 THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED

# MAJOR CONTRACTS BOARD (DELEGATED AUTHORITY) SUBMISSION

Confidential Part C – Variation Order No. Date: 28/09/20

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| Category | Real Estate | Contract IDs:  SAP Contract Nos: | NG01016920 (Hoechy)  NG01022871 (Pimo) |
| 4610048094 (Hoechy)  4610048092 (Pimo) |
| Contract Title: | CORPORATE SUBSTATION UPGRADE FOR SPDC PORTHARCOURT, LAGOS AND FLBs | | |
| HSE Mode & Risk | Mode 1, Medium Risk | | |
| Contractors: | HOECHY DEVELOPMENT LIMITED  PIMO SERVICES LIMITED | | |
| Segmentation ([Click here](https://nga001-sp.shell.com/sites/AFFAA0111/SNE18/Departmental,%20T/CP%20Commercial%20Excellence%20Team/Segmentation_Tool/SegTool%20v3.xlsm?Web=1) to access tool) | Tactical | | |
| Agenda Item |  | | |

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|  | HOECHY (F$) | PIMO (F$) | Expiry Date | Expiry Date |
| Original ACV | 4,852,103.88 | 3,234,736.92 | 30/09/2020 | 30/09/2020 |
| Value of VO's approved to date | Nil | Nil | 30/09/2020 | 30/09/2020 |
| Current ACV | 4,852,103.88 | 3,234,736.92 | 30/09/2020 | 30/09/2020 |
| Value of commitments made to date | 2,182,411.96 | 2,621,574.82 | 30/09/2020 | 30/09/2020 |
| Value of this VO request | Nil | Nil | 30/09/2021 | 30/09/2021 |
| Requested new ACV | 4,690,745.45 | 3,202,081.55 | 30/09/2021 | 30/09/2021 |
| Current level of NAPIMS approval | Approved | Approved | 30/09/2021 | 30/09/2021 |
| Proposed expenditure while pending NAPIMS approval | NA | |  | |

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| **Objective of this submission is to obtain approval from MCB (DELEGATED AUTHORITY) for:** |
| * Extension of Contract Duration by one year from 1st October 2020 to 30th September 2021 for contract NG01016920 with HOECHY DEVELOPMENT LIMITED and contract NG01022871 with PIMO SERVICES LIMITED, in line with one-year extension option approved by MCB and NAPIMS. (See Attachments 1 and 2) * Reduction in contract rates by 5% each following LOP negotiations with the two contractors (see Appendix 4), with resultant reduction in contract ACV by 5% for both contracts, thus: NG01016920 with HOECHY DEVELOPMENT LIMITED reduced from F$4,852,103.88 to F$4,690,745.45; NG01022871 with PIMO SERVICES LIMITED reduced from F$3,234,736.92 to F$3,202,081.55. (See Appendix 5 for basis for calculation) |

**Stakeholder Endorsement:**

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|  | **GM CP** | **Contract Owner** |
|  | **Reviewed and approved for submission to MCB and confirms:**   1. Alignment with approved Category Strategy (& Global Category Strategy where applicable) 2. Compliance with the NOGICD Act & Community Content commitments. | Reviewed whole submission and confirms support from:   1. Finance [Oluwadamilola Ogunleye] - 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 [Chinedum Oji] - HSSE consideration and requirements are met. |
| Signature |  |  |
| Name | Antony Ellis | Thaddeus Adichie |
| Date |  |  |

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| **Approval:** | |
| MCB (Delegated Authority) – Finance Director | |
| Signature |  |
| Name | Ian Scott |
| 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.

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| **Section A: Changes** |
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| **References & Approval dates for previous approvals** |
| *References & dates of previous approvals by CC/MCB, NAPIMS. (Attach the latest Tender Board Meeting Minutes & NAPIMS approval/ correspondence)*  15 May 2017 – MCB approved Part B (Appendix 1)  31 August 2018 – NAPIMS approved the Award recommendation (Appendix 2) |
| **Reason for this Variation Order** |
| *List changes/updates/variation. Where there is scope variation, state the Nigerian Content scope in new scope.*  To implement the one-year extension option, and 5% discount off the contract rates following LOP negotiation outcome, thereby reducing the contract ACVs. |
| **Justification** |
| This contract would:  - Ensure safety of people and assure the integrity of assets in SPDC substations by preventing any electrical fire incidents in the facilities.  - Avoid regret expenditures  - Protect people from electric shock injuries /incidents  - Ensure regulatory compliance  - Improve operation, flexibility, capacity, reliability and availability of power supply to SPDC Infrastructures  This submission is to seek MCB approval to implement the optional one year of the contract. There is no ceiling increase requested. |
| **FINANCIAL STATUS** |
| |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  | Original ACV (a) | | Total value of all previous VOs (b) | | Commitments to date | | ACV for this VO (c) | | Total value of all previous VOs + this VO/Original ACV (b+c)/a | | | CONTRACTOR | F$ | NGN | F$ | NGN | F$ | NGN | F$ | NGN | F$ (%) | NGN (%) | | HOECHY | 4,852,103.88 |  | Nil |  | 2,133,029.74 |  | Nil |  | Nil |  | | PIMO | 3,234,736.92 |  | Nil |  | 2,621,574.82 |  | Nil |  | Nil |  | |
| **IMPACT OF THIS VO** |
| *Describe any major impacts of this VO on business, explain budget coverage/offset, NPV calculation based on this VO (if applicable)*    No major impact. Continued provision of the service in the locations. |
| **PRICING STRUCTURE FOR THIS VO** |
| *Is the pricing structure for this VO based on established unit rates or negotiated based on Enterprise Frame Agreement (EFA)? For negotiations, show aspiration, fallback and walk-away positions. Proposed Negotiation Team.*  Pricing structure is based on the established unit rates in the contract. |

