



## THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED

## MAJOR TENDER BOARD SUBMISSION

Confidential

Part A1- Strategy &amp; Contract Plan

Date: 11/06/2015

Category	Rotating Equipment	Contract ID	TBA
Contract Title	LONG TERM SERVICE AGREEMENT (LTSA) FOR AFAM VI COMBINED CYCLE POWER GENERATION PLANT		
HSE Mode & Risk	Mode -- 2; Risk -- High		
Agenda Item	(TB Secretary to complete) <i>SPDC - MTB - 15 - 23</i>		
Estimated Contract Value (ECV)	RESERVED		
Proposed Contract Start / End dates and Extension options	01/10/2015 to 31/09/2023 - 8 years plus option of 2 year extension		

## PURPOSE

To seek approval from MTB for:

- Contract Strategy to negotiate and single source contract for Long Term Services Agreement (LTSA) for Afam VI Combined Cycle Power Plant (Afam VI CCGP) to Alstom Nig Ltd. - in-country Subsidiary of the OEM. Using the following mandate: (i) Aspiration - 80% of Company Estimate, ~~(ii) Est. = 90% of Company Estimate~~ *Diff*
- The basis of award will be the negotiated scope and terms based on overall experience from previous contract (E-16618B) and current market strategy.

## 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.

## Stakeholder Endorsement:

	Senior Procurement Manager	Contract Owner
	Reviewed and approved for SCC/MTB and confirms: <ol style="list-style-type: none"><li>Alignment with approved Category Strategy (&amp; Global Category Strategy where applicable)</li><li>Compliance with the NC Act &amp; Community Content commitments.</li></ol>	Reviewed whole submission and confirms support from: <ol style="list-style-type: none"><li>Finance [Oluwakemi Akinlami] - adequate budget cover/IV Partner approval to ensure full cost recovery/approved GIP in place (if applicable)</li><li>HSSE [Lawrence Ottih] - HSSE consideration and requirements are met.</li></ol>
Signature	<i>Segun Edun</i>	<i>Ben Agbajogu</i>
Name	Segun Edun	Ben Agbajogu
Ref Ind.	PTC/UOA	UIO/G/PN
Date	19/06/2015	22/6/2015

## Approval:

	MTB Chairman
Signature	<i>Y. A. BUNMIK</i>
Name	Y. A. BUNMIK
Date	30/6/2015

SCC/MTB Submission - Strategy &amp; Contract Plan

Page 1 of 7

Prepared by: (CL)Emeka Esekody (CH) Ralph Omiponle

version 03/2013

Section A: Business Needs		
1.	Business Need & justification	Justify the need for this Contract. Have alternative sources of meeting requirement been explored –e.g.-use of in-house resources, current contract extension (where applicable), bundling with existing services?
	<p><b>Business Need</b></p> <p>This proposal seeks approval to pursue a strategy for the award of a Long term service agreement (LTSA) call-off contract with ALSTOM NIGERIA LIMITED, the in-country subsidiary of ALSTOM O&amp;M of Switzerland the Original Equipment Manufacturer -OEM). This contract covers Long term service Agreement (LTSA) for Afam VI Combined Cycle Power Plant (Afam VI CCPP). It will replace the current LTSA (E-16618B) which will begin to expire in November 2015 after the 3<sup>rd</sup> major inspection of the 1<sup>st</sup> gas turbine GT11. The Tender and Award Schedule is driven by the need to conclude contract award before the expiration of OEM obligation on the 1<sup>st</sup> gas turbine in November 2015. If the expected award time-line is not achieved, the fall-back is to execute initial minor inspections only (at the new negotiated contract rates and conditions) pending full contract award.</p> <p>Afam VI CCPP has an installed capacity of 650MW. The power plant has 3 units of Alstom (Model: E2 MXL) Gas Turbines (GT) and 1 unit of Alstom Steam Turbine (ST). Each GT is rated at 150MW while the rating for ST is 200MW. The station commenced initial commercial operation (delivering energy into the national grid) in January 2009. Since then, the station has delivered over 20million megawatt-hrs (MWhr) of electricity into the Nigerian electricity grid for the benefit of Nigeria.</p> <p>Currently, the station contributes about 14% of the electricity available on the National Grid. This underscores the importance of Afam VI CCPP in the economic and infrastructure development of Nigeria. It is therefore paramount to provide continuity of maintenance and operations services required to guarantee the availability of the plant.</p> <p>The scope of this Call-Off contract will include but not limited to the provision of:</p> <ol style="list-style-type: none"> <li>Operations support to Afam VI CCPP on GTs, ST, all generators, and all their auxiliaries</li> <li>Ad-hoc intervention services during operations</li> <li>Minor inspection services, including spares for all the GTs, ST, and generators</li> <li>Major inspection services including spares for all GTs, ST, and generators</li> <li>Spares, special tools and equipment, manpower and all associated services required to achieve all scopes</li> </ol> <p>A strategy workshop was held with NAPIMS in March 2015 and strategy to single source to the OEM was discussed and agreed (please see attachment 1)</p>	
2.	Business Value Contribution	Value contribution of this contract linked to company or functional dashboard – e.g.- Direct support to Business Plan

	Summary of value contribution	Benefit	Losses
	Safety	The LTSA will provide the platform to carry out the required periodic maintenance of the GTs, ST, and generators to ensure sustenance of technical integrity (TI) and operating integrity (OI) of equipment and processes. High TI and OI are necessary to attain the desired level of process safety of the plant.	Loss of TI and OI will result to process safety concerns The plant will then need to be shut down leading to loss of power supply even to Okoloma Gas Plant with attendant safety implications.
	Reputation	Afam VI CCPP contributes about 14% of the electricity on the Nigerian grid. This contribution has earned SPDC a high reputation.	SPDC's reputation will dwindle and negatively impacted should the power plant default to supply electricity to the grid. Afam VI Power plant, and the largest CCGT, and the second largest power plant on the Nigerian Grid.
	Production – Oil ('000 b/d)	N/A	N/A
	Production – Electricity	Sustained production of 14,976MWhr/day.	Contribution to the national grid at risk if GTs or ST fail without adequate maintenance
	Production – Gas (mscf/d)	Supports Okoloma Gas Plant production of 240Mscf/d	Loss of production (gas plus condensate) from Okoloma Gas Plant.
	Reserves (mboe/d)	N/A	N/A
	Flares reductions (mscf/d)	N/A	N/A
	Cost Saving / Revenue	Afam VI power plant generates circa FUSD10mIn (FUSD3mIn – Shell Share) monthly for the JV Business	Absence of generation will lead to loss of revenue to the JV.
3.	Service/Project Scope	Describe work scope and consideration for each key work element, including the known unknowns. Compare with similar service/project scope within and outside Shell. State any issues/concerns with execution of work scope.	
	The work/service to be provided in this proposed contract shall include but not limited to the following (on call-off basis and scheduled lump sum for preventive maintenance): i. Operations support to Afam VI CCPP on Gas Turbines (GT) and generator sets, Steam Turbine (ST) set, and all GT and ST auxiliaries ii. Ad-hoc intervention services to rectify failures and defects requiring OEM specialist attention. iii. Minor inspection services, including spares for all the GTs, ST, and generators. iv. Major inspection services, including spares for all the GTs, ST, and generators. v. Spares, special tools and equipment, manpower and all associated services required to achieve all scopes. vi. Modification for Station <b>Black Start</b> capability vii. Modification for <b>Grid Black Start capability</b> viii. Modification for <b>Reserve Generation</b> and <b>Frequency Response</b> ix. <i>GT modification to optimise inspection cycles</i>		
4.	Company Estimate, Benchmarking & Value for Money	State estimate? How was this estimate determined? What benchmark was used to arrive at estimate -e.g. - existing framework agreement, cross-estimate from Global Category Manager, Shell Estimating Team, Industry index, recent market research? Highlight any allowance for inflation or changes in market prices, where applicable.	
	Company estimate of FUSD214mIn – 221mIn for a period of 8 years plus additional option of two years, was determined using a mix of historical costs and competitive intelligence. The Company Estimate does not include cost for the optional 2 year extension period.		

THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED  
Supply Chain Council/Major Tender Board Submission

Section B: Tender Strategy & Alternative(s) Considered		
1.	Tender Strategy	Open Tender/Closed Tender/Negotiation/ Single Source/OLB. Explain choice of strategy.
	Single source to the in-country subsidiary of the OEM – ALSTOM NIGERIA	
2.	Alternative(s) Considered	Has alternative strategy been considered? Give brief overview of alternative(s) considered and reason for not choosing alternative(s). If no alternative considered, why not?
	Alternative strategy would be to competitively tender the scope using the NiPEX tool. However the g turbines and generators in the scope of work were manufactured by the OEM and the scope of the proposed contract is technical and proprietary only to the OEM. No further value will therefore be added through competitive tendering.	

Section C: Sourcing Strategy		
1.	Market Analysis	Analyse market conditions: How can current market dynamics affect this tender? Indicate key market structures using tools such as Porters 5 forces, Force Field analysis, SWOT and price trend analysis?
	<p><b>Bargaining power of suppliers:</b> Seller power is High. OEMs are very protective of their intellectual property and do not easily release technical information of their equipment to industry rivals. Recently, third parties have emerged with access to experienced certified engineers from similar OEMs thus bringing some level of competition to the market.</p> <p><b>Bargaining power of SPDC:</b> Buyer power is rated medium to high on the basis of the volume of business available. It is expected that SPDC would leverage on this to negotiate favourable contract rates, terms and conditions.</p> <p><b>Threat of new Entrants to the market:</b> This threat is Low as entry of new firms into the market is restricted due to high set up costs (capital requirements) and the protection of intellectual property by the OEMs.</p> <p><b>Threat of substitutes:</b> This threat is Low. There are limited substitutes. OEM proprietary rights have made the market very specific. In strict sense, there are little or no substitutes</p> <p><b>Competitive rivalry between existing players:</b> This is Low: The competition among the OEMs has been traditionally low. OEM proprietary rights have further created a monopolistic market for this service.</p>	
2.	Business & Key Cost Drivers	Risk/Schedule/Cost/Quality. Explain each element applicable to the service or project in terms of trend, implication and impact.
	<p><b>Strategy objectives:</b></p> <ol style="list-style-type: none"> <li><b>COST:</b> Budgets are constantly challenged both externally by JV PARTNERS and internally within SPDC. The current global low oil price effect will push for doing more (production) with less (money).</li> <li><b>QUALITY:</b> The availability of quality spare parts is crucial in reducing Mean Time Between Failures (MTBF) of plant equipment. Seasoned service personnel will be required for O&amp;M to reduce turnaround times.</li> <li><b>RISKS:</b> Non availability of plant implies a direct loss of power generation, high impact on reputation, and loss of revenue.</li> <li><b>SCHEDULE:</b> On-time delivery of spares and services is crucial in reducing plant outage.</li> </ol>	
3.	Market Approach/Sourcing Risk	Market Approach: Strategy based on Supplier positioning model, proposed tactics and actions. Sourcing Risks: How will sourcing risks be mitigated throughout the supply chain?
	The market approach will be to single source to the OEM.	
4.	Regional/Global strategy fit	Explain the category strategy for this service and plan to utilise existing Enterprise Frame Agreement (EFA).
	There is no global strategy or EFA for this scope.	

THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED  
Supply Chain Council/Major Tender Board Submission

5.	Nigerian Content Development (NCD)	Applicable Schedule A targets, actions required to close target gaps and Nigeria Content Plan including training plan.																		
<p><b>a. Applicable NOGICD Act - Schedule target(s), current in country capacity and plan to close gap if any.</b></p> <p>Table below illustrates required information for this section.</p> <table border="1" style="width: 100%; border-collapse: collapse; margin: 5px 0;"> <thead> <tr> <th style="width: 15%;">*Schedule</th> <th style="width: 15%;">Schedule Target</th> <th style="width: 20%;">Current In- Country Capacity</th> <th style="width: 20%;">Measurement Metrics</th> <th style="width: 30%;">Proposed Action to close gaps</th> </tr> </thead> <tbody> <tr> <td>Maintenance &amp; Modification of pumps &amp; rotating equipment</td> <td style="text-align: center;">65%</td> <td style="text-align: center;">70%</td> <td style="text-align: center;">Man-hours</td> <td></td> </tr> </tbody> </table> <p><b>*List relevant Schedule to the contract as defined in NOGICD Act</b>  <b>NOGICD = Nigeria Oil &amp; Gas Industry Content Development Act</b></p> <p><b>b. Nigeria Content Plan</b> (This is for ALL contracts &gt;\$1m)</p> <ul style="list-style-type: none"> <li>i. Research &amp; Development Plan (Strategic contracts only)</li> <li>ii. Technology Transfer Plan (Strategic contracts only)</li> <li>iii. Training Plan (Mandatory for all contracts)</li> </ul> <p><b>(Training Plan must be aligned with the pre-approved Nigeria Content Plan for the Project if any)</b></p> <table border="1" style="width: 100%; border-collapse: collapse; margin: 5px 0;"> <thead> <tr> <th style="width: 30%;">Training Type</th> <th style="width: 20%;">No of Trainees</th> <th style="width: 20%;">Total Man-hours</th> <th style="width: 30%;">Name / Level of Certification</th> </tr> </thead> <tbody> <tr> <td style="height: 30px;"></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>Training is for National Skill pool per NCDMB database.  All training must be certifiable and in line with NCDMB training guidelines.</p> <p><b>c. Global Sustainable Sourcing plan</b> (outline plan to utilise global sourcing opportunity to support attainment of Nigerian Content targets) – Where in existence, EFAs will be localized to conform to Nigerian laws.</p> <p><b>**Where the Nigeria Content in-country capacity falls short of set minimum targets by law a waiver may be required for these categories.</b></p>			*Schedule	Schedule Target	Current In- Country Capacity	Measurement Metrics	Proposed Action to close gaps	Maintenance & Modification of pumps & rotating equipment	65%	70%	Man-hours		Training Type	No of Trainees	Total Man-hours	Name / Level of Certification				
*Schedule	Schedule Target	Current In- Country Capacity	Measurement Metrics	Proposed Action to close gaps																
Maintenance & Modification of pumps & rotating equipment	65%	70%	Man-hours																	
Training Type	No of Trainees	Total Man-hours	Name / Level of Certification																	
6.	Niger Delta Content Development (NDCCD)	<p>Applicable directives/targets for this category. List opportunities and actions required to make this NDCCD opportunity happen.</p> <p>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.</p>																		

Section D: Sourcing Plan, Evaluation Model, Tender Plan & Award Strategy			
1.	Product Category list:		
2.	Bid Sourcing Plan	NIPeX, Approved Single Source, Approved Selective Tendering, etc	
	N/A		
3.	Indicate any issue of concern regarding each bidder.		



