

Request for Proposals APSR (382/2022)



هيئة تنظيم الخدمات العامة
Authority for Public Services Regulation

Water Sector Oman Tariff Strategy

August 2022



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1. INTRODUCTION

The Authority for public Services Regulation, Oman ("the Authority") wishes to appoint a Consultant to assist the Authority in the development of a tariff strategy in the Sultanate of Oman for the water sector. The water sector in Oman comprises of the provision of potable water, collection and treatment of waste water from customers and the sale of treated effluent produced from the treatment of wastewater. The tariff strategy will include consideration of Government policy for water tariffs, regulatory and legal framework for tariffs applied to water licensees and customers.

1.1 Background

The Water Sector in the Sultanate of Oman was restructured following the promulgated Royal Decree 131/2020 on 9 September 2020. The Authority is responsible for the regulation of the provision of potable water, collection and treatment of wastewater and transportation and supply of treated effluent arising from the waste water treatment process. The draft water law will prescribe the legal framework for the water sector when it is enacted.

The restructuring of the sector is expected to deliver benefits for Oman through the merger of water, waste water and treated effluent operations for Oman Water and Waste Water Services Company (OWWSC) and Dhofar Integrated Services Company (DISC). The Authority is seeking to develop a tariff strategy for all charges to customers, for example including but not limited to the charges for service connections, disconnection/reconnection charges, meter inspection charges that will support these benefits being realised.

OWWSC provides water services in its authorised area, the whole of Oman with the exception of the Dhofar Region. DISC provides water services in its authorised area the Dhofar region. Water, waste water and treated effluent services are provided either through a piped connection or tankers.

The majority of potable water customers are charged at the permitted tariff as prescribed in the tariff regulations published in December 2020, though some customers are subject to different charging regimes. Wastewater and Treated Effluent charges are published by the operating companies.

A number of other entities undertake water sector regulated activities in the Sultanate of Oman in the authorised areas of OWWSC and DISC. These entities include privately owned companies and Government entities, they provide water services to industrial areas, special economic zones, special designated tourist developments (Integrated Tourist Complex) and to some residential areas. The provision of services from these entities ranges from metering and billing activities only to providing a complete potable water, wastewater and treated effluent service.

Financial subsidy is provided to OWWSC and DISC as the revenue recovered from the tariffs are not sufficient to cover the costs of providing the water service. Wholesale supplies of water are also provided to other water operators in Oman. The charging arrangements for the wholesale supplies can result in an indirect subsidy to customers. The potable water tariffs are planned to increase on annual basis to reduce the subsidy to the sector.

Details of the Sultanate's Water market structure, the regulatory regimes, and the functions and duties of entities to which assignments in this RFP relate can be found in the Authority's 2021 Annual Report (available for download from the Authority's website <https://www.apsr.om/>).

1.2 Summary of Entities undertaking Regulated Activities

The section provides a brief summary of the entities that are undertaking regulated activities in the water sector in Oman and indication of charging arrangements. This information is included to inform potential bidders to the number of entities operating in the water sector and the varying charging arrangements that are applied. It should not be taken as an exhaustive or definitive list of all charging arrangements in the sector.

Oman Water and Waste Water Services Company

OWWSC is the authorized provider of water and wastewater services in the whole of Oman with the exception of the Dhofar Region. OWWSC provides piped water to approximately 650,000 which accounts for around 70% of residential population in Oman, other customers are supplied



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by water tankers. The annual production of potable water is approximately 420 million m³ of water in the region of 84% of water is from desalination and the remainder from groundwater sources. OWWSC applies the tariffs prescribed in the tariff regulations to customers. Water is also provided free of charge to certain qualifying customers. OWWSC also provides bulk supplies of water to other entities undertaking regulated activities.

Wastewater services are provided to customers through a wastewater network and collection of wastewater by tankers where no network has been developed. Customers are charged for waste water services from the network and tankers.

The treated effluent arising from the waste water treatment process is also sold to customers through piped or tanker services.

Dhofar Integrated Services Company

DISC is the authorized provider of water and waste water services in the Dhofar region. It provides services by tanker and piped network and applies tariffs prescribed in the tariff regulations. A significant volume of water is believed to be provided to customers at no charge. DISC also provides bulk supplies of water to other entities undertaking regulated activities.

