



TERMS OF REFERENCE FOR THE PROCUREMENT OF A MINI-GRID TARIFFS DESIGN EXPERT IN SUB-SAHARAN AFRICA

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1. BACKGROUND INFORMATION

Off-grid renewable energy solutions will be key to achieve universal access to electricity in Sub-Saharan Africa. It is estimated that between 60-70% of the future electricity supply will be from off-grid systems (both isolated and mini-grids). This is largely based on a combination of decreasing technology costs, established track record of deployment, and ability to generate electricity rapidly which have accelerated the case for adoption of mini-grid and isolated solutions.

Governments have an important role in facilitating private sector participation as there is growing interest from the private sector in the development, financing, operation and management of mini-grids to support implementation of universal energy access goals. Mini-grid development is closely tied to national policy decisions and regulatory frameworks. A revision of the power system framework traditionally based on a centralised model is required to create an enabling policy framework for large scale uptake of the mini-grid sector. To address this need, several countries such as Kenya and Tanzania have already turned to dedicated mini-grid policies and regulations to support participation of the private sector. A tailored approach to tariff regulation is an effective way to mobilise private sector investment in the sector as mini-grids tariff frameworks have a strong influence on the viability and sustainability of mini-grids, notably by affecting the operators' ability to set end-user tariffs. Although the expectations vary, tariffs as one of the main revenue streams affect project cash flows, the availability of funds for management, operation and maintenance, and cost recovery.

Cost-covering tariffs are one way of ensuring economic viability for private sector mini-grids. Mini-grid tariffs tend to be higher than those for the main-grid – this disparity is often viewed through the lens of equality and fairness between rural and urban consumers. In this light, some countries impose national uniform tariffs (or keep mini-grid tariffs close to those of the main-grid), that are usually too low to allow sustainable mini-grid operation. With decreasing costs of renewables, the case for differentiated tariffs has strengthened.

Mini-grids development is hampered by several factors including a challenging regulatory and political environment. This is the case for tariff settlement processes which tend to be cumbersome and a lengthy process for developers and regulators alike. To date, standardised tariff-calculation methodologies have already been adopted by Nigeria, Sierra Leone, Tanzania and Kenya. However, there tends to be a tariff cap linked with main grid tariffs despite the proposed tariffs from the existing tools.

In response to the above, this project seeks to engage various regulators around cost-plus/cost recovering mini-grids tariff methodologies as an effective approach to tariff setting across AFUR members to deliver a fair return for private sector capital. Tariff tools also offer the additional benefits of transparency around cost incurred by both the developer and potentially public entity (i.e. utility, regular where applicable) and as such can inform the design of a result-base financing (RBF) where applicable.

This project is being delivered in partnership with The Africa Mini-grid Developers Association (AMDA), recently established, represents the first African mini-grid industry.

This project is being supported by the Carbon Trust under the FCDO funded Transforming Energy Access (TEA). TEA is leading development of innovative technologies, business models, partnerships and skills that will accelerate access to affordable, clean energy

services for households and enterprises in developing countries. The programme is divided into five main work areas:

- Stimulating Technology Innovation
- Accelerating Enterprise-led Innovation in Technologies and Business Models
- Clean Energy Partnerships
- Developing Local Skills and Expertise
- Bio-energy for Sustainable local energy services and Energy Access in Africa

DFID appointed a Research Programme Delivery Consortium (RPDC) to oversee the programme of applied research and innovation.

2. Contracting Authority

African Forum for Utility Regulators (AFUR).

AFUR is regarded as a key building block in the efforts of the African Union and its socio-economic program, the New Partnership for Africa's Development (NEPAD) in the integration and rebirth of Africa. AFUR's vision and objectives are derived from Clause 110 of the NEPAD Framework Document, which recognizes the establishment of the African Forum for Utility Regulation and regional regulatory associations.

