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4.3 QUALITATIVE EVALUATION RESULTS (ENGINEERING)

The qualitative evaluation results are summarized in the tables below. For the detailed qualitative scoring sheet, see Appendix A. The non-compliant items (scores of 2), and the totally deficient or non-responsive (scores of 0) are listed in Appendix B.

Table 2: Qualitative Criteria Score Summary

Tenderers fir	nal score		
Suppliers	Score %	Score out of 5	Ranking
Alstom S&E Africa (Pty) Ltd TA GE Steam Power System	71.80	3.59	4
Dongfang Electric Corporation	81.05	4.05	3
Murray & Roberts Shanghai Electric Consortium	90.56	4.53	1
Rafako SA	83.30	4.16	2

As per the results shown in Table 2, all 4 (four) tenderers met the defined technical threshold of 70%.

The technical evaluation was conducted by technical evaluators listed on table 3 and signed-off by Mr. - Danie Odendaal-General Manager Generation Plant Engineering, who concurs with the recommendation contained herein. A copy of the technical evaluation report will be available upon request.

The following Technical Evaluation Team (TET) members took part in the evaluation as well as the scoring clarification sessions. Each TET member signed off an individual scoring sheet prior to the clarification session and agreement was reached during the clarification sessions on all scoring adjustments made.

Name	Designation
Sekkappan Karthikeyan	Duvha Unit 3 Boiler EDWL
Anten Hart	Duvha Unit 3 Project EDWL
Naeem Tootla	Boiler Pressure Parts LDE
Denise Naidoo	Civil and Structural LDE
Herbert Grobler	Boiler Auxiliaries LDE
Morris Maroga	Corporate Specialist - Welding
Andre Kellerman	C&I LDE
Jan Strydom	Low Pressure Services LDE
Johnathan Chetty	Bulk Materials Handling LDE
Macy Mpe	Electrical LDE
Dhelia Raman	Chemical LDE
Afzal Teladia	Project Engineering Manager
Ronald Mandavha	System Design LDE
Wolfgang Marchewski	Steinmueller Engineering
Yokesh Singh	Senior Manager – PEIC (Acting)

Table 3: Technical Evaluators Team

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This final tender evaluation report has been seen and accepted by:

Name	Designation		
Sekkappan Karthikeyan	Duvha Unit 3 Boiler EDWL		
Anton Hart	Duvha Unit 3 Project EDWL		
Naeem Tootla	Boiler Pressure Parts LDE		
Herbert Grobler	Boller Auxiliaries LDE		

4.4 QUALITATIVE EVALUATION RESULTS (PROJECT CONTROLS)

Functionality serves as a threshold / gatekeeper prior to commencing with the remainder of the commercial pevaluation process (being step 2 and 3). Project Controls forms part of the functionality criteria and constitutes twenty (20%) of the weighting.

The qualitative evaluation results are summarized in the tables below. For the detailed qualitative scoring, sheet are available on request. The non-compliant items (scores of 2), and the totally deficient or nonresponsive (scores of 0) are listed in Appendix B.

Qualitative Criteria Score Summary

The suppliers were requested to submit a tender with the associated costs for Procurement, Fabrication, Construction and Completion for the enquiry scope of work.

The following suppliers passed the functionality test and were evaluated for Project Controls minimum requirements:

Tenderers final score	· ·	
Tenderer Name	Score %	Ranking
Alstom S&E Africa (Pty) Ltd TA GE Steam Power System	85.10	2 .
Dongfang Electric Corporation	47.10	4
Murray & Roberts Shanghai Electric Consortium	89.20	1
Rafako SA	77.60	3

CONCLUSIONS (PROJECT CONTROLS)

- Murray & Roberts Shanghai Electric Consortium's submission was comprehensive and did align with the Eskom project control requirements. The supplier was responsive in terms of the submission.
- Alstom S&E Africa (Pty) Ltd TA GE Steam Power System's submission was comprehensive and did align with the Eskom project control requirements. The supplier was responsive in terms of the submission.

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- Rafako SA (Rafako)'s submission was comprehensive and did align with the Eskom project control
 requirements. The supplier was responsive in terms of the submission. There are minor exceptions that
 need to be clarified at a later stage.
- Dongfang Electric Corporation (DECE)'s submission was not comprehensive and did not align with the Eskom project control requirements. There are major exceptions that need to be clarified at a later stage.

The Project Controls evaluation was conducted by Project Controls Team listed on table 4 and signed-off by Mr Tshepo Molabe – Duvha Recovery Portfolio Manager- Group Capital Division, who concurs with the recommendation contained herein. A copy of the technical evaluation report will be available upon request.

Name	Designation	
Thando Poney	Senior Advisor Quantity Surveyor	
Johan van der Berg	Project Controls Manager	

Table 4: Project Control Evaluators

4.5 CONSOLIDATED FUNCTIONALITY SCORES (ENGINEERING AND PROJECT CONTROLS)

	Functionality			
	Engineering	Project Controls	Combined	
Tenderers Name	Score %	Score %	Score %	
Alstom S&E Africa (Pty) Ltd TA GE Steam Power System	71.80	85.10	74.46	
Dongfang Electric Corporation	81.05	47.10	74.26	
Murray & Roberts Shanghai Electric Consortium	90.56	89.20	90.29	
Rafako SA	83.30	77.60	82.16	

4.6 FINANCIAL EVALUATION- PRICE

4.6.1 SUBMISSION DATED 22 NOVEMBER 2016

Price matching was allowed for in the enquiry, but was never applied. All 4 (four) Tenderers met the Technical Evaluation Threshold and price matching principle is applicable to determine the top two Tenderers that qualify for the negotiations phase. However, this was not applied due to items (which may impact on the tendered prices) that still require clarification.

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Methodology / Evaluation Process

The Tenderers were requested to submit a tender price with the associated costs for Procurement, Fabrication, Construction and Completion for the enquiry scope of work.

The following suppliers passed the functionality test and were evaluated for price:

- Alstom S&E Africa Pty Ltd Trading as GE Steam Power Systems
- Dongfang Electric Corporation Limited
- Rafako SA
- Murray & Roberts Power & Energy and Shanghai Electric Power Generation Services Company (SEC)

FINANCIAL EVALUATIONS

4.6.2.1 PHASE 1 (ORIGINAL TENDERED PRICES 22 NOVEMBER 2016)

Tenderers submitted tendered prices on 22 November 2016 during the tender closing date as follows:

The suppliers quoted as follows:

Currency	MRSEC	Alstom GE	Rafako	Dongfang
CNY		CNY 139,964,928.00		
EUR		€29,089,941.00	€219,300,000.00	
USD		\$2,165,674.00		\$427,072,060.00
ZAR	R 2,769,561,202.90	R 2,075,243,607.00		
Total	R 2,769,561;202.90c	R 2.851.334.200.00	- €219-300 000 00	\$427.072.060.00

nable comparison, the prices were translated from the foreign currency to ZAR amounts using the wing exchange rates (Bloomberg currencies on 5/12/2016):

CNY 1.00 = ZAR 2.05

EUR 1.00 = ZAR 15.00

USD 1.00 = ZAR 14.05

ZAR 1.00 = ZAR 1.00

The converted "evaluation" price is as follows:

Currency	MRSEC	Alstom GE	Rafako	Dongfang
CNY		R 286,928,102.40		
EUR	·	R 436,349,115.00	R 3,289,500,000.00	
USD		R 30,427,719.70		R 6,000,362,443.00
ZAR	R 2,769,561,202.90	R 2,828,948,544.10		
ZAR	R 2,769,561,202.90	R 2,828,948,544.10	R 3 289 500 000 00	R 6,000,362,443.00

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NOTE: The price difference between the quoted prices and converted evaluation prices in the Alstom GE Tender submission is due to Tenderers using different base dates for the foreign currency. For the purpose of evaluation and fair comparison, an exchange rate during evaluation had to be normalised to the market price and be applied to all Tenderers that have foreign currencies then converts to South African Rands. This resulted in Alstom GE price to change from R 2,851,334,200.00 to R 2,828,948,544.10.

Based on the above the least cost ranking is:

Supplier	MRSEC	Alstom GE	Rafako	Dongfang
Ranked position	1	2	3	4
Ranked percentage	100%	102%	119%	217%
5 Weighted	25 90% Z.T.L	88% 🛴 🚶	71%	27%

During the evaluation phase the evaluation team identified that some of the Tenderers had exclusions and/or major deviations to the submissions made on 22 November 2016. The evaluation team prepared clarification questions to Suppliers that will ensure that the exclusions and deviations are included in the tendered price for the full scope.

On 13 December 2016, clarification questions were sent out to all 4 (four) Tenderers to clarify if the items that seemed to be excluded from the submissions were included in the tendered price submitted. On 17 December 2016, all Tenderers responded to the first clarification request confirming the listed exclusions and deviations, and what was included and excluded from the submissions made on 22 November 2016.

Consequent to the 17 December 2016 responses from the Tenderers, Eskom prepared other clarification questions which will ensure that the full scope from all Tenderers is priced. This was to ensure that price normalisation is done and all Suppliers prices are comparable. Only three (3) Tenderers responded with the call total percentage adjustment to the Tendered Price, Dongfang Electric Corporation did not adjust the deviations are priced by all Tenderers for the (full scope). Financial Evaluation was then done based on the adjusted prices on the submissions from all four Tenderers dated 22 December 2016.

4.6.2.2 PHASE 2: (NORMALISED PRICES DECEMBER 2016 CLARIFICATION AND SUBMISSIONS)

On the 22nd of December 2016, Eskom received responses from all bidders. The responses included detailed break-downs in prices and; the summary of the responses were as follows:

- i) Alstom S&E Africa (Pty) Ltd TA GE Steam Power System (Alstom) indicated that the total price implication for items listed in Annexure A and Annexure B would be 2.6%, which takes the VAT exclusive tendered price from ZAR 2,851,334,200.00 to ZAR 2,902,821,943.64 (excluding escalations);
- ii) Dongfang Electric Corporation (DEC) did not indicate a total price implication for items listed in Annexure B, and stated that such price adjustment should occur during negotiations. Dongfang Electric Corporation total price excluded VAT and therefore remains the same;

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- iii) Murray & Roberts Shanghai Electric Consortium (MRSEC) indicated that the total price implication for items listed in Annexure A and Annexure B would be 5.45%, which takes the VAT exclusive amount from ZAR 2,769,561,202.90 to ZAR 2,920,600,219.64 (excluding escalations); and
- iv) Rafako SA (Rafako) indicated that the total price implication for items listed in Annexure C would be 0.7%, which takes the VAT exclusive amount from ZAR 3,289,500,000.00 to ZAR 3,298,761,000.00 (excluding escalations).

The Eskom Technical and Eskom Financial teams confirmed that they are comfortable that the percentage adjustments provided by the bidders address the issue of comparability. The internal adjustment option mentioned above was therefore not used as it was not necessary.

