

REQUEST FOR EXPRESSION OF INTEREST

HIRING OF SERVICES OF INTERNATIONAL TECHNICAL, COMMERCIAL AND MANAGEMENT AUDITORS FOR DETERMINING ACTUAL UFG OF GAS COMPANIES IN RESPECT OF INDIGENOUS GAS AS WELL AS IMPORTED RLNG AND DIVERSION OF RLNG VOLUME BY SNGPL TO DOMESTIC AND COMMERCIAL CONSUMERS

1. Oil & Gas Regulatory Authority (OGRA) intends to carry out a forensic technical, commercial and management Audit of the gas companies viz SNGPL and SSGCL in respect of segregating and determining the actual UFG of indigenous gas and RLNG, separately in transmission and distribution system for both supplies on monthly and yearly basis for fiscal years 2014-15 to 2019-20 alongwith verification of diversion of RLNG volume by SNGPL to domestic and commercial consumers from FY 2017-18 to 2019-20. The task shall involve detailed, independent and in-depth review, verification, analysis and forensic technical, commercial and management audit of all components / stages involved in diversion of RLNG by SNGPL and calculation of UFG of the two licencees in respect of indigenous gas and RLNG starting from the gas input from the sources including well heads as well as LNG terminals till the delivery to the end consumers and shippers.
2. OGRA invites reputable INTERNATIONAL TECHNICAL, COMMERCIAL AND MANAGEMENT AUDITORS having minimum of **twenty years** experience in operational, technical and financial matters of natural gas utilities operations interalia experience and strong knowledge in UFG control and monitoring, natural gas measurements, volume and value reconciliations, economic and financial analysis. Special preference shall be given to international firm having experience of carrying out similar assignment in less developed countries. They may also carry out the assignment in collaboration/ association with local audit firms, certified evidence to this effect giving details of joint venture/ partnership must be provided.
3. Interested consultant(s)/ firm must provide detailed CV(s) of member(s) of core team highlighting relevant experience.
4. Auditors of SSGCL and SNGPL and those who were engaged during last 5 years on carrying out similar assignment are not eligible to participate in this assignment. The bids shall be submitted under Regulation 3 (B) of PPRA-Procurement of Consultancy Services Regulations, 2010 (Quality & Cost based Selection). The bidders should submit a single package containing two separate sealed envelopes. One envelope should contain the technical proposals and the second envelope should contain the financial proposal. A lumpsum amount inclusive of all applicable taxes and other incidental costs including administrative as well as boarding & lodging expenses, should be quoted in the financial proposal including amount payable in PKRs and USD. The envelopes should be separately marked as "TECHNICAL PROPOSAL" and "FINANCIAL PROPOSAL".
5. The technical and financial proposals shall be received in separate sealed envelopes till **11:00 AM** on **12-01-2021** and only Technical Proposals will be opened in the first instance at **11:30 AM**. in the presence of the bidders, or their authorized representatives, who maybe present. The financial proposals of technically responsive or highest ranked proposals, under regulation 3 (B) of the PPRA-Procurement of Consultancy Services Regulations 2010, shall be opened in the presence of the bidders on a date and time communicated to them in advance. The financial bids should be valid for six months from date of opening of technical bids.
6. OGRA reserves the right in its sole discretion to accept or reject any and/ or all the bids without justifying any reason thereof.
7. Scope of work/TORs and evaluation criteria can be obtained from the OGRA website www.ogra.org.pk and PPRA website www.ppra.org.pk.