AFUR was founded in November 2002 and the establishment of AFUR was again supported in the Declaration of the First Conference of African Ministers Responsible for Electrical Energy (FCAMRE), held in Addis Ababa, Ethiopia, from 20 - 24 March, 2006, amongst others, (19/f) committed to: "...encourage the establishment of Regulatory Associations at the regional and continental levels, support and strengthen the African Forum for Utility Regulation (AFUR)..." and a further Memorandum of Understanding regarding collaboration was signed with the NEPAD Planning and Coordination Agency (NPCA or the NEPAD Agency) in 2011.

The African Forum for Utility Regulators (AFUR) focuses on issues related to the regulation of energy, telecommunications, transport, and water & sanitation industries, with a particular emphasis on issues that are common across sectors (but not necessarily limited to the primary focus sectors)

3. OBJECTIVE(S)

This project seeks to appoint the services of a consultant and/or consulting firm that will support the following objectives

- i. Review of existing tariff settlement methodologies such as Nigeria, Sierra Leone, Kenya and Tanzania. The above will assist in sharing lessons learnt with AFUR members, but where applicable also assist the regulators in these markets to build on the strengths of their tools, and work on the shortfalls identified.
- ii. Based on the above review, develop an enhanced standardised tariff settlement tool African for regulators to streamline the process for developers based on the review of the existing tools. It is anticipated that the tool developed will build from existing models such as the Nigeria multiyear tariff order (MYTO) tool, <https://nerc.gov.ng/index.php/component/remository/Regulations/MYTO-Mini-Grid-Model/?Itemid=591>. Undertake a series of in-depth stakeholder engagement process to collate feedback on the tool developed more specifically from regulators and ministries, as well as AMDA as a representative of the private sector. At least

- 3-4 engagement workshops will be expected on annual basis with guidance from the project steering committee and AFUR's members
- iii. Support AFUR's efforts to ensure the standardised tool is adopted by at least one AFUR member through targeted capacity building. The number of capacity building session will be determined with guidance from the project steering committee

The main anticipated outcome of this project will be a mainstreamed tariff approval process for developers across various jurisdictions within sub-Saharan Africa. This project will offer a good platform for open dialogue between the public sector and private sector developers (represented by AMDA) on cost-plus and/or cost-reflective reflective tariffs.

4 PROJECT ACTIVITIES

The Consultant shall:

- i. Conduct an in-depth review of existing mini-grid tariff settlement tools operational in Sub-saharan Africa. Namely in Nigeria, Sierra Leone, Kenya and Tanzania. The following key factors will be analysed (i) inputs data required, (ii) financial model and underlying assumptions, (iii) tariffs structure and category, and (iv) approval processes
- ii. Based on the above review, the consultant will undertake an in-depth stakeholder engagement process with regulators from the above countries (as a minimum), and (ii) at least 2 mini-grid developers that have successfully undergone through the application process. The purpose of the stakeholder engagement process will be (i) highlight successes, and (ii) understand challenges both from the public and private sector perspective.
- iii. Carry out stakeholder analysis to highlight the roles and responsibilities of key players and institutions that play a vital role in the administration of the Mini Grid Tariff Settlement Tools.
- iv. Provide documentation and analysis of current intervention models at national level with regard to the prevailing Mini Grid Tariff Settlement Tools in different countries by citing case examples, which highlight a) any prevailing enabling laws b) the role of stakeholders including Consumer Organisations, etc
- v. Develop one enhanced standardised tariff settlement frameworks based on the review undertaken in i and ii and iii. It is anticipated that the tool developed will be primarily MS Excel based as been the case for MYTO in Nigeria and Sierra Leone
- vi. Distribute enhanced standardized tariff settlement tools draft to (non-working group) tariff regulators and key private sector players (a minimum group of 10 participants/institutions) in the off-grid sector for comment and validation. Collate comments and other feedback, update the tariff settlement framework,
- vii. Support AFUR in developing recommendations to strengthen national linkages between agencies
- viii. In consultation with the contracting authority and project steering committee, finalise the standardised tariff settlement tool.

