REQUEST FOR PROPOSALS

UNITED STATES ENERGY ASSOCIATION

SUPPORT TO THE MINISTRY OF ENERGY AND COAL INDUSTRIES OF UKRAINE

DEVELOP A ROADMAP TO ESTABLISH GAS TRANSMISSION SYSTEM OPERATOR
DEVELOP ACTION PLAN FOR NAFTOGAZ UNBUNDLING
DEVELOP TERMS OF REFERENCE FOR NAFTOGAZ UNBUNDLING CONSULTANT

The United States Energy Association (USEA), in cooperation with the United States Agency for International Development (USAID), is seeking proposals from qualified firms or individual consultants possessing required expertise (further “Consultants”) to assist the Government of Ukraine (GOU) with development of a “Roadmap” for the establishment of a gas sector transmission system operator (TSO); to develop an “Action Plan” for the implementing entity according to the Resolution of Cabinet of Ministries from 2016 and in compliance with the Energy Community Treaty Acquis; and to draft terms of references (TOR) and selection criteria for a Management Consultant to work with the new TSO Main Gas pipeline of Ukraine (MGU).

BACKGROUND

On 1 July 2016, the Cabinet of Ministers of Ukraine (the “CMU”) approved a comprehensive plan for restructuring of the national joint stock company “Naftogaz of Ukraine” in line with the new law “On the Natural Gas Market” adopted by the Parliament on 9 April 2015. The Draft Plan was created by the Government in cooperation with the Energy Community Secretariat (ECS) to ensure Ukraine’s compliance with the Energy Community legal framework and to comply with European Union’s “Third Energy Package”, in particular - Directive 2009/73/EC concerning common rules for the internal market in natural gas with respect to establishing of the gas TSO. The state oil and gas monopoly Naftogaz is, together with its subsidiaries, currently carrying out gas production, transmission, storage and supply functions in Ukraine.

The Government must ensure that the new TSO is legally and functionally independent from Naftogaz and from any of its gas production and gas supply operations. According to the Draft Plan, the GOU has elected to apply an ownership unbundling model for Naftogaz. The July 1 resolution requires the incorporation of the following new entities:

- Transmission System of Operator (TSO), which was named the MGU;
- Storage System Operator (STO), which was named the Underground Gas Storage Facilities (GSF) of Ukraine.

In addition, the GOU has also identified as a priority the need for helping operationalize the new TSO to ensure continuation of reforms and ability to present the MGU as a viable entity.

The timing and sequencing of the legal steps of ownership unbundling from Naftogaz must be sensitive to the ongoing Stockholm arbitration case between Naftogaz and Gazprom.
**SCOPE OF WORK**

The Consultants will:

a) Develop a Roadmap to establish the MGU through the unbundling of Naftogaz

b) Develop an Action Plan for the Ministry of Energy and Coal Industries (MECI) to guide implementing parties, including but not limited to other Ministries, the management of Naftogaz and its constituent elements (Ukrzavodobuvannya (UVG), UkrTransGaz, etc.) through the Roadmap unbundling process, providing sufficient details of tasks/steps to be performed by the implementing party (or parties) to initiate the execution of the unbundling process in compliance with the ECS requirements, and

c) Develop Terms of Reference and qualification requirements for a Management Consultant to work with the new MGU management. This assignment will NOT include partner selection process.

The Consultant will be required to perform a comprehensive assessment of the current situation and gain a full understanding of all aspects of the complex situation regarding Naftogaz, requirements of the Ukraine legislative and the European Union Third Energy Package.

**DESCRIPTION OF WORK**

The Consultant will be responsible for developing a Roadmap for the MECI to establish the MGU through an unbundling process of Naftogaz; Developing the Roadmap Action Plan for Implementing Parties; and Drafting Terms of Reference for and Qualification Criteria for selecting a Management Consultant to work with the MGU Consultant.

All documents must provide sufficient detail of the steps to be taken during the unbundling process and sufficient guidance for the MECI and implementing entities in the technical, financial and organizational issues that need to be executed to result in full compliance with the requirements of the 3rd EU Energy Package.

It will be the responsibility of the Consultant to ensure that these documents are comprehensive and provide an exhaustive list and description of each step of the unbundling process that the MECI and implementing entities must undertake, including, but not limited to the following:

**A. Technical Issues: Asset Separation**

1. Delineate petroleum field infrastructure (e.g. pipelines, manifolds) and transmission and storage facilities, defining equipment and custody transfer points
2. Catalogue major assets (pipelines, compressor stations, meters, laboratories, etc.) to include technical specifications, maps, as-built records, operation and maintenance plans and records, acquisition costs and level of depreciation
3. Identify approved or planned network development plans and determine their appropriateness in the unbundling process

