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**Sample Terms of Reference
Power Sector Restructuring and PSP Strategy
Consultancy Advice**

Power Sector Restructuring and PSP Strategy

Preparation of Restructuring & Privatization

Implementation Plan

Terms of Reference for Consultancy Services

Introduction

The Government of Ghoreit is undertaking the structural reform and privatization of its utilities sectors. Substantial reforms have been implemented in telecommunications, with the introduction of a Second National Operator and the impending privatization of the incumbent operator. The next sector due for comprehensive reform is electricity. The Government has been considering options for reform and is now seeking a consulting firm to recommend a specific restructuring program and implementation plan.

Objectives of this Engagement

The goal of this engagement is to develop a realistic privatization Implementation Plan that outlines the most viable long-term structure for Ghoreit's electricity sector. The plan will be based upon a thorough review of existing documentation, meetings with key stakeholders within Ghoreit, site visits to review existing and future facilities, an investors' survey that takes into consideration the market's level of interest and preferred structure, and the international experience of the consulting firm. The Implementation Plan will be presented, discussed, accepted or revised, and approved at a conference in London that includes senior Ghoreitian officials. Following the conference, the consultants will conduct de-briefing meetings with stakeholders in Ghoreit and will prepare terms of reference for other areas of technical assistance and transaction support.

Since the over-all objective of the reform program is to expand affordable and reliable electricity service to Ghoreit's citizenry, the consultancy must take into consideration the implications of the dispersed population and rural communities of Ghoreit. In this context, the right of the state as sole electricity provider, even outside of the main cities, must be considered as part of the privatization process.

Electricity Sector Background

The existing sector is dominated by the state-owned utility, the Ghoreitian Electricity Board (GEB). The vast bulk of the power is provided by a single dam that was built over fifty years ago with a current capacity of 400 MW. The financial and operational performance of GEB has been poor. Current problems include high system losses, low revenue collection rates, high accounts receivable, and poor quality service. Only about 10 percent of Ghoreit's 20 million citizens has access to electricity.

GEB's poor performance, combined with the policy preference for private provision of infrastructure services, has led the Government to examine options for reform, a process which started five years ago.

In addition, the Government has been negotiating with a number of private developers to establish new dams as independent power projects. The technical, financial and environmental analysis and documentation negotiations are at various stages of development.

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Scope and Organization of Work

The work will be conducted in several steps outlined below:

I. Work Plan

Step 1. Ghoreit (Week 1)

Hold discussions with Government staff to discuss prioritization of issues. Focus on determining what is the optimal long-term structure of the sector and what role the private sector can play in the delivery of electricity. Privatization Action Plan will address the following key issues:

- Sequencing of privatization, for commercial operations, transmission, and existing generation
- *Strategy for future generation expansion, by IPPs and at existing sites*
- Costs and benefits of disaggregation
- Likely impact on tariffs of privatization and sectoral restructuring options
- Best approach to privatization for each component or bundled portion of the system (leases, concessions, sale of assets, BOTs)

Step 2. Home office (Week 1)

Review key sectoral documents prior to departure including

- Laws and regulations
- Existing Strategic Plan
- Reform Options Paper
- Load Forecasts and other available technical papers

By middle of first week, leave for Ghoreit

Step 3. Home office (Weeks 1-3)

Conduct Investors' Survey

- Approximately 20 international strategic investors to be interviewed
- 3 page background sheet on sector to be prepared by consultant
- 1 page questionnaire and background sheet to be faxed to investors
- Questions will focus on:
 - Level of interest in investing over-all
 - Level of interest in investing under different industry structures
 - Level of interest in investing given different approach
- Responses shall be tallied, analyzed and presented in Steps 7 & 8.

Step 4. Ghoreit (Weeks 1 - 3)

Interview stakeholders and other consultants

Step 5. Ghoreit (Weeks 2 - 3)

Review facilities

- Existing generating, dispatch and selected distribution sites
- Likely locations for future generating capacity

Step 6. Ghoreit (Weeks 3 - 4)

Review status of current reform initiatives and negotiations

Step 7. Home office (Weeks 4 - 5)

Prepare recommendations in presentation format that address the alternatives available for private sector participation in Ghoreit's electricity sector

Step 8. London or Ghoreit (end Week 5)

Deliver presentation to senior government officials and WB attendees (See Outputs (1) below)

Step 9. London or Ghoreit (Week 6)

Participate in workshop to discuss/agree upon recommended approach

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Step 10. Ghoreit (Week 6)

Draw up Implementation Plan for agreed upon approach (See Outputs (2) below)

Step 11. Ghoreit (Week 7-8)

Hold follow-up stake holder meetings to present Implementation Plan and build consensus

Step 12. Home office (Week 6-8)

Draft TORs for next set of technical studies and privatization support (See Outputs (3) below)

Outputs

The key outputs will be (1) the presentation in London on the Recommended Sector Structure and Approach to Privatization; (2) the follow-up Implementation Plan; and (3) the draft Terms of Reference.

