

**ANNEX II: TERMS OF REFERENCE – TECHNICAL
SPECIFICATIONS**

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1. BACKGROUND INFORMATION

The Cyprus Energy Regulatory Authority (CERA) calls for tenders for the provision of **expertise for the assessment of the economic part of the investment request of the PCI project with title ‘Eastmed Pipeline’**

1.1 General background

CERA was established by Law N.122 (I) 2003 according to European Directive 99/92/EEC, that has been replaced by (N.130(I)/2021). It is the National Independent Energy Regulatory Authority of the Republic and is legally distinct and functionally independent of any other public or private entity. CERA consists of three Members appointed by the Council of Ministers of the Republic of Cyprus after consultation with the Parliamentary Committee on European Affairs.

1.2 Tender Specific background

Projects of common interest (PCIs) are key infrastructure projects aimed at completing the European internal energy market in order to help the EU achieve its energy and climate policy objectives: delivering affordable, secure and sustainable energy for all Europeans and contributing to a climate-neutral economy by 2050.

REGULATION (EU) No 347/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 April 2013 on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC and amending Regulations (EC) No 713/2009, (EC) No 714/2009 and (EC) No 715/2009 lays down guidelines for the timely development and interoperability of priority corridors and areas of trans-European energy infrastructure.

As per Reg.347/2013 the Commission is empowered to adopt delegated acts in accordance with Article 16 that establish the Union list of projects of common interest (‘Union list’), subject to the second paragraph of Article 172 of the TFEU. The Union list takes the form of an annex to this Regulation.

REGULATION (EU) 2022/869 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 30 May 2022 on guidelines for trans-European energy infrastructure, amending Regulations (EC) No 715/2009, (EU) 2019/942 and (EU) 2019/943 and Directives 2009/73/EC and (EU) 2019/944, and repealing Regulation (EU) No 347/2013 lays down guidelines for the timely development and interoperability of the priority corridors and areas of trans-European energy infrastructure (energy infrastructure priority corridors and areas) set out in Annex I of the Regulation that contribute to ensuring climate change mitigation, in particular achieving the Union’s 2030 targets for energy and climate and its climate neutrality objective by 2050 at the latest, and to ensuring interconnections, energy security, market and system integration and competition that benefits all Member States, as well as affordability of energy prices.

The last ‘Union List’ was adopted on 19 November 2021 and includes the PCI project with title ‘7.3.1- Pipeline from the East Mediterranean gas reserves to Greece mainland via Cyprus and Crete [currently known as “EastMed Pipeline”], with metering and regulating station at Megalopoli under the Priority corridor Southern Gas Corridor (‘SGC’).

The project Promoter has submitted to CERA an investment request. That investment request as per the provisions of Reg. 347/2013 as well as relevant provisions of Regulation 2022/869 should include a request for a cross-border cost allocation and shall be submitted to all the national regulatory authorities concerned, accompanied by certain documents.

In this context, CERA is requesting assistance for the assessment of the financial part of the investment request of the PCI project.

2. OBJECTIVE, PURPOSE AND EXPECTED RESULTS

2.1 Objective

The main objective of the project is to assess:

1. The financial part of the detailed implementation plan of the project, that should provide substantial information about the progress achieved in the development of the project and its status, as well as a (probability) assessment of the critical and risk factors for the project and the risk mitigation measures adopted in relation to those factors which could have the most negative impact.;
2. The preliminary investment decision on the investment;
3. The project-specific cost benefit analysis that should be consistent with the methodology drawn up pursuant to article 11 of Reg.347/2017;
4. The business plan that should evaluate the financial viability of the project, including the chosen financing solution, and should also include the results of market testing; and
5. The substantiated proposal for cross-border cost allocation.

The contractor will have to work in close cooperation (back-to-back) with contractor that assesses the technical part of the investment request.

2.2 Tasks to be carried out by the Contractor

The contractor will work under supervision of CERA and should carry out the tasks listed below. For all tasks, the contractor should take into account the relevant EU legislation as well as any relevant national laws and regulations.

