



Confidential

Part B – Contract Award

Date: 20/07/2018

Category	Rotating Equipment	Contract ID:	NG01022088
Contract Title:	Provision of Maintenance Services for Solar GAS Turbines in SPDC		
HSE Mode & Risk	Mode 1, Medium Risk		
Agenda Item	(TB secretary to complete)		
Proposed Authorized Contract Value (ACV)	USD40,434,993.46 + NGN8,221,762,867.02 (F\$67,391,498.91)	Segmentation (Click here to access tool)	Strategic
Proposed expenditure while pending NAPIMS approval	USD/Naira (only applicable for MTB Submissions - urgent contracts)		
Start & End dates	Q3 2018 – Q3 2020	Duration	2 Years
		Extension options	1 Year

PURPOSE

To seek approval from MTB for the following:

- Award of contract for the provision of maintenance services for Solar Gas Turbines in SPDC to Solar Turbines Nigeria Limited at a total ACV of **USD40,434,993.46+ NGN8,221,762,867.02 (F\$67,391,498.91)** being 93% of the CE/Should cost.
- Execute a twelve-month Interim Agreement with the recommended contractor, at a total ACV of **\$13,478,299.78 + NGN2,740,587,622.34 (F\$22,463,832.97)**, pending NAPIMS approval and **subject to LDL approval.**

Exchange rate used – NGN305/\$

Stakeholders Endorsement:

	Senior Procurement Manager (SPM)	Contract Owner
	Reviewed and approved for SCC/MTB and confirms: <ol style="list-style-type: none"> Alignment with approved Category Strategy (& Global Category Strategy where applicable) Compliance with the NOGICD Act & Community Content commitments. 	Reviewed whole submission and confirms support from: <ol style="list-style-type: none"> Finance [Olayemi, Olaleye] - 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) HSE [Mike Nduka] - HSE consideration and requirements are met
Signature		
Name	CHIONMA OKPOECHI (PTC/UL)	TUNDE TIJANI (UPO/G/UST)
Date		

Approval

	MTB Chairman
Signature	
Name	F0DD5C64347E4FB...
Date	

Declaration:

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

SECTION A: CONFORMANCE TO CONTRACT PLAN (PART A)

APPROVAL REFERENCES

Tender Activity	Approval Date
MTB Approval of Part A1	29/08/2016
MTB Approval of Part A1 Addendum	27/07/2017
NAPIMS approval of strategy	30/11/2016
NCDMB approval of strategy	17/05/2017
NCDMB approval of Commercial ITT	27/04/2018

BACKGROUND

Following the Tender Board approval of Part A1 addendum (**Attachment 1**), Commercial phase was published in NipeX through NAPIMS JV Oil division with an original bid closing date of 27/10/2017. NAPIMS management however advised through their letter ref. SPDC-SCM-2017-0052L dated 25/09/2017 that process be terminated and SPDC to redirect and publish commercial ITT in NipeX under the NAPIMS JV Gas division (**Attachment 2**)

Commercial ITT was subsequently published in NipeX as advised, with a bid closing date of 18/06/2018. This was however extended to 19/06/2018 due to request for clarifications by the contractor. Joint SPDC/NAPIMS commercial bid opening was held same day.

Commercial evaluation commenced 20/06/2018 and was completed with full involvement of NAPIMS representatives. Commercial negotiations commenced on 21/06/2018 and was concluded on 12/07/2018.

The negotiation ended with the achievement of the following:

- 13% discount on the bid list price (all rates in the scope) except associated logistics, fleet assessment survey, insight enablement and fleet management.
- Vendor mark-up on associated logistics was negotiated down from 20% to 15%

Rates in the CE were retained as benchmark for associated logistics (import freighting and export freighting of core engine) considering that this will be quoted by vendor as at when required.

CHANGES FROM STRATEGY

The initial tender plan envisaged a contract commencement in Q4 2017. However, this could not be achieved due to delays following NAPIMS advise for SPDC to process the tender through NAPIMS JV Gas division having earlier reached the commercial phase with JV Oil division

SUMMARY OF VALUE CONTRIBUTION

	Benefit	Losses
Safety	The contract will provide the platform to execute aftermarket services for Solar Gas Turbines in SPDC to ensure sustenance of technical integrity and operating integrity of equipment and processes. High technical integrity and operating integrity are necessary to attain the desired level of process safety of the plant and production upside.	Loss of technical integrity and operating integrity will impact equipment availability and reliability with the attendant loss in production.
Production – Oil ('000 b/d)		
Production – Gas (mscf/d)	Supports production in SPDC Assets of circa 587kboepd	Loss of production of circa 363kboe
Reserves (mboe/d)	N/A	N/A
Flares reductions (mscf/d)	N/A	N/A
Cost Saving		

SECTION B: RESULTS AGAINST AGREED CRITERIA

TECHNICAL EVALUATION

N/A

COMMERCIAL EVALUATION

Commercial ITT was published in NipeX with a bid closing date of 18/06/2018 which was extended to 19/06/2018 due to request for clarifications by the contractor. Joint SPDC/NAPIMS commercial bid opening was held same day.