Tenderers quoted as follows (Eskom evaluation based on new information received from suppliers on 22 December 2016):

Currency	MRSEC	Alstom GE	Rafako	Dongfang
CNY		CNY 139,964,928.00	-	
EUR		€32,378,917.44	€219,300,000.00	
USD		\$2,165,674.00		\$427,072,060.00
ZAR	R 2,920,600,219.64	R 2,099,782,360.00	•	:
Total	R 2,920,600,219.64			\$427,072,060.00

To enable comparison, the prices were translated from the foreign currency to ZAR amounts using the following exchange rates (Bloomberg currencies on 5/12/2016):

CNY 1.00 = ZAR 2.05

EUR 1.00 = ZAR 15.00

USD 1.00 = ZAR 14.05

ZAR 1.00 = ZAR 1.00

The converted "evaluation" price is as follows:

Currency	MRSEC	Alstom GE	Rafako	Dongfang
CNY	·	R 286,928,102.40		
EUR	· ·	R 485,683,761.54	R 3,298,761,000.00	
USD		R 30,427,719.70		R 6,000,362,443.00
ZAR	R 2,920,600,219.64	R 2,902,821,943.64		F
ZAR	R 2,920,600,219.64	R 2,902,821,943.64	R 3,298,761,000.00	R 6,000,362,443.00

NOTE: The price difference between the quoted prices and converted evaluation prices in the Alstom GE Tender submission is due to the Tenderer using different base dates for the foreign currency. For the purpose of evaluation and fair comparison, an exchange rate during evaluation had to be normalised to the market price and be applied to all Tenderers that have foreign currencies then converts to South African Rands. This resulted in Alstom GE price to change from R 2,926,822,486.27 to R 2,902,821,943.64. Prices for MRSEC, GE and Rafako

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SAexclude VAT and CPA and Dongfang price exclude VAT but include CPA and is fixed and firm for the duration of the contract.

Based on the above the least cost financial ranking is:

Supplier	Financial Ranking	90% Weighted Financial Ranking	Position
Alstom S&E Africa (Pty) Ltd TA GE Steam Power System	100%	90%	1
Murray & Roberts Shanghai Electric Consortium	101%	91%	2
Rafako SA	· 114%	102%	3
Dongfang Electric Corporation	207%	186%	4

Price Evaluation was conducted but could not be concluded without clarifications due to the following:

a. It became apparent that two tenderers i.e Alstom and MRSEC had material deviations to the technical requirements which would impact the tendered price.

b. All four tenderers had significant and material deviations to the conditions of contract which would impact the tendered price. A decision was made to adjust the risk profile by prescribing 8 (eight) Conditions of Contract (CoC) clauses with significant weighting to the risk profile. The eight CoC clauses were Delay Damages, Retention, Limitation of Liability, Employer's Risks, Latent Defects, Payment Terms, Performance Bond and Subcontracting.

c. Two tenderers i.e Rafako SA and DEC had material deviations to the commercial requirements which would impact the tendered price. The tenderers are international companies and may not familiar with the South African procurement process

d. A process was adopted to request all tenderers to normalize their tendered price by including all components and materials detailed in the issued Scope of Work which were not part of their tendered price and factor in their normalized price for all deviations which were unacceptable to the Eskom.

The price normalisation process was conducted but could not be concluded for the following reasons:

- a. Only two supplies MRSEC and Alstom normalized their price based on inclusion of Scope of Work related components and materials.
- Two tenderers i.e MRSEC and Alstom normalized their price based on the adjusted risk profile as per the eight CoC clauses.
- c. One supplier i.e Rafako SA normalized their price to cater for the material deviations to commercial requirement out-rightly rejected by the Employer.
- d. Based on responses received from tenderers, it became apparent that there is a need for Pre-Negotiations Clarifications to further clarify all items which might impact the tendered and normalized prices prior to application of 90-10 as per PPPFA.

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SHE, Quality and Supplier Development and Localization

Rafako SA did not submit their SD&L targets and indicated that the targets will be negotiated. The latter has a potential to impact the tendered price. Three tenderers submitted the SD&L targets but the implementation plan had to be discussed to test the ability to achieve the targets.

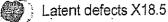
4.6.2.3. Phase 3: (PRE-NEGOTIATIONS CLARIFICATION MEETING AND SUBMISSION)

On 09 January 2017 – 17 January 2017, Eskom held pre-negotiations clarification meetings with all four Suppliers. Suppliers were requested to confirm if the tendered prices were fixed and firm, CPA escalation formulas were to be applied during the duration of the contract, the specific currencies included in the tendered the activity schedule, the payment schedule and the local and foreign portion allocated in the tender price.

In addition, Eskom identified 8 critical requirements related to contract conditions that should form part of the contract. Some of the Suppliers had indicated in their tender submission on the 22 December 2016 that some of the items related contract conditions excluded (proposed deviation and were not priced).

The 8 contract conditions items are related to (Employer asserts that should form part of the contract and tendered price) are:

- a. Delay Damages for completion of the whole of the works Clause 11.2(9) & X7.1
- b. Payment terms Z11 and clause 51 Advance Payment Bond X14
- c. Performance bond X13
- d. Retention X16
- e. Limitation of liability X18



- g. Subcontracting Z9
- h. Additional Employer's risks Core clause 80.1

Eskom clarified in detail the deviations submitted by all four Suppliers in relation to the 8 items and thereafter communicated its position on the items. Eskom's position on these items could have an implication on the Suppliers' risk profiles and therefore, suppliers were requested to re-submit a normalized price for the full scope of work and the 8 contract conditions in the tendered price.

The requirements for the normalized submission were:

- a. Percentage (%) of Advance payment.
 Indicate the currency the advance payment shall be payable.
- Total contract price for the complete scope of work.
 Local % (ZAR) of the contract price.

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Foreign % as a total of the contract price. The specific currencies as a % of the contract price.

- c. The full and complete contract price CPA clauses and formulae aligned to X1 as applicable to the Activity Schedule.
- d. The Project Programme (level 3 encompassing; Procurement, Fabrication, Transport, Construction and Commissioning).
- e. The Project Activity Schedule (priced).
- f. The Payment Schedule linked to the completed activities.

The payment schedule to indicate the payment in the relevant currency.

The payment schedule to indicate which escalation clause applies to the activity.

om S&E Africa (Ptv) Ltd TA GE Steam Power System (GE) indicated that the normalized prices dated 23 December 2016 will not be affected by 8 items and re-submitted the price schedule with applicable CPA formulas and currencies. The price was submitted according to Eskom requirements i.e with detailed price schedule with applicable CPA formulas and currencies. Financial evaluation was conducted in details indicating the total cost of the contract for the entire duration of the contract with the application of CPA escalation. The tenderer submission highlighted majority of contract deviations, which has a potential of both Parties reaching an impasse during negotiations. The deviations are on Eskom's key conditions of contract. Upon SD&L evaluation, it was highlighted that the tenderer submitted a B-BBEE certificate that is not valid and further investigations by Eskom's SD&L representatives (in consultation with Verification Agency) and Assurance and Forensic will be conducted to understand how did the tenderer obtain their invalid B-BBEE certificate.

Murray & Roberts Shanghai Electric Consortium (MRSEC) indicated that the normalized prices dated 23 mber 2016, will be affected by 1% due to the 8 items. The revised price was submitted according to Eskom requirements i.e with detailed price schedule with applicable CPA formulas and currencies. Murray and Roberts confirmed that the Consortium will formally be formed and signed off before contract award should they be awarded the contract. Shanghai Electric Consortium did not attend the pre-negotiations meeting but Murray and Roberts indicated that they are jointly and severally liable for the commitment made with respect to the pre-negotiations clarification process. The confirmation letter for the consortium was submitted signed by the CEO's of both companies.

Financial evaluation was conducted in details indicating the total cost of the contract for the entire duration of the contract with the application of CPA escalation. The tenderer indicated that they will form an Unincorporated Consortium and during the pre-negotiation clarification meeting the tenderer was requested to submit a signed Consortium agreement by 14 February 2017. Only a draft Consortium Agreement has been

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submitted to Eskom. All the Legislative requirements including CIDB registration (which requires foreign suppliers to open an office in the country), SARS certificate and B-BBEE certificate are still outstanding. Experience indicates that minimum period required to obtain these documents is a month. During negotiations the tenderer will afforded an opportunity to indicate their road-map of obtaining these Legislative requirements

Dongfang Electric Corporation (DEC) indicated that their tendered price included the CPA and was fixed and firm for the duration of the contract. They however did not indicate a total price implication for the 8 items listed. Dongfang further revised their prices based on the 8 items and the revised price is USD 366.45 Million. Fang further indicated that they were waiting for the revised offers from their South African Construction Partners for erection work etc. Once offers are received from the South African Construction partners their price will further be normalized. Dongfang did not submit the price schedule as per Eskom requirement but requested extension to the submission date. It must be noted that all outstanding mandatory documents will be requested before contract award.

Rafako SA responded but indicated that some of the 8 items that Eskom requires as part of the contract price are not acceptable to them i.e Delay Damages for completion of the whole works, bond guarantee, total contractor indemnity, compensation liability and liability of all titles. Rafako did not submit a revised price as per Eskom requirements with a detailed payments schedule breakdown with applicable CPA Formulas. They indicated that their price is not fixed and firm and that they can only firm the price 6 months after the contract award.



Rafako further indicated that they are still in the process of finding a Local partner for the Construction portion and for this reason Rafako SA requested to have at least six months optimization of this part of the proposal. This is related to finding the subcontractors and partners, applying for registration to the relevant authorities and establishment and registration of Rafako in South Africa, and signing of agreement (consortium/JV) to execute the contract in accordance with local regulations and laws.

Rafako SA further indicated that the estimated time to comply with South African Legislative requirements (i.e CIDB, SARS, Tax Clearance, COID, BBBEE and others) will be four months. Rafako will confirm on 31 January 2017 if they will be forming a JV or a Consortium and indicated that Murray and Roberts and Wetback are possible partners. It must further be noted that Murray and Robert has tendered for the same tender as Rafako.

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Rafako also stated that detailed schedule/programme linked to the BoQ will be submitted three months post contract award date.

A full financial evaluation was conducted based on the re-submissions from Suppliers. The full contract price evaluation was conducted by applying the CPA escalation formulas for full the contract duration. Eskom indicated that if Suppliers do not submit the detailed price schedule with the applicable CPAs, Eskom will make a decision with the information available on their disposal.



FINAL FINANCIAL EVALUATION SCORES (January 2017 Submissions)

The applied exchange rate is 22 November 2016 (tender closing date)

		Prices excl VAT						
	Date.	GE Alstom:	MRSEC	Rafako .	Dongfang			
Tender Price excl VAT	2016/11/22	R 2 851 334 199.30	R 2 769 561 202.90	€219 300 000.00	\$427 072 060.00			
Normalisation 1	2016/12/22	R 2 926 822 486.27	R 2 920 600 219 64	€219 917 400.00	\$427 072 060.00			
Normalisation 2	2017/01/18	R 2 926 822 486.27	R 2 946 515 413.00	€219 917 400.00	\$366 450 000.00			
Exchange Rate				R 15.02	R 14.14			
		R 2.926 822.486.27	R 2 946 515 413.00	R 3 302 235 694.92	R 5 180 870 100 00			
Advance Payment		10%	10%	10%	15%			
TCO	2017/01/20	R 3 493 316 874.00	R 3 393 290 800.00	R 3 500 369 836.62	R 5 180 870 100.00			
			Prices	ind VAT				
Date		GE Alstom	MRSEC	Rafako	Conglang			
Price Incl VAT	2016/11/22	R 3 250 520 987.20	R315729977131	£250 002 000.00	\$486.862.148.40			
Rónnalisation I	2016/12/22	R3336577634.35	R 3 329 484 250 39	€Z50 705836.00	\$486 862 148.40			
Normalisation 2	2017/01/18	R 3 336 577 634.35	R 3 359 027 570.82	€250 705 836.00	\$417 753 000.00			
Exchange Rate				€15.02	\$14. 1 4			
PURE INTEREST		R 3 336 577 634.35	R 3 359 027 570.82	R 3 764 548 692.21	R 5 906 191 914.00			
Advance Payment		10%	10%	10%	15%			
ico:	2017/01/20		R 3868 351 512.00	R 3 990 421 613 74	R5906-121.914.00			

1) The least cost Tenderer is Murray & Roberts Shanghai Electric Consortium.