Investor Private Networks

Investor Private Networks (IPNs) are privately owned networks that provide a piped supply of potable water to customers in the authorized area of OWWSC. IPNs receive a bulk supply of water from OWWSC and then resell this water to its customers with an allowed margin. There are in the region of 30 IPNs in Oman varying in size from 100 connections to over 2,000 connections.

Integrated Tourism Complexes

Integrated Tourism Complexes (ITC) are designated areas aimed developing tourism. Customers inside these areas are typically but not always provided water and waste water services through the ITCs, currently there around 8 ITCs operational.

A number of ITCs receive have a bulk supply agreement with OWWSC/DISC while other ITCs have no bulk connection and are responsible for the whole value chain of water services.

Industrial Areas and Free Zones

There are various designated industrial areas that have developed their own water and wastewater assets and provide water and waste water services to customers. A bulk supply of

water is typically provided by OWWSC/DISC with the entity responsible for the area providing water and wastewater services in the boundary of the site.

In some areas such as the Special Economic Zone Duqm and the Sohar Free Zone a separate entity undertakes the whole value chain of water services.

The charges customers are currently subject to can vary in different areas.

Tanker Services

Provision of services for water, waste water and treated effluent are also provided tanker where piped networks are not available. The mechanism for setting the charges customers are subject to vary from allowing competition to determine the efficient price or being prescribed by a competent authority.

1.3 The Authority's Approach to Procuring Consultancy

The Authority is seeking a consultant to support the Authority in the development of a comprehensive and integrated tariff strategy for the water sector in Oman. The consultant will support the Authority through reviewing the current relevant Government policies, regulatory and legal frameworks, current tariffs structures applied to customers and wholesale tariffs between customers.

The Authority will take a collaborative approach to the development of the strategy engaging with stakeholders through workshops and dissemination of information to ensure that the proposed strategy is well understood and supported

2. SCOPE OF WORK

The Authority requires a comprehensive tariff strategy for the regulated activities of potable water provision, wastewater services and sale of treated effluent. The tariff strategy will consider all charges and fees applied to customers/licensees, the structure of charges and the rate of the charges. The strategy will consider Government policy, legal and regulatory framework.

The Authority is seeking to unify the tariff strategy across the water sector that delivers the Governments policy objectives, maximises the opportunities from restructuring and adheres to best practise for charging arrangements.

The Authority proposes the following approach to the project, the Consultant may propose to amend the approach if it believes it will achieve a better outcome.

- i. Identification and review of Government policies relevant to the tariff strategy for the water sector.
- ii. Confirm the current tariffs and all other charging arrangements applied in the water sector for potable, wastewater and treated effluent services for customers for both piped and tanker supplied customers.
- iii. Confirm the current charging arrangements between water sector service providers such as wholesale tariffs.
- iv. Particular consideration for vulnerable customers and the impacts of tariff charging.
- v. Identify the existing legal and regulatory framework relevant to customer and wholesale tariffs.
- vi. Collection of documents and data from all stakeholders as required.
- vii. Identification of stakeholders and development of a stakeholder management plan.
- viii. Propose appropriate principles that should be considered in development of the tariff strategy informed by international best practise with emphasis of examples from the GCC and MENA regions.
- ix. Development of options for the tariff strategy for the water sector of Oman informed by appropriate engagement with stakeholders.
- x. Assessment and analysis of the tariff options against the established principles to inform the Authorities proposed tariff strategy.
- xi. Development of a tariff model to support the assessment of the tariff options and that can be utilised by the Authority in the future.
- xii. Support the Authority in its engagement with relevant stakeholders in the proposed tariff strategy.
- xiii. Develop an implementation plan for the recommended tariff strategy clearly identifying all required tasks allocated to appropriate parties.



- xiv. participating in stakeholder consultation meetings as required, including the preparation of all minutes of meetings;
- xv. conducting workshops for the Authority, Licensees and other stakeholders as may be necessary;

2.1 Deliverables

The assignment calls for the following primary deliverables:

- 1) A Concept Report detailing
 - a. current relevant policies, legal and regulatory framework.
 - b. The current tariff and charging regime applied to customers by all water sector entities.
 - c. The current wholesale tariffs and charges that are in place between all water service providers.
 - d. Principles and objectives that the tariff strategy should consider
 - e. Proposed work plan to deliver tariff strategy
- 2) Tariff Strategy Report
 - a. Comprehensive report detailing the options considered for the tariff strategy for the water sector.
 - b. Assessment of each of the options supported by robust evidence based analysis.
 - c. Recommendation on future tariff strategy with explicit recommendations on tariffs.
 - d. Action plan and implementation of the recommended strategy.
- 3) Tariff Model
- 4) Facilitation of workshops for stakeholders as required.