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| **SECTION B: POST AWARD CONTRACT MANAGEMENT** |
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| **Contractor Performance** |
| *Contractor performance under this contract including details of KPI’s and review dates. Highlight any performance issues (including HSE management, NCD) and support required.*  ***Performance Assessment, rating based on Good/Adequate/Inadequate.***  *Good: Fully satisfied expectations, met requirements without support; no identifiable improvements*  *Adequate: Generally satisfied expectation & met requirements but needed support to ensure required performance* *was achieved Inadequate: Contractor standard of performance below that needed for repeat business; severe deficiencies in service performance*   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | Vendor | Management | Commercial | Technical | HSES | Overall | | Hoechy | Good | Adequate | Adequate | Good | Adequate | | Pimo | Good | Adequate | Adequate | Good | Adequate | |
| **Contract management** |
| *Highlight any contract management issues, e.g. training, documentation. HSE, NCD. List outstanding activities, action parties and target date. State dates and highlights of COR/BPR/CPCR or other contract compliance reviews.*  Nil |
| **nigerian content execution plan** |
| *Is performance according to Part B and contract? What recovery plan is being put in place to meet target?*   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  | Work Category | Schedule Target | Contractor’s obligation | Current performance status | Agreed actions including authorisation to import | | Award recommendation | Electrical/Electronics Systems integration | 55% | 100% | 80% | NA | | Proposed variation | Electrical/Electronics Systems integration | 55% | 100% | 80% | NA |   *NOTE: Any additional scope/change in contract terms must remain compliant with NOGICD Act.*  *Confirm records of vendor’s Nigerian Content performance on contract to date. Non-compliance with provisions of the Act attracts 5% penalty of project cost or outright cancellation of project.* |
| **niger delta content /community contracting execution plan** |
| *Describe additions to the Niger Delta Content /Community Contracting Execution Plan.*  NA |
| **risk management** |
| *Insert latest Risk Assessment Matrix*   |  |  |  |  |  | | --- | --- | --- | --- | --- | | **Risk Description** | **Likelihood**  **(H / M / L)** | **Impact**  **(H / M / L)** | **Mitigating Actions** | **Action Owner** | | Poor Quality delivery (materials and Services) | M | H | Detailed scope definition,  equipment/work specification, applicable  standards, etc.  - All deliveries are to be accompanied with  requisite test / FAT certificates. Warranty  on parts to be included in the contract | Contract Holder | | Poor Vendor  (technical and  HSSE)  performance | M | M | - Factory Acceptance Test.  - Close supervision  - Contract performance clauses  - Clear definition of performance  standards | Contract Holder | | Damage / loss  of Equipment  and spares | M | M | - Use of appropriate lifting gear and  proper handling | Contract Holder | | Late delivery | M | H | Monitor all deliveries against pre-agreed  targets and escalate to the contract  Management team | Contract  Holder/Contract Owner | |
| **goal zero contractor hsse reequirements** |
| *Comment as appropriate on validity of applicable Goal Zero Contractor HSE assurance actions below:* [*Click here*](http://sww-knowledge-epg.shell.com/knowtepg1/livelink.exe?func=ll&objId=15830307&objAction=Open&viewType=1&nexturl=%2Fknowtepg1%2Flivelink%2Eexe%3Ffunc%3Dll%26objid%3D182544%26objAction%3Dbrowse%26sort%3Dname) *for checklist.*  *i) Risk Assessment – State: Remains valid at Mode 1/2/3 L/M/H Risk OR Reassessed at Mode 1/2/3 L/M/H Risk.*  *ii) CH Appointment Letter – Confirm letter in place for correct CH per Omnicom/SAP –YES/NO.*  *iii) HSE Capability Assessment – State: Not Applicable or Remains valid at Green/Amber Banding or Reassessed at Green/Amber banding and/ OR Improvement Plan attached.*  *iv) Contract HSSE Action Plan OR HSSE Plan – State: Not required / Remains valid / Has been updated.* |

**Appendices**

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| **1.** | **MCB Approval of Part B** |  |
| **2.** | **NAPIMS Award Letter** |  |
| **3.** | **NAPIMS approval of one-year extension option** |  |
| **4.** | **LOP Negotiation meeting minutes** |  |
| **5.** | **New ACV calculation** |  |