CONFIDENTIAL

MAJOR TENDER BOARD

Ref: SPDC\_MTB\_16\_24

# MINUTES OF MTB MEETING NO.16\_24

# HELD ON MONDAY 25TH JULY 2016 at 2.00PM

VENUE: B4- 207 IA PORT HARCOURT & BOI 10TH FLOOR C WING LAGOS

SPDC MTB 16 24 4

PROVISION OF MAINTENANCE SERVICES FOR SOLAR GAS TURBINES IN SPDC

# PART A1 - STRATEGY & CONTRACT PLAN

The objectives of this submission are to seek MTB approval for:

- Negotiation and single source for the Provision of Maintenance Services for Solar Gas Turbines in SPDC to Solar Turbines Nigeria Limited (STNL) who are in-country OEM affiliate.
- The basis of award including Commercial Evaluation criteria.

# **DISCUSSIONS:**

Clarifications:

1

MTB's comments:

- 1. There needs to be a conversation with the GCM with regards to the constraint Solar is putting up on the EFA pricing; restricting use of other ISPs. (A. Ellis to contact the GCM on this)
- 2. Does the ISP have the capability to carry out engine exchange like Solar or will they be only responsible for routine maintenance?

DECISION:

Conditionally Approved

**DIRECTIVES:** 

- 1. Ensure the reduced logistics rates (from 20% to 15%) are reflected in this submission. Done, Reduced
- logistics rates have been included in page 3 of updated submission.
- 2. Discuss with the GCM to resolve the issue regarding locked EFA rates with Solar. Email confirmation

from GCM attached. Submission updated (page 2).

TARGET DATE:

08/08/2016

ACTION:

Chukwuemeka Umelo & Emeka Esekody

POST MEETING: DECISION: CH updated the submission as directed by the board.

Approved

Sign & Date:

Imaan Quadri

Secretary, SPDC PTC/UOA

Greg Kulawski for Jan van Bunnik

Chairman, SPDC FUI/OG

Update of

# THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED



Major Tender Board Submission

Confidential Date: 1st-August - 2016 Part A1- Strategy & Contract Plan

Category	ROTATING EQUIPMENT	Contract ID	TBA	
Contract Title	PROVISION OF MAINTENAM	NCE SERVICES F	OR SOLAR G	AS TURBINES IN SPDC
HSE Mode & Risk	Mode-1, High Risk	Segme	entation	Operational
Agenda Item	(TB secretary to compl		MB-	16-24
Estimated Contract Value (ECV)	USD/Naira RESERVED		1 1 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7	10
Proposed Contract Start Date	1st May 2017	Ext	ension	100
Proposed Contract End dates	31st April 2020	opt	ions	1 year

#### EXECUTIVE SUMMARY & RECOMMENDATION

# To seek approval from MTB to:

- Single-source and Negotiate the Provision of Maintenance Services for Solar Gas
   Turbines in SPDC to Solar Turbines Nigeria Limited (STNL) based on OEM
   proprietary rights. STNL is the in-country OEM affiliate.
- 2. The basis of award including Commercial Evaluation criteria

# Stakeholder Endorsement:

	Procurement Manager	Contract Owner
	Reviewed and approved for MTB and confirms:	Reviewed whole submission and confirms support from:
	<ul> <li>Alignment with approved Category Strategy (&amp; Global Category Strategy where applicable)</li> <li>Compliance with the NOGICD Act &amp; Community Content commitments Docusigned by:</li> </ul>	1. Finance [Olusina Akinola] - 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)  2. HSSE [Mike Ndukaquation and requirements at the state of the state
Signature	0	
Name	Segun Edun Segun Edun	Oji Eberechukwu Peter Idoko
Date	17 August 2016   13:27 BST	17 August 2016   10:47 BST

Approval:	
	MTB Chairman
Signature	y das
Name	Jan ware Samuel
Date	Januar Dannik
Declaration:	9/0/2018

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.

MTB Submission - Strategy & Contract Plan Page 1 of 8

Major Tender Board Submission

SECTION A: ASSESS DEMAND & SUPPLY

# SCOPE AND BUSINESS REQUIREMENTS

# Service/Project Scope (Indicate scope of Nigerian Content):

Solar Turbines are in SPDC operations at the following locations: Belema, Bonny Terminal, EA FPSO, Forcados Terminal, Shell Industrial Area-Central Power Plant, Agbada, Obigbo and Imo River AGG plants, Soku gas plant, Forcados-Yokri and North Bank-Yokri Integrated Project. These turbines are used as drivers for Gas Compressors, Power Generation Systems and Pumps in these facilities. More of these equipment are also being added to the inventory by project teams - SODA/DOMGAS. The maintenance, reliability and availability of these critical and highly technical equipment presents a major challenge as there is currently no in-house capability for major repairs, specialised services and overhauls, which require specialist skills and competencies.

This contract aims technically to optimise key performance indicators for Solar Turbines in SPDC to enable achievement of Gas Turbine and compressor availability/uptime targets, reduce Mean Time to Repair and ultimately achieve set oil & gas production targets.

The above foregoing presents the need for the contract for specialised maintenance, inspections, and replacement, spares services to maintain operational and technical integrity of these Solar Turbines and auxiliary equipment.

Solar Turbine Footprint:

1 X Mars 100 1. Belema 3 X Mars 100 2. Bonny Terminal 5 X Mars 100 3. EA FPSO 5 X Mars 100 3 X Mars 90/100 4. Forcados Terminal 5. IA-CPP 1 X Mars 100 6. Agbada 1 X Mars 100 1 X Mars 100 7. Imo River 8. Obigbo 3 X Taurus 60 9. Soku 3 X Mars 100 10. Forcados-Yokri 11. Other additional machines introduced into SPDC.