	N/A	
4.	Technical /Commercial Evaluation Criteria & Negotiation parameters	State all technical considerations driving evaluation criteria. Which are the "Go/No Go" areas (fatal flaws)? Indicate high-level weightings. Attach Commercial evaluation criteria, with distribution of Notional Quantities, milestones, re-imbursables, or book-rates as applicable. For negotiation, show aspiration, fallback and walk-away positions.
	<p><b>Commercial evaluation criteria will seek to negotiate rates with the OEM to further drive value.</b> Appropriate benchmarking exercise will be carried out prior to the Commercial tendering with a view to establishing a robust negotiation mandate with OEM. The negotiation discussions should cover (but not limited to) the following: EOH Graduation, number of 'C' inspections, current GT/ST Models lifespan – to determine what to do, in case OEM equipment enters obsolescence while LTSA is still running.</p> <p>The following negotiation mandate shall apply:</p> <p>Aspiration - 80% of company estimate</p> <p><del>Fall back - 90% of company estimate</del></p>	
4.	Basis of Award	Technically acceptable and commercially lowest/OEM/Nigerian Content initiative, single or multiple awards? State envisaged commercial risk(s) associated with award and mitigation plan
	The award shall be on the basis of single source to the OEM upon achievement of the negotiation mandate. Single award strategy shall apply.	
5.	Terms & Conditions	Model Contract Library terms & conditions must be used, otherwise list proposed exceptions and give reasons with evidence of support from Legal. How are commercial terms defined in ITT to leverage & manage bidders' capabilities and associated risk?
	SPDC model contract terms applicable to call off contract on fixed periodic and ad-hoc basis will be used	
6.	Pricing Structure & Incentives	Describe which work element is lump sum, unit rate, reimbursable. Potential payment discounts?
	The LTSA for Afam VI combined cycle power generation plant shall be on unit rate basis with additional provision on reimbursable basis, at cost plus mark-up, for scope of work which may not have been envisaged prior to activity commencement. The cost structure of planned maintenance scope portion (i.e. minor and major inspections) will be lump-sum.	
7.	Tender and Award Schedule	
	Issue Technical ITT	N/A
	Technical Evaluation	N/A
	Issue Commercial ITT	June 2015
	Commercial Evaluation	July 2015
	MTB/SCC submission	July 2015
	Nigerian Content Compliance Certification	August 2015
	NAPIMS submission	August 2015
	Contract Award	September 2015

Section D: Risk Evaluation			
1.	Level of Risk	Refer to <a href="#">Risk Assessment Matrix (RAM)</a> and identify:	
	HSE Risk: High/Medium/Low	Contract Risk: High/Medium/Low	
2.	Risk Event /Hazard	Barriers	Recovery Measures

THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED  
Supply Chain Council/Major Tender Board Submission

	Quality	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
	HSE	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
	Price escalation	Agree upfront validity of OEM price	Compare the price in the local market
	Marine	N/A	N/A
	Fire during installation/Maintenance	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
	Value Erosion: Contract falls into the strategic segment with ACV> \$25m. Scope of contract is call off.	Contract scope of work will define acceptable standard of completed work. Work will be authorised through issuance of a valid purchase order.	Payment will only be made for services delivered to defined standard. Termination clause and other relevant contractual remedies will be invoked for consistent underperformance and other contract breach.

Attachment 1 – NAPIMS BUY-IN FOR STRATEGY



2015 LTSA Strategy  
Workshop (2-3-march)

HSE SUPPORT

**Omiponle, Raphael O SPDC-UIO/G/PNEA**

---

**From:** Ottih, Lawrence E SPDC-UIO/G/STC  
**Sent:** 11 June 2015 15:39  
**To:** Omiponle, Raphael O SPDC-UIO/G/PNEA  
**Subject:** RE: Afam VI LTSA - HSE Support

Oga Ralph,

Just correct the contract mode to 2. Every other thing is ok.

Regards,

Lawrence.

---

**From:** Omiponle, Raphael O SPDC-UIO/G/PNEA  
**Sent:** 11 June 2015 15:11  
**To:** Ottih, Lawrence E SPDC-UIO/G/STC  
**Subject:** Afam VI LTSA - HSE Support  
**Importance:** High

Lawrence,

Attached MTB submission for the new Afam VI LTSA requires your support.

Regards,

Ralph.

---

**From:** Omiponle, Raphael O SPDC-UIO/G/PNEA  
**Sent:** 11 June 2015 11:45  
**To:** Esekody, Emeka P SPDC-PTC/UOA  
**Cc:** Alagala, Alphons L SPDC-UIO/G/PNEA  
**Subject:** FW: Afam VI LTSA BFM Cover  
**Importance:** High

Emeka,

Attached is the final Part A version of subject proposal. As discussed, please obtain CP sign-off to enable us progress to MTB.

Regards,

Ralph.

---

**From:** Omiponle, Raphael O SPDC-UIO/G/PNEA  
**Sent:** 11 June 2015 11:19  
**To:** Alagala, Alphons L SPDC-UIO/G/PNEA  
**Subject:** Afam VI LTSA BFM Cover  
**Importance:** High

Alags,

Please obtain BFM approval for this proposal.

Regards,



**Omiponle, Raphael O SPDC-UIO/G/PNEA**

---

**From:** Akinlami, Oluwakemi O SPDC-FUI/OG  
**Sent:** 11 June 2015 11:57  
**To:** Alagala, Alphons L SPDC-UIO/G/PNEA  
**Cc:** Omiponle, Raphael O SPDC-UIO/G/PNEA  
**Subject:** RE: Afam VI LTSA BFM Cover

Hello Alags,

Contract strategy supported by finance

*Regards,*

*Oluwakemi Akinlami*



*How do you see it, half full or half empty.....*

---

**From:** Alagala, Alphons L SPDC-UIO/G/PNEA  
**Sent:** Thursday, June 11, 2015 11:24 AM  
**To:** Akinlami, Oluwakemi O SPDC-FUI/OG  
**Cc:** Omiponle, Raphael O SPDC-UIO/G/PNEA  
**Subject:** FW: Afam VI LTSA BFM Cover  
**Importance:** High

Kemi,

Kindly help with BFM approval.

