

German Financial Cooperation with Albania - 201470095

OSHEE – International Management Advisory Services Contractor (MASC)

Indicative Terms of Reference

This version is intended to inform the participants of the pre-qualification. Participants, please take note that it may be updated and changed for the bidding stage.

1 Main Objective

The Contractor shall contribute

- to the consolidation process of the electricity sector,
- to the substantial and sustainable reduction of losses in the distribution system,
- to an upgrade of the operational and financial performance of OSHEE as Distribution System Operator (DSO) and
- strengthen the competence and capacity of the organization and management and the general governance of OSHEE as DSO.

2 Employer and Project Agency and Financiers

The Ministry of Infrastructure and Energy (MoIE) will be the employer of the international Management Advisory Services Contractor (MASC). A designated person at the MoIE will be the focal point for the interactions between the MoIE and the Contractor.

OSHEE, at present the Distribution System Operator (DSO) and still Supplier of Electricity will be the Project Agency (PA) for the measures and the beneficiary and main direct recipient of the services of the MASC, while the MoIE will be the selecting and contracting party. At present OSHEE is preparing its unbundling of DSO activities, into at least three future companies, namely the DSO, a Supplier and a Retail Supplier, under one Parental Company. In view of the transformation, the MASC will focus on the fields of the future DSO, and after actual unbundling work exclusively with the DSO. After unbundling, assistance will be channelled through the Parental Company, which still may include action plans and strategic decisions for the other companies of the group.

The measures will be financed from funds provided by KfW Bankengruppe (KfW) through the Ministry of Finance and Economy to the MoIE.

MoIE, OSHEE as PA and KfW are defined as the stakeholders for the purpose this document.

3 Kind of Measures

3.1 Basic Package

The Management Advisory Services Contractor will assist the MoIE in the consolidation process for the electricity sector through a Management Support Program implemented in the OSHEE. The services will consist of support OSHEE to the level of the Administrator and selected senior managers through management advice and implementation, through integrated experts in key positions over a period of total of 15+ months by an international contractor; matching/team approach and competence (“common consent approach”) in defined fields (recruiting, investment beyond a certain threshold, implementation of new technologies, organizational changes, business strategy and business plan and its implementation) of their respective areas for MASC; estimate 60+ mm of international experts (equivalent of about 3 (three) fulltime key experts).

Tentative positions for the key experts are consultants at director level strengthening particularly the following directorates and areas:

- Distribution (Technical Directorate of OSHEE) and
- Human Resources (Personal).
- General Management, Corporate Governance and Economic/Financial Aspects
- Information Technology.

4 Tasks and Activities

The type of tasks include

- active support during the decision making process of management,
- support in implementing organizational change strengthening leadership and commitment, improving the approach of management by results and delegation, improving communication and coordination,
- technical/professional advice,
- support in planning and strategy and the corresponding implementation,
- support in implementation of new technologies and procedures,
- support in negotiation and public communication,
- elements of training,
- support in performance assessment.

The **activities** of the Contractor shall have a holistic and integrated approach.

It shall comprise hands-on support in general management, technical management, IT, and offering assistance to the process of cooperation with the stakeholders such as Government, the regulator, the Development Finance Institutions and other sector companies.

Tasks shall target primarily activities in the headquarters of OSHEE, but will include extensive activities in territorial organizations of OSHEE.

The main **fields of action** include but are not limited to:

- Further Loss Reduction (primarily technical Losses (TL))
- Modernisation of the network control and management
- Improvement of the quality of work and qualification of management and staff through human resource development
- Management and Information Technology
- And support in regulation negotiation with the regulator and Government, especially concerning tariffs.

5 Fields of Action

In view of the ongoing activities and changing challenges at OSHEE, a flexible approach has to be applied for the definition and prioritization of activities. From the current perspective, support should be given in the following priority areas of action, which in many cases address horizontal and vertical issues with several directorates involved.

5.1 DSO Technical optimization and Loss Reduction

The MASC will focus on the reduction of technical losses. However, the MASC will also target technical activities to reduce the exposure of the connections to commercial losses. The fields of action and activities include but are not limited to:

1. Technical loss reduction by prioritizing adequate actions for high loss regions and technical components. This may include support for the strategy of optimum voltage grading, identifying MV transformers for retrofitting or substitution.
2. Develop and support the implementation of a proper approach for preventive maintenance and repairs.
3. Integral management of metering technology and actual process (reading, disconnection-reconnection due to unpaid bills, and inspection of meters).
4. Support in upgrade of distribution networks to make it less vulnerable to tampering and irregular connections.
5. Comprehensive field assessment on the physical condition of supply to larger consumers. Progressive application of automated meter reading devices for reading and monitoring consumption of large and medium consumer.

