

Decision released from confidential session			
Recommendation from (agenda report)	Date of meeting	Recommendation to (decision-making meeting)	Date of meeting
		Nelson Regional Sewerage Business Unit	17 September 2021
Report Title and number			
Contract 25833: Nelson Regional Sewerage Scheme – Operations & Maintenance (R26204)			
Documents released			
Decision RSBU/2021/017, report R26204 and attachments (A2740327, A2740328 and A3740329)			
Decision			
<p>That the Nelson Regional Sewerage Business Unit</p> <ol style="list-style-type: none"> 1. Receives the report Contract 25833: Nelson Regional Sewerage Scheme - Operations & Maintenance (R26204) and its attachments (A2740327, A2740328 and A2740329); and 2. Awards Nelmac Limited the contract for Operation and Maintenance of the Nelson Regional Sewerage Scheme for an initial three-year eight-month term (but up to a maximum of seven years eight months), with an annual Target Outturn Cost of \$2.1M (noting that the Target Outturn Cost may vary due to operational requirements and cost fluctuations); and 3. Agrees that report (R26204), attachments (A2740327, A2740328 and A2740329) and the decision be made publicly available once all tenderers have been advised. 			

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Item 2: Contract 25833: Nelson Regional Sewerage Scheme - Operations & Maintenance



Nelson Regional Sewerage Business Unit

17 September 2021

Report Title: Contract 25833: Nelson Regional Sewerage Scheme - Operations & Maintenance

Report Author: Brad Nixon - Operations Manager Regional Services

Report Number: R26204

1. Purpose of Report

- 1.1 To approve the awarding of the Nelson Regional Sewerage Scheme (NRSS) operations and maintenance contract to Nelmac.

2. Recommendation

That the Nelson Regional Sewerage Business Unit

1. ***Receives the report Contract 25833: Nelson Regional Sewerage Scheme - Operations & Maintenance (R26204) and its attachments (A2740327, A2740328 and A2740329); and***
2. ***Awards Nelmac Limited the contract for Operation and Maintenance of the Nelson Regional Sewerage Scheme for an initial three-year eight-month term (but up to a maximum of seven years eight months), with an annual Target Outturn Cost of \$2.1M (noting that the Target Outturn Cost may vary due to operational requirements and cost fluctuations); and***
3. ***Agrees that report (R26204), attachments (A2740327, A2740328 and A2740329) and the decision be made publicly available once all tenderers have been advised.***

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3. Background and Discussion

- 3.1 The current contract for the Nelson Regional Sewerage Scheme (NRSS) Operations and Maintenance (O&M) expires on 31 October 2021. The incumbent contractor is Nelmac.
- 3.2 Officers could no longer extend the contract and a new tender was advertised. After Board input, a collaborative style contract was decided on to go to the market. A two-stage procurement process was utilised.
- 3.3 In April 2021 a Registration of Interest (ROI) was posted on the Government Electronic Tender Service (GETS). Five registrations were received. Following an initial evaluation, the following four contractors were invited to submit a proposal - Downer, Fulton Hogan, Nelmac and Veolia. The fifth tenderer scored notably lower and was not invited to proceed to the next stage.
- 3.4 The Request for Proposal (RFP) was sent to the four parties in July 2021. The RFP process included a mandatory site visit, along with a two-hour interactive session with each tenderer and the evaluation team.
- 3.5 The new operations & maintenance contract is due to commence on 01 November 2021.

4. Exclusion of the Public

- 4.1 This report has been placed in the public excluded part of the agenda in accordance with section 48(1)(a) and section 7 of the Local Government Official Information and Meetings Act 1987. The reason for withholding information in this report under this Act is to:

Negotiations for the potential purchase which may result in a deterioration of councils' position and result in an increased cost.

- Section 7(2)(i) To enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

5. RFP Evaluation

- 5.1 The RFP was evaluated with 70% non-price attributes to 30% price.
- 5.2 Non-Price Attributes
- 5.2.1 The Tenderers were asked to provide responses to show how their proposals would meet two key areas:
- Proposed solution (fit for purpose)
 - Capability and capacity of the Tenderer