#### Relevant Updated Information:

On the 6" of June 2016, the submission was earlier presented to MTB and was Deferred, with the following directives given.

Thus this submission seeks to close out the given directives as follows.

- 1. Develop a plan to develop local contractors and create competition in this market. The barrier for entrance by local ISPs is limited as the OEM has a firm presence in Nigeria which gives little or no room for new entrant to break into this segment. Solar the OEM, being aware of the little competition they have on their scope covet this monopoly status and makes it difficult to break by expanding their local service offering through enhanced Customer Service Proposition for this product. Solar Turbines currently has representation in Nigeria to support the fleet of Turbines with a company of specialist Field Engineers in-country and a well-equipped workshop at Trans Amadi Port Harcourt, Rivers state. The only globally certified/approved ISP (Independent Service Provider) to provide technical support to Solar Turbines and has in-country presence is Ethos Tturbo Machinery. However, considering SPDC's fleet size and the restriction related with the Solar EFA global discount, the Ethos experience in Nigeria should be first build with SNEPCO, due to its smaller fleet.
- 2. Update the submission to clearly demonstrate that due consideration has been given for the use of local ISPs vis a vis selection of Solar including the cost implication and other considerations. SPDC is latching on to a global EFA between shell and Solar Turbines in the Rotating Equipment category which aims at ensuring leverage on the cost of maintenance of Solar Turbines. Locally, the aim is to match the global strategy with the Nigerian C Development by ensuring best value. Alternative strategy would be to competitively tender scope between the OEM and the ISPs. The only approved independent service provider with the capacity to provide technical support services for Solar Gas turbines and has in-country presence in Nigeria is Ethos Turbo machinery. However, considering the experience with Ethos in Nigeria the terms of the EFA is such that Solar will withhold the global alliance discount if it does not handle the entire installed base in an OU. Please see attachment 3 (GCM confirmation, it's suggested to start the Ethos relationship with SNEPCO's smaller portfolio
- 1. Availability of the Compressors driven by these Solar Turbines is critical to SPDC achieving flares down targets and compressor availability of >90% and Gas Utilization >90% thereby ensuring availability of Domestic Gas supply and supply to NLNG to meet gas sales agreement.

MTB Submission - Strategy & Contract Plan Page 2 of 8

#### Major Tender Board Submission

- Availability of the Generators driven by these Solar Turbines is critical to providing power to these facilities and the Industrial Area, requiring over 95% availability target.
- 3. Availability of the Pumps driven by these Solar Turbines is critical to production as they are engaged in product transfer to the Refinery and at the Terminals for crude oil export.
- 4. There is limited in-house expertise to carry out these services, hence requirement for specialist services
- 5. The contracting strategy is essentially call-off, which incorporates both services and spares for the maintenance of Solar Turbines in SPDC.

# The scope of work shall include but not limited to the following:

- 1. Performance of the work and services in accordance to Shell business principles and HSE rules including the Lifesaving Rules.
- 2. Provision of local Service Engineer (minimum Level 3) for major overhauls, fault finding and repairs available within 48 hrs.
- 3. Provision of competent Turbines Specialist Engineer within 72 hours
  4. Provision of competent Turbines Specialist Technician within 72 hours
  5. Repairs and overhauls shall be carried out in accordance with the OEM recommendations, specification and procedures and following Shell standards and procedures in the OEM workshop or in-situ.
- 6. Advise on any updates/modifications/developments to any Solar Turbines equipment to increase efficiency/integrity. Implementation of Service Bulletins as at when required.
- 7. Provide a work report upon completion of the work for each and every call-off. Report to be submitted to Shell within 14 days of completion of the relevant call-off.
- 8. Provision of offsite support via e-mails and other communication means.
  9. Provision of Training as required by Shell, either on the job or specialist training.

- 10. Provide special tools and equipment as required by Shell.

  11. Provision of spare parts as required by Shell.

  12. Provision of services, as required by Shell for keeping the auxiliaries of the Solar Turbines equipment and balance of plant at required performance and Technical Integrity levels

# Further Justification for Single source:

The provisions of the Solar EFA is such that the global discount will not be extended to any OU/JV in which Solar does not manage the entire installed base.

The only approved Independent Service Provider (ISP) to provide technical support services for Solar Gas turbines and has in-country presence in Nigeria is Ethos Turbo machinery. However, Ethos does not have the capacity to handle the entire installed base of Solar Turbines in SPDC - please see attachment 3 (GCM confirmation).

The EFA has been renegotiated using global leverage in line with the prevailing low oil price environment and Solar has given a total of 14% discount on all aftermarket services. In addition, further negotiations have been held with Solar on the rates not covered in the EFA e.g., reduction in the MARK UP charges on logistics from 20% to 15%.

NAPIMS have been engaged for this strategy and their buy-in secured - please see attachment 1 (MoM).

Service continuity is currently being maintained using the MTB approved variation on the existing contract NG01010158 pending the award of the replacement contract.

#### Business Requirements:

Define (1) key business objectives/drivers (i.e. cost, HSSE, performance, availability), (2) demand forecast including breakdown by geography & business, and (3) key functional specifications, delivery requirements, quality, etc.

The key business drivers include:

- 1. RISKS Solar Turbines in SPDC are Gas Turbines Generators, AG compressors and Pumps drivers. Unavailability of the compressors will result in High Volume of flares, while unavailability of Gas Turbine Generators and Pumps will lead to shutdown of facilities such as Soku integrated oil and gas plant, Bonny and Forcados Terminals and deferment of its daily production of about 1.2bcf of gas and 250kbpd.