We need to beat tender board deadline for monday.

Thanks

Alphons Alagala L (Alags)

-----  
Commercial Lead  
Afam Power Operations  
Shell Petroleum Development Company Ltd  
P. O. Box 263, Portharcourt  
Rivers State, Nigeria  
+234-807-024-2365 (Online)  
+234-807-022-4544 (Land)

---

**From:** Agbajogu, Ben A SPDC-UIO/G/PN  
**Sent:** 11 June 2015 11:22  
**To:** Alagala, Alphons L SPDC-UIO/G/PNEA  
**Cc:** Omiponle, Raphael O SPDC-UIO/G/PNEA  
**Subject:** RE: Afam VI LTSA BFM Cover  
**Importance:** High

Approved

**Ben Agbajogu**  
**Operations Manager, Afam Power Plant**  
UIO/G/PN  
Industrial Area B4-032  
The Shell Petroleum Development Company of Nigeria Limited,  
Eastern Division,  
P.O.Box 263,  
Port Harcourt,  
Nigeria  
( Voice +234 -(0)84-4-22638 (Office); +234 (0) 08070327562 (Mobile);  
( Fax 234-(0)84-237127 (Attn. B.A. Agbajogu - UIO/G/PN )  
Email: [Ben.Agbajogu@shell.com](mailto:Ben.Agbajogu@shell.com)  
Internet: [www.phc.spdc.shell.ng](http://www.phc.spdc.shell.ng)

*" Smile. God loves you! Keep smiling and others will too, for those who live unselfishly are those who have a life that's most worth living."*

---

**From:** Alagala, Alphons L SPDC-UIO/G/PNEA  
**Sent:** Thursday, June 11, 2015 11:22 AM  
**To:** Agbajogu, Ben A SPDC-UIO/G/PN  
**Cc:** Omiponle, Raphael O SPDC-UIO/G/PNEA  
**Subject:** FW: Afam VI LTSA BFM Cover  
**Importance:** High

Oga,

Your approval is required to seek BFM support for the attached New LTSA Part A.

No Budget commitment is required at this stage.

Thanks

Alphons Alagala L (Alags)

---

Commercial Lead  
Afam Power Operations  
Shell Petroleum Development Company Ltd  
P. O. Box 263, Portharcourt  
Rivers State, Nigeria  
+234-807-024-2365 (Online)  
+234-807-022-4544 (Land)

**Omiponle, Raphael O SPDC-UIO/G/PNEA**

---

**From:** Iwhiwhu, Maurice K SPDC-PTC/UAO  
**Sent:** 08 May 2015 13:04  
**To:** Alagala, Alphons L SPDC-UIO/G/PNEA  
**Cc:** Omiponle, Raphael O SPDC-UIO/G/PNEA; Esekody, Emeka P SPDC-PTC/UAO; Agbajogu, Ben A SPDC-UIO/G/PN; Akubue, Kenechukwu P SPDC-PTC/UAO; Ojior, Osikhenana O SPDC-PTC/UAO  
**Subject:** RE: AFAM VI\_LTSA 2\_Part A.doc  
**Attachments:** AFAM VI\_LTSA 2\_Part A (3).doc

Alags,

Ok for NC section however develop NC plan for the project and inform contractor to develop also all to be approved by the NCDMB.

**Note:** See tracked changes in the training section.

*Best Regards,*

**Iwhiwhu, Maurice Kelly**  
*Shell Petroleum Development Company Limited, Nigeria.*  
*Nigerian Content Development Advisor, Bayelsa*  
*Tel : + 234 80702 22692*  
*Email:maurice.iwhiwhu@shell.com*  
*Internet: [www.shell.com](http://www.shell.com)*

---

**From:** Alagala, Alphons L SPDC-UIO/G/PNEA  
**Sent:** Friday, May 08, 2015 12:37 PM  
**To:** Iwhiwhu, Maurice K SPDC-PTC/UAO  
**Cc:** Omiponle, Raphael O SPDC-UIO/G/PNEA; Esekody, Emeka P SPDC-PTC/UAO; Agbajogu, Ben A SPDC-UIO/G/PN  
**Subject:** RE: AFAM VI\_LTSA 2\_Part A.doc

Emeka / Maurice,

Please see final update attached.

We are waiting.

Thanks

Alags

---

**From:** Alagala, Alphons L SPDC-UIO/G/PNEA  
**Sent:** 08 May 2015 10:25  
**To:** Iwhiwhu, Maurice K SPDC-PTC/UAO  
**Cc:** Omiponle, Raphael O SPDC-UIO/G/PNEA; Esekody, Emeka P SPDC-PTC/UAO  
**Subject:** AFAM VI\_LTSA 2\_Part A.doc

Dear Maurice,

Emeka (here copied) discussed with you. Please find attached the proposed submission (Part A) for your kind review of NCD section.

Kindly revert with comments, updates and support.

Thanks

Alphons Alagala L (Alags)

---

Commercial Lead

Afam Power Operations

Shell Petroleum Development Company Ltd

P. O. Box 263, Portharcourt

Rivers State, Nigeria

+234-807-024-2365 (Online)

+234-807-022-4544 (Land)



**AFAM OPERATIONS: Long Term Service Agreement (LTSA) STRATEGY WORKSHOP BETWEEN SPDC  
and NAPIMS**

**Workshop Resolutions**

**Date:** 2<sup>nd</sup>/3<sup>rd</sup> March 2015

**Venue:** NAPIMS Offices, Lagos

**Attendance**


  
Attendance  
sheet.pdf

(See attached)

**Objectives:** to carry out a comprehensive review of the current LTSA with a view to identifying shortcomings and improvement opportunities and to adopt strategy to progress with a new LTSA post 3<sup>rd</sup> C inspection.

**Workshop deliberations:** Table below summarises the workshop discussions and agreements reached.

S/n	LTSA item description	LTSA Current	Proposed LTSA New	Current Remarks	Workshop Agreement
1	<b>ST Scope</b>	No Steam Turbine (ST) inclusion in scope	ST scope planned in new scope, include timing of operations and differentiate between OEM and O/M tasks		The ST scope be included in the new LTSA
2	<b>Spares</b>	Ad-hoc Spares and special tools handled by SPDC.	Special tools be included in OEM obligation.		Special tools be included in OEM scope.
3	<b>Coverage</b>	Elements of "Covered Equipment" within the OEM battery limits not all inclusive.	Re-define Covered and Uncovered equipment categories.		Clearly define elements in covered equipment within the OEM battery limits
4	<b>EOH calculations</b>	OEM currently applies 200 EOH for medium- and high-temperature, and 50 EOH for low-temperature load rejections.	Review the EOH calculations framework.	Optimise the contract value and efficiency	Review EOH counts to arrive at step-wise graduation.
5	<b>Battery Limits of Handover and Takeover During Inspection</b>	OEM current practice is to handover GT before performance test.	Optimise procedures to specify handover of GT after performance testing on the unit		Agreed to performance testing before handover.



