Annex No. 4 to the SPC

**TECHNICAL SPECIFICATION**

**Consulting Services for the Development of a Long-Term Strategy**

1. Introduction

EPSO-G is a Lithuanian state-owned group of energy transmission and exchange companies. It consists of the holding company UAB EPSO-G and five directly supervised companies: electricity transmission system operator Litgrid (publicly listed), gas transmission system operator Amber Grid (publicly listed), energy resources exchange operator Baltpool, constructions and power grid works company Tetas, and operator of the system of electricity storage facilities Energy cells.[[1]](#footnote-2) Minority shares of both transmission system operators are listed on Nasdaq Baltic secondary list.

The main activities of the EPSO-G Group are ensuring uninterrupted and reliable transmission of electricity through high-voltage networks and transportation of natural gas through high-pressure pipelines, as well as efficient management, supervision, and development of these transmission systems. The companies belonging to the group also manage and develop biofuel, natural gas, and timber trading platforms to ensure conditions for transparent competition in the energy resources and sustainable wood market as well as performs construction and power grid works.

The rights and obligations of the sole shareholder of the holding company UAB EPSO-G are carried out by the Ministry of Energy of the Republic of Lithuania. The duty of all companies belonging to the EPSO-G group is to enable, facilitate and implement in an efficient and timely manner strategic energy transmission and exchange infrastructure development projects defined in the shareholder's expectation letter, contributing to the achievement of the goals of Study on the Transformation, also goals set in the National Energy Independence Strategy (or to be set in the renewed one) and creating sustainable long-term value for the shareholder, the Lithuanian state, its people, and the national economy.

The current strategy of the Group encompasses the period until 2030. Subsidiary companies develop and update on the annual basis separate strategy documents reflecting their specific activities, which are aligned with and are aimed at achieving the goals set in the Group's strategy.

1. Concepts and abbreviations

*Table No. 1. Concepts and abbreviations*

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| **No.** | **Concept** | **Explanation** |
| 1 | Strategy | EPSO-G Group’s long-term strategy prepared in accordance with the requirements specified in this technical specification and related documents. |
| 2 | Services | Strategy development services and additional consultation services. |
| 3 | Procurement | The selection of the Service Provider, conducted in accordance with the Law on Public Procurement. |
| 4 | RES | Renewable energy sources. |
| 5 | UAB “EPSO-G” Group or the Group | State-owned group of energy transmission and exchange companies consisting of the holding company UAB EPSO-G and five directly supervised companies: electricity transmission system operator Litgrid, gas transmission system operator Amber Grid, energy resources exchange Baltpool, construction and power grid works company Tetas and operator of the system of electricity storage facilities Energy cells. |
| 6 | Lithuania Energy System Transformation Study | In 2023 at the request of UAB EPSO-G a comprehensive study on the transformation of the Lithuanian energy sector until 2050 was prepared by the international consultancy company DNV. The results of this study should be assessed and used by the Service Provider for the development of the Strategy. |
| 7 | Service Provider | The winning supplier of the Procurement for the Services. |
| 8 | Client | The recipient of the Services intended for EPSO-G Group, represented by the holding company UAB EPSO-G. |
| 9 | Collegial bodies | The management boards of EPSO-G group companies, as well as the Remuneration and Nomination Committee and the Audit Committee operating at the Group level. |

