

TERMS OF REFERENCE FOR THE APPOINTMENT OF A SERVICE PROVIDER TO REVIEW THE REGULATORY ACCOUNTING SYSTEM (RAS) MODEL UTILISED BY THE DEPARTMENT TO DETERMINE THE APPROPRIATE RETAIL, WHOLESALE, SECONDARY STORAGE AND SECONDARY DISTRIBUTION MARGIN

1. BACKGROUND

- 1.1. The Department of Mineral and Petroleum Resources is mandated to calculate and determine the margins for retail, wholesale, secondary storage and secondary distribution on an annual basis.
- 1.2. Regulatory accounting provides a formalised, uniform, and transparent set of information to identify costs for each activity.
- 1.3. On the 4th of December 2013, the then Department of Mineral Resources and Energy implemented the Regulatory Accounting System (RAS) to determine appropriate margins for petrol at wholesale, retail, secondary storage and secondary distribution level. The RAS methodology is used to determine the margins in December, annually.
- 1.4. The Department has not reviewed the RAS methodology since its inception in 2013.
- 1.5. The Department would thus like to appoint an independent service provider to determine the appropriate rate of return (margin) that is applicable for Retail, Wholesale, Secondary Storage and Secondary Distribution.
- 1.6. The successful Bidder can subcontract for the different RAS activities (namely Retail, Wholesale, Secondary Storage and Secondary Distribution).

2. CONTRACT PERIOD

- 2.1. The duration of the contract for the service provider will be **Sixteen Months (16) months** after the signing of the Service Level Agreement (SLA).

3. OBJECTIVE

- 3.1. To request approval for the appointment of a service provider to review the Regulatory Accounting System (RAS) model to be utilized by the Department to

determine the appropriate Retail, Wholesale, Secondary Storage and Secondary Distribution margin.

- 3.2. To determine which costs are allowable and thus ring-fencing these costs.
- 3.3. To Determine the appropriate rate of return that is applicable.
- 3.4. To Determine the asset values for the different margins for Retail, Wholesale, Secondary Storage and Secondary Distribution.
- 3.5. To determine the operating expenses related to Retail, Wholesale, Secondary Storage and Secondary Distribution.

4. SCOPE OF THE WORK

- 4.1. The Department would like the service provider to:
 - 4.1.1 Develop a computer-based model, to be utilized by the Department, to-determine the appropriate margins for the four (4) ringfenced activities, namely Retail/BSS, Wholesale, Secondary Storage and Secondary Distribution.
 - 4.1.2 Determine the margins for the ringfenced activities as follows:

4.1.2.1 Retail/BSS

- 4.1.2.1.1.1 Develop a computer-based model, to be utilized by the Department, to determine the appropriate retail margin based on petrol volumes.
 - 4.1.2.1.2 Determine the appropriate rate of return for service station assets based on an appropriate asset pricing model intended to ensure efficiency and capital productivity.
 - 4.1.2.1.3 To conduct benchmark analysis/study of a representative number of retail service stations in the country to determine all relevant driveway related operating costs (categorized as Highway Sites, Transient Sites, Metropolitan Sites, Urban, Urban-Rural and Rural Sites).
 - 4.1.2.1.4 Determine the benchmark volumes to be pumped by the benchmark service station (categorized as Highway Sites, Transient Sites, Metropolitan Sites, Urban, Urban-Rural and Rural Sites);
 - 4.1.2.1.5 Determine the required capital investments and operating costs to pump those determined volumes (categorized as Highway Sites, Transient Sites, Metropolitan Sites, Urban, Urban-Rural and Rural Sites);
 - 4.1.2.1.6 Determine the Weighted Average Cost of Capital (WACC) for the retail activity.

4.1.2.1.7 Formulate rules and a methodology to determine such a benchmark service station on an ongoing basis

4.1.2.1.8 Work closely with the Fuel pricing team throughout the duration of the project

4.1.2.2 Wholesale

4.1.2.2.1 Develop a computer-based model, to be utilised by the Department, to determine the appropriate Wholesale margin.

4.1.2.2.2 Determine which costs should be allowed, therefore ring-fencing costs that are related to Wholesale.

4.1.2.2.3 Determine the rate of return that is applicable for Wholesale activities.

4.1.2.2.4 Determine operating expenses related to Wholesale.

4.1.2.2.5 Determine the Weighted Average Cost of Capital (WACC) for the Wholesale activity.

4.1.2.2.6 Formulate rules and a methodology to determine the Wholesale margin on an ongoing basis.

4.1.2.2.7 Submit the final report, including explanatory notes on all the factors that were considered in the calculations of the margin (both hard copy and electronic versions). Work closely with the Fuel pricing team throughout the duration of the project.

