BA-PHALABORWA MUNICIPALITY

MEMORANDUM

- BUDGET AND TREASURY _

TO : **Prospective Service Provider**
FROM : **SCM /STORES**
DATE : **24/12/2025**
ENQUIRIES : **STORES**
TELEPHONE : **015 780 6361/62**
REF : **REQ No. 9532**

Kindly furnish this office with a written quotation for supply of goods/ services as detailed below. The quotation must be submitted on the letterhead of your Business and Brought to our offices 3 Nyala Street, Phalaborwa not later than **31/12/2025 at 10H00**

QUANTITY	Description	PRICE/UNIT (Inc. VAT)	DELIVERY PERIOD
1	Service provider to do cost of supply study for the municipality		
	Must comply to all regulation		
	Professional registered		
	Price must be all Inclusive		
	See the attached Scope of work		

Please number your quotes (Your Ref No)

The following conditions will apply:

- **Price (s) quoted must be valid for at least thirty (30) days from date of your offer.**
- **The Municipality retains the prerogative to reject any quotes it deems to be excessive**
- **A firm delivery period must be indicated.**
- **Tax Clearance Pin**
- **A service provider registered on central supplier database (CSD)**
- **Completed MBD Forms**
- **Evaluation criteria: 80/20 (Whereby 80 is for price and 20 is for Objective goals) 20 is further evaluated : 20 for 100% Black owned;**

  18 for at least 51% Black owned; and

  14 for Less than 51% Black owned

1. *PROJECT SCOPE*

1.1. The service provider will be required to assist the municipality with the development of a COS study and transfer knowledge and all the data to the municipality. The COS study must be NRS 058 compliant and should follow the NERSA Cost of Supply Framework.

1.2. Information obtained through this project will be used to update the municipal asset registers hosted by the Municipal Infrastructure Support Agency (MISA) through the centralized Municipal Infrastructure Performance Management Information System (MIPMIS). Asset registers should be compliant with National Treasury's municipal Standard Chart of Accounts (mSCOA).

1.3. Appendix A gives an indication of the data requirements to perform a COS study.

2. *METHODOLOGY*

2.1. The service provider will be required to use the simplified COS template spreadsheet developed by Sustainable Energy Africa in collaboration with SALGA, Eskom and NERSA. This spreadsheet will be made available to the successful service provider.

2.2. The service provider will be expected to work closely and collaboratively with the municipality, ensuring that relevant municipal officials understand the study process and outcomes and have the capacity, post-COS study, to draw on the outputs of the study to develop and defend tariff strategies appropriate to their context and communities.

3. *DELIVERABLES*

3.1. The project deliverables are as follows:

3.1.1. Updated electricity asset registry (and RND)

3.1.2. COS study spreadsheets

3.1.3. COS study report explaining all assumptions for submission to NERSA

3.1.4. 2026/27 tariff application based on the COS study

3.1.5. Management of the entire NERSA application process including all engagements with NERSA regarding the COS study and associated tariff application

3.1.6. A three-day municipal training after NERSA's approval of the COS study in order to transfer all COS knowledge to the municipal staff in the electricity and finance departments.

3.1.7. The Service provider will support the Municipality during Public Participation (The new requirement for COS studies is that public participation must be undertaken before submission to NERSA)

4. *TIMEFRAME*

4.1. The project will commence in 2025/26 financial year, upon the date of signing of the Service Level Agreement (SLA) between the municipality and the service provider and should not exceed a period of (6 months) months from the date of commencement.

5. *SKILLS AND KNOWLEDGE REQUIREMENTS*

5.1. The service providers must have:

5.1.1. Electrical Engineering,

5.1.2. Cost Accounting,

5.1.3. Asset management,

5.1.4. Finance and auditing.

5.1.5. Practical skills, i.e., proven experience within the Electricity Distribution Industry (EDI);

5.2. Service providers should have a grouping of both qualified Chartered Accountants and Electrical Engineer (Certified SAICA and ECSA) with knowledge of:

5.2.1. Financial Management, auditing, or internal audit

5.2.2. Comprehensive knowledge and understanding of:

(a) The Municipal Finance Management Act.