  2. QUALITY Quality parts is crucial in reducing Mean Time Between Failures (MTBF) of these equipment thus also reducing deferments due to the break down and at the same time.
- equipment thus also reducing deferments due to the break down and at the same time competent service personnel would be required for repairs / troubleshooting, overhauls and
- commissioning to reduce turnaround times.

  3. COSTS Budgets are constantly challenged both externally by JV partners and internally within SPDC. The current global financial crisis will push for doing more (production)
- with less (money).

  4. SCHEDULE On time delivery of spares is crucial in reducing deferments due to the breakdown of Turbines and its auxiliaries.

# GLOBAL STRATEGY FIT (CURRENT STRATEGY)

Explain the category strategy for this service and plan to utilise existing Enterprise Frame Agreement (EFA).

A global Enterprise Framework Agreement exists between Solar Turbines and Shell. The

MTB Submission Plan Strategy Contract Page 3 of 8

# Major Tender Board Submission

strategy for the Rotating Equipment category aims at ensuring on-time availability of Rotating Equipment (RE) aftermarket services and product supplies by expanding and nurturing sustainable relationships with major OEM suppliers using Enterprise Framework Agreements (EFAs) where possible.

Locally, the aim is to match the global strategy with Nigerian content development and also satisfy joint venture partner expectations in ensuring best value to the business and operating environment. The essence is to ensure quality, safeguard expensive equipment and reduce risk exposure to the business.

#### RED THREADS

Utilizing the Red Threads Checklist identify the Red threads relevant to you.

Red Thread	Consideration	Mitigating Action	Action Owner
Ethics Compliance	& The work scope involves elements relating to freight forwarding and liaising with customs agents. i,e. there is a Government Intermediary (GI) involved.  Private interest or gifts & hospitality could interfere with Shell's interest	Cascade and ensure Contractors sign-off the Shell Anti-Bribery & Corruption Manual and undergo GI screening prior to engagement. Fully disclosed COI and record in the Code of Conduct Register	All
Finance	Supplier Financial Risk assessment indicates that financial risk requires mitigation	Contractor to provide PCG or Bank guaranty	Contract Holder

#### MARKET CONDITIONS

MARKET INSIGHTS: Analyse market conditions: How can current market dynamics affect this tender? Indicate key market structures using tools such as Forters 5 forces, Force Field analysis, SWOT and price trend analysis?

Solar Turbines is the OEM of Solar Turbines and its auxiliaries. It is one of the world's largest manufacturers of industrial gas turbines for the oil and gas industry and the power industry.

Solar Turbines currently has representation in Nigeria to support the fleet of Turbines with a company of specialist Field Engineers in-country and a well-equipped workshop at Trans Amadi Port Harcourt, Rivers state.

The only globally certified/approved ISP (independent service provider) to provide technical support to Solar Turbines and has in-country presence is Ethos turbo machinery. However, Ethos does not have the capacity to handle the entire installed base of Solar Turbines in SPDC.

Shell is one of the customers of Solar Turbines in Nigeria having a series of Gas Turbines: Mars and Taurus series Gas Turbines. These represent a sizable number of equipment, both onshore and offshore. Other competitors include Total, Mobil and Chevron.

#### Bargaining Power of SPDC

Gas Turbine Generators and centrifugal compressor maintenance is high value business and SPDC is a major customer in Nigeria. Currently there are about 26 units of Solar Turbines in SCiN, excluding Afam Power Station and NLNG. SPDC represents a major market in the industry in Nigeria and Shell can leverage on global volumes via EFA Bargaining power is classified as high.

# Threat of new Entrants to Market

The barrier to entry is substantial as the OEM has a firm presence in Nigeria; it is considered difficult to break the monopoly of the OEM for this product. Threat is classified Low.

#### Threat of Substitutes

Substitutes to the provision of Solar Turbines aftermarket services exist from the ISPs. This makes this threat of substitutes to be rated as High.

#### Competitive Rivalry between Existing Players

The competition on the delivery of Solar Turbines aftermarket services is considered Low.

PRICING STRUCTURE AND TRENDS: Evaluate pricing structures and current and future price trends; this evaluation may include the impact of supply and demand balance, distribution channels, etc.

Single source to Solar Turbines Nigeria Limited

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Major Tender Board Submission

#### CURRENT & POTENTIAL SUPPLIERS

POTENTIAL SUPPLIERS: State source of suppliers list or if single source capable of meeting the business needs, logic for inclusion, and current contracts with Shell (if applicable), including scope and Contract Management Teams (Contract Owner, Contract Holder, CP Lead, HSSE Contract Advisor, Finance Focal Point).

BASIC INFORMATION APPLICABLE TO NON-NIPEX SUPPLIERS (if not NipeX) If not NipeX, provide logic for inclusion, current contracts etc.

#### N/A

#### INDICATE ANY ISSUE OF CONCERN REGARDING EACH BIDDER

E.g. Overloaded order book; new to industry and untested; weak balance sheet; etc.... None at this stage

#### SECTION B: DEVELOP & SELECT STRATEGY

# COST MODELLING, 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 with one-year extension option inclusive. This is reserved and will be submitted to the Tender Board secretary before the MTB plenary.