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See attachment 3 – Minutes of Negotiation Meeting.

Calculation of savings

S/N	VENDOR	2015 COMPANY ESTIMATE FUSD @ NGN190/\$	TOTAL ACV (FUSD)	Negotiated savings OVER 3 YEARS FUSD
1	SOLAR TURBINES NIGERIA LTD	47,713,095.96		
S/N	VENDOR	REVISED CE (including control retrofit, EHM etc) @ NGN305/\$ FUSD	TOTAL ACV	Negotiated savings OVER 3 YEARS FUSD
2	SOLAR TURBINES NIGERIA LTD	71,932,558.38	67.391,498.91	4,541,059.47

Benchmarking:

Basis of Company estimates: The initial company estimate was drawn up in 2015 using data obtained from the EFA and benchmarked against market rates for similar rotating equipment aftermarket services. The exchange rate at this time was NGN190/\$. Company estimate was later revised to include scope for control retrofits, package systems upgrade and equipment health management at an exchange rate N305/\$. Part A addendum was processed for this inclusion – please see attachment 1

These rates were reviewed and confirmed by the GCM Please see attachment 5

BASIS OF AWARD & RECOMMENDATION

In line with the approved award strategy, it is recommended that contract for the provision of maintenance services for Solar Gas Turbines in SPDC be awarded to Solar Turbines Nigeria Limited at a total value of **USD40,434,993.46 + NGN8,221,762,867.02 (FUSD 67.391,498.91)**. This value represents about 93% of the revised company estimate. However, final award sign-off will be subject to outcome of NCDMB commercial evaluation report.

TRANSITION PLAN / COST OF IMPROVEMENTS (IF APPLICABLE)

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

Vendor performance will be closely monitored during the interim agreement period, and quarterly business reviews will be used to document and track findings. The contract will have performance-based KPIs against which the vendor's performance will be measured. Following completion of FSR competence trainings by in-house personnel, it is expected that 4k and 8k inspections will be executed using in-house resources. Savings that will accrue from this initiative will be duly documented and recorded in the wave tool.

APPROVED CONTRACT VALUE

Proposed ACV for the contract is **USD40,434,993.46 + NGN8,221,762,867.02 (FUSD 67.391,498.91)**.

Basis of Company estimates:

The initial company estimate was drawn up in 2015 using data obtained from the EFA and benchmarked against market rates for similar rotating equipment aftermarket services. The exchange rate at this time was NGN190/\$. This was later revised to include scope for control retrofits, package systems upgrade and equipment health management at an exchange rate N305/\$. A part A addendum was processed for this inclusion.

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

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

COMPLIANCE TO MODEL TERMS & CONDITIONS

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

Table showing commercial difference between this proposal and previous interim agreement

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

Item	Description	Current unit rates	Negotiated new unit rates	Value difference	Remarks
1	SUPPLY OF SPARES FOR MARS 100 and TAURUS 60 SPARES OVER THREE YEARS				No negotiations on rates for individual spares. EFA Rates as published and confirmed by GCM less alliance discount
2	30,000 RUNHOUR OVERHAUL OF MARS 90 TT13000 GAS PRODUCER (Two Shaft)	Not in current contract	1,202,166.00		New scope
3	30,000 RUNHOUR OVERHAUL OF MARS 100 TT15000 GAS PRODUCER (Two Shaft)	1,363,986.00	1,363,986.00	0.00	
4	30,000 RUNHOUR OVERHAUL OF MARS 90/100 POWER TURBINE	98,136.00	98,136.00	0.00	
5	30,000 RUNHOUR OVERHAUL OF MARS 90/100 ACCESSORY GEARBOX	54,228.00	54,228.00	0.00	
6	30,000 RUNHOUR OVERHAUL OF TAURUS 60 T7900 GAS PRODUCER (Single Shaft)	810,604.33	747,504.00	-63,100.33	
7	30,000 RUNHOUR OVERHAUL OF TAURUS 60 POWER TURBINE	94,674.16	73,602.00	-21,072.16	
8	30,000 RUNHOUR OVERHAUL OF TAURUS 60 ACCESSORY GEARBOX	15,203.15	12,006.00	-3,197.15	
9	30,000 RUNHOUR OVERHAUL OF TAURUS 60 REDUCTION GEARBOX	85,344.96	66,555.00	-18,789.96	
10	EXPORT - FREIGHTING OF CORE TO SOLAR, DESOTO, USA -MARS	FCA	FCA		Vendor mark up on associated logistics negotiated down from 20% to 15%. However scope now subject to FCA.
11	EXPORT - FREIGHTING OF CORE TO SOLAR, DESOTO, USA - TAURUS	FCA	FCA		Vendor mark up on associated logistics negotiated down from 20% to 15%. However scope now subject to FCA.
12	IMPORT - FREIGHTING OF OVERHAULED UNIT FROM TO SOLAR, DESOTO TO NIGERIA- MARS (DDP, Nigeria)	FCA	FCA		Vendor mark up on associated logistics negotiated down from 20% to 15%. However scope now subject to FCA.
13	IMPORT - FREIGHTING OF OVERHAULED UNIT FROM TO SOLAR, DESOTO TO NIGERIA- TAURUS (DDP, Nigeria)	FCA	FCA		Vendor mark up on associated logistics negotiated down from 20% to 15%. However scope now subject to FCA.
14	Mark Up on Local Logistics - MARS	FCA	FCA		Vendor mark up on associated logistics negotiated down from 20% to 15%. However scope now subject to FCA.
15	Mark Up on Local Logistics - TAURUS	FCA	FCA		Vendor mark up on associated logistics negotiated down from 20% to 15%. However scope now subject to FCA.
16	PROVISION OF FIELD SERVICE ENGINEERS (OFFSHORE)	3,263.37	3,263.37	0.00	
17	PROVISION OF FIELD SERVICE ENGINEERS (ONSHORE)	2,563.89	2,563.89	0.00	
18	MOB/DEMOB OF FIELD SERVICE ENGINEERS	1,554.00	1,351.98	-202.02	
19	PROVISION OF STSNL (NON-FSR) TECHNICIAN	N/A	N/A		
20	MOB/DEMOB OF STSNL (NON-FSR) TECHNICIAN	N/A	N/A		
NOTE: CONTROL RETROFITS, PACKAGE SYSTEMS UPGRADE AND EQUIPMENT HEALTH MANAGEMENT IS A NEW SCOPE. 13% ALLIANCE					

