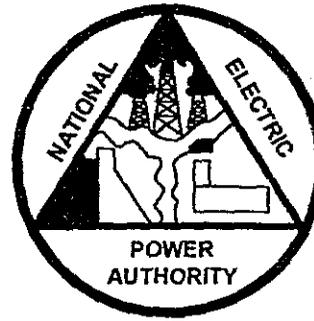


PN-ACU-038



NIGERIA ELECTRIC POWER AUTHORITY

MANUAL FOR THE MANAGEMENT OF PROJECTS

SUMMARY

This manual has been written as a guidebook for project team members to be used alongside NEPA detailed project procedures. The project procedures describe what tasks need to be carried out to successfully complete a project and who should carry them out. The procedures have been written as a set of instructions, whereas this manual expands how major activities, described in the procedures, should be undertaken offering hints and advice based on the experience of the authors.

Approved for Issue by: _____
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1 Introduction

Capital projects represent a significant undertaking for any company both in terms of financial and human resources. All capital projects have the potential to trip up the unwary and, in going wrong, to cause numerous managerial challenges. This manual has been produced to commend a structured approach to project management. Whilst it cannot prevent disaster, it will help to avoid problems by thinking ahead and will assist in resolution of problems when they have occurred.

This manual and the associated procedures cover all processes from project initiation through to contract completion. It is recognised that not all the processes described will be relevant to every contract. For example, revenue collection contracts do not need Testing and Commissioning or Taking Over Certificates. Contract Managers must choose the parts of the process relevant to their contract and follow the relevant parts of the procedures.

Generally contracts may be classified as follows:

1. Contracts that Create or Refurbish assets ultimately owned by NEPA for example new extensions to transmission system, rehabilitation of generators – ALL PROCESSES EXPECTED TO BE RELEVANT
2. Contracts that create assets that will not be owned by NEPA, for example IPP, EPP - NOT ALL PROCESSES RELEVANT
3. Contracts that do not create assets, for example Revenue collection – NOT ALL PROCESSES RELEVANT

The manual is based on processes outlined in flowchart form in Procedure 001.

2 Project Initiation

2.1 BUSINESS PLANNING AND PROJECT SPONSORS

Project management starts with a company setting out its business objectives and formulating investment proposals to meet those objectives. It does this by asking appropriate departments to outline suitable investment project proposals to meet the company objectives. For example if the objective were to increase generating capacity, Generation Division would be asked to propose how to achieve this. Generation Division would then outline investment proposals, which could include a mix of new generation, projects to enhance existing plant capability or rehabilitation projects. The Executive Director - Generation becomes the initiator or sponsor of those projects.

Similarly The Executive Directors of Transmission and Distribution would formulate proposals for appropriate projects and would be sponsors of those projects. The business planning process in any year ends by approving those projects which best meet the company's objectives and expected financial position i.e., ability to pay. Following budget approval, the project sponsor is empowered to proceed with initiation and development of the projects for which he is the sponsor (See procedure 002)

Once the company has decided to proceed with a particular project then the project sponsor should appoint a project manager. The project manager's first task is to review the project outline and assess what specialist resources he will require to work with him to develop the project further

2.2 PROJECT MANAGER

Most projects are complex involving many skills including technical, financial, legal, commercial, planning, public relations, human resources etc. It is unlikely that one person would possess all these skills, and successful project management involves building and managing multi-functional teams of specialists with a common goal.

The key player in this team is the Project Manager who must be given the authority to manage the project through appropriate delegations. Once appointed the project manager has the following key responsibilities, which he discharges through a multi-functional team.

Key Responsibilities:

- Deliver the project to time, cost and quality/performance
- Keep senior management informed of progress and any problems
- Communicate and act as prime focus for the project

To enable the project manager to successfully discharge his responsibilities he must:

- Build, lead and motivate the project team
- Make or force timely decisions to assure project success
- Define and plan the project

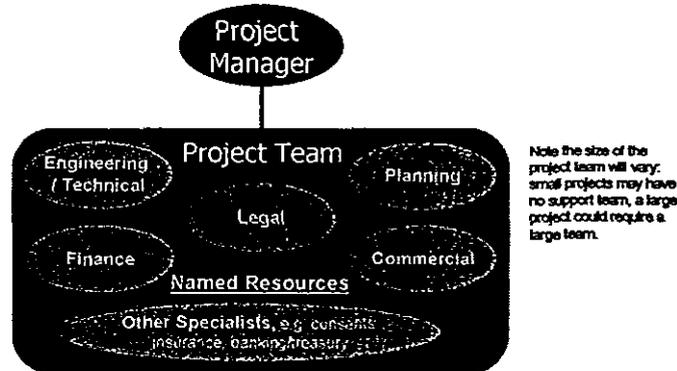
- Monitor and control project progress
- Ensure work packages are allocated and responsibilities identified

The project manager needs to understand the objectives of the project, any company constraints, expected budget and expected scope of the project before proceeding to the Project Development Phase of the Project.

2.3 PROJECT TEAM

The project manager then needs to assemble his team of specialists, which he does by requests to and negotiation with functional managers. The size of team required will depend on the phase and size of the project, and the project manager will specify the resource requirement.

Team members may be appointed on a full or part time basis depending on the project manager's resource estimate, and this requirement for specialist resources will change depending on the phase of the project. The project manager and functional managers must be aware of this changing requirement, to make best use of all resources.



For small projects the project manager must use his discretion over the use of team members and may take several team roles himself, for example he may also take the role of engineer and site representative. This is entirely to keep the resource employed on a project at an appropriate level that reflects the small nature of the project.

2.4 APPROVAL AUTHORITY

The Approval Authority is the responsible person or committee with the authority to approve projects, contract award and the payment of invoices. This authority is given by the NEPA Financial Guidelines and is based on financial limits of authority. Project Managers must familiarise themselves with the financial guidelines to ensure that they submit their proposals to the correct authority and hence minimise delay to their projects and payments to contractors.

3 Project Development

The purpose of project development is to:

- Develop the detailed scope of the project
- Produce an overall project plan
- Propose a contract strategy
- Carry out Risk Analysis and plan for management of identified risks
- Produce a cost estimate and review against budget
- Produce internal NEPA manpower resource estimates for the project and determine whether to provide resource internally or use consultants
- Prepare a project proposal for management approval.

This phase of a project is completed when senior management gives approval for the project to proceed to the execution phase.

After receiving nominations for all his team members, the project manager must assemble his team and allocate responsibilities, tasks and programme for completion of allocated tasks. Generally, at this stage the team has the responsibilities listed above, which are described in more detail below.

3.1 DEFINE THE DETAILED SCOPE OF THE PROJECT

Initially a project will have been proposed in outline to meet a company need or objective. For example, fault reports may show that a certain transformer has become unreliable. The outline plan would be to replace a transformer however this development phase of the project would develop the detailed scope by looking in detail at exactly how and what actually needs to be done to replace the transformer. Examples of issues to be considered when assessing the detailed scope are:

- What is the state of associated equipment like protection, switchgear, foundations, support structures, batteries etc? What needs to be replaced, what ought to be replaced?
- How will the equipment be replaced, main circuit outages, safety issues in working close to live equipment?
- What risks are involved with carrying out the project and who should manage those risks?
- Environmental issues such as how to deal with the transformer oil.
- Transport routes to and from the site.

3.2 PRODUCE AN OVERALL PROJECT PLAN

After identifying the overall scope of the project it is necessary to determine how long the project will take to complete. Besides providing key milestones for the contract document, the project plan provides a basis for the financial cost profile for the project.

There will be constraints on working that need to be taken into account when making the plan, for example there may be constraints on when circuit outages may be taken. These need to be taken into account and be included in the plan.

3.3 CARRY OUT RISK ANALYSIS

As the technical scope of the project is developed the project team will identify risks to the project. This may be done individually or at team meetings, perhaps by "brainstorming". Any team member who identifies a potential risk to the project is duty bound to advise the Project Manager.

Risks will generally be categorised as follows:

- **Technical** – will include issues such as site conditions, equipment compatibility, impact of new technology, project schedule
- **Safety** – includes safety of plant, equipment, personnel and the general public
- **Commercial** – will include terms and conditions, terms of payment, impact of technical issues on cost
- **Environmental** – will include effect of environmental legislation on project completion, effect of necessary planning permissions
- **Corporate** – includes effect of project on corporate image, likelihood for public relations problems
- **External** – political, planning permissions and consents, community relations

Each identified risk will be included in a Risk Register (Form 002 – 06). The risk register will identify the team member allocated to manage the risk and the action taken. This will be reviewed and updated by the Project Manager at each project team meeting.

Note: The aim is not necessarily to eliminate all risks, but to identify and manage them. The risk register is a tool to assist this process. Risk management is an essential part of the project manager's responsibilities

3.4 PROPOSE CONTRACT STRATEGY

Contract strategy has an effect on the cost of the project and is basically a process of allocating risk management between NEPA and the contractor. The more risk that NEPA place on the contractor, through the contract, the more return the contractor is likely to seek through increased contracts value. (See also section 3.3 on Risk Analysis)

As well as considering the contract types, the contract strategy must include an assessment of NEPA internal resource availability and capabilities. This means that an assessment must be made of whether NEPA has staff who have the necessary skills and experience to manage certain aspects of the project and also whether they are likely to be available.

The contract strategy should give the best overall perceived balance between risk and cost for that particular project. It should be remembered that NEPA will pay for the risk no matter how it is allocated through the contract strategy. The best strategy is one that has the following important features:

- Is most effective in terms of overall project cost
- Assigns the risk to the party best placed to manage that risk
- Recognises the unique circumstances of the project.

There are a number of contract options to be considered with varying degrees of risk and cost, classed by scope, by risk or cost structure.

3.4.1 Contract Type by Scope:

- Construction Contracts
 - Engineer and Procure (EP)
 - Procure and Construct (PC)
 - Engineer, Procure and Construct (EPC)
- Power Purchase Agreements
 - Build, own, operate (BOO)
 - Build, own, operate and transfer (BOOT)
 - Rehabilitate, Operate, Transfer (ROT)
- Other
 - Operate and Maintain (O&M)
 - Revenue Collection Management (RCM)
 - Rehabilitate
 - Maintenance
 - etc

3.4.2 Contract Type by Risk:

Turnkey – a single contract is placed for all the works in the project and the contractor is totally responsible for the successful completion of all the works. This approach means maximum risk for the contractor and minimum risk for NEPA but normally a premium is paid for this and you would expect the turnkey contract to be the most expensive option.

Composite – In a similar way to a turnkey project, NEPA would bundle works on one site into a single composite contract but works in the project on other sites would be subject to additional contracts. NEPA would manage the interface between the separate contracts and would therefore retain some project risk. You would expect the cost to be lower but this reflects the lower risk placed on the contractor

Multiple Contracts – NEPA would place many contracts for the total project works for example, there would be separate civil, mechanical and electrical main plant contracts. NEPA must manage the interface between contracts and ensure that the terms and conditions allow them to do this. The overall contract cost would be expected to be lower but the risks to NEPA are large and the possibility of claims high.

3.4.3 Contract Type by Cost Structure:

Lump Sum – Only used where the scope of works is substantially understood and defined at the time of placing the contract. The type of contract has an advantage in that it puts a ceiling of the cost but a disadvantage in that the costs are likely to be higher due to the contractor loading the price to cover any unforeseen risks.

Unit Price – A flexible contract often used where the type of unit is well known but the quantities are not well defined, examples would be pipeline or cabling contracts. These types of contracts require careful measurement by NEPA and, therefore, involve a large administrative load.

Cost Reimbursable – Sometimes used to fast track projects particularly where a start is required but the scope is not fully defined. This type of contract is flexible and allows changes in scope easily, however the contractor has no incentive to control his costs and thus it requires detailed administration of this type of contract by NEPA.

Cost Plus – This type of contract reimburses the contractor for a defined scope of work. The contractor is guaranteed a basic sum which covers his costs plus a bonus or fee which places a ceiling on the overall cost of the defined scope. The contract has the advantage that the contractor bears all the cost overruns over the contract value for the defined scope so he has an incentive to control his costs. The disadvantages are additional costs may be included in the basic sum as a contingency against cost overruns and agreement on the cost basis for any substantial change of scope may be difficult.

Time and Materials – Normally only used for small plant contracts, repairs to existing plant and for the supply of labour only, for example, consultancy contracts. The contractor is reimbursed an agreed rate for the supply of equipment, the hire of plant, equipment and labour. These contracts are very flexible but need careful control and there are no incentives for the contractor to control his costs.

3.4.4 Single or Competitive Tender

The first decision is whether to have a competitive tender or not. Competitive tender should be regarded as the norm, especially for higher value projects. There may, however, be occasions where single tender action can be justified, but this should require approval by a higher than usual level of Approval Authority, as described in the Finance Policy Guidelines.

Single Tender can normally only be justified for the following reasons:

- Extension to or rehabilitation of existing equipment that can only be done by original manufacturer due to design compatibility. An example of this is extension to 400kV Gas Insulated busbars as each manufacturer's designs are unique and not compatible with each another.
- Additional equipment on existing site where identical equipment eases operation, maintenance and spares requirements.
- New technology where there is only one supplier – however this is a risky strategy and the team should question the merits of the new technology over the old and the risks associated with the new technology.
- The contractor is the only known source of the materials

- Emergency where only one contractor can mobilise immediately, perhaps they are on site already

In all other cases it is difficult to justify single tender action; a competitive tender will generally lead to better value for the company

3.5 PRODUCE A COST ESTIMATE

The project team must produce a cost estimate for the overall project for comparison with the approved budget and for final financial approval for the project to proceed. The overall cost estimate is made up of estimates of the cost of individual parts of the project. There are three main elements to cost estimating and each must be completed to obtain a true estimate of the project cost:

3.5.1 Cost Estimate for Plant and Equipment

The cost of each item of main plant and equipment should be estimated and recorded, a computer spreadsheet is a good tool for this task, as it is easy to make amendments at a later date if better estimating information comes to light.

Estimates for each part may be made by reference to a number of sources, for example:

- Database of costs
- Recent contracts for similar work
- Budget prices given by contractors
- Engineering judgement.

However the estimate is derived, the source of the estimate should be documented as evidence for the estimate supplied for management approval and for future audit purposes.

For each item of plant and equipment a likely risk to the cost estimate must be made by reference to the project risk assessment.

3.5.2 Internal Resource Cost

NEPA will expend internal resource on the project through the project team. The level of resource and the cost of providing that internal resource should be estimated and included in the cost estimate. This is important for resource and skill planning. For large projects the internal resource will be a small part of the overall cost but for small projects the internal resource cost may be very significant and needs to be monitored very carefully by the project manager.

Again, a risk element must be estimated for the risk of under or over utilising resources.

3.5.3 Inflation – Phasing of Expenditure

When all the plant equipment and resource estimates have been made, you have a cost estimate for the project if it all happens today. However, this estimate is not a true reflection of the final outturn cost of the project. The expenditure must therefore be spread out or phased over the life of the project with inflation being taken into account for projects spread over a number of years.

The starting point for expenditure phasing is the proposed project plan. The project manager may then estimate the likely value of work done at various stages through the plan and make additions for inflation. Again this can be conveniently carried out using a computer spreadsheet.

When these stages of estimating have been carried out, the cost estimate is ready for the project approval paper (See 3.6 below and Procedure 002 section 2.2.5)

3.6 PREPARE PROJECT APPROVAL PAPER

When the team is satisfied that the project is adequately developed and that it meets NEPA objectives, a Project Approval Paper should be prepared for submission to the appropriate Approval Authority. The appropriate level of Approval Authority that is required depends on the value of the project and is specified in the NEPA Finance Policy Guidelines.

The Project Approval Paper should be in standard format and cover the following topics:

- Background/Reason for the scheme
- System design issues
- Technical scope of proposed works
- Risk Analysis – description of risk and proposals for risk management
- Proposed contract strategy
- Estimated Outturn Cost
- Cost versus budget analysis – any differences with budget should be identified and discussed/justified.
- Analysis of financial impact on NEPA and ability to fund
- Environmental and planning issues.

4 Tender Development and Contract Award

Tender development includes preparation of the tender and the selection of bidders. Both these activities may take place in parallel.

4.1 WHAT IS A CONTRACT?

Projects will normally be executed through contracts with competent contractors to provide goods and services at a time, to a quality and at a price agreed in the contract. Projects may consist of one contract or many interacting contracts.

A contract is a legally enforceable promise. If either party breaches the contract, the law provides remedies for the injured party or allows the contract to be rescinded.

A contract defines the rights and obligations of both parties and requires four elements to be legally enforceable:

- Competent parties – both parties must be capable of fulfilling their obligations under the contract
- Proper and legal subject matter – the contract must relate to lawful activities
- Agreement between the parties - there must be mutual consent by means of an Offer by one party and Acceptance by the other
- Consideration – the contract must contain details of the exchange of something of value (payment) in return for goods and services provided.

4.2 CONFIRMATION OF CONTRACT STRATEGY

Contract strategy has an effect on cost and so a proposed strategy must be produced in the development phase of the project. If some time has elapsed since management approval of the project the project team must review the contract strategy before proceeding further. Changes to the proposed contract strategy may be required due to:

- Change of technical scope
- Change of system requirements.
- Requirement to change programme

4.3 SELECTION OF BIDDERS

The tender list must be approved by the appropriate Approval Authority as set out in the NEPA Financial Guidelines and as described in procedure 003 section 1. This section of the manual deals with methods for the selection of bidders.

4.3.1 Who Should be Invited to Tender?

There may be large numbers of contractors vying for NEPA business. Irrespective of whether the contract will be single source or competitive, it is imperative that only competent contractors are chosen.

There are many ways of dealing with the question of who to put on the tender list and NEPA may wish to use some of the following as a basis for selection for the tender list:

- **Contractors of International Repute**
International reputation does not necessarily mean that they will do a good job in Nigeria. Ideally some form of pre-qualification should be used to demonstrate competence and suitability for the particular type of project. (see pre-qualification section 4.3.3 below)
- **People who have previously worked satisfactorily for NEPA**
A good way of choosing contractors as it is easy to demonstrate that they are suitable. This method is the basis of an Approved Contractor database (see 4.3.2 below)
- **Approved Contractors Database (see 4.3.2 below)**
- **Advertising nationally and/or internationally to seek expressions of interest from contractors who might be interested in working for NEPA**
Pre-qualification to check competence and performance is needed for contractors who have never worked for NEPA previously.

4.3.2 Approved Contractor Database

A good way of dealing with "who to invite to tender" is for the company to maintain a database of Approved Contractors. An Approved Contractor is one who has already shown competence and satisfactory performance in the particular type of work. Therefore the project manager may have confidence that, in choosing a contractor from the database, he will be choosing a contractor with a track record of satisfactory performance in working for NEPA. Hence, such a database is a useful tool in selecting contractors.

NEPA's Corporate Procurement Department should keep this database of competent contractors for all project managers to use and regularly update the information in it. An important part of contract closure is for the project manager to report on the contractor performance so that the database can be updated. Companies who receive adverse reports should be warned and, if performance does not improve, they should be removed from the approved list. (Note: Maintenance of the Approved Contractor database is a time-consuming activity but well worth it)

A database may be started at any time by collecting nominations as Approved Contractors from project managers from among those contractors already working for NEPA. Future additions to the database would be made through a pre-qualification process (see section 4.3.3 below)

The Approved Contractor database records the following information:

- **Name of Contractor**
- **Date of approval**
- **Scope of work for which approval is relevant**

Contractors are approved for the types of work for which they have pre-qualified or demonstrated competence. For example a contractor who is on the database approved

to carry out general building work would not be allowed to tender for work rehabilitating a steam turbine

- Contract value up to which a contractor would be considered
- Date of last contract awarded
- Performance on last contract, based on project managers assessment
- Any other relevant comments.

The existence of an Approved Contractor database does not preclude another contractor from working for NEPA. In the case of a non-Approved Contractor they can apply to be included on the list at any time and be required to go through a pre-qualification process. If they demonstrate appropriate skill and experience they can be included on the database and invited to tender in the future

If an Approved Contractor database does not exist, the pre-qualification process should be followed to identify suitable candidates for inclusion in the tender list.

4.3.3 Pre-Qualification

Pre-qualification of contractors may be a formal requirement if the contract value is above a specified threshold or in the following circumstances:

- There are no suitable bidders for the type of work on the Approved Contractor Database
- The Project Team wish to introduce new bidders to broaden the contractor base for a particular type of work
- A new contractor applies to work for NEPA.

Pre-qualification may be project specific and occur during the project process. Pre-qualification may also take place at other times to broaden the base of contractors on the Approved Contractor database.

Companies invited to pre-qualify should be identified in accordance with section 4.3.1.

The purpose of pre-qualification is to ensure that contractors working for NEPA are competent. Pre-qualification is a lengthy process and time should be allowed in the project programme for the pre-qualification of contractors. Contractors will be assessed against defined pre-qualification criteria, including:

- Financial Standing
- Bonding capacity
- Past performance
- Workload
 - Current
 - Projected
- Resources committed to project:

- Labour compatibility – Union issues
- Health & Safety records
- Environmental record
- Court cases – prosecutions pending
- Claims record – do they have a history of bidding low and making claims?

4.3.4 Tender List Approval

The tender list will be subject to management approval. If the tender list is not approved the project team must evaluate how to proceed. Rejection by management of the tender list should, however, be a rare occurrence and can only be on the grounds that the team:

- evaluated a contractor's capability incorrectly or
- did not open the list sufficiently to competition, e.g. by not advertising the forthcoming tender nationally or internationally or by not having enough bidders on the list.

4.4 TENDER PREPARATION

Tender preparation usually takes place at the same time as the tender list is being prepared, as these are not series activities. The project manager should allocate the task of preparing each part of the tender to the relevant specialist(s) along with a target date for completion that meets the agreed programme. Tender documents should include:

- **Scope of Work:** The scope of work should be described as fully as possible starting with a description of the site, whether it be existing or not, and any special conditions pertaining to the site. The scope of works itself should be described in terms that ensure that the contractor understands what he is required to do but, at the same time, should not be so prescriptive that it stifles contractor innovation and the possibility of alternative offers. As far as possible, it is recommended that NEPA produce a so-called "performance specification" that clearly sets out the overall objectives and standards, but allows innovation and optimisation on the part of the contractor. A scope that describes the work down to the last detail leaves unnecessary risk with NEPA and leaves the door open to claims at a later stage for little things that were missed.

The scope should also include any targets, performance criteria like health and safety or environmental, an expected schedule and a clear, unambiguous definition of the responsibilities of both the contractor and NEPA.

- **Technical Specifications and Standards:** The technical specifications should identify equipment performance criteria. Internationally recognised standards should be used where possible as this reduces the number of "NEPA specials" and allows maximum contractor participation. Some contractors will not bid if it means deviating from the standard equipment that is supplied throughout the world
- Relevant drawings
- Proposal letter – standard form
- Quantities schedule and format for pricing

- Data request forms
- Request for Payment proposals
- **Proposed Incentives:** Incentives take two forms, bonuses and penalties and should be linked to performance that is important to NEPA.

The first question to be asked is why would NEPA include an incentive. If there are large penalties in the contract the bids will tend to be higher to offset some of the penalty. If there was no benefit to NEPA in including large penalties then why do so?

The same applies to bonuses. Bonuses should only be offered where excellent performance allows NEPA to recoup in excess of the bonus offered. Bonuses should be commensurate with the risks involved and with the contractor's expected level of profit for the contract. The contractor will bid a price that gives him adequate return for the services provided and huge bonuses cannot be justified on reasonable commercial grounds.

- **Evaluation criteria (optional):** Evaluation criteria may be declared if the project team believe that this is beneficial. For instance, if the cheapest compliant tender will be accepted, it does not hurt NEPA's interests to say so.
- **Terms and Conditions of Contract** including any special conditions: Standard commercial terms and conditions should normally be used for every contract. Non-standard terms and conditions may be used but these should be subjected to management review and approval prior to tender issue

4.5 BID PROCESS

4.5.1 Tender Review and Issue

Following completion of the documentation a technical review is undertaken by the project manager to ensure that the specification meets the contract requirements and appropriate standards. Clearly the project manager may call upon experts to assist him with this review.

When the project manager is satisfied with the Technical Specification along with the Terms and Conditions, the documents are collated to form a tender enquiry document. Tenders may then be sought from bidders. Tenders are normally sought in writing but modern communications like the Internet are beginning to be used.

The tender documents should be sent with a covering letter inviting tenders. The letter should make clear how to respond, when to respond and to whom. It should also identify how points of clarification will be dealt with and any arrangements for site visits during the tender period. Once the invitation to tender has been issued, the bid process is a very formal period during which there should be no unauthorised contact with bidders. As stated above, the tender documents should spell out whom the bidder should contact if he has any queries. The process needs to be managed very carefully by the Commercial Team member on behalf of the project manager to protect confidentiality and show probity in dealing with all bidders.

4.5.2 Pre-Bid Clarification Meeting

In the case of a complex contract it is often beneficial to have a pre-bid clarification meeting. NEPA may offer this in the tender document covering letter or one or more bidders may

request such a meeting. If several bidders request a pre-bid clarification meeting then NEPA may consider a single meeting with all bidders. This is acceptable because all bidders have the right to know what questions are being asked and what the answers were, and a meeting of this sort is often the most efficient way of communicating this information.

It should be made clear at the outset of the meeting that verbal comments made in the meeting do not change the tender document. If any changes or clarifications to the document are necessary, NEPA will issue these in writing immediately following the meeting.

The purpose of the pre-bid meeting is to:

- Ensure the fullest understanding of the scope of the contract
- To answer bidders' questions relating to the bid, the scope of work and technical specification. (see "Bidders' Questions")
- Give bidders an opportunity to acquaint themselves with the site and examine the conditions.

Where the contract is for refurbishment contracts or extensions to an existing site, the pre-bid meeting should take place at the site. In these cases it is common for the bid document to preempt the questions and to offer a site visit for bidders to get an appreciation of the state of the plant and equipment. It is the bidders responsibility to fully inform himself of the existing site conditions, and failure to do so does not relieve the bidder of the responsibility to put in a properly considered bid. Once a bid is received NEPA has the right to assume that the bidder has taken site conditions into account. However, Project Managers should look very carefully at tenders received where the bidder has not taken the opportunity to visit site as it is likely that the bid will have missed something. If the bid is very low then alarm bells should ring!!

4.5.3 Bidders' Questions

Bidders' questions may be raised at the pre-bid clarification meeting or in writing at any time before the bid is due. They should be answered as fully as possible, and all bidders should be advised of the questions raised and the answers given. All queries and answers should be in writing, as they become part of the final contract document.

4.5.4 Extension to Time for Bid

Sometimes individual bidders request an extension to the bid period. Each case should be considered on its merit initially by reference to the project programme. Issues to be considered prior to granting extension of time:

- How many bidders have requested an extension?
- If only one has requested an extension, what is special about them? Were they just inefficient or did they not take your invitation to tender seriously?
- Does the extension impact on the project or is there float in the schedule?
- If there is no impact on the schedule, does it suit NEPA's objectives to encourage this bidder and maintain the maximum competition?
- What is the bidder's track record on tenders? Are they normally on time and competitive or are they always late?

- Did the tender schedule expect too much? i.e. was too little time given for preparing a bid?
- How much extra time do they want? Is the time extension significant?

Having considered these points, if an extension can be granted with only minor impact on the overall project programme and it is considered to be in NEPA's best interests then it may suit the project team to grant the extension.

However, if only one bidder has requested an extension, the extension affects the successful outcome of the project and the project team has confidence that the other bidders will meet the programme, then serious consideration should be given to saying no. Remember that NEPA controls the process at this stage; if the project team is convinced that the Company objectives are best served by continuing with possibly fewer bidders then that is what should be done. Also remember that a bidder who has asked for an extension may still put in a bid on time even if you have turned down the extension. At the end of the day he wants to work for NEPA if he thinks that he can make a good profit!!

4.6 TENDER RECEIPT

For large works or complex items of equipment purchased through advertised international or national competitive bidding, the bids should be received by the team member commercial who should convene a tender opening panel, preferably on the day of receipt but certainly within one week of the date of receipt of tenders. All bids should remain sealed and be stored in a locked cabinet until the tender opening panel convenes.

Similarly, for procurement of spare parts, equipment and consumables through limited competitive bidding, tenders should be received by the relevant procurement department and treated in exactly the same way.

4.6.1 Late Bids

Tender opening should take place at the appointed time. If tender opening takes place later than this then any bid that arrives before tender opening may be considered. Any bid that arrives after tender opening should be returned without opening.

4.6.2 Tender Opening

The team member commercial should convene a tender opening panel normally arranging the time and place on the day set for the receipt of tenders. The tender opening panel should consist of:

- Project Manager
- Team member commercial
- Internal Audit.

A tender opening panel is required to demonstrate a transparent and fair bidding process. Each bid should be opened by the panel and brief details recorded, including the name of the bidder and unevaluated cost. Note should be made of any declared deviation from the specification and details of alternative bids should also be recorded. Using a tender opening panel produces an audit trail and reduces opportunities for malpractice in the bidding process.

The tender opening panel may operate in two ways:

- Bids may be opened in Public with all bidders invited to attend.
- Bids may be opened in a closed room where confidential matters may be displayed and discussed.

Bid opening in public reduces the opportunity for malpractice in bidding as it is a totally open process but it is costly for all parties concerned. However all bidders are able to see for themselves that they have been treated fairly and this may have advantages for future dealings with contractors.

Through this process an initial assessment and ranking may be made. For large, complex projects it may not be possible or desirable to evaluate all the bids and this ranking is important for choosing the bids to be fully evaluated. This does not preclude you returning to a tender later if the detailed evaluation of one of the chosen bids shows that it is seriously non-compliant or the headline price has increased through the evaluation.

Following opening and registration of the bids, the Commercial Team member should take all copies of the bids and place them in a locked cabinet.

4.7 TENDER CLARIFICATION

4.7.1 Bid Confidentiality

Bids are highly commercially confidential and the management of bids in this period is very important. The Commercial Team member should manage the bid documents on behalf of the project manager. There will normally be multiple copies of each bid; all copies should be kept in a locked cabinet under the control of the Commercial team member. An **unpriced copy** may be issued to a team member who is evaluating only part of the tender but this issue should also be strictly controlled.

All bid documents should remain in the building and be locked away at all times when the team member is away from his desk.

4.7.2 Bid Clarification

Tenders should first be reviewed to check whether they are technically and commercially compliant. To simplify this task it is good practice to ask bidders in the Invitation To Bid to identify areas of deviation from specification. All deviations should be recorded in an evaluation schedule for future reference.

For all deviations and other points of clarification, the team should produce a series of questions for the bidder in an attempt to understand why the bidder has not complied fully with the specification and whether the bidder is prepared to make his bid compliant and at what cost.

The team should be careful **not** to allow any bidder make a new cost proposal, especially a cost reduction, for the project during this period of bid clarification. Any cost change should only be in proportion to the change necessary to make the bid compliant. Any other, non-proportionate cost reduction is suspect and should be rejected as a late bid.

4.7.3 Bid Clarification Meeting

Where bids are very complex NEPA may seek a bid clarification meeting with one or more bidders. NEPA should prepare thoroughly for this meeting, making an exhaustive list of issues to be raised and areas of non-compliance, as you do not want to repeat the exercise with any of the bidders. This meeting should be held early enough to enable the bidder to respond formally to any issue raised that cannot be cleared at the meeting.

A bid clarification meeting is not intended to be a negotiation but may develop into one. NEPA staff at the meeting should be aware of their limits of authority should some form of negotiation occur. The principles of negotiation are discussed in section 8 of this manual and in Procedure 011. NEPA staff should ensure that they do not enter into any negotiation without the appropriate preparation; it is better to withdraw and reconvene the meeting later rather than to continue and put NEPA into an unconsidered position.

The aim of the meeting is to get all bids onto a level footing so that bid evaluation may take place fairly. In general the format of the meeting is that NEPA should ask questions and the contractor should answer. Discussion of technical points may be held to aid clarity. It is however a two way process and information given by NEPA at this meeting may cause the contractor to think again. However, if the contractor believes, after the meeting, that they cannot stand by their bid, the only recourse is to withdraw their offer. A rebid is not acceptable.

