process and the cycle count document numbers need to be documented or noted on the Manual count sheets as cross reference.

Wall to wall count will be conducted on a manual count sheet from the floor and verified with the SAP system quantities.

d) Monthly Independent Counts

Administration Controllers, finance staff or an independent person not involved in the warehouse operations must perform monthly independent counts with a minimum of 100 materials per month with the exception of Distribution who must count a minimum of 70 materials monthly.

The counts shall consist of a sample including floor to system, system to floor, cycle count samples of counted documents of previous week / recounts, and samples of stock movements of current week (Issues and receipts). Counts must be signed-off by either MM Manager or Senior Warehouse Supervisor.

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All final differences must be captured on the cycle counting system and must have the reference number of the cycle count document on the independent count sheet.

During January each year the top 100 highest stock values must be counted.

Independent counts must be performed during each month on all SAP plants (maintenance and capital).

4. Goods Receiving

All receipts must be recorded immediately into the receiving register and on SAP. When received after hours it must be recorded immediately into the register and captured on SAP on the first working day thereafter.

An Eskom date stamp must be applied to every delivery note / invoice on receipt of the items.

When receiving goods, the stores official ensures that delivery is to the correct destination / facility.

A valid PO must be confirmed against a delivery note.

Where UMCs differ from the delivery note and the SAP system, there must be a conversion factor on the delivery note to prevent any confusion, regarding quantities received.

All materials must have preliminary markings, referencing the purchase order number, and the date received until final labelling takes place.

A copy of the Goods Receipt slip (with a binning stamp – if possible) must accompany the materials after the final quality approval for binning purposes.

Each delivery note line shall be referenced to the purchase order line applicable.

All supporting documentation (delivery notes, compliance certificates, warranties etc.) must be uploaded into SAP for payment and audit purposes.

5. Storage

A separate physical location must be allocated to each stocked item. Provision must be made for items of different sizes, shapes and values, by installing appropriate bins and shelving. Overflow locations must be provided, and good cross-referencing is required to make overflow stock identifiable. Bins must be clearly marked indicating at least the material number, description, Unit of measure and bin location (If shelf-life is marked, it must be indicated on bin label where possible). This will ensure that when material is picked it must be done prior to expiry date.

6. Inventory maintenance and preservation

Inventory must be stored in their protective packaging and wrapping. Where such protective packaging must be removed for inspection, it must be replaced properly to ensure proper maintenance of item quality.

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Items marked for shelf-life must be indicated as shelf life materials e.g. rubber products, and appropriate reports must be run monthly for expired materials.

7. Picking / Issuing of goods

The required goods are picked and moved to the demarcated despatch area. The End-user is notified that goods are ready for collection.

Upon completion of picking, the completed issuing documentation shall be returned to Issuing section, who will complete the picking register. All items to be issued must be captured into the picking register for control purposes and be signed by Storage staff.

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Guideline K: Inventory Management

1. Anticipated demand

The Anticipated Model forecast focuses on the normal business operational requirement such as unplanned maintenance. Anticipated demand is based on historical usage. This information can be extracted from SAP.

2. Responsive demand

The Responsive Model caters for planned maintenance and other capital projects or required stock levels for strategic and critical spares. The Responsive Model, in contrast to Anticipated Model, includes planned maintenance and refurbishment plans, as well as new build, and is based on actual project plans where the demand is outside the minimum performance supply lead time.

In line with the ABC classification, this model will provide a framework for MRP Planners to set planning parameters in order to balance the inventory investment with the required service level for the different categories of stock.

3. Performance Cycles

The management of lead times shall be aligned with contractual conditions and based on performance of the supplier.

4. Inventory Pareto (ABC) Classification

Item classification is a crucial component in driving high availability and high stock turn ratio in the business for Anticipated Model items.

Production items, such as furnace oil (HFO), coal, and vehicles will be excluded from the initial ABC calculation so as not to skew the outcome of the classification. These will then be classified afterwards as "A" items (100% number of materials as A class).

Strategic and critical spares will also be excluded from the initial ABC calculation, and then be classified afterwards as A items (100% number of materials as A class).

The above classification is used to make conscious replenishment decisions, and the inventory levels are set accordingly in SAP.

