



Confidential

Part B – Contract Award

Date: 09/04/2020

| | | | |
|--|--|---|-----------|
| Category | Rotating Equipment | Contract ID: | TBA |
| Contract Title: | Provision of Maintenance Services for Siemens Turbines and Accessories in SPDC | | |
| HSE Mode & Risk | Mode 1, Medium Risk | | |
| Agenda Item | (TB secretary to complete) | | |
| Proposed Authorized Contract Value (ACV) | USD 17,909,061.43 + NGN 1,172,325,471.42 (F\$ 21,752,751.50) | Segmentation (Click here to access tool) | Strategic |
| Proposed expenditure while pending NAPIMS approval | USD 5,969,687.14 + NGN 390,775,157.14 (FUSD 7,250,917.17) | | |
| Start & End dates | Q3 2020 – Q3 2021 | Duration | 2 Years |
| | | Extension options | 1 Year |

PURPOSE

To seek approval from MCB for the following:

- Award of contract for the provision of maintenance services for Siemens Turbines and Accessories in SPDC to Siemens Limited at a total ACV of **USD 17,909,061.43 + NGN 1,172,325,471.42 (F\$ 21,752,751.50)** being 81% of the CE/Should cost.
- Execute a twelve-month Interim Agreement with the recommended contractor, at a total ACV of **\$ 5,969,687.14 + NGN 390,775,157.14 (F\$ 7,250,917.17)**, pending NAPIMS approval, positive NCDMB Evaluation outcome and subject to LDL approval.

❖ **Post interim, final award will be contingent upon NCDMB approval and conclusion of negotiations with Siemens.**

Exchange rate used – NGN305/\$

Stakeholders Endorsement:

| | Senior Procurement Manager (SPM) | Contract Owner |
|-----------|---|--|
| | Reviewed and approved for SCC/MTB and confirms: <ol style="list-style-type: none"> Alignment with approved Category Strategy (& Global Category Strategy where applicable) Compliance with the NOGICD Act & Community Content commitments. | Reviewed whole submission and confirms support from: <ol style="list-style-type: none"> Finance [Gabriel Cooley] - for the financial aspects of the submission, including adequate budget cover/JV Partner approval to ensure full cost recovery/approved GIP in place (if applicable) HSSE [Mike Nduka] - HSSE consideration and requirements are met |
| Signature | <i>Okpoechi, Chioma</i> | <i>Obi, Emeke</i> |
| Name | CHIOMA OKPOECHI (PTC/UL) | EMEKA OBI (UPO/G/UST) |
| Date | | |

Approval

| | MCB Chairman |
|-----------|----------------------|
| Signature | <i>ellis, antony</i> |
| Name | F0DD5C64347E4FB... |
| Date | |

Declaration:

Signatories to this submission acknowledge that they have read and understood the Conflict of Interest Policy in SEPCiN and that they do not have any direct or indirect arrangement or relationship with any other person or company that breaches the requirements of that Conflict of Interest Policy, or that they have fully disclosed any potential Conflict of Interest to the Contract Owner, CP Manager and the Supply Chain Council/Tenders Board.

SECTION A: CONFORMANCE TO CONTRACT PLAN (PART A)

APPROVAL REFERENCES

| Tender Activity | Approval Date |
|--|---------------|
| MTB Approval of Part A1 | 29/11/2016 |
| NAPIMS approval of strategy | 03/05/2017 |
| NCDMB approval of strategy | 23/07/2018 |
| NCDMB approval of Commercial ITT | 19/02/2019 |
| NAPIMS approval of Commercial ITT | 17/05/2019 |
| NAPIMS nomination of personnel for bid opening and commercial evaluation | 03/09/2019 |
| Commercial negotiation commencement | 26/09/2019 |
| Commercial negotiations completed | 05/03/2020 |
| Commercial re-negotiations completed | 10/07/2020 |

BACKGROUND

NAPIMS approval of strategy to single source the maintenance of Siemens Turbines in SPDC to Siemens Ltd was received in Q2 2017. Strategy and NC plan was processed to NCDMB for approval and certification respectively. However, NCDMB initially denied approval and gave the following directives:

- a. Siemens to confirm in writing that overhaul and teardown, assembly and testing of the Compressors/Turbines including low speed balancing of rotor shall be performed in-country, while high speed balancing shall be performed in-country inclusive, within 3 years or less and for capacity development initiative (CDI) proposal to be submitted
- b. Works to be done in-country shall be exclusively defined (identifying specific gaps in local capacity for executing these activities in-country and this gap analysis addressed in the CDI)

Following several meetings between SPDC and Siemens Ltd to address the directives given by NCDMB, a site visit of vendor facility by NCDMB was held on 22/03/2018. This was followed by presentation to NCDMB by Siemens Ltd where the need for Siemens Limited to partner with a Nigerian entity was highlighted in partial fulfilment of the Board's directives. NCDMB approval of strategy was subsequently received on 23/07/2018 via a "no objection" letter.

Commercial ITT (CITT) approval was received from NCDMB and NAPIMS on 19/02/2019 and 17/05/2019 respectively and published in NipeX on 20/06/2019.

NAPIMS nomination of personnel for commercial evaluation was received on 03/09/2019. Bids were downloaded and evaluated on 10/09/2019 and negotiations commenced 26/09/2019. The negotiation was protracted and ended on 05/03/2020. However, due to outbreak of Covid-19 and associated low oil prices impact, further re-negotiation for 40% discount on contract rates as requested by NAPIMS commenced in May 2020 and ended on 10/07/2020.

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The negotiation ended with the achievement of the following:

- Over \$4.2m savings
- 14% discount in rates on all scope covered under the global EFA PT1154.
- 14% mark-up on DDP incoterms
- **9% mark-up on FCA - The 9% mark-up on FCA offered by Siemens was unacceptable. Company maintains its position of zero mark-up on FCA and will retroactively implement this position upon conclusion of negotiations. However, POs will be issued at zero FCA mark-up pending completion of negotiations.**
- There was a stalemate in commercial negotiations for non-Siemens scope (services for ancillary equipment and accessories manufactured by other OEM's which was set aside by Siemens for their local partner)
- JV agreed to expunge the non-Siemens scope from the schedule of rates (rates quoted by Siemens was considered too high and "not acceptable", in comparison with rates obtained from the OEM's).

CHANGES FROM STRATEGY

The initial tender plan envisaged a contract commencement in Q4 2018. However, this could not be achieved due to delays occasioned by inability of Siemens Limited to close out the various NCDMB directives.

SUMMARY OF VALUE CONTRIBUTION

| | Benefit | Losses |
|-----------------------------|--|---|
| Safety | The contract will provide the platform to execute aftermarket services for Siemens Turbines in SPDC to ensure sustenance of technical integrity and operating integrity of equipment and processes. High technical integrity and operating integrity are necessary to attain the desired level of process safety of the plant and production upside. | Loss of technical integrity and operating integrity will impact equipment availability and reliability with the attendant loss in production. |
| Production – Oil ('000 b/d) | N/A | N/A |
| Production – Gas (mscf/d) | Supports circa 1941 mmscfpd NLNG JV gas production and export in SPDC Assets | Loss of production of circa 16,238.54 boepd. |
| Reserves (mboe/d) | N/A | N/A |
| Flares reductions (mscf/d) | N/A | N/A |
| Cost Saving | | |

SECTION B: RESULTS AGAINST AGREED CRITERIA

TECHNICAL EVALUATION

N/A

COMMERCIAL EVALUATION

Commercial ITT was published in NipeX with a bid closing date of 19/07/2019. Joint SPDC/NAPIMS commercial bid opening was held 10/09/2019.