Exchange rate based on NGN190: USD1.00 - Estimate was derived from expected activities over the next two years With an option of 1 year extension, based on historical rates of similar work scopes and the Solar Turbines published Global EFA rates

# VALUE CREATION OPPORTUNITIES

40/40/20 Element	Lever	Opportunity Description	VI Type	Potential Value (MM)
E.g. Price	Tender with Best of Benchmarking	Utilize cost model based approach to RFP and multi-round tendering to increase competitive tension	TPSS, VI- CAR, VI- RI, VI-WC	\$10-15MM
Scope	Bundling of scope	Consolidate requirements for Solar Turbines aftermarket services single source to Solar to benefit from global alliance discounts.	TPSS	\$2mln

# INITIATIVES

Initiative Title	Description	Value Benefits	1	Delivery Timeframe	Resources Required
1. Standardize scope	<ul> <li>Standardization of the qualification process</li> <li>Early engagement between supplier and project</li> </ul>	• Reduced le	ead	• 8	<ul> <li>CH, maintenance discipline teams and project teams.</li> </ul>

#### RISK ASSESSMENT

Risk Description	Likelihoo d (H / M / L)	Impact (H / M / L)	Mitigating Actions	Action Owner
Transportation of equipment	М	Н	Pre-mob of equipment and facilities. Increased surveillance of activities and spot	СН

MTB Submission - Strategy & Contract Plan
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Major Tender Board Submission

			checks for default	
Quality	<u>L</u>	М	All deliveries are to be accompanied with requisite test/quality certificates. Warranty on parts written into contract.	Warehouse Receipt/ Dispatch Team
Equipment, Spares damage/loss	Ĺ	<u>L</u>	Use of appropriate lifting gear and proper handling	Warehouse/ Receipt & Dispatch Teams
Personnel Safety	L	М	Correct and adequate use of PPE. Adequate supervision. HSE education where necessary	All
Late delivery	<u>M</u>	H	Monitor all deliveries against pre-agreed targets. Escalate to Contractor management.	СН
			Cancellation of order, reissue to 2" contractor	
Fire/explosion. Injury to people/Damage to equipment	M	<u>H</u>	JHAs must be conducted and all risk assessed to ALARP. Follow OEM specific procedures for the work scope. Stop task. Inform CCR/Medic/supervision, If trained commence First Aid. Isolate ignition source. If required vacate the area.	СН

# SOURCING STRATEGY

Nigerian Content Development (NCD) Applicable Schedule A targets, actions required to close target gaps and Nigeria Content Plan including training plan.

a. Applicable NOGICD Act - Schedule target(s), current in country capacity and plan to close gap if any.

Table below illustrates required information for this section.

*Work Category	Schedul e Target	Current In- Country Capacity	Measurement Metrics	Proposed Action to close gaps
Maintenance and Modification of Pumps and Rotating Equipment	65%	75%	Man Hours	1. Intensify the achievement of domestication objectives. Plan is to establish workshop/plants in Nigeria

\*List relevant Work Category/Categories to the contract as defined in NOGICD Act NOGICD Act = Nigeria Oil & Gas Industry Content Development Act

- b. Nigeria Content Plan (This is for ALL contracts >\$1m)
- Research & Development Plan
- ii. Technology Transfer Plan (Strategic contracts only)
- iii. Training Plan (Mandatory for all contracts)

(Training Plan must be aligned with the pre-approved Nigeria Content Plan for the Project

MTB Submission - Strategy & Contract Plan
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# Major Tender Board Submission

		capacity development Total Man-hours	guidelines) Name / Level of Certification
O & M of Solar Turbines	10	1120	Level 1

Training is for National Skill pool per NCDMB database.

All training must be certifiable by statutory or industry recognised professional body and in line with NCDMB training guidelines.

c. Global Sustainable Sourcing plan (outline plan to utilise global sourcing opportunity to support attainment of Nigerian Content targets)

\*\*Where the Nigeria Content in-country capacity falls short of set minimum targets by law an authorisation to import may be required for these categories.

COMMUNITY CONTENT DEVELOPMENT Applicable directives/targets for this category. List opportunities and actions required to make this CCD opportunity happen.

The OEM/OEM affiliate shall be required to demonstrate that they have a policy in place for preferred employment option for host community and other Niger delta workers within their respective organization. They will also be required to establish a programme in place for training and development of host community and other Niger delta workers over the contract period.

# PRICING STRUCTURE & INCENTIVES

Describe which work element is lump sum, unit rate, reimbursable. Potential payment discounts?

Competitive tendering using the NIPEX tool. Provision of FSRs and other aftermarket market services shall be on unit rates basis. The logistics of expat FSRs shall be treated as reimbursable scope.

#### MARKET APPROACH

Open Tender/Closed Tender/Negotiation/ Single Source/OLB. Explain choice of strategy. The market approach shall be competitive tender via NIPEX

# BASIS OF AWARD / BIDDING STRATEGY

 Technically acceptable and commercially lowest/OEM/Nigerian Content initiative, single or multiple awards? State envisaged commercial risk(s) associated with award and mitigation plan.

Award shall be proposed to Solar Turbines Nigeria Limited after negotiation of local item not covered in the EFA eg, logistics, DDP.

# 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 key objectives, and where applicable state the aspiration, fall back and walk-away positions.

Technical Evaluation: Technical evaluation criteria will help to identify vendors who have the technical know-how and experience required to handle the scope of the contract It will also establish successful technically qualified vendors who have relationship with OEM

Commercial evaluation criteria will seek to confirm EFA rates and negotiate those not covered in the EFA.

# NEGOTIATION POINTS (where applicable):

Starting Position	Benchmark Position / Company Estimate	Target Position a Associated Logic	nd Walk-away Position and Associated Logic
N/A (Please see DDP template)	N/A (Please see DDP template)	N/A (Please see D template)	DP N/A (Please see DDP template)

ALTERNATIVE STRATEGIES 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 scope between the OEM and the ISPs. The only approved independent service provider with the capacity to provide technical support services for Solar Gas turbines and has in-country presence in Nigeria is Ethos Turbo machinery. However, Ethos does not have the capacity to handle the entire installed base of Solar Turbines in SPDC and the terms of the EFA is such that Solar will withhold the global alliance discount if it does not handle the entire installed base in an OU. - please see attachment 3 (GCM confirmation).