The price difference between the above Tenderers is marginal. 3) The Tenderers have been evaluated based on the pricing schedules submitted and it must be noted that Rafako did not submit according to Eskom requirement and all four Tenderers have been given an opportunity to submit a detailed price schedule as stated below.

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The financial evaluations of the recommended Tenderer were submitted to Generation Finance Department and was evaluated by Ms Lize Bowie and approved by Ms Ragini Ramkumar. The findings are that the two lowest price tenders were received from Murray & Roberts Shanghai Electric Consortium and Alstom S&E Africa (Pty) Ltd TA GE Steam Power System.

4.6.4 RISK IDENTIFIED ON FOUR TENDERER'S

Tender	Risk	Mitigation Factor	LEVEL (High/Medium/Low)
GE	 Contracting with Tenderer that has submitted an invalid B-BBEE certificate. Negotiations not concluded in time due to impasse on key conditions of contract. 	certificate to Assurance and Forensic for further investigation.	Medium
MRSEC	 Failure by the Consortium to meet all the mandatory requirements for contract award especially submission of the Tax Clearance Certificate by 7 March 2017. 	 Eskom to inform the tenderer to submit the mandatory requirement for contract award by 08 March 2017. 	High
	 Failure by the tenderer to submit a signed Unincorporated Consortium Agreement by 14 February 2017. 	 Eskom to inform the tenderer that they need to submit a signed Unincorporated Consortium Agreement by 7 March 2017. 	Medium
Rafako SA	 Tenderer failure to submit the Legislative requirements and indicated that it will take four months to comply. Tenderer indicated that the price is a budget price and will be firmed after 6 months post contract award. 	 None, Tenderers time-lines are beyond Eskom's desired contract award date thus exposing Eskom to a R1.69 billion penalty by the Insurer Exclude the Supplier for the Negotiations 	High High
DEC	 Tenderers price is too high compared to the other three tenderers'. 	 Negotiation team to challenge the submitted price and possibly negotiate the price down. 	High

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Based on the risks identified above, it will be prudent for the negotiation team to enter into negotiations with three Tenderers namely GE, MRSEC and DEC. Rafako SA should be excluded from the negotiations due to their risk profile mentioned above. It must be noted that BTC on 20 January 2017, approved a revised mandate to negotiate with a minimum of 2 (two) up to a maximum of 4 (four) tenderers. It is therefore against the backdrop of this mandate that the negotiation team recommends that negotiations be held with GE, MRSEC and DEC.

4.7 SD&L EVALUATION

APPLICATION OF SD&L REQUIREMENTS

The Supplier Development and Localization (SD&L) evaluation was conducted by Mr Rojane Qacha and signed-off by Mr Manase Mathabathe, Senior Manager SD&L- Group Commercial, who concurs with the recommendation contained herein.

The B-BBEE evaluation was conducted on a 90/10 principle, where 90 points was allocated for the price and 10 points for B-BBEE. The B-BBEE evaluation was based on the submitted valid B-BBEE certificate and Tenderers score is as follows:

1. 1. 4. 4. 4. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1.						
Company		EO BWO			Completion	Comment
name	Level points	BY0	points		matrix	
			10%		score	
			weight			
	EME4	BO=0.0%	0.00	06 Sen 2017	Submitted	arnekarfidavitusanyalio
Denciand		BW0=0.0%	1000			for offshore based
		DIVOPULA				renderer
						The state of the second
Alston S&E	Level 3	BO=26.12%	0	06 Oct 2017	Submitted	The authenticity of the
	F. P. C.	BWO=12.46%				B-BBEE certificate is
			* (not confirmed. The
				obsinalia o		submitted B-BBEE
	養養					certificate is invalid.
MRPE & SEC	Not	Not submitted	0	Not submitted	Submitted	
	submitted					
	20.00	TRISACLE BESTER AND AND ADDRESS OF THE ADDRESS OF T	:0	Not submitted	Not *	Description of the second
Rafako	Not	Not submitted		HAFORNIHIER	为数据的经验的	
	submitted		图1350年1521年	阿尔克尔森和艾州东 亚	submitted	

SD&L also consist of objective criteria where Tenderers were required to complete and return Compliance Matrix. Below is the Tenderers completed Compliance Matrix which will form basis for negotiations:

Note: The PPPFA may also not apply to tenders that target an international supply market, or where in the interests of national security, or in the public interest, it is not practical to apply the provisions of the PPPFA, in which case an exemption from the PPPFA may be sought.

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Dongfang Electric Corporation

Criteria ·				Weight (%) Total Targ		get (%)	Proposed Target (%)			Total Overall Weighted Score		
Local Content to South África as a percentage of Contract Value				25.	.00%		100%		30	, 3	0.00%	
Local Content Local to Site as a percentage of Contract Value			-	25.	.00%	- 6	000			9.5 30:	0.00%	
Procurement from BO as a percentage of Contract Value				25.	.00%		ioy :			Š	0.00%	
Skills Development	······································	······		25.	.00%					1.5	0,00%	
Total Score		 -		100	.00%		-			- 0 (3)		
						elopment a	and Localisa	ion Score			0.00%	
rable 2: A2.1 SKILLS DEVELOPME	NT COMPLIANC	E MATRIY										
Skill Type (Occupation)	OFO Occupation	-			Target No Persons t Trained (South Afr	Local to	Proposed N Persons to Trained (Local to South Afric	be	of Persons to be Trained	Proposed Number of Persons to be (Local to Site	· Coara	
nethod 1: Occupation Qualification .g. Safety Officer			25.00%			ń.	60)		. 60	0.00%	
Nethod 2: Fillers, Rigging, A Class Velders			50.00%				. 22	?		14	0.00%	
fiethod 3; Candidales-3years liptomas e.g. Technicians			25.00%				18	}		6	4 0.00%	
	Total		100.00%			00	10	0	- P) "	80	0.00%	

Negotiation/Clarification Points: The Tenderer has submitted a sworn affidavit to declare EME 4 status. Since the company's physical address is in China and not in South Africa the affidavit is invalid and the tenderer gets zero preferential points.

Other negotiation points: The Tenderer is required to propose the number of jobs to be created and retained.

Other negotiation points: The Tenderer is required to declare a list of designated commodities and the local content in Annexure C that meets the threshold.

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Joint Venture between Murray and Roberts Power and Energy (MRPE) and Shanghai Electric Power Generation Services Company (SEC)

Criteria			Weight (%) Total T		Total Tar	Total Target (%)		Proposed Target (%)		Total Overall Weighted Score	
Local Content to South Africa as a percentage of Contract Value			25.00% 40.000		00%	. 44.46%		2	0.00%		
Local Content Local to Site as a percentage of Contract Value			25.00%		2600		6%		0.00%		
Procurement from BO as a percenta	age of Contract Val	ue		25.	.00%		100%		10%		0,00%
Skills Development			-	25,	.00%			•			7.4.0.00%.
соге				300	.00%		•			ACT 182	
			Total Sup	oplier Deve	elopment a	ınd Localisat	ion Score			. 0.00%	
Table 2: A2.1 SKILLS DEVELOPMS	ENT COMPLIANCE	E MATRIX					· · · · · · · · · · · · · · · · · · ·			In	
Skill Type (Occupation)	OFO Occupatio	Weight (%)	•		Target No Persons t Trained (South Afr	imber of to be Local to	Proposed N Persons to I Trained (Local to South Africa)e 	of Persons to be	Proposed Number of Persons to be (Local to Site)	Total Weighted Score
Method 1: Occupation Qualification .g. Safety Officer			25,00%				60		all a	60	0.00%
flethod 2: Fitters, Rigging, A Class Velders		1	50,00%			10	22			14	0,00%
fiethod 3: Candidates-3years iplomas e.g. Technicians			25.00%				18			. 6	0.00%
	Total		100.00%		N. S. S. S.	Ó 🐣	0		200	0	0.00%

Negotiation / Clarification Points. The tenderer has not submitted a valid BBBEE certificate for the JV, therefore scoring zero preferential points. Only the BBBEE certificate for the local black owned lead partner has been spitted.

Other negotiation points. The tenderer submitted local content proposal of 44.46% in the unsigned Annexure C which differs from the local content of 40% proposed in the unsigned SD&L compliance matrix.

Other negotiation points. The Tenderer submitted detailed list of skill types and the respective number under each group. These are accepted as obligations in the contract.

Other negotiation points. The Tenderer is required to propose the number of jobs to be created and retained.

Other negotiation points: The Tenderer is required to declare cables with local content threshold of 90% and valves with local content threshold of 70% as distinct designated commodities in Annexure C.

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Rafakos SA

Negotiation / Clarification Points. The Tenderer did not submit BBBEE certificate therefore obtains zero preferential points.

Other negotiation points. The Tenderer proposes local content of 40.2% under the construction and local supplies portion of the price offer. This must be submitted in the SD&L compliance matrix.

Other negotiation points: The Tenderer is required to complete and submit the SD&L compliance matrix.

Other negotiation points. The Tenderer is required to propose the number of jobs to be created and retained.

Other negotiation points: The Tenderer is required to declare a list of designated commodities and their respective local content in Annexure C that meets the threshold.

Post Pre-Negotiation Clarification Meeting- Rafako SA stated that SD&L costs are part of "C Portion" (budgetary portion). The budgetary portion will at least take 6 months to optimize. For this reason the Contractor reserves the right to have at least six months optimization of this part of the proposal.