All deliverables may be presented in softcopy form only.

2.2 Requirements for Assignment

The Authority wishes to appoint an experienced and well-qualified Consultant for the assignment. The appointed Consultant will have experience of tariff and charging arrangements for water, waste water and treated effluent. The experience should include developing policies, related regulatory matters, economic analysis and assessment of social impacts.

The experience and qualifications of team members proposed by the Consultant will be afforded significant weight in the evaluation and selection criteria. Any Consultant or individuals without the necessary experience will not be considered for the assignment. Consultants will be expected to demonstrate the required skills and experience in tariff policy, regulatory frameworks and economic analysis of tariff impacts.

The Authority expects to work extensively in collaboration with the Consultant and therefore the Consultant would be required to be present in the Authority's office particularly during periods of extensive analysis, prior to publication of the reports as well as for consultation meetings, to conduct workshops and as may be deemed necessary by the Authority.

The Consultant will be required to draft all written material (reports and workshop materials) to a high standard. A sample of written work (such as reports, workshop materials and policy documents) is required for evaluation.

The Authority will not be obliged to accept the lowest cost bid. It will appoint the Consultant that offers the best value for money in terms of relevant experience, support to the Authority and cost.

Consultants shall demonstrate to the satisfaction of the Authority that they have no commercial relationship with any of the stakeholders engaged in this project that may lead to any concern, real or perceived, as to the independence of the consultant or team member proposed. Where the consultant has any ongoing assignments with any stakeholders, these should be identified. The consultant should declare any overlap of team members and the extent of their involvement in such other projects. The consultant should clearly state the working procedures enforced by the company concerning potential conflict of interest situations. An officer of the company should sign this.

The Authority reserves the right to ask the Consultant and the Project Team of the Consultant to sign a Non-Disclosure Agreement. A copy of the wording is available in Annex C.

2.3 Timetable

The Consultant shall commence the assignment within fourteen days of being notified of the contract award.

The assignment is expected to last through to the approval of the tariff strategy. The Consultant will not be required to be present in Oman for the duration of the assignment, but will be expected to be available in Oman at certain points in time for meetings with the Authority and other stakeholders.

An indicative timeline for the project process is set out below:

August 2022	Appoint consultants
September 2022	Issue Concept Report
January 2023	Issue Tariff Strategy Report

Any time extensions agreed with the Authority would be based on the daily fees outlined in the Consultant's proposal.

2.4 Information to be provided by the Client

The Authority will provide the consultant with the following at the commencement of the assignment:

- 1) Copy of the draft water law;
- 2) Copy of tariff regulations and charging regulations, policies.
- 3) Information on charging matters collated by the Authority.

Throughout the assignment, the Consultant will be expected to work closely with the Authority's team. Any works required outside Muscat will be done with support from and transportation provided by the Authority. The Authority will provide all reasonable guidance and clarification as requested by the Consultant in relation to review activities.



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The Consultant will be expected to develop a good understanding of the Water Sector draft Law and relevant other policies.



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A. CONTRACT TERMS AND CONDITIONS

The Authority's standard Terms and Conditions are enclosed with mail.



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B. SUBMISSION OF PROPOSAL

The Consultant shall separate their proposal into technical and commercial proposals. The consultant shall submit an electronic copy of their assignment proposal by 29 August 2022 at 12:01am Oman time by email to:

The technical proposal should be sent to: Tender.Technical@apsr.om

The commercial proposal should be sent to: Tender.Commercial@apsr.om

We will be pleased to provide clarification of matters covered by the RFP prior to the submission of proposals. Request for technical clarifications to be emailed to: abdulaziz.alsiyabi@apsr.om

The proposal shall include:

- 1) A description of the methodology proposed by the Consultant for each part of the assignment, including an indication of the time required to complete each part of the assignment described in the scope of work, and timescales for the submission of project deliverables;
- 2) Details of the Consultant's experience of similar assignments, including contact details of previous/existing clients;
- 3) Details of the project team (including the CVs of each team member) and a description of each member's relevant experience and their expected contribution to specific parts of the assignment;
- 4) A copy of the Consultant Health and Safety Policy and Procedures that will be followed by the Consultant for this project;
- 5) The technical proposal shall not include any reference to commercial aspects. For instance, the details of the team members shall be summarize as Table 1. Additional breakdown of team member contribution could be provided separately but the below table should be filled with the overall man-days for each member.