4.2.2.3 Secondary Storage

4.2.2.4 Determine which costs should be allowed, therefore ring-fencing those costs related to Secondary Storage.

4.2.2.5 Determine operating expenses related to Secondary Storage.

4.2.2.6 Determine the asset values for the different Secondary Storage assets.

4.2.2.7 Determine the rate of return that is applicable for Secondary Storage.

4.2.2.8 Determine the Weighted Average Cost of Capital (WACC) for the Secondary Storage Activity.

4.2.2.9 Formulate rules and a methodology to determine the Secondary Storage margin on an ongoing basis.

4.2.2.10 Submit the final report, including explanatory notes on all the factors that were considered in the calculations of the margins (both hard copy and electronic versions).

4.2.2.11 Work closely with the Fuel pricing team throughout the duration of the project.

4.2.3.1 Secondary Distribution

4.2.3.1.1 Develop a computer-based model, to be utilized by the Department, to determine the appropriate Secondary Distribution margin.

4.2.3.1.2 Determine which costs should be allowed, therefore ring-fencing these costs related to Secondary Distribution

4.2.3.1.3 Determine the rate of return that is applicable for Secondary Distribution.

4.2.3.1.4 Determine the asset values for the different Secondary Distribution assets.

4.2.3.1.5 Determine operating expenses related to Secondary Distribution.

4.2.3.1.6 Determine the Weighted Average Cost of Capital (WACC) for the Secondary distribution Activity.

4.2.3.1.7 Formulate rules and a methodology to determine the Secondary Distribution margin on an ongoing basis.

4.2.3.1.8 Submit the final report, including explanatory notes on all the factors that were considered in the calculations of the margins (both hard copy and electronic versions).

4.2.3.1.9 Work closely with the Fuel Pricing team throughout the duration of the project.

5. DELIVERABLES OF THE PROJECT OUTPUT AND/OR OUTCOMES

5.1 The expected project outcomes are, but not limited to, the following:

5.1.1 A computer-based model to be used in the Retail (BSS)/Wholesale/Secondary Storage and Secondary Distribution margin calculation.

5.1.2 An appropriate asset pricing model to determine the rate of return for Retail/BSS, Wholesale, Secondary Storage and Secondary Distribution assets.

5.1.3 The Weighted Average Cost of Capital (WACC) for the Retail (BSS)/Wholesale/Secondary Distribution and the Secondary Storage activities.

- 5.1.4 Working Rules and appropriate methodology to determine the Retail (BSS)/Wholesale/Secondary Distribution and the Secondary Storage margins on an ongoing basis.
- 5.1.5 All Data used to determine the appropriate return (margin) for Retail/BSS, Wholesale, Secondary Storage and Secondary Distribution.
- 5.1.6 A formula-based model (including explanatory notes) to determine all the margins.
- 5.1.7 A report after each project milestone is achieved; and
- 5.1.8 Final report (both hard copy and electronic versions).

6. EVALUATION CRITERIA

This bid will be evaluated in four stages, i.e. functionality, mandatory requirements, administrative compliance and point scoring system.

6.1 Gate 01 – Mandatory Requirements

The following requirements are mandatory. Bidders who do not comply with the mandatory requirements will be disqualified.

- (i) The team leader must be a Chartered Accountant and also be registered with the South African Institute of Chartered Accountants (SAICA).
- (ii) The team leader must be a registered engineer and registered with the Engineering Council of South Africa (ECSA).
- (iii) Company must be registered as an Audit/Accounting firm.
- (iv) Company must be registered as an Engineering firm.

6.2 Gate 02 - Functionality

Bidders will be scored in terms of the functional requirements indicated in the table below. The corresponding points and weightings will be used to calculate the overall score a bidder has achieved. The minimum threshold for this bid is 70%. Bidders who score less than 70 will be disqualified. Only bidders that score 70% and more will be considered further.