MTB Submission - Strategy & Contract Plan Page 7 of 8

Major Tender Board Submission

Activity		Targe	Target Completion Date		
Tender and Aw	ard Schedule				
Issue Technic	al ITT	Augus	t 2016		
Technical Eva	luation	Septe	mber 2016		
Issue Commerc	cial ITT	Septe	mber 2016		
Commercial Ev	valuation	Octob	er 2016		
MTB/SCC submi	ssion	Novem	ber 2016		
Nigerian Content Compliance Certification			November 2016		
NAPIMS submis			November 2016		
Contract Awai	cd	Decen	December 2016		
PERFORMANCE Business Objective	INDICATORS:  KPI	Measure	2014 Target	Frequency Measured	
- Contractions	maral basedable	Per million	0.00	Monthly	
E.g. HSSE	Total Recordable Case Frequency	man hours	0.00	cumulative	

# ATTACHMENTS:

- 1. MoM with NAPIMS
- 2. Commercial Evaluation Template 3. GCM confirmation

Contract Plan Page 8 of 8 Strategy MTB Submission

# Ndudirim, Victoria SPDC-PTC/UOA

From:

Ndudirim, Victoria SPDC-PTC/UOA

Sent:

Thursday, July 21, 2016 4:32 PM

To:

Kokovworho, Benson J SPDC-UPO/G/PMD

Subject:

MINUTES OF MTB MEETING NO.16 19

Please see below the Approved Major Tender Board minutes of meeting for your records and action. Please file for future reference.

# THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED

CONFIDENTIAL

**MAJOR TENDER BOARD** 

Ref: SPDC\_MTB\_16\_19

MINUTES OF MTB MEETING NO.16\_19

HELD ON MONDAY 6TH JUNE 2016 AT 2.00PM

VENUE: 84-207 IA PORT HARCOURT & BOI 10TH FLOOR C WING LAGOS

SPDC MTB 16 19 3

PROVISION OF MAINTENANCE SERVICES FOR SOLAR GAS TURBINES IN SPDC

# PART A1 - STRATEGY & CONTRACT PLAN

The objectives of this submission are to seek MTB approval to:

- Negotiation and single source for the Provision of Maintenance Services for Solar Gas Turbines in SPDC to Solar Turbines Nigeria Limited (STNL) who are in-country OEM affiliate.
- The basis of award including Commercial Evaluation criteria.

# DISCUSSIONS:

Clarifications:

1. The key cost drivers include FSR and materials.

MTB's comments:

- 1. Update the submission to state that Ethos Energy (a prospective ISP) has not been audited and approved to manage SPDC's fleet.
- 2. It is not clear from the submission that there is a clear understanding of what the cost of this service should be.
- 3. There needs to be a clear plan to develop local contractors and create competition in the market to break the dependence on Solar as a single source service provider. Consider creating a small portfolio for the purpose of developing the local capacity.
- 4. The submission should demonstrate that due consideration has been given to the use of local ISPs vis a vis using Solar including the cost implications and other considerations.
- 5. What steps will be taken to ensure that a good discount is obtained on the non-EFA items in the work scope.

**DECISION:** 

Deferred

**DIRECTIVES:** 

- 1. Develop a plan to develop local contractors and create competition in this market.
- 2. Update the submission to clearly demonstrate that due consideration has been given for the use of local ISPs vis a vis selection of Solar including the cost implication and other considerations.

TARGET DATE:

20/06/2016

ACTION:

Chukwuemeka Umelo & Emeka Esekody

Kind regards,

Victoria NDUDIRIM SPDC Tender Board Support The Shell Petroleum Development Company of Nigeria Limited Eastern Division, P O Box 263 Port Harcourt, Nigeria

Tel: +234 80702 39602

Email: victoria.ududirim@shell.com

Office Location: M4 Room 17 Shell IA Rumuohiakani, Port Harcourt

# FRANCE SUPPORT

# Kokovworho, Benson J SPDC-UPO/G/PMD

From:

Akanni, Olusina C SPDC-FUP/OG

Sent:

Monday, May 16, 2016 12:50 PM

To:

Esekody, Emeka P SPDC-PTC/UOA

Cc:

Kokovworho, Benson J SPDC-UPO/G/PMD; Umelo, Chukwuemeka O SPDC-UPO/G/PMD; Osasona, Sazy F SPDC-UPO/G/PMA; Akubue, Kenechukwu P SPDC-

PTC/UOA; Nduka, Mike I SPDC-UPO/G/STC

Subject:

RE: Solar major contract strategy

Okay. Since we are using EFA as benchmark I support.

# Regards,

'Sina

From: Esekody, Emeka P SPDC-PTC/UOA

Sent: 16 May 2016 12:32

To: Akanni, Olusina C SPDC-FUP/OG

Cc: Kokovworho, Benson J SPDC-UPO/G/PMD; Umelo, Chukwuemeka O SPDC-UPO/G/PMD; Osasona, Sazy F SPDC-

UPO/G/PMA; Akubue, Kenechukwu P SPDC-PTC/UOA; Nduka, Mike I SPDC-UPO/G/STC

Subject: RE: Solar major contract strategy

CE reserved - It is a requirement that CE be signed, sealed and submitted to the TB secretariat to be opened by the MTB members in preparation for the plenary. However, CH (Benson Kokovworho) can bounce off you for review.

Exchange rate N190 - No specific reason. If N199 is the current rate, then CH to rework CE using N199.