The item classification in SAP remains as ABC, and is apportioned as follows:

- a) Terms set at 80% of the annual consumption monetary value;
- b) Items at 15% of the annual consumption value;
- c) Items at 5% of the annual consumption value;
- d) The ABC classification should be updated twice a year.

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5. Inventory Categorisation

Inventory will be managed and reported in different categories aligned to the required business segments. These categories will be summarised in construction, capital spares and inventories on the Financial Balance Sheet, as set out below:

Table 6: Inventory Categorisation

Stock categories	Inventory (MM)	Financial BS	Price control
Project stock	Projects	Construction stores	System moving average
Maintenance stock	Maintenance	Inventories	System moving average
Critical spares	Critical	Inventories	System moving average
Strategic stock	Strategic	Inventories	System moving average

6. BOM Data Accuracy

In order to provide an effective material planning and replenishment function, the data accuracy of bills of material must be at least 98% (ninety-eight per cent) accurate.

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Guideline L: Contract Management / Administration

1. Introduction

The contract management process includes planning, negotiating the terms and conditions in contracts, and ensuring compliance with the terms and conditions, as well as providing oversight, resourcing, documenting and agreeing on any changes or amendments that may arise during its implementation or execution. In addition, managing the relationships and measuring performance, payment, collection, variances, penalties and risks are critical.

The Contract Lifecycle commences with developing a contract management plan to assist contract managers to properly manage contracts by addressing transition management stages, performance monitoring during Execution thereby helping to ensure that both parties fulfil their commercial and contractual commitments.

2. Appointment of Contract Manager

The Contract Manager's primary role is to be the first and single point of contact between Eskom and the supplier, during the execution, delivery and close-out phases of the contract.

Contract Managers are appointed by his / her relevant Senior Manager, or is a person assigned by the Eskom Agent to manage the post-award phase. They must undergo the necessary training as prescribed by the P&SCM and Group Capital Contract Management Departments. The relevant appointing Senior Manager (or higher) is accountable and responsible for verifying that the individual being assigned to the role of Contract Manager is suitably trained, experienced and competent to fulfil the requirements of the role.

The Contract Manager must be trained, as a minimum, on the:

1. PCMs for Contract Management;
2. NEC and / or FIDIC suite of contracts (depending on the type of contracts being managed);
3. SAP;
4. CMF; and
5. CMG as prescribed by the DTI and NT policies and procedures.

The Eskom Agent / Contract Manager manages the following type of contracts on behalf of Eskom:

- a) Framework agreements;
- b) Internal suppliers;
- c) National / Transversal;
- d) Panel;

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- e) Professional services;
- f) Term services;
- g) Construction / Infrastructure;
- h) PPA;
- i) Acquisition / disposal of immovable property; and
- j) Disposal / Investment Recovery.

During the Contract Execution phase, the Contract Manager is responsible to ensure that the contractor's performance meets contractual requirements in accordance with the terms of the contract and that all parties perform according to the terms of the contract and that all processes, procedures, standards and tools for the management of contracts are adhered to. The Contract Manager must also ensure that an original or certified copy of a valid B-BBEE certificate / sworn affidavit is during the contract period made available in order for Eskom to report on B-BBEE spend.

During the Contract Close-out phase the Contract Manager is responsible for the closing out of the contract, managing Take-over, terminating the contract prior to completion, administering close-out of retention, issuing contract final certificate, performing final account close-out, closing out bonds and guarantees and conducting a post contract review.

3. Contract value and contingencies

Project Claims and Variations / Compensation committees are employed to control contingency and contract expenditure.

To facilitate appropriate delegation, the DCF specifically designed to enhance governance must be utilised for NEC and FIDIC forms of construction contracts.

The Eskom Agent may utilise the money and time up to the limit of the contingency value and time for compensation events and / or variation orders only, as approved by the DAA.

A compensation event is one of the conditions of contract described in NEC (core clause 6) and a variation order in terms of clause 13 of FIDIC to inter alia, manage any change / claim to the respective contracts.

There is a difference between Eskom's internal governance process to authorise a modification, and the contractual process to effect a change to the Works Information or Employer's Requirements / Specification, terms and conditions of contract. Eskom's internal governance process must first be followed via a formal modification process before changes to the Works Information or Employers Requirements / Specification, including quantities and / or design can be given effect to as compensation events or variation orders.