(b) Treasury Regulations.

(c) Division of Revenue Act (DoRA);

(d) Public Finance Management Act (PFMA)

(e) General Recognized Accounting Practices (GRAP)

(f) Electricity Regulation; and

(g) Inter-Governmental relations

5.2.3. Proven CVs of consultants should be attached

6. *IMPLEMENTATION FRAMEWORK*

6.1. The service provider must provide a project plan of how the project will be carried out, indicating key tasks, deliverables and timeframes.

6.2. A project steering committee (PSC) will be formed to give direction to the project, monitoring progress and measuring the quality of outputs.

7. *FORM OF PROPOSAL*

7.1. Bidders must include a detailed work plan/methodology with the detailed budget reflecting all costs and the implementation plan as per the proposal in their bid. Failure to submit the detailed work-plan with an implementation plan and budget containing cost-breakdowns according to the deliverables (as per the proposal) together with the bid will result in the bidder's bid being viewed as invalid and therefore rejected.

8. *FEES*

8.1. The pricing should include rates of each team member, the estimated number of hours to be spent by each member, admin costs, reimbursement cost (rate), any other costs (to be specified by bidder), Value Added Tax and Ceiling price **(all-inclusive total price).**

9. *PERFORMANCE MEASUREMENT/ REPORTING*

9.1. The successful service provider will be required to report progress for the project to the Municipality and Project Steering Committee monthly in a form of a word version report and PowerPoint presentation. Progress will be monitored according to the agreed schedule and details contained in the project plan.

9.2. Project Steering Committee will manage, monitor, and oversee the project. This committee will monitor the progress and ensure that services are rendered timeously and render a quality assurance function.

9.3. To facilitate the performance of Service Providers and monitor their scope of work, the Municipality will enter into a Service Level Agreement (SLA) that will govern the relationship between the Municipality and the service providers. The SLA will include project assignments that will address each of the project deliverables.

9.4. Payments will only be processed based on the achievement of deliverables as per the implementation plan and/or project plan and related performed project tasks.

10. *TERMS AND CONDITIONS*

10.1. Each service provider appointed will sign a service level agreement with the Municipality.

10.1.1. The service provider will be required to sign confidentiality and indemnity agreements with the Municipality.

10.1.2. The intellectual property rights arising from the execution of the contract itself shall vest with the Municipality and the contractor undertakes to honour the client's intellectual property rights and all future rights by keeping the know-how and all published and unpublished material confidential.

10.1.3. The basis of engaging service providers will be on an assignment basis.

10.1.4. The Municipality may, at its sole discretion, award an assignment or any part thereof to more than one consultant.

10.1.5. The service providers may not cede or assign any part of its agreement with the Municipality nor subcontract any part of the work assigned to them without the prior written authorization of the Municipality.

STAGE 1

Phase II - Score for Functionality SCORECARD

FOR FUNCTIONALITY

The following criteria will be applied for functionality to assess all the bidders who complied with minimum requirements:

Functionality Criteria	**Sub-Criteria**	**Scale**	**Weight**	**Highest Possible Score**
Understanding of the ToR	Understanding of the scope of work and desired outcomes	Poor =1 Acceptable =2 Good =3 Very Good =4 Excellent =5	2 x 5	10%
Approach and methodology	Detailed and executable project plan demonstrating understanding of the required Methodology	Poor =1 Acceptable =2 Good =3 Very Good =4 Excellent =5	3 x 5	15%
Capacity of the service provider to deliver the project	Demonstration of the core team's collective experience in implementing the Projects	0 to 2 years' experience =1 3 to 4 years' experience = 2 5 to 6 years' experience = 3 7 to 8 years' experience = 4 More than 8 years' experience = 5	4 x 5	20%
Knowledge, skills and evident understanding of municipal electricity business and management.	Expertise and proven track record in understanding of the municipal electricity networks and Business	0 to 2 years' experience =1 3 to 4 years' experience = 2 5 to 7 years' experience = 3 8 to 10 years' experience = 4 More than 10 years' experience = 5	4 x 5	20%
Experience in undertaking Cost of Supply studies for municipal electricity business.	Demonstrate track record in designing the Cost of Supply studies for municipal electricity Business	No projects = 1 1 to 2 similar projects = 2 3 to 4 similar projects = 3 5 to 8 similar projects = 4 More than 8 similar projects = 5	6 x 5	30%

Approach on transfer of skills and capacity building	Demonstrate approach on transfer of skills and building Capacity	Poor =1 Acceptable =2 Good =3 Very Good =4 Excellent =5	1 x 5	5%
TOTAL POINTS				**100%**

(aa) Bids will be rated in respect of each criterion on a scale of 1 – 5. The maximum possible score that can be achieved for functionality is 100.

(bb) The average score is calculated for each bid by adding the individual scores awarded by the members of the Bid Evaluation Committee and dividing the total by the number of members. **Bids that do not achieve a minimum score of 70 (out of 100) for functionality will not be evaluated further and will not pass to STAGE 2 of this Bid.**

STAGE 2

Evaluation in terms of the 80/20 preference point system

(i)All received bids will be evaluated in terms of the **80/20-point** system as stipulated in the Preferential Procurement Regulations, 2017. **80** points will be allocated for price and **20** points for specified goals.

15. *AWARDING OF BID*

15.1 The bid will be awarded to the bidder who scored the highest total number of points as prescribed in the PPPFA, SCM Policy and Preferential Procurement Regulations.

16. *IN EVALUATING THE TECHNICAL INFORMATION CONTAINED IN THE BID, THE EVALUATION COMMITTEE WILL BE GUIDED BY THE FOLLOWING:*

- **Bidder's understanding of the brief** – The bid provides a clear indication that the bidder fully understands the purpose and scope of the work and the bidder's own roles and functions in this regard. (Methodology)
- **Capability and experience** – The bid provide a clear indication that the bidder's team comprises people with the necessary qualifications, experience, skills and knowledge required to ensure the efficient and effective generation of the required deliverables to the highest standards of quality.
- **Track Record** – The bid provides clear information on previous, relevant projects that confirm that the bidder has the required experience and successful track record in the area similar to this scope of work (i.e., electricity distribution cost of supply studies).