4.9 SHEQ EVALUATION OF TENDERS

The SHE evaluation was conducted by Ms. Len Msimanga and Ms. Kgaugelo Sedibeng, signed-off by Mr. Themba Mdaka and authorized by Mr. Tshepo Molabe from Group Capital Division, who concurs with the recommendation contained herein. The following criteria from SHE Specification were used to evaluate the tenders:

ion	Supplier Tender Submissions	Total						
<u> </u>		100%						
1	Letter of good standing	10%						
2	SHE policy	10%						
3	Latest structure/organogram of the SHE Department and abridged qualifications of persons.	10%						
4	Safety & Environmental Management Plan							
5 .	Baseline risk assessment with monitoring plan, review plan and rating matrix							
6	Method statement							
7	Historical Information (Less than 2 years): Annexure 1 incident report Sample of corrective and preventive action reports Internal Audits (Environmental).	10%						
8	Acknowledgement of Eskom's rules and requirements (Annexure B)	5%						
9	Costing for Safety, Health and Environmental management	10 %						
Total		100%						

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The following criteria from SHE Specification were used to evaluate the tenders: $\sqrt{}$ Minimum requirement met and \times -Requirement not met

No	CRITERIA			Γ		COMMENTS
	· '	MURRAY ROBERTS	ALSTOM/GE	DONGFANG	RAFAKO (SA)	
1	LETTER OF GOOD STANDING					
	Date of expiry	√	1	1	×	Rafako (SA) - The letter of good standing submitted is not relevant to the scope of work tendered for. It is registered under ERIGER PTY LTD.
	SHE POLICY					
	Be appropriate to the nature and scale of theorganisation's SHE risks.	1	٧		1	
	 Include a commitment to continual improvement. 	7	7	×	1	
• •	 Include a commitment to at least comply with current applicable SHE legislation and with other requirements to which the organisation subscribes. 	7	7	x	1	
	Be documented, implemented and maintained.	7	4	×	1	
	 Be reviewed periodically to ensure that it remains relevant and appropriate to the organisation. 	7	7	×	×	Rafako Policy signed 2013 and not authorized. Review date for GE policy to be confirmed.
	ORGANOGRAM SHE DEPARTMENT					
.gr.mag	AND ABRIDGED QUALIFICATION.					
	Structure	٧	7	1	×	
	Proof of qualification (SHE)	1	7	×	×	
	Professional Registration (SACPCMP)	1	7	7	×	
	Incident Investigator	×	7	· ×	×	
	SHE Representative	×	7	x	,×	
	First Aider	×	7	×	×	
	HCS Controller	×	-1	×	×	



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A	SHE PLAN	' 0	<u> </u>	I		COMMENTS
		COBERTS	ñ	O.	SA)	
	,	MURRAY ROBERTS	ALSTOM/GE	DONGFANG	RAFAKO (SA)	
	• commitment to comply with the SHE	<u>≥</u>	7	7	- 	
	Legislation		'		,	
	 communication and awareness 	1	\	4	1	
	housekeeping program	√.	7	1	1	A detailed housekeeping programme to be submitted by Murray and Roberts
	SHE Emergency preparedness and fire protection process	1	J	1	1	
	Management of PPE	1	1	1	7	
	Management of lifting equipment	7	7	7	1	
	Management of incident	1	٠.√	1	1	
			,			
	 Competency, training and appointments 	7	1	√.	√ .	
	Management of waste	1	1	1	7	
	Management of dust and Noise	1	7	1	7	
5	RISK ASSESSMENT					
	(RELEVANT TO SCOPE OF WORK)					· ·
	Risk Identification	7	7	×	7	Rafako SA- Risk assessment not detailed and relevant to the Scope of Work
		√ .	J	×	×	the deope of work
	Risk Analysis		Y /			
	Impacts and Aspects Register	√	٧	×	×	
	Risk Controls / Safe work procedures	√	√	×	×	
	Matrix and Rating	√	7	×	×	
	Monitoring Plan	7	×	×	×	
	Review Plan ,	×	×	×	×	
6	METHOD STATEMENT					
	(RELEVANT TO SCOPE OF WORK)					
	 Proffered safest method 	1	×	7	×	GE and Rafako did not submit the detailed method statement.
		,				- Constitution of the cons

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7	HISTORICAL INFORMATION OF	100			···	COMMENTS
'	INCIDENT AND CAR (LESS THAN TWO	MURRAY ROBERTS				
	·	RE	•			
	YEARS)	<u>S</u>	띥	ဋ	S,	
		<u>}</u>	NI/C	-Ar	9	
		꾟	ALSTOM/GE	NGI	₹Aγ	·
		D M	AL!	DONGFANG	RAFAKO (SA)	
	Annexure 1 incident report	7	1	×	4	
	Incident records	1	$\sqrt{}$	×	×	,
	(achievement/certificate)					
	Corrective and preventative action	√.	√ :	×	×	
	reports(SHE related CAR)					
8	ACKNOWLEDGEMENT OF ESKOM'S					
	RULES AND REQUIREMENTS					
	(ANNEXURE B)					
	Is the acknowledgement of Eskom's	×	×	×	×	Information is required prior to contract award.
ļ	SHE rules and requirements form					·
	(Annexure B) signed and submitted by				:	·
	the tenderer?					
9	COSTING FOR SAFETY, HEALTH AND	<u> </u>				
	ENVIRONMENTAL MANAGEMENT					
	Has the tenderer submitted detailed (The	× .	×	×	×	Information is required prior to contract award.
	cost should be broken down not provided					
	as a lump sum) costing for SHE, i.e. –					
	 based on the overall scope of 		٥			
	work/service to be performed;			ļ	,	
- with	wondsetatee to be benomined.					
	the generic scope of work/service risk					
	assessment – will may serve as a					
	guideline.		}			
——						

Summary of SHE scores as an objective criteria

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Tenderer	Maximum to be achieved	Score Achieved
Murray & Roberts	100%	76%
Alstom / GE Steam Power System	100%	65% ,
Dongfang Electrical	100%	44%
Rafako SA	100%	37%

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ology and

- Before contract award, the winning tenderer will be required to submit all SHE outstanding documentation.
- A copy of the SHEQ evaluation report will be available upon request.
- A signed-off safety evaluation report was received from the relevant safety functionary.

4.10 QUALITY

Quality evaluation was conducted by Mr Sipho Sambo and signed-off by Ms Pamela Dondashe from Sustainability Division, who concurs with the recommendation contained herein. The following criteria from Quality were used to evaluate the tenders:

A) Column	Unique Identifier	QM-5	
「G/CSKOM Supplier Quality Management: List of Tender	Revision	8.00	
Returnables Documents	Effective Date	18/07/2013	
	Specification -	QM 58	
Category 1: Quality Requirements Deliverables to be eval	uated indicator = 1	Weights	
SECTION A: Quality Management System Requirements IS Valid certification of Quality Management System by an IS	O 9001:2008 O accredited body		
		Apply (Yes=1)	
A.1 Product / Service Scoping on ISO 9001 certificate is defined	and relevant	1	_
A.2 Certificate by Approved and Authorized certification authorit	1	25%	
A.3 Certification Authority has Recognized International Accred		1 ·	
A.4 Validity (expiry date) of certificate		1	
ction A Score		4	

51544462)	Apply (Yes=1)	
B.1 Copy of appointment letter & CV/ resume of a Quality Representative for the project	1	
B.2 Signed Organisational structure & Quality Department reporting structure.	1 .	
B.3 Copy of procedure for control of suppliers & subcontractors	1	
B.4 Copy of an internal management system audit report (with NCR, corrective & preventive report)	1	25%
B.5 Copy of an external management system audit report (with NCR, corrective & preventive report)	1	2070
B.6 Copy of Customer satisfaction surveys	1	
B.7 Copy of a Quality Plan (incl ITP's) on previous project < 2yrs	1	
B.8 Historical Information (list) of similar work performed < 2yrs	1	
Section B Score	8 .	

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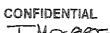


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SECTION C: Contract Quality Plan Requirements (Ref QM-58 and 240-109 Contract Quality Plan as per Scope of Works (Ref ISO 10005)	253698)	
NBIIII draft Contract/Project Quality Plan has important QA deliverables	Apply (Yes=1)	20%
Section C Score	1	

SECTION D: Quality Control Plan Requirements (Ref QM-58 Annexure 1 or 240-5 QCP /Checklist/ JTP (Quality Control Plans) as per Scope of Works (Ref ISO 10005 /	and the second s	
NB!!!! draft QCP/ITP (job cards) haves important QC deliverables	Apply (Yes=1)	7000
	1	20%
Section D Score	1	

SECTION E: User defined additional Regulrements & miscellaneous (Ref QM-58) Customer specific requirements & other standards and required can be listed and evalua	the second of the second of the second of	
	Apply (Yes=1)	
E.1 Form A is completed and signed.	1	10%
E.2 Copy of proposal and/ or assessment results of any recognized Business Excellent Model	· 1	
Section E Score	2	·



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Below is tenderer's Quality evaluation, √- Minimum requirements met and ×- Requirements not met: COMMENTS MURRAY and ROBERTS RAFAKO (SA) Sec ALSTOW/GE DONGFANG Section A: Quality Management system Α A CV of the contractor's quality representative to be В Section B: Additional Quality requirements appointed fulltime for the works. Latest organogram of (structure, suppliers, history) the quality function/department, resources, and number of employees employed in the quality department, including an abridged indication of their qualifications (structure to show how the quality department leader within the tenderer's organisation). reports to Management of suppliers or subcontractor- A copy of process/procedure regarding the assessment, selection, auditing suppliers management and subcontractors. (a) Historical Information, (b) Audit reports with Non-conformance report, corrective action & preventative action reports, (C) Customer Survey Report. A provisional CQP for the project. The CQP provide a C Section C: Contract Quality Plan demonstrate comprehensive strategy to consistency of design and philosophies across all the units during the overall project implementation will be ensured. Clearly identify roles, responsibilities and expectations throughout the project and the tenderer to demonstrate correct allocation of experienced resources throughout the project period. A provisional QCP for the project. The QCP provide a D Section D: Quality Control Plan comprehensive Quality control process, to ensure worldclass engineering practice will be achieved during the implementation of the project, by others to be overseen by the tenderer as well as any subcontractors forming part of the project. Methodologies must be provided to demonstrate how installation practices will be managed and carried out to ensure compliance to the details

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designs and the Employer's requirements.



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	Section E: User defined & additional Quality	7	1	\exists	×	Signed enquiry/contract/order quality requirements
	requirements					forms (QM58 Annexure A & B). Any other quality
						requirements such as transportation and shipping or
						storage and preservation, quality management
•						accreditations that are specifically required, such as AIA,
;						NDE, PSIRA, CIDB or RBI auditor certification etc.
					ļ	Provide a list of standards that exceeds the standards
						referenced in the Works Information to which the works
						provided by the Tenderer, adheres to.

ications items to be addressed with the tenderers:

Supplier	Comments
Murray and Roberts & Shanghai Electric	Tenderer to submit draft CQP and ITP.
Alstom T/A GE Stream Power System	Tenderer to submit draft CQP.
Dongfang Electric Corporation	Tenderer to submit draft CQP and ITP.
Rafako SA	Tenderer to submit draft CQP and ITP.