From: Akanni, Olusina C SPDC-FUP/OG

Sent: 16 May 2016 12:27

To: Esekody, Emeka P SPDC-PTC/UOA

Cc: Kokovworho, Benson J SPDC-UPO/G/PMD; Umelo, Chukwuemeka O SPDC-UPO/G/PMD; Osasona, Sazy F SPDC-

UPO/G/PMA; Akubue, Kenechukwu P SPDC-PTC/UOA; Nduka, Mike I SPDC-UPO/G/STC

Subject: RE: Solar major contract strategy

#### Emeka,

# Two clarifications:

- 1. Why is the company estimate reserved?
- 2. Why is exchange rate 190NGN/USD and not 199?

# Regards,

'Sina

From: Esekody, Emeka P SPDC-PTC/UOA

Sent: 13 May 2016 08:51

To: Akanni, Olusina C SPDC-FUP/OG; Akubue, Kenechukwu P SPDC-PTC/UOA; Nduka, Mike I SPDC-UPO/G/STC Cc: Kokovworho, Benson J SPDC-UPO/G/PMD; Umelo, Chukwuemeka O SPDC-UPO/G/PMD; Osasona, Sazy F SPDC-

UPO/G/PMA

Subject: Solar major contract strategy

Sina/Kene/Mike,

HISE SUPPORT

# Kokovworho, Benson J SPDC-UPO/G/PMD

From:

Nduka, Mike I SPDC-UPO/G/STC

Sent:

Friday, May 13, 2016 11:27 AM Esekody, Emeka P SPDC-PTC/UOA

To: Cc:

Umelo, Chukwuemeka O SPDC-UPO/G/PMD; Osasona, Sazy F SPDC-UPO/G/PMA;

Kokovworho, Benson J SPDC-UPO/G/PMD; Akanni, Olusina C SPDC-FUP/OG

Subject:

FW: Solar major contract strategy

Attachments:

Solar Turbines Major Contract Part A new final.docx

HSE Support given to attached contract submission.

From: Esekody, Emeka P SPDC-PTC/UOA

Sent: 13 May 2016 11:06

To: Nduka, Mike I SPDC-UPO/G/STC

Cc: Umelo, Chukwuemeka O SPDC-UPO/G/PMD; Osasona, Sazy F SPDC-UPO/G/PMA; Kokovworho, Benson J SPDC-

UPO/G/PMD

Subject: RE: Solar major contract strategy

Mike,

Thanks for the observation. Submission has been updated.

Kindly give HSE support.

From: Nduka, Mike I SPDC-UPO/G/STC

Sent: 13 May 2016 10:05

To: Esekody, Emeka P SPDC-PTC/UOA

Cc: Akanni, Olusina C SPDC-FUP/OG; Umelo, Chukwuemeka O SPDC-UPO/G/PMD; Osasona, Sazy F SPDC-

UPO/G/PMA; Akubue, Kenechukwu P SPDC-PTC/UOA; Kokovworho, Benson J SPDC-UPO/G/PMD

Subject: FW: Solar major contract strategy

Sir,

With below work scope, contract prevailing mode should be one(1) not 3 because the activity will be carried out in Shell location with presence of CSR on site were contractor will latch on to shell HSE MS and risk level should be medium based on associated inherent risk.

# The scope of work shall include but not limited to the following:

- Performance of the work and services in accordance to Shell business principles and HSE rules including the Lifesaving Rules.
- Provision of local Service Engineer (minimum Level 3) for major overhauls, fault finding and repairs available within 48 hrs.
- Provision of competent Turbines Specialist Engineer within 72 hours
- Provision of competent Turbines Specialist Technician within 72 hours
- Repairs and overhauls shall be carried out in accordance with the OEM recommendations, specification and procedures and following Shell standards and procedures in the OEM workshop or in-situ.
- Advise on any updates/modifications/developments to any Solar Turbines equipment to increase efficiency/integrity. Implementation of Service Bulletins as at when required.
- Provide a work report upon completion of the work for each and every call-off. Report to be submitted to Shell within 14 days of completion of the relevant call-off.
- Provision of offsite support via e-mails and other communication means.
- Provision of Training as required by Shell, either on the job or specialist training.
- Provide special tools and equipment as required by Shell.

# Kokovworho, Benson J SPDC-UPO/G/PMD

KLCD SUPPORT

From:

Akubue, Kenechukwu P SPDC-PTC/UOA

Sent:

Monday, May 16, 2016 3:28 PM

To:

Esekody, Emeka P SPDC-PTC/UOA

Cc:

Kokovworho, Benson J SPDC-UPO/G/PMD; Akanni, Olusina C SPDC-FUP/OG; Nduka, Mike I SPDC-UPO/G/STC; Umelo, Chukwuemeka O SPDC-UPO/G/PMD; Osasona,

Sazy F SPDC-UPO/G/PMA; Ojior, Osikhena O SPDC-PTC/UOA

RE: Solar major contract strategy

Attachments:

Solar Turbines Major Contract Part A new final.docx

Emeka, Ok for NC.

Subject:

However, if the value is up to \$1m and above, NC plan will be required. Also note that the Technical ITT will be approved by NCDMB, I noticed that you have it in the tender schedule.

If I have any input from my colleagues in Community Content, I will share.

Rgds Kene

From: Esekody, Emeka P SPDC-PTC/UOA Sent: Friday, May 13, 2016 8:51 AM

To: Akanni, Olusina C SPDC-FUP/OG; Akubue, Kenechukwu P SPDC-PTC/UOA; Nduka, Mike I SPDC-UPO/G/STC Cc: Kokovworho, Benson J SPDC-UPO/G/PMD; Umelo, Chukwuemeka O SPDC-UPO/G/PMD; Osasona, Sazy F SPDC-UPO/G/PMD; Osasona, SpDC-UPO/G/PMD; Os

UPO/G/PMA

Subject: Solar major contract strategy

Sina/Kene/Mike,

Kindly review the attached submission and give Finance/NC/HSE support to enable schedule for the next MTB plenary.

