



# TSWELOPELE

LOCAL MUNICIPALITY  
A MUNICIPALITY IN PROGRESS

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**REQUEST FOR PROPOSAL (RFP)**  
**RFP NO. 01 OF 2013/14**  
**DEVELOPMENT OF A REVENUE ENHANCEMENT STRATEGY**

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Tswelopele Local Municipality hereby request proposal (RFP) for the development of a Revenue Enhancement Strategy. Detailed documents / specifications pertaining to the above are available from the municipality's website ([www.tswelopele.gov.za](http://www.tswelopele.gov.za)).

Duly completed proposals marked, "RFP No. 01 of 2013/14: Development of a Revenue Enhancement Strategy" must be addressed to the Municipal Manager; Tswelopele Local Municipality, and must be placed in the tender box, situated at 03 Bosman Street, Bultfontein; 9670 to be received at the above mentioned addresses not later than 12H00 on Friday, 20 September 2013.

The proposal will be evaluated and adjudicated in line with the approved Supply Chain Management Policy of the municipality using either the 80/20 or 90/10 preference point system in line with the Preferential Procurement Policy Framework Act.

The municipality is not bound to accept the lowest or any proposal and reserves the right to accept any proposal either wholly or a part thereof. Proposal should be valid for a period of not less than 90 days from closing date. Enquiries can be directed to the SCM Unit at 051 853 1111 during office hours.

Mr. TL. Mkhwane  
Municipal Manager

## **1. INTRODUCTION AND PROBLEM STATEMENT**

Tswelopele Local Municipality comprise of the towns of Bultfontein and Hoopstad (with its surrounding townships: Phahameng and Tikwane) with its head office in Bultfontein. The Municipality has identified the need to enhance its revenue; to minimise distribution losses; prevent theft of water and electricity by consumers. All of the above are considered stepping-stones towards financial sustainability and effective service delivery.

## **2. SCOPE OF WORK / TERMS OF REFERENCE**

The Municipality is looking of a comprehensive revenue enhancement proposal from suitably qualified Prospective Service Providers (PSP). The PSP will be required to perform the following amongst others (scope of work will be agreed upon with the successful service provider):

### **Revenue enhancement**

1. Assess the current situation pertaining to revenue management at the municipality.
2. Assess potential future income for the municipality and advice the municipality on the best practices or approaches to revenue enhancement.
3. Review and report on the loss of current income by looking into the following: rental agreements / leases; unused municipal buildings, unbilled consumers; etc.
4. Conducting meter audit (i.e. correlating consumer and relevant meter detail) for both electricity and water to determine their functionality.
5. Propose and implement possible / alternative payment channels / options (i.e. swapping machine / speed point machine, etc).

## **Billing Management**

6. Perform a comprehensive data cleansing of the entire debtor's book / database of the municipality (including data cleansing of all farm properties) to ensure billing integrity.
7. Ensure debtor information and debtor classification is correctly classified.
8. Improve billing accuracy (through meter-reading and debt cleansing)
9. Investigate all debtors by type and reclassify debtors that are incorrectly identified on the billing system.
10. Verify account status (active / inactive) and include as a reporting indicator.
11. Obtain title deed information per property.
12. Reflect arrears per account according to ageing and by service.
13. Investigate all accounts which appear to have incorrect billing, e.g. tenant accounts with assessment rates.
14. Correctly classify each account according to the correct and responsible debtor.
15. Produce account reconciliations for each account. Thus a billing or financial system audit is necessary.
16. Consolidation of duplicated customer profile / accounts (upgrade of customer information with ease).

17. Adding of new customers to the system with a record of their deposits and other registration requirements.
18. Changing and alternating customer status between regular and indigent, thus instituting credit control measures promptly (verification process is necessary).
19. Managing the revenue environment through regular reports and updates on income received per area and service for the monitoring of revenue.
20. Produce a procedure manual for meter reading; meter capturing, credit control, debt collection and indigent management.
21. Review the Indigent Management Policy and Credit Control & Debt Collection Policy of the municipality to be in line with the revenue enhancement strategy and procedure manual.
22. Capacity building of the Finance Department / Debtors and Credit Control Sections throughout the implementation of the project and facilitate the workshop session on major deliverables (i.e. reviewed policies, procedure manual, etc.)

