



November 26, 2012

Kislev 12, 5773

Request for Proposals

Clarifications and Answers

Clarifications:

1. The PUA Postpone the deadline to place bids until the 12th of December 2012 18:30 o' clock.
2. There is a mistake in clause 3 in the agreement document. The agreement is for 1 year and not as written in the agreement for 36 days.
3. In the agreement:

Clause 5.5: this clause requires Team Members to sign confidentiality undertakings.

Clause 6.3: similarly, this clause requires Team Member to sign conflict of interest undertakings.

Every member of the staff mentioned in clause 13.6 will be needed to sign confidentiality and conflict of interest undertakings.

4. PUA staff won't meet any bidders before declaring the successful bidder.
5. Clause 3.15 of RFP No. 14/2012 is dropped.



Questions and Answers:

1. Is PUA expecting a firm fixed price (lump sum) bid, or an estimate based on time (labor hours) and expenses (travel, etc.)?

Fixed price (lump sum) as written in clause 12.1.

2. Is it up to the bidders to propose how progress payments would be apportioned over the course of the one year engagement, or would PUA pre-determine the schedule of payments?

Please see clause 15.2 in the agreement document.

3. If any additional information is required and available from the two companies, will PUA request and collect the data or will it be the responsibility of the consultants to approach the companies directly?

It is the responsibility of the bidder. However, the PUA will offer guidance & assistance contacting IEC & JDECO.

4. What data is available on which to base the calculation of the network losses?

There is no data on the actual losses per segment. The PUA use loses factors for each segment that was determent in 2002 differentiated by TOU. Up to the bidder to acquire additional relevant information from the companies on this issue and provide normative losses, based on the acquired information and on models regarding network loses for each segment.

5. The list of times in the RFP sections 9.3 – 9.11 appear to add up to a little over 1 year, which includes (minimal) time for receiving comments on drafts and approval of drafts. Is it permissible to propose a timetable a little greater than 1 year or else to slightly adjust the proposed timings to meet a 1 year deadline?

Please see clause 11.1 in the "Request for Proposals" document. "The one year" term is a rough estimate. "not before the job has been completed" meaning the period of the agreement might be more than one year.

6. Please clarify the evaluation process. Are all bids that pass the first stage evaluated on a weighted score of 80% technical, 20% financial? Or are only 20% of the bids allowed to pass through from stage 2 to stage 3?

All the bids that pass the first stage evaluated on a weighted score of 80% quality, 20% financial.

7. In case the security situation makes travel very difficult or inadvisable, would the project timetable including the start date be adjusted accordingly?

If during this assignment, security problems will arise, PUA will consider more flexible timetable.

8. Please describe what data the PUA has available for this assignment, covering the separate service areas - Transmission, distribution, supply as applicable to IEC and JDECO.

The PUA will offer guidance & assistance contacting IEC & JDECO.

The current recognized cost for the mentioned segments is available in PUA according to the current division between the segments. This division does not bind the successful bidder.

For further information, please see PUA answer to question 16.

9. Clause 3.6 of **RFP No. 14/2012** refers to the analysis of the 5 districts in IEC's region. Will the PUA and/or IEC be providing the cost data already disaggregated by district?

IEC has disaggregated data by district. The result of our examination is not trustworthy. It is the responsibility of the bidder to acquire further information from IEC regarding this issue if the successful bidder believes that this kind of information is essential for the analysis.

10. Clause 3.8 of **RFP No. 14/2012**, refer to grid connection costs disaggregated by TOU. Is there already a decision or regulation that requires TOU differentiation for grid connection or does this only really refer to transmission use of system costs?

The words " by TOU and " omitted from clause 3.8. Clause 3.8 relates only to grid connection costs.

11. In Clause 3.11 of **RFP No. 14/2012**, there is a request for recommendations for the April 2012 tariff base. Is this meant to refer to 2013 or is there going to be an adjustment to an existing 2012 base?

The PUA requests recommendations for a new base tariff based on recognized cost suggested by the bidder for all relevant segments that will be valid beginning April 2012. The bidder is asked to provide updated tariff mechanisms as mention in clause 3.11.

12. In clause 3.15 of **RFP No. 14/2012**, there is a requirement to address any additional issues related to the requested examination, within reason. Can you please clarify what is meant by "within reason"? Is it permissible with the bid to place a limit on this requirement?

Clause 3.15 will be dropped.

13. Is the English language acceptable for reports for this project?

Yes.

