



Request for Tenders

Commercial Engineering Consultancy (Cost of Plant Cycling in SEM)

File Ref No: 011-03-152

Open Procedure

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Closing Date for Receipt of Tenders: 31st October 2008 at 12.00 noon

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1. Introduction

The SEM, Bidding & Commercial Offer Data:

The Commission for Energy Regulation and the Northern Ireland Authority for Utility Regulation (the Regulatory Authorities) have developed a single all-island electricity market (the SEM) which came into operation on November 1st 2007.

The SEM is a gross mandatory pool with central commitment and dispatch, along with an explicit capacity payment mechanism.

Generators are obliged to bid Commercial Offer Data (COD) cost reflectively, with day-ahead complex bidding. COD for each generator consists of the following:

- A minimum of one but up to ten incremental price quantity pairs (which must be monotonically increasing)
- A no-load cost
- Hot, warm and cold start-up costs

Energy payments are based on an ex-post run of the Market Scheduling and Pricing (MSP) software, which is run by the Market Operator. The MSP software produces a half-hourly System Marginal Price (SMP) and the Market Schedule Quantity (MSQ) for each price making generator unit.

The SMP (which excludes transmission, reserve and other constraints) is a single island-wide price that is built up from two elements: (a) the Shadow price and (b) Uplift. The Shadow price is calculated by reference to the marginal cost of producing the last megawatt of electricity, based only on the incremental offers of generators. The Uplift element includes the start-up and no-load costs that are not otherwise recovered.

Further details on the SEM can be found on the AIP website (www.allislandproject.org).

Need for Cycling:

The demand profile in SEM is such that demand during overnight periods is much lower to that experienced during peak daytime business hours. To meet this demand profile a number of generators have experienced a market schedule pattern of (a) running at full load during the day

and then being shut down for overnight operation, i.e., 'two-shifting' and/or (b) on-load cycling, where a generators output varies in a cyclical pattern, often following load. These cycling regimes impose additional costs on generators that, if reflected in their Commercial Offer Data, under current market design, must be recovered through energy payments.

Cost of Cycling:

Cycling (two-shifting and on-load cycling) can lead to higher operating & maintenance costs, an increased risk of failure to plant and equipment, premature aging and shortening of equipment life. It affects different plant in different ways and to varying degrees. The RA's wish to gauge the impact of cycling in the SEM and assess what additional costs are likely to be incurred by a plant experiencing cycling operation.

2. Specification of Requirements

Desktop Study:

This tender specifies the professional consultancy assistance required by the Regulatory Authorities (RAs) in determining reasonable estimates of the impact and costs imposed on generators by following a cycling pattern of operation.

2.1 Deliverables

It is envisaged that the successful service provider will be responsible for providing the following services:

1. Advice on all relevant issues such as:
 - a. the technical characteristics of the existing portfolio of power plants in the SEM
 - b. the short and longer term engineering impacts of different running regimes for the existing portfolio of plant in the SEM
 - c. the cost implications of these different running regimes and the nature of those costs
 - d. the measures a prudent operator might take to mitigate the impacts of a particular running regime and their costs

- e. if the current start up costs of selected generators are reasonable and if the reasons provided are reasonable.

2. A paper concentrating on the following:

- a. A comprehensive desktop study of cycling, as detailed below. Particular attention should be placed on the impact of Repeated Start cycling.
 - The requirement of cycling in SEM given the make-up of the existing plant portfolio and in the light of increased amounts of wind capacity on the system
 - An overview of the cost imposed on plant from
 - (a) Repeated starts (two-shifting)
 - (b) On load cycling
 - The short and longer term engineering impacts of different running regimes for the existing portfolio of plant in the SEM
 - A range of reasonable costs that the various plant in SEM would experience as a result of
 - (a) Repeated starts (two-shifting)
 - (b) On load Cycling
 - Mitigating factors which generators might take to avoid the cost of cycling and an estimate of the costs of these mitigating factors.
 - A comprehensive list of the technical characteristics of the existing portfolio of plant, highlighting plant specific aspects that are affected by cycling operations.
- b. Review the start up costs currently bid-in by a selection of generators combined with their reasons for bidding such costs.

