	TENDER CANCELLATION REPORT DUAL / TRIPLE / R300M SITE BASED PTC	Document Identifier	240-169448751	Rev	1
		Effective Date	June 2022		
		Review Date	June 2025		

TO	N Tjia, Middle Manager Procurement, Kriel Power Station	Date:	17 July 2025
NAME OF COMPILER AND BUSINESS UNIT	A Botha, Officer Procurement, Kriel Power Station	Tel:	017 615 2653
NAME OF END-USER BUSINESS UNIT	S Maboza, Senior Advisor Outage, Kriel Power Station		
DESCRIPTION	Supply and delivery of Boiler Spares (Pipes, Plates, Structural Support, Bellows) on an “as-and-when” required basis to Kriel Power Station for a period of five (5) years		
PR NO.:	1075073883		
ENQUIRY NUMBER	MPKRI10875GX		

1. INTRODUCTION


In accordance with Eskom Procurement Instruction Note 2 of 2021, approval is requested from the Triple Adjudication (who approved the commercial contract strategy) as the relevant DAA, to cancel the above enquiry for the supply and delivery of Boiler Spares to Kriel Power Station for a period of 5 years.

2. BACKGROUND

BUDGETED / ESTIMATED VALUE	R50 788 217.05 excluding VAT
DATE ORIGINAL STRATEGY WAS APPROVED	27 October 2023 Triple Adjudication, Nyadi Tjia, Middle Manager Commercial
ENQUIRY ISSUE DATE	27 October 2023
PUBLISHED PLATFORMS	NT e-Tender and Eskom Tender Bulletin
ORIGINAL TENDER CLOSING DATE	21 November 2023
ORIGINAL VALIDITY END DATE	21 March 2024 extended to 31 July 2025
NUMBER OF RESPONSES RECEIVED	3
NUMBER OF RESPONSES EVALUATED FOR FUNCTIONALITY	3

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2.1 THE COMMERCIAL PROCESS

FIRST / SECOND TENDER CANCELLATION (Select First / Second)	
REASON FOR TENDER CANCELLATION (Tick which is applicable)	
a) Changed business circumstances where there is no longer a need for the goods, works or services as described in the enquiry document;	
b) Improper / unrealistic specifications and functionality criteria in the enquiry document;	
c) Funds no longer being available to cover the whole envisaged expenditure for the goods, works or services;	
d) No acceptable tenders received;	
e) Material irregularities (such as non-compliance with legislation or where the constitutional principles of fairness etc is breached);	
f) A market-related price not being agreed after negotiating with the top three tenderers (see process under Post tender Negotiations section)	
g) If the Commercial Strategy was to establish a panel of consultants / service providers or to award the contract to more than one supplier (not a panel) due to the different regions or scope of work, and there were no successful supplier/contractor/service provider for every region or scope of work, the process should be concluded with the successful supplier and the enquiry should be re-issued for the remaining regions/scope of work.	
h) Where invited suppliers to a closed enquiry choose not to respond, but the tender list is valid, and all procurement processes have been fairly and correctly followed.	
i) Informal Tendering - If only one quote is received, the Procurement Practitioner must re-issue to the completed list of potential tenderers again.	
j) Informal Tendering - Should it be found that the outcome of the evaluation shows that the lowest acceptable tender is more than R1m, the process must be cancelled	
Other:	X
State "Other" reasons in detail: <p>From the 3 tenders that were technically evaluated, only one achieved the minimum threshold of 80%. This one tenderer was invited for e-auction of which the tenderer communicated that the base rate on e-auction is lower than the current market. The Quantity Surveyor was requested to review the rates. Initially the QS responded by saying the rates are market related however later provided new estimated rates explaining that there was a deep hike in steel the past 3 years. The e-auction was amended with the revised QS rates as base. The mandate to negotiate report was prepared and the Middle Manager Procurement was not comfortable with the e-auction process by amending the base rates for a 2nd e-auction with only one tender that qualified, therefore the cancellation request.</p>	

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2,2 TENDER CANCELLATION PROCESS


DATE FIRST TENDER CANCELLATION WAS APPROVED	Report still to be approved, currently circulating for signatures
RELEVANT DAA THAT APPROVED FIRST TENDER CANCELLATION	Report still to be approved, currently circulating for signatures
IF SECOND TENDER CANCELLATION, STATE REASON FOR PREVIOUS CANCELLATION	Not applicable
DATE REVISED STRATEGY WAS APPROVED	Cancellation still to be approved
ENQUIRY ISSUE DATE	Cancellation still to be approved
PUBLISHED PLATFORMS	Cancellation still to be approved
TENDER CLOSING DATE	Cancellation still to be approved
VALIDITY END DATE	Cancellation still to be approved
DATE THE MANDATE TO NEGOTIATE (POST TENDER) WAS APPROVED	Not applicable
DATE THE MANDATE (PT) WAS APPROVED	Not applicable
DID NATIONAL TREASURY APPROVE REQUEST FOR SECOND CANCELLATION?	Not applicable