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- 5.2.2 These areas were further broken down by a series of questions. These are included as Attachment 1 for reference.
- 5.2.3 The Tender Evaluation Team (TET) felt the responses received demonstrated the high level of technical expertise Tenderers proposed, the work put into understanding and responding to NRSBUs requirements, and the enthusiasm of Tenderers to work under the proposed collaborative contract model.
- 5.3 Price
 - 5.3.1 As the Contract model is a Target Outturn Cost (TOC), the annual value of the Contract is set by the NRSBU. In this case, the value utilised was \$2.1M, which represents the NRSS operations and maintenance budget for 2021/22, along with \$0.5M budget for renewals and minor capital works.
 - 5.3.2 From this figure of \$2.1M the tenderers proposed contract (onsite) overheads, corporate (offsite) overheads and profit were deducted, along with a nominated sum for materials/sample testing etc and the Tenderers nominated establishment costs. This provided a value which was determined to be the value of physical work (labour & plant costs) able to be completed. This value was assessed and contributed to 30% of the price score.
 - 5.3.3 The tenderers then had to provide their cost rates for a range of plant, and a list of labour types. Utilising the value of physical work able to be completed (see 4.3.2) and deducting the value of plant a figure of annual labour hours was generated (via a 'nominal' crew set determined by officers). The number of labour hours was assessed and contributed to 50% of the price score.
 - 5.3.4 Finally, tenderers were required to nominate their profit mark-up percentage to be applied to capital works (tranche three works – available to the Contractor for excellent performance against KPIs). This was applied against the total budget of tranche three works (\$0.5M) to generate a value of work able to be completed. This value was assessed and contributed to 20% of the price score.

6. Contract Model

- 6.1 To help drive the efficiency and performance of the NRSS, a collaborative contract model was used to procure an O&M Contractor.
- 6.2 The model eliminates the commercial drivers behind other contract types, by guaranteeing the Contractors overheads and profit are paid (subject to performance). As a result, the collaborative contracting team (Principal and the Contractor) can work together to ensure that the work completed delivers on 'best for Scheme'.

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- 6.3 Whilst the collaborative model promotes rewarding the Contractor for meeting and exceeding performance targets, it also has the ability to penalise the Contractor for poor performance. In a departure from the previous contract the Contractor is liable for penalties against any of the contract specifications, not just Resource Consent compliance. This is achieved through Key Performance Indicators (KPIs).
- 6.4 The KPIs are agreed by the Contract Governance team on an annual basis and can be altered to bring focus to specific areas of the Contract. This can include areas where performance may be lacking, that have significant risk outcomes, or feature notable stakeholder interest, for example.
- 6.5 The KPIs for the first FY of operations (through to the end of June 2022) are included as Attachment 2

7. Contract Value

- 7.1 The contract value is initially \$2.1M per annum. This value incorporates the operations and maintenance of the NRSS (\$1.6M), and a package of guaranteed renewals/minor capital works (\$0.5M).
- 7.2 Subject to the performance level of the Contractor (measured via KPIs), there are an additional two packages of renewals/capital works available, each \$0.5M.
- 7.3 Total annual value is therefore up to \$3.1M (\$1.6M opex, \$1.5M capex).
- 7.4 Officers note however, that the annual operations and maintenance TOC value can be varied on a yearly basis, and could be adjusted accordingly through scope alterations, changes to levels of service, savings achieved through improved productivities. The TOC value for any financial year is reviewed in the third quarter of the financial year prior.
- 7.5 Any TOC adjustments which would adversely affect the NRSBU opex budget would require the Board's approval. Any adjustments of this type would be submitted for the Board's approval via the annual Business Plan process.
- 7.6 There is adequate budget in the current financial year and Business Plan/Long Term Plan to cover this contract. The extract below from the approved Activity Management Plan shows the budget available (highlighted) of \$1.88M for O&M activities, increasing from 24/25

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NELSON REGIONAL SEWERAGE BUSINESS UNIT								
10 Year Operations and Maintenance Plan (\$,000)								
73.89	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
Total Management	500	500	500	500	500	500	500	500
Total Financial	818	1,167	1,399	1,800	1,977	2,324	2,558	2,925
Depreciation	-2,437	2,586	-2,527	2,568	-2,552	2,578	-2,559	2,595
Total Electricity	900	924	982	1,045	1,112	1,185	1,263	1,348
TP Maintenance	1,574	1,574	1,574	1,684	2,474	2,479	2,484	2,939
PS & RM Maintenance	309	309	309	309	309	309	309	309
Total Monitoring	358	297	277	279	277	392	279	277
Consultancy	75	75	75	250	250	250	250	250
Insurance	98	98	98	98	98	98	98	98
Rates & Rental	63	63	63	63	63	63	63	63
Water Charges	20	20	20	20	20	20	20	20
Forestry and spit restoration	4	4	4	4	4	4	4	4
Biosolids Disposal	960	960	960	960	960	960	960	960
Vehicle	10	10	10	10	10	10	10	10
Telephone/Computers	5	5	5	5	5	5	5	5
Total Expenses	3,256	8,592	3,749	9,595	5,507	11,177	6,244	12,303