Senior Executive Director (Gas)
Oil & Gas Regulatory Authority

Plot No 54-B, Fazl-e-Haq Road, Blue Area, Islamabad.
Ph: 051-9244371

اظہار دلچسپی

سوئی کمپنیوں کی، مقامی گیس کے ساتھ ساتھ درآمد شدہ آرائیل این جی کے متعلقہ، اصل یو ایف جی معلوم کرنے اور سوئی ناردرن گیس پائپ لائنز لمیٹڈ کی طرف سے گھریلو اور کمرشل صارفین کو آرائیل این جی کی ڈائیورژن (Diversification) کی مقدار کا تعین کرنے کے لیے بین الاقوامی ٹیکنیکل، کمرشل اور مینجمنٹ آڈیٹرز کی خدمات درکار ہیں۔

- 1- آئل اینڈ گیس ریگولیٹری اتھارٹی (اوغرا) گیس کمپنیوں یعنی سوئی ناردرن گیس پائپ لائنز لمیٹڈ اور سوئی سدرن گیس کمپنی لمیٹڈ کے فرانزک ٹیکنیکل، کمرشل اور مینجمنٹ آڈٹ کا ارادہ رکھتی ہے۔ تاکہ مقامی گیس اور آرائیل این جی کی ترسیل اور تقسیم کے مراحل میں علیحدہ علیحدہ ماہانہ اور سالانہ بنیادوں پر مالی سال 2014-15 سے 2019-20 تک ضائع شدہ گیس (یو ایف جی) کی اصل مقدار طے کی جائے اور مالی سال 2017-18 سے 2019-20 کے دوران سوئی ناردرن گیس پائپ لائنز لمیٹڈ کی جانب سے آرائیل این جی کی گھریلو اور کمرشل صارفین کو ڈائیورژن کی تصدیق بھی کی جائے۔ اس عمل میں سوئی ناردرن گیس پائپ لائنز لمیٹڈ کی طرف سے آرائیل این جی کے رخ کو موڑنے اور دونوں لائنس یافتہ کمپنیوں کی مقامی گیس اور درآمد شدہ آرائیل این جی کے متعلقہ یو ایف جی کی کیلکولیشن (Calculation) کے تمام اجزاء/مراحل یعنی گیس کے حصوں کے ذریعے بشمول ویل ہیڈز اور آرائیل این جی ٹرمینل سے صارفین اور نقل و حمل کی کمپنیوں تک پہنچنے کا تفصیلی آزادانہ اور گہرا تجزیہ، تحلیل اور فرانزک ٹیکنیکل، کمرشل اور مینجمنٹ آڈٹ کیا جائے گا۔
- 2- اوگرا کی جانب سے اچھی شہرت کے حامل بین الاقوامی ٹیکنیکل، کمرشل اور مینجمنٹ آڈیٹرز، جو کہ قدرتی گیس سے منسلک اداروں کے آپریشنل، ٹیکنیکل اور فنانشل امور میں، یو ایف جی کی نگرانی اور اس پر قابو پانے، قدرتی گیس کی پیمائش، مقدار اور حجم کو متوازن رکھنے، معاشی اور مالیاتی تجزیے میں کم از کم بیس سالہ تجربے کے حامل ہوں کو مدعو کیا جاتا ہے۔ ایسی بین الاقوامی فرمیں جو کہ کم ترقی یافتہ ممالک میں یکساں نوعیت کے امور انجام دینے کا تجربہ رکھتی ہوں، قابل ترجیح ہوں گی۔ اس سلسلے میں بین الاقوامی فرمیں لوکل آڈٹ فرموں کے ساتھ اشتراک کر سکتی ہیں، تاہم شراکت داری/جوائنٹ ونچر کا تصدیق شدہ ثبوت بمع مکمل تفصیلات فراہم کرنا لازمی ہوگا۔
- 3- دلچسپی رکھنے والے کنسلٹنٹ/فرمیں متعلقہ شعبے میں تجربے کے حامل مرکزی عملے کے تفصیلی سی وی فراہم کرنے کے پابند ہوں گے۔
- 4- سوئی ناردرن گیس پائپ لائنز لمیٹڈ اور سوئی سدرن گیس کمپنی لمیٹڈ کے آڈیٹرز اور وہ فرمیں جو کہ گزشتہ 5 سال سے اسی نوعیت کی سرگرمیاں انجام دے رہی ہیں، شرکت کی اہل نہیں ہیں۔ ہڈز پیپرا- پروکیورمنٹ آف کنسلٹنسی سروسز ریگولیشنز 2010 (معیار اور لاگت کی بنیاد پر انتخاب) کے ضابطہ 3(B) کے تحت جمع کروائی جائیں گی۔ بولی دہندگان منسلک پتہ میں دو علیحدہ لفافے ارسال کریں گے۔
- 5- ایک لفافہ ٹیکنیکل پروپوزل جبکہ دوسرا لفافہ فنانشل پروپوزل پر مشتمل ہوگا۔ مکمل لاگت بشمول تمام واجب الادائیکس اور دیگر اخراجات بشمول انتظامی، قیام و طعام کے فنانشل پروپوزل میں درج بصورت پاکستانی روپے اور امریکی ڈالر درج ہونی چاہئیں۔ لفافوں کے بیرونی جانب واضح طور پر 'ٹیکنیکل پروپوزل' اور 'فنانشل پروپوزل' درج کرنا لازم ہے۔
- 6- ٹیکنیکل اور فنانشل پروپوزل علیحدہ علیحدہ سربراہ لفافوں میں 12 جنوری 2021 تک دن 11:00 بجے تک موصول ہو جانی چاہئیں۔ 12 جنوری 2021 کو دن 11:30 بجے صرف ٹیکنیکل پروپوزل بولی دہندگان یا ان کے مجاز نمائندگان، جو بھی موجود ہوں، کی موجودگی میں کھولے جائیں گے۔ پیپرا- پروکیورمنٹ کنسلٹنسی سروسز ریگولیشنز 2010 کے ضابطہ 3(B) کے تحت صرف ٹیکنیکل لحاظ سے بہترین پروپوزل بھجبنے والی فرموں کے فنانشل پروپوزل بولی دہندگان کی موجودگی میں کھولے جائیں گے، اس سلسلے میں تاریخ اور وقت سے پیشگی مطلع کر دیا جائے گا۔ فنانشل پروپوزل میں دی گئی لاگت ٹیکنیکل پروپوزل کھلنے کے بعد 6 ماہ تک لازمی موثر ہونی چاہئے۔
- 7- اوگرا کے پاس بلا اظہار وجوہ یا وضاحت کسی ایک یا تمام بولیوں کو مسترد یا قبول کرنے کا حق محفوظ ہے۔
- 7- دائرہ کار/آئی او آر اور جانچ پڑتال کا معیار اوگرا کی ویب سائٹ www.ogra.org.pk اور www.ppra.org.pk سے حاصل کیا جاسکتا ہے۔