Summary of tenderer's Quality scores as objective criteria

·		Sectio	n Quality Cri	teria		100%
Name of Tenderer	Section A	Section B	Section C	Section D	Section E	Objective Criteria
Criteria weights	25%	25%	20%	20%	10%	allocation for Quality
Critical description	QMS Requirement s	QMS Evidence Requirements	Contract Quality plan	Quality Control plan	Customized Requirements	Pro-rata score (%)
Murray & Roberts Shanghai Electric	25.0%	18.6%	20.0%	0.0%	4.0%	67.57%
Alstom T/A GE Stream Power System	25.0%	25.0%	20.0%	20.0%	10.0%	100.00%
Dongfang Electric Corporation	25.0%	11.4%	12.0%	20.0%	5.0%	73.43%
Rafako SA	25.0%	12.9%	4.0%	4.0%	0.0%	45.86%

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4.11. SUMMARY OF EVALUATION SCORING

4.11.1 SUMMARY OF TENDERED PRICES

SUMMARY OF TENDERED PRICE Supplier	Quote	Points for quote	BBBEE Level	BBBEE Points	BBBEE POINTS (90/10)	Total app points
Alstom S&E Africa (Pty) Ltd TA GE Steam Power System	R 2,902,821,943.64	87.42	EME 4	0	0	90.00
Dongfang Electric Corporation	R 6.000.362.443.00	42.59	Level 3	0	0	-6.04
Murray & Roberts Shanghai	R 2,920,600,219.64	90.00	No Submission	0	0	89.45
Electric Consortium Refako SA	R 3,298,761,000.00	87.16	No Submission	0	0	77.72

The final PPPFA 90/10 outcome is as follows:

	•					
Bidder - Owginal price	Adjusted price	Adjusted Price in	Final Adjusted Price		企业等等等	90/10
22 November 2016	23 December 2016	January 2017	Total Cost of	(90)	88E	
		1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1	Ownership excl		E(10)	
			VAT -January 2017: * * =			
	D 0 000 004 042 04	R 2 926 822 486.27	R 3 493 316 874.00	87.35	0	87.35
GE R 2,851,334,200.00	R 2,902,821,943.64					00.00
MRSEC R 2,769,561,202.90	R 2,920,600,219.64	R 2 946 515 413.00	.R3 393 290 800,00	90.00	0	90.00
Rafako SA R 3,289,500,000.00	R 3,298,761,000.00	R 3 302 235 694.92	R 3 500 369 836.62	87.16	٥,	87.16
DEC R 6,037,944,784.28	R 6,037,944,784.28	R 5 180 870 100.00	R 5 180 870 100.00*	42.59	0	42.59
DEC 2007,044,104.20	1,0,00. 15 3 11 0 11.20	<u> </u>	l. Numerobie did not ob	L COOCO	lua thei	r price

Note: * DEC final adjustment price showing the Total Cost of Ownership did not change due their price being fixed and firm for the duration of the contract.

The adjusted figures above were confirmed from Eskom Finance evaluation team, which was compiled by Lize Wie (Financial Evaluator) and signed by Ragini Ramkumar (Financial Approver).

4.11.2 FINANCIAL EVALUATION AND CPA COMMENTS

A financial evaluation of the supplier's business was conducted as a result of the following potential risks to Eskom:

No.	Identified risk	Reason for risk
1	Foreign Exchange	Suppliers tendered with foreign amount
2	Material and Labour Costs	Copper and Steel commodities price fluctuation
3	Construction cost escalation	Compensation events
4	Tenderers have multiple contracts	Exposure to Eskom in case the company is liquidated and fail
•	with Eskom	to supply

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4.12. FINANCIAL ANALYSIS

The financial statements of the recommended supplier were submitted to Eskom Treasury Department and compiled by Ms Malebo Segwai and reviewed by Mr Arthur who has carried out the financial analysis. The findings are that Rafako Group, General Electric Company, Dongfang Electric Corporation Limited And Murray & Roberts Holdings Limited are financially acceptable to enter into a contract of this magnitude.

RAFAKO GROUP is relatively sound enough financially to be awarded a contract to the value of R4.8 billion for the Procurement, Fabrication, Transportation and Construction of the Unit 3 Boiler at Duvha Power Station for a period of 52 months, per reference number Corp 3571. In order to reduce Eskom's risk, payments should be made as work is performed and approved in terms of the contract.

GENERAL ELECTRIC COMPANY is relatively sound enough financially to be awarded a contract to the value of R4.8 billion for the Procurement, Fabrication, Transportation and Construction of the Unit 3 Boiler at Duvha Power Station for a period of 52 months, per reference number Corp 3571. In order to reduce Eskom's risk, payments should be made as work is performed and approved in terms of the contract.

DONGFANG ELECTRIC CORPORATION LIMITED is relatively sound enough financially to be awarded a contract to the value of R4.8 billion for the Procurement, Fabrication, Transportation and Construction of the Unit 3 Boiler at Duvha Power Station for a period of 52 months, per reference number Corp 3571. In order to reduce Eskom's risk, payments should be made as work is performed and approved in terms of the contract.

MURRAY & ROBERTS HOLDINGS LIMITED is relatively sound enough financially to be awarded a contract to the value of R4.8 billion for the Procurement, Fabrication, Transportation and Construction of the Unit 3 Boiler at Duvha Power Station for a period of 52 months, per reference number Corp 3571. A written commitment that, should this contract be awarded is required, the company would still be able to honour this contract and all existing contracts. Furthermore, in order to reduce Eskom's risk, payments should be made as well as performed and approved in terms of the contract.

The report is available on request.

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0				
July 2015				
company				
Secretary Department				

EXECUTIVE SUMMARY

SUBMISSION TO THE BOARD TENDER COMMITTEE MEETING (BTC) ON 8 MARCH 2017

1. TITLE OF THE SUBMISSION

Duvha Unit 3 Recovery - Project Status Update Report and Contract Award Notification for the Refurbishment of Duvha Unit 3.

2. RESOLUTION REQUIRED

Approval be and is hereby granted

- That Board Tender Committee Note the Duvha Unit 3 Recovery Project Status.
- 2.2. That the Board Tender Committee support the recommendation to conclude a contract with Dongfang Electric Corporation Limited (DEC), for the manufacturing, factory acceptance testing, procurement, fabrication, shipping and delivery to site, erection and commissioning of Unit 3 at Duvha Power Station

2.3.

2.4.

2.5.

2.6. That the Group Executive: Group Capital Division be authorised to take all the necessary steps to give effect to the above, including the signing of any agreements, consents or other documentation necessary or related thereto.

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3. SUMMARY OF FACTS

3.1. Salient facts

- 3.1.1. On 20 January 2017, BTC approved amendment to the original mandate to negotiate with a minimum of 2 (two) up to a maximum of 4 (four) suppliers.
- 3.1.2. The negotiations were held with 3 (three) suppliers from 27 January 2017 to 27 February 2017 and Eskom intends awarding the tender to the successful tenderer on 8 March 2017 ("Contract Award date").
- 3.1.3. Upon conclusion of negotiations, all 3 (three) suppliers were requested to submit their Best and Final Offer (BAFO) which include all negotiation outcomes and Eskom requirements which might have impacted project risk profile on 3 March 2017 at 10h00 South African time. All 3 (three) submitted their BAFO via the Eskom Tender Office on 3 March 2017 and the BAFOs were evaluated. The final results of the evaluation are depicted in Table 1 below.
 - 3.1.4. The negotiation proceedings were as follows:
 - Alstom S&E Africa Pty Ltd Trading as GE Steam Power Systems (GE): The supplier submitted major contract conditions deviations with its tender which required clarification and negotiation. The deviations are on Eskom's key conditions of contract which are Refention, Payment terms, Delay damages, Defects period, Limitation of Liability, Sub-contracting and Technical requirements. The parties held negotiations between 27 January 2017 and 03 February 2017. After intensive deliberations, the parties reached agreement on all the conditions.

However, of major concerned to Eskem since the submission of the supplier's tender was the validity and authenticity of the B-BBEE Certificate. Eskem highlighted its concern about the validity and authenticity of the B-BBEE Certificate to the supplier in both the clarification meetings and negotiations. Upon request by Eskem to the supplier to submit a valid and authentic B-BBEE Certificate the supplier submitted the same certificate whose validity and authencity could not be proven which is invalid. The Assurance & Forensic department was engaged to investigate the matter and its findings were that the B-BBEE certificate was invalid. The Verification Agency which verified the B-BBEE also confirmed that the certificate was invalid. Eskem wrote to the supplier to provide



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written reasons as to why it submitted an invalid B-BBEE certificate. Eskom has also written to SANAS to verify the validity and authenticity of the B-BBEE certificate on or before the Contract Award date. SANAS responded and confirmed that the certificate was invalid and that it should not have been used for tender submission.

3.1.4.2

Murray & Roberts Power & Energy and Shanghai Electric Power Generation Services Company (MRSEC): The tenderer submitted a tender as a consortium. The tenderer also submitted major deviations to the contract conditions which needed clarification and negotiation. All deviations were discussed and agreed to during the negotiations. The tenderer was requested to submit the BAFO and all the mandatory legislative requirements for contract award which includes a Valid Tax Clearance Certificate for the consortium, CIDB registration (which requires foreign suppliers to open an office in the country) and B-BBEE certificate. On 3 March 2016 the tenderer submitted a signed Unincorporated Consortium Agreement. Further, on 3 March 2017, the tenderer indicated that it is and still working on assisting their Consortium partner (Shanghai Electric Corporation - SEC) to register a local entity and thereafter apply for SARS certificate. Although MRSEC has indicated that they will submit the Tax Clearance Certificate for SEC by 12:00hr today Wednesday 8 March 2017 at noon it may not be the case and this process may be concluded beyond Eskom's desired Contract Award date. The PPPFA and its Regulation of 2001 and the Eskom Procurement and Supply Management Procedure, Eskom is precluded from awarding a contract to any person whose tax matters have not been declared by the South African Revenue Services to be in order.

3.1.4.3

Dongfang Electric Corporation (DEC): The supplier had major deviations with its submitted tender. The deviations were negotiated and agreed to by the parties. During the negotiations, the supplier clarified that their adjusted price was fixed and firm during contract period. Eskom requested the tenderer to submit its BAFO on 3 March 2017 based on the negotiations. In its submission of the BAFO on 3 March, the tender indicated that its materials will not comply with the European Norms (EN) standard but will adopt GB (Chinese Standards and Codes). The tenderer's price is higher than that of the two suppliers.

Due to the tenderer submitting BAFOs one with a fixed and firm price and the other two without Contract Price Adjustment (CPA),

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life cycle cost model was conducted in order to compare all three tenderers on a common basis and the results are depicted in Table 1 below.

- 3.1.5. Reasons for recommending Dongfang Electric Corporation (DEC) as the successful tender.
- 3.1.5.1 Although DEC is the lowest ranked based on the 90/10 application of final evaluation criteria, DEC presents the lowest risk profile out of all the three bidders.
- The other two contractor's price kept going up through clarifications and negotiations. Their prices are subject to escalations and from past experience with them, cost overruns have been the normable price was the only one going down and their BAFO is fixed and firm for the contract period.
- Due to the tenderer submitting BAFOs one with a fixed and firm price and the other two with Contract Price Adjustment (CPA), a Total cost to Completion (TCTC) model was conducted in order to compare all three tenderers on a common basis and the results are depicted in Table 1 below.
- 3.1.5.4 Alstom scored the highest points for price, followed by MRSEC and DEC. Although Alstom scored the highest points in respect of the price, it submitted an invalid and unauthenticated B-BBEE Certificate. Alstom should be disqualified based on PPPFA clause relating to submission of false information pertaining to a tender.
- 3.1.5.5 MRSEC scored the second highest points for price. However, the tenderer failed to submit proof of confirmation by SARS that its Consortium partner's tax matters are in order in terms of the applicable legislation. This also is a mandatory requirement for contract award.