1. Object of the Procurement
   1. **Object of the Procurement** (hereinafter – Procurement Object): Development of EPSO-G Group’s long-term strategy and additional consultancy services.
      1. EPSO-G Group conducted a comprehensive Lithuania Energy System Transformation Study. It includes four sector development scenarios: (1) decarbonized energy, (2) hydrogen for the region, (3) zero-carbon products and (4) the optimal “Roadmap” scenario. The latter scenario outlines the projected six-fold increase in primary electricity demand compared to 2022, the electrification of the industry and transport sectors, as well as significant development of renewable power generation capacity and value chain for hydrogen and its products. The “Roadmap” scenario can be used as a baseline for the development of the strategy.
      2. Based on the results of the Lithuania Energy System Transformation Study, the Group aims to define strategic opportunities and operational model in the context of the energy sector transformation and sustainability goals in its main business segments, as well as identify new business directions (both unregulated activities and expanding regulated activities). The objective of the document being prepared is to establish medium-term (until 2035) and long-term (until 2050) priorities, goals, measures, strategic indicators (KPIs) based on which the Group will assess progress in achieving its objectives. **The strategic goal of the Group is to be active, ambitious, and proactive frontrunner in the energy sector transformation, enabling the energy ecosystem, promoting cross-sectoral integration, and coordinating planning and implementation of related initiatives.** It also aims to create new products and services through expansion of the existing activities, strategic partnerships, M&A’s and also by leveraging technological innovations.
   2. The Strategy is being developed for the period from 2024 to 2050, **dividing it into two planning periods** (aligned with the Lithuania Energy System Transformation Study):

* **Roadmap to 2035 (Main focus on this period)**.
* Strategic guidelines for the Group's activities until 2050.
  1. Main business segments of EPSO-G Group currently include:
* Management and development of the electricity transmission system while identifying opportunities for cross-sectoral integration;
* Management and development of the gas transmission system, adapting it for transportation of renewable gas and identifying opportunities for cross-sectoral integration. Development of new infrastructure for renewable gas transportation (H2, CO2, E-fuel, etc.);
* Development of international sustainable biofuel exchanges and related platform businesses;
* Construction, power grid works and provision of exploitation services in the electricity sector and other industries;
* Operation of electricity storage system facilities and development of energy storage-related services
  1. While developing the Group's Strategy, significant attention should be given to leveraging synergies between different business areas and identifying new business lines arising from the transformation of Lithuania’s and EU’s energy systems. Priority list of topics for consideration, such as hydrogen, CO2 and synthetic fuel production and transportation value chains, coordination of cross-sectoral integration, enabling the development of high-power charging stations, etc. are to be agreed with the Service Provider at the beginning of contract implementation.
  2. The Client also intends to have a possibility to purchase up to 500 hours of additional consultations. The Client is not obliged to purchase all or part of the additional consultation hours.