4.8 BID EVALUATION

The Commercial Team member should manage this "post tender clarification" on behalf of the project manager. All questions prepared by the team experts should be put in writing to the Commercial Team member for despatch to the bidder. This can be an intense period of activity – it is important to prepare the questions allowing enough time for a reasonable response from the bidder, remembering that any answer may raise further questions.

All responses to questions have the same status as the original bid in that they are "commercially confidential" and should be treated in exactly the same way. The Commercial Team member should record the receipt of all responses from Bidders, lock them away in a cabinet and control access to the responses.

4.8.1 Compliance

Following exhaustion of possible questions, the team will need to decide which bids are compliant with the tender and which are not and what to do with a non-compliant bid. To do this they have to consider the nature of the non-compliance, which can be either technical or commercial. There are a number of possibilities:

- A bid may have a number of minor deviations from the specification. You should not arrive at this point with major differences, as these should have been ironed out in the bid clarification stage. However you may still have minor differences because the bidder has absolutely refused to make his bid compliant in these respects. In this case a non-compliant bid may be accepted if that is a positive decision by the team. However, the team must consider whether being non-compliant still adequately meets NEPA's objectives. The real question is, "is the non-compliant bid really the best/cheapest?"

- A bid may be non-compliant because the bidder has thought very carefully and either offered new technology that does the job better or innovation that meets the performance requirements of the specification but in a different way to that envisaged by the project manager. In this case the team may evaluate the non-compliant bid further if they believe that it is in the best interests of NEPA.
- A bid may be non-compliant because the bidder has overlooked something or made a very bad job of the bid. In this case, the team should not consider the incompetent bid further.

4.8.2 Evaluation Criteria

All bids should be evaluated against criteria set at the start of the process, preferably before the tenders are sent out. There is no standard set of evaluation criteria and the evaluation criteria for each contract should be considered in relation to the NEPA's policies or objectives at that time.

Criteria to be considered include:

- **Cost:** It is valid to consider only cost and take the cheapest compliant bid no matter what. It is also valid to declare to bidders that the policy will be that the cheapest evaluated bid will win. Life cycle cost is extremely important, and the benefits of lower operating costs or better performance may exceed the extra capital cost.
- **Cash Flow:** If cash flow may be a problem then the bidder expecting later payments may have some advantage.
- **Performance:** The specification will specify a performance level but the evaluation may allow greater weighting if proven performance exceeds the specification. Examples are for power plant where greater efficiency will lead to reduced fuel costs and overall lower costs for NEPA.
- **Reliability:** Long term, proven reliability may also be a factor if you are buying base load type plant and equipment.
- **Obsolescence:** Old technology may receive a lower weighting if there are fears for the long term support of the equipment by the manufacturer. This is especially the case where new technology at similar cost is available.
- **Source/Quality:** Certain countries or factories have a long term history of quality problems. Bidders may be asked to indicate the source of major equipment, and NEPA may apply a lower weighting on bids that include equipment from sources known to be of poor quality.
- **Maintenance periods and ease of maintenance:** For base load plant and equipment, NEPA may apply greater weighting to bids that include equipment with significantly longer periods between routine maintenance and shorter outage times.

When setting the evaluation criteria, NEPA will have decided what criteria are "must have" and what are desirable. Any tenders that after clarification still do not meet the "must have" criteria should be disqualified. Each of the "desirable" criteria, including price, will have a weighting; the bids will be evaluated against each criterion and a weighted score derived. The sum total will be used to determine the bid ranking.

For large, complex contracts some form of negotiation may need to take place to arrive at a compliant bid with an evaluated cost. Negotiation principles are set out in procedure 011 and in this manual section 8.

Following evaluation, and negotiation where necessary, ranking of the bids and selection of a preferred bid may be completed. The contract may then be placed remembering that it is important to place the contract when you said it would be placed. Late placement of contract may impact on the contractor's ability to meet the end date and the contract starts off in crisis.

4.8.3 Bid Negotiation

The first question to be asked is what is the purpose of negotiation. If NEPA have received bids that are technically and commercially compliant and they are at the expected cost then there are no real issues for negotiation.

Examples of areas where NEPA may wish to open negotiations would be:

- Terms of payment
- Incentives proposed by contractors
- New technology guarantees
- Alternative offers

(Refer to manual section 8 and procedure 011 for negotiation methods and procedures)

4.9 CONTRACT AWARD

The contract must be awarded to the bidder whose proposal is adjudged to be reasonable and the best overall value for NEPA. After the team has agreed on the best bid, the project manager should prepare a contract recommendation for approval by management according to the NEPA delegated authority schedule. The project manager should brief the relevant management authority and discuss the recommendation and any issues in advance to ensure that it will be approved.

A recommendation to award the contract to any bidder other than the lowest needs special attention and should be submitted to a higher management authority.

Award of the contract to the successful bidder must be in writing. It is also necessary to inform unsuccessful bidders in writing and to thank them for their time and effort in preparing the bid.

4.10 LETTERS OF INTENT

Letters of Intent are an emergency measure used when delay in placing the contract will delay the end date for the project. Projects should be planned with adequate time for evaluating and placing contracts but it should be recognised that sometimes processes are delayed and a Letter of Intent may be appropriate.

The following issues should be borne in mind when placing a letter of intent:

- Choice of Contractor: Normal rigorous tender evaluation must be carried out and the Letter of Intent issued to the contractor with the best evaluated bid.
- The Letter of Intent isn't a blank cheque for the contractor. It should state exactly what work is to be done under the Letter of Intent, when that work should start and the value of that work. This value is the only commitment being made by the Letter of Intent. If the contractor carries out any other work then it is at his risk.
- Once a Letter of Intent is placed, the contractor sees himself as having a much stronger hand if negotiations are not complete. So **BE PREPARED TO WALK AWAY** and place the contract with an alternative supplier. This means "lost cost" but it may be the best option in the long run.

5 Contract Execution

5.1 CONTRACT MANAGEMENT AND MONITORING

The primary purpose of contract monitoring is to protect NEPA's interests; there is no other reason for doing it.

Contract monitoring is carried out on a daily basis through reports, personal checking of report validity, inspection, testing and certification. Monitoring should protect NEPA's interests adequately but not be so intrusive as to delay the contractor or cause nuisance.

Contract Management and Monitoring must be appropriate to the type of contract. There are several different types of contract in NEPA and all the monitoring activities described in this manual and in procedure 006 are not necessarily appropriate to every contract.

NEPA contracts may be classified broadly as:

- **Contracts involving the creation of new or refurbished NEPA assets, for example, Construction new build, Extension to generation/transmission/distribution system, O&M, Rehabilitation, IPP. For all these contracts NEPA will pay the contractor for the equipment and services provided and NEPA will own all or part of the equipment at the end of the contract.**
- **Contracts not involving the creation of new NEPA owned assets, for example, IPP and EPP (where NEPA only has Power Purchase agreement), Revenue Collection (RCM).**

Irrespective of the type of contract, the contract manager must carry out common initial tasks to set up the appropriate monitoring of the contract and a relationship with the contractor. These tasks are described in detail in Procedure 006 section 2.1.

The contract manager may then choose the monitoring tasks that are appropriate to his contract and proceed. In general, for any contract that includes progress type payments for work completed, the contract manager needs to set up systems for monitoring the following:

- Manufacturing quality
- Manufacturing and site installation progress
- Financial forecasting
- Cash Management / payments
- Health and Safety performance
- Environmental performance
- Customer and third party complaints.

For other types of contracts where NEPA is paying, for instance, an IPP owner for energy delivered or a revenue collector for services based on performance, the contract manager must set up systems to collect appropriate information against which to judge the contractor performance to ensure that the correct payments are made.

5.2 SITE INSTALLATION

The purpose of monitoring site installation is to:

- Check progress against plan. At this stage of the project progress monitoring and verification becomes much easier because you can see the equipment and gauge the installation progress made.
- Check quality of installation and materials
- Check compliance with Safety and Environmental standards and legislation.

Monitoring may be continuous by having a permanent site presence or random by carrying out unannounced spot checks. Obviously the purpose is to safeguard NEPA's interests so the important thing is that monitoring should be adequate and appropriate to the type and phase of the contract.

The contract allows NEPA to witness activities specified by the project manager. The project manager should mark up the contractor's plan and identify activities that he wants his representative to witness. The contractor is obliged to give the project manager's representative adequate notice of these activities but is not obliged to delay the activities if the representative does not turn up having been given adequate notice.

Prior to the start of site installation the project manager must hold a site inaugural meeting with the contractor to set up arrangements for:

- Site Monitoring of installation
- Site Safety requirements
- Commissioning and Testing procedures

Besides the specific witnessing activities identified by the project manager, the site representative has other general quality and safety responsibilities necessary to meet NEPA's objectives for monitoring. In particular attention should be paid to:

- Satisfactory storage of equipment delivered to site
- State of equipment prior to erection – has it been stored correctly or is it already deteriorating
- Use of correct fixings
- Quality of workmanship on site
- Site cleanliness. A rubbish strewn site is an unsafe workplace
- Safe construction of and use of scaffolding and access equipment
- Site hazards clearly marked
- Correct certification of lifting and handling equipment
- Correct use of personal protective equipment.

NEPA's site representative should maintain a site diary and perhaps a photographic record of site progress, as this could be invaluable in any claim situation.

5.3 CO-ORDINATION WITH OTHER CONTRACTORS

For contracts including site installation, co-ordination with other contractors is an important part of site management and one that can cause more complaints and disputes than anything else.

It is possible that NEPA will have more than one contractor working on a site at any time. If this is so then NEPA should ensure that the contract advises the contractor that there may be other contractors on site and that it places an obligation on the contractor to work with the other contractors to the benefit of all parties.

Clearly, if the other contractors are sub-contractors of the main contractor, then the main contractor has the obligation to manage their activities and ensure that they do not interfere with other works. However, if there are other contractors working on other NEPA contracts, NEPA will have to manage the interface between the contractors. This is a risk to all projects on the site but should have been discussed at the contract strategy stage.

If NEPA has decided on a multi-contract strategy it must manage the contractor interfaces itself. In this case, the project manager should set up a site co-ordination forum/meeting chaired by his site representative. This should meet as often as necessary and even daily if the works are at a critical stage.

Contractors should bring their daily work schedules to the meetings and the meeting should identify any interface issues. The NEPA site representative must treat each contractor fairly and try to eliminate interface problems such as two contractors trying to work in the same confined workspace or trying to use the same piece of NEPA provided equipment. NEPA should also recognise that this process is likely to lead to claims for lost time and delay at some stage. The site representative's task is to manage the process and minimise or eliminate all possibilities of claims.

5.4 TESTING AND COMMISSIONING

The contractor is responsible for testing plant and equipment to prove that it is fit for purpose. The project manager may request that his representative witnesses certain of tests; the notification of tests is dealt with above. The presence of the project manager's site representative does not take away the contractor's responsibility; the site representative is there only to witness the tests and make a report to the project manager.

When initial testing has been satisfactorily completed it is necessary to commission the new equipment onto the live system. This is a complex task that requires detailed planning of switching programmes; it is therefore necessary to involve NEPA Operations staff. Note that it is never too early to set up the commissioning panel and start the process of planning for commissioning.

Although the contractor retains the responsibility to commission his new equipment, NEPA operational staff is best placed to produce the switching programmes. The commissioning schedule must therefore be a joint effort between contractor and NEPA.

5.5 CONTRACT COMPLETION

Almost inevitably there will be some outstanding work remaining when the plant is commissioned. This will include items such as:

- minor equipment defects
- updating drawings and provision of manuals
- provision of as-built drawings
- grouting
- paintwork not complete
- etc.

These items should be compiled on a schedule of outstanding works, sometimes known as a punchlist or snagging list, and agreed with the contractor. The schedule of outstanding works becomes part of the taking over certificate that is given to the contractor on satisfactory completion of the commissioning tests. The taking over certificate signals the start of the Warranty period.

THE CONTRACT IS NOT COMPLETE, AND MONEY MAY BE RETAINED, UNTIL THIS SCHEDULE OR LIST IS CLEARED.

5.6 POST PROJECT REVIEW

The project manager should hold an internal team meeting as soon as possible after commissioning to review the project, in particular:

- What went well
- What went badly
- Major problems encountered
- Contractor performance
- Outturn cost against budget
- Any lessons learned for the future.

There should be a formal process in NEPA for circulating "Lessons Learned" so that other contract managers may learn from the experience.

6 Management of Contract Changes

The ideal situation for both parties is that there are no changes to a project once contracts have been let but this is not realistic for projects spanning several years or where scope is not clearly defined. It must be accepted that change will happen and the important thing for NEPA is to manage that change and remain in control. Procedure 009: Procedure for the Management of Contract Changes explains in detail how contract changes should be managed by NEPA.

Change can be initiated by the client (NEPA) or by the contractor.

6.1 CLIENT-GENERATED CHANGE

Client led change is normally driven by a change of technical specification, addition of unforeseen work or changed programme requirements. Sometimes the Contract Manager expected the change at the time of placing the contract and provisional sums may have been included in the Contract Authorisation, but not the contract price, to allow for this change. This contract authorisation allows the Contract Manager to proceed by instructing the contractor and making any necessary amendments to the master contract.

Other client led change may be totally unexpected and, as well as requiring a change to the contract may require additional contract authorisation prior to the Contract Manager proceeding. This type of change should be related to the original scope of work and is normally unforeseen work discovered as the contract proceeds. Contract Managers should be very careful not to initiate unrelated work as a change to contract as this could be seen as single source tendering for new work under the guise of a contract change.

6.2 CONTRACTOR-GENERATED CHANGE

Contractor led change can be almost anything that the contractor perceives is not in the specification and, therefore by definition, not in his offer. Examples leading to contractor-generated change are unclear or incomplete specification. The project team have a responsibility to make the specification as good as possible to minimise the opportunity for contractor-generated change.

The contractor may identify what he perceives to be a contract change at one of the regular monthly meetings but must formally request the change in writing. The NEPA Contract Manager must then follow the process set out in procedure 009 in dealing with the change request.

If the Contract Manager rejects a contractor's change request then it may be resubmitted it as a claim. This is dealt with under section 7 of this manual and procedure 010.

6.3 CONTRACT AUTHORISATION

Contract Managers should remember that their contract is authorised at a specific contract price. The contract authorisation should include provisional sums for foreseen extras. The Contract Manager must understand his delegated authority and the procedure for obtaining authority to instruct change within the contract authorisation.

Any unforeseen change will require additional contract authorisation from the original Approval Authority. Procedure 010 describes the procedure for obtaining additional contract authorisation.

Contract Managers should not agree changes with contractors until the appropriate contract authorisation is in place.

However the change is generated, the project manager must verify that the change is valid and manage the change through the project change procedure. All changes need to be documented using standard forms and a register of changes should also be kept.

7 Claims and Disputes

7.1 CLAIMS

The definition of a claim is:

“A claim is a demand by the contractor for time and/or money which arises from a contract change or a contractor’s perception of entitlement for something that the contractor believes to constitute a compensable change”

Examples of situations leading to contractor claims are:

- Impact from Contract Manager instruction to change – cost and schedule effect on unchanged work
- Unforeseen changes to work not instructed by Contract Manager, but necessitated by work itself
- Late supply of master drawings or information by NEPA
- Late instructions to change requiring rework
- Delays, interruptions or interference by NEPA or other contractors – this is why management of interface between contractors is so important
- Unduly strict inspection or delay to contractor awaiting NEPA representative witnessing activities
- Interference by NEPA with contractor’s methods or manner of performing the contract works
- Failure by NEPA to disclose certain information
- Late approval of contractor’s designs or work methods
- Unforeseen below ground conditions
- Almost anything else (especially if the bid was very low or the contractor is losing money!).

Contractors are required to give notice that they intend to submit a claim, normally at the time that the claim situation arises. They are also required to provide a full documented explanation and supporting evidence for any claim. This explanation should include:

- Description of work performed, delayed or impacted
- Cost and schedule quantification
- Contractual Basis for claim.

NEPA staff should seek to avoid any claim situation arising by:

- Identifying potential claim situations and taking management action to mitigate the possible effects

- Develop relationships or have discussions with contractors that discourage spurious claims
- Prompt resolution of acknowledged claims.

7.2 CLAIM ASSESSMENT

Any claim is a negotiation and should be treated as such. This Manual section 8 and procedure 011 deal with negotiation methods and procedures and as described there, it is useless to try to resolve a claim without adequate knowledge of all the facts. Careful preparation is required before making any response to a claim. There are three main steps needed at this stage to resolve a claim:

1. to determine whether there is technical basis for the claim – the technical validity
2. to assess whether the contractor is entitled to a claim – entitlement
3. to quantify the value of the claim – quantification

7.2.1 Technical Validity

NEPA must examine every element of the claim to assess whether the claim is valid, i.e. whether there has been a material change to the work carried out under the contract. This examination covers the scope of work, delay or impact claimed, the estimated resources necessarily involved, extra materials, extra engineering, etc to ensure there is a technical basis for the claim.

7.2.2 Entitlement

NEPA must make an assessment as to the contractor's contractual entitlement to a claim. This means that the Contract Manager must:

- Read and study all relevant parts of the contract to become fully familiar with the contractual position.
- Determine the facts using information from all relevant sources. Most claims are based on some facts; it is essential to understand all the true facts thoroughly to enable an assessment of entitlement to be made.
- Examine the documents presented by the contractor. Look for inconsistencies in approach or missing facts that might discredit the claim. Require the contractor to prove a cause and effect relationship.

This is independent of determining the value of the claim; that comes after determining validity and entitlement. There is no point in wasting time assessing the value of a claim if the contractor is not entitled to anything.

7.2.3 Quantification

Having established the technical and contractual validity of the claim, NEPA must make their own assessment of the value of the claim.

Remember that the contractor is probably expecting to have the claim settled at less than he has submitted so has probably allowed for this in the claim. Therefore seek proof of expenditure and detailed calculation of the claim.

Submit the claim to independent audit if feasible or cost effective to do so.

7.2.4 Claim Response

After preparing thoroughly the Contract Manager is in a position to proceed with a response to the contractor. Appropriate responses are:

- Complete rejection of the claim
- Agreement to the claim validity but not the value
- Agreement to the claim

7.2.4.1 Complete Rejection of the Claim

The Contract Manager should prepare a letter rejecting the claim and explaining the basis of his decision. The Contract Manager should recognise that the contractor may pursue this claim further leading to negotiation and possible dispute.

7.2.4.2 Agreement to the Claim Validity but not the Value

The Contract Manager should prepare a letter acknowledging the validity of the claim but rejecting the value. The basis of his decision should be set out in the letter. Again, the Contract Manager must recognise that the contractor may take this further through negotiation.

7.2.4.3 Agreement to the Claim

The contractor should write to the contractor agreeing the basis and value of the claim.

If any claim is agreed either in writing or later through negotiation, the Contract Manager should prepare a Variation to Contract as described in procedure 010.

7.3 CLAIM DEFENCE

Successful defence against a claim, like any negotiation, depends on good preparation. There are two types of defence:

7.3.1 Factual Defence

Dispute the facts: use every opportunity to find inconsistencies in the contractors approach. NEPA needs their own evidence for this and a good documentation system will help here (Manual section 10)

Dispute damages: require the contractor to prove the level of damages that he alleges that he has suffered.

Both Parties at fault: Try to establish some blame on the part of the contractor and a basis for apportioning cost.

Mitigation: The contractor has a duty to mitigate any loss. Use evidence to show what actions he could have taken, but did not, to mitigate his losses.

7.3.2 Contractual Defence

Check whether the contractor has followed the provisions of the contract. Use any breach of contract to make a counterclaim or reduce the effect of the claim. Seek legal opinion where necessary.

7.4 DISPUTES

Most contracts include a process for settling contractual disputes. A claim and negotiation is the first step in the process of dispute resolution. Occasionally a claim cannot be resolved through a reasonable period of negotiation and further steps will be invoked. Initiating the dispute procedure indicates a breakdown of the relationship between the Project Manager and the Contractor.

The principles in dealing with disputes are similar to the principles of negotiation. The main difference is that you cannot walk away from a claim – IT MUST BE RESOLVED.

It should be NEPA's aim to settle disputes at the lowest level possible by negotiation between the parties with the most knowledge of the facts and circumstances. Reference to arbitration or the courts is costly and causes long delays. Although there will eventually be a resolution, it normally produces nothing but acrimony.

8 Negotiation

Negotiation is a process that may be used at any time in the contract cycle, possibly before contract award to sort out details of the contract but also during the contract to sort out details of changes to contract or finally, at the end, to sort out any contractual disputes. Negotiation is a communication between parties to reach a mutually beneficial outcome.

The objective of negotiation is not simply to prove that the other party is wrong, it is not a competition with winners and losers. The objective of negotiation is to find a combination of issues and costs that the parties find acceptable and can agree on. A successful negotiation is concluded with both parties believing that the outcome is beneficial i.e. a win-win outcome.

The key principles for successful negotiation are:

- **Preparation:** Know the issues and each party's needs.
- **Internal Agreement:** Ensure that your team are all agreed on the negotiating strategy before entering negotiations.
- **Confidence:** Let the other party know that you are comfortable with your company's position and your grasp of the issues.
- **Composure:** Take issues seriously but not personally. Do not show irritation or lose your temper; ensure that your team remains controlled at all times.
- **Receptiveness:** Be fair, reasonable and honest – it puts pressure on the other party to do the same.
- **Flexibility:** Be willing to compromise on an issue that is important for the other party to win, even if they are not right, if it is likely to yield long term benefits to your company.

Negotiation by coercion is not usually effective and is often counterproductive as the other party is likely to take a more entrenched position.

8.1 LEAD NEGOTIATOR

In a negotiation NEPA should appoint a Lead Negotiator for the project team. The Lead Negotiator should have sufficient experience and capability to match the likely complexity of the negotiations and have adequate authority within NEPA to allow him to conduct negotiations. The Lead Negotiator should, where applicable, be knowledgeable about NEPA business policies and objectives. For a specific negotiation the Lead Negotiator should have a good working knowledge of the contract, the issues for negotiation and have previous negotiating experience.

8.2 PREPARATION

The key to successful negotiation is adequate preparation before the negotiation meeting. The team that does the best job of analysing the issues and preparing their company's position will normally benefit most from the negotiation. Good preparation means the following:

8.2.1 Choose the Negotiating Team

The Negotiating team should include only those people from the contract team with a valid contribution to preparing for the negotiation. For the negotiations themselves a Lead and Back-Up Negotiator should be nominated from the team, but there should be only one authorised spokesperson. The negotiating team should be the minimum number of people possible; this reduces the chances of damaging casual remarks or unguarded talk at lunch!

8.2.2 Define NEPA Objectives

The Negotiating Team must define their objectives when developing a negotiating strategy. The strategy must consider the relative strengths and weaknesses of both parties' cases and establish NEPA's backstop position on each issue beyond which they are not prepared to go. When this has been done the Lead Negotiator must prepare a negotiating position brief which includes a statement of the worst position that NEPA are prepared to accept on each issue up for negotiation. This brief should be agreed with senior management. Formal approval of the company's position, by the relevant delegated authority, gives the Lead Negotiator the tools to negotiate

The negotiating brief must clearly identify:

- What can be compromised
- What cannot be compromised
- What is expected to be compromised.

The Negotiating team must be realistic in setting these objectives and anticipate that the other party will also have done this.

8.2.3 Anticipate the Other Parties' Objectives

It is important to anticipate the other parties' negotiating position. This will help your team to understand their negotiating objectives. Many factors affect their attitude to the negotiations, for example:

- If you are negotiating a new contract, what do you think their order book is like? If they have lots of work they are less likely to want to give too much away. If their order book is empty, they may be desperate for this order and conduct the negotiation differently
- Do you think that they made a loss on the contract? If so, they will negotiate the claims very hard and be looking for a high settlement.
- Does the other party have cash flow problems? If so, they may want a quick settlement. This may give you the edge in negotiation.

8.2.4 Assemble All Relevant Data/Documentation

All relevant documents should be readily available in the master filing system (See section 10). The Lead Negotiator should assemble all the documents pertaining to the negotiation. In the case of a claim situation he should prepare a statement of the facts with cross-references to the relevant documents. This will aid preparation of the claims meeting agenda and his presentation or discussion in such meetings.

In a claims situation, preparation may include detailed analysis of the progress and execution of the contract. It is important that this is done before relevant site personnel are dispersed to other jobs.

8.3 NEGOTIATION MEETING

Prior to the meeting there are a few basic guidelines to remember:

- Where are you negotiating? NEPA's offices give you home ground advantage. All your resources are nearby and you are comfortable. Also, you haven't spent the last two hours getting frustrated at the airport or in traffic. As the client, NEPA ought to be able to insist on home ground.
- Prepare a written agenda and issue it to the contractor at least one week before the meeting. It is preferable to issue a draft agenda earlier than this and seek mutual agreement on the items for discussion. (Section 9 of this manual talks a bit more about control of meetings).

Once you are face to face with the bidder, negotiation is a matter of personal style and depends a lot on experience. There are no golden rules on how to proceed or "magic formulae for success" but the following points might help in conducting such meetings:

- Agree who will chair the meeting. As the client this should be NEPA's representative
- Provide a congenial atmosphere, make everyone feel comfortable
- Schedule breaks to review what has been discussed and agreed. Also refreshment breaks, nobody reacts well to being hungry or thirsty.
- Stick to the agreed agenda. Do not allow any other business items, these should be deferred to another day to allow you time to think about it.
- Avoid unnecessary interruptions. If you are negotiating in NEPA's offices allocate time and ensure that you are not disturbed – messages can wait, and switch off all mobile phones
- Avoid taking hard positions that you may need to retreat from later.
- Keep detailed records of the discussions. NEPA, as the client, should produce the formal record, which will need to be agreed with the contractor prior to issue
- Approach the negotiation in a professional manner
- Try to avoid apportioning blame
- Try to avoid making the other party look incompetent
- Try to avoid making the other party look unreasonable

- Do not show impatience, saying, for instance, that your time is short or valuable – so is theirs
- Do not lose your temper or show anger
- Try to show that you are pleased when progress is being made.

Finally, negotiation is a process for resolving a difference of opinion. If the negotiation is the result of a claim, the negotiation is a means of avoiding a long acrimonious dispute through the courts. This is seldom satisfactory for either party whose best interests are served by a thorough, professional negotiation leading to a resolution of the dispute from which both parties may take some satisfaction.

9 Conduct of Meetings

NEPA is the client or employer and NEPA's needs will be best served if NEPA takes control of meetings with contractors. Meetings with contractors take a number of forms:

- Information meetings – examples are pre-bid clarification, tender clarification, Inaugural contract meeting, monthly review meetings
- Technical meetings – examples are testing and commissioning meeting
- Negotiations – examples are claims, disputes, pre-award meetings.

The most important part of any meeting is the preparation beforehand. The contractor will be well prepared so NEPA must be also.

Irrespective of the type of meeting there are a number of ways in which control can be exerted, by setting the agenda, choosing the venue where the meeting is to take place, chairing the meeting and writing the minutes.

9.1 SET THE AGENDA

The first control mechanism is to set the meeting agenda. In this way NEPA ensures that the discussion centres on what NEPA has prepared and wants to talk about.

Agenda should always be agreed with the contractor and hence should be prepared at least 10 days in advance of the meeting so that comments can be made and a final agenda distributed about a week in advance. The important thing is that by starting the agenda off NEPA have the opportunity to put what they want discussed at the head of the agenda and it won't be forgotten.

There is nothing wrong with using standard agenda as long as NEPA issue it.

9.1.1 Any Other Business

The most dangerous item on any agenda. This is where the contractor has the opportunity to table something that NEPA participants have not prepared for. Consider not including Any Other Business in the agenda. If the contractor tables "Any Other Business" at the meeting, do not be afraid to simply note the topic and defer discussion to the next meeting.

Remember that if an "Any Other Business" item was really important it should have been put on the agenda that was agreed and distributed a week before the meeting. If something has occurred in the time after distributing the agenda that makes an item a contractor priority, a supplementary meeting can always be arranged within a few days, this delay gives NEPA time to prepare properly

9.2 SET THE VENUE

As the client, NEPA has the right to set the meeting venue, which should normally be in NEPA headquarters. If a site visit is needed then it is valid to have a meeting on site but if this is not a benefit, why travel?

Some of the reasons affecting the choice of venue are:

- NEPA staff do not have to travel so they are fresh for the meeting. Anyone travelling a considerable distance may be tired and frustrated before the meeting starts.
- NEPA office is familiar and all the relevant files and experts are on hand if needed.

9.3 CHAIR THE MEETING

Chairing the meeting allows NEPA to:

- Control the pace of the meeting
- Control the length of discussion on particular topics
- Ensure that what NEPA thinks is important is dealt with properly
- Control "Any Other Business" i.e. defer it to a later meeting more easily.

9.4 WRITE THE MINUTES

The final control mechanism – if NEPA writes the minutes it ensures that anything that NEPA think is important is included.

The minutes must be a factual record of what was said, and must be circulated for comment and agreement by the contractor before final distribution but, like the agenda, if NEPA write the minutes initially then it has control of the interpretation of what was said.

10 Control of Documentation

10.1 WHY KEEP DOCUMENTS?

Documentation, including a system for monitoring the receipt of documents and action taken on receipt provide a date stamped record of contract activity. Documentation is therefore of crucial importance to successful contract management and the maintenance of good records throughout the life of the contract will assist in the resolution of any disputes, as they provide evidence of what occurred.

10.2 FILING SYSTEM

Having established that a good documentation system is essential, the contract manager should set up a filing system at the earliest opportunity to enable control of the documentation and easy retrieval of information. The Contract Manager should keep one master set of files. Other team members may keep copies of documents but all original documents should be kept in the master set.

As a minimum, the filing system should keep the following records:

INDEX OF FILES

B. CONTRACT

- B.1 Conformed copy of contract
- B.2 Change Notice Log/Change Notices
- B.3 Change Orders
- B.4 Insurance and Bond Certificates

C. CORRESPONDENCE

- C.1 Correspondence Register
- C.2 Communications to Contractor (Letters, Facsimiles, e-mails¹)
- C.3 Communications from Contractor
- C.4 Minutes of Internal Meetings
- C.5 Minutes of Meetings with Contractor

D. TECHNICAL MATTERS

- D.1 Design Submissions

¹ Be aware that e-mails may help understanding of some of the issues, but are generally not admissible as formal communication between the parties

- D.2 Drawing Index
- D.3 Drawing Transmittals
- D.4 Drawings²
- E. REPORTS
 - E.1 Contractor Progress Report
 - E.2 Inspection/Quality Reports
 - E.3 Site Reports
 - E.4 Accident Reports
- F. CONTRACTOR PROCEDURES
 - F.1 Health and Safety Procedures/Performance
 - F.2 Site Security
 - F.3 Environmental Procedures/Performance
- G. FINANCIAL MATTERS
 - G.1 Contractor Invoices/Application for Payment
 - G.2 Progress Verification Certificates
 - G.3 Cashflow Forecast
 - G.4 Value of Work Done Profile
- H. ACCEPTANCE AND CONTRACT CLOSEOUT
 - H.1 Final Inspection Reports
 - H.2 Taking Over Certificate/Defects on Taking Over
 - H.3 Maintenance Certificates
 - H.4 Final Acceptance
- I. CLAIMS
 - I.1 Contractor Claims

² A contract may generate many hundreds of drawings. It is not essential for the project manager to keep these in his office. It is good practice to keep drawings in a central drawing registry, but the drawing index and good control enable them to be retrieved quickly.

- I.2 Claims Analysis/Negotiating Brief
- I.3 Claims Correspondence
- I.4 Minutes of Claims Meetings
- I.5 Claims Reports to Management
- I.6 Claims Agreements
- J. CONTRACT CLOSURE
 - J.1 Contract Closure Report
 - J.2 Contractor Performance Report

It would be useful if NEPA adopted a common file numbering system for each type of file as this would make it easier to retrieve particular types of information and to help staff transferring between contracts.

10.3 CORRESPONDENCE

As described in 10.1 above, written communication is very important in contract management and it is essential that the contract manager puts effort into control of the contract correspondence. The purpose of controlling correspondence is to ensure that:

- All correspondence to and from the contractor is accounted for, i.e. the contract manager knows where it is
- Required replies are sent and responses received
- Correspondence can easily be identified and retrieved
- The responsible team member can be identified and any action taken recorded.