ITEM No.	EVALUATION CRITERIA	POINTS	WEIGHTS
1	Company Experience: i) Service Providers should have experience in managing Regulatory Accounting System (RAS) related projects in the South African Petroleum value chain. Testimonial/s or Reference Letter/s should be included with Contactable referees indicating that such projects were executed (including the start and end dates of the project).	6 or more projects= 5 points 5 projects=4 points 4 projects=3 points 3 projects=2 points 2 projects or less=1 point	15 15

2	Experience of the Team Leader & Team Members: I. The project leader must have experience in managing Regulatory Accounting System (RAS) related projects in the South African Petroleum value chain II. Team members must have experience in managing Regulatory Accounting System (RAS) related projects in the South African Petroleum value chain A comprehensive CV of the team leader and team member who will be involved in the project should be attached.	6 or more projects= 5 points 5 projects=4 points 4 projects=3 points 3 projects=2 points 2 projects or less=1 point 5 or more projects= 5 points 4 projects=4 points 3 projects=3 points 2 projects=2 points 1 project=1 point	30 20 10
3	Qualifications: I. Project leader should have a formal qualification in the fields of Engineering/Science/Commerce (Finance/ Accounting). II. Team members should have a formal qualification in the fields of Engineering/ Science/Commerce (Finance/Accounting).	NQF Level 9 or higher= 5 points NQF Level 8= 4 points NQF Level 7= 3 points NQF Level 6= 2 points NQF Level 5= 1 point NQF Level 9 or higher= 5 points NQF Level 8= 4 points NQF Level 7= 3 points NQF Level 6= 2 points NQF Level 5= 1 point	20 10 10

	CVs and Certified copies of Qualifications not older than 6 months must be attached to the proposal as proof, failure to do so will result in bidders forfeiting functionality points		
4	Project Plan: Project Implementation plan with activities to be implemented: 1. Project Deliverables 2. Methodology 3. Key Milestones 4. Scope of Work 5. Schedule 6. Contingencies Methodology: Bidders should demonstrate comprehension and competence on how the key outputs detailed in paragraph 4 will be achieved	Detailed Project plan with all activities= 5 points Project Plan with some but not all 6 activities=0 Detailed methodology with all outputs demonstrated= 5 points 3 Key outputs demonstrated=3 points 2 or less outputs demonstrated=1 point	35 20 15
Total			100

Formula: $\frac{A}{B} \times 100 = C\%$

Where: A = Total score for the bid under consideration
B = Maximum possible score
C = Percentage score for the bid under consideration

6.3 Gate 03 - Administrative Compliance

- (i) Compliance to the specification / Terms of Reference.
- (ii) Fully completed SBDs (Duly signed and dated) listed hereunder
 - SBD 1
 - SBD 4
 - SBD 6.1
- (iii) The following will be regarded as noncompliance.
 - Price amendments / other amendments without signature/initials.
 - Use of correctional fluid
 - Completion of the bid document in coloured ink other than black ink

6.4 Gate 04 – Point Scoring System

Bids will be evaluated on the 80/20 preference point system as outlined in the Preferential Procurement Regulation of 2022.

- Price points = 80
- Preferential points = 20

- 6.4.1 The bidder that scores the highest points in this phase will be awarded the tender.
- 6.4.2 Should more than one bidder score the same number of points, the award will be made to the bidder who scores more points on specific goals.
- 6.4.3 Should there be more than one bidder who score the same number of points overall and same points on specific goals, the award will be made to the bidder who scored the highest points on functionality.
- 6.4.4 Should there be more than one bidder who score the same number of points in all aspects, the bid will be determined by the drawing of the lot.
- 6.4.5 The preferential points will be allocated in terms of the Departmental objectives on specific goals. Points allocation on specific goals are tabulated hereunder.
- 6.4.6 Bidders who do not submit proof (means of verification) of specific goals claimed will not qualify for preference points for specific goals.

8 ROLES AND RESPONSIBILITIES

8.1 OBLIGATIONS OF THE DEPARTMENT

8.1.1 The Department shall:

8.1.1.1 Pay the Service Provider for all satisfactory services rendered in accordance with the provisions of the Agreement.

8.1.1.2 Provide the Service Provider with any assistance required to implement the Agreement; and

8.1.1.3 Monitor and evaluate the performance of the obligations by the Service Provider to ensure that the deliverables are in line with the provisions of the Agreement.

8.1.1.4 The Department will schedule stakeholders' consultation meetings wherein the Department shall present the project status report and solicit inputs

8.2 OBLIGATIONS OF THE SERVICE PROVIDER

8.2.1 The Service Provider shall perform the services as set out in detail in the Terms of Reference as follows:

8.2.1.1 The service provider will work closely with the fuel pricing team throughout the duration of the project.

8.2.1.2 Work with the Department to ensure a transparent petroleum price regulation system that is inclusive of all stakeholders.