## **Smart Metering**

Introduce smart-metering for both electricity and water, preferably a dual meter to assist with the following:

## **Debt Management**

- a) Prevention of debt accumulation by automatic cut offs;
- b) Use smart metering to enforce agreements reached with the municipality to settle old debt.

- c) Ability to convert from credit meter to prepaid meter automatically based on a customer risk profile
- d) Ability to send a bill and a reminder of the payment to the consumer and the due date right into their homes and cell phones.
- e) Ability to automatically send a reminder to those who have not paid on or before the due date of a pending cut off of services and also include the date of the cut off
- f) Ability to automatically cut off electricity to those who have failed to pay on or before the cut off date including prepaid meters
- g) Ability to allow customers to view daily consumption figures in Rands and Kwh automatically in their homes or businesses thus providing consumers and businesses a tool to monitor and control their consumption of electricity on a daily basis resulting in affordable bill each month

### **Reduction of Non –Technical Losses**

- a) Real time monitoring of all meters for tampering and functionality
- b) Real time monitoring of the electrical network
- c) Ability to automatically cut off electricity once meter tempering has been detected and also to automatically inform the control centre and provide the address where tempering has taken place
- d) Through load balancing detect the exact area of illegal connections
- e) Flag all installed meters that are not assigned to any business partner
- f) Flag all meters that are mull-functioning
- g) For water, detection of water leaks before and after the meter
- h) Prevention of energy theft through meter bypassing, tempering or illegal connection. This can be done by, amongst other ways, using technology that is capable of detecting meter tempering, illegal connection and partial or total meter bypassing.

## **Revenue Enhancement**

- a) Reduction in the water bill due to automatic detection of water leaks
- b) Automatic reconnection when payment is done
- c) Ability to take multiple tariffs
- d) Ability to automate the system to ensure payment on the first of each month before money is used for other debts which might result in blacklisting.
- e) Ability to immediately alarm meter problems in real-time.
- f) Choice of payment methods such local pay points, ATMs, payment via telephone, including cellular telephones, as well as credit cards etc., in order to make it easier for consumers to pay bills and avoid long queues.

## **Load Control (Prevention of blackouts)**

- Geyser Control
- Pool Pumps control
- Appliance control
- Under floor heating
- Power rationing
- Air conditioners

## **Standards and Network Infrastructure**

- 1) The Smart Meter should meet all the Electricity Regulations for Compulsory Norms and Standards for Reticulation Services Nr R.733 of 18 July 2008. In particular;
  - a) Clause 2b) and c) which state that electric geysers, swimming pools, ventilation, heating and cooling systems must be remotely controlled by smart meters by 01 January 2012.

- b) Clause 2g) notes that a System Operator must not allow network constraints to create electricity blackout.
- 2) In order that Clause 2g) to be effective means a municipality should strive to roll-out IP based smart meters as far as possible.
- 3) Please also indicate the telecommunications requirement, and list the options, and associated costs

### **3. EXPECTED OUTPUTS**

The service provider will be expected to submit a revenue enhancement strategy document as follows:

- Electronic copies in Ms Word and Acrobat PDF Files
- Two hardcopies (printed in colour).

NB. All documents produced remains property of Tswelopele Local Municipality and the municipality reserves the copy right. The documents can further be enhanced by the Municipality to suit the changing circumstances.

By submitting the proposal service providers agree and consent that their proposal can be used by the municipality whether the Bidder is successful or not successful in terms of appointment.

### **4. EXPERTISE / EXPERIENCE REQUIRED**

The successful provider must demonstrate the following (which will also be the basis upon which responsiveness in terms of functionality will be assessed):

1. Experience in facilitating revenue enhancement strategy workshop sessions (i.e. facilitate workshop for all stakeholders involved).
2. Experience in compiling a revenue enhancement strategy.
3. Experience in data cleansing and meter audit.



4. Prospective Service Providers should provide at least the following information:
  - a. Details of contacts / staff to carry out this work; and
  - b. Contact details of organisations for which work was done.
5. Ability to work with other companies (i.e. in cases where the service is awarded to more than one service provider).
6. Strategy on collection of the outstanding debtors (unaudited gross consumer debtors was R32.7 million as at 30 June 2013).
7. Ability to complete the project within a specified period (the shorter the period the better, without necessarily compromising on the quality / deliverables).