6	<b>Indexation and escalation factors</b>	Indexation and escalation factors are currently being applied	Review risk allocation on indexation with JV.	This is completely an offshore procurement	Both SPDC and NAPIMS agreed that indexation should be expunged from new LTSA. Currency split should be 80:20 (USD:NGN)
7	<b>Warranty and Performance Bonus Payments</b>	There is bonus payments on Availability, Heat Rate and Power Output degradation warranty	Review the rates and applications of availability bonus with the overall objective to drive down costs. Remove complexities in bonus and penalty calculations. KPIs to be explored further include: a. Availability b. Heat Rate degradation c. Power output		Re-structure the performance incentive /Bonus to eliminate bonus on Availability, Heat Rate and Power Output Degradation Warranty. Retain penalty below acceptable threshold.
8	<b>Modification for Black start capability/Grid black start/ Reserve generation</b>	Not in existing plant configuration and hence did not form part of the contract.	Implement this modification in the plant configuration to satisfy regulatory requirement.	This is a mandatory requirement for Grid code compliance	Explore the implementation of this scope in the new LTSA
9	<b>LTSA and O/M site interface co-ordination</b>	Currently, Alstom has no contractual obligations to discuss technical issues directly with the O&M contractor.	Optimise interface co-ordination between O&M and OEM in the new contract.		Agreed to optimise interface co-ordination between O&M and OEM with clear definition of company's site Representative roles and Responsibilities.
10	<b>Contracting Party</b>	Contract currently between SPDC JV and Alstom Power O&M Ltd and Alstom Nigeria Ltd	SPDC to sign contract with only one Alstom Party.		New contract should be executed with one Alstom entity. Alstom may be advised to form a consortium with joint and several liabilities.

Additional Information supporting the above

A. EOH (Equivalent Operations Hours) calculation information

- a. Details of the current inspection regime shared as follows:
  - i. A Inspection after 9000 EOH and takes 5-6 days
  - ii. B Inspection after 18000 EOH and takes 5-6 days
  - iii. A Inspection after 27000 EOH and takes 5-6 days
  - iv. C Inspection after 36000 EOH and takes 32 days



- b. With respect to calculating new EOH, the following would be proposed for negotiations with ALSTOM:

Temp Level	Low Case	High Case	Current Levels
Low	50 EOHs	100 EOHs	50 EOHs
Medium	75 EOHs	150 EOHs	200 EOHs
High	100 EOHs	200 EOHs	200 EOHs

**B. Proposed Contract Duration :** Existing timeline was discussed as follows:

- PPA: Duration is 20 years effective from the date of first commercial operation.
- Current O&M Contract is for 8 years with optional 2 years, effective 1-Nov-2011.
- New LTSA contract duration is proposed to be 10 years with optional 2 years extension.

**C. Tender Strategy:** Two Tender approaches (Selective tendering and single sourcing) were considered and discussed.


- Single Sourcing to OEM was agreed by all as selective or open tendering will increase cost and duration.
- It was also agreed that an adequate benchmarking exercise be carried out.

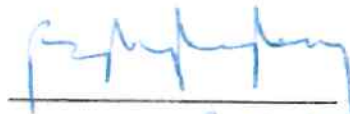
**D. Next steps**

S/n	Action	Party	Target Dates
1	Strategy Approval	Shell/NAPIMS	April 30, 2015
2	Preliminary engagement of Alstom	Joint (Shell/NAPIMS)	May 30, 2015
3	Commencement of Tendering Process	Joint (Shell/NAPIMS)	June 30, 2015
4	Complete tendering & commercial evaluation	Joint (Shell/NAPIMS)	Sept 30, 2015
5	Contract Award	Joint (Shell/NAPIMS)	Nov 30, 2015

Note: All resolutions are subject to NAPIMS Management Approval

**SIGNATURES**











  
NAPIMS  
CLADIT-0  
10/03/15

  
SPDC  
BET ALBARTON  
4/10/15

## NNPC/SPDC/TEPNG/NAOC JV AFAM VI LTSA CONTRACTING STRATEGY WORKSHOP

DATE: March 2, 2015









ATTENDANCE

S/N	NAME	COY	DESIGNATION	EMAIL ADDRESS	PHONE NUMBER	SIGN.
1	Hassan Ndaisa	NNPC-NAPIMS	Chief Eng (Mech)	ndaisahassan@yahoo.com	0803355742	
2	Gabriel Agwajang	NAPIMS	Soft Trans.	gabriel.agwajang@gmail.com	08035121762	
3	Amaka Uche		Anal. Eng	amaka.uche@gmail.com	0703051111	
4	COMPANLE, Ro	SPDC	W/O/G/P/NTA	Rcompanke@shell.com	08070339526	
5	Alegbele, A.C.	SPDC	W/O/G/P/NTA	alphones.alegbele@shell.com	08070324544	
6	Abengani Abigbite	NAPIMS	COVENANT	abengani.abigbite@gmail.com	08055375321	
7	Bern Agwajang	SPDC	OPS Mgr	bern.agwajang@shell.com	08070323562	
8	Bako, b. Key	NAPIMS	Elect. Instr. Eng.	daniel.bako@naptgroup.com	0807180328	
9	Gladys, O	NAPIMS	Mgr. SP&IP	solagladys12@gmail.com	08023534550	
10	AKINYOMI A.T	SPDC	CIF, SPDC	AKINYOMI.AKINYOMI@shell.com	08070365517	

## NNPC/SPDC/TEPENG/NAOC JV AFAM VI LTSA CONTRACTING STRATEGY WORKSHOP

DATE: March 3, 2015

ATTENDANCE

S/N	NAME	COMPANY	DESIGNATION	EMAIL ADDRESS	PHONE NUMBER	SIGN
1	CHIMONLE, Ro	SPDC	SPDC	Romipole@skel.com	080733732	
2	ALAGALA, A.L.	SPDC	SPDC	alphons.alagala@skel.com	08070324574	
3	AKUYOMI, A. T.	SPDC	CIP	akuyom, aliyomide@skel.com	08070365817	
4	Hassan Ndaisa	NNPC-NAOPIUS	Lead-SP-IP	ndaisa.hassan@epetec.com	08033345542	
5	Gabriel Agangang	NAOPIUS	SPT/IBP	gabriel.agangang@mpgskel.com	0803322762	
6	OLADITI O	✓	✓	oladitig2@gmail.com	0802337432	
7	Oregun Kereke	✓	✓	Oregun.Kereke@gmail.com	07084871906	
8	Megumi Akigile	NAOPIUS	CIP & JWC	megumi.akigile@gmail.com	0805534334	