Commercial evaluation commenced 10/09/2019 and was completed with full involvement of NAPIMS representatives. Commercial negotiations commenced on 26/09/2019 and was concluded on 05/03/2020. However, due to outbreak of Covid-19 and associated low oil prices impact, further re-negotiation for 40% discount on contract rates as requested by NAPIMS commenced in May 2020 and ended on 10/072020

The negotiation ended with the achievement of the following:

- Over \$4.2million savings within the life of the contract
- 14% discount in rates on all scope covered under the global EFA PT1154.
- 14% mark-up on DDP incoterms
- 9% mark-up on FCA
- There was a stalemate in commercial negotiations for non-Siemens scope (services for ancillary equipment and accessories manufactured by other OEM's which was set aside by Siemens for the local partner)
- JV agreed to expunge the non-Siemens scope from the schedule of rates (rates quoted by Siemens was considered too high and "not acceptable", in comparison with rates obtained from the OEM's)

See attachment 3 – Minutes of Negotiation Meeting.

Calculation of savings

| S/N | VENDOR | COMPANY ESTIMATE FUSD @ NGN305/\$ | TOTAL ACV (FUSD) | TPSS OVER 3 YEARS FUSD |
|-----|-------------|-----------------------------------|------------------|------------------------|
| 1 | SIEMENS LTD | 26,943,119.76 | 21,752,751.50 | 5,190,368.26 |

BREAKDOWN OF UNIT SAVINGS

| Item | Description | Current unit rates USD | Negotiated new unit rates | Value Difference | Remarks |
|------|--|------------------------|---------------------------|------------------|---|
| 1 | SGT400 24k inspection (Full Overhaul of Gas generator (Core engine) exchange services including FAT, Freight and Duties) | 3,900,000.00 | 2,607,923.44 | 1,292,076.56 | 14% EFA discount applied and rates further discounted due to LTSA |
| 2 | SGT400 48k inspection - Full overhaul of Power Turbine exchange services including FAT, freight and duties. | 1,200,000.00 | 1,032,524.30 | 167,475.70 | 14% EFA discount applied and rates further discounted due to LTSA |

| | | | | | |
|----|--|----------|----------|----------|---|
| 3 | Mob/Demob Out of Country specialist Engineer (Callout) | 8,584.04 | 7,161.91 | 1,422.13 | 14% EFA discount applied and rates further discounted due to LTSA |
| 4 | Mob/Demob Out of Country Field Service Supervisor | 8,145.86 | 6,796.32 | 1,349.54 | 14% EFA discount applied and rates further discounted due to LTSA |
| 5 | Mob/Demob Out of Country Field Service Technician | 7,632.64 | 6,368.13 | 1,264.51 | 14% EFA discount applied and rates further discounted due to LTSA |
| 6 | Specialist Engineer Onshore 5-days a week Rates based on 8hrs for (SGT400) SGT - Siemens Gas Turbines | 2,005.98 | 1,673.65 | 332.33 | 14% EFA discount applied and rates further discounted due to LTSA |
| 7 | Field Service Supervisor Onshore 5-days a week Rates based on 8hrs for Siemens (SGT400) Gas Turbines | 1,713.86 | 1,429.92 | 283.94 | 14% EFA discount applied and rates further discounted due to LTSA |
| 8 | Field Service Technician Onshore 5-days a week Rates based on 8hrs for (SGT400) Siemens Gas Turbines | 1,554.40 | 1,296.88 | 257.52 | 14% EFA discount applied and rates further discounted due to LTSA |
| 9 | Specialist Engineer Onshore 6th day of the week Rates based on 8hrs for (SGT400) SGT - Siemens Gas Turbines | 2,708.14 | 2,259.48 | 448.66 | 14% EFA discount applied and rates further discounted due to LTSA |
| 10 | Field Service Supervisor Onshore 6th day of the week Rates based on 8hrs for Siemens (SGT400) Gas Turbines | 2,314.18 | 1,930.79 | 383.39 | 14% EFA discount applied and rates further discounted due to LTSA |
| 11 | Field Service Technician Onshore 6th day of the week Rates based on 8hrs for (SGT400) Siemens Gas Turbines | 2,098.44 | 1,750.79 | 347.65 | 14% EFA discount applied and rates further discounted due to LTSA |
| 12 | Specialist Engineer Onshore 7th day of the week or local holiday Rates based on 8hrs for (SGT400) SGT - Siemens Gas Turbines | 3,810.96 | 3,179.59 | 631.37 | 14% EFA discount applied and rates further discounted due to LTSA |
| 13 | Field Service Supervisor Onshore 7th day of the week or local holiday Rates based on 8hrs for Siemens (SGT400) Gas Turbines | 3,257.54 | 2,717.86 | 539.68 | 14% EFA discount applied and rates further discounted due to LTSA |
| 14 | Field Service Technician Onshore 7th day of the week or local holiday Rates based on 8hrs for (SGT400) Siemens Gas Turbines | 2,953.36 | 2,464.07 | 489.29 | 14% EFA discount applied and rates further discounted due to LTSA |
| 15 | Specialist Engineer Onshore Hourly Rates in excess of 8hrs 6-days a week for (SGT400) SGT - Siemens Gas Turbines | 339.02 | 282.85 | 56.17 | 14% EFA discount applied and rates further discounted due to LTSA |
| 16 | Field Service Supervisor Onshore Hourly Rates in excess of 8hrs 6-days a week for (SGT400) SGT - Siemens Gas Turbines | 289.44 | 241.49 | 47.95 | 14% EFA discount applied and rates further discounted due to LTSA |
| 17 | Field Service Technician Onshore Hourly Rates in excess of 8hrs 6-days a week for (SGT400) SGT - Siemens Gas Turbines | 262.64 | 219.13 | 43.51 | 14% EFA discount applied and rates further discounted due to LTSA |