The RAs may choose to publish sections of this report.

3. Attend meetings with NIAUR, CER and other industry players

4. Any other issues pertaining to assist and fulfil the RAs in meeting their statutory duties.

2.2 Anticipated Timeframe for Delivery

This consultancy assignment is scheduled to commence on 3rd November 2008 with the final paper expected in Quarter 1 2009. It is anticipated that advice, as detailed in Section 2.1, would be delivered on an ongoing basis (as requested) until completion of the final paper.

3. Format of Proposal

The proposal should include the following information:

- a. Organisation's experience and understanding of the issues.
- b. **Approach** of how the supplier will work with the Regulatory Authorities to understand their requirements and offer a flexible, value for money service which helps the Regulatory Authorities to deliver on its objectives and delivers a high quality advice and report on the costs and impact of plant cycling, in the agreed timescale; this should include level of partner / senior level commitment to delivering advice; proposed ways of working with Regulatory Authorities to ensure that the provider understands the Regulatory Authorities needs and can deliver robust advice.
- c. Demonstrate an **in-depth knowledge** of plant cycling issues. Consultants should also show a **sound track record of experience** in providing this type of required services with particular emphasis on experience within the past 10 years;
- d. **The resources** (e.g. pen pictures and concise CVs of personnel) the provider will commit to carrying out and delivering the project, with particular reference to the experience and capabilities of **assigned staff** (as opposed to general firm experience) which are relevant to the services required;
- e. The specific responsibilities proposed for each person to be assigned to the project;
- f. The names and roles of any subcontractors who the applicant proposes to retain together with details of their experience of consultancies of a similar type and their relevant experience in the past 10 years ;
- g. The availability of the Tenderer over the proposed timeframe of the project.

3.1 Schedule of Costs

All costs must be quoted in **EURO (€) and Great Britain Pound (£)**, exclusive of VAT. The exchange rate used must be quoted in the tender documentation and used for the purpose of charging on invoices throughout the life of the contract. ~~and the~~ The schedule must take the following format:

- The fixed fee quotation for the consultancy period
- The daily rate to be charged for each individual (including any proposed subcontractors) along with the estimate in consultant days for each identified consultant; and
- Detailed costing on all aspects of the consultancy including travelling, accommodation and other expenses
- The total cost of the tender

Confirm that the tender holds good for **120** days after the closing date for receipt of tenders. The rates quoted in the tender will be the rate used throughout the life of the contract. The Commission or the Authority will not be liable for any exposure resulting from changes in exchange rates.

Give details of any other costs, taxes or duties which may be incurred. Any licensing costs associated with any part of the proposal should be clearly identified.

Rates quoted in Euro will be used for the comparison between the applicants.

Applicants should note that the Commission and the Authority will bear the costs of the consultancy in the proportions: ½ to the Commission and ½ to the Authority.

All fees and expenses shall have to be invoiced separately to the Commission and the Authority in these proportions.

All invoices issued to the Commission will be in Euro and subject to Irish VAT and Withholding Tax. All invoices issued to the Authority will be in Sterling and subject to Northern Ireland VAT.

The liability of the Commission and the Authority for the payment of all fees and expenses shall be severable, not joint and severable. On no account will either the Commission or the Authority be accountable for any fees and expenses incurred by the other.

4. Examination and Evaluation of Tenders

Tenders will be examined initially by reference to the following;

- Completeness of proposals and tender documentation as specified in Sections 2 and 3 (Specification of Requirements and Format of Proposal) of this document;
- Stated ability of the Tenderer to meet all the requirements specified in Section 2 of this document.

Only those tenders who satisfy conditions in relation to the above will be eligible for inclusion in the award process.

4.1 Award Criteria

The contract will be awarded to the Tenderer submitting the **most economically advantageous tender** which is both valid and fully in conformity with the tender documentation.