STEAM TURBINE AND GENERATOR						
NO	Description of Outage	EOH	Projected Year of Occurrence	Cost of Parts (USD)	Other Costs (USD)	of Specified Inspection Type (USD)
1	<b>STEAM TURBINE</b>					
1.1	ST Planned Maintenance B	50000	2016			
1.2	ST Planned Maintenance C	75000	2018			
1.3	ST Planned Maintenance B	100000	2020			
1.4	ST Planned Maintenance C	125000	2022			
	<b>Sub-Total for Turbine</b>					
2	<b>STEAM TURBINE GENERATOR</b>					
	<b>Description of Outage</b>	<b>EOH</b>	<b>Projected Year of Occurrence</b>	<b>Cost of Parts (USD)</b>	<b>Other Costs (USD)</b>	<b>Total Fixed Cost of Specified Inspection Type (USD)</b>
2.1	ST Generator Planned Maintenance B	50000	2016			
2.2	ST Generator Planned Maintenance C	75000	2018			
2.3	ST Generator Planned Maintenance B	100000	2020			
2.4	ST Generator Planned Maintenance C	125000	2022			
	<b>Sub-Total for Generator</b>					
	<b>Total for Steam Turbine Scope</b>					

<b>GAS TURBINE-GENERATOR SETS</b>						
<b>NO</b>	<b>Description of Service</b>	<b>EOH</b>	<b>Projected Year of Occurrence</b>	<b>Cost of Parts (USD)</b>	<b>Other Costs (USD)</b>	<b>Total Cost Per Inspection Type (USD)</b>
<b>1</b>	<b>GAS TURBINE</b>					
1.1	Scheduled Maintenance Type A7	117000	2016			
1.2	Scheduled Maintenance Type B4	126000	2016			
1.3	Scheduled Maintenance Type A8	135000	2017			
1.4	Scheduled Maintenance Type C4	144000	2017			
1.5	Scheduled Maintenance Type A9	153000	2018			
1.6	Scheduled Maintenance Type B5	162000	2018			
1.7	Scheduled Maintenance Type A10	171000	2019			
1.8	Scheduled Maintenance Type C5	180000	2019			
1.9	Scheduled Maintenance Type A11	189000	2020			
1.10	Scheduled Maintenance Type B6	198000	2020			
1.11	Scheduled Maintenance Type A12	207000	2022			
1.12	Scheduled Maintenance Type C6	216000	2022			
	<b>Sub-Total 1</b>					

			<b>Projected Year of Occurrence</b>	<b>Cost of Parts (USD)</b>	<b>Other Costs (USD)</b>	<b>Total Cost Per Inspection Type (USD)</b>
<b>2</b>	<b>GAS TURBINE GENERATORS</b>	<b>EOH</b>				
2.1	Scheduled Maintenance Type A4	126000	2016			
2.2	Scheduled Maintenance Type C3	144000	2017			
2.3	Scheduled Maintenance Type A5	162000	2018			
2.4	Scheduled Maintenance Type B2	180000	2019			
2.5	Scheduled Maintenance Type A6	198000	2020			
2.6	Scheduled Maintenance Type C4	216000	2022			
	<b>Sub-Total 2</b>					

<b>Total per GT Set</b>	
<b>Scheduled Maintenance Cost For 3 GT Sets</b>	

2.2

STATION AND GT MODIFICATIONS				
	Modification Scopes	Cost Per Unit (USD)	No of Units	Total Cost (USD)
1	Station Modification for Black-Start Capability			
2	Station Modification for Grid Black-Start			
3	Station Modification for Reserve Generation and Frequency Control			
4	Modifications to Optimise Overall GT Availability per C-cycle (X 3 GTs)			
	<b>Total for GT &amp; Station Modification Scopes</b>			



LIST OF SERVICE ENGINEERS AND RATES					
DESCRIPTION OF PERSONNEL		ALSTOM	HOURLY	HOURS	TRAVEL TIME
		Categories	RATE (USD)	PER DAY	TO SITE **
1	I&C Specialist	8		8	48
2	Specialist for process improvements Training by specialists	7		8	48
3	Senior Site Manager Commissioning Manager Senior Diagnostic Manager Assessment Engineer Balancing Engineer	6		8	48
4	Site Manager Commissioning Lead Engineer Commissioning Manager CSI Operation & Maintenance Support Engineer Assessment Engineer Diagnosis Engineer (Generator and Electrical) Balancing and Vibration Analysis Engineer Environmental Test Engineer Performance Test Engineer IT-Support Engineer Civil Manager Chemist Senior EHS Engineer Expert Engineer Engineering/Development Instructor Customer Training	5		8	48
5	Erection Manager Commissioning Engineer Document Quality Engineer EHS Engineer X-ray and Metallurgy Engineer	4		8	48
6	Lead Supervisor	3		8	48
7	Supervisor (TFS) Advisor (TFA) Blader Hot gas path specialist Winder Material Handling Engineer	2		8	48
8	Erector	1		8	48

**ADDITIONAL SCOPE NOT IN CURRENT LTSA**

- 1 Station Modification for Black-Start Capability
- 2 Station Modification for Grid Black-Start
- 3 Station Modification for Reserve Generation and Frequency Control
- 4 Modifications to Optimise Overall GT Availability per C-cycle (X 3 GTs)
- 5 Steam Turbine maintenance Scope

**Notes**

- (i) Nos 1 to 3 are statutory requirements (Grid Code)
- (ii) No. 2 is to eliminate 2nd A inspection in each C inspection cycle

**WHAT WENT OUT**

- 1 Availability Warranty Bonus
- 2 Heat rate Degradation warranty Bonus
- 3 Power Output Degradation Warranty Bonus
- 4 Initial Spare parts and tools for GTs
- 5 Non Facility Works
- 6 Indexation & Inflation Rate Adjustment

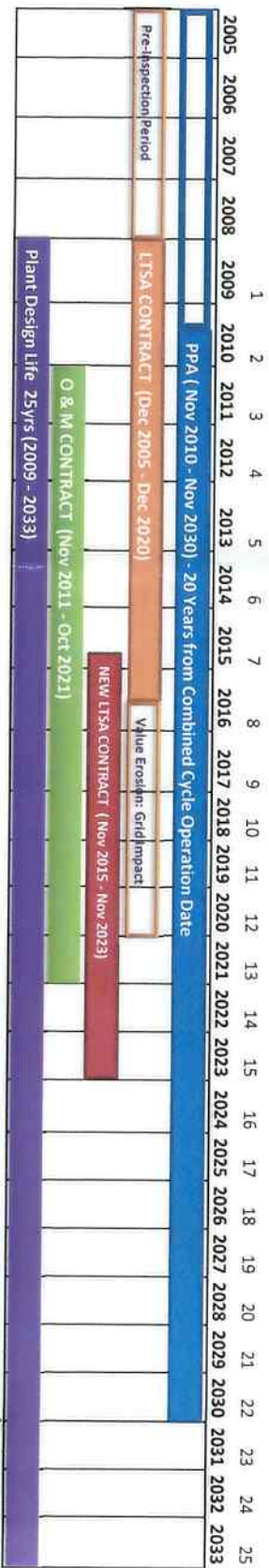
ATTACHMENT 3 (REVISED COPY)