1. Structure of the Strategy
   1. The Strategy should comply with best practices in developing corporate business strategies. The Service Provider, while proposing the structure of the Strategy, among other sources, should familiarize himself with the key elements of Strategic Planning and Strategic Management guidelines published by the Governance Coordination Centre (VKC) (Useful Information - [VKC | Governance Coordination Centre).](https://governance.lt/naudinga-informacija/)
   2. Additionally, the Service Provider shall propose alternative methodological approaches for structuring the Strategy and shall coordinate the choice with the Client.
2. Cooperation with the representatives of the Client
   1. The Client will cooperate closely with the Service Provider and will organize a dedicated team of experts from all business segments to coordinate the information flows, tasks and provide overall support to the Service Provider effectively, including the requested information by the Service Provider. The Client’s dedicated team lead together with the dedicated team will be the main point of contact and will help resolve any outstanding issues that may occur during the Strategy preparation. The Service Provider shall specify the distribution of tasks between the Service Provider and the Client to achieve the highest-quality outcome. The distribution of tasks shall be provided in the technical proposal and finally agreed upon as part of the project plan after discussions with the Client during the introductory meeting.
   2. The Service Provider and the representatives of the Client shall have regular (online) meetings (once a week, unless otherwise agreed) organized by the Service Provider to ensure a smooth Strategy development process and the necessary involvement from stakeholders.
   3. Should there be a need for thematic working groups, The Service Provider shall propose their composition, agenda and ensure the provision of materials for the meetings.
   4. The Service Provider is responsible for gathering, evaluating, and analysing studies, legislation (including Lithuanian and EU level legislation projects and related EU initiatives, regulating energy activities), other relevant documents and information from various data sources and stakeholders. The Client will give guidance and cooperate with the Service Provider in the legal review, ensuring most important national legal documents are addressed. The Client will provide relevant summaries or whole documents of the Group’s strategies, studies and other important internal information to the Service Provider as soon as possible, upon request by the Service Provider, via the dedicated team.
   5. When developing the Strategy, it is important to involve the representatives of Collegial bodies (both Group’s and those of subsidiaries), the CEOs of subsidiary companies as well as conduct interviews or ensure alternative forms of interaction with other important stakeholders, such as the Ministry of Energy and National Energy Regulatory Council. The Client will work closely and assist the Service Provider in selecting key persons for interviewing.
   6. An online kick-off meeting for the Group’s leadership team should be organized in order to present the project plan, methods, planned involvement of different stakeholders.
   7. The Client expects that a minimum of 3-4 strategic sessions shall be organized (with a duration of approximately 8 hours each), with the participation of up to 20 members of the Group’s leadership team (members of the board, CEOs etc). The Client will provide guidance for the Service Provider in selecting the participants of the strategic sessions. The number of strategic sessions and their topics should ensure highest quality of the strategy. Concrete composition will depend on the agreement with the Client. The strategic sessions will be conducted as in-person meetings in Lithuania. The Service Provider shall ensure the organization, preparation, and moderation of the session content. The Client will arrange the venues and necessary equipment for the meetings. The Service Provider shall finalize and share the agenda for each strategic session with the Client no later than 5 (five) working days prior to the session. Additional expenses related to travel (such as airplane tickets, taxi services, fuel, etc.), accommodation, meals, or other expenses incurred by the Service Provider while participating in the strategic sessions will not be reimbursed.
   8. While analysing strategic directions of separate business segments, separate online meetings or working sessions need to be organized. These meetings or working sessions will need to involve leadership teams of the subsidiaries (including members of the board). The meetings shall be conducted with each subsidiary (preliminary plan of 2 meetings per subsidiary, exact number, duration, and content of meetings will be agreed between the Client and Service Provider in the initial meeting). Their duration, timing and content should be adjusted to fit the general project plan and to ensure valuable inputs into the Group strategy process.
   9. At least 3 comprehensive project progress discussions (online) with the EPSO-G management team should be scheduled.
   10. The Client has the right to request the revision or adjustment of the conducted analysis, descriptions, and other elements, if it believes that the comments have not been fully addressed. The Service Provider is obliged to adjust the material according to the Client’s comments or provide a reasoned and comprehensive explanation in writing why the comments should not be taken into account.
   11. Upon request from the Client, the Service Provider commits to present the prepared Strategy up to 5 (five) times in separate online meetings (one of the meetings might be conducted in-person in Lithuania).
3. Content of the Strategy
   1. The proposed content can be adjusted during the negotiation stage of the service contract and included in the service contract as a mandatory obligation for the Service Provider to provide the agreed content.