The tender will be assessed against the following criteria:

- *Expertise, knowledge and depth of experience of the proposed staff in meeting the requirements of the Regulatory Authorities; All proposals must include skills / experience / relevant work history of staff to be involved in providing services to the Regulatory Authorities (40%).*
- *Approach /Methodology in delivering the services. This should include envisaged time commitments of each proposed consultant and envisaged ways of working with the Regulatory Authorities. Preference will be given to proposals that demonstrate a willingness to supply working arrangements that best facilitate knowledge transfer to staff within the RAs during the consultancy period. This project is being managed by NIAUR in Belfast with desk space available at NIAUR's offices. (30%).*
- *Ultimate Cost of providing service (30%).*

During the evaluation period clarification may be sought in writing from Tenderers. Responses to requests for clarification may not materially change any of the elements of the tenders submitted. No unsolicited communications from Tenderers will be entertained during the evaluation period. A number of the most competitive Tenderers may be invited to make presentations on their proposals for the purpose of elaboration, clarification and / or aiding mutual understanding. Invited Tenderers must be in a position to make such a presentation around two weeks following the deadline for submission of tenders. Any proposed subcontractors may be required to participate in the presentation.

4.2 Contract

A contract will be concluded with the Tenderer whose tender is deemed to be the most economically advantageous subject to agreement on conditions of contract.

Please note the following:

- Any items and conditions in the proposed contract does not imply acceptance by the Commission or the Authority

- The contract between the Commission, the Authority and the successful applicant will be governed by Irish Law.
- The Commission and the Authority may cancel the tender process at any time prior to a contract being entered into.

5. General Conditions of Tender

The detailed instructions set out in Appendix A attached should be noted. Contact details for any queries are shown at the bottom of the appendix. This Request for Tender shall form part of the contract documents.

Tenderers should be aware that Irish legislation applies in other matters such as Official Secrets, Data Protection and Health and Safety.

Information supplied by Tenderers will be treated as contractually binding. However, the Commission and the Authority reserves the right to seek clarification or verification of any such information.

Any conflicts of interest involving a Tenderer must be fully disclosed to the Commission and the Authority particularly where there is a conflict of interest in relation to any recommendations or proposals put forward by the Tenderer.

In the event of a group of respondents jointly submitting an acceptable offer, the contract will be awarded by the Commission and the Authority to one contractor who acts as the agreed prime contractor. The prime contractor is responsible for the delivery of all services provided for under the terms of the contract and shall assume all the duties, responsibilities and costs associated with the position of prime contractor.

(a) The successful Tenderer shall be responsible for the delivery of all services provided for within the contract on the basis of a fixed price agreement set at the beginning of the contract.

(b) The Commission and the Authority retains the right to withhold payment where a contractor has failed to meet his/her contractual obligations in relation to the delivery of services to an acceptable level of quality.

The Commission or the Authority will not be liable in respect of any costs incurred by Tenderers in the preparation of tenders or any associated work effort.

Responses to this RFT will be evaluated in their own right. No recognition will be given to information previously submitted.

The Commission and the Authority is not bound to accept the lowest or any tender submitted.

APPENDIX A: INSTRUCTIONS TO TENDERERS

A1 Compliance with Instructions to Tenderers

Tenderers are advised that compliance with these instructions is mandatory and that failure to do so in a substantive area may result in the elimination of a tenderer.

A2 Closing date for receipt of tenders

The closing date for receipt of tenders is **Day 13th October at 12:00 noon** as per details in A5 below.

A3 Tender documents received

If you consider that you are missing any documents, which would prevent you from submitting a comprehensive tender, please contact the relevant person referred to in A20 below as soon as possible.

A4 Tender Communications

Tenderers shall satisfy themselves as to the full nature and requirements of the contract. Any errors or omissions should be notified to Colin Broomfield at colin.broomfield@niaur.gov.uk.

A5 Presentation of tender

The completed Tender shall be enclosed in a sealed envelope, clearly marked "**Commercial Engineering Consultancy (Cost of Plant Cycling in SEM)**" and addressed to:

Colin Broomfield
NIAUR
Queens House
14 Queens Street
Belfast
BT1 6ER
Tel. 028 90316624
Email: colin.broomfield@niaur.gov.uk

The number of copies of completed Tender documents required is **two** (2) hard copies. If possible, please also include one (1) soft copy, e.g CD Rom. The Tenderer is fully responsible for the safe and timely delivery of the tender.

