



Central Office - P.O. Box 30099 - 00100
Telephone – 254 – 02 - 3201000
Stima Plaza, Kolobot Road
Nairobi, Kenya
www.kplc.co.ke

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CONSULTANT SELECTION ACTIVITY REF. NO: KP1/6A.1/RFP/15/20/A88

Terms of Reference for the Consultancy Services – Support for the development and subsequent implementation of a comprehensive Transformation Strategy for Kenya Power and Lighting Company Ltd – PLC.

1. Background

The energy sector has greatly contributed to the growth of the economy through the development of adequate generation capacity, rapid enhancement of electricity access and expansion of the power transmission and distribution infrastructure. The Kenya Power and Lighting Company Plc (Kenya Power) as a major player in the energy sector has contributed immensely to the socio-economic transformation of the citizens of the country. Indeed, Kenya Power is a key player in Vision 2030 and an enabler of the Big 4 Agenda.

The Company is currently experiencing financial challenges affecting its ability to run sustainably and deliver on its obligations to shareholders and the public. Over the last four years, the Company has experienced a general decline in its financial situation as depicted by reduced net earnings. There are several external and internal factors responsible for this decline.

In a bid to turn around and transform the financial performance of the Company; improve efficiency and enhance customer experience, KPLC is ‘focused on developing a transformation strategy to drive value creation levers (in multiple waves), redefining and re-aligning the industry structure and explore approaches to refinancing the sector. A number of parallel efforts are on-going or planned aimed at addressing the external challenges including the surplus capacity in the pipeline and tariff adjustments for recovery of efficient costs. A number of task forces are developing action plans for improvement of the financial and operational position of KPLC.

2. Purpose/Objectives for the Business Transformation

The purpose of the business transformational review is to identify and document key challenges including areas of operational inefficiencies within KPLC and formulate strategies and initiatives to transform the business performance, set up levers that will drive the transformational agenda and support value creation while at the same time position KPLC to take up its key and vital role in supporting sector development and meeting its obligations to both the shareholders and public. Building on the already existing and on-going initiatives, this advisory support is aimed at developing and implementing a comprehensive action plan for addressing the internal and external challenges and tap into the opportunities towards a financially sustainable and operationally efficient KPLC.

3. Scope of Service

The consultancy is to provide advisory support to the Board and management to focus on key initiatives aimed at fast-paced delivery of results to drive value creation levers (in multiple waves) and redefine the industry interaction structure and explore approaches to sector refinancing. Potential elements and their specific initiatives could include;

a. Rapid Strategic Process

- i. Conduct rapid strategy re-design and operational improvement diagnostics to develop a two-year overall transformation roadmap with a dated action plan and monitoring framework, budget, draft policies, manuals, template documents, communication strategy. This will build on the existing and on-going initiatives including the 5-year strategic business plan of KPLC, the financial and operational turnaround plan, as well as the COVID-19 Task Force Reports.
- ii. Help clarify the organizational governance and the immediate priorities of the top management
- iii. Develop a communication strategy and facilitate consultation within internal and external stakeholders for full buy-in on the transformation roadmap and support implementation of the roadmap.

b. Transformation Strategy and Implementation Plan Roadmap

- i. Develop a draft transformation/turnaround strategy for consideration by Kenya Power Board and Management and if approved support the implementation of the strategy.
- ii. Develop, operationalize and establish governance, routines and tracking for the transformation programme to ensure weekly decision making and review of progress
- iii. Establish a reporting framework for Government and stakeholders

The Transformation Strategy will be focused on the Value Creation Levers and will comprise the following topics:

- i. Resolve the financing of ongoing roll out and maintenance of last-mile electrification – consider options to immediately ring-fence and take off-balance-sheet if possible
- ii. Prepare a comprehensive strategy for renegotiation of signed PPAs with take or pay capacity and energy payments to reduce liabilities and implement the strategy.

