

Terms of Reference

RURA Tariff Methodology, Cost of Service Study and Capacity Building

I. Introduction/Background

USAID-funded Power Africa East Africa Energy Program works to expand affordable and reliable electricity services across the region. The four-year program is focusing on the following major objectives: (1) Optimized power supply, (2) Increased grid-based power connections (3) Strengthened utilities and other power sector entities and (4) Increased regional power trade. RTI International (RTI) has contracted with the U.S. Agency for International Development (USAID) to implement the Power Africa East Africa Energy Program.

As Rwanda strives to meet its ambitious target of universal energy access by 2024 (52% on grid and 48% off-grid), the country is also making huge steps moving towards cost-reflective tariffs. With new generation coming online, it will be important to ensure that the tariffs are sufficient to cover the payments to independent power producers (IPPs) and the utility's overhead costs while considering affordability issues and realistic demand figures.

In response to the above, the program seeks an experienced consulting firm ("Consultant") to support the Rwanda Utilities Regulatory Authority (RURA) to update their tariff methodology including a formula for revenue requirements and a cost of service study focused on tariff categorization. The Consultant is to also offer a capacity building element enabling RURA staff to model and conduct analysis themselves facilitating frequent tariff reviews.

2. Scope of Work

The scope of work includes three subtasks: Tariff Determination Methodology; Cost of Service Study; Capacity Building. The three subtasks are outlined below.

Subtask 1: Tariff Determination Methodology

- Review existing methodology and propose improvements or alternative approaches including:
 - Customer categories
 - Tariff formulas for revenue requirements
 - Costs allocation principles
 - Basis for developing unbundled tariffs for the Generation, Transmission and Distribution/Sale segments
 - Tariff structure for different customer categories

- Develop a framework to determine customer groups using active customer engagement as well as the methodology for customer category review
 - Tariff adjustment guidelines for regular tariff adjustments in consideration of exogenous and macroeconomic factors (ex. Inflation, fuel prices, exchange rate fluctuations)
 - Incentives to encourage the Utility to be more efficient
 - Treatment of ancillary services
 - Impact of the ongoing power loss reduction strategy on the tariff
 - Process for determining and approving tariffs
 - Data collection templates
- Conduct benchmark by identifying best practices on tariff categorization that is applicable to Rwanda
 - Proposed strategies for subsidy allocation (broadly and per customer category)
 - Conduct baseline capacity building assessment of RURA staff
 - Develop a simplified tool to collect baseline data to enable measurement of results of the capacity building activities thereafter
 - RURA will support the baseline assessment and development of training schedule

In this sub-task, most of the work can be conducted remotely, however two trips to Rwanda are expected. The first would be for an initial stakeholder meeting and a capacity building baseline assessment of RURA staff. The second trip would be for a presentation of the work upon completion and any final data collection needed for the cost of service study.

Subtask 2: Cost of Service Study

- Review current tariff structures and identify any inconsistencies and/or weaknesses regarding cost recovery
- Determine unbundled tariffs for the Generation, Transmission and Distribution/Sale segments
- Determine the tariff for different customer groups identified in the methodology based on the costs of serving each
- Review the effectiveness of Time of Use tariff for industries

- Prepare a tariff model in Microsoft Excel that can be easily updated by RURA staff
- Develop standards for cost-reflective tariff
- Align tariff regime to existing regulatory framework to ensure compliance

The model is to include the following:

- Actual computation of the tariffs
 - Tariff computation for each category
 - Updated energy demand (recent figures and projections) *
 - Utility overhead costs (recent figures and projections) *
 - Cost of generation, transmission, distribution and sales to the utility (recent figures and projections) *
 - Demand charge tariff determination
 - Automatic or easy adjustment in adherence to the tariff adjustment guidelines for regular tariff adjustments in consideration of macroeconomic factors (to be identified in the methodology)
 - Implementation of the strategies for subsidy allocation (to be outlined in the methodology)
 - Impact of the power loss reduction strategy on the tariff (to be outlined in the methodology)
 - Designed to enable the user to allocate operational subsidy to various customer categories
- A detailed report of the cost of service study

* To be provided to the Consultant by RURA and/or REG, MININFRA point of contacts nominated by RURA. All information is to remain confidential. The Consultant will sign a non-disclosure agreement.