Faxed, emailed or late tenders will not be considered.

A6 Cost of preparation of tender

The Commission or the Authority will not be responsible for any costs, expenses, charges or losses incurred by the Tenderer in the preparation of his Tender.

A7 Evidence of Insurances

Tenderers are required to confirm their agreement, if successful, to put in place the following insurances as set out below.

Professional Indemnity Insurance to a limit of not less than £500,000 for any one claim or series of claims arising out of any one event during the period of this agreement and for a

period of six years from the termination of this agreement without prejudice to any claims notified by CER / NIAUR prior to this date.

Tenderers should therefore submit confirmation from their insurers that this level of cover is provided if their tender is accepted.

- (a) Professional Indemnity Insurance: The Contractor shall effect and maintain with a reputable insurance company a policy or policies of insurance providing an **adequate** level of cover in respect of all risks which may be incurred by the Contractor, arising out of the Contractor's performance of the Contract, in respect of death or personal injury, or loss of or damage to property. Such policies shall include cover in respect of any financial loss arising from any advice given or omitted to be given by the Contractor. This insurance holds good for a period of six years from the termination of this agreement without prejudice to any claims notified by the Regulator and the Commission prior to this date.

A8 Documents to be submitted by the Tenderer

The Tenderer shall submit the following documents, fully completed:

- The tender offer in accordance with the Project Specification
- Signed VAT Registration Form (Northern Ireland) and a Fair Employment Order. Both of these documents can be found in Appendix B

Incomplete tenders will not be considered.

A9 Award of Contract

- **Award Criteria:** We wish to advise that the contract award criteria will be based on the most economically advantageous tenders in accordance with the criteria set out in the tender documents.
- **Conditions of contract:** Where no conditions of contract are included in these tender documents, the Purchaser's joint standard conditions shall apply. These will be available on request

A10 Requirements for a Compliant Tender

Please note that tenders should not be qualified and should be submitted strictly in accordance with the tender documents.

Tenders which do not comply with the above requirement shall be excluded from further consideration.

A11 Tax Clearance Certificate

It will be a condition for the award of this contract that the successful Tenderer and any sub-contractors can promptly produce a current Tax Clearance Certificate from the Irish Revenue Commissioners.

A12 Withholding Tax

The portion of the consultant's charges invoiced to the Commission shall be subject to Irish Withholding Tax at the rate of 20% (or as amended) as laid down by the Revenue Commissioners

in Ireland. Non-residents may be able to reclaim such deducted tax from the Office of the Revenue Commissioners in Ireland, International Claims Section located currently at Government Buildings, Nenagh, Co. Tipperary, Ireland. (No. 01-6774211).

Further, all applicants must complete a VAT registration form (Northern Ireland) and a fair employment order. Both of these documents can be found in Appendix A.

A13 Tender validity period

To allow sufficient time for tender assessment and any unforeseen delays, a Tender Validity period of 120 days is required this period commencing on the closing date by which the Tenders are to be returned.

A14 Currency

Tender prices must be submitted in both Euro and Great Britain Pounds. Rates quoted in Euro will be used for the comparison between the applicants. Applicants should note that the Commission and the Authority will bear the costs of the consultancy in the proportions: 1/2 to the Commission and 1/2 to the Authority. All fees and expenses shall have to be invoiced separately to the Commission and the Authority in these proportions.

All invoices issued to the Commission will be in Euro and subject to Irish VAT and Withholding Tax. All invoices issued to the Authority will be in Sterling and subject to Northern Ireland VAT. The rates quoted in the tender will be the rate used throughout the life of the contract. The Commission or the Authority will not be liable for any exposure resulting from changes in exchange rates.

The liability of the Commission and the Authority for the payment of all fees and expenses shall be severable, not joint and severable. On no account will either the Commission or the Authority be accountable for any fees and expenses incurred by the other.

A15 Payment

It should be noted that a schedule of payments will be agreed with the successful Tenderer.

The Commission for Energy Regulation operates in accordance with the European Communities (Late Payment in Commercial Transactions) Regulations 2002.