8. RFP Evaluated Scores

8.1 The table below shows the evaluated scores for the four tenderers

Tenderer	Downer	Fulton Hogan	Nelmac	Veolia
Score (out of 100)	■	■	■	■
Position	2	3	1	4

8.2 Detailed scoring, showing the non-price attribute and price breakdown is included as attachment 3

9. Options

9.1 Two options are presented to the Board for consideration. Approve award of the tender or not approve award of the tender. Officers recommend option 1

Option 1: Award the tender to Nelmac (recommended option)	
Advantages	<ul style="list-style-type: none"> Experienced contractor Currently the incumbent Nelmac has recognised, via its tender, the changes to systems and processes required by the new Contract specifications.

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	<ul style="list-style-type: none">• Commitments made by Nelmac in its tender will be incorporated into the Contract documents to ensure they are fulfilled• No transition required to a new contractor• Within NRSBU budget
Risks and Disadvantages	<ul style="list-style-type: none">• Nil
Option 2: Not Award the tender to Nelmac	
Advantages	<ul style="list-style-type: none">• Nil
Risks and Disadvantages	<ul style="list-style-type: none">• Would need to go to market again• Would not meet the timeline to appoint a new contractor by 1 October 2021• Reputational risk of not appointing a contractor who meets all the requirements• All of the tenderers may not re-tender if NRSBU goes back to market

10. Conclusion

10.1 A new registration of interest was advertised for the operations and maintenance of the NRSBU Nelson Regional Sewerage Scheme. Five registrations were received and four were approved to the next stage. All four contractors are experienced and well known.

10.2 Following the tender evaluation, Nelmac was the preferred tenderer and officers support its appointment.

11. Next Steps

11.1 Following the approval of the award of the contract to Nelmac, Nelmac will be formally advised in writing of its success.

Author: Brad Nixon, Operations Manager Regional Services

Attachments

Attachment 1: A2740328 - RFP Non-Price Attribute Questions (*Confidential*)

Attachment 2: A2740328 - KPI Table (*Confidential*)

Attachment 3: A2740327 - RFP Evaluation Score Summary (*Confidential*)

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Important considerations for decision making

1. Fit with Purpose of Local Government

The NRSBU is a joint committee constituted pursuant to the provisions of Schedule 7 to the Local Government Act 2002 and contributes to the four Local Government well-beings of social, economic, environmental, and cultural.

2. Consistency with Community Outcomes and Council Policy

The recommendation provides outcomes consistent with Long Term Plans and Community Outcomes, notably the following:

- Our unique natural environment is healthy and protected
- Our infrastructure is efficient, cost effective and meets current and future needs.
- Our communities are healthy, safe, inclusive and resilient

3. Risk

It is anticipated that the operations & maintenance contract will highly likely meet the performance requirements.

Should this not be achieved, poor performance of the NRSS may affect the levels of service provision, compliance with Resource Consents, costs, the regions environment, NRSBUs reputation and relationships with iwi.

4. Financial impact

Funding for the operations and maintenance of the NRSS sits within the approved Business Plan and Activity Management Plan of the NRSBU

5. Degree of significance and level of engagement

The NRSBU is a Joint Committee of the two Councils and its activities are included in the Long-term Plans and Annual Plans of each Council. Consultation is undertaken by both Councils in the preparation and adoption of these plans

6. Climate Impact

Climate change impact has not been considered in this report, however the Operations and Maintenance Contract has the ability to improve the performance of the NRSS, thereby reducing the impact of the Scheme on the environment.

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7. Inclusion of Māori in the decision making process

No engagement with Māori has been undertaken in preparing this report but iwi have representation on the Board.

8. Delegations

The Councils are agreed that the responsibility for all management and administrative matters associated with the NRSBU operation shall be with the Board, and in particular the Board shall without the need to seek any further authority from the Councils:

Enter into all contract necessary for the operations and management of the Business Unit in accordance with approved Budgets and the intent of the Business Plan.

Authorise all payments necessary for the operations and management of the business unit within the approve budgets and the intent of the Business Plan

Do all other things, other than those things explicitly prohibited by this MOU or relevant statutes, that are necessary to achieve the objectives as stated in the strategic Plan, Asset Management Plan or Business Plan approved by the councils.