It will be important that the Consultant obtain accurate costs and demand figures.

In this sub-task, one trip to Rwanda is expected for a presentation of the work to stakeholders upon completion.

Subtask 3: Capacity Building

- The Consultant is to share user-friendly documentation detailing all tariff methodology and modeling, and to share this with RURA staff

- The Consultant is to be available to answer any questions posed by RURA
- With the baseline assessment for internal capacity based on the data gathered during the trip to Rwanda during Subtask I, the Consultant will use the simplified tool developed during subtask I to measure results of the capacity building activities.
- The Consultant is to spend one week in Rwanda working with the RURA team ensuring their understanding of all modeling and confirming that they can conduct future modeling and analysis, and that the methodology is clear
 - A sign-off by RURA's Director of Electricity and Renewable Energy will be required
 - The involvement of female RURA staff will be highly encouraged.

This sub-task will require one trip to Rwanda by the Consultant.

It should be noted that if travel is not permitted due to COVID-19, then all in-person activities will be conducted virtually.

REQUIRED EXPERTISE AND QUALIFICATIONS

The Consultant must demonstrate the expertise required to undertake this assignment. The Consultant must meet the minimum experience and qualifications outlined below:

1. The Consultant (firm) must have ten or more years of experience conducting similar work and provide at least 3 references for successfully completed similar assignments, preferably in Africa
2. The Consultant must have experience with capacity building/knowledge transfer particularly related to tariff methodology and modeling
3. List of personnel dedicated to each deliverable and their LOE per deliverable
 - a. Personnel will not be replaced without pre-authorization from Power Africa East Africa Energy Program

The consultant's core team of experts should comprise at least the following:

I. Team Leader

Qualifications:

- At least a master's degree in Economics, Accounting, Engineering or any other relevant field from a recognized university
- Minimum Fifteen (15) years of experience in the power sector and 6 years of experience in electricity tariff matters.

- Preferably at least 3 years' experience in Africa.
- Experience as a Team Leader for a least 2 similar assignments

2. Power Economist/Electricity Tariff Specialist

Qualifications:

- At least a master's degree in Economics, Finance or any other relevant field from a recognized university
- Minimum 10 years of experience as a Regulatory Economist and 5 years' experience in electricity tariff matters,
- Preferably at least 3 years' experience in Africa.
- Completed at least 2 similar assignments as Economist/Tariff Specialist

3. Regulatory Lawyer

Qualifications:

- At least a master's degree in Law or any other relevant field from a recognized university
- Minimum 10 years of experience as a Lawyer dealing with regulatory matters and with 5 years of experience in drafting regulations/legal documents
- Preferably at least 3 years' experience in Africa.

3. Period of Performance

The period of performance for the Tariff Methodology, Cost of Service Study and Capacity Building is over a period of five months. The activity is expected to begin July 15 and be completed by December 15, 2020. All work must be completed within this timeframe. Any modifications or extensions shall be requested through RTI's and the Consultant's contracting officers for review and discussion.

4. Place of Performance

It is expected that the place of performance will be a combination of desktop work done from the Consultant's place of work and in-person meetings and knowledge transfer/capacity building performed in Kigali, Rwanda. However, if travel restrictions prevent in-person meetings, then all of the work will be conducted virtually. RTI will follow global travel policies and adhere to the Government of Rwanda's policies when making the final decision.

5. Work Requirements

Phase One

Kick-off:

- One teleconference call with the Consultant, Power Africa East Africa Energy Program and RURA

Tariff Methodology:

- The Consultant will develop a baseline capacity assessment template for RURA staff and share with Power Africa East Africa Energy Program and RURA
- The Consultant will travel to Rwanda for an initial stakeholder meeting and a baseline capacity assessment of RURA staff
 - RURA will be responsible for organizing the meeting
- The Consultant will provide a list of resources needed from RURA
- The Consultant will conduct tariff methodology deskwork (required elements of methodology work outlined in Section 2)
- The Consultant will travel to Rwanda for a presentation of the work upon completion.
 - RURA will be responsible for organizing the meeting
- The Consultant will provide RURA with a list of questions or additional information needed to complete the Cost of Service Study
 - RURA will remain available for any questions and will provide all requested information