Table 1 Team Member's Contribution

Team Member	A Brief Description of the member's Contribution in the assignment	No. of working Days in Oman	No. of working Days out of Oman



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6) The commercial proposal should show separately:

- a. Fees: including details of the fee of each team member (the hourly/daily fee and the expected contribution in terms of man-days of each team member) as shown in Table 2;

Table 2: Team Fees and Member's Contribution

Team Member	A Brief Description of the member's Contribution in the assignment	Daily Rate (RO)	No. of working Days in Oman	No. of working Days out of Oman	Total (RO)
Total Fees					
Total Expenses					
Total TAX					
Total Cost					

- b. Expenses: including flights and hotel costs (subject to applicable caps as per the Agreement) as shown in Table 3:

Table 3: Flight and Hotel Expenses

Expenses	Total No. of item	Unit Cost (RO)	Total (RO)
Flight tickets			



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Hotels			
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- c. Daily living expenses in Oman as Table 4 shows, (The typical rate used by the Authority is RO25 per person per night).

Table 4: Daily Living Expenses

Team Member	No. of Working Days in Oman	Daily Living Expense (Fixed at 25 RO/person/night)	Total (RO)
		25	

- 7) A signed statement confirming the Consultant is free from any potential conflicts of interest.
- 8) A signed statement confirming the Consultant is free from any potential conflicts of interest.
- 9) Identification of any additional immediate data requirements in addition to those presented



ANNEX A: TECHNICAL EVALUATION

The Tenders will be evaluated based on scoring system, giving eighty percent (80%) weight to the Technical Proposal, and twenty percent (20%) weight to the Financial Proposal. The Technical Proposals will be scored as follows:

No	Technical Criteria	Max Score
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General Comments		
1	Basic Understanding of the RfP	5%
2	Methodology, clarity and comprehensiveness of proposal	20%
3	Consultant Experience	15%
4	Qualification, experience and competence of team members	50%
5	Proposed Man Days	10%
	Total	100%

The bid that exceeds 70% in the technical evaluation will qualify for the financial evaluation stage.



ANNEX B: NON-DISCLOSURE AGREEMENT

CONFIDENTIALITY AND NON-DISCLOSURE UNDERTAKING

This Confidentiality and Non-Disclosure Undertaking is given to the Authority for Public Services Regulation (the Authority) based on the Agreement between (**Name of consultancy company**) and the Authority and my engagement on (**Name of consultancy company**) assignment with the Authority concerning (**Assessment of Power Quality Parameters of Transmission and Distribution Networks in Oman and Development a Regulatory Framework – RfP 361/2022**).

I acknowledge that as part of my engagement with the Authority for Public Services Regulation, I have been provided with information that is of confidential, commercially sensitive, personal and/ or proprietary nature, for example: confidential or sensitive information related to Licensees and/or customers or to staff, projects, contracts or other matters of the Authority for Public Services Regulation.

Confidential Information shall include all information in whatever form (including, but without limitation, in written, oral, visual or electronic form, or on tape or disk) relating wholly or partly to transactions, projects, contracts, employees, financial information, systems, licensees and customers and confidential or sensitive information of the Authority for Public Services Regulation.

I hereby undertake that:

1. I hold all confidential information in trust and strict confidence at all times. It shall not be disclosed to any third party at any time;
2. The information will be used solely and exclusively for the purposes of (**Name of consultancy company**) engagement by the Authority and will not be used for any other purposes;
3. Upon Termination or at the end of (**Name of consultancy company**) engagement by the Authority any confidential information obtained shall not be disclosed to third party or other person;
4. I maintain the absolute confidentiality of personal, confidential and proprietary information in recognition of the privacy and proprietary rights of others at all times; and
5. I comply with all privacy laws and regulations, which apply to the collection, use and disclosure of confidential information.

Based on the (**Name of consultancy company**) engagement with the Authority and other confidentiality obligations, including between me and (**Name of consultancy company**), I understand that a breach of confidentiality or misuse of information could result in a legal action against (**Name of consultancy company**) and I fully understand and accept responsibilities set above relating to personal, confidential and/or proprietary Information of the Authority for Public Services Regulation or any relevant party.



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The Authority agrees that any claim for damages in relation to breach of the above undertaking shall only be taken against (**Name of Consultancy Company**) and not against the individual named above

Name and Signature

Date