*Table No. 2. Content of the Strategy*

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| **No.** | **The main elements of the EPSO-G Group strategy** | **Descriptions** |
| 1. | Internal and External Factors’ Analysis | Internal and External Factors’ Analysis should be conducted by using the results of the Lithuania Energy System Transformation Study as a significant source along with any additional information the Service Provider deems necessary. The analysis should be conducted in an easily readable presentation structure produced by the Service Provider.  The analysis of Internal and External Factors should be carried out by thoroughly examining separate individual business segments of the Group and the factors influencing them. The results of the SWOT analysis should encompass insights regarding opportunities to develop new potential business areas driven by energy transformation.  The list of factors provided below is not exhaustive – the final list of factors to be analysed should be suggested by the Service Provider and agreed upon with the Client during the provision of Services. |
| 1.1. | Analysis of External Factors, including PESTEL | **Political Factors:**   * + National and EU level strategic goals and legislative initiatives that can significantly impact the Group's activities and results   + Energy strategies and goals of the Baltic Sea region countries   + Goals set by the Group's shareholder and/or main stakeholders   + Energy security and safety considerations, paying attention to the current international environment   **Economic Factors:**   * + Forecasts of the economic situation in Lithuania and the Baltic Sea region (GDP changes; industry KPIs, demographic KPIs; other related macroeconomic KPIs and figures (such as inflation rates, changes in labour market, etc., to the extent needed for the proper provision of Services)   + Analysis of electricity and gas transmission service prices and trends   + Forecast of electricity and gas consumption in Lithuania and the Baltic Sea region   + Forecast of prices and competitive landscape for electricity, gas, and hydrogen, e-Fuels, etc. products   + Competitive environment of Group’s key business segments   + EU financial support opportunities for the Group, with priority areas emphasized   **Social Factors:**   * + Forecast of the supply of engineering and managerial competencies relevant to the Group's activities   + Habits, expectations, and demands of stakeholders (consumers, producers, suppliers, etc.) regarding the services provided by the Group, including in the context of digitization, open data and data utilization   + Demographic factors   + Public opinion, associated structures, and social initiatives that can influence the evaluation of the Group's activities and public perception   + Social sustainability factors relevant to the Group (e.g. diversity, equity, inclusion, relations with local communities etc.)   **Technological Factors:**   * + Key technologies, innovations, and future trends influencing the development of the Group's business segments   + Data that meet the needs of different consumer segments, open data   + Cybersecurity threats and trends in prevention, relevant technological solutions   **Environmental Factors:**   * + Goals at the EU and national level related to the climate change, reduction of environmental impact (including SBTI standards tailored for the Group and relevant KPIs)   + Situation in the sectors that can be directly influenced by the Group’s activities in terms of reduction of greenhouse gas emissions and other negative environmental impacts (biodiversity, visual & noise pollution, waste etc.)   **Legal Factors:**   * + Limitations of the Third and Clean Energy Packages related to the new business directions for the Group at the national and EU level, as well as opportunities with their potential for realisation   + Regulatory environment: main parameters of the regulatory regime influencing Group’s business segments stemming from the Lithuanian national regulatory authority – National Energy Regulatory Council (NERC) – and from the EU legislation   + Potential changes in the legal framework impacting the demand for Group services and business activities   + Sanctions and other legal mechanisms, potentially limiting Group’s business activities, procurement, trade opportunities or other relevant sectors   Competitive Environment Analysis by separate Business Segments. |
| 1.2 | Analysis of Internal Factors | The Service Provider should conduct comprehensive analysis of the Group’s business segments and identify potential new national and international business development directions for the strategy period, including but not limiting to:   * + Value chain of EPSO-G Group’s activities (both regulated and unregulated/commercial)   + Group’s corporate governance model, social and environmental directions, goals and key indicators and identification of potential changes, if needed   + Untapped niches in the Group’s operating field/potential new areas for development   + Financial overview and analysis of the Group’s financial performance, assessment of key financial indicators   + Analysis of the Group’s human resources (based on data provided by the Client): engagement, motivation, employer brand, talent attraction and retainment, evaluation of remuneration and motivation practices within the Group, technical and managerial competencies of employees, areas where competencies and skills are lacking, diversity, equity and inclusion   + Assessment of the Group’s infrastructure, condition of its assets and asset management practices, based on data provided by the Client   + Value created by the Group’s data   + State of digitalization within the Group and associated challenges   + State of project management within the Group and associated challenges, based on data provided by the Client   + Evaluation of the economic viability and prospects of the existing business segments identified in Section 3.3 of technical specification, taking into account the competitive environment, trends in product and service supply and demand, customer expectations, identification of key related challenges and growth trajectories. |