- ix. Support the capacity building of the AFUR member countries once the final version of the standardised tariff settlement tool has been approved by the project steering committee
- x. Support AFUR in leading the development of tailored knowledge products based on key learnings and outcomes achieved during the programme
- xi. At the end of the project ensure that three (3) AFUR members have adopted the standardized mini-grid tariff methodology developed

5. REQUIRED EXPERIENCE

The Consultant should have a minimum of five (5) years experience in mini-grid development as well as in utility regulation. Should also have experience in tariff setting methodologies and developing tools.

6. BID QUALIFICATIONS

The points given to the evaluation criteria are:

	Weights
Consultant's experience relevant to the Assignment	20%
Understanding of the Terms of Reference and Methodology	30%
Qualifications of Key Personnel	40%
Experience with the Bank and International Donors	10 %
Total	100 %

Qualifications of key personnel (above) will be evaluated following sub-criteria:

	Weights
General Qualifications and adequacy for the assignment to be undertaken	30 %
Similar experience in the area of expertise of the assignment described in the Terms of Reference	50 %
Experience with international donors	10 %
Language proficiency	5 %
Knowledge of the Region (environment of the Assignment)	5 %
Total	100 %

The minimum qualifying technical score is 70. For the above area of expertise, firms and/or consultant having the highest technical scores which should be above the minimum required score of 70 points and propose competitive consultancy rates will be considered as successful candidates

7. SCOPE OF THE WORK

7.1 General

7.1.1 Project description

This project proposes to engage various regulators around cost-plus/cost recovering mini-grids tariff methodologies as an effective approach to tariff setting across AFUR members to deliver a fair return for private sector capital. Tariff tools also offer the additional benefits of transparency around cost incurred by both the developer and potentially public entity (i.e. utility, regular where applicable) and as such can inform the design of a result-base financing (RBF) where applicable.

7.1.2 Target groups

The main beneficiaries are AFUR's Secretariat, the Electricity Regulators and the Africa Mini-grid Developers Association (AMDA). The consultant must ensure that at least three (3) AFUR members have adopted the standardized mini-grid tariff methodology developed

7.2 Specific activities

The following activities are expected to be executed under the present assignment. However, in the course of the action, the performance of additional services may prove necessary.

The project foresees the following activities:

7.2.1 Review of existing off-grid tariff settlement methodologies and tools

- Develop project work plan based on a list of existing mini-grid tariff settlement processes and challenges associated with current tariff methodologies.
- Stakeholder engagement sessions between consultants, private and public sector and working groups

7.2.2 Development of enhanced standardized tariff settlement frameworks

- Engagements with the working group
- High-level structuring of key components of the tariff settlement frameworks with emphasis on incorporating feedback from Work Package 2
- First full draft of the tariff settlement frameworks

- Validation of the first draft amongst tariff regulators and key private sector players in the off-grid sector outside of the working group
- Final draft of the tariff settlement frameworks after incorporation of feedback from the validation exercise

7.2.3 Tariff settlements framework capacity building for AFUR members and continent-wide knowledge dissemination on the project outputs

- Facilitation of training workshops for AFUR and AMDA members (AFUR members will be divided across 3 different sessions)
- Development of tailored knowledge products based on key learnings and outcomes achieved during the programme
- Hosting of Public-Private engagements/roundtables

8. LOGISTICS AND TIMING

8.1 Location

The main place of activities will be the head office of AFUR in Pretoria, South Africa, however the role will include travelling across Sub-Saharan Africa where needed.

8.1.2 Geographical area to be covered

The project will focus on mainstreaming mini-grid tariff settlement tool for all AFUR member countries which includes the majority of Sub-Saharan African countries. The following countries have been identified to form part of the project steering committee – Nigeria, Kenya, Ethiopia, Zambia, Senegal, Togo, Uganda, and Burkina Faso.