The Eskom Agent named in the DCF and any revisions thereto must report all compensation events / variation orders approved by him / her in line with the contract and his authority as defined in the DCF to the Supervising Authority named in the DCF.

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4. Delegation Consent Form (DCF)

In the Procurement Submission Documents submitted to the DAA, the total value and time to be approved (total approval value) comprises the contract value and contract duration, and may further include contingency value and time, and in some cases provisional sums and travel and subsistence.

The request for contingency funds and / or time, as well as provisional sums must be motivated with reasoning based on a risk assessment of the transaction.

The contingency funds and / or time is approved to allow the Eskom Agent to manage the contract value and time and the compensation events or variation orders as per the NEC / FIDIC contracts without requesting approval from the DAA for further funds and / or time associated with such claims.

This specific delegation to manage contractual claims is granted to the Eskom Agent, on a Delegation Consent Form (DCF) and must be approved by the relevant DAA.

The DCF thus gives the Eskom Agent the authority to duly assess, manage and authorise claims relating to time and money in the contract, which may arise out of unforeseen or unplanned circumstances.

Should a DCF be approved for infrastructure contracts in accordance with this procedure and the Group Capital standard 240-63167197 [NEC (ECC)], 240-62857312 [NEC (ECSC)] and 240-62857004 [FIDIC], with a validity extending to when a defects certificate has been issued plus two months, then the relevant DCF holder may approve compensation events or variation orders, subject to Group Capital governance requirements (the Standards mentioned and the process employed by the Claims and Variations/Compensation Events Committee, to control costs), during the defects period.

The relevant adjudication authority who signs the DCF is as follows:

- 4.1 Where a person is delegated by the Tender Committee to give effect to the transaction and take any actions necessary, then this person, signs the DCF;
- 4.2 A DCF cannot be modified after the contract completion date.

5. Contract Modification

The request for a modification must be submitted to a DAA and sufficient time must be allowed for the DAA and / or NT to apply their minds to the request and to avoid expiry of the contract. Should there be a delay a meeting may be requested with NT to expedite the approval.

Modification of original contract values or task order values (excluding contingency values, CPA, provisional sums, Travel and Subsistence) must be approved by NT if it increases by more than:

- 5.1 15% or R15m (including VAT) on the original contract value (excluding CPA, Contingency money etc.) for general goods, works and / or services; or
- 5.2 20% or R20m (including VAT) on the original contract value (excluding CPA, Contingency money etc.) for construction works, goods and / or services; or

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5.3 30% time / duration on the original contract duration (excluding contingency time) for infrastructure / construction contracts only).

If it needs approval from NT due to the thresholds being exceeded, the relevant DAA first has to approve the modification. The submission to the relevant DAA must be signed-off by the GM (End-user / line function) and the relevant GE / DE / GM PED / GM ERI.

If the DAA approves the modification, the letter to NT (and all the supporting documents) must also be signed-off by the relevant DE / GE before it goes to the CPO for final signature.

6. Sub-Contracting after Contract Award

A supplier awarded a contract may only enter into a sub-contracting arrangement with the approval of the relevant Project Manager / Contract manager.

The supplier awarded a contract in relation to designated sector, may not sub-contract in such a manner at the local reduction of content of the overall value of the contract is reduced to below the stipulated minimum threshold.

A supplier awarded a contract may not sub-contract more than 25% of the value of the contract to any other entity that does not have an equal or higher B-BBEE status level of contributor than the supplier concerned, unless the contract is sub-contracted to an EME that has the capability and ability to execute the sub-contract.

7. Management of Task Orders

7.1 The issuing of task orders on the eve of expiry of the SAP expiry date will not be allowed unless the SAP contract value and / or contingency limits are appropriately modified;

7.2 It is the responsibility of the Contract Manager to request the necessary contingency time to close-out the contract, and / or to arrange timely modifications to contracts prior to expiry, where the issuing of task orders is anticipated on the eve of expiry of the contract.

Task orders still being executed beyond the SAP contract expiry date automatically increases the authorised and delegated duration of a contract. This deviates from the approval granted by the DAA. In this case, condonation must be sought from the relevant relevant DAA.