14. Will this review include the generation segment, (for which a new tariff mechanism was instituted in 2010 ? (Will it include only a partial review of the generation segment – e.g., only costs without changing the 2010 tariff structure, or only the rate structure while accepting the cost study that supported the 2010 review ?

The consulting services requested in **RFP No. 14/2012** do not include the generation segment, unless the successful bidder points out elements of the generation segment, that according his opinion should be included in the segments discussed in **RFP No. 14/2012**.

15. What underlying cost data can be provided from the PUA's determination of the current tariff mechanism? Are PUA able to make available the cost study that supported the 2010 IEC generation tariff?

Please see PUA answer to questions 8 and 14.

16. Please characterize the data that you have collected about IEC's and JDECO's costs – level of detail of both capital and operating costs, effective dates, information about accounting principles, etc.

IEC had reported in the years 2010 – 2011 to PUA, physical and financial time series in Excel for transmission and distribution segments according to PUA demand. The financial time series relates to capital and O&M. The time series relate to different periods, start not late from 2003. The data was partial, not detailed into components as required and in portion not reliable. The time series can be provide in English.

In addition, IEC has development programs (can provide in Hebrew) regarding transmission and distribution segments that were approved by the ministry of energy and water. PUA Professional staff has reservations regarding these programs (please see clause 3.5).

The successful bidder should provide two models: Bottom-Up Model and Top-Down Model (clauses 4.1 and 4.2). The vitality of the data describe above for the analysis should be examine by the bidder. It's should be notice that these data is not sufficient and the successful bidder should use other source of information and data base to make proper analysis.

PUA has no data on JDECO.

17. In Section 3.6 of **RFP No. 14/2012**, the Consultant is asked to determine the cost structure for each district of the IEC. Is it expected that each district of the IEC will have a significantly different cost structure?

Please see PUA answer to question 9.

18. Does the review of JDECO include any review of the revenue collection to cover energy costs or is an IEC rate passed-through to customers?

JDECO do not generate any electricity and do not own any power stations. The company buys electricity from IEC at PUA tariffs and sells it to end

users, using its distribution grid, meter and supply services. JDECO faced electricity theft problem, therefore the determination normative losses is essential.

19. What data is available about technical and non-technical losses in the IEC transmission system and both distribution systems ? To facilitate the analysis of losses, will the PUA be able to make available files describing the grid in a standard power-flow input format?

Please see PUA answer to question 4.

20. Is there a standard accounting method or chart of accounts prescribed for IEC and JDECO by the PUA?

No. The financial statements of IEC are audit according to International Financial Reporting Standards ("IFRS"), with minor modifications. IEC applies to rules of cost allocation by segments as detailed in the Financial Statements. For further information see the company's website:

<http://www.iec.co.il/EN/IR/Pages/default.aspx>

JDECO is a private company. Its financial statements are audit according to Israeli Generally Accepted Accounting Principles (Israeli GAAP).

21. Will the Successful Bidder be expected to testify at the hearing noted in 4.4 of RFP No. 14/2012? Will the testimony be written or oral? Will testimony be in English or Hebrew?

According to clause 4.4 the Successful Bidder will be asked to respond to comments in the hearing process, both in written and oral. Responds will be accepted in both languages, Hebrew or English alike. The discussions in the PUA in the presence of the Successful Bidder will be conducted in English. The hearing process doesn't include testify procedure,

22. Is it the PUA's intention to require comments from ESPs and other parties on draft "B" to be in writing, and will those comments be provided to the Successful Bidder in advance of the meeting described in 9.7?

Comments will be provided in writing to the Successful Bidder in advance of the meeting described in clause 9.7 of RFP No. 14/2012.

23. Clause 9.11.5 of RFP No. 14/2012 says "Trips 1 and 4 will require the Consultant to send all senior staff members to Israel as specified in Clause 14.4" but Clause 14.4 is about banking. Please clarify. May we assume that it will be the Successful Bidder's responsibility to identify the "senior staff members? Will it be possible to involve additional staff by video conference?

"Clause 14.4" is omitted from clause 9.11.5 and will be replaced with clause 13.6. It will be possible to include additional professional employees in each trip .video conference is not available.

24. The PUA requests the use of "the cost structure of similar companies. This would be based on data collected in similar previous assignments and

retained by the Successful bidder in an internal database. Will the PUA object to the Successful Bidder adding to its database the data collected at a similar level of detail about IEC and JDECO?

The request will be examined at the end of the project.

25. Given the vagaries of international shipping will PUA accept an electronic bid to be followed by hard copy?

The final answer will be published during the next few days.

