

TENDER AND EVALUATION PROCESS FOR CONTESTABLE AUGMENTATIONS IN VICTORIA

PREPARED BY: TRANSMISSION PROCUREMENT

VERSION: 3.0

DATE: 13/06/2014

Version Release History

Version	Date	Author	Peer Review	Approved	Comments
1.0	5 July 2013	A. Lowe	D. Balicevic	E. Papadopoulos / A. Dinning	
2.0	19 August 2013	A. Lowe	F. Cavoli	E. Papadopoulos	
3.0	13 June 2014	A. Lowe	K. De Silva	E. Whyte	

This document has been created by the Transmission Procurement team and will be reviewed from time to time.

Any queries or suggestions for improvement should be addressed to Arian Lowe, Principal Commercial, on (03) 9609 8424.

Important Notice

This document has been prepared by AEMO as required by clause 8.11.7 of the National Electricity Rules (**Rules**), and has effect only for the purposes set out in the Rules. The Rules and the National Electricity Law (**Law**) prevail over this document to the extent of any inconsistency.

No Reliance or warranty – This document might also contain information provided for explanatory purposes. That information does not constitute legal or business advice, and should not be relied on as a substitute for obtaining detailed advice about the Law, the Rules, or any other applicable laws, procedures or policies. While AEMO has made every effort to ensure the quality of the information in this document, neither AEMO, nor any of its employees, agents and consultants make any representation or warranty as to the accuracy, reliability, completeness, currency or suitability for particular purposes of that information.

Limitation of liability – To the maximum extent permitted by law, AEMO and its advisers, consultants and other contributors to this document (or their respective associated companies, businesses, partners, directors, officers or employees) are not liable (whether by reason of negligence or otherwise) for any errors, omissions, defects or misrepresentations in this document, or for any loss or damage suffered by persons who use or rely on the information in it.

© 2013 Australian Energy Market Operator Limited. The material in this publication may be used in accordance with the [copyright permissions](#) on AEMO's website.

Contents

1	Introduction	5
2	Purpose.....	5
3	Application.....	5
4	Legal and Regulatory Framework	5
5	Invitation to Tender Process.....	5
6	Tender Evaluation Process	7
6.1	Key Tender Requirements.....	7
6.2	Evaluation Criteria	8
6.2.1	Financial and Commercial Capability.....	8
6.2.2	Project Management Capability	8
6.2.3	Technical Capability	8
6.2.4	Departures from Contract Conditions and Service Specifications	9
6.3	Methodology for Ranking of Tenders.....	9
7	Declaration and management of conflicts of interest.....	10
7.1	AEMO	10
7.2	Ring-fencing arrangements	10
8	Notification of outcome of Tender process.....	10

GLOSSARY

- (a) In this document, a word or phrase *in this style* has the same meaning as given to that term in the National Electricity Rules (**Rules**).
- (b) In this document, capitalised words or phrases or acronyms have the meaning set out opposite those words, phrases, or acronyms in the table below.
- (c) Unless the context otherwise requires, this document will be interpreted in accordance with Schedule 2 of the *National Electricity Law*.
- (d) If there is any inconsistency between this document and the Rules, the Rules will prevail to the extent of that inconsistency.

Term	Definition
DTSO	<i>declared transmission system operator</i>
ITT	Invitation to Tender.
PCRs	AEMO's Protection and Control Requirements in respect of the <i>contestable augmentation</i>
PFRs	AEMO's Primary Functional Requirements in respect of the <i>contestable augmentation</i>
Tenderer	A person who submits a Tender in response to AEMO's ITT for a <i>contestable augmentation</i> .
Tender	The proposal submitted by a Tenderer in response to AEMO's ITT for a <i>contestable augmentation</i> .

1 Introduction

AEMO is responsible for transmission network planning and procuring augmentations to the Victorian *declared shared network (DSN)*. On the request of a *Connection Applicant*, AEMO is required to issue an ITT for a *contestable augmentation* to the DSN. AEMO will award contracts to the Tenderer that delivers best value for money i.e the tender that offers the lowest price and satisfies the evaluation criteria outlined in the ITT and reproduced at a high level in section 6.2.

2 Purpose

This document is not intended to contain a step-by-step process on how AEMO will carry out its ITT and Tender evaluation processes under clause 8.11.7 of the Rules, but a high-level description of the principles involved. For an in-depth description of the tender process for a particular contestable augmentation project, refer to the ITT released for that project.