| | | | | | |
|----|--|------------|------------|-------|--|
| 18 | Specialist Engineer Onshore Hourly Rates in excess of 8hrs 7th day of the week or local holiday for (SGT400) SGT - Siemens Gas Turbines | 594.96 | 496.39 | 98.57 | 14% EFA discount applied and rates further discounted due to LTSA |
| 19 | Field Service Supervisor Onshore Hourly Rates in excess of 8hrs 7th day of the week or local holiday for (SGT400) SGT - Siemens Gas Turbines | 509.20 | 424.84 | 84.36 | 14% EFA discount applied and rates further discounted due to LTSA |
| 20 | Field Service Technician Onshore Hourly Rates in excess of 8hrs 7th day of the week or local holiday for (SGT400) SGT - Siemens Gas Turbines | 460.96 | 384.59 | 76.37 | 14% EFA discount applied and rates further discounted due to LTSA |
| 21 | SUPPLY OF Siemens SPARES - Mark Up on DDP Incoterms | 14% | 14% | - | No change |
| 22 | SUPPLY OF Siemens SPARES - Mark Up on FCA | 13% | 9% | - | 4% negotiated discount applied to LTSA Company position is zero FCA mark-up. POs will be issued at zero FCA mark-up pending completion of negotiations. |
| 23 | Trainings and seminars (Total lot for the 2 yr contract) | 700,000.00 | 700,000.00 | - | No change |

Benchmarking:

Basis of Company estimates: Company estimate was derived from rates in the Shell/Siemens global EFA PT1154 and benchmarked against rates similar rotating equipment aftermarket services EFA contracts. – please see attachment 1

The input of the GCM was sought and incorporated as levers during the negotiation.

Note: The aftermarket rates in the EFA is re-negotiated yearly to determine the alliance discount applicable. This is dependent on the volume of global business with the supplier within a given year.

The contract rates will therefore be updated year on year following receipt of outcome of negotiations from the GCM.

BASIS OF AWARD & RECOMMENDATION

In line with the approved award strategy, it is recommended that contract for the provision of maintenance services for Siemens Turbines in SPDC be awarded to Siemens Limited at a total value of **USD 17,909,061.43 + NGN 1,172,325,471.42 (F\$ 21,752,751.50)**. This value represents about 81% of the company estimate. This new contract will offer the long-expected capacity to deliver timely execution of interventions and medium-term activities on Siemens turbine fleet across SPDC, thereby improving availability & reliability of the units and reduce unscheduled production deferrals. **However, final award sign-off will be subject to outcome of NCDMB commercial evaluation report and conclusion of negotiations with vendor on FCA mark-up.**

TRANSITION PLAN / COST OF IMPROVEMENTS (IF APPLICABLE)

This is a Mode 1, Medium Risk contract. HSE capability assessment for Siemens Limited is Green. It is proposed to process the interim agreement using this contract HSE assessment.