AFAM VI POWER TIMELINES

Current Scenario	Cost (USD)
GT/Gen Inspections	52,829,551
Fixed Annual Fee	24,311,623
Customs Duties	6,717,351
Availability & Heat Rate D. Bonus	20,763,462
Spares & Special Tools	122,282,918
Non Facility Works	1,965,994
Current LE	228,870,899

Notes

Inspections: Commitments raised one year prior  
Spares: Refer to exhibit M of current LTSA  
PPA, Ref Page 8: for definition of Commercial Ops Date  
PPA, S.2.2 end date of PPA is 20th Anniversary of  
Commercial Operation date



Elements

- 1 PPA - Commercial Operations (Pg 8 & 27)
- 2 LTSA Start and end
- 3 O&M Start and end
- 4 BOT (Transfer) Date
- 5 Proposed New LTSA
- 6 Plant Design Life

1st Cycle Inspections

Inspection	A1 -	B1 -	A2 -	C1 -	A3 -	B2 -	A4 -	C2 -	A5 -	B3 -	A6 -	C3 -
GT11	2009	2010	2010	2011	2011	2012	2013	2013	2014	2014	2015	2015
GT12	2009	2010	2010	2011	2011	2012	2013	2013	2014	2014	2015	2015
GT13	2009	2010	2010	2011	2011	2012	2013	2013	2014	2014	2015	2015

2nd Cycle Inspections

Inspection	A7	B4	A8	C4	A9	B5	A10	C5	A11	B6	A12	C6
GT11	May-16	Dec-16	Jul-17	Feb-18	Sep-18	Apr-19	Nov-19	Jun-20	Jan-21	Aug-21	Mar-22	Oct-22
GT12	Feb-17	Sep-17	Apr-18	Nov-18	Jun-19	Jan-20	Aug-20	Mar-21	Oct-21	May-22	Dec-22	Jul-23
GT13	Jan-17	Aug-17	Mar-18	Oct-18	May-19	Dec-20	Jul-20	Feb-21	Sep-21	Apr-22	Nov-22	Jun-23
Inspection	B	C	B	C								
ST10	Apr-16	Apr-18	Apr-21	Apr-23								

ATTACHMENT 4.0

Page | 1 of 3

Risk Register for: Afam 6 Power Plant LONG TERM SERVICE AGREEMENT (LTSA) CONTRACT

No.	Activity	Risk Domain	Contract Risk	Consequences	RAM	Risk H/M/L	Controls	Activity Mode	Controlled in
1	Provision of Personnel	People/Assets	Provision of inexperienced personnel	Increased HSE risk and ineffective emergency response	4C	M	Define basic competency requirement and carry out checks prior to commencement of work. Check all qualifications and stated experience.	2	Include in contract clauses and specifications.
2	Transportation of materials	People/Assets	Road transport accident (RTA)	-Fatality -Major injuries from vehicle collisions to personnel and third party. - vehicle damage	4D	H	Specify requirement for drivers. Use of Shell certified drivers. Appropriate Journey management plan, speed limits. Use of pre-mobbed vehicles Periodic verification of controls to ensure compliance.	2	Include in contract clauses and specifications.
3	Lifting Operations	People/Assets	Dropped objects. Mechanical issues Manual handling. Exceed strain threshold	-Fatality -Injury to personnel -Damage to assets.	4D	H	Use certified crane/accessories. -Use competent operator and supervision. -Ensure appropriate lifting plan is in place. -Use of appropriate lifting and manual handling procedures. -PTW/JHA must be used.	2	Include in contract clauses and specifications.
4	Scaffolding	People/Assets	-Scaffold collapse, -Use of substandard materials. -Falling object, -Fall from height,	Fatality/Major injury Asset Damage	4C	M	-Use certified and competent scaffolding personnel for installation. - Use pre-mobbed scaffold materials. -Use appropriate PPE -Follow approved procedure and JHA.	2	Include requirements in contract clauses and specifications.

25/6/2015

401

No.	Activity	Risk Domain	Contract Risk	Consequences	RAM	Risk H/M/L	Controls	Activity Mode	Controlled in
							- inspect and approve scaffold prior to use. Regular inspection of tools. -Use of competent personnel, -Proper supervision -Use of adequate of PPE -Follow approved procedure/MS and JHA -Adequate Supervision		
5	Removal and re-installation of gas baffles plate. (Working at height and use of hand tools).	People	-Loss of control -Fall from height	Major injury/PTD Equipment damage	4C	M	-Use of competent personnel/welders -Use of certified/pre-mobbed welding machines -Availability of fire fighting capability	2	Include requirements in contract clauses and specifications.
6	Welding and Cutting at height	People	Eye injuries Burns Electric Shock	-Injuries from burns Electric shock Major injury/PTD	4C	M	- Obtain Entry Permit - Conduct Gas Test - Provide a Hole Watch - Follow Confined Space Procedures. - Extractor Fan to be used in case of toxic fumes. - Use Personal Gas Detectors. - Good Communication means.	2	Include in contract clauses and specifications. Work methods and HSE plan.
6b	Welding and Cutting in Confined Space	People/assets	- Dizziness - Asphyxiation - Fire	- Explosion - Suffocation - Fatality	4C	M	- Use Certified parts. - Adequate Supervision. - Use appropriate PPE. - Suitable working Platform.	2	Contract Clauses and Specifications. Work Methods and HSE Plan.
7	Refurbishment of turbine vane carrier and GT compressor	People/assets	- Sharp components - Unintended Shaft rotation - Fall from Height - Falling Objects	- Major Injury - Damage to Assets	4C	M	- Use of competent Personnel. - Use of Film Badge. - Cordon Off area during X-ray.	2	Contract Clauses and Specifications. Work Methods and HSE Plan.
8	NDT	People/assets	- Welded Joint Failure - Exposure to Source	- Skin & Organ Damage - Leaks from Failed Joints	4C	M		2	Contract Clauses and Specifications. Work Methods and HSE Plan.

25/6/2015

25/6/15

4.2

No.	Activity	Risk Domain	Contract Risk	Consequences	RAM	Risk H/M/L	Controls	Activity Mode	Controlled in
							- Follow approved WMS/JHA. - Do not carry Heavy Load, use Mechanical devices to lift heavy load. - Clear all access ways off materials and equipment. - Adhere to manual lifting techniques.		
9	Installation of Insulation Pad	People	- Excessive Strain above threshold.	- Injury. - Back & Muscle ache. - Muscle-Skeletal disorders.	3C	M		2	Contract Clauses and Specifications, Work Methods and HSE Plan.
10	Painting	People	- Paint Fumes	- Nausea	3C	M	- Use Competent and Trained Personnel. - Use appropriate PPE. - Adequate Supervision. - Availability of MSDS.	2	Contract Clauses and Specifications, Work Methods and HSE Plan.
11	Night Shift Operation	People	Poor lighting/Visibility. Loneliness/Dizziness. Sleep Deprivation.	Injury to person, - Damage to Equipment	3C	M	Barricade all hazardous areas and ensure hazards are visible. Carryout proper job planning. Ensure adequate illumination. Follow all night work procedure. Do not work in lonely area.	2	Contract Clauses and Specifications, Work Methods and HSE Plan.

