



INDIVIDUAL CONSULTANT PROCUREMENT NOTICE

Date: 16 June 2021

Reference Number: IC-2021-012

Country: Republic of Kazakhstan

Description of the assignment: National consultant for the preparation of an analysis of the electricity and heat energy market to identify direct and indirect subsidies

Project name: #00101058, UNDP/GEF Project "Derisking Renewable Energy Investment in Kazakhstan"

Period of assignment/services: July - October 2021 (46 working days)

Contract Modality: Individual contractor (IC)

Important Note: Technical and Financial Submission Proposals must be submitted in **separate** PDF/Word files!

Any request for clarification must be sent by standard electronic communication to the e-mail procurement.kz@undp.org with copy of karina.amralina@undp.org and in e-mail subject please indicate **Ref.2021-012**.

1. BACKGROUND

The goal of the project is to assist the Government of the Republic of Kazakhstan in the development of renewable energy and improve the investment climate, stimulate the active introduction of renewable energy facilities and increase investment in renewable energy sources.

The project targets both large and small renewable energy sources. The long-term goal of this project is to facilitate the transformation of the energy market in Kazakhstan by significantly increasing the use of renewable energy sources; in the field of electricity production - from 1.1% (SES, wind farms, small hydroelectric power plants with a capacity of up to 35 MW, 2017) to 10% of the share of renewable energy sources by 2030, which is 10 times more in electricity production based on renewable sources energy.

OBJECTIVE

Identify the existing schemes for subsidizing the electric and thermal energy market to improve the system of economic incentives for the environmentally friendly and efficient development of renewable energy in the Republic of Kazakhstan.

2. SCOPE OF WORK, RESPONSIBILITIES AND DESCRIPTION OF THE PROPOSED ANALYTICAL WORK

1. Provide a report on the current structure of the energy sector, including the tariff setting system,

including the production and distribution of electricity and heat at the country level and by region. This inventory should provide an overview of all existing schemes currently in force for both electricity subsidies (subsidy inventory) and an overview of all existing schemes that are currently used to provide incentives for additional investment in renewable energy (incentive inventory);

2. To study the existing schemes for subsidizing the electric power industry, including direct and indirect ones, at the level of generation, distribution (transmission and sale) of electric and heat energy in the regions and country context, including but not limited to the following schemes:

Direct subsidies:

- Subsidies to households using electricity
- Subsidies per tonne of coal mined
- Operating subsidies for coal producers
- Subsidies for electricity consumed by mining companies
- Capital expenditure grants for extractive industries.

Sharing risks with the state:

- Budget discounts on electricity bills
- State insurance reserves of coal
- State Insurance of coal transportation
- State guarantees for loans attracted in the framework of capital projects of coal mining enterprises

Tax relief:

- Household tax deductions for electricity costs
- Preferential income tax rate for coal mining enterprises
- Reduction of excise taxes on fuel consumed by coal mining companies
- Tax subsidy for investments in coal mining companies.

Reducing other government fees:

- Reduced payment for subsoil use
- Reduced prices for government services and goods
- Tariffs for the use of land plots for coal storage have been reduced.

Transfers:

- Electricity tariff setting
- Direct budget transfers to the energy sector (budgets of all levels);
- Export-import restrictions on coal supplies
- Monopoly rights of coal mining companies
- Regulation of wages in the extractive sector

3. Determine and assess the impact of existing subsidies and incentives in the sector - transportation of fuel (coal) to power plants and other types of subsidies, as well as analysis of the impact of incentives to increase renewable energy sources, taking into account the emissions trading system in Kazakhstan;

4. Assess the impact of various types of preferences and incentives, if any, in the coal mining sector on the final consumer tariff;

5. Calculate and estimate the cost of electricity and heat for the end-user, excluding subsidies along the entire chain, from production to the sale of electricity and heat, taking into account the rate of return along the production-distribution chain - sales of 10%;

6. Calculate and estimate the possible amount of lost profits for the budgets of all levels, with constant subsidies for the industry;

7. Calculate and estimate the number of subsidies for vulnerable groups of the population (transition from general subsidies: non-targeted subsidies to targeted subsidies);

8. Analyze imbalances in the electricity and heat energy market and assess the impact of the allocated amount of subsidies on the further development of renewable energy sources with the following reduction in subsidies: 20%, 30%, 50%, 80%, 0%.