A16 Confidentiality

After the official opening of tenders, information relating to the examination, clarification, evaluation and comparison of tenders and recommendations concerning the Award of Contract will not be disclosed to Tenderers or other persons not officially concerned with such process until the Award of Contract to the successful Tenderer has been announced and in conformity with national law.

Any effort by the Tenderer to influence the Purchasers or their staff in the process of examination, clarification, evaluation and comparison of tenders and in decisions concerning the Award of Contract may result in the rejection of that tender.

A17 Determination of responsiveness

After the official opening of Tenders, the Commission and Authority or their nominated staff will determine whether each Tender is substantially responsive to the requirements of the Tender Documents.

If a material deviation exists that limits in any substantial way the Purchaser's rights or the Tenderer's obligations under the Contract, the Tender shall be rejected and shall not subsequently be made responsive by the Tenderer.

A18 Clarification of tenders

To assist in the examination and comparison of Tenders, The Commission and the Authority may ask Tenderers for clarification of their Tenders. No change in the price or substance of the Tender shall be sought, offered or permitted.

A19 Freedom of Information

The Commission is subject to the Freedom of Information Act 1997 as amended. The Authority is subject to the Northern Ireland Freedom of Information Act 2000. The purchasers undertake to treat as confidential any information supplied as part of this tender, subject to the obligations under law. If the tender contains commercially sensitive information which the Tenderer wishes not to be disclosed, the Tenderer should indicate these components when replying, specifying the reasons for its sensitivity. The Commission or the Authority, depending on jurisdiction, will consult with the Tenderer before making a decision on any Freedom of Information request received involving any sensitive information that the Tenderer may have supplied.

A20 Queries

All enquiries regarding this tender should be emailed to Colin Broomfield at the following address: colin.broomfield@niaur.gov.uk. It should be noted that all clarifications will be issued to all Tenderers.

APPENDIX B: NIAUR VAT REGISTRATION

NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION

VAT REGISTRATION

Part 1 or Part 2 to be completed as appropriate by the Tenderer and returned with Tender Documents: -

1. My/Our VAT Registration Number is _____
Signed by _____
for and on behalf of _____

Date _____

2. I/We are “**EXEMPT**” from VAT under the terms of the United Kingdom Value Added Tax Act 1994.

Signed by _____
for and on behalf of _____

Date _____

APPENDIX C: NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION-FAIR EMPLOYMENT AND TREATMENT (NORTHERN IRELAND) ORDER 1998

FAIR EMPLOYMENT AND TREATMENT (NORTHERN IRELAND) ORDER 1998

1. Article 64 of the Fair Employment and Treatment (Northern Ireland) Order 1998 provides inter alia that a public authority shall not accept an offer to execute any work or supply any goods or services where the offer is made by an unqualified person in response to an invitation by the public authority to submit offers. Article 64(4) also provides that the public authority shall take all such steps as are reasonable to secure that no work is executed or supplies or services supplied for the purposes of such contracts as are mentioned above by an unqualified person.

2. For the purposes of Articles 64-66 of the Order, an unqualified person is a person on whom a notice has been served under Article 62(2) or Article 63(1) of the Order and which has not been cancelled.

3. Mindful of its obligations under the Order, the Authority has decided that it shall be a condition of tendering that a contractor shall not be an unqualified person for the purpose of Articles 64-66 of the Order.

4. Contractors are therefore asked to complete and return the form endorsed hereon, with their tender, to confirm that they are not unqualified persons and to undertake that no work shall be executed or supplies or services supplied by an unqualified person for the purposes of any contract with the Authority to which Article 64 of the Order applies.

FAIR EMPLOYMENT AND TREATMENT (NORTHERN IRELAND) ORDER 1998

I/We hereby declare that I am/we are not unqualified for the purposes of the Fair Employment and Treatment (Northern Ireland) Order 1998.

I/We undertake that no work shall be executed or supplies or services supplied by any unqualified person for the purposes of any contract with the Northern Ireland Authority for Utility Regulation, to which Article 64 of the Order applies.

Signed by _____

Duly authorised to sign for and on behalf of _____

Date _____

APPENDIX D: JRA Template Contract



Appendix D JRA CER
NIAUR Consultancy T