Formal communication between NEPA and a contractor must be in writing by letter between the responsible persons nominated in the contract or nominated subsequently at a meeting and recorded in the minutes. Verbal communication and agreements have no validity until confirmed in writing because verbal communication cannot be reproduced in any contractual dispute.

To be effective, all communication with the contractor should be clear and unambiguous to reduce the possibility of misunderstanding. Separate letters should address separate topics, this aids understanding by making letters shorter. It also aids the response time because simple topics do not need to wait for more complicated issues to be resolved before a response is made. Clearly, several questions on the same topic may be in one letter.

Preferably the contract manager or person nominated in the contract, if that is not the contract manager, should sign all letters. This makes control of outgoing correspondence easier. All letters should contain the following:

- Clear statement of the subject matter
- Date

- Reference number; all correspondence should have a unique reference
- Clear identification of any enclosures
- Specify expected date for response (but be reasonable!!)

Other rules for letters are:

- Keep to the point and be objective and factual
- Do not use inflammatory language ~ remember that all written exchanges may be used as evidence by the contractor as well as NEPA.

A correspondence control system consists of a correspondence incoming register and correspondence outgoing register (Standard Forms MMP- 001, MMP-002 attached to this manual should be used for this purpose).

All incoming correspondence from the contractor should be logged in the register along with the name of the team member allocated to produce a response. The date of the outgoing response should also be logged. The use of this log at internal meetings allows the contract manager to follow up actions and ensure that responses are being prepared.

In the same way, correspondence initiated by NEPA should be logged in the outgoing correspondence register. This register may be used at regular meetings with the contractor to pursue late responses.

Original copies of all correspondence should be put in the appropriate master files.

11 Miscellaneous

11.1 MANAGEMENT CONTROL AND PROJECT AUDITABILITY

11.1.1 Management control

Management control is exercised in a variety of different ways:

- issuing project guidelines (including procedures)
- reporting
- decision points.

Project guidelines are issued to guide the development and execution of a project, and include the project management procedures.

Project Managers and Contract Managers must report regularly to management throughout the life of a project. The key is “no surprises”, i.e. management must be continually aware of what is going on.

There are many decision points during a project, where management formally exercises control by making decisions, for example approving recommendations (or not). Decision points are listed in the following table.

Table 1 – Management Decision Points

Documentation	Management Decision
Project justification and scoping papers	whether to proceed with project development
Project approval paper	whether to proceed with project
Tender list	whether to approve list of companies to be invited to tender
Tender documents	none required
Tender evaluation criteria	criteria must be in line with project guidelines, objectives and constraints
Contract recommendation	whether to approve contract award
Negotiating brief	whether to approve negotiating approach and negotiating limits
Meeting minutes	review and action
Reports and briefing	review and action
Change Notice	whether to approve change

Management decisions are recorded by approval signatures on document and/or by management committee minutes.

11.1.2 Accountability, Transparency and Auditability

Accountability: Project Managers and Contract Managers are accountable to management for discharging their roles in accordance with guidelines, procedures and objectives and for providing management with adequate information to make decisions. Management can be held accountable since their record of decision-making, etc. is open to third-party scrutiny.

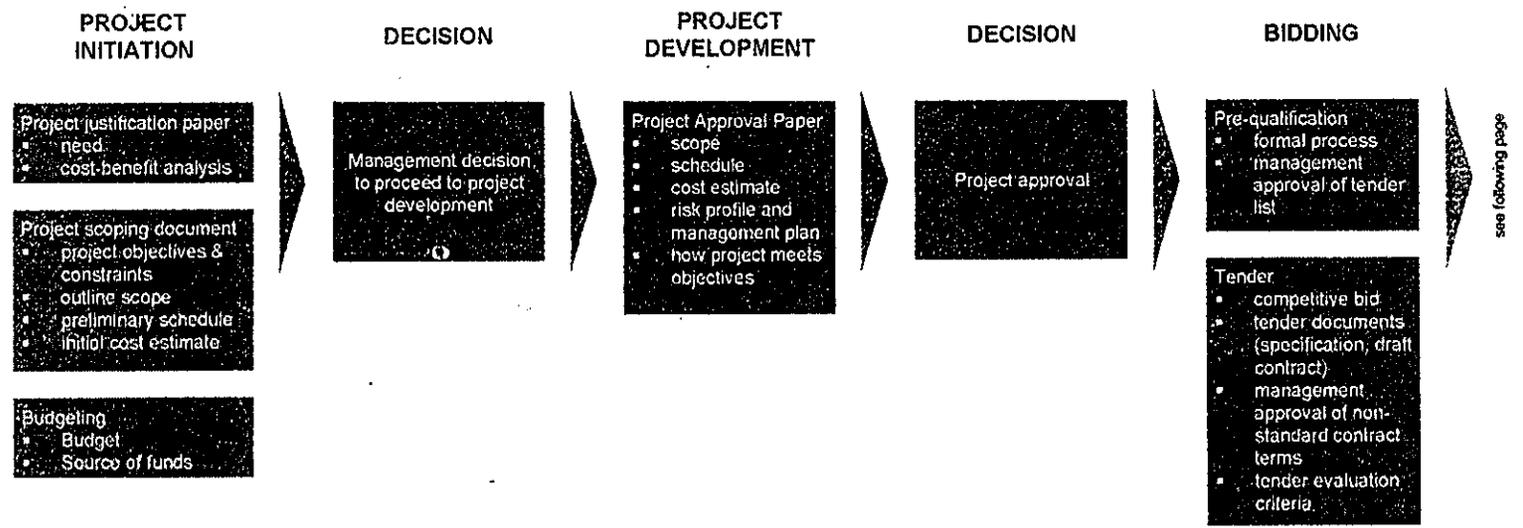
Transparency: Contractors and third parties should recognise that decision-making is managed according to a *defined, planned* process and that dealings are conducted fairly and openly.

Auditability: Requirements by the procedures for key decisions to be properly justified and documented, combined with effective document management, enable decisions to be readily audited. Other project documentation of all kinds is also auditable: correspondence, *meeting* minutes, reports, forms, test results and certificates, etc.

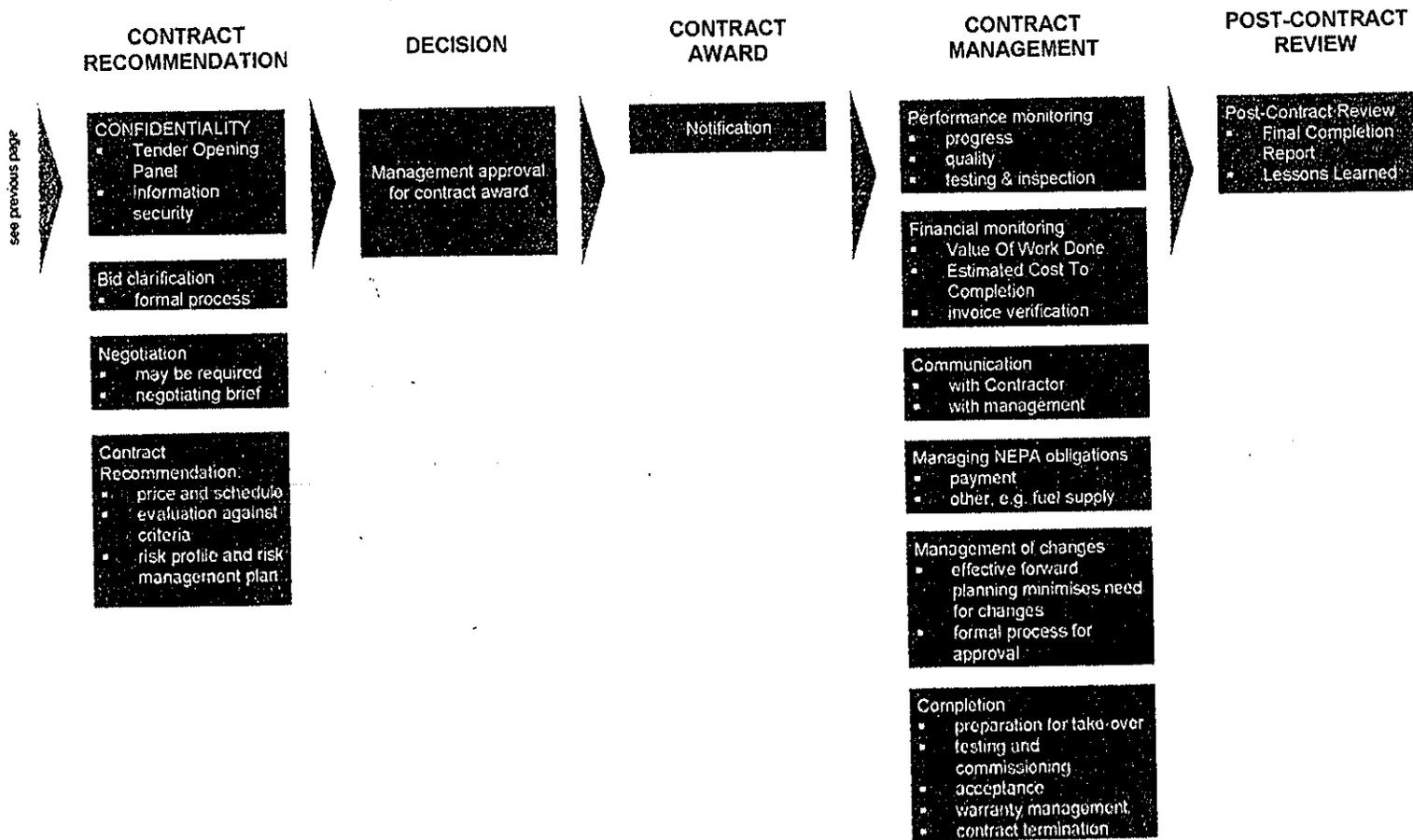
The following charts indicate where management decision points occur, and list several documents that are useful in *establishing an audit trail* in addition to the recorded management decisions:

- Project Justification Paper
- Project Scoping Document
- Project Approval Paper
- Tender List
- Tender documents, including contract terms and conditions and evaluation criteria
- Bid clarification – queries and formal responses
- Contract Recommendation
- Contract management documentation
- Final Completion Report

CONTRACT MANAGEMENT - MANAGEMENT CONTROL AND PROJECT AUDITABILITY (1)



CONTRACT MANAGEMENT - MANAGEMENT CONTROL AND PROJECT AUDITABILITY (2)



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11.2 INSURANCE

Every contract requires the contractor to provide insurance cover for risks encountered whilst carrying out the contract works. The insurance requirements must be specified in the contract and must be appropriate to the type of work. Examples of insurance requirements are:

Commercial General Liability: this insures the contractor for its liability to third parties arising from the performance of its duties. It covers injury to third parties, like NEPA staff, and for damage to existing buildings and property.

Builder's Risk Insurance: This insurance provides cover for physical loss or damage to the new equipment under construction. It normally covers for loss or damage whilst in storage or in transit by road or rail to the construction site. The insurance should cover the full constructed cost of the plant and equipment and may need to be amended if there are any contract changes.

Marine Cargo Insurance: This insurance covers the plant and equipment for loss or damage whilst in transit by air or sea and normally applies from warehouse to warehouse.

Delays in Completion Insurance: This insurance covers the contractor for the payment of debt service in the event that the project is completed late due to loss or damage to the materials in transit. The actual materials damage is covered by Builder's Risk or Marine cargo insurance.

Professional Liability Insurance: This covers the contractor against liabilities incurred due to mistakes or errors in providing his professional services.

11.3 BONDS

The contract normally requires the contractor to furnish NEPA with bonds. Common types of bonds are as follows:

Bid Bonds: These ensure that the selected bidder will honour its bid or forfeit the bond. Bid bonds are usually for 5 – 10% of the total bid price.

Performance Bonds: Performance Bonds are required to ensure that the contractor completes his obligations under the contract, including those that extend beyond final acceptance, for example, Warranty.

Payment Bonds: Payment Bonds ensure that the contractor's suppliers and subcontractors are paid for the work that they have carried out.

11.4 USE OF CONSULTANTS

Consultants have a number of purposes:

- To provide a source of expertise or experience not available within the company
- To provide extra resource where insufficient resource is available within the company.

It is not wrong to use consultants, for example, a company may have a problem that needs a particular skill to solve. It may not be cost effective to permanently employ this skill and a short-term consultant is the best solution. Consultants are also often able to complete tasks more quickly due to their unique experience or due to the fact that they are employed for one task and are not easily diverted by pressing daily matters.

Consultants are contractors and will carry out whatever tasks are specified for them. It is important, when employing consultants, to get the specification correct and to ensure that the consultant knows his scope of work and, particularly, whom he is responsible to. With this in mind, it is perfectly reasonable to employ a consultant to manage a project or represent a project manager at a meeting with a contractor. The important thing is for NEPA to ensure, by briefing the consultant in advance, that the consultant fully understands his role and reports back to the person in NEPA who manages his contract. The consultant must also understand the limits of his responsibility and in what circumstances he must refer back to NEPA.

Consultants should be considered as part of NEPA's team and not as outsiders. If NEPA want the best results from the consultant, they must include the consultant in team meetings and decision making whilst retaining control of their activities. As with any other contractor, NEPA should insist on regular meetings and reports from the consultant, this helps to forge good working relationships and will ensure that NEPA obtain the best value from the consultant's services.

11.5 MANAGEMENT OF POWER PURCHASE AGREEMENTS (PPAS)

11.5.1 Introduction

It has been recommended that a contract team approach be applied to the management of all contracts. This approach has been outlined in papers presented to NEPA and detailed in the contract management procedures.

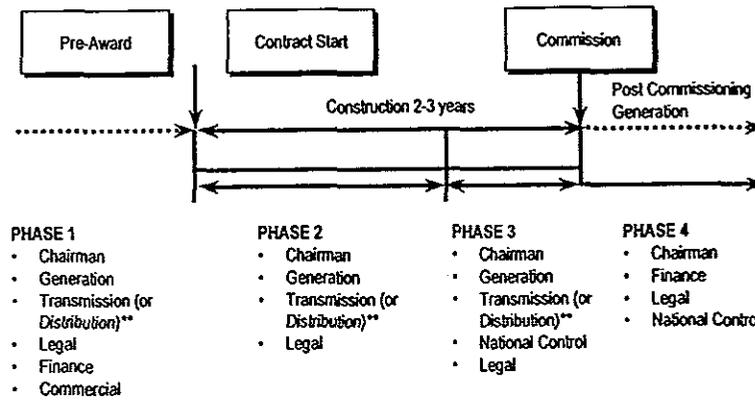
With regard to the PPAs, it has been recommended that the contract management should be the responsibility of the Corporate Planning & Strategy Department. This recommendation should be implemented by appointing the AGM (Business Development and Contract Management) as chairman of the PPA Implementation Committee to manage all PPA contracts. This responsibility runs from inception to closure, including both construction and operational phases. The Committee should be managed as a contract team, as described in the contract management procedures.

11.5.2 Team Constitution

The Chairman is the only permanent member of the PPA Implementation Committee, and his job is to manage the activities of the committee and its members. The Executive Director of Corporate Planning should nominate the Chairman in writing. The letter of appointment should include the Chairman's specific delegated level of authority for the contract. The specific delegation should be sufficient to allow the Chairman to manage the contract effectively.

The Chairman should identify the team members necessary at various stages of the contract and seek nominations from relevant departments. Nominations may be full or part time depending on the time requirement identified by the Chairman and the phase of the project. Committee members should be nominated in writing; nomination commits the department and the individual concerned to allocate the time requested by the Chairman.

Typically a generation project will take from 2 - 3 years to construct and commission, following which the IPP generator produces power to the Grid as despatched by NEPA. As far as the constitution of the PPA Implementation Committee is concerned, the project may be split into four phases. This is shown diagrammatically below along with expected PPA Implementation Committee membership:



** It is expected that most PPA contracts would connect to the Transmission system. Where the connection is to the Distribution system, this would be a Team Member – Distribution.

Phase 3 starts about one year prior to the commissioning of the generator and includes preparation for plant commissioning, testing and handover. At this stage it is essential to include a nomination from National Control to ensure that commissioning of the plant onto the NEPA grid and performance testing proceed smoothly.

Post commissioning, the committee's role becomes primarily one of checking plant performance, calculating the payments due and ensuring that the payments are made.

11.5.3 Team Member Responsibilities

The Chairman of the PPA Implementation Committee fulfils the role of Contract Manager and has authority to direct team members to carry out tasks within their experience and expertise.

11.5.3.1 General Team Member Responsibilities

- All nominated team members have a responsibility to read and understand the contract.
- Any team member may be directed by the Chairman to respond to particular Contractor queries.

11.5.3.2 Chairman (Permanent)

- On behalf of the Executive Director – Corporate Planning and Strategy, to chair the committee and make appropriate decisions within the delegated powers set out in writing.
- To meet the contractor on a regular basis, with appropriate team members, to discuss matters and issues arising on the contract.

The Chairman should be supported by a numerate and computer-literate assistant, who would normally be a permanent member of the Corporate Planning and Strategy Department.

11.5.3.3 Team Member – Generation (Permanent during construction phase)

On behalf of the committee chairman:

- To witness performance tests and review results
- To check progress on the installation of generation equipment against the plan and to advise the committee of any delays.

11.5.3.4 Team Member – Transmission (or Distribution) (Permanent during construction phase)³

On behalf of the committee chairman:

- To review proposed transmission equipment compliance with standards and specification
- To deal with any contractor queries concerning the transmission equipment supplied under the contract
- To check compliance of the transmission and generator equipment with the contract and relevant transmission standards and grid code
- To check progress on the installation of transmission equipment against the plan and to advise the committee of any delays
- To chair the commissioning panel that is constituted with the PPA contractor. The commissioning panel has to agree that the equipment is fit to be connected to the Grid and plans the switching programme for connection and the necessary load tests.

11.5.3.5 Team Member – Operations (National Control) (Permanent during Phase 3)

On behalf of the committee chairman:

- To be a member of the commissioning panel
- In conjunction with the contractor, to write the commissioning switching programme.
- To liaise with National Control during the commissioning process.

11.5.3.6 Team Member – Legal (not permanent team member)

On behalf of the committee chairman:

- To prepare any non-standard Terms and Conditions
- To interpret complex contractual clauses.

11.5.3.7 Team Member – Finance (not permanent team member)

On behalf of the committee chairman:

- To confirm that invoices are compliant with contractual terms of payment
- To keep cashflow forecasts up to date
- To ensure that financial provision is made for impending invoices
- To assist with budget predictions and formulation of annual budgets.

³ It is expected that most PPA contracts would connect to the Transmission system. Where the connection is to the Distribution system, this would be a Team Member – Distribution.

11.5.3.8 Team Member - Commercial (not permanent team member)

On behalf of the committee chairman:

- To prepare/review commercial terms and conditions of contract
- To interpret complex contractual clauses.

FORMS AND STANDARD DOCUMENTS

Appendix 1: Numbering of Project Management Procedures**Table 2 - Project Management Procedures**

Number	Description
001	Management of Projects
002	Project Initiation and Development
003	Tender Development
004	Bidding and Receipt of Tenders
005	Tender Evaluation and Contract Award
006	Contract Management and Monitoring
007	Testing and Commissioning
008	Contract Completion and Management of the Warranty
009	Management of Contract Changes
010	Claims and Disputes Management
011	Negotiation



NIGERIA ELECTRIC POWER AUTHORITY

Procedure No: 001

PROCEDURE FOR THE MANAGEMENT OF PROJECTS

Approved for Issue by: _____
Engr. Makoju
Managing Director

Document Revision History

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Reference:

SCOPE AND APPLICATION

This procedure, the associated procedures and the Manual for the Management of Projects describe the principles and processes of successful project management. It will apply to all projects undertaken by NEPA with a value in excess of N[10.0]m ([Ten Million] Naira). **** (See note)**

Manual 2.3,
 11.5

This procedure sets out a framework for project management and the responsibilities of various NEPA officers. It should be read in conjunction with the more detailed procedures that are referenced below and the Manual for the Management of Projects.

****Note:** The principles set out in these procedures apply to all projects irrespective of value. The project manager should use his discretion over the amount of resource to be expended on monitoring projects with a value less than N10.0m but the principles of bidding, award of contracts and authorisation of invoices should still be rigidly adhered to. This will reinforce good practice and ensure that the requirements of the Budget Monitoring and Price Intelligence Unit (BMPI) are met.

1 RESPONSIBILITIES

1.1 EXECUTIVE DIRECTORS

To be project sponsor for Projects within the Executive Director's sector as set out in Appendix 1. To appoint a Project Manager and to ensure that NEPA's overall objectives are met by creating the environment and infrastructure required for successful project delivery.

To approve projects within the Executive Director's sector that are within delegated level of authority.

1.2 PROJECT MANAGER

To manage a multi disciplinary project team and be responsible through the team for all aspects of the execution of the projects for which he is appointed as manager.

1.3 MULTI-DISCIPLINARY TEAM MEMBER

To work within a team and be responsible to the project manager for allocated tasks within the scope of their professional expertise and experience.

Multi disciplinary team members normally include the following but there may be others required where the scope or phase of the project requires it:

Reference:

1.3.1 Project Engineer

The project engineer is responsible to the project manager for the technical engineering effort. Examples of the project engineer's responsibility are the preparation of the project scope of work, production of an engineering plan, project design, drawings and specifications, advice on site build issues and technical bid evaluation.

On small projects, the project manager may take the role of project engineer.

1.3.2 Legal

The legal team member is responsible to the project manager for advising on points of law and the legality of contracts. He also assists in the resolution of contractual disputes and other legal problems for example, planning permission issues.

1.3.3 Commercial

The commercial team member is responsible for drawing up standard commercial terms of contract for the tender documents. He is also responsible for managing the bid process on behalf of the project manager and for placing necessary contracts

1.3.4 Finance

The finance team member is responsible for establishing and updating the financial monitoring system for the project, for checking invoices and arranging contract payments and preparing financial reports and forecasts.

1.4 APPROVAL AUTHORITY

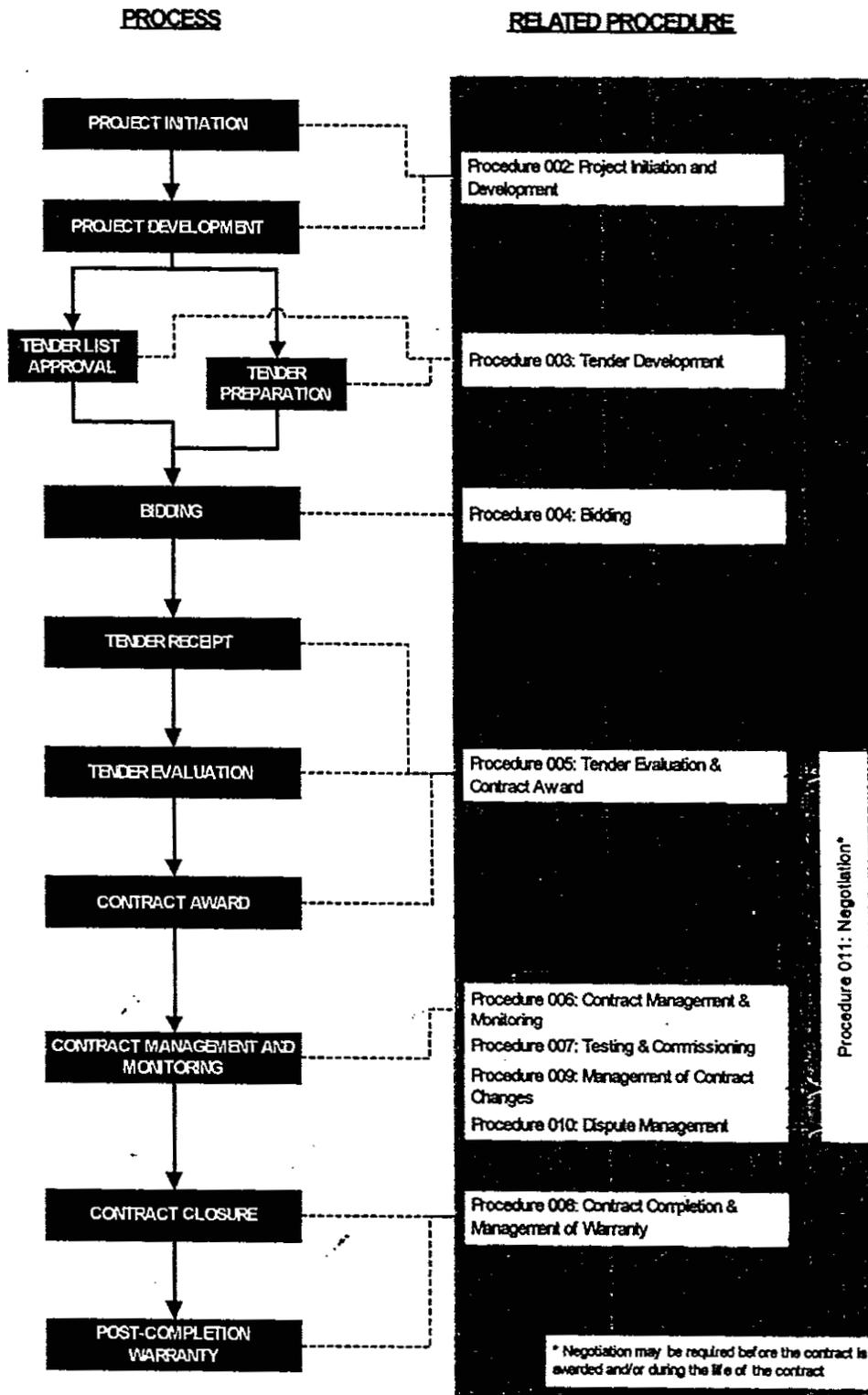
The Approval Authority is the body that gives approval for a project or contract to proceed. The Approval Authority is defined in NEPA financial guidelines and, depending on the value of the project or contract, may be the project manager's immediate manager, an Executive Director, the Managing Director or the Minister of Steel and Power.

2 PROCEDURE

Successful project management is achieved through team working under a project manager. The team consists of specialists appointed to assist the project manager as specified from time to time throughout the project life.

A project consists of a number of main activities, each of which needs to be carefully managed to a conclusion before the next step can be commenced. These main activities and their associated procedures have been set out diagrammatically below:

CONTRACT MANAGEMENT PROCESS



Appendix 1: Responsible Managing Departments

Contract Type	Managing Unit	Project Sponsor
PPA : - IPP, EPP, ROT	Corporate Planning & Strategy	ED CP&S
Fuel Supply for IPPs	Generation	ED Generation
Fuel Supply - Other	Generation	ED Generation
RCM	Marketing	ED Marketing
O&M	Generation	ED Generation
Consultancy	Function/Sector as Required	ED as appropriate
Generation Rehabilitation, Construction	Generation	ED Generation
Transmission Rehabilitation, Construction	Transmission	ED Transmission
Distribution Rehabilitation, Construction	Distribution	ED Distribution
Control Centre upgrade	Operations	ED Operations



NIGERIA ELECTRIC POWER AUTHORITY

PROCEDURE No: 002

PROCEDURE FOR PROJECT INITIATION AND DEVELOPMENT

Approved for Issue by: _____
Engr. Makoju
Managing Director

Document Revision History

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Scope

This procedure describes the principles and processes for Project Initiation and Development.

This procedure assumes that the project has been defined in outline form through a business planning process and that NEPA has taken a corporate decision to proceed with the project subject to a satisfactory outcome of the project initiation and development process. It is not the purpose of this procedure to define a business planning procedure because the start of project management assumes that a project has already been defined in outline and that preliminary budget approval has been given to the sponsor to proceed to the Project Initiation and Development stage of the project.

Procedure

1 Project Initiation – Decision to Proceed

Manual
section 2.1

The business planning process and method for making a decision to proceed with a project is outlined in general terms in section 2 of the Manual for the Management of Projects.

1.1 APPOINTMENT OF PROJECT MANAGER

Manual
section 2.2
Proc 001

As soon as budgetary approval is given and the decision to proceed with a project is made, the project sponsor must appoint a Project Manager.

The appointment of the project manager will be made in writing on a standard letter, the format of which is set out in Form 002-01. As well as making the appointment, the appointment letter sets out the project manager's responsibilities and delegated powers specific to that project. Standard delegations are set out in the NEPA financial guidelines but Executive Directors may, within their limits of authority, change those delegations on a project specific basis.

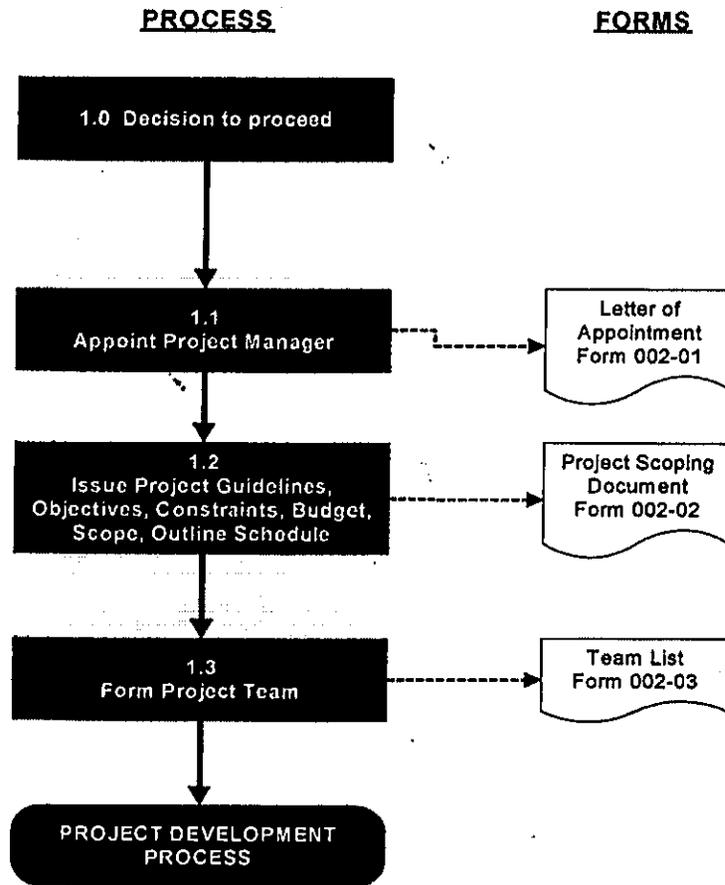
Form 002-
01

1.2 ISSUE PROJECT GUIDELINES

The project sponsor must issue a Project Scope Report (Form 002-02) to the project manager with a project outline that includes:

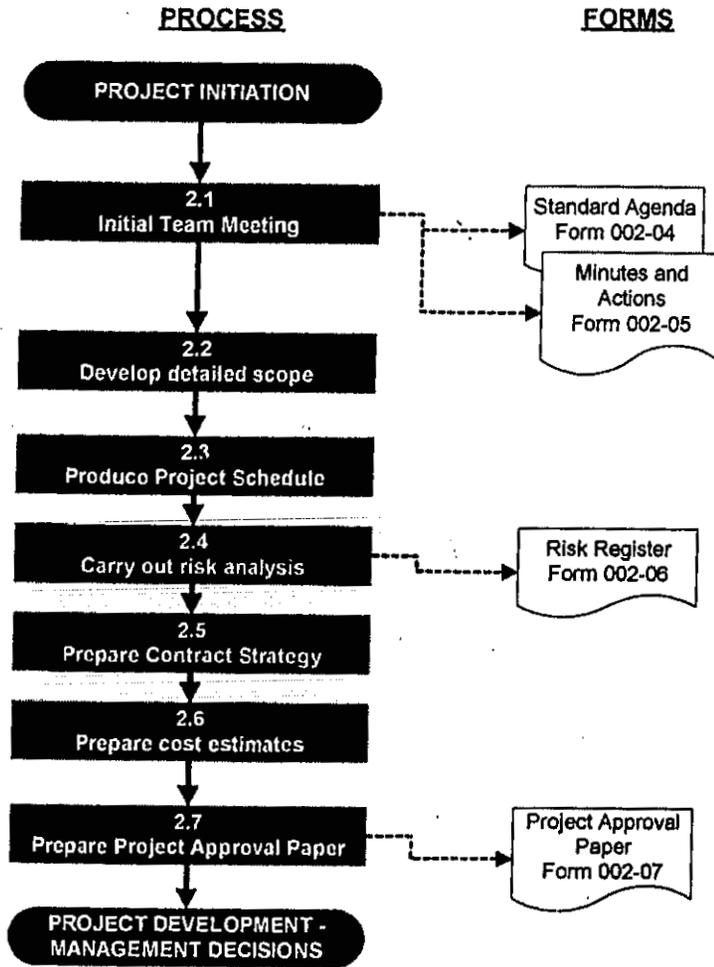
Form 002-
02

- Project objectives
- Any known constraints
- Expected budget
- Outline scope of work
- Outline schedule



NOTES

- Requirements for Decision to Proceed:
 - Justification, e.g. Cost-Benefit Analysis, Comparison of Alternatives
 - Cost Estimate + Planned Schedule = Budget
 - Decision at appropriate level (Incl Ministry of Power & Steel)
 - Budget Approval
 - Identified source(s) of funding
- The Project Manager must understand the project objectives, outline scope, plan and budget
- The Project Scoping Document includes:
 - Scope
 - Objectives
 - Constraints
 - Budget
 - Outline Schedule
 - Project Guidelines
- The Project Manager must identify all the necessary resources, including specialists from functional departments, required for Project Development
- All activities from now on are the responsibility of the Project Manager, although tasks are delegated to team members



NOTES

All team members must be present at first Team Meeting

Developing scope, project schedule, risk analysis, contract strategy and cost estimate do not have to follow this sequence; some of these activities may take place in parallel

The Project Approval Paper should be prepared by the Project Team. It should describe the technical reasons for the project, how it meets company objectives, the scope of the project, technical and business-related risks, and cost estimate and schedule compared with original budget

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If the Project Scope Report is not available, the Project Manager will produce one, after discussion with the project sponsor, and confirm the details with the project sponsor to ensure that he understands the known detail of the project. This should be an exceptional circumstance and normally, the project sponsor should ensure that the project manager is adequately briefed.