~~3. ASSUMPTIONS AND RISKS~~

4. CONTRACT SCOPE & PROJECT MANAGEMENT

4.1 Outline of the Scope

Detailed Implementation Plan

Evaluate and assess the detailed implementation plan of the project. This plan should provide substantial information about the progress achieved in the development of the project and its status, as well as a (probability) assessment of the critical and risk factors for the project and the risk mitigation measures adopted in relation to those factors which could have the most negative impact.

It should be noted that in the detailed implementation plan, the project progress and status are described with reference to the main progress steps in the development of the project, with an indication of the start and end dates for each step. Dates could be either actual, as some of the steps will already have been completed, or expected.

As per ACER's infrastructure monitoring activities, the following progress steps, which include the four stages outlined in Article 5(1) of Regulation (EU) No 347/2013, are identified in the development of electricity transmission and gas infrastructure projects of EU-wide importance, and should be included in the detailed implementation plan:

- i. Under consideration: planning studies (power flow and hydraulic simulations, pre-feasibility and feasibility, including the techno-economic analysis of the project) and consideration for inclusion in the national plan(s) and Regional / EU-wide Ten Year Network Development Plans (TYNDPs) of ENTSOs;
- ii. Planned, but not yet permitting: approved inclusion in the national plans;
- iii. Preliminary design studies: basic engineering design, environmental impact assessment etc.;
- iv. Market test
- v. Preliminary investment decision (if applicable);
- vi. Public consultation under Article 9(4) of Regulation (EU) no 347/2013;
- vii. Permitting granting process (including a pre-application procedure and a statutory permit granting procedure when provisions of Chapter 3 of Regulation (EU) no 347/2013 apply);
- viii. Definition of the financing scheme;
- ix. Cross-border cost allocation;
- x. Exemption from third party access (if applicable);
- xi. Final investment decision;
- xii. Detailed engineering design;
- xiii. Tendering (if foreseen), from call for tenders to contract award(s);
- xiv. Construction;
- xv. Commissioning.

The contractor should focus its evaluation and assessment on the following:

- The pre-feasibility and feasibility study, including the techno-economic analysis of the project of the planning studies;
- The Market test;
- The Preliminary investment decision;
- The Definition of the financing scheme; and
- The Cross-border cost allocation;

Provide a report on the assessment of the financial part of the Detailed Implementation Plan (Deliverable 1)

Preliminary Investment Decision

Evaluate and assess the preliminary investment decision on the investment (e.g. a- possibly conditional - government's decision on intended investment.

*Provide a report on the assessment of the preliminary investment decision (**Deliverable 2**)*

Project-specific CBA

Evaluate and assess the project-specific CBA for the various ENTSOs' TYNDP scenarios that should include:

- a. a sensitivity analysis and accompanying studies (as per Annex I of the recommendation 05/2015);
- b. An analysis of the expected impact of the project on the Inter-TSO Compensation (ITC) revenues and payments (for electricity PCIs only);
- c. An analysis of any other revenues/charges;
- d. An assessment of market demand and expected revenues from capacity bookings linked to the implementation of the PCI;
- e. A detailed assessment of the efficiency of the expected costs of the project including their comparison with unit investment costs or other information (standard costs, historical costs) available at national, European or international level and an explanation for any deviations; and
- f. A summary of national net impacts for each country.

*Provide a report on the assessment of the project-specific CBA (**Deliverable 3**)*

Business Plan

Evaluate and assess the **business plan including the description of the chosen financing solution (including tariffs)**, and information on awarded, applied for and expected grants and loans, also differentiating on national or European and other sources, as well as on the estimated financing costs (including an estimation of the part of financing costs to be incurred until commissioning of the project).

It should be noted that in case of Cyprus the tariff methodology as well the tariffs are approved by CERA. The impact of the project implementation on tariffs should be assessed in line with the relevant national regulatory framework as per Annex III of ACER's recommendation.