Phase Two

Cost of Service Study:

- The Consultant will conduct the cost of service study remotely (required elements of study outlined in Section 2)
- The Consultant will present the cost of service study to stakeholders in Kigali
 - RURA will be responsible for organizing the meeting

Phase Three

Capacity Building:

- The Consultant will submit user-friendly guides to the tariff methodology and modelling
 - The Consultant will remain available for any initial questions from Power Africa and/or RURA
- The Consultant will spend five days working with RURA staff ensuring that all methodology is clear and that the models are understood and can be used and modified by RURA staff
- With the baseline assessment for internal capacity based on the data gathered during the trip to Rwanda during Subtask 1, the Consultant will use the simplified tool developed during subtask 1 to measure results of the capacity building activities.
 - Final sign-off of the above will come from RURA's Director of Electricity and Renewable Energy

Phase Four

Project Handoff/Closure:

- The Consultant shall provide Power Africa East Africa Energy Program with all documentation in accordance with the approved project plan
- The Consultant shall present project closure report to Power Africa East Africa Energy Program for review and approval
- The Consultant shall complete the project requirements checklist showing that all project tasks have been completed

The program Energy Specialist will acknowledge acceptance of all project deliverables and that the Consultant has met all assigned tasks.

6. Schedule/Milestones/Deliverables

RFP/SOW Release	June 12, 2020
Consultant/Subcontractor/Supplier Selection	June 24 - 30, 2020
Period of Performance Begins	July 15, 2020
Tariff Methodology (Report) Due	August 27, 2020
Cost of Service Study (Report) Due	October 22, 2020
Capacity Building Completed (Sign-off by RURA and Power Africa East Africa Energy Program)	November 19, 2020
Final Report Due	December 2, 2020
Project Completion Review	November 19- 30, 2020
Project Closure/Complete	December 15, 2020

Deliverables, costing, and timing template

Bidders will prepare and submit the final deliverables according to the deadlines and payment schedule that they will propose, as directed in the RFP. RTI International will require initial drafts for review of all reports prior to acceptance of the final works.

7. Acceptance Criteria

The acceptance of all deliverables related to this activity will reside with the Power Africa East Africa Energy Program, Rwanda Energy Specialist who will work closely with RURA. Once a project phase is completed and the Consultant provides their report for review and approval, the Energy Specialist will either sign off on the approval for the next phase to begin, or reply to the Consultant in writing, advising what tasks must still be accomplished.

Once all project tasks have been completed, the project will enter the handoff/closure stage. During this stage of the project, the Consultant will provide the project closure report and project task checklist to the Energy Specialist. The acceptance of this documentation by Power Africa East Africa Energy Program, Energy Specialist will acknowledge acceptance of all project deliverables and that the Consultant has met all assigned tasks.

Any discrepancies involving completion of project tasks or disagreement between RTI and the chosen consultant will be referred to both organizations' contracting offices for review and discussion.

8. Gender Component

In delivering support, Power Africa will consider how gender equality and female empowerment can be advanced or achieved, and how participation by both female and male stakeholders will be facilitated in project activity. The consultant should indicate how they will align their project approach with this requirement

9. Additional Information

If travel is possible for part of this assignment, RTI will cater for the selected consultant's travel costs by directly engaging and paying the providers. Such arrangements shall be done within the following parameters.

- Flights to be Fly America compliant.
- Lodging and Per Diem for the consultant must fall under State Department foreign per diem rates, where applicable. US Government per diem rates ; https://aoprals.state.gov/web920/per_diem.asp.

All in-person activities that are cancelled due to covid-19 will be pivoted to virtual sessions.

The Consultant must recognize that the participants will be in Central African Time Zone. Any live interaction must be done during normal business hours. All deadlines and dates must put into consideration the time zones.

Bidders are reminded to review all the contracting terms and conditions as detailed in the attachments (links) to this RFP such as, but not limited to required insurances, indemnity clauses and Intellectual Properties. RTI's subcontract terms and conditions can be found here:

https://www.rti.org/sites/default/files/msa_template_v1_13_2016.pdf