Reference:
 Manual
 section 2.3

1.3 FORMATION OF PROJECT TEAM

Project management is based on management by multi functional teams. Once the project scope is agreed with the project sponsor, the Project Manager will identify the resources necessary to assist him with the further development of the project, and the time required for each resource.

The Project Manager will then approach relevant functional managers seeking sufficiently experienced staff for his team. Nominated team members will be recorded on the Project Team List (Form 002-03), which will be reviewed and updated whenever a team member is changed.

Form 002 -
 03
 Manual
 section 3

2 Project Development

The purpose of project development is to:

- Develop the technical scope of the project
- Develop a realistic project plan
- Develop a contract strategy
- Identify project risks
- Produce a robust project cost estimate both for plant and equipment and/or services purchased and the internal resources required to manage the project
- Obtain Management Approval for developed project

Section 3 of the Manual for the Management of Projects gives more detail on each of these activities

2.1 INITIAL TEAM MEETING

Once all team members have been nominated the Project Manager must call the initial team meeting and invite all nominated team members.

All team members must attend the initial team meeting, which will cover the following issues and have a standard agenda (Form 002-04):

Form 002 -
 04

- Known scope of project
- Identification of tasks necessary to develop project further

Reference:

- Allocation of tasks to team members according to their specialism
- Schedule for further development of project, including date for seeking management approval
- Team member agreement to their tasks and plan

Following the meeting, the Project Manager will produce meeting minutes that record the agreed allocation of responsibilities, project development plan and an action log (Form 002-05) for distribution to team members. The Project Manager will maintain and update the action log throughout the project.

Form 002-05

Team members should keep their own notes of their actions because some time inevitably elapses before the issue of meeting minutes and this should not be allowed to delay the carrying out of actions. The Project Manager should, however, endeavour to issue the minutes within one week of the date of the meeting.

Manual section 3.1

2.2 DEVELOP DETAILED SCOPE

Following the first meeting, the technical members of the team must fully develop the detailed scope of work for the project. This is done by reference to the system design, project requirements, condition assessment of existing main and auxiliary plant, fault reports and any other available relevant information.

Manual section 3.2

2.3 PRODUCE PROJECT SCHEDULE

Once the scope is detailed a project schedule may be prepared. A computer based software package may be used for this purpose as it allows modifications to be made quickly as the scope and constraints are identified. If computer software is not available, a schedule may be drawn out on paper.

The project schedule may be refined throughout the development process and will be approved as part of the management approval. The tender documentation will identify project milestones.

Manual section 3.3

2.4 CARRY OUT RISK ANALYSIS

As the technical scope of the project is developed the project team will identify risks to the project. This may be done individually by technical experts in the normal course of their work or at team meetings, perhaps by "brainstorming". Any team member who identifies a potential risk to the project is duty bound to advise the Project Manager.

Form 002-06

Each identified risk must be included in a Risk Register (Form 002 - 06). The risk register will identify the team member allocated to manage the risk and the action taken. This will be reviewed and updated by the Project Manager at each project team meeting throughout the life cycle of the project.

2.5 PREPARE CONTRACT STRATEGY

The project team is responsible for proposing a contract strategy for the project, which becomes part of the project proposal. There are a number of contract options to be considered and these options are described in more detail in the Manual for the Management of Projects section 3.4. The main decisions to be made may be summarised as follows:

- Single or competitive tender
- Contract type
 - By level of Risk
 - By Scope
 - By Cost

The proposed contract strategy will be described in the Project Approval Paper (Section 2.7 below) and will be approved by the Approval Authority.

If there is a significant delay between project approval and commencement of tender development (Procedure 003), the project team must re-examine the contract strategy approved by the Approval Authority to check that nothing, that would affect their decision has changed since the strategy was first proposed.

Any change to contract strategy must be documented and approved by the Approval Authority.

2.6 PREPARE COST ESTIMATE

The project team must produce a cost estimate for the overall project for comparison with the approved budget and for final financial approval for the project to proceed. Details on how to produce a cost estimate and the tools to be used are described in the Manual for Project Management section 3.5.

2.7 PREPARE PROJECT APPROVAL PAPER

When the team is satisfied that sufficient work has been carried out to adequately scope the project such that the costs, risks and schedule are well understood, they should prepare a Project Approval Paper for authorisation by the Approval Authority. The Project Approval Paper should be on the standard form 002-07 appended to this procedure.

The content of the Project Approval Paper is described in the Manual for the Management of Projects, section 3.6.

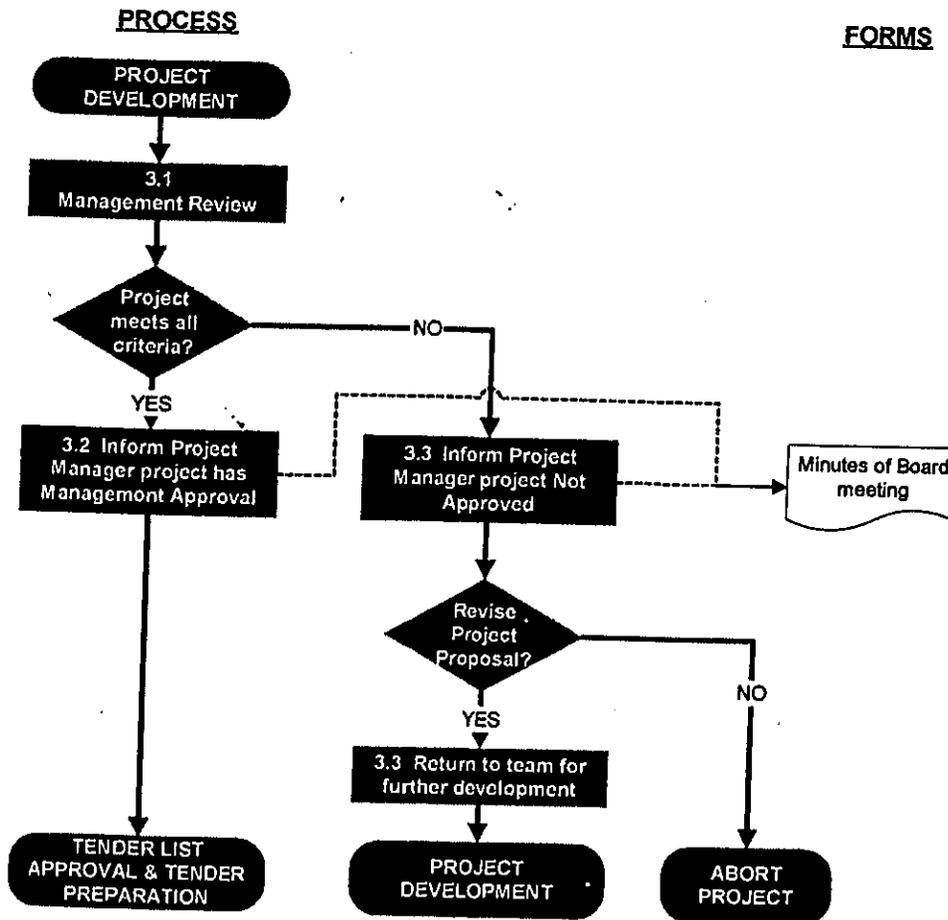
Reference:

Manual
 section 3.4

Manual
 section 3.5

Manual
 section 3.6
 Form 002-07

Manual
 section 3.6



NOTES

Management need to consider whether:

- Risks are manageable
- Project Proposal meets Company Objectives
- Project Proposal is within approved budget
- Funding is available

The minutes of the Board meeting recording the decision of the Approval Authority, e.g. Board of Directors, including comments

Irrespective of the decision, the project manager must be informed, and given instructions on how to proceed. The Approval Authority's comments and decision will determine whether the project proposal is revised or the project aborted. There must be a mechanism for advising the project team of the Approval Authority decision

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Reference:

3 Management Decisions

3.1 MANAGEMENT REVIEW

The Project team must establish what the Management Approval process is and then ensure that the Project Approval Paper is submitted to meet these requirements. Adequate time for the approval process must be factored into the project development schedule agreed at the Initial Team Meeting.

On receipt of the Project Approval Paper, the Approval Authority must check the following:

- Proposal meets Company Objectives
- Project Scope is as expected
- Proposal has an approved budget
- Funding for the project is still available
- Project Risks are manageable

It may be necessary for the project manager to present the project to the Approval Authority and to enter into the debate over the projects merits. For large and complex projects this is almost certainly necessary.

3.2 MANAGEMENT APPROVAL

After Management Review the Approval Authority must inform the Project Manager whether the project has management approval or not.

3.2.1 Project has Management Approval

When the project is approved the project manager will proceed to the tender development phase of the project. The appropriate Approval Authority should sign the Project Approval Paper and return it to the project manager as early as possible with any comments made during discussion at the approval board (this may be done through issue of an appropriate meeting minute).

3.2.2 Not Approved

If the project is not approved the Approval Authority should return the Project Approval Paper to the project manager with an explanation of the reason or reasons why it was not approved, and with instructions for how to proceed.

Reference:

There are then two possible courses of action:

- Further development of the project to clear up issues raised by the Approval Authority
- Abort project

4 Associated Documents

Manual for the Management of Projects

Procedure 003 – Tender Development

FORMS AND STANDARD DOCUMENTS

PROJECT MANAGER APPOINTMENT LETTER

To: (Name)

From: (Name)

Date:



Subject: Appointment as Project Manager

I am pleased to inform you that you have been appointed as project manager for the following project:

<Project Number>
<Project Name>

This project has budgetary approval and you should commence your duties on immediately. I attach the project scope report giving outline details of the scope of the project, project schedule and approved budget.

Your project specific financial delegations are as follows:

- 1. You may approve orders to the value of: <XXX Naira>
- 2. You may approve contract variations to the value of: <YYY Naira>
- 3. You may approve plant disposals to the value of: <ZZZ Naira>

Signature:

Executive Director – (Department)

Form 002-02

National Electric Power Authority

Project Scope Report

Scheme No:		Project Manager:	
Project Type:	New Generator / New Transmission / New Distribution / Rehabilitation / Operation & Maintenance / Other (Specify.....)		
Project Location / Description:	Description of the project, including the project objectives		
Approx. Completion Date:		Estimated Project Costs:	
General Plant Requirements:			
Prepared By:		Date Prepared:	

Project: <NAME>

INITIAL TEAM MEETING AGENDA

Meeting Date: <DATE>

Meeting Venue: <PLACE>

1. Introductions / Team Roles and Responsibilities

2. Background to Project

3. System Design Requirements

4. Outline Scope of Project

4.1 Description

4.2 Technical Issues for Resolution

4.3 Expected Risks

4.4 Expected Environmental Issues

4.5 Outline Project Schedule

5. Financial Matters

5.1 Approved Budget

5.2 Availability of Finance

6. Schedule for Development of Project

6.1 Team Workload Issues

6.2 Proposed Date for Management Approval

7. Review of Agreed Actions

Date of Next Meeting

Form 002-04

TEAM ACTION LOG			
Project: <NAME>			
Date	Action	Responsible Team Member	Date Cleared

Form 002-05

RISK REGISTER

Action to Mitigate Risk	Responsible Team Member	Possible Impact	Type*	Identified Risk	Date

* Risk types are categorised as:
Technical (T), Safety (S), Commercial (Com), Environmental (En), Corporate (Cor), External (Ex)

Form 002-06

PROJECT APPROVAL PAPER

NEPA Confidential

Date: <DATE>

Scheme: <NAME>

(Project Approval Paper by <PROJECT MANAGER>)

1 SUMMARY

- 1.1 This paper seeks approval from the <Approval Authority> for the <Single sentence describing project>. The project is required to <Single sentence describing reason for the project>.
- 1.2 Approval is sought for financial commitment of <XXX Million Naira> at outturn prices. This project was included in the <Year 200_ Approved Budget> at an outline value of <YYY Million Naira>

2 BACKGROUND/REASON FOR SCHEME

*Describe Purpose of Project
Any System Design Issues
How it meets NEPA Objectives
Fault History
Condition Assessment
Reasons for the scheme and why alternatives have been rejected
Why do it now*

3 SCHEME DESCRIPTION

Describe Main Detail of Work/Technical Scope

4 RISK ANALYSIS

Describe Main Project Risks and how they will be Managed/Mitigated

5 PROPOSED CONTRACT STRATEGY

*Describe proposed contract strategy
Proposed type of contract
Why this contract strategy is proposed*

6 ENVIRONMENTAL / PLANNING ISSUES

Describe any special environmental or planning permission problems identified and how they will be dealt with. Also whether these problems might have impact on the project schedule.

7 FINANCIAL/BUDGET

Describe estimated cost of project with any addition/reduction due to analysed risks

Show phased Estimated Cost and compare to Approved Budget in tabular form:

(Outturn Prices) Naira (million)	2002/03	2003/04	2004/05	2005/06	2006/07	Total
Approved Budget						
Estimated Cost						

Comment on reasons for any variation between estimated cost and approved budget

Describe any issues over funding availability

8 PROPOSER'S SIGNATURE

Signed.....

Date

<NAME> Project Manager

9 DECISION OF THE APPROVAL AUTHORITY

I AUTHORISE the project manager to proceed with the project described in this Project Approval Paper, with the financial commitment as set out in the paper.

Signed

Date

<NAME> <POSITION>



NIGERIA ELECTRIC POWER AUTHORITY

PROCEDURE №: 003

PROCEDURE FOR THE TENDER DEVELOPMENT PROCESS

Approved for Issue by: _____
Engr. Makoju
Managing Director

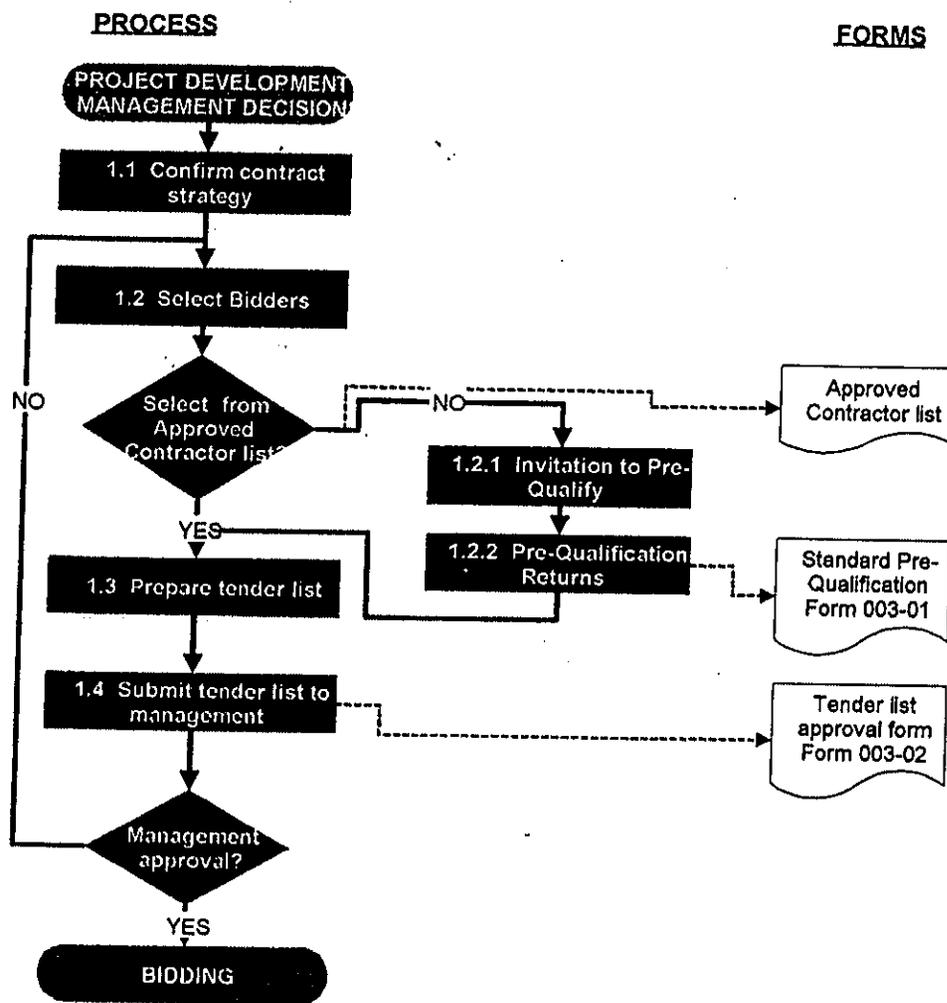
Document Revision History

Version		Issue Date
1.	Original Issue	16 December 2002

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TENDER LIST APPROVAL



Team must first agree whether contract will be single or competitive tender. See Manual section 4.4.1

NEPA may develop Approved Contractor lists; contractors will be listed for type of work and size contract they are capable of carrying out. Competent bidders may be selected from the Approved Contractor list, or by pre-qualification.

Pre-qualification is intended to determine the contractors that are competent to carry out certain types, scope and scale (size) of work

Requirement for management approval depends on size of contract

Reference:

Scope

The preceding procedure describes the processes of Project Initiation and Development This procedure takes the process forward and describes the principles and processes for Tender List Approval and for the Preparation of Tenders.

PROCEDURE

This procedure consists of two sections, one describing the process of selection and approval of companies to be invited to bid and the other describing the process of tender preparation.

1 Tender List Approval

1.1 CONFIRM CONTRACT STRATEGY

If a long time has elapsed since approval was given for the project to proceed, the project team should confirm that the contract strategy is still appropriate, and seek management approval for any changes that they propose.

Manual section 4.2

1.2 SELECTION OF BIDDERS

The project team must decide which companies to include in the tender list. It is important that only companies that can be proven to be competent are chosen.

Manual section 4.3

Assuming that competitive bidding has been decided upon, the team must also decide how many bids they will seek. Normally, to ensure healthy competition whilst minimising the work necessary to assess the bids, a minimum of 4 and maximum of 6 tender enquiries should be sent out.

1.2.1 Pre-qualification

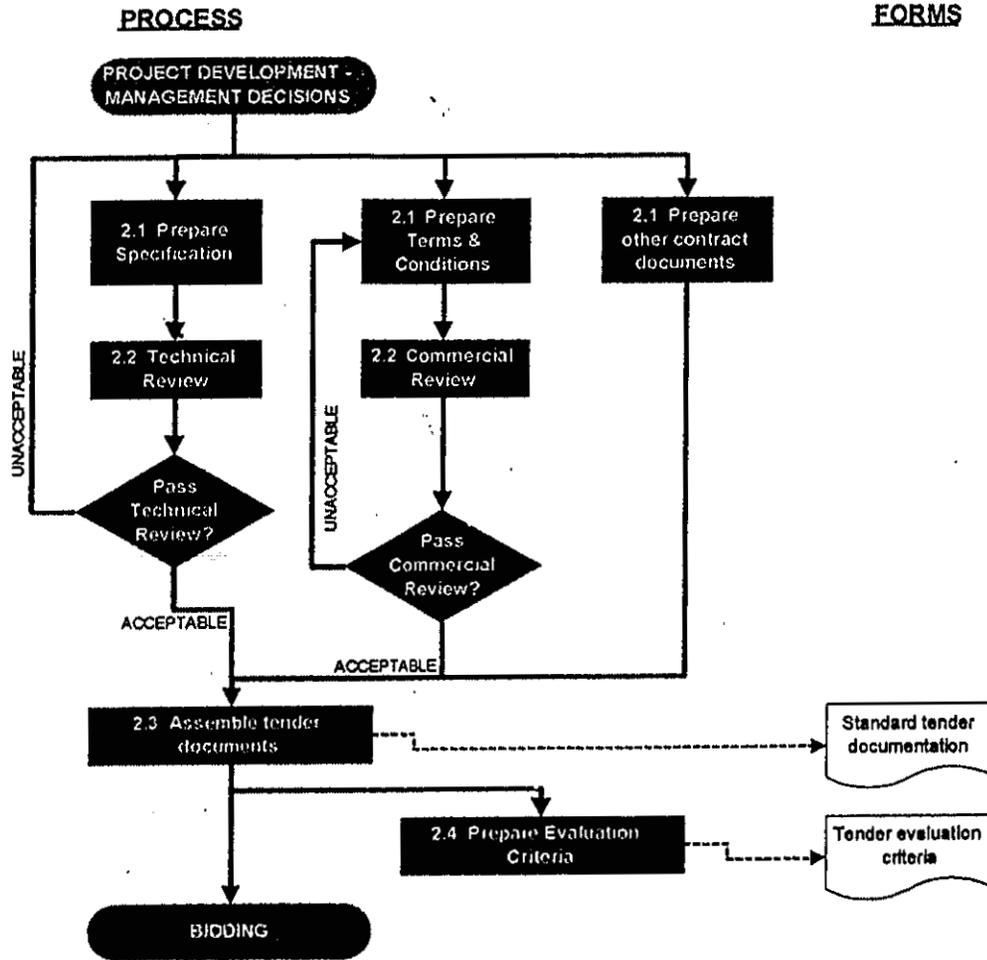
If the project team determines that there are no suitable contractors already known to them or if they wish to introduce new contractors for a particular type of work or if the project is above a specified value, then they should start a pre-qualification process to select bidders for the tender list.

Manual section 4.3.3

The project team must identify contractors who may be interested in bidding for the particular project and prepare a pre-qualification questionnaire (Pre-qualification form 003 - 01). Before sending out the pre-qualification questionnaire it may be sensible to discuss with the company whether it would be interested in bidding for the project

Form 003-01

TENDER PREPARATION



Terms and Conditions should be standard where possible. There are a number of internationally recognised sets of Terms and Conditions which can be used.
Other contract documents include cover letter, pricing schedules, etc.

Deviations from standard Terms and Conditions must be approved formally. Examples needing approval would be terms of payment, incentives, or any contract modification that has a financial impact

All tender documents should have standard format, e.g. standard order of chapters. Technical schedules and cost schedules should be in standard format.

The tender evaluation criteria should align with the project objectives, so the best bid is the one that fulfils the project objectives most fully..

1.2.2 Pre-qualification Returns

On receipt of the pre-qualification returns, the team must set up an assessment panel and scrutinise the returns in a similar way to evaluating a tender. Contract Management Manual section 4.3.3 identifies the criteria against which the returns should be judged

On completion of the assessments, contractors who have been assessed as competent to carry out the work under the proposed tender may be included on the tender list.

1.3 PREPARE TENDER LIST

When the team have selected their proposed bidders, the tender list must be approved by the appropriate Approval Authority as defined in the NEPA Financial Guidelines. Standard document 003 – 02 Tender List Approval must be used for the purpose and submitted for approval.

In particular, the Tender List Approval must justify the decision to include each bidder on the list. Justifications will be either:

- that the bidder is on the Approved Contractor Database and continues to perform satisfactorily
- or that the bidder has passed the pre-qualification process

The Tender List Approval should also list companies that did not pass the pre-qualification process and the reasons for their exclusion.

1.4 SUBMIT TO MANAGEMENT

After completion by the project team, the Tender List Approval form is submitted to the appropriate Approval Authority for consideration. After consideration the Approval Authority either approves the proposed tender list or returns it to the team with comments and reasons for not approving.

If the tender list has been rejected, the project team must take note of management comments and resubmit a revised tender list for approval.

2 Tender Preparation

2.1 PREPARE SPECIFICATION, TERMS AND CONDITIONS

The project manager will allocate responsibility for each portion of the tender to team members according to their expertise and experience. In particular the tender should cover:

Reference:

Manual section 4.3.3

Form 003-02

Manual section 4.3.4

Manual section 4.4

Reference:

2.1.1 Technical Specification

- Technical scope of work and required completion date
- Technical specifications – relevant International or NEPA specifications and standards should be quoted along with the order of precedence
- Relevant drawings - normally a site layout drawing and a schedule of all relevant drawings available that the bidder may call upon either in the course of producing the tender or during the contract.

2.1.2 Terms and conditions (Draft Contract)

- Internationally recognised terms and conditions should preferably be used and standardised as far as possible

2.1.3 Other Tender Documents

- Standard Invitation to Tender Letter (Form 004-01)

Form 004-01
Manual section 4.4

The Manual for the Management of Projects section 4.4 provides more detail on the contents of each section of the tender along with other matters that may be included.

2.2 TECHNICAL AND COMMERCIAL REVIEW

When the technical specification and the Terms and Conditions are complete, they must be reviewed. The project manager may carry this out himself if he has sufficient competence or he may ask an expert or experts to carry out the review. If the review identifies deficiencies or errors, these must be corrected before the tender is issued.

As stated in 2.1.2 above, standard terms and conditions should be used wherever possible. Any deviations from standard should be subjected to management review and approval. This may be done by an Addendum to the original Project Approval Paper and signed by the original Approval Authority.

2.1.2

2.3 TENDER DOCUMENTS

When the project manager is satisfied that the technical and commercial parts of the tender are satisfactory, the complete tender document is assembled with the covering letter (Form 004-01) ready for issue to potential bidders.

Form 004-01

2.4 PREPARE EVALUATION CRITERIA

The project team should develop the evaluation criteria at this stage. Criteria must align with NEPA company and project objectives.

3 Associated Documents

Manual for the Management of Projects

Procedure 002: Procedure for Project Initiation and Development

Procedure 004: Procedure for the Bidding Process and the Receipt of Tenders

Reference:

FORMS AND STANDARD DOCUMENTS

4. Labour Relations – Shop and Field <small>List all crafts with whom you have contracts and/or working agreements [] Check here if not applicable</small>			
CRAFT	EXPIRATION DATE	CRAFT	EXPIRATION DATE
1.		4.	
2.		5.	
3.		6.	
5. BIDDING INTEREST AND QUALIFICATIONS			
A. Indicate geographical area(s) (Country/State/Province) in which you have and are qualified to work. Name only those in which you have had significant experience.			
B. Indicate appropriate contract dollar range within which you prefer and are currently able to bid 9 e.g. \$250,000 to \$1,000,000 \$ _____ to \$ _____			
C. List type of work you normally subcontract to others:		D. Indicate Industry Authorisations (ASME, API, TEMA, Class of Code Stamp, etc)	
E. Are you certified to perform work requiring a quality assurance programme?			
ISO 9001 [] Yes [] No Other [] Yes [] No			
For your programme(s) attach table of contents from relevant manual(s) or, on additional pages, describe the method and level of compliance standards			
6. PROFESSIONAL LICENCES indicate the work category you are licensed for and the are(s) (Country/State/Province) in which you hold each. Attach additional pages if necessary			
Type of Licence	Location	Type of Licence	Location
1.		4.	
2.		5.	
3.		6.	
7. ENGINEERING, ARCHITECTURAL AND OTHER TECHNICAL SERVICES CONTRACTORS/SPECIFIC DATA LISTINGS			
A. Indicate fields of specialisation by your firm (i.e. chemical engineering, hydrology, geology, etc)			

B. List Personnel by Discipline (Number of Staff)		
_____ Administrative	_____ Electrical Engineers	_____ Architects
_____ Estimators	_____ Chemical Engineers	_____ Geologists
_____ Construction Inspectors	_____ Specification Writers	_____ Draftsman
_____ Landscape Architects	_____ Structural Engineers	_____ Ecologists
_____ Mechanical Engineers	_____ Surveyors	_____ Economists
_____ Other		
8. SAFETY EXPERIENCE (complete attached Health and Safety Record)		
9. WORK HISTORY (complete attached Experience statement)		
SIGNATURE	TITLE	
NAME (Block Capitals)	DATE	

HEALTH AND SAFETY RECORD

1. Injuries and Illness					
1.1 List your Companies Injuries and Illness Rate for the last three years and total hours worked:					
	20__	20__	20__		
Injuries and Illness (Hours)	_____	_____	_____		
Hours Worked (Hours)	_____	_____	_____		
2. SAFETY PERFORMANCE					
2.1 List Safety performance incident rates for the last three years:					
	20__	20__	20__		
Statutory Recordable Incident Rate	_____	_____	_____		
Lost Workday Incident Rate	_____	_____	_____		
2.2 Record the following for the last three years:					
	20__	20__	20__		
Number of lost Workdays	_____	_____	_____		
Number of Restricted Workdays	_____	_____	_____		
Number of cases with Medical Attention only	_____	_____	_____		
Number of Fatalities	_____	_____	_____		
3. Identify your company's Type of Work: (Check in brackets)					
<input type="checkbox"/> Non-residential building					
<input type="checkbox"/> Heavy (non-highway construction)					
<input type="checkbox"/> Mechanical					
<input type="checkbox"/> Electrical					
<input type="checkbox"/> Other (Please specify) _____					
4. Safety Management					
4.1 Are Accident Reports sent to the following and how often?					
	No	Yes	Monthly	Quarterly	Annually
Project Superintendent / Site Manager	<input type="checkbox"/>				
Vice President / Manager of Construction	<input type="checkbox"/>				
Safety Director	<input type="checkbox"/>				
President / Managing Director	<input type="checkbox"/>				
4.2 Do you hold site safety meetings for field employees both Manual and Non-Manual?					
No <input type="checkbox"/> Yes <input type="checkbox"/>					
How often ?					
Weekly <input type="checkbox"/> Fortnightly <input type="checkbox"/> Monthly <input type="checkbox"/>					

4.3 Does your company carry out project safety inspections? No <input type="checkbox"/> Yes <input type="checkbox"/>					
If yes, who carries out this inspection?					
TITLE					How Often?
4.4 How are accident records and accident summaries kept? How often are they reported?					
	No	Yes	Monthly	Quarterly	Annually
4.4.1 Accidents totalled for entire company	[]	[]	[]	[]	[]
4.4.2 Accidents totalled by project	[]	[]	[]	[]	[]
4.4.1 Subtotalled by Site Manager	[]	[]	[]	[]	[]
4.4.2 Subtotalled by Foreman	[]	[]	[]	[]	[]
4.5 How are the costs of individual accidents kept? How often are they reported?					
	No	Yes	Monthly	Quarterly	Annually
4.4.1 Costs totalled for entire company	[]	[]	[]	[]	[]
4.4.2 Costs totalled by project	[]	[]	[]	[]	[]
4.4.1 Subtotalled by Site Manager	[]	[]	[]	[]	[]
4.4.2 Subtotalled by Foreman	[]	[]	[]	[]	[]
4.6 List the key Health and Safety personnel planned for this project. Please list name, expected position and safety performance on the last three projects (Recordable Incidents and Lost workday incident rates). When a project has not been specified, list key company personnel					
NAME	POSITION	PROJECT	RECORDABLE	LOST WORKDAYS	
4.7 Does your company have a written safety program?					
Yes <input type="checkbox"/> No <input type="checkbox"/>					
If Yes, Submit a copy for evaluation					

4.8 Does your company have a safety training programme for new employees?
 Yes [] No []
 If Yes, Submit a copy for evaluation. Does it include instruction on the following?

