

Terms of Reference_ IVA_Annex 2

PBC Verification Protocol Table

#	PBC	Description	Protocol to evaluate achievement of the PBC and data/result verification		
			Data source/agency	Verification Entity	Procedure
1	Transparency increased and payment predictability enhanced	<p>1.1: EDL has established a sector-wide collection account at BDL to ringfence all collected revenues, with pre-defined cash waterfall arrangement to ensure financial liquidity to meet the payment obligation for the sector. It has entered into an agreement with BDL to define approved expenditures, treatment of payment priority, collection and deposit procedures and govern payments from the sector-wide collection account accordingly.</p> <p>1.2, 1.4 and 1.6: Payments from EDL escrow accounts are made according to the terms of the escrow agreement.</p> <p>1.3: EDL has disclosed its audited financial statements for year 2020</p> <p>1.5: EDL has disclosed (i) its audited financial statements for year 2021 and (ii) auditor's report on fixed assets registry and asset valuation (agreed upon procedures).</p> <p>1.7: EDL has disclosed auditor's report on substantiation of commitment and contingent liability (agreed upon procedures).</p>	EDL and BDL EDL EDL	IVA IVA IVA	<p>1.1: EDL submits the agreement signed with BDL to manage the collection account as per agreed-upon cash waterfall arrangement to IVA for verification</p> <p>1.2, 1.4 and 1.6 : EDL and BDL submit the Bank statements of the contemplated period for the escrow account to IVA for verification</p> <p>1.3, 1.5 and 1.7: EDL submits its audited financial statements FY2020, FY2021 and auditors' report on fixed assets registry and asset valuation; and substantiation of commitment and contingent liability to IVA for verification.</p>
2	EDL's revenues increased	<p>2.1, 2. 3, 2.5 and 2.7: The Action Plan to improve commercial and collection performance (Condition to Board #3) has been implemented by EDL with support from MEW, as per agreed targets and timeline. The Action Plan should include the following</p> <p>(a) defining the baseline and target for the distribution loss KPI (KPI 5) as well as the methodology for determining the internal (such as EDL delays) and external (such as impact of displaced persons, restricted DSP access to some areas or customers) factors to ensure a fair evaluation of the achievement of the KPI;</p> <p>(b) improving allocation of roles and responsibilities among EDL and DSPs in execution of commercial operations and customer management;</p> <p>(c) requesting internal security and Ministry of Justice support for treatment of illegal connections;</p> <p>(d) adding a KPI on the implementation progress of the AMI system (meters and DCUs) as well as internal and external factors to ensure a fair evaluation of the achievement of the KPI;</p> <p>(e) revising the bill of quantities (BoQ) for the revised KPIs as needed;</p> <p>(f) streamlining EDL process for DSP invoice validation and payment in order to comply with deadlines as per the DSP contracts;</p> <p>(g) decreasing the risk of late payments by EDL (e.g. an interest rate on late payments) and the risk of implementation delays by DSPs (e.g. penalty for late implementation); and</p> <p>(h) developing a mechanism for settlement of disputes by a third party such as the Lebanese Mediation Center of the Chamber of Commerce, Industry and Agriculture of Beirut and Mount Lebanon.</p> <p>2.2 : The initial tariff adjustment, with indexation for fuel price and foreign exchange, as defined in the electricity tariff trajectory (Condition for Negotiation #2), has applied with effect no later than 2 months from the date of gas starts to flow to Deir Amar Power Plant.</p> <p>2.4, 2.6 and 2.8 : Electricity retail tariff adjustment has been applied including indexation for fuel price and foreign exchange, as per the approved tariff trajectory</p>	EDL and MEW	IVA	<p>2.1, 2. 3, 2.5 and 2.7: IVA verifies that the action plan was implemented for the contemplated period.</p> <p>2.2, 2.4, 2.6 and 2.8 : IVA verifies that the tariff adjustments have been applied over the contemplated period, in a manner consistent with the tariff trajectory approved by COM.</p>
3	Sector Regulatory	<p>3.1 : MEW has published in national [and international] newspapers a call for applications for the selection of the Electricity Regulator Authority (ERA) commissioners, with terms of reference prepared as per best practices.</p>	COM COM	IVA	<p>3.1: MEW submits to IVA the TORs and call for applications. IVA verifies that TOR are based on best practices in international experience relevant to Lebanon.</p>



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	Framework Established	<p>3.2 : COM has adopted, upon MEW proposal, a time-bound plan to fully operationalize the Sector Regulatory Framework, including the roles and responsibilities for : (i) the preparation of secondary legislation and regulations (incl. tariffs, licenses and public consultations), and (ii) sector oversight during the transition period of not more than 18 months until the orderly transfer of authority to a fully functioning ERA, that is when ERA would have adopted its internal regulations on key regulatory issues.</p> <p>3.3: MEW proposes candidates, resulting from a transparent process, based on their expertise, qualifications and no conflicts of interest, and COM approves, by decree, the appointment of ERA commissioners.</p> <p>3.4: ERA bylaws, budget as well as personnel statute have been ratified as per the provision of Law 462.</p>	<p>MEW</p> <p>ERA</p>	<p>IVA</p> <p>IVA</p> <p>IVA</p>	<p>3.2 :IVA verifies that the plan adopted by COM includes the timeline, roles and responsibilities for : (i) the preparation of secondary legislation and regulations and (ii) transition arrangements for sector regulation until ERA is fully functioning.</p> <p>3.3 : MEW submits the evaluation report for shortlisted candidates for ERA commissioners positions. IVA verifies that selection process was carried based on candidates expertise, qualifications and absence of conflict of interest.</p> <p>3.4.MEW submits ERA ratified bylaws, budget and personnel statute to IVA for verification.</p>