3 Application

This document applies to AEMO.

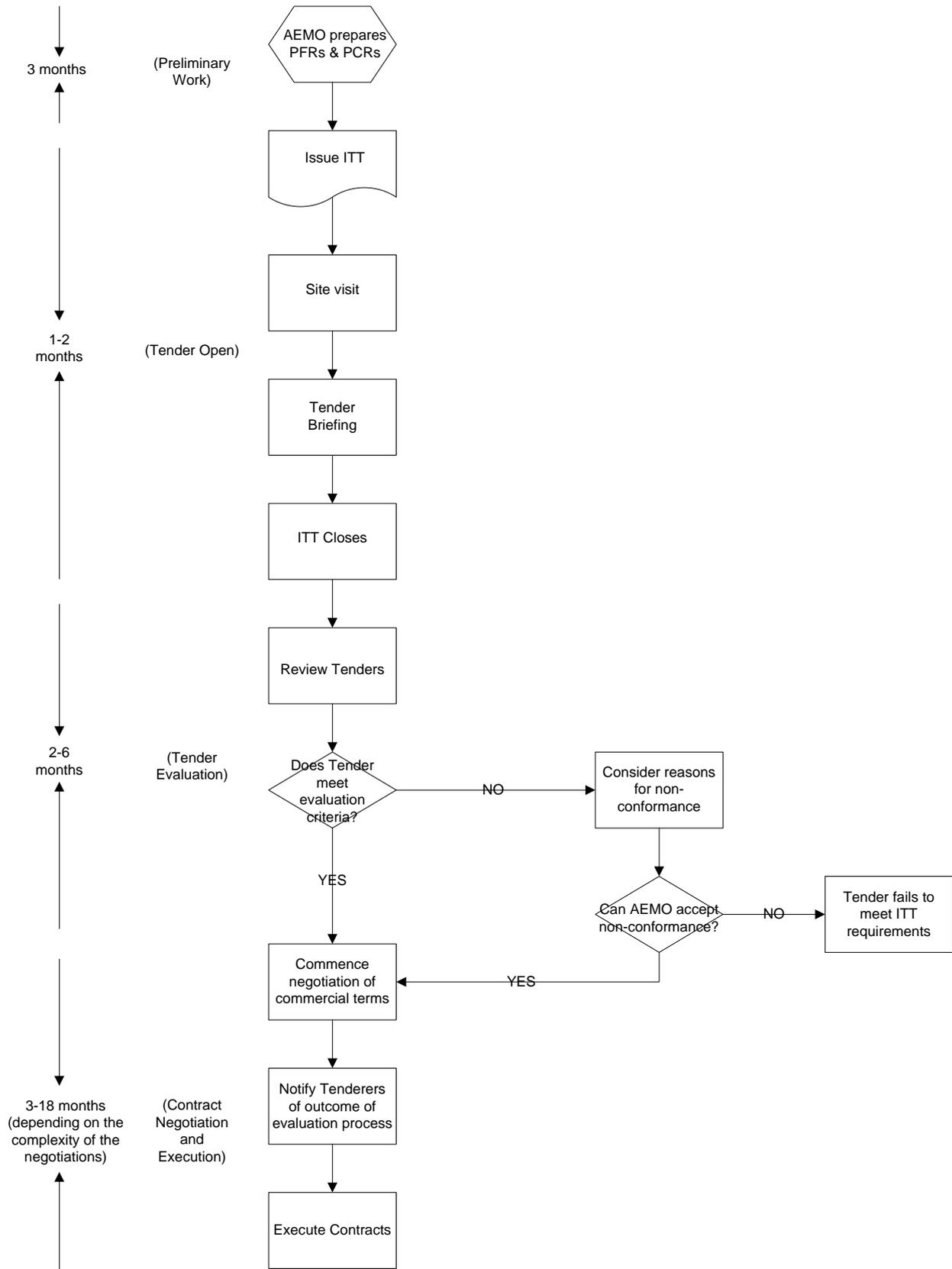
4 Legal and Regulatory Framework

Clause 8.11.7(a)(1) of the Rules requires AEMO to publish a generally applicable Tender and evaluation process that accords with best practice as currently understood. That provision not only specifies a number of matters that this document must include, but also requires detailed steps to be followed in any procurement for the construction and operation of a *contestable augmentation*.

