



OIL AND GAS REGULATORY AUTHORITY

Request for **EXPRESSION OF INTEREST**

SELECTION OF AUDIT FIRM FOR STUDY ON COMPETITIVE PRACTICES IN **PETROLEUM MARKETING SECTOR**

1. Oil & Gas Regulatory Authority (OGRA) intends to conduct study on competitive practices in petroleum marketing sector. Audit Firm(s) shall complete the assignment within 120-days of the award of study.
2. OGRA invites reputable audit firms registered with ICAP having minimum of **five years** experience of specialized audits/studies in energy sector preferably with prior experience of studies regarding competitive practices prevailing in energy sector.
3. Interested audit firm must provide detailed CV(s) of member (s) of core team highlighting relevant experience.
4. Audit firms may have option to associate to complement their respective areas of expertise, strengthening the technical responsiveness of their proposals and make available bigger pool of experts.
5. The bidders should submit a single package containing two separate sealed envelopes in accordance with Rule 36 (b) of PPRA Rules 2004. One envelope should contain the Technical Proposals and the other envelope should contain the Financial Proposal. The envelopes should be marked as "TECHNICAL PROPOSAL" and "FINANCIAL PROPOSAL".
6. The Technical Proposals will be opened in the first instance for evaluation on May 28, 2012 at 11.00 am, in the presence of the bidders, or their authorized representatives, who may like to present Bids to the undersigned. The financial proposals of the bidders whose technical proposals are accepted will be opened in the presence of the bidder on a date and time to be communicated to them in advance.
7. OGRA reserves the right in its sole discretion to accept or reject any and / or all the bids without justifying any reason thereof before accepting any bid.
8. Scope of work/TOR and evaluation criteria can be obtained from the OGRA website www.ogra.org.pk and PPRA website www.ppra.org.pk.
9. Existing IFEM auditors are not eligible to apply.

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TORS FOR STUDY ON ENSURING COMPETITIVE PRACTICES IN PETROLEUM MARKETING SECTOR

Background

- i. Federal Government has allowed number of refineries to establish their own subsidiary Oil Marketing Companies (OMC) or enter into joint venture relationships. Attock Group of Companies owns two refineries namely Attock Refinery Limited and National Refinery Limited and has also setup Attock Petroleum Limited, its oil marketing arm. The group, therefore, features complete vertical integration. Also PARCO refinery has entered into joint venture with Total and has formed a marketing company by name of Total PARCO which is carrying out POL products marketing on a country wide basis. Also, PARCO is also carrying out marketing of petroleum products through its own subsidiary i.e Pearl PARCO. There is a need to ascertain that level playing field is available to the entire oil marketing sector companies, and complete ring fencing exists in case of refineries owned OMCs and vertically integrated groups.

Scope of Work

- ii. To ascertain if a special relationship (parent/subsidiary/associate) exists between refineries & OMC's and any other company doing business with the refineries/OMCs.
- iii. To ascertain in case of refineries:
 - a. allocation basis of its entire production slate to its buyers/OMCs and whether there exists a material difference, favorable or otherwise, in the allocation to its subsidiary/associated companies compared with other market players.
 - b. allocation pattern during first twenty days and last ten days of the month and whether there exists a material difference, favorable or otherwise, in the allocation to its subsidiary/associated companies compared with others especially in a situation where there is an expected increase in prices in the subsequent month.
 - c. the sale price basis of refineries products (regulated & deregulated) and whether there exists a material price difference, favorable or otherwise, in case of its subsidiary/associated companies as compared with other market players. It must be ascertained that arm's length transfer pricing practices are in vogue in case of refinery owned OMCs to ensure level playing field for all OMCs.
 - d. commercial terms & conditions (discounts, credits etc) being offered to buyers/OMCs and whether there exists a material difference, favorable or otherwise, in case of its subsidiaries compared with other OMCs.
- iv. To ascertain in case of OMCs:
 - a. the sale price basis of products being sold (regulated & deregulated) and whether there exists a price differential between refinery owned OMCs and other market players.

- b. the market share of some refinery owned OMCs is growing at a very rapid pace and reasons for the same need to be ascertained. Arm's length transfer pricing from refineries → OMCs level market also needs to be ensured.
- v. The period of inquiry covers the period starting FY 2009.

Deliverables

1. A comprehensive report covering the following aspects
 - a. shareholdings of refineries/OMCs and their holding/associated companies & undertakings detailing the intercompany relationships.
 - b. scope of work detailed in para (ii) & para (iii) above.
 - c. Findings in respect of current state of industry pursuant to ensuring perfect competition and level playing field.

Duration

1. First draft report must be submitted within 60 days of the award of the assignment.
2. Final draft report must be submitted within 90 days of the award of the assignment
3. Final report must be submitted within 120 days of the award of the assignment after detailed consultation with stakeholders.

SELECTION OF AUDIT FIRM (S) FOR CONDUCTING STUDY ON ENSURING
COMPETITIVE PRACTICES IN PETROLEUM MARKETING SECTOR

TECHNICAL EVALUATION CRITERIA

	Clause	Description	Points
1	Work Protocol	a. Organizational structure of the firm. b. Ratio of key staff holding permanent positions. c. Comprehensive approach for completion of assignment. d. Complete methodology highlighting critical milestones. Sub-total marks	05 05 15 15 40
2	Relevant experience of Organization	a. Total work experience of the firm in undertaking audits/studies. b. Total work experience and competency of the organization undertaking jobs relating to audit/studies, in oil sector. c. Specific experience of the firm in undertaking specialized studies in oil sector. Sub-total marks	15 15 10 40
3	Team	Detailed CVs of the team members, giving names, qualifications, employment record, professional experience, while highlighting respective roles within the team. <u>Relevant Experience:</u> Experience relating to studies in oil sector. <u>General Experience:</u> Total overall work experience of the Consultant(s) (including experience of experts engaged) in oil sector. Sub-total marks	 10 10 20
		TOTAL	100

NOTE: Minimum requirements for pre-qualification shall be 60 points.