- iii. Comprehensive reduction of technical and commercial losses to between 10 to 12%, building off KPLC's previous and existing work on loss diagnostics including installation of advanced metering infrastructure for high-value consumers and facility database clean as a start and prioritizing high impact interventions where capital investment is required.
- iv. Develop and launch focused effort to reduce collection losses by 2 to 3% starting with the largest debtors and the public sector.
- v. Roll out high impact digital and advanced analytics tools in support of asset management, data monetization, commercial and collection loss management, general & administration cost reduction through process efficiency etc.
- vi. Phased reduction in workforce to ensure KPLC remains competitive and provides the right levels of service, and bring this into line with best benchmarks in sub-Saharan Africa
- vii. Analyze and implement operational expenditure improvement schemes, and develop a framework to establish and tighten controls in the Procurement and Supply Chain in particular controls related to budgeting, tendering process to ensure quality and eliminate procurement of substandard goods and services, and fraud, inventory planning, stock monitoring and control, preparation of tender documents, specification of goods and services, TORs and template for contracting and tender documents and controls to ensure integrity and professional competence in the management of tenders.
- viii. Roll out projects management tools to both optimize Capex outlay and improve the impact of Capex spent, again through tightening controls around procurement and supply chain.

In addition to these scoped services, KPLC would welcome other proposals in the EOI from the consultants on how the Company should best operate and perform amidst the changing business environment locally and internationally.

4. Deliverables

The assignment will be performed in two phases. In the first phase, the advisory team will prepare a business plan on the future of KPLC including strategies, the transition phase with the identified proposed changes, strategies, reform agendas, initiatives and activities. The proposed changes should clearly detail the gap in the current and existing position. The team will also support the development of a Transformation Roadmap to be presented to Kenya Power Board and Management. Subject to the excellent performance of the advisory team as determined by the Board, the team may be engaged in phase 2 implementation support to the CEO, and Exco to implement the key initiatives and actions as per the Transformation Roadmap.

5. Qualifications of the Consultancy Firm

The consultant firm will provide a team comprising of 3-4 resident experts led by a team leader. The members of the team should have the skill and experience necessary to undertake the range of tasks set out in these terms of reference. The total key expert's input, for phase I of the assignment, is estimated to be three (3) expert-months and for phase II will be three (3) expert-months.

Qualifications required for a suitable consultancy firm will include:

- a) At least ten years of active experience in the sector with excellent completion of a minimum of three similar assignments in three different utilities, evidence of which will be case studies or reports of the same,
- b) Proven transformation expertise of having transformed a number of power utilities, with a specific track record in key initiative areas such procurement, technical and commercial loss reduction,
- c) All resources and capacity required to deliver a strong Transformational Process rapidly and within 1 years,
- d) Strong understanding of the whole energy sector in Kenya, the Kenyan economy and public sector landscape,
- e) Track record of strategic work as per the knowledge of other utilities and Government in the Kenyan power sector would be an added advantage but is not required,
- f) Deep understanding of Kenyan power tariffs and tariffs structuring,
- g) Ability to bring senior stakeholders together to solve the collective problems in the sector,
- h) Deep understanding of infrastructure financing (including IPP projects) and electricity sector reform,
- i) Holistic approach to organizational transformation, including non-technical aspects of organizational health,
- j) Global experience in successful corporate transformations across all dimensions of a company,
- k) The firm is expected to be a leader in similar utility reform and transforming advisory services having renowned and adequate experts with excellent institutional capacity and performance track record,
- l) Having a deep understanding of the Kenyan economic, social and business context would be an advantage. This is important as the assignment may involve other sector players and stakeholder engagement and fieldwork in Kenya,

The key experts of the consultant should have;

- Relevant years at least 10 years of experience in the design and implementation of standardization programs related to an electricity utility, value chain analysis, with multi-country experience, and has a history of delivering quality analytical, programmatic and actionable work,
- Advanced degree in any of the following fields electrical engineering, mechanical engineering, Business Management, Economics or related graduate qualifications from a recognised University,
- Professional experience specifically in undertaking business review, financial restructuring, organisational reforms and development of transformational strategies based on case studies of identified utilities,
- Demonstrated expertise and capability in assessing business support services in support of enterprise development, creating business linkages and markets,
- Proven experience with logical framework approaches and other strategic planning approaches, M&E methods and approaches (including quantitative, qualitative and participatory), information analysis and report writing,