	Yes	No		Yes	No
a. Head Protection	[]	[]	i. Fire Protection	[]	[]
b. Eye protection	[]	[]	j. First Aid Facilities	[]	[]
c. Hearing Protection	[]	[]	k. Emergency Procedures	[]	[]
d. Respiratory Protection	[]	[]	l. Toxic Substances	[]	[]
e. Safety Belts and Lifeline	[]	[]	m. Trenching and excavation	[]	[]
f. Scaffolding	[]	[]	n. Signs, barricades, flagging	[]	[]
g. Perimeter Guarding	[]	[]	o. Electrical safety	[]	[]
h. Housekeeping	[]	[]	p. Rigging and crane safety	[]	[]

4.9 Does your company have a safety training programme for newly hired or promoted foremen?
 Yes [] No []
 If Yes, Submit a copy for evaluation. Does it include instruction on the following?

	Yes	No		Yes	No
a. Safe Work Practices	[]	[]	e. Accident Investigation	[]	[]
b. Safety Supervision	[]	[]	f. Fire Protection & Prevention	[]	[]
c. Emergency Procedures	[]	[]	g. New Worker Training	[]	[]
d. First Aid Procedures	[]	[]			

4.10 Does your Company have a written Data sheets for the handling of hazardous or toxic materials?
 Yes [] No []
 If Yes, explain field procedure for informing manual staff about potential hazards:

4.11 List three client references that could verify the quality and management commitment of your company safety programme

Name	Address	Phone No
a. _____	_____	_____
b. _____	_____	_____
c. _____	_____	_____

TENDER LIST APPROVAL

1.1 Contract Number:	1.2 Project Number:	1.3 Estimated Total Cost:
1.4 Project Name:		
1.5 Location and Description of Work:	1.6 Key Programme Dates: (i) Issue of Enquiry: (ii) Receipt of Tenders: (iii) Contract Release:	
1.7 Proposed Tenderer(s). (State reasons/justification for inclusion of each tenderer)		
1.8 I approve the above proposals:		
Name:	Signed.....	
Title: Team Member Commercial	Date.....	
Name:	Signed.....	
Title: Project Manager	Date.....	
Name:	Signed.....	
Title: Executive Director	Date.....	
Name:	Signed.....	
Title: Managing Director	Date.....	
Name:	Signed.....	
Title:	Date.....	



NIGERIA ELECTRIC POWER AUTHORITY

PROCEDURE N^o: 004

PROCEDURE FOR BIDDING AND THE RECEIPT OF TENDERS

Approved for Issue by: _____
Engr. Makoju
Managing Director

Document Revision History

Version

Issue Date

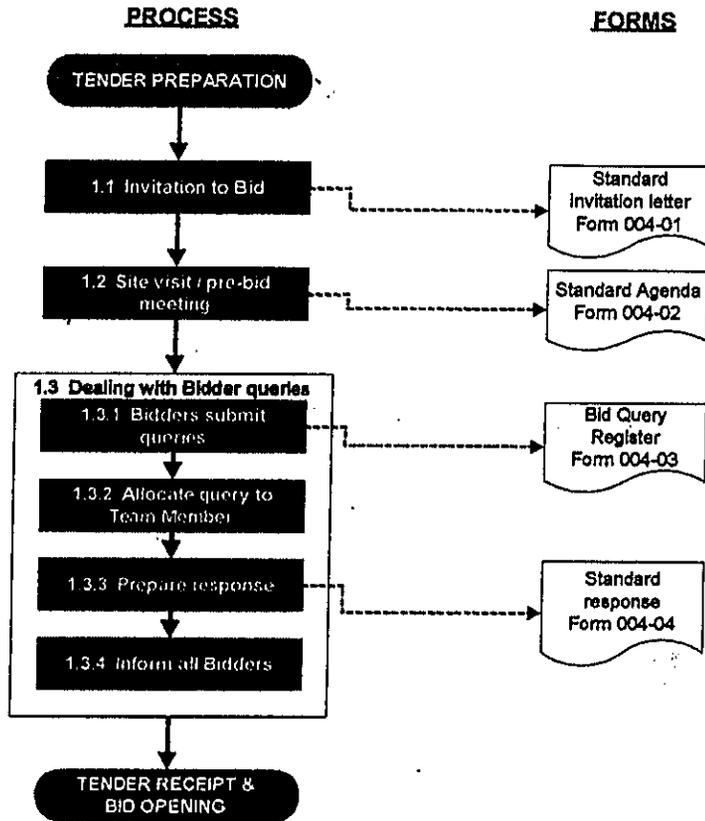
1. Original Issue

16 December 2002

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004 - BIDDING



Invitation to Tender to bidders on Tender List. The bid preparation period must allow bidders adequate time to prepare the tender and must be allowed for in the plan.

You must expect bidder queries and deal with them promptly. If there are no queries move on to 2, Receipt of Tenders. Bidder queries must be in writing to Commercial team member, who will keep the master Bid Query Register.

The project team and project manager are jointly responsible for responses to bidders' queries. All responses are managed by the commercial team member. The bidding process remains the responsibility of the Project Manager, but is managed on his behalf by the commercial team member.

Scope

Procedure 003 describes the processes of Tender Development. This procedure takes the process forward and describes the principles and processes for the Bidding Process and the Receipt of Tenders

PROCEDURE

1 Bidding

1.1 INVITATION TO BID

Following the technical review of the specification and management approval of any variations to the standard Terms and Conditions (Procedure 003), the tender document may be completed and invitations to bid issued to bidders on the approved tender list.

The invitation to bid must under the cover of a standard letter (Form 004-01) signed by the Executive Director responsible for the project.

The Invitation To Bid must identify:

- Arrangements for tender site visit
- The contact details in NEPA for bidders during the bid period. This contact should be via the Commercial Team member.
- Details for return of completed Tender

1.2 SITE VISIT/PRE BID MEETING

For projects where there will be work on existing equipment, for instance, Rehabilitation, Operation and Maintenance and some instances of IPP, the tender should specify arrangements for a site visit and/or pre bid clarification meeting. Where this is not offered in the tender, a bidder might request a visit or meeting to examine existing conditions or to clarify points in the tender documentation.

The project manager must ensure that he makes every facility available to the bidder to enable him to put together his best bid, but the project manager should note that these visits/meetings are not negotiations. The purpose is merely to clarify and increase understanding on the part of the bidder.

Standard Agenda (Form 004-02) should be issued by the project manager and used for the pre bid meeting

Reference:

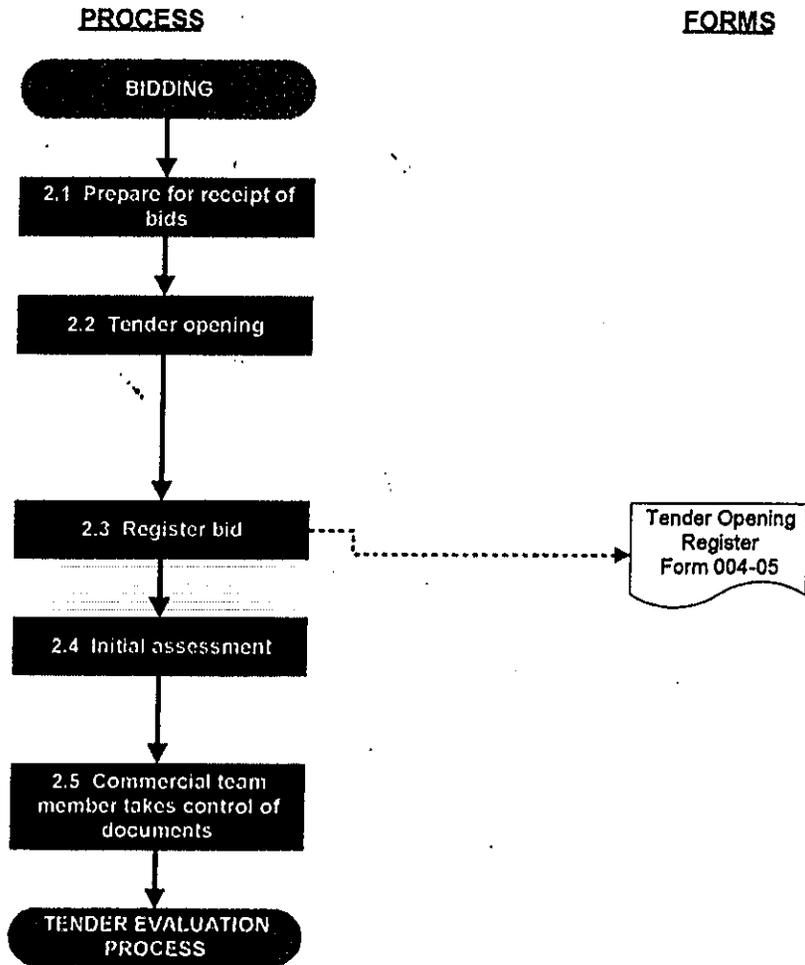
Manual section 4.5

Form 004-01

Manual section 4.5.1

Form 004-02

TENDER RECEIPT & BID OPENING



Bids should be kept unopened in a locked cabinet until Tender Opening.

The Commercial team member arranges a room for receipt and opening of tenders for the date that tenders are due. A Tender Opening Panel is required; this can be Project Manager plus commercial team member, but may include others. The team should find out why potential bidders declined.

The Tender Opening Register includes details of initial assessment.

The initial assessment is based on cost, but includes note of any alternative offers. This is important because decisions need to be made on which bids to carry forward to detailed assessment.

Tenders are commercially confidential and should be kept in secure (locked) conditions from date of opening through to contract award. Commercial team member controls issue of documents for evaluation. All NEPA employees have a duty not to reveal tender information.

1.3 DEALING WITH BIDDER QUERIES

Reference:

1.3.1 Bidders Submit Queries

Manual section 4.5

As indicated in section 1.1, all contact with NEPA during the Bid period should be through the team member Commercial. All queries must be in writing, telephone queries are not acceptable.

1.1

On receipt of a query, the team member Commercial should number the query and record the receipt of the enquiry and the date it was received. (Form 004 - 03 Bid Query Register). The team member Commercial then informs the project manager of the receipt and nature of the enquiry.

Form 004-03

1.3.2 Allocate Query to Team Member

The project manager then allocates the query to a team member who has the relevant expertise and experience to answer it, and specifies when the response should be completed.

1.3.3 Prepare Response

The team member who has been allocated a bidder query must prepare a response and return the response to the project manager. The project manager reviews the response and, if he agrees that the response is correct and appropriate, returns the response to the Commercial team member for despatch to the bidder.

1.3.4 Inform All Bidders

After the response has been prepared and agreed, the Commercial team member informs all bidders of the nature of the question and NEPA's response. If the query was for an extension of time and this was agreed then the new date for return of bids should be sent to all bidders. Standard form 004-04 should be used for all responses to bidders. The date that the response was made to bidders must be entered in the bid query register.

Form 004-04
Form 004-03

2 Tender Réceipt and Bid Opening

Manual section 4.6

2.1 PREPARE FOR RECEIPT OF BIDS

The team member Commercial must make provision for the secure receipt and storage of tenders.

All bids received should be stamped and stored unopened in a locked cabinet until the tender opening panel is convened. The tender box should have two keys, one of which is kept by the auditor and the second key by the team member Commercial.

Reference:

The team member Commercial must also organise the membership of the tender opening panel and arrange a time and place for the tender opening.

A few days before the date set for submission of tenders, the team member Commercial should enquire whether bidders intend to submit bids by the due date. This is an informal approach and may be done by telephone. If any bids are expected to be late, the project manager should be informed and a decision made on whether the tender opening should be delayed.

Note: the date for submission of bids is the original date in the tender document or any extended date agreed by the project manager.

2.2 TENDER OPENING PANEL

The tender opening panel should normally convene to open the tenders on the date set for the submission of tenders. At the appointed time for tender opening, the team member Commercial should remove the tenders from the secure storage and take them to the place set aside for tender opening.

Manual section 4.6.2

If no bids or insufficient bids for competition are received, the team member Commercial should ascertain from potential bidders why they declined to bid and the project team may need to review the project in the light of the information received

2.3 BID REGISTRATION

Each tender is opened in turn and the name of the bidder and the basic (unevaluated) bid price is entered in the tender opening register (Standard form 004 – 05). The register must also record any alternative bids offered by the bidder and the basic price of the alternative bid.

Manual section 4.6.2; Form 004-05

2.4 PRELIMINARY ASSESSMENT

The tender opening panel makes a preliminary assessment of the bids based on price that leads to a preliminary ranking of the bids. The panel should also note any particular conditions or comments made in the bid, for example any declared non-compliance in the tender.

Manual section 4.6.2

On the basis of the preliminary ranking, the project team may then decide which bids should be evaluated further. If the bids are large and complex, the team may only wish to proceed with the evaluation of, for instance, the two or three leading tenders.

2.5 CONTROL OF DOCUMENTS

At the end of the tender opening and preliminary assessment, the team member Commercial must collect all the documents and place them in safe custody. The team member commercial must now take responsibility for the control of the bid documents on behalf of the project manager.

The project manager allocates tender evaluation tasks to team members according to their expertise and experience. The team member Commercial issues copies of the documents to relevant team members so that they may carry out their allotted assessment tasks. Team members should treat the documents as highly confidential. This means that they should not take tender documents out of the building, and should place them in a locked cabinet whenever they leave their desks.

When a team member has completed his assessment he should return the bid documents to the team member commercial for safekeeping

3 Associated Documents

Manual for the Management of Projects

Procedure 003: Procedure for Tender Development Process

Procedure 005: Procedure for Tender Evaluation and Contract Award

Reference:

Manual
section
4.6.2

FORMS AND STANDARD DOCUMENTS

INVITATION TO TENDER LETTER



Dear Sirs

____<NAME OF CONTRACT>_____

The National Electric Power Authority invites you to tender for the above work in accordance with the enclosed tender documents.

A pre tender site visit has been for arranged for ____<DATE>____, commencing at ____<TIME>____. Please advise the names of your representatives who are likely to attend by mid-day on ____<DATE>____.

Please note that tenderers are required to obtain NEPA's prior written consent before engaging in any publicity relating to this enquiry.

Please direct any questions you may have with regard to this enquiry in writing to ____<NAME>____. This may be by means of fax on ____<FAX NUMBER>_____.

Your tender must be forwarded, in secure packaging clearly marked as a tender with the contract reference ____<TITLE; CONTRACT REFERENCE>____ on the outer packaging, to be delivered not later than mid-day on ____<DAY>____, ____<DATE>____ at ____<ADDRESS>____, marked for the attention of ____<PERSON>____. No extension beyond this date will be considered.

Please acknowledge receipt of this letter and confirm that your tender will be submitted by the required date.

Yours faithfully

____<SIGNATURE>_____
<NAME>
<TITLE>

Encs

Copies to:

<NAME> *Project Manager*

<NAME> **Team Member Commercial**

PRE-BID MEETING AGENDA



Contract: <NAME>

Meeting Date: <DATE>

Meeting Venue: <PLACE>

1. Introductions of Participants - NEPA/Contractor
 - 1.1 Role of Participants
 - 1.2 Bidding Process
 - 1.3 Confirmation of point of contact during Bidding Period
 - 1.4 Target award date for contract
 - 1.5 Contract evaluation criteria

2. Review of Contract Requirements
 - 2.1 Overview of scope of contract
 - 2.2 Interfaces with other contracts / contractors
 - 2.3 Contractor / NEPA responsibilities
 - 2.4 Contract schedule / Milestone Dates
 - 2.5 Reporting Requirements

3. Site Arrangements
 - 3.1 Access to site and work areas
 - 3.2 Site Facilities available to contractors
 - 3.3 Safety Arrangements
 - 3.4 Labour Relations

4. Any Further Points of Clarification

BIDDER QUERY REGISTER

N°	Date Received	Contractor Name	Query	Responsible Team Member	Date Reply to Bidders

BID QUERY RESPONSE LETTER



Dear Sirs

<NAME OF CONTRACT> <CONTRACT REFERENCE>

<QUERY No>

With reference to the tender document issued to you on <DATE>, the National Electric Power Authority informs you that it has received the following query relating to this tender:

Query:

Answer:

The National Electric Power Authority also informs you that this query and answer will form part of the final contract documentation. Please acknowledge receipt of this letter

Yours faithfully

<SIGNATURE>

<NAME>

<TITLE >

Copies to:

<NAME> Project Manager

<NAME> Team Member Commercial

TENDER OPENING REGISTER

Contract: _____ <TITLE; CONTRACT REFERENCE> _____ Scope of Work: _____ <Brief Description> _____
 Location: _____ <PLACE> _____ Budget Estimate: \$ _____
 Date: _____ <DATE> _____ Time: _____ <TIME> _____

N°	Bidder Name	Unevaluated Price (and currency)	Bidder Remarks	Alternative Bids	Tender Panel Comments
1.					
2.					
3.					
4.					
5.					
6.					

Witnesses:

Tender Panel Chairman _____ <NAME> _____ Signature: _____
 Panel Member 1 _____ <NAME> _____ Signature: _____
 Panel Member 2 _____ <NAME> _____ Signature: _____

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NIGERIA ELECTRIC POWER AUTHORITY

PROCEDURE N^o: 005

PROCEDURE FOR TENDER EVALUATION AND CONTRACT AWARD

Approved for Issue by: _____

Engr. Makoju
Managing Director

Document Revision History

Version		Issue Date
1.	Original Issue	16 December 2002

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Scope

Procedure 004 describes the processes of Receiving and Opening bids. This procedure takes the process forward and describes the principles and processes for the Evaluation of Tenders and Contract Award.

PROCEDURE

1 Tender Evaluation

1.1 ASSESS BIDS

The project manager allocates assessment tasks to team members who assess the bids to check that the equipment offered and the commercial terms comply with the requirements of the specification.

1.2 POST TENDER CLARIFICATION

Team members must record any points of clarification needed to complete the assessment of each bid. Team members should provide these points to the team member Commercial in the form of questions to be despatched to the relevant bidder.

All communication with bidders must be in writing through the team member Commercial, who will manage the post tender clarification process on behalf of the project manager. Standard Tender Questionnaire Form 005-01 should be used for communication with bidders.

All questions and answers must be treated with the same degree of commercial confidentiality as the original tender for they become part of the final contract document.

1.2.1 Bid Clarification Meeting

In complex tenders or where written questions have not resolved the queries, a bid clarification meeting may be required with one or more bidders. The team member commercial should write to the bidder and seek a bid clarification meeting, Standard letter and agenda (Form 005-02) should be used for this purpose.

The bid clarification meeting is not intended to be a negotiation, but could develop into one, in which case the principles described in Procedure 011 Negotiation and section 8 of the Manual for the Management of Projects apply. The project team should not proceed with a negotiation until they have prepared and agreed a negotiating brief.

Reference:

Manual section 4.7

Manual section 4.7.2

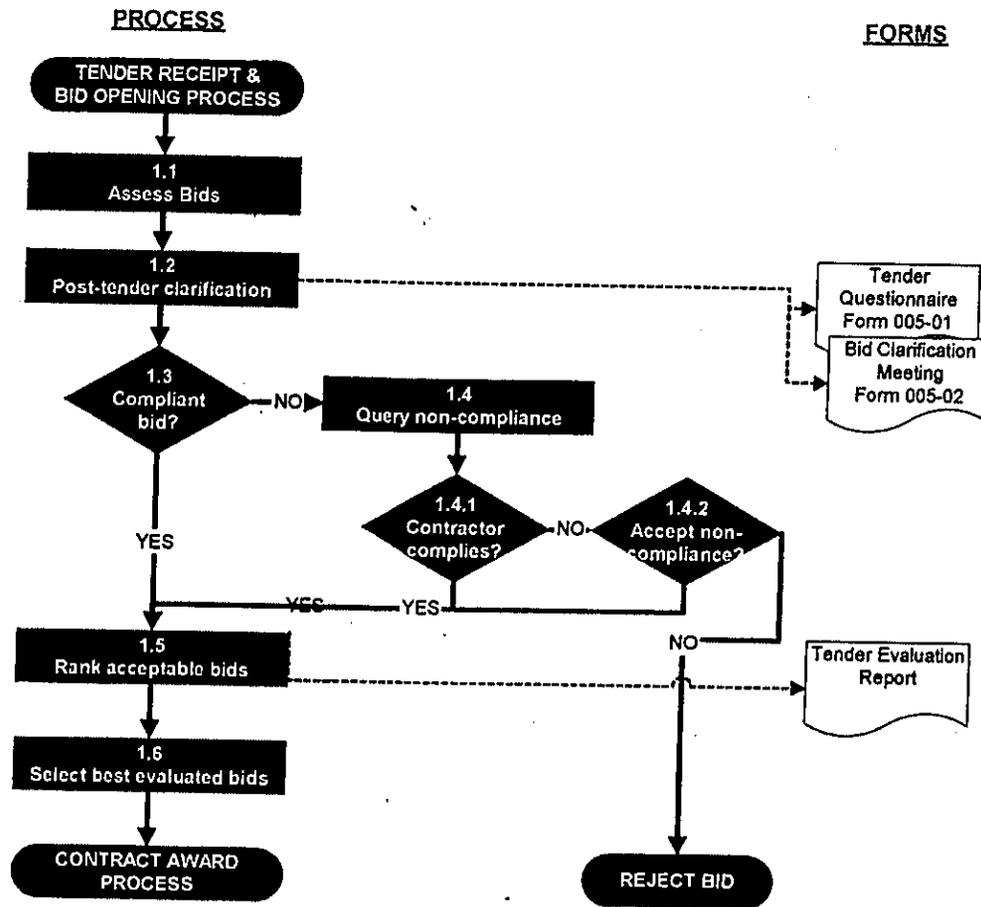
Form 005-01

Manual section 4.7.1

Manual section 4.7.3

Form 005-02

Proc 011 / Manual section 8



Post tender clarification, questions and answers in writing by commercial team member. In complex cases a bid clarification meeting may be required

Are bids technically and commercially compliant? If not, document non-compliance in assessment document

Evaluate tender against written evaluation criteria; the highest-ranked bid will be the most closely aligned with the project objectives.

Single bidder may be selected and further work may not be needed prior to contract award. For large contracts negotiation may take place with one or more bidders (See Procedure 012 and Manual for Management of Projects Section 6)

1.3 COMPLIANCE WITH SPECIFICATION

All bids that are compliant in every way with the specification may be assessed and ranked ready for contract award. However it is unlikely that all bids, if any, are fully compliant, and team members must deal with this.

Reference:

Manual section 4.7.2

1.4 QUERY NON-COMPLIANCE

Non-compliance queries are treated in the same way as post tender clarification questions. Team members must record areas where the tenders are non-compliant and provide questions to the team member commercial for despatch to the bidder. Questions should be sent on Tender Questionnaire form 005-01. When a contractor receives a query relating to compliance of his bid he has two options, to change the bid to make it compliant or not to do so

Manual section 4.7.2

1.4.1 Contractor changes tender

The contractor may change his tender to make it compliant, although this may have schedule or cost implications. If the contractor changes his offer to make it compliant then his bid may go forward for final ranking. Team members must note any change to schedule or cost caused by this change to the tender and ensure that this is taken into account in the final ranking.

Manual section 4.7.4

Team members must be careful not to let the bidder rebid his offer at this time. Any change of cost should only be in proportion to changes made.

1.4.2 Accept non-compliance

Alternatively the contractor may refuse to change his offer. In this case NEPA team members must consider the effect of the non-compliance and whether to accept it or not. Acceptance of non-compliant bids needs to be managed very carefully to ensure that the bid meets all of NEPA's objectives and criteria (refer to Manual for the Management of Projects section 4.7.4 for further details). If the Project Manager agrees to accept a non-compliant bid, then it may go forward for ranking

Manual section 4.7.4

1.4.3 Reject Bid

If NEPA cannot accept the nature of the non-compliance then the team must reject the bid and the reason for rejection must be recorded in the assessment schedule.

Reference:

1.5 ASSESSMENT AND RANKING

Acceptable bids must be evaluated against the evaluation criteria developed before the Invitation To Bid was issued. The evaluation will take the form of a score against each of the evaluation criteria (including price). A weighting is then applied to each criterion to determine the final evaluated score. Bids must then be ranked in order of final evaluated score, and the best selected.

Manual section 4.7.4

Following completion of the assessment period, the project manager should call a team meeting to carry out the final ranking of bids and discuss any outstanding issues raised by team members.

The team should review the assessment schedule and ensure that bidders have satisfactorily answered all questions. The team should identify any outstanding issues that may be the subject of future negotiations and record these.

1.6 SELECT BEST EVALUATED BID

On completion of the ranking process, the team will have selected the best-evaluated bid. This bid may then go forward for contract award. If, however, there are outstanding issues or there are two very similar evaluated bids, the team may choose to open contract negotiations with one or more bidders.

If negotiations take place, the principles of procedure 011 should be employed in dealing with the contractor and in the conduct of the negotiations. Following conclusion of negotiations, the final ranking of bids and selection of the best-evaluated bid can be made and it is possible to proceed to contract award.

Proc 011

2 Contract Award

Contract award is reached either directly following tender evaluation or following the conclusion of negotiations with the best-evaluated bidder, and requires management approval, as described below.

Manual section 4.8

2.1 PRODUCE CONTRACT RECOMMENDATION

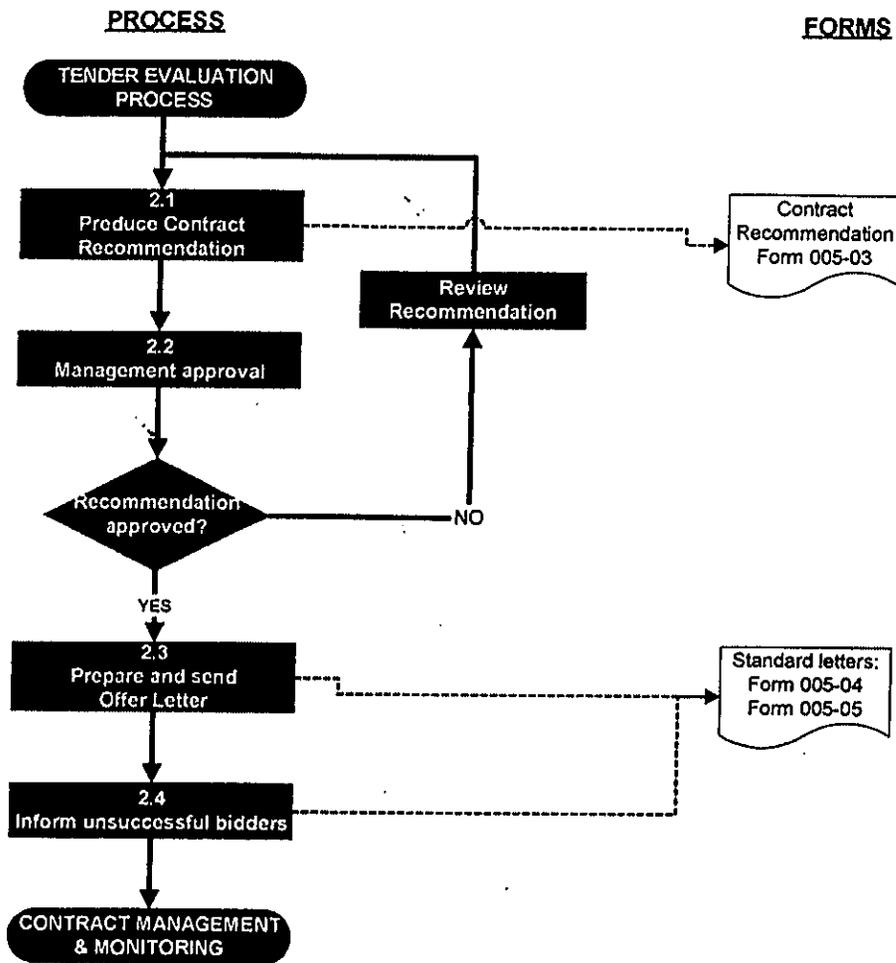
The project manager must produce a formal Contract Recommendation. This reviews the tender evaluation and negotiations if applicable. It identifies the best-evaluated bid and reasons for selecting that bid over the others. It finally recommends placing the contract with the selected bidder.

The Contract Recommendation is made on standard form 005 - 03.

Form 005-03

2.2 MANAGEMENT APPROVAL

The Contract Recommendation is submitted to the appropriate management Approval Authority defined in the NEPA Financial Guidelines.



The Project Manager should discuss the reasons for the proposed recommendation with management prior to making the formal contract recommendation, so non-approval should be rare.

The Offer Letter must be signed by the appropriate officer as identified by NEPA Financial Guidelines

If the recommendation is not approved, the project manager needs to understand the grounds for not approving his recommendation and must review his process and recommendation.

2.3 PREPARE AND SEND OFFER LETTER

When the management have approved the contract recommendation, the team member Commercial prepares the contract offer letter on standard form 005 – 04 along with a copy of the complete contract plus all questions and answers.

The letter must be signed by the appropriate officer identified in the NEPA Financial guidelines.

Inform unsuccessful bidders

The team member commercial despatches the signed offer letter and contract to the successful bidder.

At the same time the team member commercial must despatch letters to unsuccessful bidders informing them that their bids were not successful.

3 Associated Documents

Manual for the Management of Projects

Procedure 004: Procedure for Bidding and Receipt of Tenders

Procedure 006: Procedure for Contract Management and Monitoring

Manual
section 4.9
Form 005-
04

Form 005-
05

FORMS AND STANDARD DOCUMENTS

TENDER CLARIFICATION QUESTIONNAIRE



TENDER QUESTIONNAIRE

Name of Tenderer: _____ <NAME> _____

Tender: _____ <TITLE; CONTRACT REFERENCE> _____

Site:

QUESTION NO: SUBJECT:

QUESTION: DATE:

REPLY: DATE:

PRICE IMPLICATION: \$ _____

BID CLARIFICATION LETTER



<NAME OF CONTRACTOR>
<ADDRESS OF CONTRACTOR>

Dear Sirs

_<TITLE OF CONTRACT>_____
_<CONTRACT REFERENCE>_____

Subject: Bid Clarification

With reference to my telephone conversation concerning the recent bid submitted by yourselves, the National Electric Power Authority has a number of outstanding questions that would be best clarified by meeting your team to discuss the points. You are therefore invited to a Bid Clarification meeting, which I confirm this has been arranged for ___<DATE>___ commencing at ___<TIME>___ at ___<LOCATION>___.

As agreed, I have attached an agenda of points to be discussed.

Please reconfirm your attendance and the names of your representatives at the meeting.

Yours faithfully

_____<SIGNATURE>_____

<NAME>

<TITLE >

Encs

Copies to:

<NAME> Project Manager

<NAME> Team Member Commercial

BID CLARIFICATION MEETING AGENDA



Contract: <NAME>

Meeting Date: <DATE>

Meeting Venue: <PLACE>

1. Introductions of Participants - NEPA/Contractor
2. Technical/Engineering Matters
 - 2.1 _____ <Points for Discussion> _____
 - 2.2 _____
 - 2.3 _____
3. Commercial Matters
 - 3.1 _____ <Points for Discussion> _____
 - 3.2 _____
 - 3.3 _____
4. Review of Actions placed at meeting
5. Minutes to be issued by NEPA

TENDER EVALUATION AND CONTRACT APPROVAL

1.1 Contract Number:	1.2 Scheme Number:	1.3 Estimated Total Cost:
1.4 Location and Description of Work:		
1.5 Tender(s) Received From:		
1.6 Tenders not received/received late/declined:		
1.7 Technical/Commercial Evaluation of Tenders:		
1.8 Recommended Contractor.....		
Total Price Definite Work		
Disclosed Prime Cost/Provisional Sums		
Contract Price		_____
Undisclosed Provisional Sums		
Contract Risk Margin		_____
Recommended Contract Sum		_____

TENDER EVALUATION AND CONTRACT APPROVAL (CONT.)