6. Elaboration and Implementation of Loss Reduction Action Plan (LARP) for selected regions, supporting the corresponding action in the field from analysis, LARP development, implementation to monitoring. This shall include as well optimization of organization and personal productivity (training) at regional and agency level. Modernisation of the network control and management: The fields of action and activities include but are not limited to: Completion of the technical inventory (GIS based); Support in preparation (and transition) to Supervisory Control and Data Acquisition (SCADA), defining the functionality of the SCADA and elaborating a sequential approach for its implementation.
7. Prioritization of distribution Capex and participate in decision on strategic and substantial investments having a direct effect on loss reduction;
8. Develop and support in RES and power generation connection points management, load management and dis-balancing calculations and management;

5.2 Improvement of the quality of work and qualification of management and staff through human resource development.

The fields of action and activities include but are not limited to:

1. Elaboration and support in implementation of human resources strategy and action plan; Elaborate a process to ensure a proper identification of the human resource requirements and planning of OSHEE (HR Planning).
2. Support improvement of proper job descriptions for most relevant and typical tasks; support set up of minimum qualifications & experience requirements for each staff/job position;
3. Improve the recruiting system and process to increase the qualification at entry;
4. Elaboration of a company-wide training policy and program to improve qualification of new entries and staff members.
5. Elaborate training approaches for management and staff especially in the regions and contribute actively to their implementation. Personal performance evaluation system (including performance indicators);
6. Establishing and developing a well defined incentive scheme.
7. Establish a policy and practical approach for continuous development of personnel;
8. Elaborate options for optimized use of human resources and increase productivity; identify potential employees who can be developed to take higher responsibilities;
9. Meter readers and disconnectors: Assuring ethical behavior of workers. Implementation of databases including documentation of workers with unethical behavior;
10. Contribute to the improvement of the corporate culture and goals of OSHEE and a corresponding commitment of the employee in their values, beliefs and behaviors.
11. Enhancement of the company's corporate governance and anti-corruption efforts.
12. Establishing and implementing new HR software for better analytics capabilities and the ability to digitize all personal files of personnel.

5.3 General Management, Corporate Governance and Economic/Financial Aspects

The fields of action and activities include but are not limited to:

1. In general: creating proper routines substituting the ad-hoc measure approach;
2. Set up and/or improve the written procedures for all directorates and areas (e.g. process walk through);
3. Set up and/or improve the Internal control system;
4. Optimization of information and communication between central and territorial organizations for core activities; administration ((AFC, procurement, human resources, logistics) distribution (operation and maintenance, meter management and reading,) retail public supplier (customer care and debt recover);
5. Support in improving business operations; support in definitions and implementation of strategy and action plans;
6. Support in energy management; demand forecast, market participation, contract settling, contract management;
7. Based on existing tools, optimize the MIS in content, integration/coverage and propose and implement company financial performance system with key performance indicators;
8. Improve the Benchmarking system for performance of regions and agencies.
9. Review and support in improving Risk Management tools
10. Review of the existing business plan and financial consolidation plan and assistance in update and implementation of recommendations.
11. Review and improve corporate governance
12. Support in questions of tariff pricing methodology
13. Support in financial reengineering, implementation of strategy and action plan to get independent from financial state support

5.4 Information Technology (IT)

IT and automatization are keys for the modernization of the company. They are cross-cutting issues to improve productivity in administration, management and (technical) operation of the company. The fields of action and activities include but are not limited to:

1. Assess the present approach, architecture and elements of IT (Hardware and software) of the company, covering business administration as well as the operation of the network (SCADA) and its components (automatized substations);

2. Assess the present approach of elements of IT (specific business applications software meter reading, meter management, new connections, CRM, billing and collection, energy balance) and support on achieving DSO unbundling requirements;
3. Make recommendations for the stepwise further development of IT (components, coverage, integration) in the company for the various fields indicating potential benefits and costs (security, technical; economic etc.);
4. Identify priority investment and action areas for IT improvement.
5. Support initialization of the corresponding procurement.

6 Qualification Requirements and Team Composition

6.1 Expertise and Experience of the Contractor

The Contractor shall have a solid successful hands-on experience in

- the technical operation of power distribution companies/facilities and
- the turnaround management of such companies or the corresponding comprehensive consulting services for such management.

