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Infrastructure Delivery Partner (IDP) Procurement

Strategy Update

June 2017



Background

- In July 2016 Welsh Government published a Periodic Indicative Notice (PIN) in the Supplement of the Official Journal of the European Union relating to ECI design and construction opportunities arising from the South Wales Metro programme.
- Key aspects of the PIN included –
 - Selection of suppliers on a framework basis;
 - Three potential lots – Electrification, General Civils Works and Permanent Way (track) works;
 - ECI principles with upfront design followed by delivery;
 - Working with WG, TfW and ODP in a collaborative alliance arrangement with aligned objectives and performance based incentives;
 - Whilst focused on Metro the PIN indicated a Wales-wide approach;
 - There would be further market engagement prior to issue of a Contract Notice (indicated to be published on 01 June 2017); and
 - Interested organisations should register on Sell2Wales.

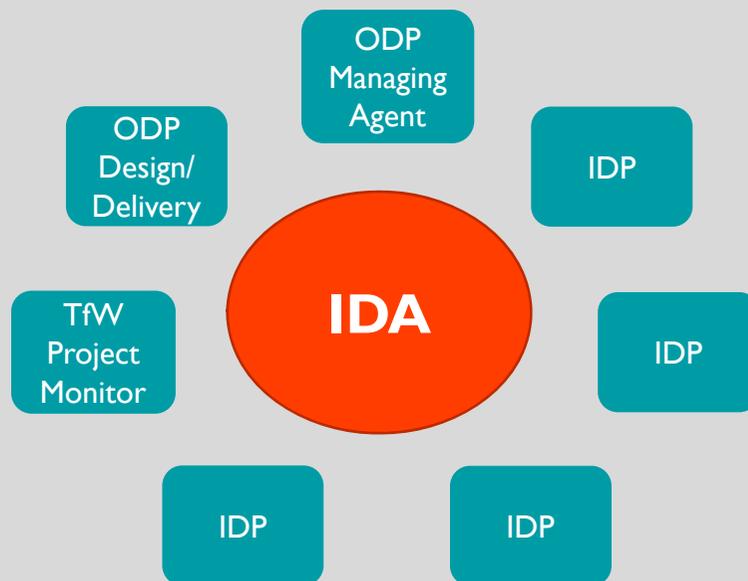
Background

- Since the publication of the PIN, the procurement strategy for delivery of South Wales Metro Phase 2 Infrastructure (£738m incl inflation and VAT) has matured.
- Ongoing dialogue with the ODP bidders is shaping the Infrastructure Delivery Partner (IDP) requirements and TfW plans to commence the IDP procurement and issue a Contract Notice once the ODP solution is clearer. This is later than originally envisaged (May 2017).
- TfW remains focused on an outcome based specification for Metro Phase 2 which means that there are a range of solutions being promoted by the ODP bidders, however likely scope includes additional tracks, enhanced control systems, station and platform improvements and overhead line electrification.
- TfW's focus is on obtaining the maximum extent of enhancements possible for the available funding, rather than a specific price. The full funding is likely to be used on the Core Valley Lines.
- TfW continues to promote an alliancing approach to the Metro Phase 2 works including the ODP and the selected IDPs.