Dongfang Electric Corporation scored the lowest points in respect of price. However, this this the only tenderer whose price is fix and firm price for the duration of the contract. Although tenderer's price is R254M more than that of MRSEC, the risk of inflationary increases has been mitigated through the price being fixed and firm for the duration of the contract period. In the absence of similar offer by MRSEC, the risk of inflation is prevalent which will impact on the tendered price. Other risks relating to the award of the tender to MRSEC are as follows:

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Duvha Unit 3 Recovery Project Status Report

3.1.5.6



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- 3.1.5.6.1 Delays in the execution of the project as has been seen in the Medupi and Kusile project where Murray and Roberts was a subcontractor.
- 3.1.5.6.2 Murray and Roberts was involved in collusion in the construction of the 2010 Soccer World Cup stadiums and one of its subsidiaries was involved in collusion in the construction of roads.
- 3.1.5.6.3 In light of the above and the interest of Eskom and curbing the escalation of costs during the execution of the contract, it is submitted that DEC's price make more economic sense than MRSEC and therefore DEC should be awarded the tender.
- 3.1.6 It is the team's intention that the Letter of Award be signed 08 March 2017and the Conditions of Contract which is an NBC 3 ECG contract that contains all the terms and conditions as per negotiation outcomes will be signed on or before the Friday 17 March 2017.

3.2. Key assumptions

- Eskem has secured the right supplier that is capable and have capacity to recover Unit 3 at Duvha Power Station within the stipulated contract period.
- The successful Supplier accepts the final contract with all conditions within acceptable time and does not withdraw.

3.3. Financial implications

Table 1 below, depict the TCTC of the project:

Supplier Name	BAFO (Excluding VAT)	TCTC (Excluding VAT)	Comments
GE Alstom	R 3,027,316,340	R3,527,536,099	With Escalations
MRSEC	R 3,299,784,042	R3,756,624,683	With Escalations
DEC	R4,011,008,499	R4,011,008,499	Fixed Price

3.4. Human resources implications

None.

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3.5. Risks (including Environmental, Legal or Contractual risks)

RISK	CAUSE	LEVEL (High/Nedi um/Low)	MITIGATING FACTORS
Failure to award the contract by 30 March 2017 resulting in Eskom suffering a R1.67 billion insurance penalty.	negotiation process and conclude a contract before 31 March 2017.	High	 Expediting evaluation, negotiation process and conclude contract by 28 February 2017. Agree on conditions of contract before the finalisation of negotiations.
Suppliers not submitting mandatory requireme nts for contract award.	Delay in notifying successful Supplier resulting in a successful Supplier not to have adequate time to get required documentation and approvals.	High	Award the Contract by the 10 March 2017 to allow successful Supplier adequate time to acquire all documents.

3.6 Verification by independent party (if applicable)

KPMG has been appointed to provide assurance in the evaluation and negotiations process.

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4.	OTHER	APPROVALS	REQUIRED

None.

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GENERAL MANAGER (ACTING) COMMERCIAL DIVISION

Abram Masango GROUP EXECUTIVE: GROUP CAPITAL 8.03.2017

Date:

Edwin Mabelane

CHIEF PROCUREMENT OFFICER

COMMERCIAL DIVISION

Who hereby represents that the above information is correct

Submission prepared by: Thami Mnguni

Contact Number: (011) 800 5873

⊕ Eskom	
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EXTRACT OF MINUTES

Template ,	240-43921804	Rev	5
Document Identifier	240-123927074	Rev	1
Effective Date	08 February 2017	**************************************	
Review Date	February 2020	g-h-#4-4-	

EXTRACT FROM THE APPROVED MINUTES OF THE ESKOM BOARD TENDER COMMITTEE MEETING 13-2016/17 HELD AT THE HUVO NKULU BOARD ROOM, MEGAWATT PARK ON 8 MARCH 2017 AT 09H00

Group Capital

Mandate to negotiate and conclude contract for engineering, procurement and construction as part of return of Duvha 3

IT WAS RESOLVED THAT:

The Board Tender Committee noted:

7.1.1 The Duvha Unit 3 Recovery Project Status.

The Board Tender Committee approved:

- 7.1.2 the recommendation to conclude a contract with Dongfang Electric Corporated Limited (DEC) for the manufacturing, factory acceptance testing, procurement, fabrication, shipping and delivery to site, erection and commissioning of Unit 3 at Duvha Power Station with a contract value.
- 7.1.3 a contingency amount of

of the contract values at an amount of

7.1.4

7.1.5 the total combined contract value of

xcluding VAT and a contract duration

ठा ६३ (sixty three) months; बात



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Holdings SOC

7.1.6 that the Group Executive: Group Capital be authorised to take all the necessary steps to give effect to the above including the signing of any agreements, consents or other documentation necessary or related thereto.

CERTIFIED AS A TRUE EXTRACT

- Namo

S Daniels (Ms)
GROUP COMPANY SECRETARY
Date: [0]4] 2017

ABM)



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EXECUTIVE SUMMARY

SUBMISSION TO THE BOARD TENDER COMMITTEE

1. TITLE OF THE SUBMISSION

Status Update and Contract Award Notification: The Procurement, Fabrication, Factory Acceptance Testing, Shipping and Delivery on Site, Construction Testing and Commissioning of a Pulverised Coal Fired Boiler for the Duvha Unit 3 Recovery Project



2. RESOLUTION REQUIRED

THE BOARD TENDER COMMITTEE TO NOTE:

- 2.1. the Status Update Report and Contract Award Notification for the Refurbishment of Duvha Unit 3;
- 2.2. the conclusion of a contract with Dongfang Electric Corporation Limited (DEC), for the manufacturing, factory acceptance testing, procurement, fabrication, shipping and delivery to site, erection and commissioning of Unit 3 at Duvha Power Station at:
 - 2.2.1. A contract valu
 - 2.2.2. A contingency amount of 10% of the contract values
 - 2.2.3.
 - 2.2.4. And the total combined contract value of

2.2

2.3. the Group Executive: Group Capital Division is hereby authorised to take all the necessary steps to give effect to the above, including the signing of any agreements, consents or other documentation necessary or related thereto.

3. SUMMARY OF FACTS

3.1. Salient facts

On 20 January 2017, the BTC approved the amendment to the original mandale to negotiate with a minimum of 2 (two) up to a maximum of 4 (four) suppliers.





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The negotiations were held with 3 (three) suppliers from 27 January 2017 to 27 February 2017 and Eskom intends awarding the tender to the successful tenderer on 13 March 2017 ("Contract Award date").

Upon conclusion of negotiations, all 3 (three) suppliers were requested to submit their Best and Final Offer (BAFO) which included all negotiation outcomes and Eskom's requirements which might have impacted the project risk profile on 3 March 2017 at 10h00 South African time. All 3 (three) suppliers submitted their BAFO via the Eskom Tender Office on 3 March 2017 and the BAFOs were evaluated.

The outcome of the negotiation proceedings was as follows:

Alstom S&E Africa Pty Ltd Trading as GE Steam Power Systems (Alstom GE): The tenderer submitted major contract deviations with its tender which required clarification and negotiation. The deviations were in respect of Eskom's key conditions of contract which are Retention, Payment terms, Delay damages, Defects period, Limitation of Liability, Sub-contracting and Technical requirements. The parties held negotiations between 27 January 2017 and 03 February 2017. After intensive deliberations, the parties reached agreement on all the conditions.

Murray & Roberts Power & Energy and Shanghai Electric Power Generation Services Company (MRSEC): The tenderer submitted a tender as a consortium. The tenderer also submitted major deviations from the contract conditions which needed clarification and negotiation. All deviations were discussed and agreed to during the negotiations.

Dongfang Electric Corporation (DEC): The supplier had proposed major deviations with its submitted tender. The deviations were negotiated and agreed to by the parties.

The Table below sets out the Best and Final Offers (BAFO) of the respective tenderers:

Table 1 BAFO of the Tenderers

Supplier Name	BAFO (Excluding VAT)	Comments	BAFO escalated
GE Alstom	R 3,027,316,340	Without Escalations	R 3,537,536,099
MRSEC	R 3,299,784,042	Without Escalations	R 3,756,624,683
DEC	R 4,011,008,499	Fixed Price	R 4,011,008,499









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Analysis of the respective BAFO's as received from the respective bidders:

A. PRICING

 Based on the external financial review, although DEC is the lowest ranked based on the 90/10 application of the final evaluation criteria, DEC presents the lowest risk profile out of all the three bidders having submitted a fixed and firm price with no escalations.

2. The former two bidders' prices are fixed with a variable cost escalation risk to Eskom. In the case of Alstom GE, 75% of the price is subject to cost escalation and 90% of MRSEC's price is subject to cost escalation. These types of pricing mechanisms have in the past led to cost overruns as a norm.

3. DEC scored the lowest points in respect of price. However, this is the only tenderer whose price is fixed and firm for the duration of the contract. In comparing the BAFOs with escalation, DEC's price is R254M more than that of MRSEC and R473M more than Alstom GE, the risk of inflationary increases has been mitigated through the price being fixed and firm for the duration of the contract period.

4. In the absence of similar offers by MRSEC and Alstom GE, the external financial review obtained, indicates that the risk of inflation is prevalent which will impact on the tendered price.

B. RISK ANALYSIS

Key risks identified in respect of the bidders were as follows:

 Delays in the execution of the project as has been seen in the Medupi and Kusile project where Alstom GE was a contractor and Murray and Roberts was a subcontractor.

 Murray and Roberts was involved in collusion in the construction of the 2010 Soccer World Cup stadiums and one of its subsidiaries was involved in collusion in the construction of roads.

3. DEC in determining a fixed price has taken a *risk sharing approach* to the project in that the project costs are determinable upfront by the parties. The accountability for unexpected events is shared as the onus is on both parties to agree on a determinable and executable schedule. While Eskom has provided for the risk of unexpected events in the contingency amount, this will not be disclosed to the contracting party as Eskom will be holding the proposed contract party to the final BAFO and the risk assumed by it.







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. C. QUANTIFICATION OF THE RISK

- 1. In the Medupi Project, CPA escalation was 28% of the original total cost and 45% of the total cost for Kusile Project.
- 2. A fixed cost project provides far greater certainty regarding commitment of cash flow and the ability to hedge exposures.

In light of the above financial risk as well as the quantified part of the financial review conducted and in the interest of Eskom, it is submitted that the fixed price option will deliver better economic benefits than the variable price option. Hence the conclusion that the contract be awarded to DEC.

It is the team's intention that the Letter of Acceptance be signed on 23 March 2017 and the Conditions of Contract which is an NEC 3 ECC contract that contains all the terms and conditions as per negotiation outcomes will be signed on or before the Tuesday 28 March 2017.

3.2. Key assumptions

The key assumptions made by the team are:

- 3.2.1 Eskom has secured the right supplier that is capable and has the capacity to recover Unit 3 at Duvha Power Station within the stipulated contract period.
- 3.2.2 The successful Supplier accepts the final contract with all conditions within acceptable time and does not withdraw.

3.3. Financial implications

- The Board mandate provided for _____ in respect of the scope of work tendered for and therefore Dongfang's price is within the Board mandate.
- The pricing was evaluated using the Group Capital Total cost to completion model.
- The external review conclusion is based on a risk view of the results of the above modelling.

3.4. Human resources implications

None.







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3.5. Risks (including Environmental, Legal or Contractual risks)

RISK	CAUSE	LEVEL	MITIGATING FACTORS
Non	0,1002	(High/Medium/Low)	
Failure to have a signed contract by 30 March 2017 resulting in Eskom suffering a R1.67 billion insurance penalty.	 Delays in expediting the negotiation process and conclude and sign a contract before 31 March 2017. Delay by the chosen contractor to sign the contract agreement. 	High	 Expediting evaluation, negotiation process and conclude contract by 28 February 2017. Agree on conditions of contract before the finalisation of negotiations.
Suppliers not submitting mandatory requireme nts for contract award.	not to have adequate		Award the Contract by the 13 March 2017 to allow successful Supplier adequate time to acquire all documents.