| 1.3 | SWOT analysis | Summary of the Internal and External Factors’ analysis. |
| 2. | Group’s vision, mission, and values | The Service Provider should allocate sufficient attention in the strategic sessions for the discussion on the potential review of the Group’s vision, mission, and values, as well as the identification of key stakeholders. |
| 3. | Group Strategy | The Service Provider should propose and agree with the Client on an acceptable methodological approach for structuring the Group’s Strategy document. While preparing the Strategy, the Service Provider should conduct a comprehensive analysis of individual existing and potential business lines within the Group and provide an assessment of their potential.  The strategy document should consist of:   * Group’s strategy in a consolidated manner * Separate provisions on individual business segments according to the agreed structure, including individual IFPs and financial KPIs and maps of strategic objectives and targets (as described in Table No. 2, item No. 3.2) * Identification of possible synergies between current and potential business segments   The Strategy should also include:   * + Strategic priorities for Group’s organizational development, people, and culture   + Strategic priorities in sustainability and related story line, including but not limiting to requirements and expectations for the Group arising from ESG principles, related regulations, and various international best practice guidelines (e.g., based on the Organisation for Economic Co-operation and Development (OECD) principles of corporate governance for state-owned enterprises and other OECD recommendations), set of related KPIs.   + Directions for innovation, R&D, and commercial activities   + Strategic priorities and directions for Group’s business development, including identification of strategic partnerships and/or M&A’s, their potential and principles for realization   + Assessment of the situation and formulation of goals in the asset management area   + Parameters for the desired regulatory framework for regulated activities with comprehensive arguments/ evidence for NERC or EU level regulatory authorities (such as Agency for the Cooperation of Energy Regulators (ACER), European Commission) * Descriptions of potential cross-sectoral integration initiatives. |
| 3.1 | The strategic directions of the Group until 2035 | The strategic directions of the Group should be identified and elaborated according to the existing and potential business segments. Business segments’ descriptions should be provided, highlighting their key parameters, and evaluating their potential based on criteria agreed upon with the Client. |
| 3.2 | The map of strategic objectives and targets with SMART measurement indicators (KPIs) until 2035 | The Group’s map of strategic objectives and targets with SMART measurement indicators (KPIs) until 2035 shall be developed. When elaborating the Group's objectives and targets, separate maps of strategic objectives and targets with measurement indicators (at the company level) are prepared for each business segment (assigned to each subsidiary company of the group, 5 in total), aimed at achieving the Group's goals and reflecting the specific tasks of each business segment in the context of energy transformation. |
| 3.3 | Roadmap until 2035 for key decision-making | Consolidated roadmap at the group level and roadmaps per each subsidiary should be developed, representing milestones, main interdependencies, critical decisions. In this section, the main development and investment projects are also identified and described. |
| 3.4 | The guidelines for the Group's strategic directions until 2050 | Key strategic directions and objectives until 2050, taking into account results of the Lithuanian Energy System Transformation Study. Group’s strategic directions should be considered while taking a top-down (starting from the 2050 vision for the Group) rather than incremental approach. |
| 3.5 | The long-term strategy financial model | The long-term financial plan for Strategy implementation (up to 2035), KPIs, structure of investments (by business segments, including partnerships or M&A opportunities, if relevant); capital structure, financing instruments, debt, equity and hybrid funding scenarios; forecasts of Regulated Asset Base (RAB); EU funding opportunities; sensitivity analysis. |
| 3.6 | Risks and their management | Map of main strategic risks (including evaluation matrix); main strategic and operational risks management directions.  Risks must be disclosed in accordance with the COSO framework “Enterprise Risk Management Integrating with Strategy and Performance” used by the company. |

