

MINISTRY OF ENERGY

REQUEST FOR EXPRESSIONS OF INTEREST

CONSULTING SERVICES FOR THE IMPLEMENTATION OF THE CASH WATERFALL MECHANISM (RECRUITMENT OF TRUSTEE/ ADMINISTRATOR)

The Ministry of Energy intends to apply part of its Internally Generated Funds (IGF) to fund eligible payments under the contract for recruitment of consultants. Consulting Services for the Implementation of the Cash Waterfall Mechanism (Recruitment of Trustee/ Administrator)

1. Background

The electricity supply chain in Ghana involves the generation of electricity by the Volta River Authority (VRA) and Independent Power Producers (IPPs); transmission by the Ghana Grid Company (GRIDCo) and distribution by the state-owned Electricity Company of Ghana Limited (ECG) and the Northern Electricity Distribution Company (NEDCo). Whilst the state-owned ECG and NEDCo sell electricity to end-users, as per the tariff approved by the Public Utilities Regulatory Commission (PURC), VRA also serves a certain market of bulk customers, including the large mining companies and industries.

Ghana's Electricity Value Chain has over the years faced a number of challenges such as inadequate cash flow resulting from Uncollected Revenue. This has led to inequitable distribution of revenue receipts among creditors and power producers. In order to address this challenge, Cabinet approved the implementation of a Cash Waterfall Mechanism (CWM) in July 2017. CWM, one of several transparent financial instruments, is a key tool to ensure equitable and predictable distribution of revenue to all Stakeholders in the Electricity Value Chain.

2. Objectives

The CWM will ensure that all stakeholders in the power supply chain benefit proportionately from the total revenue collected by ECG and VRA in a transparent manner.

The specific objectives of the CWM are to:

- ensure the allocation and payment of collected revenue to all utility service providers and fuel suppliers in accordance with the approved tariffs allocation system;
- ensure each fuel supplier receives its proportion of allocated revenues based on prior agreed terms; and
- monitor all regulated and deregulated revenue collections and ensure compliance with the distribution mechanism and operational guidelines.

The operation of the mechanism would involve the tracking and sweeping of ECG revenue from the regulated market into an Escrow account on a weekly basis. The net revenues would then be allocated to the power producers, fuel suppliers, Ghana Grid Company (GRIDCo), ECG, and VRA in accordance with Public Utilities Regulatory Commission (PURC)'s approved percentage allocation to ensure that all players would have some liquidity at any point in time. The actual disbursement of the allocated revenue to the parties involved in the CWM will then be done by a Paying Bank that will liaise with the Escrow Bank based on written instructions received from the Trustee /Administrator of the fund. The Paying Bank is expected to put in place a revolving credit facility to fill expected shortfall (if any) in the cash to be received by the beneficiaries.

3. Scope of Work:

The Trustee shall perform the following functions:

- Monitor and review receipts and reports from Escrow Bank;
- Instruct Escrow Bank to transfer funds to the Paying Bank;
- Run the lodged revenue through the Cash Waterfall Model using the percentage revenue allocation;
- Isolate the VAT and levies components of billed revenues from SOEs;
- Create a disbursement schedule (less VAT and levies) and forward to the Paying Bank for payment to beneficiaries;
- Update and maintain the Cash Waterfall Model on a weekly basis;
- Keep a running record of accounts and invoices from State Owned Agencies (SOEs) on a monthly basis;
- Conduct financial and energy reconciliation of SOEs;

- Reconcile reports on a monthly basis and forward to SOEs for reconciliation on the first Friday of every month;
- Analyse proposed receivables and debt repayment;
- Assess the strength of the cash waterfall arrangement as outlined under the transaction structure and propose improvements to the mechanism, if any; and,
- Liaise with Sponsors (Ministry of Finance and Ministry of Energy) and Paying Bank to address shortfall payments.

4. Duration

The Trustee will be appointed for an initial contract period of two (2) years, which will be renewable subject to satisfactory performance.

5. Deliverables and Reports

In the performance of this assignment, the Trustee will be guided by the Revenue Allocation Policy and Operational Guidelines which will be made available at contract signing. All reports and deliverables will be specified in the Operational Guidelines.

6. Key Stakeholders

In addition to the Sponsors other key stakeholders identified to aid in the performance of the assignment include the following:

- Volta River Authority;
- Electricity Company of Ghana Ltd;
- Ghana Grid Company;
- Bui Power Authority;
- Northern Electricity Distribution Company;
- PURC;
- IPPs; and
- Fuel suppliers.

The above stakeholders may be in a position to provide useful information for the smooth implementation of the scheme. Any other stakeholder that the Trustee / Administrator identifies in the course of the implementation of the CWM could be contacted for assistance, with prior notice to the Sponsors.

7. Eligibility Criteria

To be eligible to perform the assignment, the Trustee should have the following:

- Valid Company Registration Certificate
- Past three years audited accounts
- Valid Tax Clearance Certificate
- Valid Social Security Clearance Certificate

The Ministry of Energy now invites eligible Firms (Trustee/Administrator) to indicate their interest in providing the services.

Interested Firms should provide information demonstrating that they have required qualifications and relevant experience to perform the services.

Consultants will be selected in accordance with procedures set out in the Public Procurement Act 2003, Act 663 as amended 2016, Act 914.

Interested Consultants may obtain further information at the address below from Monday to Friday between 9:00 am and 5:00pm.

Expressions of interest may be delivered to the address below by **2:00pm** (local time) on or before the **January 24, 2018**.

The Acting Chief Director

Ministry of Energy, Accra

Attn:

Head, Procurement and Supply Chain Unit

Ground Floor Room 004