

Trust Contract for Loss Reduction in the Services Provided by ENEE for the Execution of the the Distribution and Financial Flows Component through a Public-Private Partnership Charter

REQUEST FOR PROPOSAL

**FOR A CONSULTING ENGAGEMENT TO STRUCTURE A TENDER
PROCESS FOR THE SUPERVISION OR OVERSIGHT OF
“CONTRATO DE PRESTACIÓN DE SERVICIOS PARA LA
REDUCCIÓN DE PÉRDIDAS EN EL SISTEMA DE DISTRIBUCIÓN
ELÉCTRICA DE HONDURAS”**

January 2015

I. BACKGROUND

Evolution of the Honduran Energy Sector and its Recent Reform Process

The Honduran energy sector is in the midst of a reform process that started in June of 2013, with the promulgation of “Ley General de la Industria Eléctrica” (LGIE or The Law) through decree No. 404-2013. This law was approved by Congress in January 2014 and went into effect on July 4, 2014. The Law’s intent is to correct current institutional and regulatory weaknesses within the sector and help alleviate its negative fiscal impact.

The state-run energy utility, Empresa Nacional de Energía Eléctrica (ENEE), owns and operates 99% of the energy distribution and transmission systems and 24% of generation capacity. ENEE is the independent generators’ sole customer and is responsible for the operation of the Interconnected National System (SIN, in Spanish). In compliance with The Law, ENEE has initiated a process of institutional transformation. One mandate is the division of the public utility into three separate state-owned enterprises, which would fall under the fold of ENEE holding. LGIE underscores the importance of modernizing the utility’s generation capacity based on renewable energy, its strong suit, so that it may compete in the new energy market which is being created. For all other activities (transmission and distribution) ENEE is seeking the help of private operators.

The Government of Honduras (GoH) has adopted a series of measures that have managed to reduce the impact of ENEE’s finances in the consolidated public-sector deficit, from 1.8% of GDP in 2013 to 1.3% of GDP in 2014. The main measures to be taken are: 1.) Increasing the price of energy; 2) elimination of subsidies in the consumption range of 0 a 300 kWh/month; 3) Reduction of outstanding debt with private energy generators; 4) Reduction of salaried mass within ENEE; 5.) Energy loss reduction.

The recent drop in oil prices eased the adoption of the first two measures. Big strides have also been made in promulgating regulation for the Law’s implementation and in the selection of a private operator responsible for energy loss reductions in ditribution as well as operation and maintenance of the system.

International Public Tender for the Selection of an Operator-Investor for Loss Reduction in Energy Distribution

On June 5, 2013, the Commission for Promotion of Public Private Partnerships (COALIANZA), Empresa Nacional de Energía Eléctrica (ENEE) and Banco Financiera Comercial Hondureña, S.A. (Banco FICOHSA or the Trust) signed a Trust Contract for Loss Reduction in the Services Provided by ENEE for the Execution of the the Distribution and Financial Flows Component through a Public-Private Partnership Charter (the Distribution Trust), subsequent to the Trust bank’s structure proposal. The Distribution Trust was signed on June 12, 2013, and published on the GoH’s official dialy, Diario Oficial La Gaceta, on July 19 of 2013.

The contract established the main objectives and responsibilities of the Trust as: 1) act under fiduciary duty as a structuring financial institution for the project "Recuperación de Pérdidas en los Servicios Prestados por la Empresa Nacional de Energía Eléctrica, para la Ejecución del Componente de Distribución y Flujo Financiero, Mediante la Constitución de una Alianza Público-Privada"; 2) provide financing for the activities and studies needed for structuring a proposal for a Public-Private Partnership solution; 3) promotion of the project among prospective international bidders; y d) accompany and advise COALIANZA during the public tender process until signing of the Contract (defined in following paragraph).

On December 14, 2015, the contract "Contrato de Alianza Público Privada Para la Recuperación de Pérdidas en los Servicios Prestados por la Empresa Nacional de Energía Eléctrica, para la Ejecución del Componente de Distribución y Flujo Financiero" (the Contract) was awarded to Consorcio Energía Honduras (The Consortium) through an international public tender. The Consortium is comprised of the companies Eléctricas de Medellín Ingeniería y Servicios, S.A. (EDEMESA), Unión Eléctrica, S.A. (UNION), and Enterprise Consulting, S.A. (ENTERPRISE). Upon the start of activities and for the purposes of the Contract, the Consortium will be known as "Inversionista Operador" or Operator-Investor as identified in the Distribution Trust. The companies awarded the Contract will create a Special Purpose Vehicle (SPV) for the execution of the Operator-Investor responsibilities contained in the Contract.