5 Invitation to Tender Process

When proposing to procure a *contestable augmentation*, AEMO will conduct an open ITT process, which is depicted at a high level in Figure 1 and accompanied by indicative timeframes. The timeframes are indicative since they will vary depending on the time demands of the particular project.

Figure 1: ITT Process



6 Tender Evaluation Process

The purpose of evaluating Tenders is to identify the Tender which best meets AEMO's requirements for the *contestable augmentation* and delivers best value for money.

An evaluation team consisting of AEMO staff and, possibly, external specialists will complete the assessments of the Tenders in committee. A consensus approach will be used rather than a vote. For complex Tenders, it may be appropriate for the evaluation to include specialists external to AEMO who contribute to the evaluation of the particular aspect in which they are expert.

To increase their chances of selection, each Tenderer should complete all the relevant documentation and submit all information requested in the ITT.

AEMO will conduct the ITT and evaluation process in accordance with conditions that will be included in the ITT.

6.1 Key Tender Requirements

The first step in the Tender evaluation process is for each Tender to be assessed in terms of its compliance with the Key Tender Requirements as detailed in Table 1. Failure to meet these requirements might preclude evaluation of a Tender unless AEMO exercises its discretion to evaluate the Tender on a non-conforming basis.

Table 1. Key Tender Requirements

Administrative
Tenderer, and all members of its consortium or joint venture, if applicable, are accredited to AS/NZS 9001 (Quality), AS/NZS 4801 (OHS), AS/NZS ISO 14000 (Environmental), or equivalent standards or are making substantial progress towards such accreditation.
Financial and Commercial
Tenderer has provided evidence of required insurance policies or is prepared to take out such insurances.
Tenderer has provided evidence of financial stability and their ability to fund the construction of the project.
Legal and Regulatory
Tenderer is not subject to any litigation, prosecution or take-over action that has the potential to impact its ability to deliver the contestable augmentation.
Tenderer has obtained, or is about to obtain, a transmission licence and registration as a transmission network service provider or has obtained, or is about to obtain, an exemption for these items OR Tenderer has an arrangement in place with a third party transmission network service provider in order to be able to operate the transmission assets for a period of at least 30 years.
Tenderer accepts liability with respect to liquidated damages.
Tenderer has all relevant licences as required by law to undertake the construction activities contemplated in this Tender.
Project Management
Tenderer has design, construction and operational staff that can be mobilised in time to complete the project and operate the project for the lifetime of the assets.

6.2 Evaluation Criteria

Tenders will then be assessed with respect to each of the non-price criteria detailed in Table 2. Consideration will be given to the quoted price and the Tenders will be ranked accordingly. The ITT is designed to elicit sufficient information from Tenderers to facilitate this evaluation.

Table 2. Non-price criteria

Non-price Criteria
<p>Financial and Commercial Capability – Tenderer’s corporate credentials, financial stability and ability to fund the construction of the project.</p>
<p>Project Management Capability - Tenderer's capability to design, construct and manage the project from award of the Tender through to the point of practical completion and then to continue to operate and manage the project for the lifetime of the assets.</p>
<p>Technical Capability - Tenderer's capability to build, own and operate the required augmentation in an efficient, safe, secure and reliable manner.</p>
<p>Departures from the Contract Conditions and Service Specifications – the number and materiality of departures from the conditions in the proposed contracts provided with the ITT and the number and materiality of departures from the service specifications.</p>

6.2.1 Financial and Commercial Capability

Financial analysis may involve examination of bank references, an analysis of financial reports, credit rating assessments and any other published information that may have a bearing on the company’s financial position or ownership.

6.2.2 Project Management Capability

The project management capability will be examined by analysis of, but not limited to, the following:

- Tenderer’s and proposed key subcontractors’ experience, performance and capacity in the design, manufacture, supply installation and commissioning of transmission network infrastructure.
- Project management methodology is well-documented, practised and adhered to effectively.
- Risk management methodology is well-documented, practised, adhered to effectively and suited to the project.
- Time management – awareness of the scale of the project and demonstration of planned approach with clear milestones identified.
- Quality – quality procedures are certified under the AS/NZS ISO 9000:2006 or equivalent standard and certification is current and covers the services relevant to the project.
- Work practices are well-established and Tenderer has good practice guides, operation and maintenance manuals, training course materials, OH&S policies, quality control systems and performance monitoring systems in place.
- Past performance on similar projects – where applicable, Tenderers are required to nominate a past client as a referee.