- The indicative key-expert's requirement is as follows:

I/No	Position in the team	Minimum Qualifications & experience	Minimum expert-months required	
			Phase I	Phase II
1	Task Team leader	Postgraduate degree in electrical engineering, mechanical engineering, Business Management, Economics or related discipline with a minimum of 10 years' experience with the successful delivery of at least three similar assignments in three different utilities outside Kenya as a team leader	3	5
2	Utility sector transformational reform and enterprise development expert	Same as above	3	4
3	Energy Sector business, investment strategic planner and M&E expert	Same as above	3	4
4	Market, commercial and financial expert	Postgraduate degree in accounting or financial management field with a minimum of 10 years' experience with the successful delivery of at least three similar assignments as a team leader	2	2
5	Communication, public engagement and outreach expert	Postgraduate degree in communication, law or relevant discipline with at least seven years of experience in business support services in support of enterprise development, creating business linkages and markets promotions	2	1
Total			13	16
			29	

6. Reporting, Deliverables & Time Schedule

The first phase of developing the Transformation Roadmap will be completed in three (3) months from the award and launch of the consultancy. Another 6 months of implementation support will be considered subject to excellent performance in the first phase. The following timetable and disbursement schedule is proposed;

Timing	Activity/Deliverable	Disbursement
Phase 1	Development of Transformation Roadmap	
Activity Signature	Launch of Activity Signature	
Signature + 4 weeks	<i>Deliverable 1. Inception Report:</i> Delivery of the outline report, corresponding to section 3 of this TOR, and a detailed methodology and schedule of operation ,including key deliverables and timeframes for the delivery of phase 1 followed by KPLC review (1Week) (Payment only on formal written acceptance of the Report)	10% of phase 1 budget
Signature + 2 months	<i>Deliverables 2: (1+2) Business Review Report</i> (review of existing business model, strategic initiatives, governance structure and other relevant reports), followed by KPLC review (1 week) Transformation strategy and road map established and documented subject to KPLC review. (Payment only on formal written acceptance of the Report)	40% of phase 1 budget
Signature + 3 months	<i>Deliverables 3: (2+3) Business Transformation and turnaround strategies and programs with a time-bound action plan, budget, action and implementation plan, manuals, timelines etc.</i> Recommendations on transformational programs, strategies and initiatives for consideration and identification of new potential revenue streams, followed by KPLC review (1 week) (payment only on acceptance of the Report)	50% of phase 1 budget
Phase 2	<i>Implementation Support</i>	
Signature + 6 months	<i>This will be a time-based type of contract and payment will be against key-experts monthly time log sheet with defined task delivery</i>	Time-based contract

7. Selection/Evaluation criteria

The consultant firm for this assignment will be selected through the Quality and Cost Based Selection (QCBS) criteria. The following criteria will be utilized for the shortlisting of the consultant firm to be invited for proposals for the assignment:

- a. The consultant firm must demonstrate relevant years of experience in corporate turnaround and transformation with experience in the electricity sub-sector and also demonstrate a similar experience and expertise in the team and team leader dedicated to this assignment and commit to maintain the same team for the duration of the assignment,
- b. The constant firm is required to provide evidence of a minimum of three (3) examples of similar transformation assignments in different utilities outside Kenya successfully delivered within the last ten years,
- c. Demonstrate proven hands-on successful experience in Sub Saharan Africa. or in similar socio-economic settings.

8. Assignment delivery time and client's support

The assignment is expected to commence after award and the first phase is to be completed in three months and the second phase is to commence following the successful delivery of the first phase. The client provides all necessary data for the assignment and also assign counterpart staff to work with the consultant for facilitating knowledge transfer.