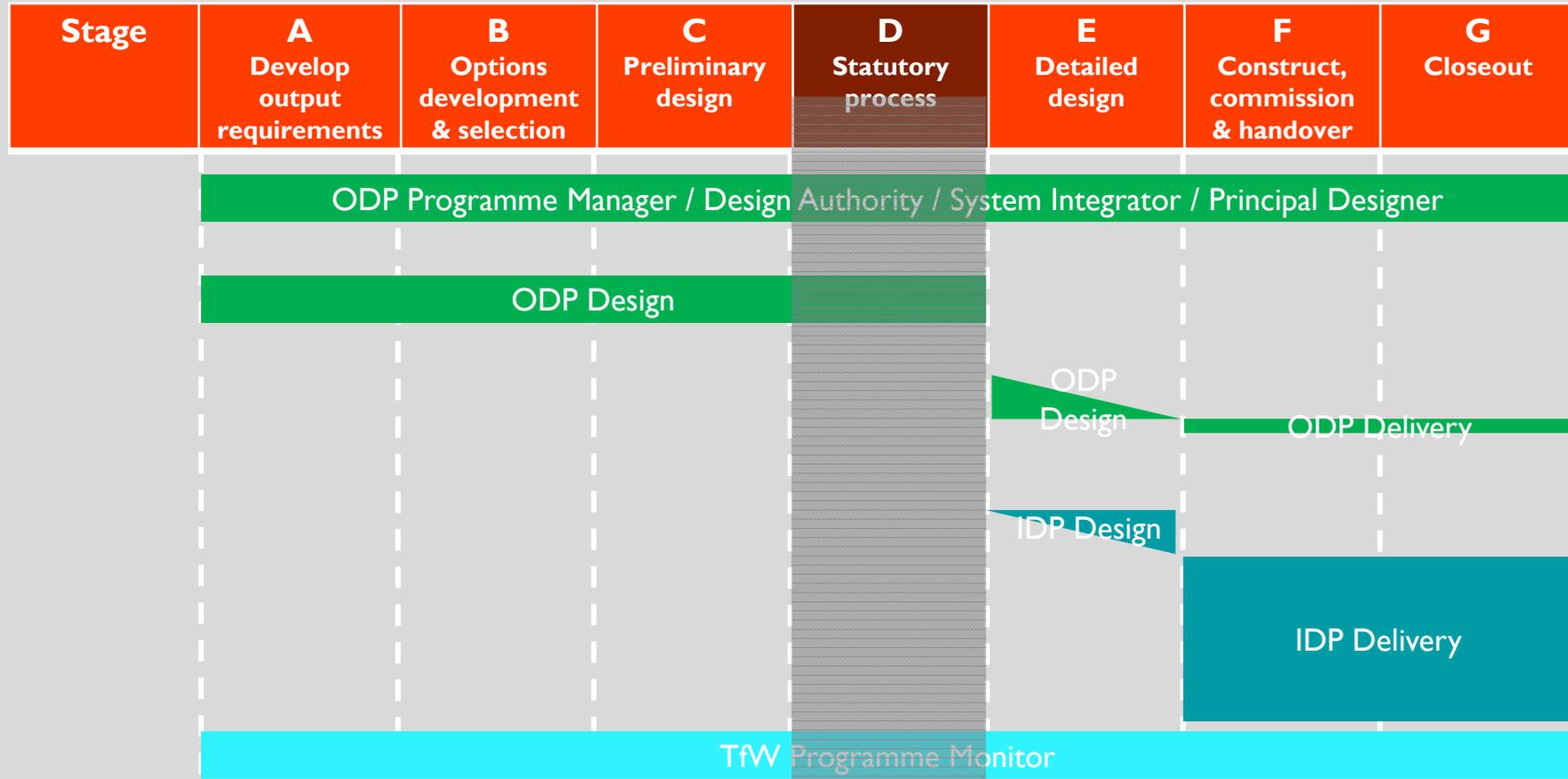
CVL Infrastructure

- ODP bidders tender an Initial Target Price for CVL infrastructure.
- Appointed ODP spends 12-15 months in a Design & Discovery Phase. Outcome includes a Final Target Price. Appointed IDPs will support this phase.
- IDPs are managed by the ODP and they will work together in the Infrastructure Delivery Alliance (IDA) to deliver scope of CVL Infrastructure, set against the ODP programme and Final Target Price.
- TfW will act as the project monitor to ensure changes are managed and scope is delivered.

IDA Structure



IDA Approach



IDP Procurement Strategy

Why procure IDPs separately from the ODP?

- To obtain better value from clear and early supply chain engagement.
- Delivery of greater community benefits – employment, training, skills, SMEs, etc.
- Developing a team of equals in an alliancing arrangement.
- The ability to influence risk allocation through the supply chain to ensure fairness, and fitness to carry risk.
- Reducing fee on fee
- Adopting best practice from elsewhere.

IDP Procurement Strategy

TfW proposes:

- Multi-stage procurement of IDPs
- Wales-wide approach with initial focus on South Wales Metro. Long term frameworks (under Utilities Regulations);
- Call for competition with selection onto a framework agreement with multiple lots;
- Potentially four lots:
 - General Civils works (including gauge clearance works, stations, platforms, earthworks for track laying, drainage, foundations, and the like) (Estimated CVL gross budget £100m),
 - Electrification / traction power works (including power supplies, overhead line equipment, and the like) (Estimated CVL gross budget £200m),
 - Signalling and Comms works (including control systems and the like) (Estimated CVL gross budget £100m),
 - Permanent Way works (including new trackworks, linespeed improvements, S&C and the like) (Estimated CVL gross budget £70m);

IDP Procurement Strategy

TfW proposes:

- The Lots could also be banded by either works value or turnover of suppliers to create tier one and tier two supplier frameworks. Tier two supplier frameworks could also be split into further sub-lots for North and South Wales to suit coverage of SMEs;
- Some limited works will be conducted by the ODP itself, although only where there is a compelling case. An example might be signalling systems which are highly specialised.
- Selection from framework lots via mini-competitions,
 - for CVL works – run by the ODP (except where a potential conflict of interest may exist with the ODP in which case TfW can step in).
 - for other works – either run by the ODP or TfW depending upon circumstances.
- In all cases Welsh Government will be the Contracting Entity.
- Call off provisions can also be provided up to an agreed value and for extraordinary needs.

IDP Procurement Strategy

- The intention is to award multiple work packages within each Lot with one or more suppliers appointed depending upon volume of anticipated works.
- This will give successful suppliers a long-term workload to encourage investment, however future work packages can be lost through poor performance and further mini-competitions may then be run to allocate work packages to others.
- Suppliers who enter the framework should be aware that there may only be one mini-competition per lot for the South Wales Metro component, although the Contracting Entity will reserve the right to hold further mini-competitions as necessary for South Wales Metro or wider Wales;
- Selected suppliers will be expected to provide ECI type services through NEC Professional Services contracts followed by delivery through NEC Engineering and Construction Contracts on a work package by work package basis.
- The extent of design required from IDPs will vary depending on the level of design the ODP delivers itself.

IDP Procurement Strategy

- For CVL works, IDPs are anticipated to work in a collaborative alliance arrangement with WG, TfW and ODP (the Infrastructure Delivery Alliance).
- Beyond CVL, further collaborative working arrangements may be established, including with Network Rail Wales;
- All infrastructure packages will be awarded on an open book, target price, basis, and it is currently anticipated this will include share arrangements at both work package level and, for CVL, the overall programme level.
- Shares will be set to reflect the level of risk being taken by each party with the IDPs taking a greater share at work package level and smaller share at programme level, where used;
- Suppliers will be required to meet TfW's sustainability targets including carbon reduction, local employment, training, skills, SME development, community benefits and the like.

Areas for consideration

- Duration of Framework?
- Lotting –
 - By discipline – is the current strategy right?
 - By value – size of project or size of supplier?
 - By geography
- Call off arrangements?
- Community Benefits targets?