The contractor shall have experience in Management advisory and support services and with active participation in the operation of management functions in power distribution, demonstrated e.g. by corresponding:

- Management Consultant Projects (e.g. reorganization, reorganization) with implementation components;
- Individual (temporary/interim) execution of management functions;
- Management contracts for operation of a distribution facility/company;
- Operation of a distribution based on license/ownership.

The Contractor shall provide all management, accounting, personnel, systems, financial, engineering technical, design, operations and maintenance expertise necessary to perform the Services outlined in this TOR.

The Contractor is expected to provide sufficient training, capacity building, and coaching and institutional strengthening to enable appropriate transfer of responsibilities to Albanian personnel.

The Contractor's proposal shall include a matrix as part of its staffing plan showing how it intends to satisfy these requirements:

6.2 Key Management Staff – Long-term

It is the responsibility of the Contractor to form a team of experts and support staff to cover all the needs of services described above. This will include, but may not be limited to provide qualified and well-experienced key management staff ("Key Personnel") to meet the responsibilities of each key

position listed below. The Key Personnel staff shall be in place in Albania on the date of initiation of the inception period of this contract.

| No | Field | Key Expert general profile |
|------|---|---|
| KE 1 | Distribution (Technical Directorate of OSHEE) | Electrical Engineer for Power Systems with solid management experience in leading position |
| KE 2 | Human Resources (Personal) | Organisational Expert; Human resources manager |
| KE 3 | General Management, General Governance | Manager (with solid background in economic/ financial management and degree in economics and/or finance and /or economic engineer |

One of the professional key experts 1-3 shall act as an onsite team leader of and for the Contractor. This expert shall have experience of at least ten years in the project management and/or consulting services.

In general, the team of Key Personnel should have demonstrated experience in senior management of an enterprise, reorganization and/or “turn around” of a large or complex organization, exceptional technical skills, and a proven track record of managing large projects.

The **required qualifications** for the designated three Key Personnel positions for the Management Contract are the following:

6.2.1 Key Expert KE1: Distribution (Technical Directorate of OSHEE/ Future DSO)

| Factor | Description/Requirements | |
|---------------------------------------|---|--|
| Key Expert | Distribution (Technical Directorate of OSHEE/Future DSO) | |
| Profession | Electrical Engineer for Power Systems with solid management experience in leading position | |
| Degree | A University degree in Electrical Engineering or similar field is essential. Master Level or equivalent required. | |
| Required Professional Experience | Minimum 10 years practical professional experience in management as (leading) technical manager in (power) utilities or similar companies | |
| Required management experience | At least five years experience in a top/middle management manager/supervisor position directing technical electricity (distribution) personnel. | |
| Desired Specific Skills | Experience with turnaround management, project management oversight, and/or (technical) enhancements to distribution companies is desirable | |
| (International) Consulting experience | At least 12 months of international field assignments outside of the individual’s country of citizenship. | |
| Language | English Language skills are necessary. | |
| Duration | 15+ month | |

6.2.2 Key Expert KE2: Human Resources (Personnel)

| Factor | Description/Requirements | |
|------------|---|--|
| Key Expert | Human Resources (Personnel) | |
| Profession | Organisational Expert; Human resources manager; Training | |
| Degree | A degree in Economics/Finance, Social Sciences or Law or a similar field is essential. Master Level or equivalent required. | |

| | | |
|---------------------------------------|---|--|
| Required Professional Experience | Preferably 10 years (practical) professional experience in management as (leading) manager or trainer in (power) utilities or similar companies | |
| Required management experience | At least three years experience in a top/middle management manager/supervisor or Head of Training Department position directing and /or training electricity (distribution) personnel | |
| Desired Specific Skills | Experience with turnaround management, project management oversight, and/or (technical) enhancements to distribution companies is desirable | |
| (International) Consulting experience | At least 12 months of international field assignments outside of the individual's country of citizenship. | |
| Language | English Language skills are necessary; (Basic) Albanian Language skills would be welcomed | |
| Duration | 15+ months | |

6.2.3 (Key) Expert KE3: General Management and Economic/Financial Aspects

| Factor | Description/Requirements | |
|---------------------------------------|---|--|
| Key Expert | General Management | |
| Profession | Economist or Power Distribution Manager | |
| Degree | A University degree in Economics and/or Finance or a similar field is essential. Master Level or equivalent required. | |
| Required Professional Experience | Preferably 10 years practical professional experience in management as (leading) manager in (power) utilities or similar companies. | |
| Required management experience | At least five years' experience in a leading executive position managing electricity (distribution) personnel. For the purpose of this tender "leading executive position" includes top management, divisional directors and regional managers. | |
| Desired Specific Skills | Experience with turnaround management, project management oversight, and/or (technical) enhancements to distribution companies is desirable, as is experience with unbundling of DSO/TSO | |
| (International) Consulting experience | At least 12 months of international field assignments outside of the individual's country of citizenship. | |
| Language | English Language skills are necessary. | |
| Duration | 15+ months | |

6.3 Task-specific Short Term Experts

Besides the long-term support mentioned above there are task specific needs at OSHEE which may benefit from the assistance through short-term experts.