1. The expected deliverables

*Table No. 3. Deliverables*

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| **No.** | **Deliverable** | **Requirements for the deliverables** |
| 1. | A comprehensive Group Strategy document | At least 150 slides in MS PowerPoint format (editable, using EPSO-G visual identity template as a basis), in Lithuanian or English, clearly structured according to the methodology and structure agreed upon with the Client, with a detailed analytical section based on the requirements described in Section 6 for the structural components and their content, providing a consistent narrative (storyline). The information should be presented clearly in a visually appealing manner, including extensive graphical presentation of information.  Long term financial plan (both consolidated for the group and for separate business segments) should be provided in the editable MS Excel format.  MS Excel files of the graphs used in the presentation should be provided as well. |
| 2. | Abbreviated version of the Strategy | Abbreviated version of the Strategy in PPT format (editable, using EPSO-G visual identity template as a basis), in Lithuanian or English, consisting of approximately 40 slides. It should be clearly structured, informative, with a coherent storyline, and include high-quality graphics and illustrations. The abbreviated version should be prepared taking into account the confidentiality requirements imposed on publicly traded companies whose shares are listed on the stock exchange, as well as the information confidentiality requirements for strategic companies of the Republic of Lithuania. |
| 3. | PPT for public presentation | PPT presentation (editable) in Lithuanian or English intended for the public presentation, utilizing the visual identity template PPT of EPSO-G as a basis, presented clearly and in a visually appealing manner, including graphical representation of information, ensuring clarity of messages. |
| 4. | Additional consultations on strategic matters during the implementation period of the Contract | Up to 500 hours of additional consultations. The Client is not obliged to purchase all or part of the additional consultation hours. |

* 1. All documents specified in the deliverables should be provided to the Client in electronic versions (via email, cloud storage, or any other mutually agreed way).
  2. It should be noted that the information requested from the Client is indicative (planned), and during the provision of the Services, it may be subject to changes based on the Client needs and the results of Strategy development (without extending the scope). The Service Provider, while adhering to best practices, but without deviating from the objective of the Procurement, may propose and, upon agreement with the Client, enhance the final deliverable.

1. Contract Execution and Key Deadlines
   1. All work will be carried out in accordance with the agreed detailed project plan, which should be proposed by the Service Provider and approved by the Client during their initial meeting.
   2. The proposed final submission schedule, as indicated in Table No. 3, items 1-3, must be agreed upon with the Client and **cannot exceed 5** **months** from the start of the contract. The draft of the comprehensive Strategy document for the first final review should be submitted by the Service Provider **no later than 4** **months** from the contract signing date.
   3. The Services specified in Table No. 3, item 4, can be procured **within 12** **months from the contract signing**, if necessary.
   4. During the Strategy development process, the Service Provider is required to:
      1. Provide concise meeting minutes electronically within 2 working days after each meeting.
      2. Submit brief monthly progress reports (via email), indicating the project status and the percentage of completion for each technical task element.
      3. The Service Provider and Client should mutually agree on the deadlines for document submission (for review) or task completion, as well as the duration of document reviews.
   5. The result of the provision of the Services (when any documentation prepared by the Service Provider is submitted to the Client) shall be considered to be of poor quality if it does not meet the requirements of the Technical Specification or satisfies at least one of the following criteria:
2. failure to provide all answers to the questions raised;
3. failure to take account of the comments (remarks) submitted by the Client or reflecting them not to the full extent;
4. inaccurate information, calculations, failure to follow the up-to-date / relevant practices; other deficiencies that could reasonably reduce the value of the procurement object or benefits that the Client could expect from the result of work of the Service Provider.
5. Technical Proposal Requirements
   1. The Service Provider, when submitting the proposal, shall provide the following information:
      1. Brief company description, including relevant consulting experience and the execution of similar tasks related to the Procurement Object.
      2. Brief overview and/or description of the team that would perform the task, demonstrating their suitability for providing the Services.
      3. Description of the methodology that would be proposed to be used to provide Services to the Client. In this section, the Service Provider should specify the data collection and analysis methods to be applied when delivering the Services, provide a preliminary vision for creating a project plan.
      4. Proposals (if any) for the tasks and objectives of the Procurement Object that, from the perspective of the Service Provider, could better reflect or complement the desired outcome of the Client.
      5. Examples of similar Services that have been provided to other clients.

1. <https://www.epsog.lt/en/about-us/epso-g-group> [↑](#footnote-ref-2)