8. Invoicing and Payment

All invoice approvals and payments must be executed in accordance with Eskom's Accounts Payable Procedure. In accordance with NT Instruction Note 5 of 2016/2017, Eskom must pay the supplier within 30 days of receipt of an undisputed invoice.

NT has the right to investigate non-payment based on a complaint received from a supplier. Eskom has to follow-up on non-compliance and ensure payment is done.

The Procurement Practitioner usually does not get involved in the handling of invoices or any payment other than where the Procurement Practitioner is assigned to be the Contract Manager.

Due to the final assessment for payment that only gets done after the SAP contract expiry date, the Procurement Manager approves the 'opening-up' of the contract in SAP for payment purposes.

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The Procurement Manager must make certain from the Contracts Manager / Project Manager, that the PO and instruction to the contractor was given prior to the SAP contract expiry date and that the delivery of the works, services and / or goods indicated could have been completed and was intended to be completed prior to the SAP expiry date of the contract.

All documents (request to open, request to APS, etc.) need to be kept for audit purposes.

The Procurement Manager will, after ensuring that all governance requirements have been met, authorise the opening of a SAP contract to enable compensation events / variation orders to be paid during the contractual defects period plus two months following the certified completion date of the contract.

9. Shipping Request and Marine Insurance

If assets or goods are being transported by ship, then the relevant marine shipping procedures must be adhered to for purposes of insurance.

The Contract Manager must notify Eskom Insurance Management Services (EIMS) of the shipment at least four weeks in advance of the instruction to the shipping agent so that a marine survey can be conducted, and all potential risks are identified and covered. The responsibility for taking out and extending the forward cover remains with the Contract Manager that is responsible for managing delivery of the required imported assets or goods in terms of the contract.

10. Tax Implications and SARS Deferment Accounts

Eskom has Customs Duty and Import Value Added Tax ("Import VAT") Deferment Accounts with the South African Revenue Service (SARS) Ports of Entry / Customs Offices. Through these accounts, Eskom has permission to defer the payment of Customs Duty and Import VAT at the time of importation for a minimum of seven days and maximum of 37 days without incurring interest charges.

The process on how Deferment Accounts should be used for the payment of Customs Duty and Import VAT on all imported Eskom consignments, inclusive of turnkey projects, for all modes of transportation must be obtained from the Group Tax Department. Failure to adhere to the prescribed requirements will result in closure of the Deferment Accounts that will negatively affect Eskom's cash flow management and reputation.

All clearing and forwarding agents (CFAs), including those authorised to make clearances using Eskom's Deferment Accounts, must be specifically authorised by the Group Tax Department to transact on the Eskom Deferment Accounts. This process applies to both turnkey and non-turnkey shipping.

The relevant Finance Department processes payment to SARS on behalf of all BUs and passes journal entries to recover customs duty paid from the relevant BU cost centre.

Eskom contracted clearing and forwarding agents (CFAs) and CFAs nominated by foreign suppliers must obtain authorisation from Group Tax to utilise the Eskom deferment accounts.

Eskom Shipping must insert the contract number and materials purchase order or WBS number on the clearing instructions.

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Group Tax must use profit centre numbers reflected on the customs documents to recover customs duties paid to SARS from the relevant business units.

In the case of contracts involving labour broking services provided by an individual, contracts with service-providers or consultants, PAYE may be deducted from the suppliers. Specialist advice must be obtained from Eskom's Group Tax Department in this regard.

11. Importations and Foreign Exchange

It is mandatory for all Procurement Practitioners and Contract Managers to successfully complete the necessary training offered by the Eskom Treasury Department who are required to apply the Eskom Treasury Department's foreign exchange or commodity exposure control policies and procedures.

Procurement Practitioners and Contract Managers are not permitted to handle transactions containing foreign exchange and / or commodity exposures on behalf of Eskom without the successful completion of the required training provided by the Eskom Treasury Department.

All procurement involving foreign exchange and / or commodity exposures must be in strict accordance with Eskom Treasury Department's Foreign Exchange and Commodity Exposures Policy (32-1095) and its Foreign Exchange and Commodity Procedure for Importation and Exportation of Goods and Services (32-1096).