Depending on the approach developed and presented by the consultant the expert months may be rendered on block (preferably in an early phase of the assignment) or split into intermediate missions.

6.3.1 Expert ST1: IT Strategy Expert – Business Process in a Power Company

| Factor | Description/Requirements | |
|----------------------------------|---|--|
| Key Expert | IT | |
| Profession | IT Management and Strategy Expert(s) - MIS and Business Processes in a power company | |
| Degree | A University degree in Informatics or a similar field is essential. | |
| Required Professional Experience | Preferably 5 years practical professional experience in IT network development in (power) utilities or similar companies. | |
| Desired Specific Skills | Experience with transformation management, especially to power companies is desirable: Familiar with Management Information systems, CRM/billing/collection; purchase management etc. | |
| Language | English Language skills are necessary. | |
| Total | 1-2 months | |

6.3.2 Expert ST2: IT Strategy Expert – Grid control and automatisisation in the field

| Factor | Description/Requirements | |
|----------------------------------|---|--|
| Key Expert | IT | |
| Profession | IT Management and Strategy Expert(s) - Grid control and automatization in the field | |
| Degree | A University degree in Informatics or a similar field is essential. Master Level or equivalent required. | |
| Required Professional Experience | Preferably 5 years practical professional experience in IT system in (power) utilities or similar companies. | |
| Desired Specific Skills | Experience with grid relevant applications such as grid control, Metering, Meter reading, Energy balance etc. as well as transformation management, especially to DSO and Supplier is desirable | |
| Language | English Language skills are necessary. | |
| Total | 1-2 months | |

6.3.3 Expert ST3: Central Treasury Management Expert Short- Term

| Factor | Description/Requirements | |
|----------------------------------|--|--|
| Key Expert | Financial Officer | |
| Profession | Accountant | |
| Degree | A University degree in Accounting/or Finance or a similar field is essential. | |
| Required Professional Experience | Preferably 5 years practical professional experience in financial management and experience in managing central treasury functions specifically cash pooling | |
| Desired Specific Skills | Experience with establishing and management of central | |

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|----------|--|--|
| | treasury function in a holding company | |
| Language | English Language skills are necessary. | |
| Total | 1-2 months | |

6.3.4 Expert ST4: Accounting Expert Short- Term

| Factor | Description/Requirements | |
|----------------------------------|---|--|
| Key Expert | Financial Officer | |
| Profession | Economist/Finance Manager | |
| Degree | A University degree in Accounting/or Finance or a similar field is essential. | |
| Required Professional Experience | Preferably 5 years practical professional experience in or with (power) utilities or similar companies and Accounting and financial statements preparation and presentation in accordance with IFRS | |
| Desired Specific Skills | Experience with merger/ acquisition and spin-off enhancements is desirable | |
| Language | English Language skills are necessary. | |
| Total | 1-2 | |

7 Location of the Services

The services will be performed in Albania. The focal point is the OSHEE Headquarter in Tirana, but the services will include activities within the country-wide organisational and technical network of OSHEE.

8 Time Schedule

Total duration is about 20 months, starting preferably in the 3. Quarter of 2018. Key Experts 1-3 should work full time and cover preferably the whole period of the duration, meanwhile Short Term Expert 1-4 are expected to work 1-2 months, preferably at the beginning of the contract.

9 Language

English as standard language of communication. Certain reports/documents/executive summaries may need translation into the Albanian language.

At least one team member (professional or support staff) shall be able to communicate in Albanian;

The work at the Regional Directorate and Agencies would benefit from knowledge of the Albanian language. If the relevant experts of the Contractor do not have these language skills, the Contractor shall have junior/assistant staff that can facilitate the communication at that level.

10 Reporting Requirements

The Contractor shall report to the PA with copy to the OSHEE Management, the Ministry of Infrastructure and Energy and the Ministry of Finance and Economy and the other stakeholders on the progress of the Services and the impact on the PA through:

- An inception report not later than 45 days after the start of his services
- brief monthly report (within 7 days after the end of each month);
- Comprehensive quarterly reports (within 10 days after the end of each quarter); the report for the last quarter of year shall be elaborated as a full annual report and presented within 30 days after the end of the year.
- Final Report following the conclusion of the Services covering the entire Completion Period, including situation of the company at the end of the assignment regarding:
 - o Commercial and financial situation
 - o Technical achievements and challenges ahead
 - o Situation of Human Resources
 - o Information Technology
 - o Recommendations for all areas.
- Compilation of the main products (plans, definition of processes, rules or guidelines) out of tasks 5.1. through 5.4.

