

20<sup>th</sup> February 2019

To:

*Mr. Kevin Chircop  
Enemalta Plc,  
Central Administration Building  
Marsa MRS1571*

**Subject: Review of the NAO Investigation Report**

Dear Mr. Chircop,

The National Audit Office had been requested by the Public Accounts Committee to carry out an investigation on the Power Purchase Agreement and Gas Supply Agreement signed between Enemalta Plc and Electrogas Limited. The report has been published in November 2018 and has raised a number of concerns. In light of the above and due to a potential request from the Public Accounts Committee to reply on the outcome, conclusions and findings from the report prepared by the National Audit Office, you have requested BEAT Limited to review the said report and develop a set of replies and comments that could potentially be used throughout the course of a potential request from the Public Accounts Committee. This letter of engagement sets out the terms of reference, benefits, fees and charges and deliverables in relation to this initiative.

### ***Project Scope***

The scope of this project is limited to the review of the National Audit Office Report (Investigation of the Contracts between Enemalta plc and Electrogas Limited for the Power Purchase Agreement and Gas Supply Agreement). The project is limited to a qualitative evaluation of the assertions raised by the NAO and does not include any statistical and/or economical analysis which would need to be carried out for the purpose of ascertaining the underlying assumptions used by the NAO in its workings particularly in relation to its conclusions in the report regarding the Interconnector. It is understood that such analysis will be devolved to a third party.

### ***Project Objectives***

The objectives to be achieved by this project include the following:

- To gain appropriate insight and understanding on the main issues raised by the National Audit Office throughout its investigation;

- To determine a common position amongst all stakeholders within Enemalta on the stance to be taken during proceedings of the Public Accounts Committee if required.

### ***Project Terms of Reference***

The key terms of reference to be carried out as part of this project shall include the following:

- To carry out a qualitative review of the main findings and conclusions derived by the National Audit Office throughout its report;
- To prepare a tabular report outlining the issues and stating the proposed responses for each issue being raised.
- To present the findings to the Senior Management of Enemalta and other stakeholders who could potentially be called in the event of a scheduled Public Accounts Committee Hearing.

### ***Project Resources***

BEAT shall assign David Galea to act as the lead on this Project.

### ***Resources to be made available by Enemalta***

As part of the review some technical input may be required in the process. This would include:

- A Technical Resource to support with respect to issues raised by the National Audit Office that are of a technical nature;
- An Economic Resource required to provide support in relation to economical analysis workings contained in the report particularly with respect to the comparative study of the interconnector.
- A Legal Resource required to provide support in answering issues of a legal/procurement nature.

### ***Project Time Frames***

It is expected that the project will be completed within 8 weeks from the signature of this letter of engagement.

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## *Fees*

The fees in connection with this project shall be amount to €8,000 excluding Value Added Tax to become payable as follows:

- 25% of the fees (Equivalent to € 2,000 excluding Value Added Tax) prior to the start of the engagement; and
- 75% of the fees (Equivalent to €6,000 excluding Value Added Tax) upon submission of the report.

Such fees do not include any out of pocket expenses which may need to be incurred in the execution of the terms of reference such as but not limited to travelling, fuel, parking, accommodation expenses and subsistence required.

Please do not hesitate to contact me if there are any queries that you would like to discuss further.

Yours sincerely,

.....  
*David Galea*  
Chief Executive Officer, BEAT

.....  
Date

.....  
*Kevin Chircop*  
Chairman – Enemalta plc

.....  
Date