All foreign currency exposures exceeding R150 000 at the time the exposure originates, must be hedged by establishing an internal hedge contract with Eskom Treasury Department.

The costs of shipping and any duties associated therewith must be quoted for and paid in Rand only.

In the case of framework agreements covering multiple departments and where foreign currencies are involved, the Contract Manager (or Procurement Practitioner in case there is no Employer's Agent) must apply upfront to the Eskom Treasury Department for forward cover in order to hedge against foreign exchange risks once the Contract Manager receives the signed-off commitment from all business units requiring the goods, works or services.

A nominated functionary will liaise with the various foreign exchange co-ordinators to receive INTCOV reports which contain the national contract / framework agreements and must, in consultation with the appointed Contract Manager and End-users put in place an appropriate reporting mechanism for the rolling over of the forward cover or cancellation thereof.

The management of foreign exchange and commodity exposures on contracts remains the responsibility of the appointed Contract Manager for the duration of the contract.

Where a supplier fails to submit an invoice within one month of receipt of the goods, the Contract Manager must arrange with the Eskom Treasury Department for the cancellation of the forward cover and payment to the supplier at the selling spot rate of exchange obtained from Eskom's Treasury Department on the date of cancellation.

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It must be noted that the cancellation of forward cover at any rate other than the spot rate on the date of cancellation of forward cover will be deemed by Eskom Treasury Department to be fruitless and wasteful expenditure and will be reported as such by Eskom Treasury Department in accordance with the PFMA.

Payment will only be made directly to the supplier with whom Eskom has contracted or to the party nominated in terms of the contract.

In the event that any items are imported, the Eskom deferment account must be utilised only if Eskom is contracting with foreign suppliers. Local suppliers must not, under any circumstances, utilise the Eskom deferment account. Any duties and VAT that arise for local suppliers as a result of importing items should be for their own account. Eskom will only be liable for custom duties for items that are directly provided by the foreign suppliers.

12. Managing Bonds and Guarantees

The Eskom Agent must ensure that he / she receives the bond or guarantee from the contractor or supplier within the specified period as stated in the contract.

Upon the contractor or supplier providing the required form of security to the Eskom Agent in accordance with the contract, a copy of this security must be retained on file by the Contract Manager.

The Eskom Agent must send the original bond and / or guarantee to the Eskom Treasury Department for safe custody. It is the responsibility of the Eskom Agent to either hand over the original of the bond / guarantee in person, or to ensure that the original is safely sent to Eskom Treasury Department by using an Eskom-appointed courier service.

A pre-numbered safe custody receipt will be issued to the Eskom Agent either in person or electronically and must be retained to retrieve the guarantee in future.

The calling of a bond / guarantee must be used as a remedy of last resort to secure performance against a contract.

Where it becomes necessary for Eskom to call a bond / guarantee, the Contract Manager must first seek advice from the relevant Senior Manager: P&SCM / an Accredited Senior Manager / GM at site in consultation with the Eskom Legal Department to assess the risks on the contract should the bond / guarantee be called.

Once a decision has been taken to call a bond / guarantee, Eskom Treasury Department will only make the original bond / guarantee available to the Contract Manager upon receipt of written notification from the Contract Manager and counter-signed by the relevant GM: P&SCM, or GM: PED, together with the safe custody receipt originally issued by Eskom Treasury Department.

Should the value of the bond / guarantee exceed R1billion, such written notification must also be counter-signed by the CPO.

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In order for the Eskom Treasury Department to release the original bond / guarantee upon expiry of the bond / guarantee and / or when the contract has been duly performed, written notification signed-off by the Contract Manager confirming that the contract has been duly performed by the supplier and that Eskom is obliged to release the bond / guarantee in terms of the contract, must be sent to Eskom Treasury Department.

The Contract Manager returns the original bond / guarantee to the supplier and retains a copy for safekeeping.

13. Advance Payments

Advance payments are only made if an Advance Payment Bond has been issued to Eskom.

If an advance payment is approved as a condition of contract, then Eskom must within a defined time period as specified in the contract, make advance payments to the supplier.

The supplier must issue an advance payment bond to Eskom in terms of the contract.

The supplier claims the advance payment via an invoice to the Eskom Agent.

The Eskom Agent must ensure that if there is foreign currency within the advance payment, then forward cover must be taken out.