Vendor performance will be closely monitored during the interim agreement period, regular engagements and biannual business reviews will be used to document and track findings. The contract will have performance based KPIs against which the vendor's performance will be measured.

APPROVED CONTRACT VALUE

Proposed ACV for the contract is **USD 17,909,061.43 + NGN 1,172,325,471.42 (F\$ 21,752,751.50)**

Note: The aftermarket rates in the EFA are re-negotiated yearly to determine the alliance discount applicable. This is dependent on the volume of global business with the supplier within a given year.

The contract rates will therefore be updated year on year following receipt of outcome of negotiations from the GCM.

COMPLIANCE TO MODEL TERMS & CONDITIONS

The T&Cs of the globally negotiated EFA PT 1154 as localized in 2012 shall apply.

GOVERNMENT INTERMEDIARY (GI) ELEMENT

| | | |
|---|------------------------------|--|
| GI elements present in work scope? | <input type="checkbox"/> YES | <input checked="" type="checkbox"/> NO |
| If yes, GI terms & conditions included in contract? | <input type="checkbox"/> YES | <input type="checkbox"/> NO |

IDD STATUS

The IDD status of Siemens Limited is Green

SECTION C: POST AWARD CONTRACT MANAGEMENT

KEY PERFORMANCE INDEX (KPI) (FROM PART A)

| Business Objective | KPI | Measure | Annual Target | Frequency Measured |
|-------------------------------|--|---------|--|--|
| HSSE | HSE Meeting | No | 12 | Monthly |
| Technical Integrity | Power output Degradation & Heat Rate Degradation | % | As appropriate in charts in contract | After every major inspection |
| Power Generation (Production) | Plant Availability | % | 95% | Yearly |
| Delivery | Response Time | Hours | As per agreed contractor response time | As per agreed contractor response time |
| Nigerian Content | Use of local personnel | Man hrs | 80% | Yearly |

CONTRACT MANAGEMENT PLAN (CMP)

| | | |
|---------------------------------------|-------------|-----------------|
| · Sign Contract/Input in SAP/Issue PO | Q2 2020 | SPDC |
| · Contract/Kick off meeting | Q2 2020 | SPDC/Contractor |
| · Pre-mobilisation | Q2 2020 | SPDC/Contractor |
| · PO Issue as per request | As required | SPDC |
| · HSE Meetings/Audit | Monthly | SPDC/Contractor |
| · Contract Progress review | Quarterly | SPDC |

HSE PLAN

| Main HSE Exposure | Preventive response | Corrective response |
|----------------------------------|---|--|
| Working in High Noise Level Area | Mandatory use of adequate / suitable ear protection (PPE) shall be continuously. Work permits shall clearly state this requirement as a control. Work will be planned and executed in line with SPDC procedures for working in High noise level area. | Audiometric tests shall be to be carried out at regular intervals. |
| Road Transportation | Journey management related to Transportation of staff shall be implemented. | An improved JM system shall be implemented. Retainership clinic will be available for escalation. |
| Working at height | Proper PPE (including harness) shall be used when working at heights above 1.3 meters. HSE toolbox meeting shall be held regularly. Dynamic Risk Assessment shall, be carried out after every break. Work permits shall as much as possible, identify all potentially hazardous work areas and adequate controls shall be put in place. Work will be planned and executed in line with SPDC procedures for working at height | First aid kit shall be made available at all times. Emergency First Responders and onsite medical personnel available for emergencies. Retainership clinic will be available for escalation. |

