



Confidential

Part B – Contract Award (ADDENDUM)

Date: 19/10/2020

Category	Rotating Equipment	Contract ID:	NG01020025/CW
Contract Title:	Major Overhaul of LM 1600 Turbines for Soku AG and NAG Compression system		
HSE Mode & Risk	Mode 1, Medium Risk		
Agenda Item	(TB secretary to complete)		
Proposed Authorized Contract Value (ACV)	USD12,836,005.62 + NGN 1,219,420,533.81 (F\$16,045,007.02)	Segmentation (Click here to access tool)	Tactical
Proposed expenditure while pending NAPIMS approval	\$3,961,588.07 + NGN422,958,018.97 (F\$5,348,335.87)		
Start & End dates	Q4 2020 – Q4 2022	Duration	2 Years
		Extension options	1 Year

PURPOSE

To seek approval from MCB for the following:

- To terminate interim contract CW330165 with Wilandson International Limited
- Award of contract for the provision of maintenance services for Major Overhaul of LM 1600 Turbine for Soku AG and NAG Compression system to **Excel Energy Services Limited** at a total ACV of **USD12,836,005.62 + NGN 1,219,420,533.81 (F\$16,045,007.02)** being 84 % of the CE.
- Execute a twelve-month Interim Agreement with the recommended contractor, at a total ACV of **\$4,278,668.54 + NGN 406,473,511.27 (F\$5,348,335.87)**, pending NAPIMS approval, close out of NCDMB directives and sign-off of NCCC and subject to eLDL approval

Stakeholders Endorsement:

	Senior Procurement Manager (SPM)	Contract Owner
	Reviewed and approved for CC 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 Cookey] - 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 [Dorathy Eyo] - HSSE consideration and requirements are met
Signature	<i>Okpoechi, Chioma</i>	<i>Obi, Emeka</i>
Name	CHIOMA OKPOECHI (PTC/U/GL)	EMEKA OBI (UPC/G/US)
Date		

Approval

	MCB Chairman
Signature	<i>Antony Ellis</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	03/11/2017
NAPIMS approval of strategy	16/11/2017
NCDMB approval of strategy	05/02/2018
NCDMB NC Plan Certification	08/05/2018
NCDMB approval of Commercial ITT	17/05/2018
NAPIMS approval of CITT/CET	04/06/2018
NCDMB No objection letter for commercial evaluation	01/08/2019
Interim Agreement Launched with Lowest bidder (Wilandson Int Ltd)	01/12/2019
Wilandson Intl. Ltd communicated inability to execute at JV negotiated and agreed rates	23/05/2020
Information note to MCB to test market with the second lowest bidder was Noted/supported	29/06/2020
NAPIMS approval to engage the second lowest bidder	24/07/2020

BACKGROUND

Following the Tender Board approval of Part B (**Attachment 1**) and approval of eLDL, interim agreement (**CW330165**) was launched with the lowest bidder (Wilandson International Limited) on 01/12/2019.

However, after the issuance of Purchase Order for the first call-off on the contract, Wilandson International Limited communicated their inability to execute the contract at the JV negotiated and agreed rates on the basis that their technical Partner (Standard Aero Limited) increased the rates for the services - please see **Attachment 2**

Meeting was held with NAPIMS and it was resolved to test the market by offering the negotiated and agreed rates to the second lowest bidder (Excel Energy Ltd). This same information was shared with SPDC MCB for ratification and approval was secured. **Attachment 3**.

A request was transmitted to NAPIMS seeking support to negotiate with the second lowest bidder (Excel Energy Services Ltd). NAPIMS approval to this request was received on 24/07/2020.

Negotiation was held with the second lowest bidder between 29/07/2020 and 10/08/2020 with the achievement of the following:

1. Approx. 4% discount on JV negotiated and agreed rates for Field Service Providers (FSRs)
2. Approx. 16.5% discount on JV negotiated and agreed rates for Power Turbine
3. 100% discount on JV negotiated rates for special tools (special tools were offered free)
4. Approx. 7% discount on JV negotiated rates for flights and logistics
5. Approx. 3% discount on percentage DDP incoterms
6. Approx. 12% premium on JV negotiated rates for Gas Generator swap (Approx. 3% premium of new rates offered by the lowest bidder – Wilandson International Ltd)
7. Approx. 33% premium on JV negotiated rates for Local Engineer. (This line item is hardly called-off)

Cumulatively, the new rates negotiated and agreed with Excel Energy is **\$689,935.19** lower than the JV negotiated and agreed rates with Wilandson International Ltd.

Overall, the new rates negotiated and agreed with Excel Energy Limited is **\$1,649,663.94** lower than the new rates offered by Wilandson International Ltd.

MoMs of negotiations with Excel Energy Ltd included as **Attachment 4**

CHANGES FROM STRATEGY

The initial tender plan envisaged a contract commencement in Q3 2018. However, this could not be achieved due to delays in addressing NCDMB directives on CDI and communication of a no objection letter by the Board.

SUMMARY OF VALUE CONTRIBUTION

	Benefit	Losses
Safety	The contract will provide the platform to execute aftermarket services for LM 1600 Gas 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)		
Production – Gas (mscf/d)	Supports production in SPDC Assets of circa 587kboepd	Loss of production of circa 363kboe
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

The commercial bid was opened on 25/09/2019 and evaluation commenced and was completed on 26/09/2019. Commercial negotiation with the lowest bidder (Wilandson International Ltd) was held and concluded on 26/09/2019.