APPENDIX A: COST OF SUPPLY INFORMATION REQUIREMENTS GUIDELINE

Item	Sub-item	Source data	Details
Revenue Requirement	Revenue requirement table showing all the cost elements based on COS framework items.		The revenue requirement is for the application year; however, the COS is conducted with the COS using the recent most available audited financial statements.
	Energy Purchases	D Form Data	Year-end projection plus forecast based on 5-year trend
	OPEX	D form Data	Year-end projection/ forecast must be based on applicable cost benchmark, e.g., CPI+1.5% for salaries.
	Shared costs	Ring-fencing report based on Trial Balance showing principles for assigning overhead costs, e.g. (departments that need to have a surplus and those that supply at cost).	Ring-fenced costs and the difference between current and ring-fenced costs. New net income must be shown (if any).
	Depreciation	The annual depreciation expense for the application should be included in the required revenue table extracted from the asset register. It should include the historical purchase prices, current replacement values (CRC) depreciation.	The depreciation expense should be based on the straight-line method and the expected useful lives of assets.
	Return on Assets (ROA) / Amortization	Calculation of return (WACC) percentage, as well as the interest on long term loans, should be included.	The return percentage and Rand value from the asset register should be included as well as the interest on loans.
	Repairs and maintenance		Forecast must be based on the applicable benchmark as determined by NERSA, e.g., CPI.
	Margin	10-20%	To be added to the cost to determine the margin in Rands.
Costs Functionalization	Table costs allocated according to each function, i.e., GX, TX, DX, Customer related.		The costs are extracted from Cost allocation tables
Cost Classification	A table showing costs classified to whether they are fixed or variable and whether they are energy, demand or customer related.		To be allocated based on the COS study allocation factors and values
Cost allocation			
	Reduced Network Diagram (RND)	Table/ figure of RND showing the total network of the licensee, graphically or in table format.	RND showing the network of the licensee for TX, DX or reticulation supplies, voltage levels as well where different customers are located on the supply network.
	Load profile and consumption data/ energy purchase costs.	Table showing customer category consumption profile by time use.	Load profile data source and tables to be included in the COS report.
	Energy Loss profiles and allocation.	A table/ graph showing these should be shown for each network point.	Losses are to be allocated to each network point and each customer category based on where they are on the network.
	Allocation of depreciation, Return/ capital provision.	A table showing the allocation of return/ deprecation/ capital provision on the network components should be included.	These costs should be allocated proportionally across all network components, i.e., lines, transformation, meters and public lighting.
	Opex Allocation	A table showing the allocation of OPEX costs within the network, metering, billing components.	The allocation of network support costs, metering and billing costs should be accompanied by an explanation of allocation criteria.
	Demand Cost Allocation	Table showing demand cost allocation including allocation of non-coincidental demand for each customer category should be included.	The method used to allocate peak and average (A&E). demand between customer categories must be clearly shown and explained in the table

Item	Sub-item	Source data	Details
	Rate design –Unit costs/purchase rates table	A table(s) showing purchase rates for each unit cost; energy (c/kWh), demand and capacity (R/kVA), customer (R/month) costs should be included.	This table should be linked to different allocated costs, i.e., network support costs, network fixed costs (Depreciation and return), as well as billing and customer costs. Purchase rated for energy charges should be on TOU.
	COS rates	A table showing COS rates for each customer category, for each type of rate as well applicable charges, e.g., R/month/ c/kWh etc.	The charges rates applicable to each customer must link to the table above showing rates and must show how each rate was calculated.
	COS/current tariff comparison	A table showing the variance between current and COS tariffs in Rands and in rates must be included as well as the variance percentage.	The table must be linked to rates calculated as well as the COS rates and revenues.
	Proposed change in the structure including phase in proposals.	A table/ section showing the proposed new tariff rates and structures must be included.	There must be a clear explanation between proposed rates and COS variance and the relationship between restructured tariffs and variance between current and COS current tariffs.
Additional details			
Billing report and purchases invoice data	This is the data of invoices from Eskom captured in an excel spreadsheet showing purchase volumes, applicable charges for the year of the data used for the COS report. The billing report must show consumption for each customer category, including all the charges for the test year used for the COS study. A summary table showing all the purchases from all POD and all the relevant charges, for each month of the test year. A summary table showing the billing report for the whole financial year must also be included, including a losses report based on the difference between losses and purchases.		
N-1 current tariffs/ COS	A spreadsheet showing current tariffs, including all charges, as well as consumption applicable to each customer, must be included.		
Loss table and balancing table	A spreadsheet showing how losses are allocated between each supply point and the loss factors used, i.e. It must clearly show for example how loss factors for customers on the MV network are determined.		
Maximum demand allocation	This data shows how maximum demand is allocated between different supply points and between different customers on the specific network point.		
Verification by NERSA- There are three major input components to the COS study			
Network profiles and consumer consumption profile data	A table showing network profile time and seasonally differentiated as well as consumption profiles for each customer group must be shown. Database for load profile data.		
Asset register values	This must show up to date assets, including their replacement costs and historical costs. A database to be developed for DX and TX network assets		
Opex Costs	This will be verified by the municipality		