The reports shall include a comparison of targeted and actual values for the planned activities; the progress of the services and their impact on the PA performance and operation; developments in the time frame; financial developments; and information on any problems and identification of possible solutions.

11 Rights and Obligations of the Contractor

11.1 Rights

11.1.1 Access

The Contractor and his team members shall have access to all

- all premises and facilities of OSHEE,
- information and data in any kind and form within OSHEE, which are necessary for the execution of his and their work.

11.1.2 Controlling/Discretionary Competence

Integrated key experts of the MASC shall be authorized by the PEA and the PA with competence for a “common consent approach” with their respective counterparts in OSHEE in defined fields (such as investment decisions beyond a threshold to be defined, electricity import management decisions, implementation of new technologies, organizational changes, business strategy and business plan and its implementation, recruiting) of their respective areas for MASC. Furthermore the Contractor may participate as observer in the OSHEE Board meetings.

11.2 Obligations

11.2.1 General

The Contractor shall conduct its activities in full compliance with applicable Albanian legislation; the rules, regulations, resolutions and orders adopted by MoIE and OSHEE.

The Contractor shall deliver the Services in full and on time.

When performing its obligations under this Contract the Contractor shall exercise due diligence and provide the Services in compliance with professional practice and to the recognised quality standards, in accordance with current scientific and generally accepted engineering standards. The Contractor must document its work, the progress of the Project and the decisions it takes in an appropriate form that is acceptable to the PA.

11.2.2 Disclosure and access to information

The Consultant shall issue all information requested by one of the stakeholders in connection with this Contract, and shall make available free of charge all requested records, documents and information. This obligation shall remain effective after termination of the Contract for a minimum of 24 months.

11.2.3 Confidentiality

The Contractor shall, and shall ensure that its employees, keep confidential all documents passed on to it by the stakeholders, as well as all information exchanged and knowledge acquired concerning this Contract and its implementation, even if such documents have not been expressly designated as confidential.

This obligation of confidentiality upon the Contractor and its employees shall remain effective after termination of the Contract. It shall not apply to disclosure to a court or to a public authority, insofar as this disclosure is made on the basis of legal obligations or by order of a court or a public authority. It shall also not apply to those materials, information and knowledge acquired for which and insofar as the stakeholders have given written consent for publication.

11.2.4 Conduct

During the term of this Contract, the Consultant and its Foreign Staff shall not interfere with the political or religious affairs of the country. Especially the Contractor has to refrain from any public comments about the electricity sector or one of its institutions without prior authorization by the PA and the MoIE.

12 Cooperation

12.1 Cooperation with the MoIE

Besides the external reporting (see under 10) the MASC will report internally and periodically through written reports to the MoIE. Furthermore, there will be meetings of the MoIE, the OSHEE and the MASC experts on a regular base (monthly). Furthermore, the MASC and its experts will be available for meetings with the MoIE on their request.

12.2 Cooperation with OSHEE

12.2.1 Management and Directorates

The MASC and its experts will cooperate closely with the management and directorates of OSHEE. The experts shall work as integrated experts, i.e. participate actively supporting the full range of activities of their respective counterparts.

12.2.2 Services and Facilities

The MASC should be working as closely as possible together with the management of OSHEE and the physical presence in the OSHEE premises is of utmost importance in order to achieve a maximum integration. Therefore OSHEE will provide proper office space and access to proper communication connection (phone, internet) for the complete Contractor team (professional and support staff) based on their specific counterpart Manager in OSHEE.

12.2.3 Professional and support counterpart Personal

OSHEE will assign adequate professional counterparts (level of directors) for each of the Contractor's professional team members.

Furthermore, OSHEE will assign junior professionals (bilingual) who will act as joint assistants (and give support in interpretation/translation services, if needed).

Such service will not be used for translation of any Expert (s) e-mail/ad-hoc documentation or contract deliveries.

12.3 Cooperation with Third Parties

The Contractor shall work together with third parties commissioned by the PA or one of the stakeholders. This refers particularly to any consultants hired by the PA or one of the stakeholders to assist the PA. The Contractor shall comprehensively coordinate their services with its own services, as far as possible, to optimize the results for the PA and avoid unnecessary double work.