Powers to Recommend to Councils:

Any other matters under the areas of responsibility of the Business Unit and detailed in the Memorandum of Understanding

All recommendations to Council will be subject to adoption of an equivalent resolution by the other Council, unless it is a matter specific to one Council only



**Subject: REQUEST FOR PROPOSAL NON-PRICE ATTRIBUTE QUESTIONS:
25833 Nelson Regional Sewerage Scheme Operations & Maintenance Contract**

1. Fit for purpose / proposed solution	Weighting 30%
<p>a. What do you consider to be the key risks and challenges with the operation and maintenance of NRSS's assets and what will you do to address these? Weighting 5%</p>	
<p>b. Describe how you will undertake monitoring to demonstrate that the NRSS is meeting consent compliance requirements and that environmental performance is maintained to a high standard? Provide an overview of the Quality and Environmental Management System (QEMS) to be used. Include an overview of the systems and processes that you will use for day-to-day monitoring, and to monitor, escalate and respond to incidents that might impact consent compliance or environmental performance. Weighting 5%</p>	
<p>c. Detail your proposed maintenance management and asset management systems, including any key features of those systems. How will these systems ensure/drive best whole of life value for NRSBU? In addition:</p> <ul style="list-style-type: none"> • Include a description of how you propose to maintain condition information and manage the regular condition inspections required for updating asset data. • How will you take into account the criticality of specific assets when determining preventative and reactive maintenance responses? • Detail how your proposed asset management system will interface with NRSBU's INFOR IPS <p>Weighting 5%</p>	
<p>d. The Contractor will be integral to emergency event responses across the NRSS. Please outline your approach for how you will respond to the following emergency response scenarios:</p> <ul style="list-style-type: none"> • An unconsented wastewater discharge or overflow event • A flooding event that significantly compromises one or more of the NRSS sites • A significant and prolonged power outage • Receiving tankered wastewater under emergency conditions • A Region wide emergency, that presents damage to housing, along with roading and stormwater networks, and results in extreme wastewater flows, combined with damage to one or more critical components of the NRSS. <p>Weighting 10%</p>	
<p>e. What innovations will your organisation bring to the operation of the NRSS infrastructure to improve the future outcomes delivered to the communities served by NRSBU? Please include details of where they have proven successful before (including contact details for the client organisation involved). Weighting 5%</p>	

2. Capability and Capacity of the Respondent to deliver	Weighting 40%
<p>a. The Principal places a high value on resourcing to appropriately and adequately manage the operations and maintenance of the NRSS. In this regard, Tenderers are to provide the following information:</p> <ul style="list-style-type: none"> • Your proposed contract management and operations structure (organisational chart), including: <ul style="list-style-type: none"> ○ Operations and maintenance delivery, including supervisory staff, ○ Account/contract management, ○ Commentary on issue escalation within the management structure. • The personnel details, skills, qualifications and experience of <u>each and every</u> person listed in the organisational structure. • A schedule of the time commitments (hours per annum) of <u>each and every</u> person listed in the organisational structure. • A schedule of proposed plant and equipment that will be directly utilized for this contract. • The proposed key interfaces with NRSBU. <p>Weighting – 25%</p> <p>In evaluating this criteria, the Principal will place a high value on those Tenderers who clearly demonstrate an understanding of the resource requirements to appropriately operate and manage the assets of the NRSS, including an assessment of the level of resources proposed.</p>	
<p>b. Provide an overview of any other technical expertise (not involved in the day-to-day delivery of the contract) that you will provide to the operation and maintenance of the NRSS. Explain the level of commitment and availability of these resources, and where any costs of these resources would be recovered from. Respondents should note that these commitments will be carried through to the contract document if accepted by the Principal.</p> <p>Weighting – 7.5%</p>	
<p>c. Provide an overview of supply contracts and any sub-contractors you will use in the provision of the operations and maintenance services. How will they deliver value and sustained high performance for NRSBU over the term of the proposed contract?</p> <p>Weighting – 7.5%</p>	

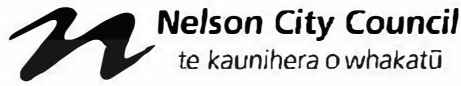
Item 2: Contract 25833: Nelson Regional Sewerage Scheme - Operations & Maintenance:
Attachment 2



Subject: KEY PERFORMANCE INDICATORS 2021/22: 25833 Nelson Regional Sewerage Scheme Operations & Maintenance Contract