9. Conclusions and recommendations on changing and improving the practice of reducing subsidies for the production and consumption of electricity to create an optimal system of economic incentives for environmentally safe and efficient development of the energy sector, to help the Republic of Kazakhstan achieve the goal in accordance with the Paris Agreement. The report should include specific recommendations for exploring various incentives that can help reduce the risks of investing in renewables and help accelerate the energy transition and discuss the advantages and disadvantages of each option. The work should be presented to interested Ministries (energy/finance/economy), associations (industrial / energy, including renewable energy);

10. In addition, over ten percent of the assignment time should be spent discussing with an international consultant who will be hired to review the financial support mechanisms for the NAMA and DREI projects and to provide inputs. (if necessary), as well as comments and recommendations on the financial mechanism audit report. The consultants will provide detailed comments on both the draft and the final version of the financial mechanism report and will endeavor to ensure that their report is written in a way that complements and supports the results of this work.

For detailed information, please refer to the Term of Reference (Annex 1)

3. REQUIREMENTS FOR EXPERIENCE AND QUALIFICATIONS

Education:

- Higher economic/environmental / energy education or related technical fields;

Experience:

- 10 years of experience in consulting and analyzing the improvement of tariff regulation systems in various spheres of the economy of the Republic of Kazakhstan;
- Participation in at least 5 projects related to the analysis of tariff formation/tariff regulation in the field of energy/heat energy/transport in international audit companies.
- Skills of filing information and writing reports;
- Availability of a certificate of professional certification audit-related, if applicable;
- Experience in the preparation of analytical studies and methodological developments in the field of energy.

Language:

- Excellent knowledge and command of the Russian language; knowledge of English will be an advantage.

4. DOCUMENTS TO BE INCLUDED WHEN SUBMITTING THE PROPOSALS

The following documents in **PDF** to be attached to the Offer (maximum size 19Mb per one e-mail transmission) and should be sent to procurement.kz@undp.org with indication of **Ref.2021-012** in the e-mail subject not later **4 PM (Nur-Sultan time, GMT+6) of 30 June 2021**:

- a) Duly accomplished Annex 4 "Offeror's Letter to UNDP confirming interest and availability for the Individual contractor" and Annex 5 "Breakdown of Costs Supporting the Final All-Inclusive Price" using provided UNDP template; the document should be provided separately from other required below documents;
- b) Detailed CV, where previous work experience in similar projects should be included, as well as contact details (email and phone number) of the Offeror;
- c) Methodology describing which approach will be applied and how the task will be performed. The methodology must demonstrate candidate's skills in presenting information and writing reports and experience in the preparation of analytical studies and methodological developments in the energy sector;
- d) Certificate of professional audit-related certification, if applicable;
- e) Other documents certifying the work experience, expertise, education, and skills (qualification improvement certificates\diplomas, awards, etc.);

Incomplete proposals will be rejected automatically. ONLY fully submitted applications would be considered for evaluation!!!

5. FINANCIAL PROPOSAL

This contract is in the national currency tenge with a lump sum of payments for each completed output. The quotation must include all expenses of the expert, including his daily rate, the number of working days (46 working days) to complete the tasks and any other relevant expenses for the task and necessary to obtain the above outputs.

Payment will be made after the approval of interim reports, based on the above outputs by the project manager and signing of the certificate of completion for each output by the UNDP Project Manager.

The contract price will be fixed regardless of changes in cost components.