1.9 Finance Manager's Comments:

Financial provision for this contract was made in the approved budget, and that finance remains available:

Name:

Signed:

Title Finance Manager Date:

1.11 I approve/recommend the above proposals

Name:

Signed:

Title: Team Member Commercial Date:

Name:

Signed:

Title: Project Manager Date:

Name:

Signed:

Title: Executive Director <DEPARTMENT> Date:

Name:

Signed:

Title: Managing Director Date:

Name:

Signed:

Title: Date:

Distribution when signed:

Original on Contract Master File
Copy to Project Manager

CONTRACT OFFER LETTER



Date: _____ / _____ / _____

<SUCCESSFUL BIDDER NAME>
<ADDRESS>

Dear Sirs

CONTRACT _____

1. We have pleasure in informing you that, subject as hereinafter mentioned, The National Electric Power Authority accepts your tender (dated _____) and covering letter dated _____, as amended/clarified/revised by your letter(s) dated _____ and fax message(s) dated _____ submitted in response to NEPA's enquiry dated _____ (and) letter(s) dated _____ and fax message(s) dated _____ and notes of the pre-tender meeting held on _____ for the Works/Plant specified therein.
2. In the event that your own or your sub-contractors' designs do not comply with NEPA standards they should be submitted to Mr _____ <NAME> _____, at this address for approval.

3. The Contract Price is \$ _____ made up as follows:

Tender as submitted

The Contract Price includes provisional sums amounting to \$ _____
made up as follows:

- Item 1 \$ _____
- Item 2 \$ _____
- Item 3 \$ _____

Work which is to be charged against the provisional sum(s), except for [multicore cables], shall not be commenced until written instructions have been received from the Engineer.

The price(s) of item(s) _____

is/are subject to negotiation and agreement between yourselves and NEPA.

The prices contained in this contract/price of item(s) _____
is/are firm.

The price(s) of item(s)/foreign content of _____ is/are
based on a currency exchange rate of _____ \$ US Dollars and the effect on your
price(s) of any variation in this/these exchange rate(s), shall be subject to agreement between NEPA
and yourselves/adjustment as stated in your letter dated _____.

4. The Conditions of Contract shall be the <STATE NAME OF TERMS & CONDITIONS (from
Tender)> as modified in Tender Document _____ (and) your
letter(s) dated _____ (and) NEPA's letter(s) dated
_____ except for your/NEPA's proposed amendments to
Clause(s) _____ which shall be subject to the outcome of discussions between
NEPA and yourselves.

Your attention is drawn to your insurance obligations under the Conditions of Contract. We
require evidence from your insurers that you comply with these obligations within twenty-
eight days of the date of this letter.

5. Any publicity associated with this Contract is prohibited except with the prior written consent of
NEPA.

6. Your particular attention is directed to the Clauses of the Conditions of Contract dealing with
safety precautions. At the Inaugural Site Meeting, NEPA's policy on 'SAFETY' will be fully
explained and copies of all relevant documentation, current at the time, will be handed over to
your site representatives for implementation under the contract.

Any work carried out in the vicinity of live apparatus shall be undertaken in conformity with NEPA's Rules and Regulations relating to the issue of "Permits for Work".

7. The commencement date (is the date of this letter/was the _____) and the *Time for Completion of the Works* shall be _____ in accordance with _____ of Tender Document _____ /a programme to be agreed with the Engineer.
8. Arrangements for access to site shall be made with, and advice notes shall be sent to, Mr _____ <NAME> _____, Project Manager, at this address.
9. All matters concerning plant production control, progress reporting and quality assurance shall be in accordance with NEPA quality policy, *latest issue as defined in the Tender Document*.
10. Claims for progress payments shall be sent to the Financial Manager at this address, bearing the contract reference.
11. Drawings are to be submitted, in [sexuplicate], to Mr _____ <NAME> _____, Project Manager, at this address, for comment and he will give you the necessary clearance.
12. Please send your acknowledgement of this letter to the undersigned, at this address, confirming your acceptance of the Contract on the terms set out herein.

Correspondence in connection with the execution of the Contract, except as provided above, shall be addressed to Mr _____ <NAME> _____, Project Manager, at this address.

All correspondence shall bear the Contract reference _____.

Yours faithfully,

<SIGNATURE>

<NAME>

Executive Director

Copies to:

Contract Master File
Project Manager

DRAFT REGRET LETTER



Date: _____ / _____ / _____

<UNSUCCESSFUL BIDDER NAME>
<ADDRESS>

Dear Sirs

CONTRACT _____

We thank you for your tender dated <DATE> for the above works. On this occasion, however, we have to advise you that your tender was unsuccessful. We appreciate your co-operation and effort in preparing your proposal and advise that you will be considered as a possible bidder for future work

Yours faithfully

<SIGNATURE>
<NAME>

Executive Director



NIGERIA ELECTRIC POWER AUTHORITY

PROCEDURE N^o: 006

PROCEDURE FOR CONTRACT MANAGEMENT AND MONITORING

Approved for Issue by: _____
Engr. Makoju
Managing Director

Document Revision History

Version

1. Original Issue

Issue Date

30 November 2002

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SCOPE

Procedure 005 describes the process of Contract Award. This procedure takes the process forward from the point immediately after contract award and describes the principles and processes for the Management and Monitoring of Contracts.

PROCEDURE

Contract Management and Monitoring takes the form of a number of parallel activities described diagrammatically on page 5 of this procedure. The monitoring activities must be appropriate to the type of contract as described in the Manual for the Management of Projects.

This procedure outlines initial tasks (section 1 below) that must be carried out immediately after contract award to prepare for the management and monitoring of the contract. It then identifies two main areas of monitoring, which occur concurrently throughout the period when the contract is valid. These main areas may be broken down into sub-processes, some or all of which are appropriate to each contract. The main areas of monitoring are:

- Contract Performance Monitoring (section 2 below)
- Financial Monitoring (section 3 below)

1. Contract Management – Initial Tasks

1.1 Confirm Contract Team

Following the award of the contract, the Executive Director responsible for the project should confirm the appointment of the Contract Manager. If the contract manager is unchanged then nothing needs to be done in this respect as the original appointment is valid but:

- If the contract manager is changed
- OR
- If contract management is commencing from the point of award of contract, for example an IPP contract negotiated outside NEPA

then the appointment of Contract Manager should be made in writing (Form 002-01 should be used) and, where applicable, the previous Contract Manager should be relieved of his responsibilities in writing.

If the Contract Manager is changed, now or at a later date, a full documented handover of the contract from the original Contract Manager to the new one must take place. This handover should include a full briefing on the background to the project, the current status including copy of the contract, any dealings with the contractor, details of outstanding risks, schedule, and financial status

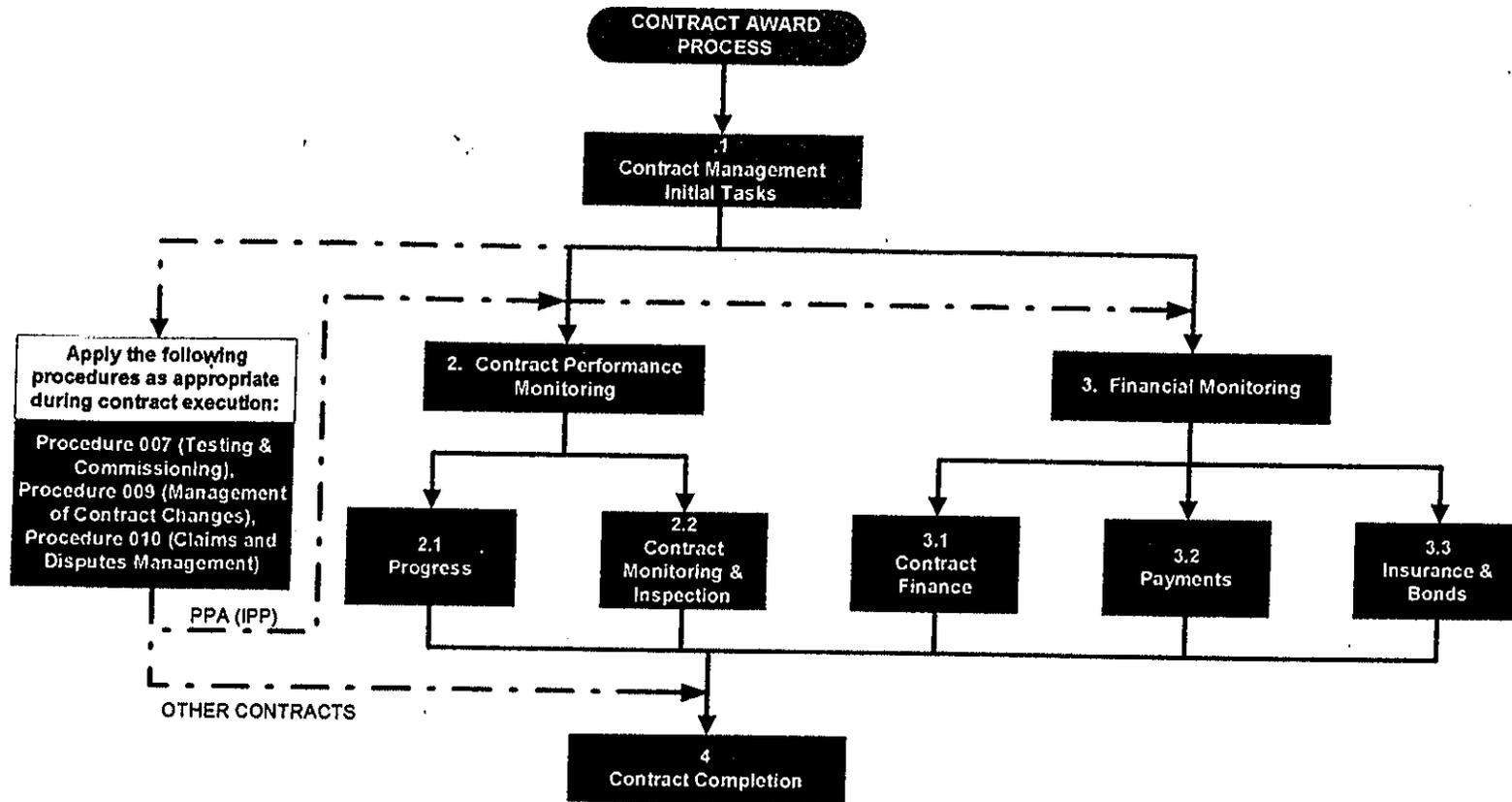
Reference:

Manual
section 8.1

Section 1

Section 2
Section 3

Form 002-01



SAI

Following confirmation of his appointment, the Contract Manager must review the resource requirements for the remainder of the project and confirm the nominations for his contract team with functional managers in exactly the same way as for the project development and initiation stage. (Procedure 002 section 2.1.3 refers)

When the contract team member nominations have been made, the contract manager must update the Project Team List (Form 002 – 03)

1.2 Set up Documentation System

Prior to contract award, the team member commercial, who must keep a master contract record, controlled all external correspondence. Following the award of contract the contract manager must set up a master contract filing system as described in the Manual for the Management of Contracts section 7, if this has not already been done.

1.3 Prepare for First Contract Meeting with Contractor

1.3.1 Read the Full Contract

If he does not already have the documents, the contract manager must obtain a complete set of contract documents including any pre-award correspondence and contract addenda that form part of the awarded contract. It is the contract manager's responsibility to ensure that he has read and fully understands the contract

The team member commercial should keep and maintain the master contract document on behalf of the project manager

1.3.2 List Contractual Obligations

From the contract documentation the contract manager should identify and list the contractual obligations of both NEPA and the contractor.

Depending on the type of contract these obligations may include some or all of the following:

For the contractor:

- Provision of Financial Bonds
- Insurance provisions
- Project schedule
- Design drawings
- Contractor Health and Safety Plan
- Reporting

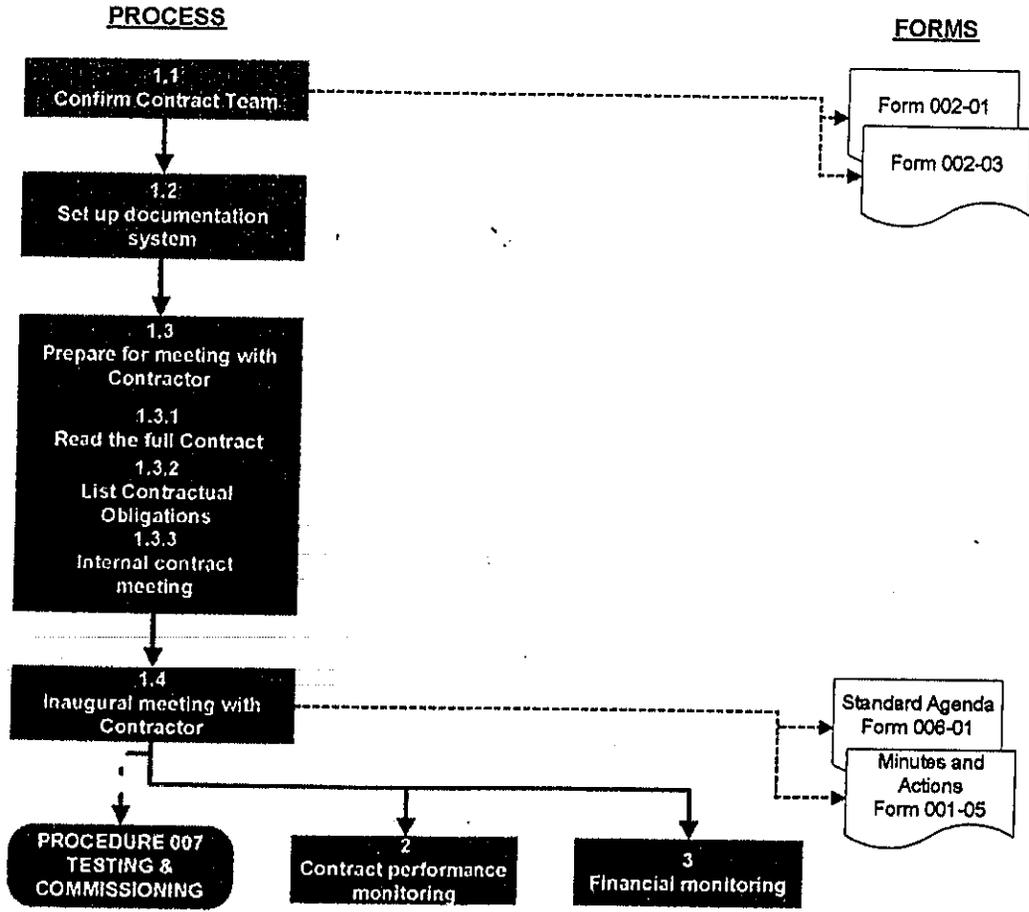
Reference:

Proc 002
section 2.1.3

Form 002-03

Manual
section 7

CONTRACT MANAGEMENT AND MONITORING - INITIAL TASKS



FORMS

- Form 002-01
- Form 002-03
- Standard Agenda Form 008-01
- Minutes and Actions Form 001-05

NOTES

Project Manager should ensure that he has the full contract documentation, particularly a conformed copy of contract, including all post-tender correspondence and agreements.

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For NEPA the obligations may include:

- Provision of site facilities
- Provision of services like turbine hall crane
- Provision of offices and equipment
- Payments for goods and services

1.3.3 Internal Contract Meeting

The Project Manager must organise the initial NEPA team meeting and invite all nominated team members. Further team meetings should take place on a regular basis normally as preparation for monthly meetings with the contractor.

If team members have been changed since the contract award, this meeting will be used as a handover so both former and new team members should attend.

The NEPA internal team meeting will have a standard agenda (Form 006-01) and cover the following issues:

- Outstanding Actions from Initiation and Development or Contract Award Phases
- Details of contract – scope, budget, schedule
- Discussion of tasks to be completed before meeting contractor
- Allocation of tasks to team members according to their specialism
- Team member acceptance of their tasks

Following the meeting, the Contract Manager will produce meeting minutes and an action log (Form 001-05) for distribution to team members.

(Note: an action log may already be in existence from the project development and contract award phase of the project, in that case the outstanding actions, if any, should be reviewed and the log should be updated at this stage).

Team members should keep their own notes of their actions because there is inevitably some delay before the issue of meeting minutes and this delay should not delay the carrying out of actions. The Contract Manager should however endeavour to issue the minutes within one week of the date of the meeting.

Reference:

Form 006-01

Form 001-05

Manual
 Section 8

1.4 Inaugural Contract Meeting

Irrespective of the type of contract the contract manager should arrange to meet the successful contractor as soon as possible for an inaugural contract meeting. This should preferably be at NEPA headquarters and should have a standard agenda (Form 006 – 02) drawn up by the NEPA Contract Manager. This inaugural contract meeting should cover:

- Personnel involved in contract and their responsibilities
- Thorough understanding of the scope of the contract
- Contract programme
- Future communication channels and contract administration
- Arrangements for drawing and document submission
- Frequency of future meetings
- Format and frequency of reports
- Contract change procedure
- Management of respective obligations

The Contract Manager must choose the team members who will attend the meeting with him. This will be decided by reference to the agenda; it is not necessary for all team members to attend meetings with the contractor every time. Depending on what is to be discussed, the Contract Manager may choose different attendees on subsequent occasions.

The NEPA Contract Manager should chair the meeting and write the minutes. The minutes will have a standard format (Form 006-03 should be used as a template) to ensure that no important issues are overlooked.

The conditions of contract normally require monthly progress meetings. The dates of progress meetings should be agreed for three months ahead at this and each subsequent meeting. These meetings are an important monitoring mechanism as well as being a good way of forging a professional relationship with the contractor.

From the following sections, the Contract Manager should only choose those sections appropriate to his contract.

2. Contract Performance Monitoring

Contract performance monitoring can be split into two distinct areas:

- 2.1 Progress Monitoring
- 2.2 Inspection - which confirms progress but also measures quality, health and safety performance and environmental performance

Reference:

Form 006-02

Form 006-03

Reference:

2.1 Progress Monitoring

2.1.1 Baseline Plan

To meet his contract obligations the contractor must produce a detailed manufacturing and installation plan. The Project Manager should ask for the up to date schedule at the inaugural contract meeting. The contractor should provide this as soon as possible and certainly no later than the next monthly meeting. The plan should include proposed dates for submission of invoices to NEPA.

On receipt of the plan, the project manager should review it with his team, and confirm his agreement or otherwise to the contractor. This plan should be agreed as the baseline against which monitoring takes place.

The plan is the responsibility of the contractor and his bid has made assumptions that are now too late to change without contractual implications. The project manager should note any requirement for NEPA provided services and any interaction with existing NEPA plant and equipment, for example, commissioning activities that require access to the NEPA transmission system.

The Contract Manager has a contractual right to inspect and witness activities, as required, to safeguard NEPA's interests. He should identify any activities or plan milestones that he would want his team to check or witness and advise the contractor accordingly. He will also monitor progress towards these witness points at the monthly review meetings. (See 2.2 Contract Monitoring – Inspection).

Section 2.2

2.1.2 Contractor Progress Report

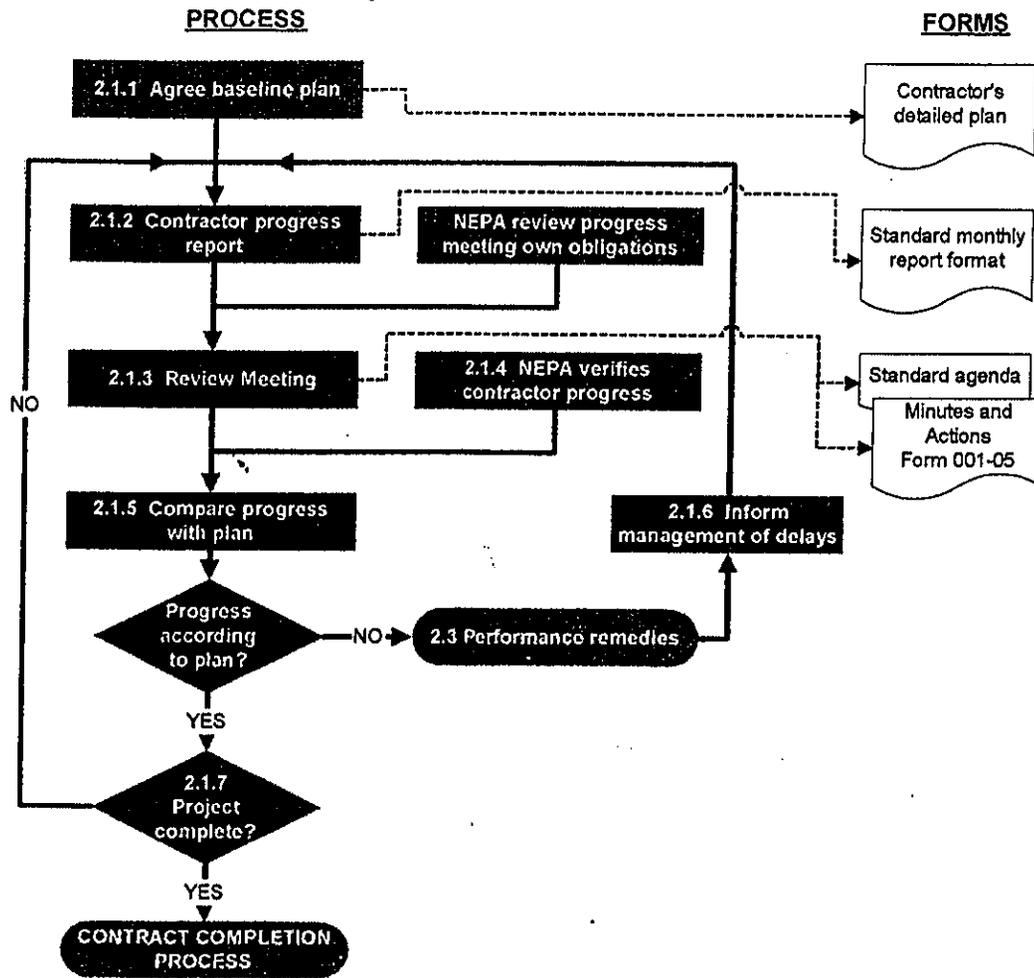
The conditions of contract normally require the contractor to produce a monthly report to NEPA. This should cover:

- Progress to date
- Health and Safety report
- Environmental management
- Delays, issues, problems
- Value of work done
- Dates for likely invoices

2.1.3 Monthly Review Meetings

As indicated in section 1.4, the Contract Manager and the contractor should agree the dates of the regular monthly meetings three months in advance.

Section 1.4



NOTES

Project manager should produce overall project plan prior to placing contract but after contract award will monitor progress against the Contractor's detailed manufacturing and installation plan.

Reports are normally monthly but frequency can change if circumstances dictate. Monthly Reports include physical progress against plan, VOWD* monthly and cumulative, indication of likely submission of invoices in next three months, safety and environmental performance, quality performance, photographs, activities planned for next month

It is important to verify the contractor's progress reports on a continuous basis to assist in certification of invoices (see Payment procedure). Remedial action could include a recovery plan and schedule.

The Contract Manager should include progress in the monthly management report.

* VOWD = Value of Work Done

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The Contract Manager should choose the venue for monthly review meetings and set the agenda in the same way as for the inaugural meeting.

Reference:
Manual
section 9

The purpose of these meetings is to:

- Review the monthly report
- Review progress to date To review schedule 3 months forward
- To discuss any past, present of potential problems

2.1.4 NEPA Verifies Contractor Progress

Monitoring of progress is necessary to enable NEPA to be assured that the project is on target and for cash flow predictions. It is not acceptable for the contract manager merely to accept the monthly report as written and it is essential that he understands the monthly reports and monitors progress to ensure that key milestones in the programme are achieved. His monitoring will form the basis of questions to the contractor at the monthly review meetings.

This monitoring may be carried out by NEPA staff or by independent consultants contracted to NEPA. For instance, it is probably cost effective to employ independent local consultants or inspectors to monitor the manufacturing process and quality of equipment being manufactured overseas and imported. (See also section 2.2)

Section 2.2

2.1.5 Compare Progress with Plan

The Contract Manager should check progress against the baseline plan, particularly progress towards the milestones that he has identified to the contractor as hold or witness points. Through the monthly progress meetings, the contractor should advise the Contract Manager well in advance when the specified milestones are approaching, and agree a means of giving the contract manager's representative adequate warning that he will be required to witness the identified activities.

If progress is not according to the plan, the Contract Manager must follow section 2.3 of this procedure and ask the contractor for his proposals to bring the project back on target.

Section 2.3

2.1.6 Inform Management of Delays

Despite the remedies of section 2.3 and the recovery plan, if the contractor is unable to recover the lost time, there are provisions in the contract to deal with this. It is important for the Contract Manager to work with the contractor to minimise the delay to the contract and to manage any knock on effect to other NEPA contracts.

Reference:

If there is a delay to the contract, the Contract Manager should brief senior management about the delay at the earliest opportunity. The brief should cover:

- Cause of delay
- Action taken to mitigate delay
- Any effect on NEPA operations

2.1.7 Is the Contract Complete?

If the contract is reported as complete, the Contract Manager should start the contract completion procedure. Normally this would not be a surprise if monitoring has been adequately carried out (Refer to procedure 008 – Contract Completion).

Procedure 008

2.2 Contract Monitoring – Inspection

2.2.1 Which Activities are to be monitored?

As described in 2.1.2, the Contract Manager has a contractual right to inspect the works and witness tests under the contract. Inspection and witnessing may take two forms:

2.1.2

- **Formal:** The Contract Manager may witness activities and tests at his discretion as long as he advises the contractor of his intentions. This applies equally to manufacturing activities in the factory as well as installation activities on site.

To facilitate Formal monitoring, the Contract Manager must advise the contractor of the activities to be witnessed by marking up the baseline plan and returning it to him, or verbally through the monthly review meetings.

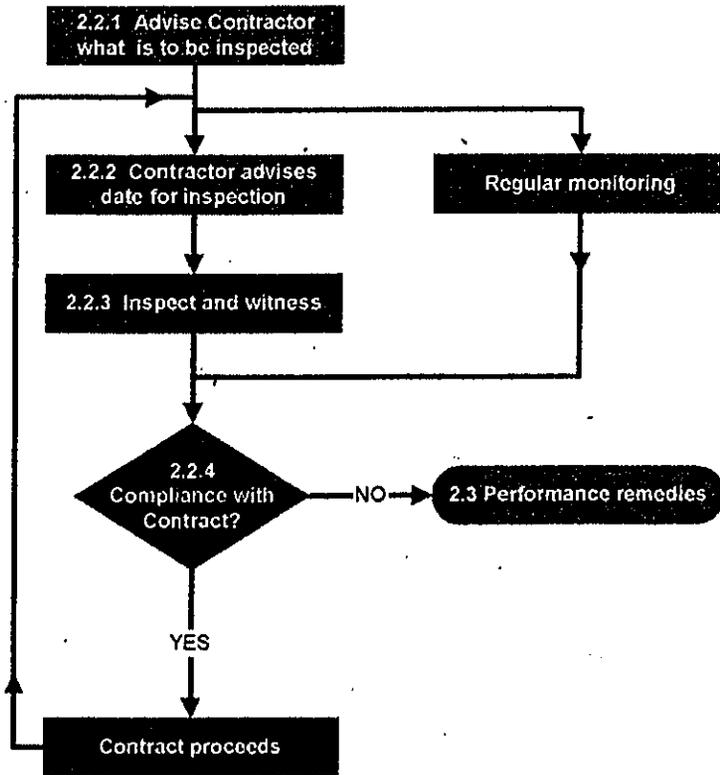
- **Informal:** The Contract Manager or his representative is entitled to visit the manufacturing facility or site at any time to inspect test records, quality of materials and installation, safety or environmental performance. (See also section 2.2.3 below and the Manual for the Management of Projects section 5.2)

2.2.3
Manual section 5.2

2.2.2 Contractor advises dates for specified activities

The contract requires the contractor to give adequate warning to the Contract Manager’s representative of activities to be witnessed. There is no definition of adequate notice but one working week should be considered as sufficient. This notice may be given in writing, at a meeting or by telephone.

PROCESS



FORMS

NOTES

Inspections could cover activities, equipment, test records, quality plan, HS&E plan, etc.

Contract should allow NEPA to witness activities specified by the Contract Manager during contract period. The Contract Manager should refer to the contractor's plan and advise which activities he wishes to witness, for example by marking up plan. As an inspection approaches the contractor should give notice to the Contract Manager to allow his representative to attend. This may be done through the regular meetings or in writing

Formal monitoring involves:

- inspection of quality of materials and/or installation
- witnessing of tests

Regular monitoring includes checking:

- compliance with safety and environmental standards
- quality of materials and/or installation

Regular monitoring at site may be continuous (by permanent site presence) or by random spot checks

The Contract Manager should include monitoring & inspection (quality, safety, environmental) in the monthly management report .

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2.2.3 Inspect and Witness

Irrespective of whether the plant and equipment is in the factory or on site being installed, the Contract Manager's representative will inspect or witness activities as specified by him and provide a report or certificate relating to the activity. This is particularly important when the activity relates to a payment milestone.

During the site installation phase the Contract Manager's representative also has a much more general role regarding site quality and safety. The Contract Management Manual section 5.2 gives more detail on how these activities should be carried out but generally the site representative should:

- Walk around the site daily to get a general impression of what work is in progress and the standard of workmanship.
- Visit the specific areas where work is in progress at least daily
- Witness the delivery of materials and how they are handled at delivery
- Inspect scaffolding and lifting equipment registers
- Receive weekly reports on progress of installation and check that they are correct

2.2.4 Compliance with contract?

The Contract Manager or his representative should carry out monitoring and inspection, measuring the contractor's compliance with the specification. If a non-compliance is identified then the Contract Manager must follow section 2.3 of this procedure. Otherwise the contract may continue towards completion.

2.3 Performance Remedies

2.3.1 Problem Identified

Through the process of progress monitoring, monitoring and inspection, NEPA may identify poor performance by the contractor. Examples are:

- Insufficient progress
- Poor quality of materials
- Poor quality of installation
- Inadequate regard for safe working practices
- Inadequacies in dealing with the public

The majority of cases of poor contractor performance involve poor materials or workmanship. These can normally be resolved by agreement between the contractor and the Contract Manager and may have little effect on the contract completion date.

Reference:

Manual
section 5.2

Section 2.3

Proc 011

155

Reference:

In cases of serious problems, the Contract Manager has a number of remedies specified in the contract. These include suspension of work and termination of the contract. Late completion is dealt with through application of the liquidated damages provisions. Contract Managers must ensure that they are fully aware of the conditions of contract in these respects.

2.3.2 NEPA Response to Contractor

If NEPA identifies poor performance, they must inform the contractor immediately. Normally the contractor would continue work under the contract while the problem was resolved but in some cases it may be necessary for NEPA to stop the work. This is particularly the case if the poor contractor performance reflects badly on NEPA, for example if the contractor is dealing badly with the public or in cases of breach of health and safety regulations.

This initial action should be discussed at the monthly meeting, or immediately through a special meeting if that is appropriate.

The Contract Manager must follow up any verbal discussion with a letter outlining the problem and seeking a recovery plan from the contractor.

In the case of lack of adequate progress, the Contract Manager should always remember that it is the contractor's responsibility to complete the contract to time. The contractor will be penalised through liquidated damages if he completes late and the Contract Manager must be careful not to take any action that might result in a contractual claim later.

2.3.3 Contractor proposes Recovery Plan

After receiving details of NEPA's concern, the contractor is required to respond promptly in writing to the Contract Manager, There are two possible outcomes:

- Contractor agrees with NEPA's assessment and proposes a recovery plan (See section 2.3.4 below)
- Contractor does not agree with NEPA's assessment. In this case a dispute has occurred and Procedure 010 should be followed.

Section
2.3.4

Proc 010

2.3.4 Agree Remedial Action

If the contractor agrees with NEPA's assessment that there is a problem he is required to propose remedial action to get over the problem. This may be done verbally and the Contract Manager may agree verbally in the interests of allowing progress with the contract. However, the contractor's response must be followed up in writing and the Contract Manager's

Reference:

agreement must also be made in writing.

It is possible that the Contract Manager does not agree to the remedial action proposed. In this case a dispute will arise and Procedure 010 should be followed.

Proc 010

3. Financial Monitoring

3.1 Contract Monitoring - Contract Finance

Monitoring of contract finance means looking at the Value of Work Done by the contractor and producing Estimated Cost to Completion for the contract or project and comparing those to the budget. It also involves cash flow forecasting and monitoring of contract progress so that cash necessary for payments can be made available.