KPI Measure	Assessment	KPI Weighting
Wastewater System Reliability:		
There shall be no wastewater overflows from the NRSS caused by Contractor actions or inactions.	Pass/Fail	10.00%
All wastewater overflows are notified within 2 hours and reported (in accordance with reporting requirements) within 24 hours.	Pass/Fail	4.00%
The NRSS is operated in compliance with resource consents and there are no breaches due to the Contractor's action or inaction.	Pass/Fail	10.00%
There are NO justified odour complaints generated from the NRSS due to the Contractor's actions or inaction.	Pass/Fail	4.00%
Pump stations shall have the capacity of one Storm Pump available 100% of the time AND have all pump capacity available 97% of the time (applies for whole of network).	Pass/Fail % of Time/month Network Duty Capacity and Standby Capacity available.	4.00%
SCADA & Telemetry systems are on line and recording 100% of the time. Excludes time lost by communications failures outside the control of the Contractor (e.g. weather conditions, WAN failures, power outages).	Pass/Fail SCADA System available 100% of the time.	2.00%
Contractor's time to acknowledge and take appropriate action to Priority 1 alarms is less than 15 minutes of the alarm being generated on the SCADA system.	Pass/Fail Response Time to Priority 1 SCADA Alarms within 15 minutes.	4.00%
Agreed operational and compliance trends and unusual activity are monitored and reported on monthly in a format to be agreed by both parties.	Pass/Fail Number of incidents due to poor SCADA monitoring and data analysis.	2.00%
Total Wastewater System Reliability Score		40.00%
Reinstatement and Job Completion:		
Contractor's Attendance Time to address all Urgent Jobs meets defined response times.	Pass / Fail Attendance Time for Urgent response category 90 % by number of jobs within defined response times.	5.00%
Contractor's Attendance (excluding Urgent response) and Service Restoration Times for all Jobs meets defined response times.	Pass/Fail Attendance and Service Restoration Times 90% by number jobs are within	3.00%

	defined response times.	
Contractor's Site Reinstated Time for all Jobs is ten days.	Pass/Fail Site Reinstated Time 90% by number jobs within 10 days	3.00%
Contractor's Completion Time for all Jobs (originating from Confirm Enquiries) is 60 days.	Pass/Fail Completion Time 90% by number of jobs within 60 days	3.00%
Contractors Service Restoration, Site Reinstatement and Completion Times for all Jobs (originating from Defects) meets defined response times.	Pass/Fail Achieved 90% by number of jobs defined response times.	3.00%
Contractor's Completion Time for all Jobs (not originating from Confirm Enquires, e.g. Variations or Defects) meets agreed times.	Pass/Fail Completion Time 90% by number of jobs within agreed response times.	3.00%
Total Reinstatement and Job Complete Score		20.00%
Reporting:		
ALL Monthly reporting and claims to be presented on time and as specified (e.g. as-built information, commissioning reports, SOPs, etc.)	Pass/Fail	8.00%
Contractor's monthly scores greater than 80% on the Principal's audits of Contract Site and Works.	Pass/Fail Average score over 80%	6.00%
ALL programmed asset condition surveys completed on time, in agreed format and are accurate to enable on-going renewal planning.	Pass/Fail	6.00%
Total Reporting Score		20.00%
Monthly Delivery:		
90 % of Routine Maintenance are appropriately resourced and completed within agreed timeframes	Pass/Fail	10.00%
90 % of Capital projects have TOCs agreed, are appropriately resourced and completed within agreed timeframes	Pass/Fail	10.00%
Total Monthly Delivery Score		20.00%



Subject: TENDER EVALUATION SCORE SHEET: 25833 Nelson Regional Sewerage Scheme Operations & Maintenance Contract

Summary Information:

Submissions: Four parties were selected to provide proposal, and four proposals were received (Downer, Fulton Hogan, Nelmac and Veolia)

Tender evaluation method: Weighted attributes

Weightings: 70% Attributes, 30% Price

Tender evaluation scoring summary:

Attribute	Tender Weighting	Downer (Score)	Fulton Hogan (Score)	Nelmac (Score)	Veolia (Score)
Fit for purpose / proposed solution	30%	█ / 30	█ / 30	█ / 30	█ / 30
Commitment of plant of facilities to the tender	40%	█ / 40	█ / 40	█ / 40	█ / 40
NPA Total %	70	█ / 70	█ / 70	█ / 40	█ / 40
Price	30	█ / 30	█ / 30	█ / 30	█ / 30
Total	100	█	█	█	█

Preferred Tenderer: Nelmac, with a score of █