3. INTERNAL CONTROL DEFICIENCIES

ROOT CAUSE			
<p>The estimated rates were determined in May 2022 and reviewed in October 2023 for contract strategy approval. The rates were not reviewed before the e-auction which were not market related by that time. The rates were reviewed again in July 2024 for the redoing of the e-auction.</p> <p>Root cause: Rates to be reviewed before uploading on e-auction.</p>			
IMPACT			
<p>Limited spares availability for not being able to establish a long term contract.</p>			
RISKS			
Risk	Risk Description	Risk Mitigation	Likelihood
1.	Failure to procure boiler spares for stock replenishment	In depth reviewing of the market rates	The impact is immediate.

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CORRECTIVE ACTIONS REQUIRED AVOIDING SIMILAR FUTURE INCIDENTS

- Thorough market rates research for items to be done before uploading for the e-auction bidding process.

RECOMMENDATION

Management acknowledges the oversight and recognizes that the rates estimation process needs strengthening to prevent recurrence. The contract cancellation is appropriate under the circumstances, and a new procurement process will be initiated based on the reviewed and revised rates.

4. MANAGEMENT'S RESPONSE

MANAGEMENT COMMENT ON CANCELLATION

Tender **MPKRI10875GX** was issued on **27 October 2023** and closed on **21 November 2023**. After technical evaluation of the three bids, only one met the minimum 80% threshold and was invited to an e-auction. However, the bidder highlighted that the starting base rates were outdated and significantly below current market levels. Increasing rates for a single supplier could compromise the competitive integrity of the process. With only one bidder in play and no viable competition, proceeding further would undermine fairness and value, necessitating cancellation and re-issuance to secure competitive pricing.

MANAGEMENT COMMENT ON INTERNAL CONTROL DEFICIENCIES

E-auction mandate without competitive validation: Proceeding with one bidder ignores best practice guidelines stating auctions require a competitive field.

Lack of oversight on single-supplier scenarios: No defined threshold or policy for switching processes when competition evaporates.

MANAGEMENT COMMENT ON ROOT CAUSE AND IMPACT

Market-driven cost escalation: Substantial increases in key material costs, especially steel, since initial base-rate benchmarking, led to misalignment between tender rates and current market reality

Outdated base-rate usage: The original e-auction floor was set using QS rates that did not reflect recent steel price hikes.


Re-issue of the tender is necessary to mitigate the impact on the maintenance activities due to lack of spares.

MANAGEMENT COMMENT ON RECOMMENDATION

The cancellation of MPKRI10875GX is justified and it is not due to internal error, but because market realities (e.g., steel price hikes) invalidated our base rates, and with only one bidder, proceeding would compromise competitive fairness.

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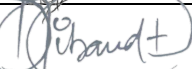
REMEDIAL ACTION		
WHAT ACTIONS WILL BE TAKEN?	BY WHOM	BY WHEN
Cancel and Re-issue the tender	Cross functional team	30 September 2025
NAME OF MANAGER WHO RESPONDED		
NAME:	Nyadi Tjia	
POSITION:	Middle Manager Procurement & Supply Chain Management	
GRADE:	M17	
DATE:	16/07/2025	

5. SIGNATURES

5.1 COMPILED BY:


NAME	DESIGNATION	SIGNATURE	DATE OF SIGNATURE	REASON FOR SIGNING
Sonwabile Maboza	Senior Advisor Outage		17.07.2025	Appointed NEC Service Manager
Buyer A Botha	Officer Procurement		17.07.2025	Delegated Procurement Practitioner

5.2 SUPPORTED BY:


NAME	DESIGNATION	SIGNATURE	DATE OF SIGNATURE	REASON FOR SIGNING
S Sikhakhane	Procurement Manager		2025/07/21	Manager in Support
T Sibanda	Line Manager of End User		2025/08/25	Manager in Support

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5.3 MANAGEMENT RESPONSE RECOMMENDED BY:

NAME	DESIGNATION	SIGNATURE	DATE OF SIGNATURE	REASON FOR SIGNING
N Tjia	Middle Manager Commercial		04/09/2025	Middle Manager responsible for Management Response

5.4 ACCEPTED BY:

NAME	DESIGNATION	SIGNATURE	DATE OF SIGNATURE	REASON FOR SIGNING
Thamsanqa Sibanda	Line Manager		04/09/2025	Accepted on behalf of transgressor

5.5 ACKNOWLEDGED BY:

NAME	DESIGNATION	SIGNATURE	DATE OF SIGNATURE	REASON FOR SIGNING
M Raphasha	Power Station General Manager		2025/09/30	In Acknowledgement thereof

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