8.2 Commencement date & Period of implementation

The intended commencement date is January 2021 and the period of implementation of the contract will be over a 36 month period with a maximum of 277 days. However funding has only been secured for 12 months so the deliverables will be split over the period making sure that the outcomes of year 1 demonstrate the need for funding and the importance to further the project.

The consultant will work closely with the Contracting Authority and will from time to time submit and share the progress of activities as agreed.

Year 1 deliverables	Year 2 deliverables	Year 3 deliverables
Review of existing off-grid tariff settlement methodologies and tools	Development of enhanced standardized tariff settlement frameworks	Tariff settlements framework capacity building for AFUR members and continent-wide knowledge dissemination on the project outputs

9. EXPECTED DELIVERABLES

The table below presents an overview of the expected deliverables.

Activities	Deliverables
Project kick-off	Inception report
Review of existing tools	Report
Stakeholder engagements	
Design and develop of standardised tool	Mini-grid tariff tool model Report on methodology
Two Stakeholder consultation workshops	Consolidated feedback, and evidence of tools modification
Capacity building and training	
Public- Private sector engagements	
Monthly progress meetings	Status update/Progress Meeting with PSC

9.1.1 Facilities to be provided by the Consultant

The consultant will undertake a mix of in-country and distance mode of working (overseas and in selected countries) based on the agreed work-plan and methodology.

The consultant is expected to use own computers and other equipment required for the task.

9.1.2 Scope of financial Proposal and Schedule of Payments

The Consultant will be reimbursed at a rate of GBP 600 per day for 277 days allocated to the project.

The payments will be made in instalments based upon outputs/deliverables specified in the TOR (under payment schedule) and upon certification of satisfactory work as per work plan and endorsed by Contracting Authority.

9.2 Incidental expenditure

The Provision for incidental expenditure covers the ancillary and exceptional eligible expenditure incurred under this contract. It covers:

Travel costs and subsistence allowances for meetings, this includes a return economy air ticket as well as accommodation at a maximum rate of GBP 293 per night and travel subsistence allowance of GBP 117 per night.

10. DELIVERABLES

10.1 Inception Report:

This report will be used to record as a minimum the updated status of the project, a refinement of the methodology to be used, definition of the key stakeholders and revised implementation plan. The report will incorporate the minutes of the Inception Meeting. This output will be due two (2) weeks after commencement.

10.2 Draft Baseline Report:

This report will, as a minimum document, be a review of past and existing Mini Grid Tariff Settlement Tools, including a diagnosis of constraints specific to this project under review; an overview of the key successes and lessons learned; as well as fact-based possible approaches or models for the further implementation of Mini Grid Tariff Settlement Tools. One of the key areas of interest in this regard will be the identification of best practices.

10.3 Draft Model Business Plan:

Based on the draft Baseline Report, a model business plan should be developed. The model business plan should be designed in such a way that it can be adapted for the implementation of the project.

10.4 Consultative Workshops:

This workshop(s) will be targeted at the key participants in the selected project implementation areas, as well as any other relevant stakeholder (e.g. national regulators, government ministries/departments responsible for energy, state-owned electricity utilities, etc). The workshop will be for both consultation and capacity-building. As such, the relevant draft reports expected to be discussed at this workshop should be presented in a way that achieves this dual purpose. The same requirement will apply to the composition of the workshop's participants.

10.5 Consultative Workshop Report:

This report will primarily document the outcomes of the consultative workshop(s), which is expected to focus on the draft Baseline Report and model Business Plan. The workshop report will be incorporated in the final model Business Plan.

10.6 Final Mini Grid Tariff Settlement Tools.

This will incorporate outcomes of the Consultative Workshop, including the final Baseline Report. The form in which this final deliverable will be made available will be finalised as part of the Inception Report. This output will be the final document of the project.

AFUR Contract terms