سینئر ایگزیکٹو ڈائریکٹر (گیس)

آئل اینڈ گیس ریگولیٹری اتھارٹی

پلاٹ نمبر: B-54، فضل حق روڈ، بلیو ایریا، اسلام آباد

Ph: 051-9244371

Subject: HIRING OF SERVICES OF INTERNATIONAL TECHNICAL, COMMERCIAL AND MANAGEMENT AUDITORS FOR DETERMINING ACTUAL UFG OF GAS COMPANIES IN RESPECT OF INDIGENOUS GAS AS WELL AS IMPORTED RLNG AND DIVERSION OF RLNG VOLUME BY SNGPL TO DOMESTIC AND COMMERCIAL CONSUMERS

SCOPE OF WORK/TERMS OF REFERENCE

1. INTRODUCTION:

- 1.1. Oil and Gas Regulatory Authority (OGRA) was established in 2002 by the Federal Government to foster competition, increase private investment and ownership in the midstream and downstream petroleum industry, protecting the public interest while respecting the individual rights and provide effective and efficient regulations and for matters connected therewith.
- 1.2. Currently, two Gas Utilities viz Sui Northern Gas Pipeline Limited (SNGPL) & Sui Southern Gas Company Limited (SSGCL) are operating the transmission and distribution network for supply of gas to their consumers. The Gas Utilities are supplying indigenous natural gas as well as imported Re-gasified Liquefied Natural Gas (RLNG) that have been separately categorized by the Federal Government. Tariff for indigenous natural gas is determined under Section 8 of the OGRA Ordinance, while in case of RLNG, pricing is separately done as per policy guidelines of Federal Government. In case of indigenous Natural Gas, OGRA has implemented a fixed Unaccounted for Gas (UFG) benchmark of 5 % and upto 2.6% allowance for local operating conditions. For RLNG, the UFG is to be determined as per following decisions in this respect:
 - i. Economic Coordination Committee (ECC) of the Cabinet in its meeting held on 09.04.2015 & 23.04.2015 approved interalia following proposal:
“the volume and prices of RLNG sold to consumers may be ring fenced and considered separately for UFG benchmarking / disallowance purpose only”
 - ii. Federal Government (“FG”) vide its letter dated 27.06.2016 conveyed approval of the ECC with respect to transmission and distribution loss to be charged from RLNG consumers. The respective clauses of the decision are given as *under*:
Transmission loss to be determined and charged at actual subject to a maximum of 0.5% (to be shared by gas companies based on length of transmission lines involved).
Distribution loss to be determined and charged at actual. The said loss for the customers located on high pressure transmission lines as well as those