26. Section 3.1 of the contract on the website refers to services provided over a period of 36 days but the RFP implies a period of performance of about a year. Is there are different contract to which we should be referring?

There is no other contract. The period 36 days is a mistake. Please see PUA answer to question 5.

27. We understand from the RFP that PUA has been engaged in collecting data over the past two years. We assume that the cost data will be made available in a common format (e.g. MS Excel) and will be sufficiently detailed and annotated so that costs can be broken down into key tariff components. Is this assumption correct?

Please see PUA answer to question 16 and 8.

28. Will data transmission and distribution losses be made available by the TSO? At what level of detail is this information available?

IEC is integrated company, so TSO function is part of IEC.

Please see PUA answer to question 4.

29. The RFP makes reference to the need for an engineering capability. Our interpretation of the RFP is that the focus of the project is to provide advice on economics and regulation. Does PUA see an engineering capability as essential and, if so, what does PUA envisage the resource is used for?

Please see PUA answer to question 23.

Questions for RFP No. 14/2012

Section 3.5:

30. What are the programs to be reviewed in clause 3.5 in **RFP No. 14/2012**?

Please identify. Are there publicly available reports describing these programs?

The PUA will provide a Hebrew copy to successful bidder by request. Please see PUA answer to question 16.

31. Is the sole objective of the techno-economic review of development programs to develop recommendations for possible changes to the programs that may

increase the efficiency and performance of the facilities described in clauses 3.2 and 3.3? Or would these recommendations developed in clause 3.5 be separate recommendations that the PUA or ESPs could implement in the future at their own discretion without impact to the tariffs recommended in this engagement?

Efficiency and performance of the facilities described in clauses 3.2 and 3.3 depends on the stage of construction of the relevant project.

Section 3.7.

32. Please clarify if by requesting recommendations on ‘cost structure’ you refer to the unbundling of the companies’ accounting costs to determine separate revenue requirements for transmission, distribution and supply for use in tariff setting , or whether cost structure in this context is intended to mean something else.

In each segment the successful bidder should provide cost analysis by quantity and price of production factors.

Section 3.9

33. Is our scope to create/update the model for network losses? Or to review and validate the results obtained by the companies? Or would we specify which studies are to be done by the Companies?

Please see PUA answer to question 4.

34. Will the entire Israel transmission system needs to be modeled for network losses analysis or just parts of it? What elements of the distribution network would need to be analyzed?

It is up to the bidder to decide on this issue given the expertise of the senior staff.

35. Is there an existing model for the transmission system and would this model be available for our use? Or would the consultant be required to create a model for the transmission system? What software program (i.e. PSS/E) would be needed for the analysis?

The PUA don’t posses such models. So far, the recognized cost based on cost auditing, include among other thing review of the development program. The consultant is asked to use his own model for the transmission system as needed to accomplish the task in clause 4.

36. What level of analysis is required? For example will each line need to be modeled as accurate as possible or is the PUA just looking for a rough estimate of the average distribution and transmission losses?

There is no need to model each line. The successful bidder supposes to offer reliable losses for each segment by TOU based on analytic model for tariff purposes.

37. Are there any existing studies on losses available? For example, are there any system impact studies that have been created due to the recent renewable and cogeneration projects?

No.

Section 3.11

38. Are PUA looking to establish separate tariffs for transmission and distribution? Or would the end-user pay a single tariff, with unbundled T&D charges? Please clarify what you have in mind in terms of unbundled tariffs.

The successful bidder is asked to provide separate tariffs for transmission and distribution divided into relevant elements and to suggest tariffs by voltage level and by TOU.

39. Would the consultant be expected to set tariffs for all of the companies' customer classes? If so please provide the customer classes that these Companies are serving electricity to.

The successful bidder is asked to suggest tariffs by voltage level for transmission consumers, medium voltage consumers and low voltage consumers by TOU for each one.

Section 4.1

40. Bottom up model: Have the companies undertaken any bottom up studies in the past?

Not to the best knowledge of PUA.

41. Would the consultant develop the required revenue requirement as an input to this model? And if so, is the consultant expected to provide recommendations on the appropriate rate of return or cost of capital?

The PUA has its own model of cost of capital. However, this does not preclude providing recommendations on the appropriate rate of return or cost of capital.

42. Are you looking in item 4.1.4 for a benchmarking analysis of the cost of the companies? Would this benchmark be intended to be the basis for the authorized revenue requirements?

Yes. PUA uses the term "recognized cost" instead of "revenue requirements".

43. Please clear if the bid should include VAT or VAT will be added to the payments.

The bids won't include VAT.