6. EVALUATION

Individual consultants will be evaluated based on **Combined Scoring method** – where the qualifications and methodology will be weighted a max. of 70%, and combined with the price offer which will be weighted a max of 30%:

- Step I: **Preliminary evaluation** of offers (ONLY fully and timely submitted applications with all required documentation (CV, methodology, Annex-IV and Annex -V) would be considered for shortlisting;
- Step II: **Shortlisting**;
- Step III: **Technical Evaluation – 70%** (maximum 700 points), which consists of technical scoring of qualifications and experience = 500 points, and interview = 200 points;
- Step IV: **Financial Evaluation – 30%**

Step II: Shortlisting (Pass/fail)

Only candidates meeting the mandatory criteria below will be included in the shortlist and allowed to the technical evaluation:

- Higher economic/ environmental/ energy education or related technical fields;
- At least 10 years of experience in the field of consulting and analysis of improving tariff regulation systems in various areas of the economy of the Republic of Kazakhstan;
- Participation in at least 5 projects related to the analysis of tariff formation/tariff regulation in the field of energy/heat energy/transport in international audit companies;
- Excellent knowledge and command of the Russian language.

Step III: Technical Evaluation – 70%:

UNDP will conduct a desk review to technically evaluate the shortlisted candidates. Only top 3 high scored candidates obtaining a minimum of 70% (350 points) of the maximum obtainable points for the technical criteria (500 points) shall be invited for the interview.

Technical scoring of qualifications and experience – maximum 500 points:

| Criteria | Maximum points | Assessment |
|--|----------------|---|
| Higher economic/ environmental/ energy education or related technical fields | 100 | Bachelor = 70; Master = 85; PhD = 100 |
| Experience in the field of consulting and analysis of improving tariff regulation systems in various areas of the economy of the Republic of Kazakhstan | 150 | 10 years = 105; +5 points for each additional year of experience Maximum = 150 |
| Participation in at least 5 projects related to the analysis of tariff formation/tariff regulation in the field of energy/heat energy/transport in international audit companies | 100 | Participation in 5 projects = 70; + 10 points for each additional project; Maximum = 100 |
| Skills in presenting information and writing reports (as described in the methodology) | 50 | Required skills are assessed as: Poor = 10; Satisfactory = 20; Good = 35; Very good = 40; Excellent = 50 |
| Experience in the preparation of analytical studies and methodological developments in the energy sector (as described in the methodology) | 50 | Proven experience = 50; Lack of experience = 0 |
| Availability of a certificate of professional attestation related to audit, if applicable | 10 | Availability of certificate = 10; No certificate = 0 |
| Excellent knowledge and command of the Russian language; knowledge of English will be an advantage | 40 | Excellent Russian literacy = 30; + Knowledge of English = 40 |
| TOTAL | 500 | |

Interview (max 200 points):

Only candidates obtaining a minimum of 70% (140 points) of the maximum obtainable points (200 points) of the interview shall be considered for the financial evaluation.

Step IV: Financial evaluation – 30%:

The following formula will be used to evaluate financial proposal:

Lowest priced proposal/price of the proposal being evaluated * 100%.

The award of the contract shall be made to the individual consultant whose offer has been evaluated and determined as (a) responsive/compliant/acceptable and (b) having the highest score out of the set of weighted criteria: technical (70%) and financial (30%).

APPROVED BY:**Vitalie Vremis**

Deputy Resident Representative

Signature:



Date: 15-Jun-2021

Zhanat Tileumuratova

Procurement Associate

Signature:



Date: 15-Jun-2021

ANNEXES**ANNEX 1- TERMS OF REFERENCES (TOR)****ANNEX 2- INDIVIDUAL CONSULTANT GENERAL TERMS AND CONDITIONS****ANNEX 3- INDIVIDUAL CONTRACT TEMPLATE****ANNEX 4- OFFEROR'S LETTER TO UNDP/CONFIRMATION OF INTEREST****ANNEX 5 – FINANCIAL PROPOSAL***Karina Amralina*