customers who are willing to lay their dedicated line from SMS / TBS at their own cost shall also be determined and charged at actual. However, for other customers on distribution lines, an actual average UFG for the last financial year will be taken in determination.

- 1.3. UFG is one of the major operational elements and benchmarking of UFG greatly determines the operational efficiency of a transmission and distribution company. Moreover, policy guidelines of the Federal Government for RLNG pricing necessitates separate determination of UFG for RLNG supplies. Considering the importance of the issue, OGRA intends to carry out comprehensive UFG forensic technical, commercial and management audit in respect of its licensees i.e. **SNGPL and SSGCL** to verify UFG components in calculation of UFG of the companies separately for indigenous gas and RLNG covering the whole supply chain starting from gas input in to the system till it is delivered to the end consumers.
- 1.4. RLNG, since its injection in to the system in the year 2015, was being supplied to specified customers, however, during F.Y. 2017-18 as per the directions of Federal Government based on its socio-economic agenda, SNGPL has been diverting RLNG to domestic & commercial consumers having natural gas supply contract. Due to different prices prevalent for RLNG and indigenous gas a price differential / revenue shortfall has been piled up. In pursuance of ECC decision dated 11.05.2018 SNGPL and SSGCL are allowed to manage gas loads on their system through RLNG / system gas swap mechanism for which necessary provision of volumetric adjustment and financial impact to be made on cost neutral basis in sale price of RLNG on a multi year and ongoing basis through setting up of a deferral account by OGRA.
- 1.5. In accordance with ECC decision, OGRA has been advised to provisionally allow the recovery of RLNG revenue shortfall considering the month wise actual RLNG volumes diverted in the domestic and commercial sectors by SNGPL and any amount available in the deferral account would be adjusted while actualizing the RLNG sale price, subject to verification of volumes supplied to domestic and commercial consumers by OGRA.

2. OBJECTIVES:

- 2.1 In the light of separate tariff regimes for indigenous gas and RLNG as well as policy guidelines in the matter of RLNG pricing, forensic technical, commercial and management audit is being conducted to assist the Authority in:

- 2.1.1 Segregating and determining the actual UFG in respect of **indigenous gas and RLNG, separately in transmission system and distribution system for both supplies on monthly and yearly basis for fiscal years 2014-15 to 2019-20 for gas utilities viz SNGPL & SSGC.**
- 2.1.2 Determining actual RLNG volumes diverted in the domestic and commercial sectors by SNGPL during FY 2017-18 to FY 2019-20 vis a vis actual indigenous gas volumes diverted to RLNG Consumers along with the verification of financial impact and adjustment in the deferral account.
- 2.2. To conduct detailed, independent and in-depth review, verification, analysis and forensic technical, commercial and management audit of all components involved in diversion of RLNG volume by SNGPL to domestic and commercial consumers and calculation of UFG in respect of the natural gas licensees (including, but not limited to, actual purchases, sales, transportation volumes, GIC, free gas facility, amount claimed against rupture etc) in respect of indigenous system and RLNG system starting from the gas input from the sources including well heads as well as LNG terminals till the delivery to the end consumers and shippers.
- 2.3. To review the internal business process, control systems and maintenance systems of the natural gas licensees related to calculation of UFG and diversion of volumes and their comparison with best international practices.
- 2.4. To technically evaluate the impact of handling RLNG (if any) viz-a-viz indigenous gas on UFG of both gas utility companies and suggest mechanism to adjust the financial impact of the same, if any.