However, Wilandson International Limited communicated their inability to execute the contract at the JV negotiated and agreed rates on basis that their technical Partner (Standard Aero Limited) has increased the rates for the services. JV approval was secured, and negotiation was held with the second lowest bidder (Excel Energy Services Ltd) where the following was achieved:

1. Approx. 4% discount on JV negotiated and agreed rates for Field Service Representatives (FSRs)
2. Approx. 16.5% discount on JV negotiated and agreed rates for Power Turbine
3. 100% discount on JV negotiated rates for special tools (special tools were offered free)
4. Approx. 7% discount on JV negotiated rates for flights and logistics
5. Approx. 3% discount on percentage DDP incoterms
6. Approx. 12% premium on JV negotiated rates for Gas Generator swap (Approx. 3% premium of new rates offered by the lowest bidder – Wilandson International Ltd)
7. Approx. 33% premium on JV negotiated rates for Local Engineer. (This line item is hardly called-off)
8. Rates fixed for the duration of the contract

Calculation of savings

S/N	VENDOR	COMPANY ESTIMATE FUSD @ NGN303.03/\$	TOTAL NEGOTIATED ACV (FUSD) (INCLUDING 2% HCD)	Negotiated savings OVER 3 YEARS FUSD
1	EXCEL ENERGY LTD	19,057,805.25	16,045,007.02	3,012,798.22

Item	Description	OP19 unit rates USD	Negotiated unit rates new	Value Difference	Remarks
1.	Expert Engineer (FSR)	4,201.12	3,000.00	1,201.12	

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2.	Local Engineer (FSR)	132.00	516.39	-384.39	Not frequently called-off. Used as negotiation buffer
3.	LM1600 Gas Generator Swap	2,600,000.00	2,959,102.93	-359,102.93	
4	Power Generator Swap	3,300,000.00	1,539,210.60	1,760,789.40	
5	Flight & Logistics	6,285.10	5,841.00	444.10	
6	Special Tools & Consumables	203,300.00	0.00	203,300	Offered for free
7.	Mark-up on Supply of Spares for LM1600 Gas Turbines	40% on DDP	37% on DDP	3%	

Benchmarking:

Basis of Company estimates: The company estimate was drawn up in 2017 using data obtained from the OEM (GKN) and POs issued for the similar scope in the past and benchmarked against market rates for similar rotating equipment aftermarket services. The exchange rate used was NGN305/\$C

BASIS OF AWARD & RECOMMENDATION

In line with the approved award strategy, it is recommended that contract for major overhaul of LM 1600 Gas Turbines for Soku AG and NAG Compression system be awarded to Excel Energy Services Limited at a total value of **USD12,836,005.62 + NGN 1,219,420,533.81 (F\$16,045,007.02)**. This value represents about 84% of the company estimate. However, final award sign-off will be subject to NCDMB approval of the Nigerian Content Compliance Certification (NCCC)

TRANSITION PLAN / COST OF IMPROVEMENTS (IF APPLICABLE)

This is a Mode 1, Medium Risk contract. Vendor IDD status is **Green. Valid until October 2021**

Vendor performance will be closely monitored during the interim agreement period, and quarterly 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. Following completion of FSR competence trainings by in-house personnel, it is expected that 4k and 8k inspections will be executed using in-house resources. Savings that will accrue from this initiative will be duly documented and recorded in the wave tool.

APPROVED CONTRACT VALUE

Proposed ACV for the contract is **USD12,836,005.62 + NGN 1,219,420,533.81 (F\$16,045,007.02)**

Basis of Company estimates:

The company estimate was drawn up using data obtained from the OEM (GKN) and POs issued for the similar scope in the past and benchmarked against market rates for similar rotating equipment aftermarket services.

COMPLIANCE TO MODEL TERMS & CONDITIONS

SPDC standard Terms and Conditions shall apply. The MCL shall be used as source of Ts&Cs.

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 Excel Energy Services Limited is **Green – Valid until October 2021**

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

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Technical Integrity	Power output Degradation & Heat Rate Degradation	%	As appropriate 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	Q4 2020	SPDC
· Contract/Kick off meeting	Q4 2020	SPDC/Contractor
· Pre-mobilisation	Q4 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 always. 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 always. 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 always. 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 always. 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
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Excel Energy Services Ltd	Maintenance and Modification of pumps & Rotating Equipment	65%	20%	Man-Hours	TTI plan to address the following: 1) number and positions of expats to execute the work scope, 2) duration, cost and level of competence to be achieved by Nigerian FSRs after TTI, 3) level of competence/certificate in Turbine repairs to be achieved n=by Nigerian FSRs, 4) structured development of FSRs and technicians to achieve the TTI
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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 in line with the human development capacity guide 2014

Training cost	Training Type	No of Trainees	Total Man-hours/ Man-years	Name / Level of Certification
3 % of contract value	Classroom/OJT – Gas Turbines Operations & Maintenance	TBA	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.

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
Transportation of personnel & materials to site	M	M	Medical fitness certification, comply with approved journey management plans, pre-mob vehicle, adherence to traffic rules, adhere to LSR 9, 10, 11 &	CH
Turbines maintenance activities execution on site	M	M	Competent and trained personnel, use permit to work/JHA, toolbox talks, isolation of electrical supply, supervision, ensure availability of emergency equipment and personnel trained in attending to electric shock victims, medical emergency response 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

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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.	
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ATTACHMENT:

1. Approved Part B
2. Letter from Wilandson declining offer at negotiated rates
3. Information note the MCB
4. MoM of negotiation with Excel Energy