*Provide a report on the assessment of the business plan (**Deliverable 4**)*

Cross-Border Cost Allocation (CBCA) proposal

Evaluate and assess the substantiated proposal for cross-border cost allocation. During the assessment consultations should be carried out with the project promoter and the involved NRA (RAE).

The evaluation and the assessment of the CBCA should take into account article 12 of the Reg.347/2013 and especially paragraphs 4 and 5.

*Provide a report on the assessment of the substantiated proposal for cross-border cost allocation and give guidance to CERA on its final decision on the CBCA (**Deliverable 5**)*

Summary Data Table

Evaluate and assess in collaboration with the contractor responsible for the technical part of the investment request, whether the project promoter has completed the summary data as per Annex IV of the recommendation 05/2015. (**Deliverable 6**)

Additional information

Provide support to CERA during the consultation with the involved parties and assess any additional documents and studies provided by the Project Promoter that are based and related to the outcome of the above deliverables. **(Deliverable 7)**

Meetings and inputs

The contractor should ensure close collaboration with CERA's experts through regular conference calls as necessary.

The contractor should furthermore participate and actively contribute to a kick-off meeting upon start of the project and a wrap-up meeting (conference call) upon closure of the project.

The contractor should also participate and actively contribute to the consultation between CERA, Project Promoter and relevant national regulatory authorities as well as any other involved party.

Prior to these meetings, the contractor should circulate a detailed agenda to CERA.

The wrap-up meeting **(Deliverable 8)** should inter alia include short presentations of all the activities carried out in the context of the project. The slides used during these presentations should be concise and self-explanatory and provided in electronic format (.pdf or .ppt) to CERA.

CERA will upon request share with the contractor all data, documents and reports in its possession that are deemed necessary to carry out the technical assistance in a satisfactory manner. The contractor should sign a non-disclosure agreement with CERA, for all the data to be provided with respect to the investment request.

Time schedule and reporting

The project implementation should be carried out within the following indicative timeline. The timeline might be revised taking into account the availability of each item of the investment request. The timeline refers to draft deliverables.

Actions/Deliverables	Timetable
Entry into force of the contract = Date of signature	Signature of the contract = Reference date
Kick-off meeting- conference call	Reference date + 1 week
Report on the assessment of the financial part of the Detailed Implementation Plan (Deliverable 1)	Reference date + 4 weeks
Report on the assessment of the preliminary investment decision (Deliverable 2)	Reference date + 1 week
Provide a report on the assessment of the project-specific CBA (Deliverable 3)	Reference date + 4 weeks
Report on the assessment of the business plan (Deliverable 4)	Reference date + 4 weeks

Report on the assessment of the substantiated proposal for cross-border cost allocation and guidance to CERA on its final decision on the CBCA (Deliverable 5)	Reference date + 4 weeks
Evaluate and assess in collaboration with the contractor responsible for the technical part of the investment request, whether the project promoter has completed the summary data as per Annex IV of the recommendation 05/2015. (Deliverable 6)	Reference date + 2 weeks
Assess any additional documents and studies provided by the Project Promoter that are based and related to the outcome of the above deliverables. (Deliverable 7)	Date of submission of additional documents + 3 weeks
Wrap-up meeting (call conference) , including the provision of short, self-explanatory presentations of all deliverables in .ppt or .pdf format (Deliverable 8)	Reference date + 6 weeks

All reports shall be written in English and submitted to CERA in draft form for comments according to the timetable above. All reports will be reviewed by CERA to ensure quality control. If CERA does not react within 45 working days, the report shall be deemed approved. If there are comments by CERA, these need to be included or taken into account by the Contractor for the final version of the deliverable, within 10 working days. Final approval to release payment is done by CERA. The reports will be submitted electronically in .pdf and MS Word (.doc , .docx) formats.