3. TASKS:

- 3.1. The following tasks will be required to be performed by the consultant firm: -
- 3.1.1. To conduct detailed analysis/ forensic technical, commercial and management audit of all components involved and the figures in calculation of UFG in respect of indigenous system and RLNG system starting from the gas input from the sources including well heads as well as LNG terminals till the delivery to the end consumers and shippers.
- 3.1.2. Detailed review of the internal control and maintenance systems including reporting/ maintaining the UFG and diversion of volumes related data at each stage, the level of approvals and the effectiveness of internal checks and balances that have been implemented by the companies to ensure correctness and authenticity of compiled data and information.

3.1.3. To determine/ verify the actual UFG separately in respect of indigenous gas and RLNG, segregated in transmission system and distribution system, on monthly and yearly basis for fiscal years 2014-15 to 2019-20 alongwith verification and computation of following:

- i. Volumes and BTUs purchased/ transported from each supply point (to be cross checked with invoices/source documents etc).
- ii. Gas sale to different category of consumers/ transportation between the companies and shippers.
- iii. Volume and BTUs injected into at each delivery point/ SMS.
- iv. Gas billed and Sales/ transported volumes to each category of consumers/ shippers on the following basis:
 - a. Volume in MMCF and BTUs
 - b. Minimum billing; nil consumption; provisional/ estimated billing; sticky/ stopped meters
 - c. Gas theft cases and resolutions.
 - d. Accrued sales – not yet billed
 - e. Prior year credit adjustment
 - f. Employees/ free gas facility.
- v. Activity wise and incident wise calculation sheet with respect to gas blown off during maintenance/ operational works and sabotage/ blasts.
- vi. Segregation of UFG on region wise and SMS wise basis.
- vii. Gas Internally Consumed (GIC) (each component of GIC is to be verified and reconciled with usage/ utilization at each respective point).
- viii. Breakdown of UFG into components i.e theft, leakages, metering errors, measurement errors etc.
- ix. To review and provide opinion on SSGCL's claim of experiencing higher UFG losses due to handling RLNG instead of indigenous gas in its distribution system during FY 2014-15 to FY 2019-20.
- x. To technically evaluate and quatify the impact, if any, of handling RLNG viz-a-viz indigenous gas on UFG of gas companies and suggest mechanism to adjust the financial impact of the same, if any.

- xi. To technically evaluate and provide opinion on SSGCL's claim of UFG on sale of RLNG heldstock.

3.1.4. To determine and verify the actual RLNG volumes diverted in the domestic and commercial sectors and vice versa by SNGPL during FY 2017-18, 2018-19 and 2019-20, its financial impact and any amount available in the deferral account to be adjusted while actualizing the RLNG Sale price alongwith verification and computation of following:

- i) Basis on which SNGPL identifies the high priority consumers and diverts gas to domestic and commercial consumers during the winter months. The quantum along with the consumption of such consumers in the light of applicable Natural Gas Load Management Plan. In addition, the basis/ parameters for identification of winter months to be cross checked.
- ii) Financial impact of diversion of volumes while analyzing the basis used by SNGPL for computing the same.
- iii) Month wise and year wise indigenous Gas diverted to RLNG consumers (volumes as well as financial impact in PKR).
- iv) Month wise and year wise RLNG diverted to indigenous Gas Sector (volumes as well as financial impact in PKR).

4. **DELIVERABLES:**

- 4.1. Present forensic technical, commercial and management audit plans as per above tasks and schedules of activities within 15 days of award of contract prior to the commencement of the tasks.
- 4.2. Separate reports for each Financial Year containing separate sheets / workings on all the tasks assigned at para 3 above are required to be submitted.
- 4.3. First report will be submitted within one hundred and twenty (120) days of award of contract.
- 4.4. Periodic presentations and consultation with the stakeholders, as and when advised by OGRA.
- 4.5. The consultant firm, after receipt of first satisfactory report, will submit final report on advice of OGRA within 30 days.