6.2.3 Technical Capability

Technical evaluation will be focused on, but will not be limited to, the Tenderer’s capability to address the PCRs and PFRs.

Additional items to be considered include:

- Operation and maintenance, including Tenderer's maintenance procedures, process documentation and practices and details of previous operational experience; and
- Meeting AEMO's transfer of assets requirements (to cover the event that a Tenderer might withdraw from the operations and maintenance of the *contestable augmentation* in the future).

All primary and secondary plant and equipment must be designed, constructed and operated according to relevant Australian Standards, *good electricity industry practice* and must meet all electricity safety regulatory requirements.

The following features would attract a high score in the technical areas:

- Plant is from a reputable manufacturer with demonstrated experience in supply of high performance plant. It is arguable that cheaper or less known plant is equally as acceptable if there is high level of redundancy or availability and access to spare equipment.
- Efficiency of plant considerations. For example, reduced losses, innovative cooling techniques that prolong the lifespan of plant.
- Innovative design considerations to reduce space, visual impacts and noise with particular focus on meeting council planning permit requirements.
- Equipment offers greater performance/utilisation/ratings.

6.2.4 Departures from Contract Conditions and Service Specifications

Tenders may also be assessed according to departures from the service specifications (i.e. PCRs and PFRs) and the number and materiality of departures from the conditions in the contracts that are included in the ITT. However, AEMO retains the absolute discretion to evaluate a tender despite the existence of departures from the service specifications and contract conditions.

6.3 Methodology for Ranking of Tenders

As described above there are four non-price criteria: Technical Capability, Project Management Capability, Financial and Commercial Capability and Departures from the Contract Conditions and Service Specifications.

Criteria are listed in each of the three Capabilities: Technical, Project Management and Financial and Commercial Capability in the ITT. Tenderers are to address the criteria in the ITT.

The following table will be used to evaluate Tenderer's responses to the criteria:

Table 3. Evaluation Table

Classification	Detail
Exceeds Expectation	Exceeds requirements of a satisfactory Tender, comprehensive and strong information indicating Tenderer more than capable of delivering outcomes to required standard
Meets Expectation	Meets all requirements of a satisfactory Tender, information indicating Tenderer is capable of delivering outcome required
Below Expectation	Meets most requirements of a satisfactory Tender, some concerns that Tenderer may lack certain requirements to achieve the required standard of service delivery
Unacceptable	Significant indications that Tenderer lacks certain requirements to achieve the required standard of service delivery

Items that are evaluated as 'Below Expectation' or 'Unacceptable' will require further examination to understand the materiality and impact on a Tenderer's overall capability to deliver the project and Tenderers may be requested to provide further information to enable the item to be reassessed.

Once all of the items have been evaluated, consideration may be given to the number and materiality of the departures from the service specifications and contract conditions.

The evaluation team will also consider each Tender's quoted overall cost for the works and rank the Tenders accordingly. The top-ranked Tender will be recommended to the AEMO Board for award of contract.

AEMO reserves the right to negotiate the final price.

It should be noted that if there is a Tender which is markedly more competitive across all capabilities, AEMO will use its discretion to determine whether it needs to undertake a detailed assessment of each specific criteria in each capability as outlined in the ITT for all Tenders.

7 Declaration and management of conflicts of interest

7.1 AEMO

AEMO staff and contractors engaged in the evaluation of Tenders will be required to declare any conflicts of interest prior to commencing any evaluation and could be removed from the evaluation process if the AEMO considers it appropriate.

7.2 Ring-fencing arrangements

The nature of the procurement of *contestable augmentations* is such that AEMO must consult with the incumbent DTSO on a number of technical and logistical issues. The incumbent DTSO, however, is also a potential Tenderer and AEMO is conscious of the need for probity in the Tender process.

AEMO will require assurances from incumbent DTSOs that appropriate ring fencing arrangements will apply to each procurement process on a case-by-case basis.

8 Notification of outcome of Tender process

All Tenderers will be notified in writing of the outcome of the Tender once AEMO has secured agreement with the Successful Tenderer.

The AEMO Project Manager will, on request, provide written advice to individual Tenderers as to the reasons why their Tenders were unsuccessful. The scope of any advice will be limited to a review of the ITT requirements and the strengths and weaknesses of the unsuccessful Tenderer's Tender. Written advice will be provided within four weeks of request.