**B. Financial Issues: Accounting Unbundling**

1. Separation of accounting for the MGU,
2. Development of accounting tables for depreciation, payables, receivables, etc.
3. Separation of all Operation and Maintenance related contracts,
4. Developing of Pro forma financial statements for the MGU
C. Organizational Issues:

1. Development of human resource plan and related issues (job descriptions, salary scales, etc.)
2. Development of new organizational plan (supervisory board, executive management, headquarters and field units, etc.)
3. Prepare the terms of reference and list of qualifications for a Management Consultant(s) to assist the MGU in the unbundling process
4. Prepare a monitoring plan to assist the MECI assess progress toward unbundling objectives

Procurement of a Management Consultant for the MGU will not be part of this assignment. The Consultant will include in the Terms of Reference it develops for the Management Consultant to the MGU, a pro forma estimate for the services of the Management Consultant.

DELIVERABLES AND SCHEDULE

The Consultant will adhere to the following project schedule:

<table>
<thead>
<tr>
<th>Task</th>
<th>Action</th>
<th>Date</th>
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<tbody>
<tr>
<td>1</td>
<td>Review Ukrainian legislation; Conduct scoping trip to determine the current status of establishing the MGU; Consult with stakeholders and brief USEA/USAID</td>
<td>Immediately after the contract signing, Duration: 2 weeks in Ukraine</td>
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<tr>
<td>2</td>
<td>Development of Project Work Plan, Schedule and Division of Responsibility for approval by the USEA</td>
<td>Submitted to USEA within one (1) weeks from completion of Task 1</td>
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<tr>
<td>3</td>
<td>Draft Roadmap document</td>
<td>Submitted within 6 weeks from approval of the Work Plan by USEA</td>
</tr>
<tr>
<td>4</td>
<td>Revised Roadmap submitted</td>
<td>Submitted two (2) weeks after receiving comments</td>
</tr>
<tr>
<td>5</td>
<td>Draft Action Plan</td>
<td>Submitted within 6 weeks from approval of Work Plan by USEA</td>
</tr>
<tr>
<td>6</td>
<td>Revised Action Plan</td>
<td>Submitted two weeks after receiving comments</td>
</tr>
<tr>
<td>7</td>
<td>Draft TOR and Selection Criteria for MGU management consultant(s)</td>
<td>Submitted two (2) weeks after approval of Action Plan and Roadmap</td>
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<tr>
<td>8</td>
<td>Selection criteria and TOR for Management consultant(s)</td>
<td>Two weeks after receiving comment</td>
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<tr>
<td>9</td>
<td>Final Presentation of Road Map, Action Plan, and TOR and Selection criteria for management consultant(s)</td>
<td>One week in Ukraine</td>
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PROPOSAL REQUIREMENTS:

Proposals must include the following:

- A description of the development challenges associated with establishing a large gas transmission system operator resulting from the unbundling of a vertically integrated gas utility.
- A description of the technical approach proposed to develop the Roadmap, Action Plan and Management Consultant TOR and Selection Criteria, including an indicative draft of a Roadmap.
outline or table of contents demonstrating the offeror’s vision and understanding of the Roadmap requirements

• Statement of qualifications
• A description of previous experience in unbundling natural gas utilities or similar utilities and experience in the Europe & Eurasia region
• CVs and USAID Contractor Biodata Sheet for each consultant proposed for this assignment
• Schedule for implementing the project

Cost proposals should be quoted as a bundled rate for labor and indirect costs expressed in person days for each consultant proposed for this project. USEA, through its cooperative agreement with USAID, will separately fund all travel related costs associated with this project including airfare, ground transportation, lodging and meals and incidental expenses, travel and health insurance in accord with U.S. Government regulations. Proposals must provide an estimate of the number of trips and travel-person days required to undertake this TOR. No other costs will be reimbursed. Translation and interpretation services will not be the responsibility of the consultant.

EVALUATION CRITERIA

Proposals will be evaluated based on the following weighted scoring criteria:

• 30% -- Description of the Technical Approach proposed to develop the Roadmap, Action Plan and Management Consultant TOR and Selection Criteria; a clear description of development challenges associated with these tasks demonstrating the firm/consultant’s mastery of the subject matter; and an indicative draft of a Roadmap outline or table of contents demonstrating the offeror’s vision and understanding of the Roadmap requirements
• 30% -- Qualifications and previous experience of the firm/consultant on similar assignments; qualifications of individual experts proposed to work on this assignment; experience working in the Europe and Eurasia region
• 40%-- Price

TIMEFRAME:

All technical work to be performed under this assignment is expected to be completed no later than June 20, 2017. Travel to Ukraine will be scheduled with respect to progress and may be modified as needed.

All questions related to this RFP should be submitted via email to proposals@usea.org by close of business February 3, 2017. All questions and answers will be provided to all prospective bidders.

Interested parties are requested to submit final proposals by close of business February 17, 2017. Proposals should be sent via email to proposals@usea.org in PDF format.