GOVERNMENT INTERMEDIARY (GI) ELEMENT

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

IDD STATUS
 The IDD status of GE International Operations (Nigeria) Limited is Green

SECTION C: POST AWARD CONTRACT MANAGEMENT

KEY PERFORMANCE INDEX (KPI) (FROM PART A)

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

CONTRACT MANAGEMENT PLAN (CMP)

· Sign Contract/Input in SAP/Issue PO	Q3 2018	SPDC
· Contract/Kick off meeting	Q3 2018	SPDC/Contractor
· Pre-mobilisation	Q3 2018	SPDC/Contractor
· PO Issue as per request	as required	SPDC
· HSE Meetings/Audit	Monthly	SPDC/Contractor
· Contract Progress review	Quarterly	SPDC

HSE PLAN

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

Working in Confined space	Application of the procedure for entering and working in confined space, including Gas testing, shall prevail throughout.	Emergency first responders / first aiders shall be available at all times. Retainership clinic shall be available to handle escalation.
Working with High voltage	Isolations shall be carried out by competent persons. Testing of electrical circuits/equipment shall be carried out by competent persons. All electrical work shall be supervised by qualified staff. PTW shall state all potential electrical hazards.	Emergency first responders / first aiders shall be available at all times. Retainership clinic shall be available to handle escalation.

NIGERIAN CONTENT EXECUTION PLAN

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

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

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

b. Nigeria Content Summary Work scope.

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

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

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

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

N/A

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

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

COMMUNITY CONTENT NIGER DELTA CONTENT EXECUTION PLAN

Adequate provisions will be made in the contract to create opportunities for qualified and experienced Nigerians from the Niger Delta to be engaged in the execution of the works, in line with NC Execution Plan and NC Training Plan. Target will be to achieve a minimum of 30% skilled man power from the respective host community either where contractor's office is located or where work will be executed.

RISK ASSESSMENT

HSE Risk - High

Contract Risk - High

See Attachment 4 – RAM Document

Risk Description	Likelihood (H / M / L)	Impact (H / M / L)	Mitigating Actions	Action Owner
Quality	L	H	Ensure that all deliveries are accompanied with relevant test/quality certificates. OEM trained and qualified personnel to be deployed to carry out services and repairs on the plant	CH
HSE	M	H	PO clauses to ensure that all HSE issues related to deliveries of equipment and all required medical checks on all staff by local clinic in Nigeria are strictly adhered to. First aid admin. Ensure the availability of fire extinguishers. Call medical service on 122 or MEDEVAC	CH
Fire during installation/Main tenance	M	H	Environment to be gas-tested at regular pre-determined intervals to ensure that hot work is performed only under hydrocarbon-free area. Cordon off the affected area. First aid admin. Ensure the availability of fire extinguisher. Call medical service on 122 of MEDEVAC	CP/CH

ATTACHMENT:

1. Part A addendum
2. NAPIMS letter ref. SPDC-SCM-2017-0052L
3. Minutes of negotiation meeting
4. RAM document
5. GCM confirmation of rates in CE
6. Difference between current rates and previous interim agreement
7. MoM



SPDC_MTB_17_30 - NAPIMS ADVISE TO RE Controls RetrofitDifference between
1 - PROVISION OF RIDERCT TENDER.PD Estimate for New Socurrent rates and ne