The Procurement Practitioner must follow the normal FOREX policies and procedures in this regard.

The bond will be kept in safe custody by the Eskom Treasury Department.

14. Management of Contractor Safety

As part of the contract management process suppliers must be subjected to an immediate investigation initiated by the Eskom Agent in terms of their contracts where there is a violation of safety rules / procedures / legislation and Eskom's Life-saving Rules.

The outcome of the investigation may initiate a process of supplier reconsideration, or, for less severe safety, transgressions may result in engagement with the supplier regarding corrective action, as part of effective contract management.

Project Claims and Variations and Compensation Events Committees are employed on Group Capital projects to control contingency and contract expenditure. To facilitate appropriate delegation, the DCF specifically designed to enhance governance on Group Capital projects must be utilised for NEC and FIDIC forms of construction contracts.

15. Contract Termination

The obligation to provide the works, services or goods in terms of a contract may be terminated for many reasons as provided for in the contract, in terms of common law and / or statutory law.

Where the reasons are provided for in the contract, the process to be followed should be strictly in accordance with the termination clauses contained in the contract i.e. in the relevant conditions of contract under the NEC or FIDIC suites.

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Before a contract is terminated, all risks need to be assessed in terms of the supply of the goods, works or services, including legal risks, functional and operational risks and financial risks.

The Eskom Legal Department should be consulted to determine the risk to Eskom in terminating the contract, and how Eskom's legal risk position will change, as a result of giving effect to a termination.

The payment to be settled between the parties differs depending on whether Eskom terminates the contract, or the supplier terminates the contract.

It is of utmost importance that Eskom Treasury Department is informed of any terminations in cases where there is FOREX involved with forward cover taken out.

The contract file must be updated with all correspondence between Eskom and the supplier for audit purposes and/or in the event of legal issues.

16. Document Retention

All original commercial documentation is to be retained as per the Eskom Procedure "Periods for Retention of Accounting and Other Records 32-202".

It is a requirement and the responsibility of the Procurement Practitioner and the Contract Manager to ensure that all relevant contract documentation and transactions are properly recorded and archived on Eskom's documentation management and ERP systems throughout the Contract Lifecycle Process.

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Guideline M: Cheque Requisitions (Adobe payments)

This Guideline endeavors to differentiate between the transactions that may be paid via cheque requisitions and those that must follow the procurement process.

The following transactions will be approved via cheque requisitions:

Table 4: Transactions approved via cheque requisitions

Transaction	Documents required to be submitted with request for cheque requisition
Donations	Attach Donation approval document and evidence which was submitted to and approved by Donation Committee(s)
Self-build rebates Payments (refund) to farmers/ developers relating to electrification of farm/ developer houses	Attach investment and any other appropriated committee approval and evidence
Claims against Eskom relating to public liability (third party claims)	Attach claims and any other appropriate committee approvals and evidence
Further study tuition fees where the supplier is not registered on Eskom Supplier Master database	Attach further study committee approval plus supplier management approval)
Servitudes to farmers as part of project costs and all other costs relating to acquiring land and rights	Attach Land and Rights Committee approval and evidence
Lease payments relating to landlords not willing to register on Eskom Supplier Master database	Attach minutes of ERE OU Investment Committee and supplier management approval)
Ad hoc expenses relating to properties and facilities maintenance for payments to non-registered suppliers	Signed E-band approval)
Eskom Treasury Activities as defined in this procedure	Attach Treasury approval document
Entertainment for authorised Eskom events together with venue bookings	Attach CFO letter
Eskom Corporate and strategic memberships and agreements	Motivation signed by the Group Executive: Risk and Sustainability, as per the Eskom Delegation of Authority, except where he/she serves on the Board of the membership organisation or a possible conflict arises, then the Chief Financial Officer will approve the motivation
Employee's removal costs and other expenses relating to relocation	Employment letter and Acceptance letter
One-time suppliers. Only if it can be proven that supplier cannot be registered on Eskom's Supplier Management Database. (Supplier Management to look at risk and feasibility of registering supplier)	Subject to maximum value of R150 000, a term of services not exceeding five working days
One-time suppliers NOT commercial related	Relevant approval from the line management to use such a supplier
Adjudicators, arbitrators and witnesses	Approval document and evidence