8.2.1.3 A formula-based model (including explanatory notes) to determine margins for Retail/BSS, Wholesale, Secondary Storage and Secondary Distribution.

8.2.1.4 Submit a report when each project milestone is reached

8.2.1.5 Submit the final report, including explanatory notes on all the factors that were considered in the calculations of the margins (both hard copy and electronic versions)

9 CONFIDENTIALITY OF INFORMATION

9.1 The names of all the members of the service provider team must be disclosed for the prior approval of DMPR. Any changes, replacements and additions should be submitted for prior approval of DMPR.

9.2 All members will have to sign a Non-Disclosure Agreement before project commencement and may be required to undergo security screening and tests as the DMPR deems necessary.

9.3 Information/ data to be provided to the service provider will remain the property of DMPR and the service provider should treat all the data with the required confidentiality and also return all the data to the DMPR after the completion of the project.

10. PAYMENT

10.1. The Department will not make an upfront payment to a successful service provider. Payment will only be made in accordance with the delivery of service that will be agreed upon by both parties and upon receipt of an original invoice.

10.2 The payment will be made at the completion of Margin Reports.

11 TAX CLEARANCE CERTIFICATE

11.1 The potential service provider/s must ensure compliance with their tax obligations.

11.2 The potential service provider/s are required to submit their unique personal identification number (pin) issued by SARS to enable the organ of state to view the taxpayer's profile and tax status.

11.2.1 Application for tax compliance status (TCS) or pin may also be made via e-filing. In order to use this provision, taxpayers will need to register with SARS as e-filers through the website www.sars.gov.za.

11.3 The potential service provider may also submit a printed TCS together with the proposal.

11.4 In proposals where consortia / joint ventures / sub-contractors are involved, each party must submit a separate proof of TCS / pin / CSD number.

11.5 Where no TCS is available but the potential service provider/s is registered on the central supplier database (CSD), a CSD number must be provided.

12 DOCUMENTATION

Not Applicable

13 COST/PRICING

- 13.1 The bidders are requested to provide a quoted proposal regarding the work to be undertaken.
- 13.2 Bidders are required to indicate a ceiling price based on the total estimated time for completion of all phases and including all expenses inclusive of all applicable taxes for the project. The total cost must be VAT inclusive and should be quoted in South African Rands (i.e. ZAR).
- 13.3 Bidders should provide hourly rates as prescribed by Department of Public Service and Administration (DPSA), Auditor- General (AG) or the body regulating the profession of the consultant.
- 13.4 Bidders should provide (Subsistence & Travel (S&T)) rates that are in aligned to the National Treasury instruction note as follows:
- i. Hotel Accommodation – R1700 per night per person, including breakfast, dinner and parking.
 - ii. Air travel must be restricted to economy class.
 - iii. Claims for kilometres may not exceed the rates approved by the Automobile Association of South Africa.

14 CONDITIONS OF THE CONTRACT

- 14.1 The appointed service providers will enter into a Service Level Agreement prior to commencement of the project.
- 14.2 The Department reserves the right to terminate the appointment of any part thereof, at any stage of completion should the Department decide not to proceed with the project.
- 14.3 Should the contract between the Department and the service provider be terminated by either party due to reasons not attributed to the service providers, the service providers will be remunerated for the appropriate portion of work completed.

15 FORMAT OF SUBMISSION OF PROPOSAL

- 15.1 All the standard bidding documents (SBD) must be completed in all respects by bidders. Failure to comply will invalidate the quote.

15.2 Service providers are requested to submit two (2) copies: 1 original and a copy of the proposal.

16 PRE-BID MEETING / BRIEFING SESSION DETAILS

16.1 A compulsory briefing session will be held virtually on **10 October 2025** at **10:00**, through **Microsoft teams**.

Meeting ID: 384 133 126 776

Passcode: PS2ys9e2

17 CLOSING DATE

17.1 Proposals must be submitted on or before **21 October 2025** at **11:00** at the Department of Mineral and Petroleum Resources, 71 Meintjies Street, Trevena Campus, Pretoria

17.2 No late proposals will be accepted.

18 ENQUIRIES

18.1 Bidding enquiries relating to this document should be directed to:

Lucia Nkhethoa

Tel No: 012 444 3778

E-mail address: Lucia.Nkhethoa@dmpr.gov.za

18.2 Technical enquires can be directed to:

Ms. Mpho Nkomo

Tel: 082 613 7966

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