

	TENDER SCOPE OF WORK Group Information Technology	Template Identifier	240-IT042	Rev	1
		Effective Date	April 2023		
		Review Date	April 2028		

Description of Request	Request for Information for the implementation of a Contract Price Adjustment solution.
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1. High level background

The need for a Contract Price Adjustment (CPA) solution has been identified as one of the initiatives that will assist Eskom and its subsidiaries in achieving cost savings, transparency, accuracy, and process efficiency across the CPA value chain. The key focus of the financial strategy is to strengthen Eskom's financial position through demand stimulation, cost containment and liquidity management.

The CPA solution will be used by Eskom Holdings and its subsidiaries. Wherever references in this document have been made to Eskom, these references refer to Eskom Holdings and its subsidiaries unless otherwise stated. Eskom Holdings and its subsidiaries comprises of the various divisions, i.e., Generation (Gx), Distribution (Dx), Corporate (Cx), National Transmission Company South Africa (NTCSA), as well as Eskom Rotek Industries (ERI).

Eskom uses SAP S/4HANA for the creation of contracts, purchase orders, goods receipts/service entries, and the payment of invoices. There is no automated CPA solution, hence the absence of integration between the SAP system and CPA data.

A contract can have multiple price adjustments applicable at contract or contract item level. CPA can be applied at multiple frequencies e.g., every month, quarter, half yearly or annually etc., and can be based on multiple indices.

The CPA parameters are agreed to between the supplier and Eskom and stated in the contract at time of contract conclusion. Contracts longer than 12 months to be escalated with CPA. The uncertainties about CPA payments on contracts lead to cost leakages, audit findings, etc.

Previous research was done with the market, and with changes, there is a need to re-test the market.

The request is not for resources but rather a quality solution that will be sustainable within Eskom. The expectation is that the solution can be implemented and stabilised within a 12 to 18 month period.

The solution design and implementation must accommodate the Eskom Holdings Group business operating model regarding Divisionalisation and Legal Separation. National Transmission Company South Africa (NTCSA), (Transmission Division) is a separate legal entity within Eskom Holdings.

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2. Scope of work/Business requirements

2.1. Provide detailed description and volumes of the product/service requested:

The CPA solution is one of the Chief Financial Officer (CFO) Steerco Commercial initiatives that will assist Eskom and its subsidiaries in achieving cost savings, transparency, accuracy, and process efficiency across the CPA value chain.

The solution must have the basic functionality:

- a) Provide system maintenance and support
- b) Provide for multiple CPA formulae (foreign and local) per contract/model (minimum 100)
- c) CPA formulae must cater for multiple indices inclusive of base currency per price item formula (minimum 6)
- d) Cater for a variation of fixed and/or variable portions
- e) Cater for varying frequencies (e.g., daily, weekly, monthly, quarterly, annually etc.)
- f) Provide period averages of an index (daily, weekly, monthly etc.)
- g) Cater for Base Dates and the option of various base dates
- h) Provide alerts/notifications/changes at required frequencies
- i) Provide scenario planning/evaluation capability, i.e.:
 - Net Present Value calculation capability
 - Estimated cost to completion (Future Value) calculation capability
 - Conduct sensitivity analysis (e.g., currency fluctuation)
 - Trend analysis capability (tracking of cost buckets and contracts)
- j) Be able to include an approval process in the tool/solution for price updates, i.e., Modifications, Variation Orders, Compensation Events, etc.
- k) Provide interface functionality with MS Office / PDF (e.g., MS Excel). Export and import capabilities e.g., be able to upload or download a specific contract or capital commitments for the project
- l) Cater for manual input of index values to the tool
- m) Cater for manual inputs for Eskom specific values, e.g., custom developed indices
- n) Cater for indices used in the industry, inclusive of both foreign and local. Indices to be obtained from Public Indices Publishers
- o) Accommodate additional indices from various sources (excel, web, 3rd party system) globally.
- p) Provide historical index information inclusive of discontinued and rebased indices for at least 30 years, where applicable
- q) Provide forecasted index information for a minimum of 10 years (either through statistical modelling or Indices Publishers)
- r) Indices must be updated, as published by source basis in real time
- s) Handle rebasing of indices and keep the rebased indices of existing contracts on the initial base date
- t) Cater for the stoppage of CPA in a scenario where the contractor's initial completion date has passed, and work has not been completed yet. Typically, where an extension of time has not been granted

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- u) Recommend and provide for replacement Indices if the current indices are discontinued
- v) Cater for foreign values in a foreign base currency and handle various rates of exchange (Rate of Exchange (RoE) input to 4 decimals)
- w) Provide index comparisons to indicate which indices are applicable to a particular transaction
- x) Highlight the most expensive indices in a project (top ten indices)
- y) Perform formulae comparisons of the baskets on the indices
- z) Enable minimum input field for supplier tender data, i.e., supplier name, cost drivers, base dates, latest index date, weightings, Indices description and Indices values
- aa) Accommodate multiple suppliers, with each having multiple formulae. Accommodate additional input fields for comparisons
- bb) Display various results of models for comparative purposes
- cc) Cater for updates to load contract escalation tables (due to re-negotiations/contractual disputes/ updates)
- dd) Handle multiple invoices on a contract per month
- ee) Store and access the stored CPA documents
- ff) Tax requirements to be adhered to
- gg) Provide reporting and dashboard capabilities, e.g., trends of a contract/index for last 10 years escalation and projection
- hh) Import or store financial data from other systems/websites i.e., SEIFSA, Stats SA, etc. and display it in the CPA tool in the form of applicable reports and dashboards.

2.2. Training/Transfer of skills:

The RFI to include pricing relating to the training methodology recommended, including the proposed duration required for training. Transfer of skills and knowledge to Eskom Support team and identified Super-Users to be included as well. The estimated number of Users to be trained is 50 (including IT support and business Users).

3. Service Level Agreement requirements

The business requires 24*7 monitoring of the environment(s); MTTR (mean time to repair) of 4 hours.

No data loss should be experienced; provision should be made for a Disaster Recovery (DR) environment and Back-up services.

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4. Approvals:

End user / requestor:	Name:	Loretta Tibbatts
	Designation:	Portfolio Manager
	Date:	02/08/2024
	Signature:	
Senior Manager:	Name:	Anthenia Phuku
	Designation:	Senior Manager: Business Solutions Development Services
	Date:	14/08/2024
	Signature:	