3.1.1 Produce Baseline Value of Work Done Profile

As soon as the contract is placed the project manager must produce the following baseline financial profiles:

- Value of Work Done (VOWD) profile
- Estimated Cost to Completion (ECTC)
- Cash Flow Forecast based on expected invoice dates

These profiles should be given to the team member finance who should enter them onto NEPA financial monitoring system.

3.1.2 Monthly Report from Contractor

Each month, as part of the monthly report described in 2.1.2, the contractor is required to provide an estimate of the VOWD to date and a progress update with respect to the likely date for submitting the next invoice.

Section
2.1.2

3.1.3 Verify by Inspection

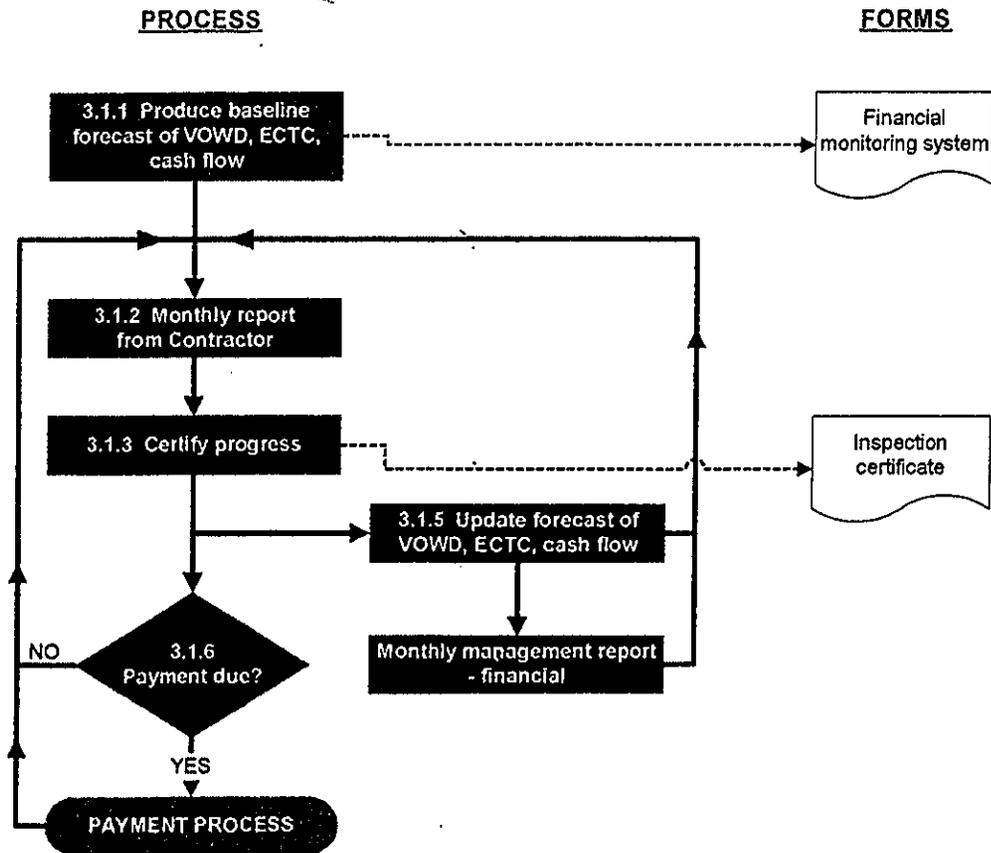
This monthly report information should be verified through the inspections carried out under section 2.1.5 and 2.2.

Section 2.1.5
& 2.2

3.1.4 Update VOWD/ECTC/Cash flow Forecasts

If there is a defined change to the contract or the Contract Manager perceives that there might be one in the future, he must assess what effect that may have on the contract finance at the earliest opportunity.

After assessing the likely effects the Contract Manager must give the new VOWD / ECTC / Cash Flow forecast to the team member finance to update the financial monitoring system.



NOTES

A project and every contract should be set up in the financial monitoring system. Recorded Information will include:

- Contract value
- Value of contract changes
- Value of Work Done (VOWD)
- Estimated Cost to Completion (ECTC)
- Expected invoice and payment dates

Progress to be certified by the Contract Manager, making use of technical resources, such as Project Engineer to verify progress by inspection, cf. progress monitoring in this procedure (2.1)

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Reference:

3.1.5 Is there a Payment Due?

If the contractor has indicated that he intends to submit an invoice then the Contract Manager should be ready for it and start the payment process (section 3.2 below)

Section 3.2

3.2 Contract Monitoring -- Payments

The project manager should be expecting an invoice through the monitoring that he has been carrying out and the team member Finance should have begun to make arrangements for payment if these are necessary.

3.2.1 Invoice Submission

The contractor will submit invoices to NEPA Finance department as required by the contract. As this is important to the contractor they will almost certainly arrive on the due date.

3.2.2 Invoice Checking

The Contract Manager and the team member Finance should check the following:

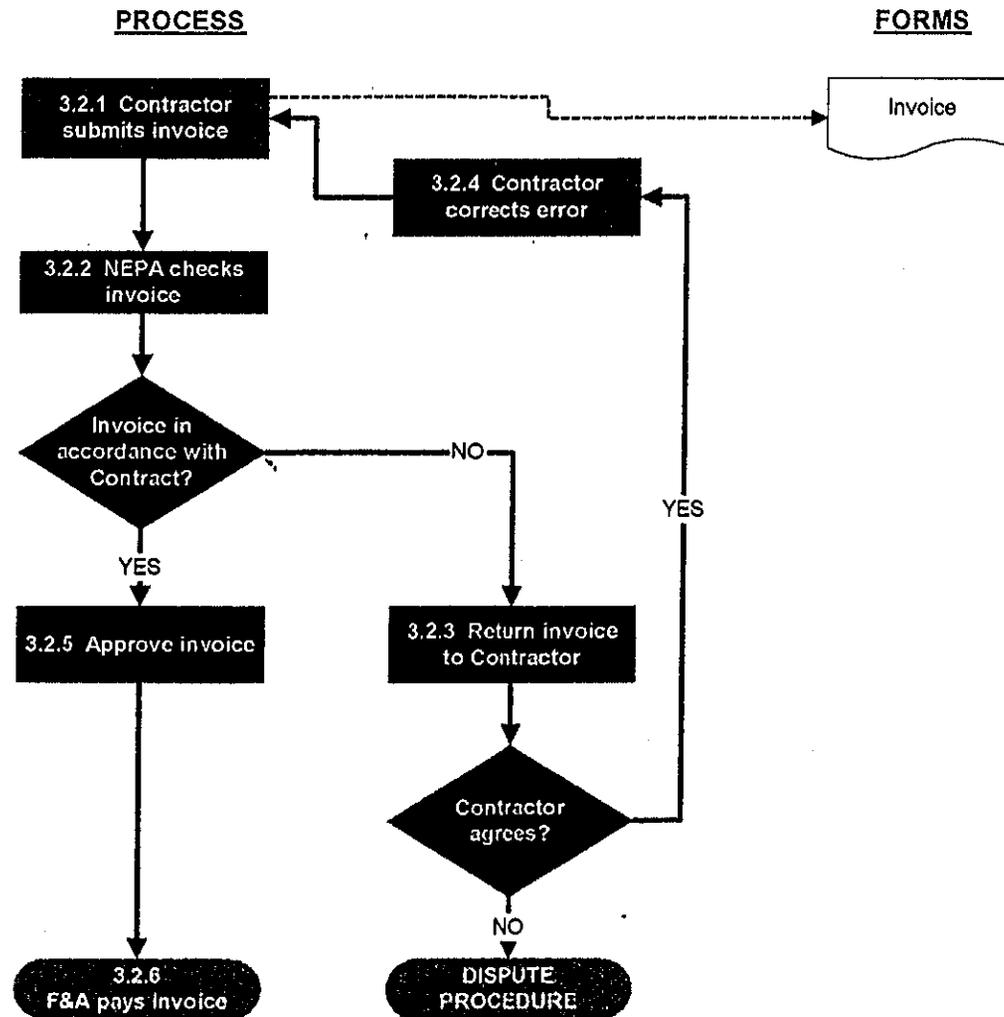
- Invoice value has been calculated correctly and is as expected under the contract
- Appropriate retentions have been deducted
- Date of submission is as expected by the terms of the contract
- Progress on the contract justifies payment of invoice

3.2.3 Return Invalid Invoices

If an invoice is not in accordance with the terms of the contract or progress is not sufficient, the team member Finance should return the invoice with a letter stating the reasons for returning the invoice. It is good practice to telephone the contractor's Finance department to advise them that you will be returning the invoice and why.

Reasons for returning an invoice may be:

- Invoice is earlier than date specified in contract -- particularly relevant for progress payments
- Invoice value or arithmetic is incorrect
- Retentions have not been appropriately applied
- Progress does not justify invoice payment
- Quantities do not justify payment



NOTES

With regular forecasting and monitoring, the Team Member Finance should have been expecting invoice and started to make provision for payment three months prior to receipt of invoice.

The Contract Manager and Team Member Finance should check that:

1. Invoice value is correct
2. Appropriate retentions, if any, are deducted
3. Date of receipt is per terms of payment in contract
4. Progress is verified – through contract monitoring. Certification of progress may be provided by consultants or NEPA's own staff.

Approval for payment of the Contractor's invoice may require authorisation and checking by an internal NEPA unit, e.g. Audit, and/or an external authority such as the Budget Monitoring and Price Intelligence Unit. Adequate back-up documentation will speed the authorisation process. Reasons must be given if an invoice is rejected.

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	Reference:
<p>3.2.4 Invoice Corrected</p> <p>If the contractor agrees that there was an error then he will correct the error and resubmit the invoice. If the contractor disagrees then this will lead to a dispute (See Procedure 011).</p> <p>3.2.5 Invoice for Authorisation</p> <p>If the invoice is correct and in accordance with the terms of payment in the contract, the team member Finance should send / give the invoice to the Contract Manager for his approval.</p> <p>If the Contract Manager does not have adequate delegated authority to authorise the payment, he should sign it to signify that he has checked and agreed the invoice. It should then be sent to the appropriate officer for authorisation for payment along with the copies of appropriate back-up documentation.</p> <p>The purpose of this documentation is to give the Approval Authority all the necessary information to allow the invoice to be authorised without delay and is particularly necessary for invoices that will be submitted to the Budget Monitoring and Price Intelligence Unit (BMPI). The documentation may include:</p> <ul style="list-style-type: none"> • Agreed progress reports or certificates • Test certificates • Taking over certificate <p>3.2.6 Payment is Made</p> <p>After authorisation, the invoice is returned to Finance & Accounts for payment.</p>	<p>Proc 011</p>
<p>3.3 Insurance and Bonds</p> <p>3.3.1 Insurance</p> <p>The contract requires the contractor to hold certain insurances before they are allowed to carry out work on any site owned NEPA</p> <p>The Contract Manager must request that the contractor provides evidence that appropriate insurance policies are in place. This should be provided as soon as possible but no later than the date of site mobilisation. If a contractor is not able to provide evidence of the existence of the appropriate insurance policy, the Contract Manager must not allow the contractor to mobilise.</p> <p>Insurance certificates have expiry dates, and the contractor is required to keep his insurance up to date. The Contract Manager must monitor the</p>	

<p>validity of the insurance policies; this can be done using by a monitoring register. (Form 006-04).</p> <p>If the contractor allows his insurance to expire after mobilisation, the Contract Manager must ensure that his staff are demobilised until the insurance is reinstated, at the contractors cost.</p> <p>3.3.2 Bonds</p> <p>The contractor is required to supply NEPA with evidence that the Financial Bonds specified in the contract have been put in place. The Contract Manager ask for this evidence as soon as possible and no later than the Inaugural Contract Meeting</p>	<p>Reference:</p> <p>Form 006-04</p>
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FORMS AND STANDARD DOCUMENTS

Project: <NAME>

Initial Contract Team Meeting Agenda

Meeting Date: <DATE>

Meeting Venue: <PLACE>

1. Introductions / Team Roles and Responsibilities

2. Review of Outstanding Actions

3. Background to Contract

4. Description of Contract

3.1 Scope of Works

3.2 NEPA's Obligations Under Contract

3.3 Contractor's Obligations under Contract

3.4 Contract Schedule

3.5 Interfaces with other contracts

4 Financial Matters

4.1 Contract Price

4.2 Provisional Sums and Arrangements for Commitment

4.3 Projected Payment Schedule

5 Arrangements for Inaugural Meeting with Contractor

6 Review of Agreed Actions

7 Date of Next Meeting

Project: <NAME>

Inaugural Contract Meeting Agenda

Meeting Date: <DATE>

Meeting Venue: <PLACE>

1. Introductions
2. Personnel and Responsibilities
3. Commercial Matters and Contract Administration
4. Safety, Health and Environment
5. Quality
6. Technical
7. Meetings
8. Date and Time of Next Meeting

Example Minutes

National Electric Power Authority

PROJECT NUMBER:

CONTRACT NUMBER:

MINUTES
of
INAUGURAL CONTRACT MEETING

HELD AT (location) :
ON (date) :

CONTRACT TITLE:

BRIEF DESCRIPTION OF WORKS:

PRESENT:

Mr _____ NEPA (Meeting Chairman)
Mr _____
Mr _____
Mr _____
Mr _____
Mr _____

DISTRIBUTION:

To all the above plus:

Mr _____
Mr _____
Mr _____

(On the Following Pages, the Contract Manager should use sections appropriate to his contract. The Example Minutes are all-embracing and it is not expected that the minutes should necessarily include every section)

Form 006-03

Example Minutes

1. INTRODUCTION AND PURPOSE

The Chairman welcomed members to the meeting and stated that it was held to discuss the management of the contract and to establish the framework for further meetings over the contract duration.

2. PERSONNEL & RESPONSIBILITIES

2.1 The Employer for this contract is National Electric Power Authority (NEPA)

The Employer's address for the purpose of this contract is:-

.....

The Contract Manager responsible for this contract and for all NEPA personnel employed on the contract works is:-

Mr _____ Tel _____ Fax _____ Mob _____

who will administer the contract and to whom all correspondence relating to the contract works should be forwarded. All correspondence relating to this contract should quote the contract reference number.

The Contract Manager's Representative who shall have the duty to watch and supervise the site works, will be:-

Mr _____ Tel _____ Fax _____ Mob _____

The Contract Manager's Representative will perform the duties of site engineer on behalf of the Contract Manager and will provide safety liaison with the Contractor on site.

2.2 The Contractor is:-

Address:-

The Contractor's Manager to whom all correspondence relating to the contract should be addressed, is:-

Mr. _____ Title _____
Tel. _____ Fax _____ Mob _____

The Contractor advised the following personnel with responsibilities on the contract:-

Mr. _____
Mr. _____ - Health and Safety
Mr. _____ - Environment

Example Minutes

2.3 Sub Contractors

The following Sub-Contractors have been nominated by the Contractor and accepted by the Employer:-

- *
- *
- *
- *

NEPA Contract Manager to ensure that no sub-contractors previously agreed are changed, or that unsuitable sub-contractors are accepted.

3. COMMERCIAL

3.1. Contract Administration

3.1.1 Contract Specification

The contract will be administered and carried out in accordance with the Contract Specification and Conditions of Contract as defined in the contract award letter. Any variation will only be by formal instruction (by means of a Variation Order) from the Contract Manager in accordance with the Conditions of Contract.

For civil contracts, the contract may require works to be carried out in accordance with the Bill of Materials and for the quantities to be re-measured on completion.

3.1.2 Confidentiality

All matters pertaining to the contract shall be regarded as confidential, and shall not be disclosed to any third party unless prior permission has been sought and given by the Contract Manager (who may seek guidance from the Employer's Public Relations/Legal Departments). This shall include photography of the works, site, or any part of the equipment, documents or drawings.

3.1.3 Invoices

Invoices (excluding civil contracts) bearing the Contract reference and detailing claims for payment, shall be submitted to Finance and Administration Department, NEPA, at the above address. For civils-contracts all invoices shall be based on schedule rates supported by certified returns for measured work and time and material work.

3.1.4 Value of Work Done (VOWD) Profile

The Contractor agreed to provide a VOWD profile for the duration of the contract, to be updated on a monthly basis as appropriate.

Example Minutes

3.1.5 Insurance Certificates

The Contractor confirmed that all of his and his subcontractor's Insurance Certificates needed to work on the NEPA's sites had been submitted to the Engineer (*or would be submitted by*)

3.2 Site Contract Administration

3.2.1 Work Instructions (Plant)/Site Instructions (Civil)

[Work Instructions are additional to the Conditions of Contract and used on site to formally instruct the Contractor to carry out incidental work]

During the site works the Contract Manager's Representative may be directed by the Contract Manager to issue a Work/Site Instruction to the Contractors supervisor to vary the works. The Contractors supervisor shall, when requested, provide an estimated cost of the variation and record this on the Work/Site Instruction. Only such instructions in writing to the Contractor are valid.

3.2.2 Time and Material Work (Plant)/Dayworks (Civil)

Time and Material Work (T&M)/Dayworks incidental to the Contract shall only be carried out on written authority of the Contract Manager, usually by issue of a Work/Site Instruction by the Engineer's Representative.

Detailed labour, plant and material returns, serially numbered and bearing the Work/Site Instruction reference, shall be submitted on a weekly basis for certification by the Contract Manager's Representative. Non-availability of labour and plant shall be recorded together with the Contractor's proposals for overcoming the deficiencies. Charges for materials over N20,000 value per sheet shall be supported by copy invoices. Plant shall be fully described by manufacturers name, type and model number and capacity.

Certification of these time sheets is for record purposes and does not prejudice agreement of the price for carrying out the works, which will be in accordance with the Contract as determined by the Contract Manager. No time sheet shall be offered for certification more than seven days from the date of execution of the works. Timesheets not correctly certified will not subsequently be accepted.

3.2.3 Measured Work

A system for recording "Measured Work" quantities, was agreed as follows:

.....

The Contractor will use the system to provide estimated quantities and for measured and work items. [eg. hv cables, excavation and ancillaries, overhead line rates, busbars, earthing, multicore cables]

Example Minutes

Once as-installed measured quantities can be determined, the estimated quantities will be replaced with actuals, certified by the Engineer's Representative who will retain a copy of the certified form.

3.2.4 Financial Control (excluding civil)

[Most contracts include measured work and T&M work items for which a system is needed to give up-to-date cost forecasts]

The Contractor shall submit interim valuations on a monthly basis for measured work and T&M work, which shall give an up-to-date projected forecast of expenditure.

3.2.5 Financial Control (Civil)

The Contractor shall submit interim valuations on a monthly basis along with priced and extended Daywork Sheets, bearing the signature of the Engineer's Representative (Original plus one copy to the Employer's quantity surveying service, one copy to the Engineer).

[Arrangements for agreeing interim valuations shall be noted]

The Employer's quantity surveying service will then prepare a monthly certificate and submit this to the Employer's finance department to initiate payment.

4. SAFETY, HEALTH & ENVIRONMENT

4.1 Health & Safety - General

NEPA, in common with all employers, has a statutory responsibility in respect of the health, safety and welfare of its staff, and to conduct its undertaking in such a way as to ensure, so far as is reasonably practical, that all persons who may be affected by its operations, are not exposed to risks to their health and safety.

The Contractor noted that third Party or the Employers safety personnel may carry out site safety visits or audits during the course of the Works to verify the Health and Safety performance of the Contractor.

4.1.1 Arrangements for Health and Safety Reporting

Detail arrangements here

4.2 Environment

4.2.2 Environmental Incidents

The Contractor shall record any Environmental Incidents as they occur, or submit a nil return, as part of the monthly contract progress report.

Example Minutes

4.2.3 Environmental Audits

The Contractor noted that NEPA may carry out environmental audits during the execution of the contract.

5. QUALITY

5.1 Main Contract Quality Plan

The Contractor agreed to submit his Main Contract Quality Plan as soon as possible, but in any case no later than(Insert date, not later than 6 weeks after award of contract). In the event that any inadequacy and/or incorrect implementation of the Quality Plan requires the Employer to incur additional costs then such costs will be recharged to the Contractor.

5.2 Manufacturing Inspection

The Contractor outlined progress with manufacturing and the placement of sub-orders and agreed to provide a list of all sub-orders to assist the Employer's quality representative when visiting the manufactures.

5.3 Audit

The Contractor noted that the Employer reserved the right to conduct an audit on the execution of the contract. The Contractor also noted that the audit could extend to him and his systems, suppliers etc. The Contractor confirmed that he would co-operate in these audits, as and when they might occur.

6. TECHNICAL

6.1 Drawings

6.1.1 Drawing Lists

The Contract Manager advised arrangements for checking original drawings against site conditions as follows:

Detail arrangements here

and agreed to provide the Contractor with a list of original drawings by

A list of original drawings required by the Contractor shall then be prepared and submitted to the Contract Manager by

The Contract Manager will produce a list of any particular drawings required from the Contractor by NEPA.

The Contractor was reminded of the requirement to maintain the Contract Drawing List and to provide monthly updates.

Example Minutes

6.1.2 Drawing Submission

The requisite number of drawing specified by the contract will be despatched to the Contract Manager at the above address. Document transmittal sheets shall require a signature (or electronic acknowledgement where appropriate) from the recipient to confirm receipt.

6.1.3 Drawing Approval

The Contractor agreed to approve all drawings prior to issue.

The Contract Manager stated that relevant drawings shall be approved and stamped "Issued for Construction" at least one month prior to site works commencing. The Contractors programme shall show key dates (usually on a stage by stage basis) for drawing production/approval to meet this requirement. It was agreed that the programme should allow for all drawings to be commented on by the Contract Manager prior to being issued for construction.

6.1.4 Final Records

6.1.4.1 Contract Drawings

The drawings issued for construction shall be marked-up by the Contractor with any "as built" amendments. In the case of underground services the Contractor shall pay particular attention to the line and marking on the appropriate record drawings. It was agreed that any modifications required by others to the Contractor's drawings (in relation to the contract works) would be carried out by the Contractor.

When the work is finished the marked-up as built drawings shall be retained by the Contract Manager for record purposes until final drawings are provided.

A duplicate copy of the as built drawings shall be made by the Contractor for return to the Contractor's works so that the original drawings may be modified accordingly.

When the Contractor has completed modifications to the original drawings in accordance with the marked-up drawings, two copies are to be sent to the Contract Manager for comment.

The Contractor shall submit the final as-built drawings for each Section of the Works within 4 weeks of receipt of the Contract Manager's comments on the marked-up drawings.

6.1.4.2 Final Documentation

The Contractor shall provide draft Operation and Maintenance Manuals two months prior to the Time for Completion for any part of the Works.

Example Minutes

6.2 PROGRAMME

6.2.1 Contract Programme

The Contractor agreed to submit a contract programme, including work of Sub-Contractors, in the form and detail required by the Engineer (as specified in the contract) for his approval, no later thanwithin four weeks of contract award

The Contractors programme shall take into account the site working hours stated in the Contract, namely

In exceptional circumstances the Contract Manager may authorise in writing work outside these hours to maintain the programme, but premium rates will not be chargeable to NEPA unless the Contract Manager agrees the reasons for the overtime working are outside the control of the Contractor.

The Contractors programme shall show all outages and shall detail the work to be carried out during outages.

The Contractors programme shall take into account any required stage by stage sequence.

6.2.2 Key Dates

Key programme dates given in the contract document are:-

- *
- *
- *

Any delays affecting "Key Dates" in the programme shall be notified in writing to the Engineer for his consideration.

6.2.3 Site Start on Third Party Owned Land

Where contract work is required on land not owned by NEPA (e.g. overhead line or tower work) no site work shall be started until access arrangements have been agreed between the Employer, the Contractor and the landowner concerned.

6.2.4 Progress Reports

The Contractor agreed to submit a progress report in time for discussion at each site construction meeting which will show actual work done compared to the agreed programme for both Main and Sub-Contractors. The Contractor also agreed to provide monthly reports to the Engineer in the format required in the contract one week prior to the monthly contract progress meeting.

Example Minutes

6.2.5 Progress Photographs

The Contractor agreed to provide two sets of progress photographs at the site construction meeting. The photographs shall be taken as directed by the Contract Manager's Representative.

6.3 MEETINGS

6.3.1 Contract Progress Meetings

Contract Progress Meetings shall be held as necessary (usually monthly), chaired by the Contract Manager, to progress the contract works. Those meetings will take on the actions from this meeting and develop those and any other relevant issues. Minutes or Actions arising from those meetings will be formally recorded and circulated by the Contract Manager

6.3.3 Site Construction Meetings

Site Construction Meetings will be held as necessary to deal with site specific issues, chaired by the Engineer's Representative who will prepare and issue notes of each meeting and report matters as necessary to the Engineer.

6.4 Materials

6.4.1 General

The Contractor is to identify delivery dates/rates of supply of specified materials, including details of suppliers as appropriate. If the Contractor intends to use alternative materials to those specified he shall advise the Contract Manager.

6.4.2 Control of Free Issue Material

All material received by the Contractor's staff will be signed for and kept in a secure store. The Contractor will keep a log on behalf of NEPA of all free issue material on site.

6.4.3 Waste Material

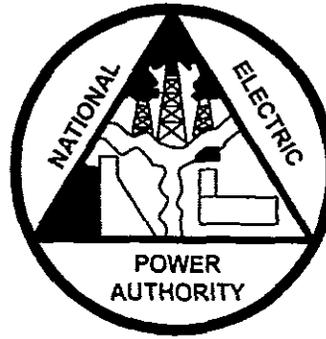
Redundant, scrap or waste material and spoil shall be disposed of in accordance with statutory regulations to a licensed tip or arrangements made for return to store as appropriate. The contractor will provide evidence of the appropriate treatment of all waste removed from the site in accordance with the regulations.

6.5 Plant Specific Issues

To be used as necessary by the Contract Manager

7. DATE TIME AND PLACE OF NEXT MEETING

The date, time and place of the next meeting is:-



NIGERIA ELECTRIC POWER AUTHORITY

PROCEDURE N^o: 007

PROCEDURE FOR TESTING AND COMMISSIONING

Approved for Issue by: _____
Engr. Makoju
Managing Director

Document Revision History

Version

1. Original Issue

Issue Date

31 November 2002

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Reference:

SCOPE

Procedure 006 describes the processes of Management and Monitoring of Contracts. This procedure takes the process forward and describes the principles and processes for the Testing and Commissioning of assets created by those contracts.

PROCEDURE

1 Commissioning Tests

When the off load tests are completed satisfactorily, commissioning tests may be carried out. If the contract is a Power Purchase agreement, NEPA must still ensure that the equipment is fit for service before commissioning onto the system is commenced, and the contractor must provide evidence that this is the case.

1.1 Set up Commissioning Panel

In complex cases, it takes time to produce a good commissioning schedule and it is never too early to start. The Contract Manager and the contractor must agree when to set up the commissioning panel and who will sit on the panel. The Contract Manager nominates the chairman, for example his site representative or other nominated expert; NEPA operational staff and the contractor **MUST** also be represented.

1.2 Produce Commissioning Schedule

The contractor must advise which tests are to be carried out. The performance specification is part of the contract but the contractor must identify how he will demonstrate compliance with the specification.

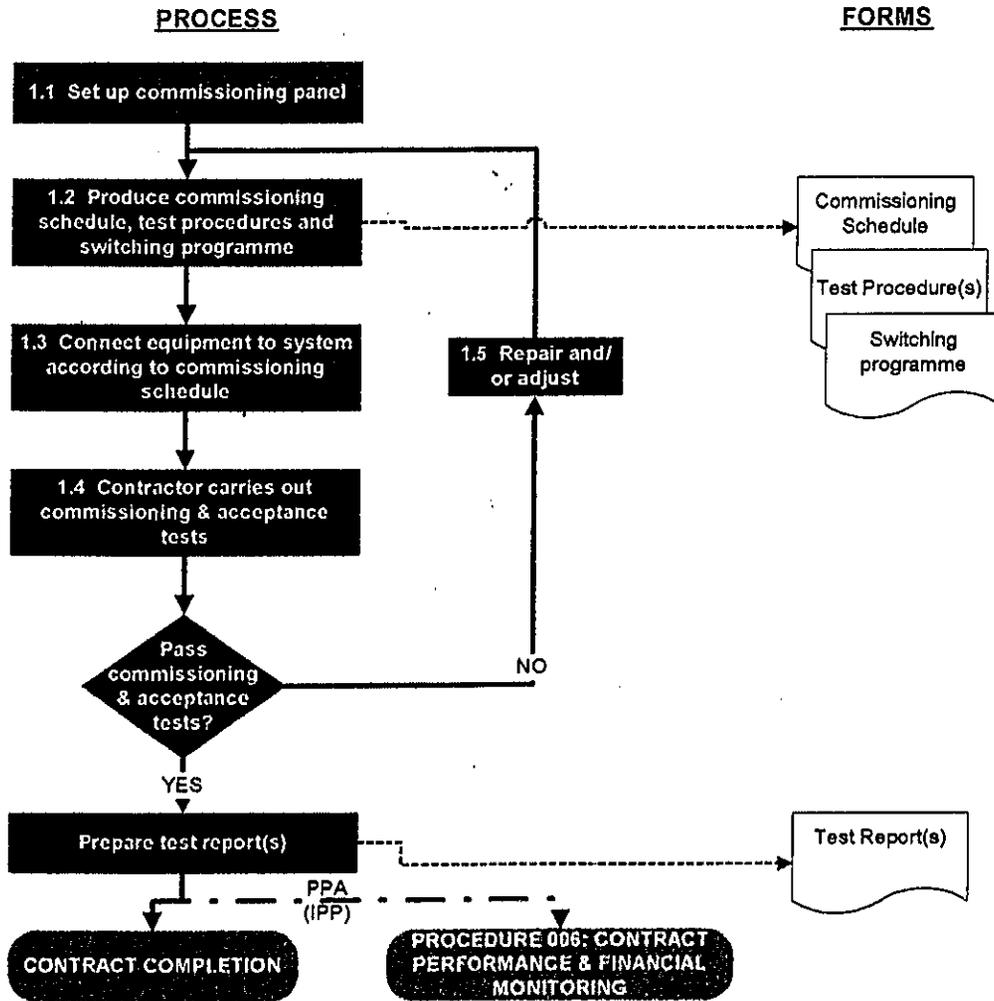
The commissioning panel must agree the sequence of commissioning and acceptance tests and develop a switching schedule to allow these tests to be carried out with minimum impact on the wider system whilst ensuring safety both to new equipment and the wider system.

1.3 Connect Equipment to System

The commissioning panel must ensure that all relevant operational staff have a copy of the commissioning schedule. This will normally be through the operational representative on the commissioning panel.

Following satisfactory completion of off load testing, the commissioning panel agrees a date when the equipment may be connected to the system and commissioning and acceptance tests commenced. On the agreed date, under instruction from the commissioning panel chairman, NEPA operational staff carry out necessary switching operations to connect the new equipment to the system.

COMMISSIONING & ACCEPTANCE TESTS



NOTES

Commissioning onto NEPA's HV network is so important that the system operators must be involved. It is never too early to start thinking about commissioning. The Commissioning Panel is responsible for producing the commissioning schedule of tests and switching programme.

The contract should specify the criteria for acceptance test procedures, e.g. to ASME Code XXX. The Contractor is responsible for producing detailed test procedures, but these may be subject to approval by NEPA. NEPA should review and approve submitted test procedures promptly, and not withhold approval unreasonably.

The Commissioning Panel, and time devoted to it, must be appropriate to the size and complexity of contract and equipment.

For less significant equipment not directly connected to the NEPA HV network, the commissioning panel may be less formal but a commissioning procedure is still required.

In the case of commissioning and acceptance tests for an IPP, successful completion of the tests will be followed by regular performance and financial monitoring of the PPA.

150

Reference:

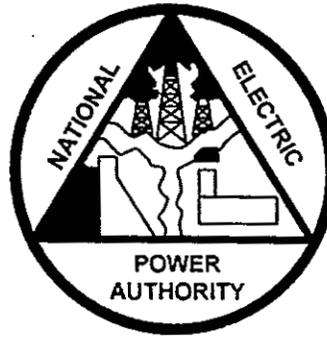
1.4 Contractor Carries out Commissioning Tests

The contractor carries out the specified commissioning and acceptance tests in line with the agreed commissioning schedule and switching programme. The commissioning panel chairman should normally manage this process.