| | | |
|---------------------------|---|---|
| Hot work | All hot work shall be captured by Hot Work Permit. All hazards shall be identified through JHA/ Risk Assessment and each hazard shall have adequate controls. All controls shall be stated in the PTW. | Fire extinguishers and emergency first responders shall be available at all times. Retainership clinic shall be available to handle escalation. |
| Working in Confined space | Application of the procedure for entering and working in confined space, including Gas testing, shall prevail throughout. | Emergency first responders / first aiders shall be available at all times. Retainership clinic shall be available to handle escalation. |
| Working with High voltage | Isolations shall be carried out by competent persons. Testing of electrical circuits/equipment shall be carried out by competent persons. All electrical work shall be supervised by qualified staff. PTW shall state all potential electrical hazards. | Emergency first responders / first aiders shall be available at all times. Retainership clinic shall be available to handle escalation. |

NIGERIAN CONTENT EXECUTION PLAN

***If winning vendors are more than one, 'a- c' information below should be completed for each vendor.**

a. Indicate Schedule target(s) and vendors Nigerian Content pledge (s) e.g.

| Contractor | Work Category | Schedule Target | Vendor's NC Pledge | Measuring Metrics | Agreed actions including authorisation to import |
|--------------|--|-----------------|--------------------|-------------------|--|
| Siemens Ltd. | Maintenance and Modification of pumps & Rotating Equipment | 65% | 70% | Man-Hours | N/A |

b. Nigeria Content Summary Work scope.

**** Describe all the proposed Nigerian Content activities in the ITTs for inclusion in proposed contracts.**

Vendor's training plan in alignment with pre-approved Project's Nigerian Content Plan and also in line with the human development capacity guide 2014

| | Training Type | No of Trainees | Total Man-hours/ Man-years | Name / Level of Certification |
|--|---|----------------|----------------------------|---|
| | OJT – Gas Turbines Operations & Maintenance | 3 | 500 | Level 1 Certificate in Gas Turbine Operations & Maintenance |

c. Global Sustainable Sourcing opportunity (provide details of the global sourcing opportunity utilised and capacity gap addressed).

N/A

d. Nigerian Content Compliance Certificate required prior to award approval recommendations to NAPIMS

****Where the NC pledge falls short of set minimum targets by law an authorisation to import may be required for these categories.**

COMMUNITY CONTENT NIGER DELTA CONTENT EXECUTION PLAN

Adequate provisions will be made in the contract to create opportunities for qualified and experienced Nigerians from the Niger Delta to be engaged in the execution of the works, in line with NC Execution Plan and NC Training Plan. Target will be to achieve a minimum of 30% skilled manpower from the respective host community either where contractor's office is located or where work will be executed. HCD cost has been subsumed in the contract ceiling, in line with HCD Guideline from NCDMB. This will be called upon during the execution of the approved HCD Plan.

RISK ASSESSMENT

HSE Risk - Medium

Contract Risk - High

See Attachment 4 – RAM Document

| Risk Description | Likelihood (H / M / L) | Impact (H / M / L) | Mitigating Actions | Action Owner |
|------------------|------------------------|--------------------|--|--------------|
| Quality | L | M | Ensure that all deliveries are accompanied with relevant test/quality certificates. OEM trained and qualified personnel to be deployed to carry out services and repairs on the plant | CH |

THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED
Major Tender Board Submission

| | | | | |
|---------------------------------------|---|---|---|-------|
| HSE | M | M | PO clauses to ensure that all HSE issues related to deliveries of equipment and all required medical checks on all staff by local clinic in Nigeria are strictly adhered to. First aid admin. Ensure the availability of fire extinguishers. Call medical service on 122 or MEDEVAC | CH |
| Fire during installation/Main tenance | M | M | Environment to be gas-tested at regular pre-determined intervals to ensure that hot work is performed only under hydrocarbon-free area. Cordon off the affected area. First aid admin. Ensure the availability of fire extinguisher. Call medical service on 122 of MEDEVAC | CP/CH |

ATTACHMENT:

1. NAPIMS strategy approval
2. Minutes of negotiation meeting
3. RAM document
4. GCM confirmation of rates in CE