(1) Recommended Sector Structure and Approach to Privatization

This presentation will consist of the following components:

- Results of sector review, including:
 - a stakeholders' analysis
 - observations and conclusions from document review
 - observations and conclusions from site visits
- Recommended industry structure
- Recommended approach to privatization

(2) Implementation Plan

The consultant will be responsible for coordinating the outcome from the meetings in London and producing a short and practicable Implementation Plan, that includes the modifications (if any) to their recommended industry structure and approach to privatization, as well as a time schedule for implementation and a matrix of responsibilities.

(3) Draft Terms of Reference

In order to assist the Government to continue with the process of privatization, the consultant will be asked to produce draft terms of reference for the next phases of work. These components will be defined by the approved recommendations and may be grouped differently, but are likely to include the following components:

- Privatization Implementation Consultancy
 - Asset valuations
 - Likely average tariff modeling under different scenarios
 - Drafting of legal changes and contractual documents
 - Transaction support

Aside from these physical outputs, the consultant will be expected to conduct an investor's survey, a number of stakeholder meetings, and to facilitate the finalization of the Implementation Plan as described in the Work Plan above.

Working Arrangements

The consultants will be employed by the Enterprise Development Project and report to the Director of the Privatisation Agency within the Ministry of Finance. The consultant will work closely with the Power Sector Reform team, which is comprised

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of individuals from the Ministries of Finance, Natural Resources and other key stakeholders. The Privatisation Agency will ensure that the consultant has all necessary information, contacts and meetings needed to perform the assignment.

Level of Effort

Due to the urgent nature of this work, it is envisaged that the small team of consultants with hands-on experience in electricity sector restructuring and privatization will work on this project from mid-June to mid-August 1998. Over the course of 8 to 9 weeks, the contract will provide for approximately 21 man-weeks of consultancy for three individuals. The two senior members of the team will spend considerable time in Ghoreit.

The team should include,

- Project Director with expertise in electricity sector planning, restructuring and privatization
- Senior Project Staff Member with expertise in electricity sector finance and/or operations
- Junior Project Staff Member with experience in utility investor surveying and infrastructure privatization

Evaluation Criteria [subject to procurement regime of awarding authority]

Consultants will be selected on the following criteria:

- Curriculum vitae of proposed staff: 50%
- Proposed Approach (elaboration and improvements on above Work Plan): 15%
- Proposed Management Plan (time allocations and use of senior staff): 10%
- Firm Experience in Electricity Sector Privatization and Restructuring: 15%
- Firm Experience in Infrastructure Privatization in the region: 10%

Consultants will be judged according to their knowledge of the issues surrounding electricity industry structure, experience with restructuring and privatizing small to mid-sized systems in developing countries, and operational or financial experience in the power sector. As a whole, the team will also be judged according to its combined experience and complementary skills in conducting quick and thorough electricity sectoral restructuring studies such as that described in this Terms of Reference. This will allow one team member's operational skills, experience working in the region, or surveying experience, for example, to compensate for other team members who may offer different skills.

Consultants are asked to provide references for all past projects listed on curriculum vitae and in the statement of firm qualifications.

Technical Proposal Contents

The Technical Proposal should contain:

- a brief background on the proposed consulting team specifying the degree to which the firms and individuals have collaborated on past assignments;
- a proposed approach or work plan that elaborates on the approach and outline provided in this ToR;
- a management plan that relates the team members to the tasks to be performed and describes each team member's planned contribution to the analysis in person/days and according to task;
- firm qualifications of each corporate member of the consortium;

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- full cv's of each individual consultant who is proposed;
- Gantt or bar charts detailing the duration of each task and the involvement of individuals over time.

Total Points of Technical Proposal: 100

The technical proposal will be scored as follows.

[Evaluation Criteria [subject to procurement regime of awarding authority]

Consultants will be selected on the following criteria:

- Proposed Approach (value added of work plan, originality)
10 points (10%)
- Proposed Management Plan (levels of effort, use of key staff, field time, previous experience working as a team, permanent staff status, appropriateness of assignments)
15 points (15%)
- Firm Experience
25 points (25%) of which:
 - Utility/power sector regulation, legal development - 15 points (15%)
 - Small scale regulation - 5 points (5%)
 - Regional experience - 5 points (5%)
- Curriculum Vitae Of Proposed Staff
50 points (50%) of which:
 - Regulatory specialist - 20 points (20%)
 - International lawyer - 20 points (20%)
 - Local lawyer - 10 points (10%)

Consultants will be judged according to their knowledge and expertise in development of regulatory framework for private participation in the power sector; in drafting legislation and administrative orders; in institutional arrangements for regulation; and in training need assessment.

As a whole, the team will also be judged according to its combined experience and complementary skills in conducting thorough analysis such as that described in this Terms of Reference. This will allow one team member's functional skills or regional experience, for example, to compensate for other team members who may offer different skills.

Consultants are asked to provide references for all past projects listed on curriculum vitae and in the statement of firm qualifications. All firm qualifications should be seven years old or less.