5. PERFORMANCE GUARANTEE:

- 5.1. The forensic technical, commercial and management audit firm will submit a bid bond/ performance guarantee of 20,000 US \$ in favour of OGRA at the time of signing of contract, valid for additional 3 months beyond completion date and which shall be released within 60 days of successful completion of assignment i.e. acceptance of final report.
- 5.2. **No bid bond/ performance guarantee is required at the time of bid submission.**

6. SCHEDULE OF PAYMENT:

- 6.1. 20% at the time of submission of forensic technical, commercial and management audit plans as per Para 4.1.
- 6.2. 40% payment on submission of first report as per Para 4.3.
- 6.3. 40% payment on acceptance of final report.

7. QUALIFICATION OF THE CONSULTANT(S):

- 7.1. The consultant firm should comprise of personnel with a minimum of 20 years practical experience in energy sector specifically relating to operational, technical, natural gas measurement, UFG control, financial & billing, economic analysis and monitoring. Interested consultant firms must provide detailed resumes of their members / teams. Evaluation Criteria is attached.

8. TERM/DURATION OF ASSIGNMENT:

- 8.1. The forensic technical, commercial and management audit shall be completed within **150 days (120 days for submission of 1st report and 30 days for submission of final report). Duration may be extended by Authority on the request of the firm.**

9. PROPRIETARY RIGHTS:

- 9.1. All documents prepared by the consultant firm shall become and remain the sole property of the Authority. Consultant firm shall not, during the term of contract or after expiration, disclose any proprietary or confidential information relating to the services, or the Authority's business or operations.

10. PROJECT COORDINATOR:

- 10.1. All relevant correspondence and meetings will be convened in the office of Ms Misbah Yaqub, Senior Executive Director (Gas) will be the project coordinator for day-to-day coordination for the project. The project coordinator can be reached at Ph. No. 051-9244371 or through email gasdata@ogra.org.pk.

EVALUATION CRITERIA

EVALUATION CRITERIA FOR CONDUCTING UFG & DIVERSION OF RLNG BY SNGPL FORENSIC TECHNICAL, COMMERCIAL AND MANAGAMENT AUDIT OF SUI COMPANIES

Sr. No.	Description	Points
1	Experience	20
1.1	<u>Organizational structure and number of years in the business:</u> International audit firm having minimum 20 years' experience of technical, commercial, management and financial audit.	10
1.2	<u>Areas of expertise:</u> The audit firm should have experience and strong knowledge in UFG control and monitoring, natural gas measurements, volume and value reconciliations, economic and financial analysis. Special preference shall be given to international firm having experience of carrying out similar assignment in less developed countries.	10
2	Specific and Relevant Experience	40
2.1	Interested firm/ consultant should have specific work experience and competency in undertaking jobs relating to similar assignments duly supported by tangible evidence, including but not limited to, copies of such contracts and acknowledgments from the clients.	20
2.2.	Should have experience as a lead firm in undertaking similar assignments.	20
3	Strategy, approach & methodology	10
3.1	Interested firm/ consultant shall submit a comprehensive approach, strategy or methodology alongwith tools and techniques that shall be adopted to carryout UFG forensic audit in Pakistan highlighting critical path items.	10
4	Key staff to be deployed on the assignment on permanent basis having relevant experience	20
4.1	Team should comprise of at least five members (proof of association of professionals with the audit firm be also provided) having experience and related qualifications, not limited to following: a. Gas Measurement/ Metering Engineer, b. Operations (Transmission & Distribution) Engineer, c. Billing Professional, d. Finance & Audit Professional, e. Economist/ Commercial and Corporate Expert. f. Project Management Professional.	20
5	Financial strength of the firm/ Audited accounts	10
5.1	Financial strength supported by financial statements of past two years.	10

Note: Minimum requirement for technical pre-qualification shall be 70 points.

Technical Proposal = 75 %

Financial Proposal = 25 %

The Authority may call the interested consultant firms to give a detailed presentation on their proposal.