# Regards



Emeka Esekody

Tel: ++234-80-702-20572

(It does not matter what the oil price is, if we are not cost competitive in our market, we will not survive - Sir Mark Moody-Stuart)





# National Petroleum Intrestment Management Services

Date:

Wednesday, 20th April 2016

Venue:

NAPIMS Office, 38 Gerrard Road, Ikovi, Lagos

Time:

12:30 Hrs

#### Attendees:

S/No	NAMES	COMPANY	S/No	NAMES	COMPANY
1	Odeyemi T. O.	NAPIMS	1	Osasona Sazy	SPDC
2	Osibanjo Alex	NAPIMS	2	Umelo Chukwuemeka	SPDC
3	Abubakar Yakubu	NAPIMS	3	Kanwai Silas	SPDC
4	Okpen Ovuada	NAPIMS	4	Esekody Emeka	SPDC
			5	Kokovworho Benson	SPDC
			6	Oleho Austin	SPDC

#### PURPOSE OF MEETING:

The meeting was called with NAPIMS to obtain their steers on way forward for contracts NG01010158 - Maintenance of Solar Gas Turbines in SPDC and NG01003581 - Corporate Maintenance of Caterpillar Engines in SPDC.

# HIGHLIGHTS / DISCUSSIONS:

Contract NG01010158 – Maintenance of Solar Gas Turbines in SPDC has been proposed for award and awaiting NAPIMS
approval. In the meantime, SPDC is using an interim contract to maintain business continuity.

Strategy for the replacement contract was discussed, SPDC stated that the default JV tendering strategy will be used subject to alignment with NAPIMS.

- Contract NG01003581 Corporate Maintenance of Caterpillar Engines in SPDC has been proposed for award and awaiting approval by NAPIMS.
- 3. NAPIMS had wanted to cancel the contract since SPDC is already executing most of the maintenance services in house. SPDC however explained that Minor contracts are being used for the procurement of relevant Caterpillar spares while most of the scope for services is being executed using in-house resources.

# RESOLUTION:

# For the Solar Gas Turbine Contract (NG01010158)

- 1. NAPIMS stated that the existing contract is being processed and SPDC will be informed once approved.
- NAPIMS requested SPDC to initiate a replacement contract, with scope structured to capture spares, services and overhauls for ease of future negotiations and to use single source strategy with the OEM.
- SPDC to provide the inventory of Solar Turbines to include types, capacity, locations, last overhaul dates, run hours and next overhaul due dates.
- 4. SPDC to invite Solar Turbines for negotiations on contract rates

# For the Caterpillar Contract (NG01003581)

SPDC to remove scope of services no longer required and invite the awardees for negotiations and revert to NAPIMS within the next one month.

Note: All Resolutions and Contents Agreed are subject to NAPIMS Management Approval

NAPIMS

Signed A

Name To Obermi

Date 2014/16

SPDC

Signed. Andle

Name UMELO CO

Date. 20/04/2016

# Mr. 2 GCM Email confirmation

From:

Kokovworho, Benson J SPDC-UPO/G/PMD

Sent:

Wednesday, August 03, 2016 9:22 AM

To:

Ndudirim, Victoria SPDC-PTC/UOA

Subject:

FW: Solar Turbines Contract Renewal: Re-presentation to MTB

From: Edun, Olusegun O SPDC-PTC/UOA Sent: Monday, July 25, 2016 2:42 PM

To: Kokovworho, Benson J SPDC-UPO/G/PMD

Cc: Osasona, Sazy F SPDC-UPO/G/PMA; Ogunjimi, Debo B SNEPCO-PTC/UOA; Umelo, Chukwuemeka O

SPDC-UPO/G/PMD; Esekody, Emeka P SPDC-PTC/UOA

Subject: FW: Solar Turbines Contract Renewal: Re-presentation to MTB

#### Benson,

Please include GCM's revised comment in the proposal.

# Thanks,

# Segun

From: Mello, Bernardo PDSDG SEPL-PTC/PC

Sent: 25 July 2016 08:48

To: Edun, Olusegun O SPDC-PTC/UOA

Cc: Esekody, Emeka P SPDC-PTC/UOA; Timpau, Doina R GSNL-PTC/PC Subject: RE: Solar Turbines Contract Renewal: Re-presentation to MTB

# Segun,

Please see my comments below.

# Rgds.

# Bernardo Mello

Global Category Manager Rotating Equipment Aftermarket

# Shell Eastern Petroleum (Pte) Ltd

9 North Buona Vista Drive #10-01, The Metropolis - Tower 1, Singapore 138588

Softphone: +65 6508 2614 Cellphone: +65 9712 3169 Email: b.mello@shell.com





# PARTNERING GENERATIONS FOR OUR ENERGY FUTURE

CONFIDENTIALITY. This communication (and any attachment) is intended exclusively for use by the addressee(s). The information contained may be confidential and/or privileged and may constitute the sender's commercial secret. If you receive this communication in error please inform the sender by reply, permanently delete it from your system and do not copy this communication or disclose its contents to anyone.

From: Edun, Olusegun O SPDC-PTC/UOA

Sent: 24 July 2016 14:52

To: Mello, Bernardo PDSDG SEPL-PTC/PC Cc: Esekody, Emeka P SPDC-PTC/UOA

Subject: FW: Solar Turbines Contract Renewal: Re-presentation to MTB

Hi Bernado,

FYI/A in the absence of Doina.