The objectives and scope of the services rendered by the Operator-Investor are: 1.) Operate the commercial and technical day-to-day activities of energy distribution with the objective of implementing best practices to gain operational efficiencies, 2.) loss reduction in energy distribution from a level of 32% to 13% in 7 years, 3.) the administration of commercial activities and services of ENEE, including customer service, billing, metering, receivables and account management 4.) the operation and maintenance of distribution system assets in Honduras.

The Contract incorporates the figure of "Supervisor del Proyecto" or Project Supervisor, who will be hired by the Trust. The Project Supervisor will be the primary oversight figure for the services rendered by the Operator-Investor. The main oversight activities are listed below:

1. Perform anual energy-loss audits and validate KPI performance as well as the achievement of yearly loss reduction targets.
2. Supervise the Operator-Investor's compliance with the Operation & Maintenance Plan for the distribution network.
3. Validate compliance for service-level targets set for the Operator.
4. Analyze and provide insight on the monthly reports presented by the Operator, along with recomendations to ensure the meeting of KPI targets, for timely decision making by authorities.

5. Research and sift through the available information, acting as an objective third party, to provide analysis and insight for the resolution of disputes.

The Trust Steering Committee, the Trust's governing body, has authorized Banco FICOHSA (the CLIENT) to employ the necessary means to draft the terms of reference, prepare the necessary documents, and carry out a competitive tender process for the selection of a Project Supervisor with the necessary qualifications to undertake the particular oversight responsibilities demanded by The Contract.

II. CONSULTING ENGAGEMENT OBJECTIVES

- a. Recommend the contracting methodology and selection criteria for the Project Supervisor.
- b. Help define a list of requirements that bidders must meet for their proposal to be valid.
- c. Design a competitive selection process.
- d. Recommend a model contract to be used and advise the Trust along the process, from first draft to signing.
- e. Define criteria and methodology for measuring Project Supervisor results and accountability.

III. CONTRACT DURATION

The duration of the contract will be for an approximate period of 90 days, time during which the services of drafting, iterations of the tender documents, and accompaniment until the tender and signing of the contract shall be provided. The duration may be extended for a maximum of 30 days, according to the demands and evolution of the process.

IV. CONSULTANT ACTIVITIES

The main tasks to be performed by the consultant, without this being an exhaustive list, are:

1. Work with the CLIENT and any other consultants hired by the CLIENT in the duration of the tender process.
2. Play a leading role in the identification of companies that may have the qualifications to carry out the responsibilities contained in the Contract.
3. Promote and seek feedback from the market of potential bidders.
4. Draft the terms of reference (ToRs) for the Project Supervisor tender.
5. Provide an outline proposal for the contract and participate in its drafting by providing comments.
6. Tend to all rounds of questions for the bidders.

7. Provide an engagement summary report at the end of the process.

VI. PROPOSAL VALIDITY:

Proposals must remain valid for a period of thirty calendar days upon submission and consultant(s) must be available within a week`s notice.

VII. PRICE AND PAYMENT STRUCTURE:

Interested parties must present the monetary aspect of their proposal in the following format:

Item	Fees (en dólares americanos)
Flat Fee	\$
Additional Expenses (variable)	\$
Taxes on fees (25%)	\$
Total Valuation	\$

The proposal must be a lump sum for the duration of the engagement.

The structure of payments will be twenty-five percent (25%) at the presentation of initial assesment, twenty five percent (25%) once the CLIENT receives the finished version of the ToRs, forty five percent (45%) when the Project Supervisor Contract is awarded, and ten percent (10%) upon submission of the engagement summary report.

VIII. QUESTIONS

Interested parties may submit their queries to gwsandoval@grupoficohsa.hn and proyectoenee@grupoficohsa.hn, or contact Mr. Wilfredo Sandoval at +(504) 2239-6410, xtn. 2156 no later than Friday January 29 of 2016, at 5:00pm Honduras (-6GMT).

IX. PROPOSAL SUBMISSION DEADLINE:

Proposals will be recieved electronically at proyectoenee@grupoficohsa.hn no later than Monday, February 1st 2016, at 11:59 p.m. (-6GMT).

X. DELIVERABLES

- Initial Assesment Report
- Terms of Reference (Pliego de condiciones) for Tender
- Evaluation Frameworks for Tecnical and Economic bids

- Summary Engagement Report

Services may be rendered remotely and the CONSULTANT of Firm is at liberty to propose a working methodology and the tasks to be performed on site (Honduras). This with two exceptions: 1.) the initial contracting meeting, and 2.) at the event of reception, bid evaluation, and awarding of the Project Supervisor Contratct, when a site visit will be required. The CONSULTANT will cover the cost of being present at these two events.