3.6 Verification by independent party (if applicable)

KPMG has been appointed to provide assurance in the evaluation and negotiations process.

4. OTHER APPROVALS REQUIRED

None.







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SIGNED

GENERAL MANAGER (ACTING)

COMMERCIAL DIVISION

Prish Goyender

GROUP EXECUTIVE (ACTING):

GROUP CAPITAL

Edwin Mabelane

CHEF PROCUREMENT OFFICER COMMERCIAL DIVISION

Who hereby represents that the above information is correct

Submission prepared by: Thami Mnguni Contact Number: (011) 800 5873

084 305 1701





The Honourable Ms Lynne Brown MP Minister of Public Enterprises Private bag X15 HATFIELD 0028

Dear Minister Brown

APPOINTMENT OF GROUP CHIEF EXECUTIVE OFFICER

The above matter has reference.

At the last sitting of Eskom's People and Governance Committee on 9 September 2015, which is the subcommittee of the Board of Directors tasked with dealing with the appointment of senior executive managers within Eskom, it was resolved that the appointment of Brian Molefe to the position of Group Chief Executive Officer of Eskom, be confirmed as soon as possible.

The rationale for the appointment of Mr Molefe as a permanent employee, rather than on a secondment basis, is based on the following considerations:

- i) He has a well-known track record in the market both nationally and abroad for being able to turnaround ailing companies and this experience has been demonstrated in the stability and marked improvement in performance he has brought to Eskom since he joined 5 months ago;
- ii) His academic background and more particularly, his considerable financial acumen has already been demonstrated in the more positive outlook Eskom, and consequently South Africa, enjoys with the ratings agencies which are key to addressing the liquidity issues;
- iii) His hands on approach to operational matters, particularly with regard to maintenance and load shedding, at the time of crisis which the company found itself in, has made high performance in Eskom, not negotiable;
- iv) To support this culture, he has already revisited the approach to performance management so as to instil appropriate levels of accountability at all levels of staff thereby raising the bar on all fronts for his executive management team to follow;
- v) At the same time he has succeeded in harnessing the know-hows and experience of the current executive management committee in the most optimal manner to address the issues that have bedeviled the company for too long a time;
- vi) During his tenure, he has successfully taken the Board into his confidence by presenting a turnaround plan at its meeting of 22 July 2015, which was also endorsed by the Board; and



- vii) Implementation of this plan has resulted in marked improvements in all areas of the Eskom operations
 - a. A generation maintenance strategy with minimal load shedding is now in place and implementation is monitored;
 - Staff morale is on the upturn and an employee engagement strategy is now in place and being rolled out across the country to all Eskom employees;
 - c. Eskom's reputation and brand is being rebuilt with more positive stories in the media.

Public confidence has increased exponentially and Mr Molefe's ability to meaningfully engage the various stakeholders of Eskom, including the media, has really stood us in great stead.

Future strategies have been developed and are in the process of being developed for final consideration by the Board. Most importantly, the quality and clarity of information presented to Board has improved and he enjoys the full support of the Board.

Certainty of leadership at the top would allow for stabilising the management team internally together with allowing him to be able to attract the requisite skilled professional talent outside of Eskom to take up critical roles in Eskom which are vacant at present or may occur in the future and thereby create the confidence and predictability required of Eskom at this time.

Given the fact that Eskom is the core driving force of the South African economy, we are of one mind that no other person would at this point be able to maintain the current upward trajectory that Mr Molefe has placed the company on since his secondment in April this year. It is with this is mind that the board unanimously supports his appointment.

Accordingly, on behalf of the Eskom Board of Directors, I recommend to Honourable Minister that Mr Brian Molefe be appointed as Group Chief Executive Officer of Eskom Holdings SOC Ltd.

Should Minister require any other information prior to taking a decision on the matter, please let me know.

Yours sincerely

Dr BS Ngubane INTERIM CHAIRMAN Date:



123 "BN10"

Venete Klein

From:

Masenya Selatswa < Masenya. Selatswa @dpe.gov.za>

Sent:

02 October 2015 02:55 PM

To:

Baldwin.ngubane@gmail.com; DanielSM@eskom.co.za; Venete Klein

Cc:

Orcilla Ruthnam; Lawrence Nevondo; Keromamang Mhlongo

Subject:

Re: Appointment of Chief Executive Officer and Chief Financial Officer of Eskom

Attachments:

SKMBT_C36415100214370.pdf

Good day

On behalf of Minister Lynne Brown the Minister of Public Enterprises, kindly find attached a letter on the above mentioned subject for the attention of Dr B Ngubane, Interim Chairperson of Eskom.

Please acknowledge receipt.

Thank you,

Kind regards,

Mr Selatswa Masenya Registry Ministry of Public Enterprises

+27 (0)12 431 1158 | +27 (0) 21 469 6760 +27 (0) 12 431 1039 | ministry.registry@dpe.gov.za

1090 Arcadia Street | InfoTech Building | Hatfield | Pretoria | Switchboard: +27 12 431 1000



MINISTER PUBLIC ENTERPRISES REPUBLIC OF SOUTH AFRICA

Private Bag X15, Haitleid, CO2B, Telt '012 433 1178/1150' Fex: 012 431 1039 Privale Bag X5078, Cape Tovm, 8000, Telt 021 461 5376/7468 Fex: 021 465 2381/461 1744

Mr Brian Molefe
Chief Executive Officer
Eskom Holdings SOC Limited
P.O. Box 1091
Megawatt Park
Johannesburg
2000

Tel: 011 800 5808 Fax: 011 800 4938

Email: danielsm@eskom.co.za/ Baldwin.ngubane@gmail.com

Dear Mr Molefe

Appointment as Chief Executive Officer and Ex Officio Member of the Eskom Board of Directors

I am pleased to inform you of your appointment to Eskom as Chief Executive Officer and ex officio member of the Board of Directors.

Your appointment to the Eskom Board is ex officio and therefore the following stipulations apply:

- Your appointment to the Board shall, irrespective of any other term stipulated in any other agreement, terminate with immediate effect upon the date of notice of termination of employment or notice of resignation or notice of suspension;
- You shall not be entitled to any additional remuneration, other than that provided for in your contract of employment as Chief Executive Officer of Eskom; and
- All Board activities you perform, including but not limited to preparing for Board meetings, travelling time to and from Board meetings, and participation in Board activities/responsibilities, whether within or outside normal working

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hours, are regarded as official duties and do not require you to take leave to aftend to them.

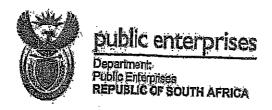
I have requested the Chairperson to facilitate, in consultation with you, the alignment of your contract of employment in accordance with the above stipulations. I have no doubt that you will make a real contribution to the future success of Eskom.

Please confirm your acceptance as ex officio to the Board by signing the attached statement and returning a copy to myself.

Yours sincerely

MS LYNNE BROWN, MP MINISTER OF PUBLIC ENTERPRISES DATE: 82/10/32/15

CC: Dr Ngubane, Interim Chairperson of the Eskom Board



legislation relevant to Eskom, provisions of the Shareholder's Minister of Public Enterprises, responsibilities, to utilize my ski implement systems or mechani-	in my capacity as Chief Executive Officer, nt as an ex officio member of the Eskom Board. I comply with the principles and provisions of all the Protocol on Corporate Governance and the S Compact between the Board of Eskom and the to devote sufficient time for the execution of my fills to the best of my ability, to initiate, develop and issues for the effective and efficient management of serve the highest standards of integrity and probity billities.
--	---

Mr Brian Molefe

Date



MINISTER PUBLIC ENTERPRISES REPUBLIC OF SOUTH AFRICA

Rňvile Bág X16; Hatheld, 0025 Tel: 012431 1116/1150 Fax: 012431 1895 Prívate Bag X9079, Cape Town, 8000 Tel: 021461 6376/71469 Fax: 021465 2881461 1741

Dr. B Ngubane
Interim Chairperson
Eskom Holdings SOC Limited
P.O. Box 1091
Megawatt Park
Johannesburg
2000

Tel: 011 800 5808 Fax: 011 800 4938

Email: Baldwin.ngubane@gmail.com /

<u>DanielSM@eskom.cb.za</u> venete@kleminc.co.za

Dear Dr. Ngubane

Re: Appointment of Chief Executive Officer and Chief Financial Officer of Eskom

Your letters regarding the above-mentioned matter, dated 11 September 2015, have reference.

Subsequent to receiving Cabinet's endorsement, I approve the appointments of Mr Brian Molete as the Chief Executive Officer and Mr Anoj Singh as Chief Financial Officer of Eskom and ex-officio Directors of the Eskom Board of Directors. Please extend my congratulations to Mr Molete and Mr Singh on their appointments.

I have enclosed herewith, letters to Mr Molefe and Mr Singh confirming their appointments. Kindly ensure that it is delivered to and signed after finalising their appointments to Eskom.

The Board must ensure that the employment and performance contract is aligned to meet strategic objectives within, but not limited to, the following stipulations:

 Their appointment as ex officio to the Board shall, irrespective of any other term stipulated in any other agreement, terminate with immediate effect upon date of notice of termination of employment, notice of resignation or notice of suspension, in line with the provisions of the MOI.

 As ex officio to the Board, the Executives shall not be entitled to any additional remuneration, other than that provided for in the contract of

employment.

In drafting the contracts, kindly liaise with the Department in the finalisation of the employment and performance contract of the CEO and provide me with a copy within three (3) months of the date of my letter.

In terms of remuneration, in line with the DPE Remuneration Guidelines, I approve a guaranteed remuneration of R7, 032,000.00 for Mr Molefe and a guaranteed remuneration R4, 607,000.00 for Mr Singh,

I trust that these appointments will add to the much needed leadership stability at Eskom and further encourage the Board and CEO designate to finalise, amongst other immediate priorities, the filling of vacancies at Executive level.

Yours sincerely

MS LYNNE BROWN, MP

MINISTER OF PUBLIC ENTERPRISES

DATE: 02/0/2015



MINISTER PUBLIC ENTERPRISES REPUBLIC OF SOUTH AFRICA

Privale Bag X15, Hatfield, 0028 Tell: 012 43/11/160. Fax: 012 43/1039 Private Bag X5079, Cape Toyan, 8000 Tell: 021 461 65/67/469 Fax: 02/365/283/461 17/4

Mr Anoj Singh Chief Financial Officer Eskom Holdings SQC Limited P.O. Box 1091 Megawatt Park Johannesburg 2000

Tel: 011 800 5808 Fax: 011 800 4938 Email: danielsm@eskom.co.ze/ Baldwin.ngubane@gmail.com

Dear Mr. Singh

Appointment as Chief Financial Officer and Ex Officio Member of the Eskom Board of Directors

I am pleased to inform you of your appointment to Eskom as Chief Financial Officer and ex officio member of the Board of Directors.