Highest Contract HSE Risk Level High

Prevailing Contract Mode 2

*[Signature]* CONTRACTOR, No. 25/6/15  
Contract Holder  
*[Signature]* 25th June 2015  
HSE Lead *[Signature]* Lawrence



## Email from Corporate HSE Team

**Omiponle, Raphael O SPDC-UIO/G/PNEA**

---

**From:** Pepple, Sam F SPDC-UIO/G/SPE  
**Sent:** 24 June 2015 15:36  
**To:** Omiponle, Raphael O SPDC-UIO/G/PNEA  
**Cc:** Ottih, Lawrence E SPDC-UIO/G/STC  
**Subject:** Re: Contract Risk Assessment for Afam VI Power Plant LTSA

Supported.

---

**From:** Omiponle, Raphael O SPDC-UIO/G/PNEA  
**Sent:** Wednesday, June 24, 2015 01:53 PM  
**To:** Pepple, Sam F SPDC-UIO/G/SPE  
**Cc:** Ottih, Lawrence E SPDC-UIO/G/STC  
**Subject:** RE: Contract Risk Assessment for Afam VI Power Plant LTSA

Sam,

As discussed, Alstom undertakes all site activities on the current LTSA contract using the site PTW system. Although Alstom provides technical supervision for their activities at site, NetcoDietsmann as the O&M contractor (Mode 2 contract), provides the **AHS** and **AHSS** required for the administration of the **Safe System of Work** for Alstom.

In line with our discussion, all Alstom activities at Afam VI site are mode 2 activities and the prevailing contract mode should be 2. I have updated the Contract Risk Assessment accordingly – see attached – for your final proof reading before we adopt.

Thanks for your assistance.

Regards,  
 Ralph.

---

**From:** Pepple, Sam F SPDC-UIO/G/SPE  
**Sent:** 23 June 2015 14:51  
**To:** Omiponle, Raphael O SPDC-UIO/G/PNEA  
**Cc:** Agbajogu, Ben A SPDC-UIO/G/PN; Ottih, Lawrence E SPDC-UIO/G/STC  
**Subject:** RE: Contract Risk Assessment for Afam VI Power Plant LTSA

Ralph,

I've already reviewed this with Lawrence – pls proceed.

Regards

Sam

---

**From:** Omiponle, Raphael O SPDC-UIO/G/PNEA  
**Sent:** 22 June 2015 14:35  
**To:** Pepple, Sam F SPDC-UIO/G/SPE  
**Cc:** Agbajogu, Ben A SPDC-UIO/G/PN; Ottih, Lawrence E SPDC-UIO/G/STC  
**Subject:** Contract Risk Assessment for Afam VI Power Plant LTSA  
**Importance:** High

Sam,

The **Long Term Services Agreement (LTSA)** for Afam VI Power Plant is the contract through which we undertake the major and minor inspections of the turbines / generators at Afam VI Power Plant. The current contract will **begin** to expire from October 2015 and there is a proposal for a new LTSA to ensure continuity of service from the OEM. Attached is the Risk Assessment for the proposed new LTSA.

Please kindly assist to review the assessment for completeness and appropriateness, especially with regards to the risk ratings. Grateful you revert by 24/2015 to enable us submit to the MTB.

Lawrence,

Please provide all additional background information that Sam will require to help us.

Regards,

Ralph.

---

**From:** Ottih, Lawrence E SPDC-UIO/G/STC

**Sent:** 22 June 2015 13:52

**To:** Omiponle, Raphael O SPDC-UIO/G/PNEA

**Cc:** Onuma, Kate O SPDC-UIO/G/PNEA; Pepple, Sam F SPDC-UIO/G/SPE; Walters, Stewart SPDC-UIO/G/PN

**Subject:** Afam 6 Power Plant LTSA Contract Risk\_ Assessment 2doc.doc

My oga,

Please find attached, reviewed Contract Risk Assessment for the Long Term Service Agreement for Afam 6 Power Plant as discussed.

Regards,

Lawrence.

THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED

CONFIDENTIAL

MAJOR TENDER BOARD

Ref: SPDC\_MTB\_15\_23

MINUTES OF MTB MEETING NO.15\_23

HELD ON MONDAY 15TH JUNE 2015 at 2.00PM

VENUE: B4 230 IA PORT HARCOURT

---

PRESENT:

**Chairman:** Jan van Bunnik

**Secretary:** Eniola Olowokure

**Members:** Irete Omotoso  
Guy Kent (Judah Ogunnoiki rep)  
Igo Weli (Osikhena Ojior rep)

Greg Kulawski  
Emmanuel Ekpenyong

Robert Munster (Anthony Offor rep)  
Toyin Olagunju (Afolabi Ojo rep)

---

SPDC\_MTB\_15\_23\_3 LONG TERM SERVICE AGREEMENT (LTSA) FOR AFAM VI COMBINED CYCLE POWER GENERATOR PLANT

**PART A1 – STRATEGY & CONTRACT PLAN**

To seek MTB approval for:

1. The contract strategy to negotiate and single source contracts for Long term Service Agreement (LTSA) for Afam VI Combined Cycle Power Plant (Afam VI CCPP) to Alstom Nigeria Ltd (the OEM).
2. The basis of award which will be negotiated rates, scope and terms based on overall experience from previous contract and current market strategy.

**DISCUSSION**

Clarifications:

1. Negotiations will be held with the OEM and their in-country subsidiary.
2. The Tender and Award Schedule are driven by the need to conclude contract award before the expiration of the OEM obligation on the first Gas Turbine in November 2015. Team will engage the stakeholders upfront to ensure that the time line is achieved.
3. If the time line is not achieved the fall back is to carry out initial minor inspections only (at the new negotiated contract rates and conditions) pending full contract award.

MTB's comments:

4. The contract management team is encouraged to apply global relationship to support and enhance the negotiations for the desired outcomes.
5. Because of NAPIMS current position on single source the team should proactively engage all the JV partners and secure their support for this approach, to reduce the risk of issues arising with cost recovery.

**DECISION:** Approved

**DIRECTIVES:** Update the submission as follows:

1. Review HSSE risk rating with the Corporate HSE team: **Review completed with HSSE Team. See Attachment 4 & 5 for Contract Risk Assessment template and review e-mail.**
2. Include fall back options if the contract is not awarded as planned: **Included in page 2. Fall back is to execute initial minor inspections only pending full contract award.**
3. Page 1 Purpose - Insert the negotiation mandate: **Inserted on page 1 & 6.**
4. Revise the negotiation mandate to 80% of company estimate: **Updated as directed.**

**TARGET DATE:** 29<sup>th</sup> June 2015

**ACTION:** Ralph Omiponle & Emeka Esekody

---