Thanks, Segun

From: Edun, Olusegun O SPDC-PTC/UOA

Sent: 22 July 2016 22:04

To: Timpau, Doina R GSNL-PTC/PC Cc: Esekody, Emeka P SPDC-PTC/UOA

Subject: FW: Solar Turbines Contract Renewal: Re-presentation to MTB

#### Doina,

Any further comments on content before we progress to the MTB?

Also obtained a 5% discount on the Local Markup from 20 to 15%.

Any further opportunity to reduce using global leverage? Will also escalate through Antony.

Thanks, Segun

From: Kokovworho, Benson J SPDC-UPO/G/PMD

Sent: 21 July 2016 17:00

To: Ayeni, Stephen B SPDC-UPO/G/PMD; Nwokoye, Polycarp C SPDC-UPO/G/PMD; Esekody, Emeka P SPDC-PTC/UOA; Ogunjimi, Debo B SNEPCO-PTC/UOA; Edun, Olusegun O SPDC-PTC/UOA; Umelo,

Chukwuemeka O SPDC-UPO/G/PMD Cc: Osasona, Sazy F SPDC-UPO/G/PMA

Subject: Solar Turbines Contract Renewal: Re-presentation to MTB

#### Gents.

The Solar Turbines Contract will be re-presented to MTB on Monday 25<sup>th</sup> July 2016. The directives during the last presentation have been updated in the Part A as follows:

Develop a plan to develop local contractors and create competition in this
market. - The barrier for entrance by local ISPs is limited as the OEM has a firm
presence in Nigeria. It is considered difficult to break the monopoly of the OEM for this
product.

Solar Turbines currently has representation in Nigeria to support the fleet of Turbines with a company of specialist Field Engineers in-country and a well-equipped workshop at Trans Amadi Port Harcourt, Rivers state. The only globally certified/approved ISP (independent service provider) to provide technical support to Solar Turbines and has in-country presence is Ethos turbo machinery. However, Ethos does not have the capacity to handle the entire installed base of Solar Turbines in SPDC. Included in the

submission, page 4.—considering SPDC's fleet size and the restriction related with the Solar EFA global discount, the Ethos experience in Nigeria should be first build with SNEPCO, due to its smaller fleet.

2. Update the submission to clearly demonstrate that due consideration has been given for the use of local ISPs vis a vis selection of Solar including the cost implication and other considerations. - SPDC is latching on to a global EFA between shell and Solar Turbines in the Rotating Equipment category which aims at ensuring leverage on the cost of maintenance of Solar Turbines. Locally, the aim is to match the global strategy with the Nigerian content development in ensuring best value. Alternative strategy would be to competitively tender scope between the OEM and the ISPs. The only approved independent service provider with the capacity to provide technical support services for Solar Gas turbines and has in-country presence in Nigeria is Ethos Turbo machinery. However, considering the experience with Ethos in Nigeria does not have the capacity to handle the entire installed base of Solar Turbines in SPDC and the terms of the EFA is such that Solar will withhold the global alliance discount if it does not handle the entire installed base in an OU. - Please see attachment 3 (GCM confirmation). - included in submission 4 & 7, it's suggested to start the Ethos relationship with SNEPCO's smaller portolio

Regards, Benson.

From: Ndudirim, Victoria SPDC-PTC/UOA Sent: Thursday, July 21, 2016 4:32 PM To: Kokovworho, Benson J SPDC-UPO/G/PMD Subject: MINUTES OF MTB MEETING NO.16\_19

Please see below the Approved Major Tender Board minutes of meeting for your records and action. Please file for future reference.

THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED

CONFIDENTIAL

MAJOR TENDER BOARD

Ref: SPDC\_MTB\_16\_19

MINUTES OF MTB MEETING NO.16\_19

HELD ON MONDAY 6TH JUNE 2016 AT 2.00PM

VENUE: B4-207 IA PORT HARCOURT & BOI 10TH FLOOR C WING LAGOS

SPDC\_MTB\_16\_19\_3

PROVISION OF MAINTENANCE SERVICES FOR SOLAR GAS TURBINES IN SPDC

#### PART A1 - STRATEGY & CONTRACT PLAN

The objectives of this submission are to seek MTB approval to:

- Negotiation and single source for the Provision of Maintenance Services for Solar Gas Turbines in SPDC to Solar Turbines Nigeria Limited (STNL) who are in-country OEM affiliate.
- 2. The basis of award including Commercial Evaluation criteria.

#### DISCUSSIONS:

Clarifications:

1. The key cost drivers include FSR and materials.

MTB's comments:

- 1. Update the submission to state that Ethos Energy (a prospective ISP) has not been audited and approved to manage SPDC's fleet.
- 2. It is not clear from the submission that there is a clear understanding of what the cost of this service should be.
- 3. There needs to be a clear plan to develop local contractors and create competition in the market to break the dependence on Solar as a single source service provider. Consider creating a small portfolio for the purpose of developing the local capacity.
- 4. The submission should demonstrate that due consideration has been given to the use of local ISPs vis a vis using Solar including the cost implications and other considerations.
- 5. What steps will be taken to ensure that a good discount is obtained on the non-EFA items in the work scope.

DECISION:

Deferred

DIRECTIVES:

1. Develop a plan to develop local contractors and create competition in this market.

2. Update the submission to clearly demonstrate that due consideration has been given for the use

of local ISPs vis a vis selection of Solar including the cost implication and other considerations.

TARGET DATE:

20/06/2016

ACTION:

Chukwuemeka Umelo & Emeka Esekody

Kind regards,

Victoria NDUDIRIM SPDC Tender Board Support The Shell Petroleum Development Company of Nigeria Limited Eastern Division, P O Box 263 Port Harcourt, Nigeria

Tel: +234 80702 39602

Email: victoria.ndudirim@shell.com

Office Location: M4 Room 47 Shell IA Rumuobiakani, Port Harcourt