## **5. Reporting**

The Project Manager will be the Accountant: Revenue Management (Mr. Hendrik Moalosi) and reporting will be done through this office. The PSP will be expected to liaise with the Chief Financial Officer to ensure the delivery of the strategy and all other deliverables.

## **6. EVALUATION OF PROPOSALS**

1. Proposals will be evaluated in two phases. Firstly on functionality as per the criteria outlined below and bidders may be requested to make a presentation to the municipality (i.e. Bid Committees) if the need arises.

- a) **Experience in compiling municipal revenue enhancement strategy:**

PSP's are required to demonstrate experience in compiling revenue enhancement strategy for a municipality. PSP's must have compiled at least three revenue enhancement strategies for local municipalities (ideally small municipalities with a low revenue base). Bidders are required to provide a list

of municipalities where they have compile the revenue enhancement strategy. Contacts provided must be reachable.

Furthermore, PSP will be evaluated in terms of the staff complement to be seconded to this project by looking at their qualification; experience and performance of similar work. For this reason, staff to be seconded to this project maybe requested to be part of the delegation who will make a presentation to the municipality.

- b) **Time frame for completion the project:** PSP's will also be evaluated on the time framework in terms of how long they will undertake the project. Gantt Chart is essential clearly showing processes that will be undertaken simultaneously and the duration thereon.
- c) **Training strategy and skills transfer:** PSP's will also be evaluated in terms of their approach towards skills transfer. In this regard a detailed training strategy and skills transfer must be indicated.
- d) **Pilot phase of smart meters:** A service provider who is willing to provide the service on a risk-basis (i.e. provide the smart meters for a specific period to the municipality against the pre-determined deliverables / outcomes). This is for the municipality to assess effectiveness; functionality and impact of the smart-meters.
- e) **Other aspect:** the municipality may decide to introduce any other evaluation criteria deemed necessary during the evaluation and adjudication process which still falls within the scope of the project (i.e. understanding of the scope of work for the project).

**NB:** The municipality reserves the right to introduce other evaluation criteria which it considers necessary for the successful completion of the project.

2. Bidders must score a minimum of 70% on the criteria above / functionality to be considered for further evaluation.

3. The last stage will be where PSPs are evaluated on their price and BBBEE Status. Then points will be combined with those of functionality to determine the final score.

## **7. LIST OF RETURNABLE DOCUMENTS / INFORMATION**

1. Company registration certificate (i.e. CK Forms)
2. Company profile (detailing the experience in the services required)
3. Valid original tax clearance certificate
4. Certified ID Copies of members
5. BBBEE Certificate
6. Confirmation that the bidder's service account is not three months in arrears at its local authority/municipality (attach account from the municipality which is not more than 90 days).

**NB:** Prospective Service Providers who are not registered on the database of the municipality must urgently complete the registration / application form to be listed on the database. Such forms must be returned together with the proposal.

## **8. PRICING**

The economic situation and debt of management controls and ability has exposed municipalities to poor collection, weak debt management and revenue recovery. As a result the Municipality would prefer a risk-sharing financial offer that would support a financial turn-around strategy. In the proposal please address how you can:

- a) Help raise the financing of the project.
- b) The minimum capital layout required from the municipality.
- c) The payback period.
- d) The historical benchmark and ability of you suggested systems and technology to stem losses.
- e) Any other measures that you can recommend to support the successful rollout of the project.
- f) If the proposal is for a single or multi-stage approach to improve revenue recovery and self-sustainability, please indicate the various stages and the associated timelines, expenditure, and cash-flow requirements.
- g) Where piloting is available to the Municipality to test the functionality and effectiveness of the proposal. This must be indicated accordingly.
- h) Estimated quantity of smart meters must be based on +/- 5 500 meters per service (i.e. water (5 500) and electricity (5 500)).
- i) Where a percentage will be used to determine the cost, it should be indicated as such in the proposal (i.e. commission of 15% of the collected outstanding debt).

## **9. ENQUIRIES**

Enquiries pertaining to the bid process can be directed to the SCM Unit (Mr. Makwetla or Ms. Loape) at 051 853 111 during office hours and enquires on specifications can be directed to the Chief Financial Officer: Mr. Lefa Moletsane during office hours at 051 853 1111.