4.2 Project Management

4.2.1 Organisational structure

Organisational structure of the Contracting Authority

The Contracting Authority will appoint a Project Manager and Steering Committee (SC) for the supervision and coordination of the overall progress in the implementation of the Contract Scope and of the relevant activities, sets priorities, provides guidance, and evaluates and approves the results (deliverables and reports).

The Contracting Authority shall provide the personnel necessary to manage and resolve issues related to the management of the Contract.

The Project Manager, shall be responsible for overall coordination of the implementation of the Contract Scope and for submission of all official contract documents for approval. Project Manager shall be the contact person for all communications with the Contractor.

Organisational structure of the Contractor

The Contractor shall be responsible for the performance of all Deliverables of the Contract Scope, until final acceptance by the Contracting Authority. This includes management of the Project and ensuring the coordination of all Contract Scope activities.

As such, the Contractor shall appoint a Project Team, having the minimum qualifications indicated in paragraph 6.4 of Part A of the Tender Documents. Thus the Project Team should include *Key Expert 1: Contractor's Project Manager* and *Key Expert 2*.

Tenderers may also include in the Project Team other experts, if they deem that necessary for the successful implementation of the Contract Scope. The cost of optional supporting personnel must be considered when defining the financial offer or the fee rates for the experts.

The Project Manager shall be available throughout the implementation of the Contract Scope. The Contractor's Project Manager shall be the Key Expert 1 and shall be supported by the Contractor's team of experts and the other members of the Contractor's Project Team.

The duties of the Contractor's Project Manager shall include the following:

- Definition of the work plan and of the critical points, so as to ensure the quality of the services provided and the timely implementation of the individual Contract Scope activities.
- Overall responsibility for delivery of the results (deliverables, services provided) of the Contract.
- Preparation of the inception, progress and completion Reports, with clear references to the results achieved.
- Coordination of the participation and responsibilities of the experts who will perform the Contract Scope.
- Maintaining close and ongoing cooperation with the Contracting Authority (and its competent bodies: Project Manager and SC), and provision to it of information updates on the implementation progress, the work carried out and the solutions or alternatives adopted.
- It is noted that all communication should be addressed to regulator.cy@cera.org.cy.

The Contractor shall bear all costs in connection with the implementation of the Contract Scope. More in particular, the Contractor shall bear the accommodation, subsistence and travel costs for the Project Team members, if applicable. The Contractor shall ensure sufficient resources for translation, interpretation, printing etc., as required by the Contract Scope activities in each case.

4.2.2 Facilities to be provided by the Contracting Authority

The Contracting Authority will assure that the Contractor will have access in all the information that may be required and will facilitate meetings with responsible personnel if required. The Contracting Authority is not obliged to provide any confidential information related to the above issues.

5. LOCATION AND DURATION OF CONTRACT SCOPE IMPLEMENTATION

5.1 Location of Contract Scope implementation

Completion of the scope of work will take place at the premises of the Contractor. If necessary, meetings can be held at the premises of the Contracting Authority or wherever else needed. Meetings with the Contracting Authority can be arranged on a virtual basis. The Contractor should arrange virtual meetings to present the final deliverables to the Contracting Authority.

6. REQUIREMENTS

6.1 Facilities to be provided by the Contractor

The Contractor should ensure that experts are adequately supported and equipped. In particular, it should ensure that there is sufficient administrative, secretarial and interpreting (if required) provision to enable the experts to concentrate on their primary responsibilities. The Contractor must also transfer funds as necessary to support its activities under the Contract and to ensure that its employees are paid regularly and in a timely manner.

7. REPORTS

7.1 Reporting requirements

Relevant reports should be submitted to the Contracting Authority according to the provisions of paragraph 4 of this Annex.

The Contractor shall submit Ad-hoc Reports whenever it deems that it should inform the Contracting Authority of significant issues or when it is requested to submit an opinion on special issues related to the Contract Scope.

7.2 Submission and approval of Reports

All the Reports of the above paragraph should be submitted in three copies to the Contracting Authority, for the attention of the Project Manager.