Your appointment to the Eskom Board is ex officio and therefore the following stipulations apply:

- Your appointment to the Board shall, irrespective of any other term stipulated in any other agreement, terminate with immediate effect upon the date of notice of termination of employment or notice of resignation or notice of suspension;
- You shall not be entitled to any additional remuneration, other than that provided for in your contract of employment as Chief Financial Officer of Eskorn; and
- All Board activities you perform, including but not limited to preparing for Board meetings, travelling time to and from Board meetings, and participation in Board activities/responsibilities, whether within or outside normal working

hours, are regarded as official duties and do not require you to take leave to attend to them.

I have requested the Chairperson to facilitate, in consultation with you, the alignment of your contract of employment in accordance with the above stipulations, I have no doubt that you will make a real contribution to the future success of Eskom.

Please confirm your acceptance as ex officio to the Board by signing the attached statement and returning a copy to myself.

Yours sincerely

MS LYNNE BROWN, MP MINISTER OF PUBLIC ENTERPRISES DATE: Officials

CC: Dr Ngubane, Interim Chairperson of the Eskom Board



hereby accept the appointment as an ex- undertake to observe and comply with legislation relevant to Eskom, the Proto provisions of the Shareholder's Compact Minister of Public Enterprises, to devote responsibilities, to utilize my skills to the b implement systems or mechanisms for the Eskom and to maintain and observe the b in the execution of my responsibilities.	the principles and provisions of all col on Corporate Governance and the between the Board of Eskom and the sufficient time for the execution of my lest of my ability, to initiate, develop and e effective and efficient management of
Mr Anoj Singh	Date



Minietry Public Enterprises Republic of Solth Acess

Philoso Berg XI.5, Housel, 9028 Te. (인생) 유럽 1 11년/14일 Pec. (인생) 431 (대원 Philoso Berg XSST), CAPE YORKS, 2010 Tel: (421) 481 연기에 대한 8180 Pec (021) 463 223 (제6) 1741

Dr. B Ngubane Chairperson Eskom Holdings SOC Limited P.O. Box 1091 Megawatt Park Johannesburg 2000

Tel: 011 800 5808 Fax: 011 800 4938

Email: <u>Baldwin.ngubane@gmail.com/</u> DanielSM@eskom.co.za

Dear Dr Ngubane

Re: Remuneration of Ihr & Molefe: Chief Executive of Eskom

Your letter regarding the above-mentioned matter, dated 16 October 2015, has reference.

After having seen the contract of employment between Mr Brian Molete and Transnet SOC Limited and the recommendations of the Board, I hereby approve the total guaranteed remuneration of R7 656 000.00 to Mr Molete with effect from the date of appointment.

Following my letter to you, dated 2 October 2015. Cabinst further noted the appointment, subject to the period of employment being confirmed. In this regard, it is my view and that of Cabinet that the period of employment be stipulated as five (5) years, subject to annual performance reviews.

The specified term of the employment contract must also apply to the Chief Financial Officer.

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I look forward to receiving the draft employment contract and performance agreement as requested in the aforementioned letter.

Yours sincerely

MS LYNNE BROWN, MP MINISTER OF PUBLIC ENTERPRISES DATE: //ii/]__K

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The Hon Ms Lynne Brown (MP) Minister of Public Enterprises Infotech Building, Suite 401 1090 Arcadia Street Hatfield Pretoria 0001

Dear Minister

RETIREMENT ARRANGEMENTS - BRIAN MOLEFE

As requested by the minister, Eskom is currently drafting the Group Chief Executive's 5 year contract for the minister's input.

As part of the drafting process, however, an important principle regarding Mr Molefe's retirement fund needs to be addressed and I request the minister's prior approval before we submit the draft contract for further input.

It is a fact that the growth in retirement investments and pension funds start off slow but increases exponentially towards the end of an employee's working life. Mr. Molefe has served in numerous high ranking South African organisations at executive level, essentially to stabilise and ensure the future sustainability and performance of those organisations. Due to the nature of these engagements and the short term contractual obligations in Mr Molefe's case, he has not been able to benefit from the growth opportunity in a single pension fund.

To breach this gap, the following contractual stipulations are proposed:

- Regardless of Mr Molefe age after the 5 year termination date, he be allowed to refire from Eskom's service on the basis that he is aged 63.
- That the penalties prescribed by the Eskom Penalton and Provident Fund (EPPF) for retirement prior to age 63, be waived.

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Eakom Holdings SOC Lid Reg No 2002/046627/30

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ESKOM HOLDINGS SOC LTD BOARD PEOPLE & GOVERNANCE COMMITTEE: IN-COMMITTEE

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Office of the Company Secretary	

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RESOLVED THAT:

7.4.1 the alignment of the Board fee structure between that of Eskom and Transnet be recommended to the Minister of Department of Public Enterprises for approval.

The Chairperson noted the significant efforts of the Board Chairman to date to correct the misaligned Board fee structure.

7.5 Group Chief Executive: Conclusion of contract

Mr Minnaar reminded the meeting that the Minister had requested that the contract be concluded for a 5 year period and that she had also requested to have oversight over the contract. In addition, Eskom was given until the end of January 2015 to conclude the matter. A letter had however been addressed to the Minister regarding the retirement of the GCE and a response was awaited.

Mr Minnaar noted that a fixed term contract of 5 years at this level was a first for Eskom and was also not aligned with best practice. He explained the negative impact of this on the retirement benefits of the relevant individuals (GCE and CFO) and proposed that approval be granted for remedial action based on past practices and precedents in Eskom to counter this impact, which could include additional pensionable service being granted and/or penalties being waived. Mr Minnaar quoted a number of examples where this had been done in Eskom in the past.

Mr Minnear thereafter spelled out the required resolution noting the current rule that staff over 50 years of age with at least 10 years' service were entitled to retire as per the Eskom Pension and Provident Fund rules. The request was for the Eskom rules to be amended in respect of executive directors with fixed term contracts to make up the shortfall in years, wave the penalties and refund to the Pension and Provident Fund the actual cost relating to the additional service. He explained that refunding the cost would not reflect as emoluments of the executive director in question as this would constitute a transaction between Eskom and the Fund only with no money being paid to the individual.

The Chairperson summarised her understanding of the proposal as far as it would relate to the GCE. In respect of the CFO, the matter would be more complicated as he would not be 50 years of age at the time that the fixed term contract came to an end. The meeting enquired whether a proposal could be considered for the CFO and tabled for consideration in due course.

RESOLVED THAT:

7.5.1 the current Eskom Pension and Provident Fund (EPPF) rule that Employees may proceed on retirement from age 50 with 10 years' service, remains applicable;

P&G Committee: In-Committee Meeting 2016-02-09 Strictly Confidential

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ESKOM HOLDINGS SOC LTD BOARD PEOPLE & GOVERNANCE COMMITTEE: IN-COMMITTEE

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- 7.5.2 in cases where an Executive Director (appointed on a fixed term contract) decide to take early terrement and there is a shortfall regarding the EPPF 10 years' service rule, Eskom shall:
 - i. bridge the gap to make up for the 10 years;
 - ii. waive penalties applicable to early retirement; and
 - iii. refund EPPF actual costs for additional service added, plus penalties applicable to early retirement; and
- 7.5.3 a proposal in respect of the Chief Financial Officer to be considered and submitted to the Committee in due course.
- 8. CONFIRMATION OF MINUTES OF THE PREVIOUS MEETING
- 8.1 Minutes of the Previous Meeting Reference Document 5.1(a)

The minutes of the In-Committee meeting No. 06-2015/16 held on 22 October 2015, having been circulated, were considered. The Chairperson requested that the minutes be carefully reviewed to ensure correctness. She noted, for example, an error in the minutes that needed to be corrected. The Company Secretary confirmed that the wording of the relevant item would be revised accordingly. The Chairperson furthermore noted that discussions around the travel policy and appointment of non-executive directors on the board of subsidiary companies had been discussed. The Company Secretary was requested to consider the matter based on the provisions of the Eskom Memorandum of Incorporation.

RESOLVED THAT:

- 8.1.1 the minutes of the People and Governance Committee in-Committee meeting No. 06-2015/16 held on 22 October 2015 are approved as an accurate reflection of the proceedings, subject to the proposed amendments; and
- 8.1.2 the Chairperson of this meeting is duly authorised to sign the minutes.
- 9. MATTERS ARISING FROM PREVIOUS MINUTES
- 9.1 Matters arising
 Reference Document 6.1(a)

The Action List as included in the meeting papers was NOTED.

10. GENERAL

There were no further matters for discussion.

P&G Committee: In-Committee Meeting 2016-02-09 Strictly Confidential

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Brian MOLEFE

P. O. Box 18, Cornwall Hill, 0178. <u>mbm1@mweb.co.za</u>

11 November 2016

Dr. B Ngubane

Chairman

Eskom SOC

Megawatt Park

SUNNINGHILL

Sir

EARLY RETIREMENT -EMPLOYEE NO 4610263

I hereby request for approval for early retirement in terms of the rules of the Eskom Pension Fund read in conjunction with a resolution of the People and Governance subcommittee of the board dated 09 February 2016.

My last day of service will be 31 December 2016.

I would like to take this opportunity to thank the board for its guidance and leadership through very difficult times during my tenure as Froup Chief Executive of Eskom.

Yours Sincerely,

Brian MOLEFE

11.11. 16



Mr B Molefe UN: 06102515

Dear Brian



EARLY RETIREMENT

Your letter dated 11 November 2016 is hereby acknowledged and it is confirmed that your last day in service will be 31 December 2016.

In terms of the rules of the Eskom Pension and Provident Fund (EPPF) and Board resolution, your early retirement is approved.

The following payments are due to you:

- Salary up to 31 December 2016 (also refer "Suspense Account" below).
- Accrued leave pay.
- Short Term Bonus calculated on your Pensionable Earnings (nine months proportional bonus based on a 50% on-target performance).
- Payments in terms of the LTI Scheme. Currently, there are two grants outstanding according to the letter dated November 2016, namely:
 - o Grant 11 that was awarded in April 2015 and vests in March 2018
 - o Grant 12 that was awarded in April 2016 and vests in March 2019

In terms of the rules of the scheme, the LTI payments will be made as soon as possible after the two vesting dates. Both grants will vest at 50%.

1. Pension Fund

Your early retirement has been approved in terms of EPPF rule 28 and 21.4, which means that penalties will be waivered and that potential service to age 63 is granted.

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2. Suspense Account

To make provision for any other unforeseen costs after your retirement date, an amount of R15,000.00 will be retained in a suspense account for this purpose. Costs incurred after resignation normally relate to taxable expenses associated with the Bank Fleet card and security services.

3. Occupational Diseases

Any claims against Eskom for occupational diseases is subject to an Eskom exit medical examination report issued by your nearest Eskom medical centre. Otherwise, no claims will be considered.

4. Certificate of Service

A certificate of service covering the period of your employment with Eskom will be handed to you on 31 December 2016.

5. Eskom Property

Any other Eskom equipment in your possession, including the following should be returned to Executive Support (Megawatt Park, C3 U41) on 31 December 2016.

- Eskom security permit
- Bankfin petrol card and e-tag
- Samsung Slate
- 3G card

Eskom has copyright on all documents, records and any other material which you may have prepared or have come into possession since your employment starting date with Eskom. It is necessary that this should remain in Eskom's possession.

6. Tax Certificate

An IRP5 tax certificate in respect of the 2016 / 2017 tax year will be issued.

I wish you every success for the future.

Yours sincerely

r Baldwin Ngubane

Date: 24 (II ((b