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Transaction	Documents required to be submitted with request for cheque requisition
Payback of rental deposits for non-Eskom employees	ERE approval and OU Senior Manager, approval Proof of deposit from SAP
Court orders	CFO letter
Body Corporates	Attach minutes of ERE OU Investment Committee. Supplier Management approval required.
Refunds of rent/deposits to external tenants	Proof of refund
Legal fees to be paid to lawyers nominated by landowner – not registered on Eskom’s Supplier Management System	Senior Manager L&R or the GM: ERE
Once-off overseas Subscriptions (e.g. to a newspaper or magazine and research articles) If less than R50 000, then the adobe cheque requisition will apply.	Approval by the relevant GM end user
Payment to farmers for damages caused.	Legal approved the claims, Senior Mangers PDP (within their delegation), L&R delegation and OU Investment Committee approval.
Rental of office space for ERI and/or Eskom	Approval from ERE
Further study tuition fees where the supplier can be registered or is already registered	Approval for further studies from the Further study committee required.

With these transactions, the End-users will complete the cheque requisition form with the relevant document attached as clearly specified above.

The following transactions need to be done by Commercial:

With these types of transactions mentioned below, supporting documents must be submitted to Commercial for creation of a contract / order on SAP. The supporting documents serve as approval for the creation of orders / contracts. If enabling agreements have been established, the End-user may create a release order / draw-down against the contract.

Table 8: Transactions to be done by following the commercial process

Transaction	Supporting document(s) required
Rates and taxes, telephone accounts (monthly utility accounts) Where a contract exists, draw-downs to be made from the contract Where possible, contracts need to be put in place to facilitate payment purposes	Approval from the relevant End-user GM.
Once-off Subscription (e.g. to a newspaper or magazine and research articles) not longer than a year If the subscriptions are purchased from an overseas supplier, and the total cost is more than R50 000, then the procurement process must be	Approval from the relevant End-user GM

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Transaction	Supporting document(s) required
followed	
Rental of buildings	Approval of relevant ERE: GM.
Legal fees (not relating to court orders, Eskom Treasury activities or to cases on servitudes)	Approval by the Head of Legal.
External training	Approval by the relevant End-user GM
Fees paid to National Nuclear Regulator	Proof of terms stated in the Government Gazette Approval from the PSM: Koeberg.

3. Process to be followed either through Zenzele or payroll:

Table 5: Process to be followed through Zenzele or payroll

Further studies-related expenses refunds excluding tuition fees	Through Zenzele
Staff professional membership fees	Payroll
Long-service awards (The token of appreciation will be included in the employee's salary after completion of service)	Payroll

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Guideline N: Transversal Contracts

NT will determine the policies and facilitation of the transversal contract and be responsible to establish the transversal contracts according to legislation, supplier performance and development in conjunction with SOCs, facilitate the non-conformances and takes the lead in any litigation.

Due to practical reasons at this stage, Eskom will use the specific contract conditions and prices as has been negotiated by NT.

The process to be followed is as follows:

1. Determine if there is a transversal contract in place that will meet the needs by accessing the website <http://ocpo.treasury.gov.za> ;
2. The details, such as scope, conditions, price, delivery place, duration of the contract, willingness of the contractor / supplier to supply to Eskom, etc. needs to be obtained from the Contracts Manager at NT;
3. The Procurement Practitioner must ensure that there is money budgeted for the transaction and that the scope of work/goods/services is part of the Procurement Plans;
4. Before any commitment is being made, Eskom must develop a strategy and approach the relevant DAA for approval to utilise the contract;
5. A PR must be created in the SAP system by the End-user;
6. The Procurement Practitioner must establish if the contractor / supplier is a registered supplier on the Eskom database and if not, assist the contractor / supplier to be registered thereon;
7. The Procurement Practitioner must obtain a valid tax clearance certificate from the supplier;
8. The Procurement Practitioner develops a submission report, and together with the information received from NT and submit it to the relevant Adjudication Authority for approval;
9. Once approval is obtained from the relevant Adjudication Authority, the Procurement Practitioner creates a contract / order on SAP and the contract and payment process follows;
10. The contract manager manages the supplier performance and relationship and reports any non-compliance to NT.

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