1.5 Repairs

If the performance tests are not satisfactorily completed, the contractor must identify the cause of the failure and either repair or replace the equipment. After the repairs or replacement have been carried out, the equipment off load tests must be repeated as appropriate before commissioning can be recommenced.

The time and date of any repeat tests must be agreed with NEPA operational staff by liaison through the commissioning panel.



NIGERIA ELECTRIC POWER AUTHORITY

PROCEDURE Nº: 008

PROCEDURE FOR CONTRACT COMPLETION AND MANAGEMENT OF THE WARRANTY

Approved for Issue by: _____
Engr. Makoju
Managing Director

Procedure Number: 008

Issue Number: 1
Issue Date: 30 November 2002

Document Revision History

Version	Original Issue	Issue Date
1.	Original Issue	30 November 2002

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SCOPE

The preceding procedure describes the processes of Site Installation, Testing and Commissioning. This procedure takes the process forward and describes the principles and processes for Contract Completion

PROCEDURE

1 Contract Completion

1.1 Prepare Taking over Certificate

Following the satisfactory completion of commissioning tests, the contractor will advise the Contract Manager that, in his opinion, the contract is complete and ready for Taking Over.

It is inevitable that there will be some outstanding minor works at this stage. Prior to preparation of the Taking Over Certificate the Contract Manager's site representative should inspect the plant with the contractor's site representative and agree a list of outstanding works. If the list of minor works is agreed, the Contract Manager should prepare the Taking Over Certificate, which includes the agreed list of outstanding works.

If there is any dispute, the Contract Manager should meet the contractor, preferably on site, to discuss and agree the contentious issues. In this case the Taking Over Certificate will not be prepared. This is a serious contractual situation and the Contract Manager and the contractor should meet promptly to resolve the situation. The meeting should take place no later than one month after commissioning.

1.2 Final Invoice

The Contract Manager should have already advised the team member Finance in advance when commissioning is likely to occur and when the final invoice is likely to arrive.

After commissioning the Contract Manager should confirm that the contract is complete by signing the Taking Over Certificate. A copy of the certificate should be given to Finance & Accounts (F&A). This is an indication that the final invoice is imminent. F&A should not accept the final invoice without having a copy of the Taking Over Certificate.

If a final invoice arrives and F&A does not have a copy of the Taking Over Certificate, then F&A should first check the situation with the Contract Manager and follow the Payment process.

Reference:

Manual 5.5

Form 008-01

Proc 006
section 3.2

NOTES

NEPA must prepare for take-over: communication, staffing, training, insurance (comes into effect on take-over date), etc.

The Taking Over Certificate includes details of outstanding work and minor defects.

Termination may be simply the natural end of the contract life, or could be response by one party to actions of the other party (refer to contract).

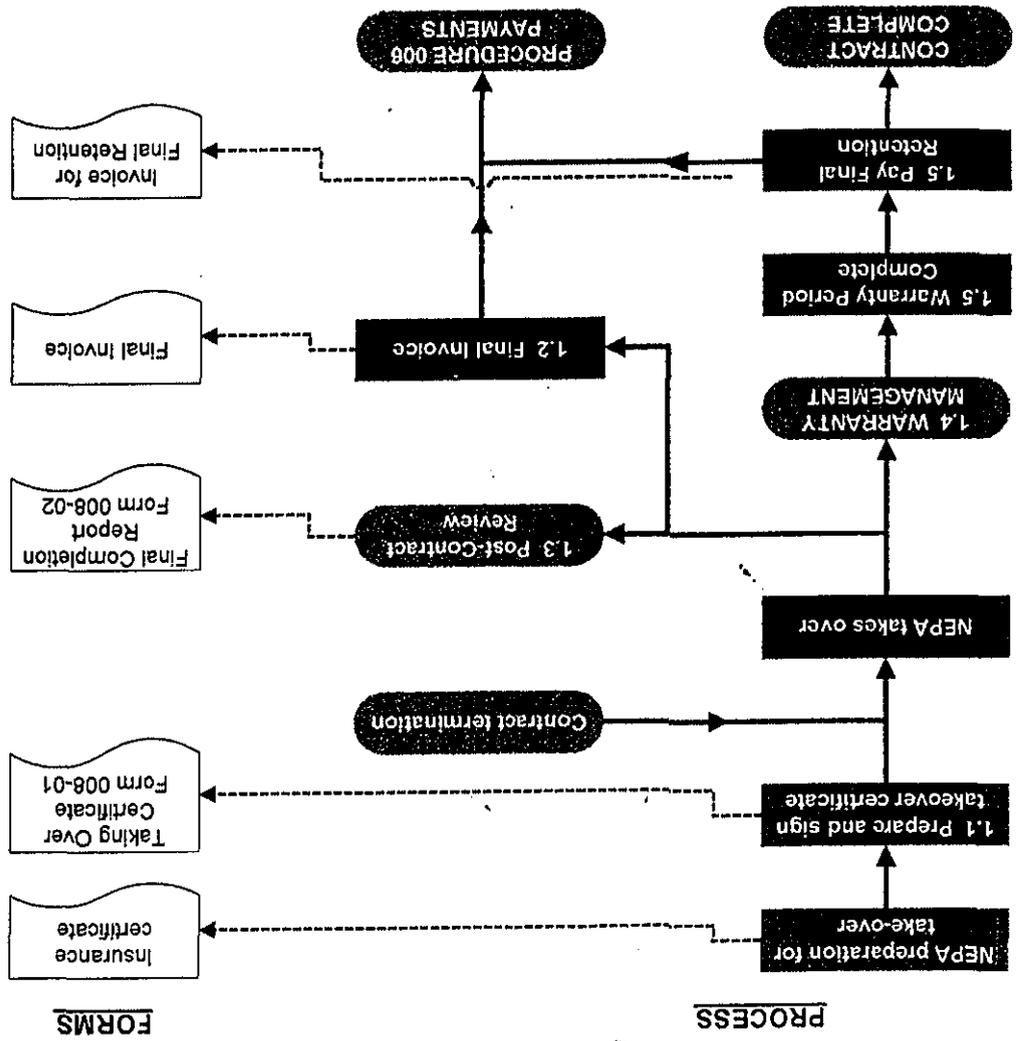
NEPA takes over responsibility for the management and operation of the project/plant & equipment.

Final Completion Report includes:

- Did project meet objectives?
- Financial outturn against budget
- Reasons for financial / schedule variations
- Lessons Learned

Whilst the contractor may claim the majority of outstanding money, the Contract Manager is entitled to retain money in excess of normal retention until items on the take-over certificate are completed satisfactorily.

CONTRACT COMPLETION



Reference:

1.3 Prepare Final Completion Report

The Project Manager should prepare a Final Completion Report for the project. This should cover:

- Description of project
- Whether the project met its objectives
- Final cost statement
- Comparison of final cost against budget
- Description of reasons for variances to budget

The Final Completion Report should be in standard format (Form 008-02)

Form 008-02

1.4 Warranty Management

Once the Taking Over Certificate has been signed and given to the contractor, the Contract Manager should handover his day-to-day responsibility for the new equipment to local site staff. The Contract Manager retains the responsibility for the Warranty on the equipment, and site staff should advise the Contract Manager if a defect is found during the Warranty period. If a defect is found then this is managed through section 2 of this procedure.

2

Ideally, no defects occur during the warranty period and the contract continues to the end of the warranty period. The Contract Manager should advise the team member Finance that there have been no defects and confirm the date that the invoice for final retentions is due.

1.5 Warranty Period Complete / Pay Final Retention

On satisfactory completion of the warranty period (normally one year after the date agreed on the taking over certificate) the contractor will submit the invoice for retentions to the Finance department. The team member finance will follow procedure 006 section 3.2 for details of how to deal with payments.

Proc 006
Section 3.2

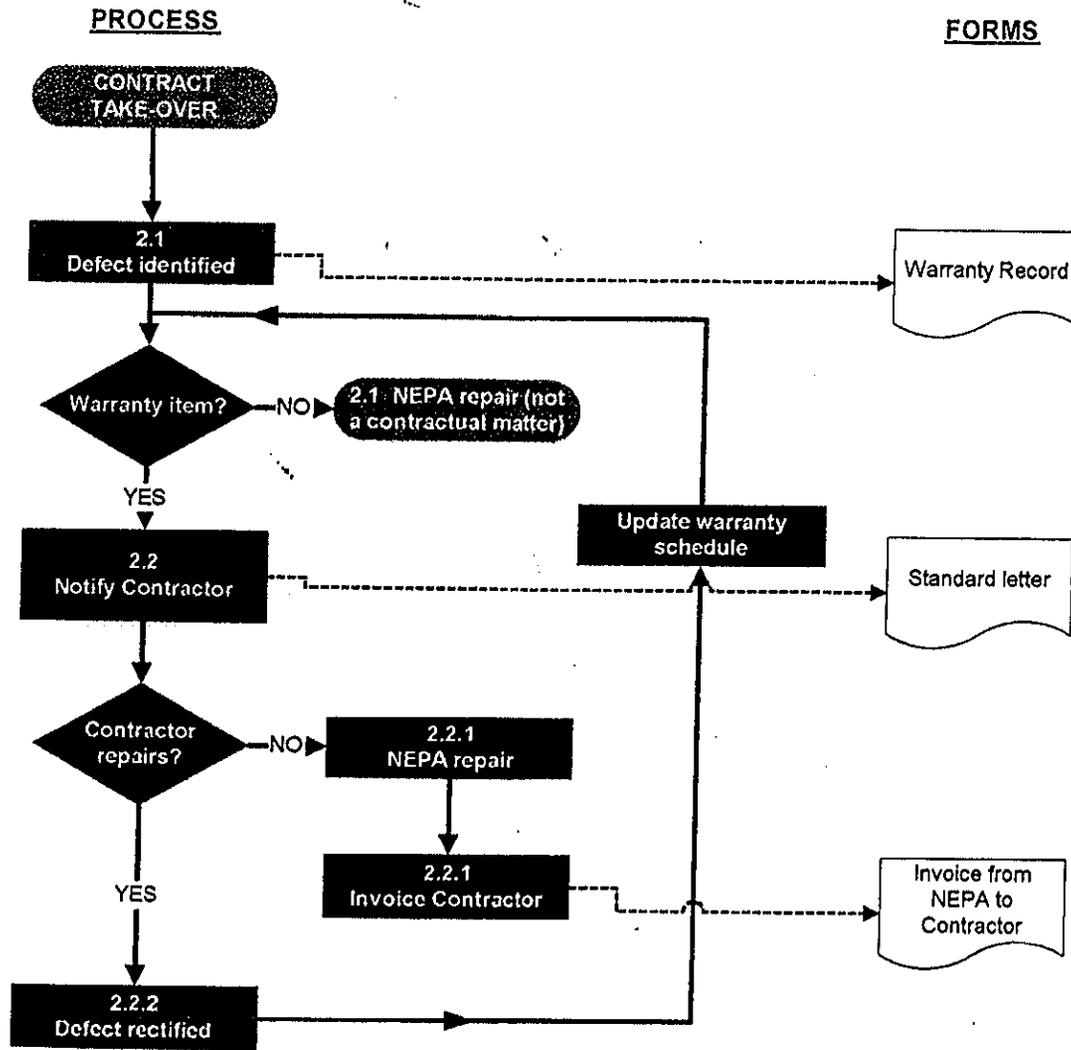
On receipt of the invoice, the project manager must check the Taking over certificate and verify that all outstanding works have been completed. He may then authorise the invoice in accordance with procedure 006.

Proc 006
Section 3.2.5

2 Warranty Period – Defects Found

2.1 Defect Identified – not contractual

If NEPA site staff discover a defect during the warranty period, they must immediately inform the Contract Manager and, if necessary, take the plant or equipment out of service.



NOTES

Warranty management begins on take-over (handover) and continues until all warranty repairs are complete and until any warranty extensions expire. The contract can then be finally closed out and final retention monies paid (see Contract Completion).
All defects and actions taken are registered in the Warranty Record.

The Warranty Schedule records the expiry of the general warranty and any extensions for particular pieces of plant and equipment

The procedure for managing warranty repairs should be in the contract. NEPA should not normally carry out warranty repairs themselves. Emergency repairs are an exception, but otherwise NEPA would only carry out the repair themselves if there was a dispute with the contractor.
The Contract should specify how the Contractor will be billed, including mark-ups and charges for NEPA hours spent

Reference:

The Contract Manager must determine whether the defect is an item to which the warranty applies. If the defect is found to be on an item not covered by warranty, then this is not a contractual matter and it is not a matter for the project manager. The local NEPA site operational staff should arrange for a repair. An example would be where the contract was for extension to existing equipment and some of the existing equipment was not replaced and it was this equipment that failed.

2.2 Notify Contractor

If the defect identified is within the scope of supply of the contract, the project manager must inform the contractor immediately. The conditions of contract require the contractor to make repairs during this period within a reasonable time period, subject to NEPA operational requirements.

2.2.1 NEPA carry out repair

Unfortunately "within a reasonable time period" is usually not defined. However the conditions of contract normally allow NEPA to carry out repairs if NEPA considers that the contractor is not proceeding rapidly enough. In these circumstances NEPA is entitled to charge the contractor for carrying out the repair.

The Contract Manager should note that this situation will almost certainly lead to a dispute and he should try every avenue open to him to ensure that the contractor fulfils his warranty obligations.

2.2.2 Defect Rectified - Contractor carries out repair

Ideally, the contractor acknowledges his contractual obligations and carries out the necessary repairs within a reasonable period of time. It is important that the Contract Manager keeps records of repairs carried out during the warranty period because any equipment replaced may extend the warranty period for that item. The warranty conditions will be defined in the contract, and the Contract Manager must ensure that the contract is adhered to.

FORMS AND STANDARD DOCUMENTS

**NATIONAL ELECTRIC POWER AUTHORITY
*TAKING OVER CERTIFICATE/
*CERTIFICATE OF COMPLETION**

Contractor's Name and Address

No:

Date:

Our Ref:

Your Ref:

CONTRACT _____

I hereby certify that the Works described hereunder were *taken over/completed on <DATE> in accordance with the Terms and Conditions of the Contract, with the exception of the minor items described below, and that the *maintenance / defects liability / warranty period commenced on that date.

Description of Works:

Exceptions:

I also hereby certify that the following contractual requirements were completed on the dates shown:

- * i) All civil drawings, fixing details, loading and foundation drawings submitted
- * ii) Technical Data Schedules and draft Operation and Maintenance Manuals submitted

Signed: _____
Contract Manager

Form 008 - 01

INTERNAL NOTES:

* The *Time for Completion/Taking Over/Completion Date* is within the Contractual Period including time extensions.

* The *Time for Completion/Taking Over/Completion Date* is _____ weeks over the Contractual Period. This is not considered to be the responsibility of the Contractor.

* The *Time for Completion/Taking Over/Completion Date* _____ weeks over the Contractual Period. This appears to be the responsibility of the Contractor.

* Delete as appropriate

NOTE: *Engineering* Procedures require the above circumstances to be reported.

Original - Contractor. Copy to Contract Manager; Manager F&A

NEPA CONFIDENTIAL

NIGERIA ELECTRIC POWER AUTHORITY



< Date >

FINAL COMPLETION REPORT

<Project / Contract Title>

(Memorandum by <PROJECT SPONSOR>)

1. SUMMARY

1.1 This Final Completion Report requests the approval of the < Approval Authority > to close Project / Contract No at an outturn cost of < Naira > .

2. BACKGROUND

Describe why contract was placed , what were the company business objectives

3. SCHEME DESCRIPTION

3.1 *Describe scheme and whether company objectives have been met*

3.2 The detailed costs incurred by this project / contract are set out in the attachment to this report and are summarised below:

BUDGET APPROVAL: _____ million Naira

OUTTURN COST: _____ million Naira

3.3 Explanation of the Differences between budget and outturn

< Describe reasons for differences – unforeseen ground conditions, delay due to system requirements/max gen, contractor claims >

4. COMMENTS BY THE CONTRACT MANAGER

4.1 All commitments under this contract have been made and there are no outstanding claims against NEPA.

SIGNED: _____
Contract Manager

DATE:

Form 008 - 02

5. COMMENTS BY MANAGER F&A

SIGNED: _____
Manager F&A

DATE:

6. USER ACCEPTANCE

< *The Operational Manager* > accepts responsibility for the assets created by this contract and detailed in the attachment to this report

SIGNED: _____
Operational Manager

DATE:

7. COMMENT BY MANAGING DIRECTOR

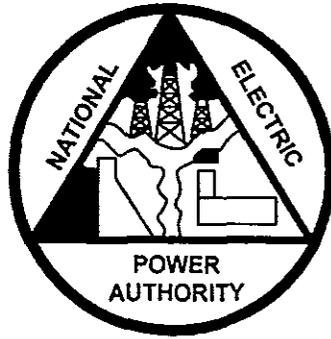
I note the content of this final completion report and agree to the closure of the project/contract.

SIGNED: _____

DATE:

MANAGING DIRECTOR

**NOTE THE FINAL COMPLETION REPORT SHOULD BE
ACCOMPANIED BY SUPPORTING DOCUMENTATION
APPROPRIATE TO THE NATURE AND SCALE OF THE PROJECT**



NIGERIA ELECTRIC POWER AUTHORITY

PROCEDURE Nº: 009

PROCEDURE FOR MANAGEMENT OF CONTRACT CHANGES

Approved for Issue by: _____
Engr. Makoju
Managing Director

Procedure Number: 009

Issue Number: 1
Issue Date: 30 November 2002

Document Revision History

Version	Original Issue	Issue Date
1.	Original Issue	30 November 2002

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SCOPE

The preceding procedures describe the processes of project Management from inception through to completion. This procedure describes the process necessary for the Management of Change within a project. The necessity for change may be identified at any time after contract award so this procedure is applicable throughout the process from Contract award to completion.

PROCEDURE

1 Management of Contract Changes

It is almost inevitable that change will occur through the life of the project. Good project management aims to limit the need for change but it is unlikely that change will be eliminated altogether, especially on large complex projects.

Changes to contract may be identified by either NEPA or the contractor. The change procedure for a specific contract should be identified in the contract document.

1.1 Change Identified

If the Contract Manager identifies a need for a change to the contract, he should inform the contractor at the earliest opportunity that there may be a change, and ascertain whether it is likely to affect the project completion date. This could be done through the monthly progress meetings.

If the contractor identifies the need for a change, he must inform the Contract Manager and request a Change Notice (See 1.5 below)

1.2 Check Contract Authorisation

However the change has been identified, the Contract Manager must check the financial authorisation for the contract and whether the proposed change was foreseen and therefore included in a provisional sum within the current contract authorisation.

1.3 Seek Additional Authorisation

If the proposed change is not included in an existing provisional sum, the Contract Manager must seek additional contract authorisation from the original delegated authority. Standard Form 009-01 should be used for this purpose before proceeding further.

The Additional Contract Authorisation requires an estimate of the additional funds required. The Contract Manager may estimate this himself or seek a quotation from the contractor. The Change Notice should be used to seek the quotation. (See section 1.5 below)

Reference:

Manual
Section 9

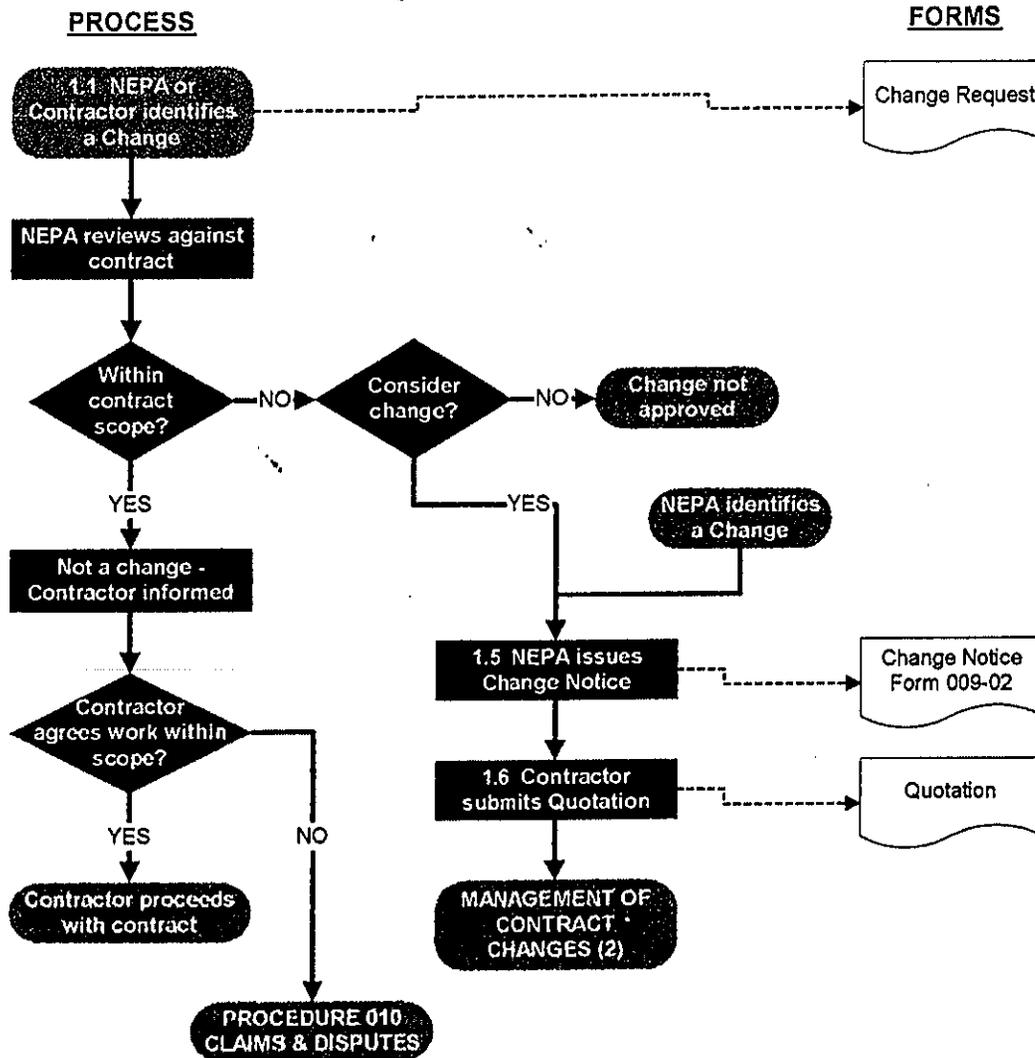
Manual
section 9.1

Manual
section 9.2

Manual
Section 9.3

Form 009-01

Form 009-02



NOTES

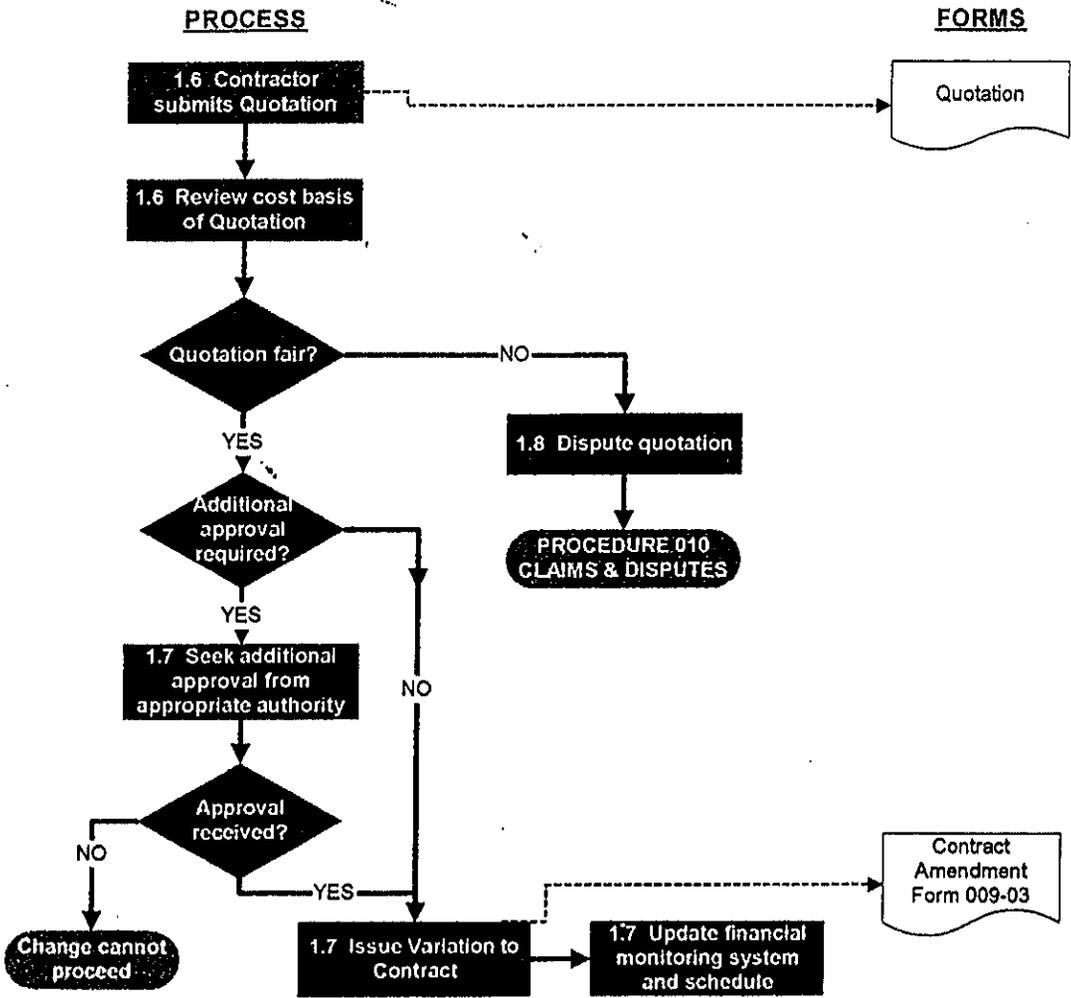
If the proposed change is outside the scope of work, NEPA must consider the benefit of implementing it.

If work is within contract scope then it is not a change.

The Change Notice will instruct the Contractor how to proceed, e.g. proceed immediately or not, whether extension of time will be considered or not.

The quotation should include price, pricing basis, work programme, impact on overall schedule.

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NOTES

From "Management of Contract Changes (1)".

Work should be priced as far as possible on the same basis as the original contract. Review the quotation against pricing in the contract for similar activities. The contractor must provide written justification of the cost basis for different activities.

The Contract Manager must check the original contract authorisation (section 2) and seek additional authorisation if necessary (sections 3, 4)

The Contract Amendment formally becomes part of the contract and contract price and schedule. are amended accordingly.

Amended contract price and schedule to be incorporated in the financial monitoring system and overall schedule.

200

Reference:

1.4 Change Cannot Proceed

If the delegated authority does not approve the additional contract authorisation, the change cannot proceed.

1.5 Contract Change Notice

All changes should be adequately specified before instructing the contractor to commence work. The Contract Manager must allocate the task of preparing the specification for the change to an appropriate team member.

The specification for the change should be given to the team member commercial, who will prepare the Contract Change Notice (Standard Form 009-02) for despatch to the contractor. The Contract Change Notice seeks a quotation and, depending on the terms and conditions of the contract and whether contract authorisation is available, may instruct the contractor to proceed immediately, even before the quotation is agreed.

Form 009-02

1.6 Contractor Submits Quotation

Following receipt of the Change Notice, the contractor must prepare a quotation for the changed or extra work. The Contract Manager must then assess whether the quotation is fair and reasonable for the work to be done. This may be done by:

- Comparison with the original contract
- Comparison with other similar work

In particular, the quotation should be made on the same basis as the original contract e.g., equipment prices and labour rates should be the same as originally priced.

1.7 Adjust Contract Price and Schedule

If the Contract Manager, with the assistance of the project team, judges that the quotation is fair and that the cost is within the contract authorised value then he may instruct the contractor to proceed. The team member commercial should prepare a Variation to Contract (Standard Form 009-03) for signature by the appropriate Approval Authority and, after approval, despatch to the contractor.

Form 009-03

The team member commercial should update the contract by attaching a copy of the Variation to the master contract.

The team member commercial should also copy the Contract Variation to the team member Finance who should update the contract value in the financial monitoring system and update the cash flow and Value of Work Done forecasts.

Reference:

1.8 Dispute Quotation

If the project team does not believe that the quotation is acceptable, the team member commercial should prepare a letter to the contractor advising why the team does not accept the quotation and asking the contractor to requote.

If the contractor stands by his quotation, then there is a contractual dispute. The terms of contract may allow the Contract Manager to instruct the contractor to proceed. However, the adjustment to contract price needs to be agreed as soon as possible. This may involve negotiation (Procedure 011) and eventually may lead to a contractual dispute. (Procedure 010)

Proc 011
Proc 010

FORMS AND STANDARD DOCUMENTS

CONTRACT CHANGE NOTICE

CONTRACTOR: _____ REFERENCE: _____
ADDRESS: _____ CONTRACT No: _____
_____ CHANGE NOTICE No: _____
_____ Page _____ of _____

This Change Notice is forwarded for your attention. Please confirm receipt and that your quotation will follow within the period specified:

DESCRIPTION OF CHANGE:

(Specification, Standards)

(continue on Extra Sheets if Necessary)

In accordance with the Conditions of Contract you are hereby instructed :

*1. To PROCEED with specified works Immediately

*2. To provide Quotation and AWAIT FURTHER INSTRUCTIONS
(*Delete as applicable)

*3. Your fully detailed quotation should be submitted within [28] days of receipt of this Instruction.

*4 Your quotation dated _____ has been received and is being examined
(*Delete as applicable)

*3 There is to be no effect on the contract programme.

*4 The permitted extension to the contract programme is _____ days, and an extension to time certificate will be issued.
(*Delete as applicable)

VARIATION TO CONTRACT



<Name of Contractor>
<ADDRESS>

Contract Change Notice: _____

Quotation Reference: _____

Dear Sirs

<NAME OF CONTRACT> _____

The National Electric Power Authority accepts your quotation dated _____ with respect to Additional Work specified in Change Notice Number _____. This Variation to Contract authorises you to proceed with the works specified and advises you that the Contract Price is amended as follows:

	Current Contract Price (Naira)	Provisional Sums (Naira)	Total Price (Naira)
Original Price			
Variation No 1			
Variation No 2			
Variation No 3			
This Variation			
TOTAL			

Please confirm receipt of this Variation to Contract and confirm that the works specified in the Change Notice are proceeding as requested

Yours faithfully

<SIGNATURE>

<NAME>

<TITLE >

Form 009-03



NIGERIA ELECTRIC POWER AUTHORITY

PROCEDURE N^o: 010

PROCEDURE FOR CLAIMS AND DISPUTE MANAGEMENT

Approved for Issue by: _____
Engr. Makoju
Managing Director

Document Revision History

Version		Issue Date
1.	Original Issue	30 November 2002

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SCOPE

A claim or dispute is a difference of opinion between the client (NEPA) and the contractor, normally over money. Claims and Disputes may arise at any time after contract award. The Manual for the Management of Projects and this procedure detail how to deal with claims and disputes as they arise and are applicable throughout the contract cycle.

The contract will specify the processes to be followed for disputes that cannot be resolved by the Contract Manager and contractor's representative. This procedure presents the requirements of a typical disputes procedure, which aims to resolve a dispute at the lowest possible level. Escalation of a dispute will always result in extra cost, and can delay or disrupt contract execution.

PROCEDURE

1 Claims and Disputes

1.1 Contractor Presents Claim

The contractor will put any claim in writing to the Contract Manager. The initial claim letter will normally contain little detail, and may only serve as notice of an intention to claim.

1.2 NEPA Assessment of Claim

The Contract Manager must insist on full details of the claim along with supporting documentary evidence prior to starting any assessment.

The Contract Manager must establish:

- Technical Validity of Claim
- Entitlement
- Value of Claim – Quantification

This is described in detail in the Manual for the Management of Projects section 7.2

1.3 Written Response

After establishing the validity, entitlement and value of the claim the Contract Manager must respond to the contractor in writing. There are three available responses:

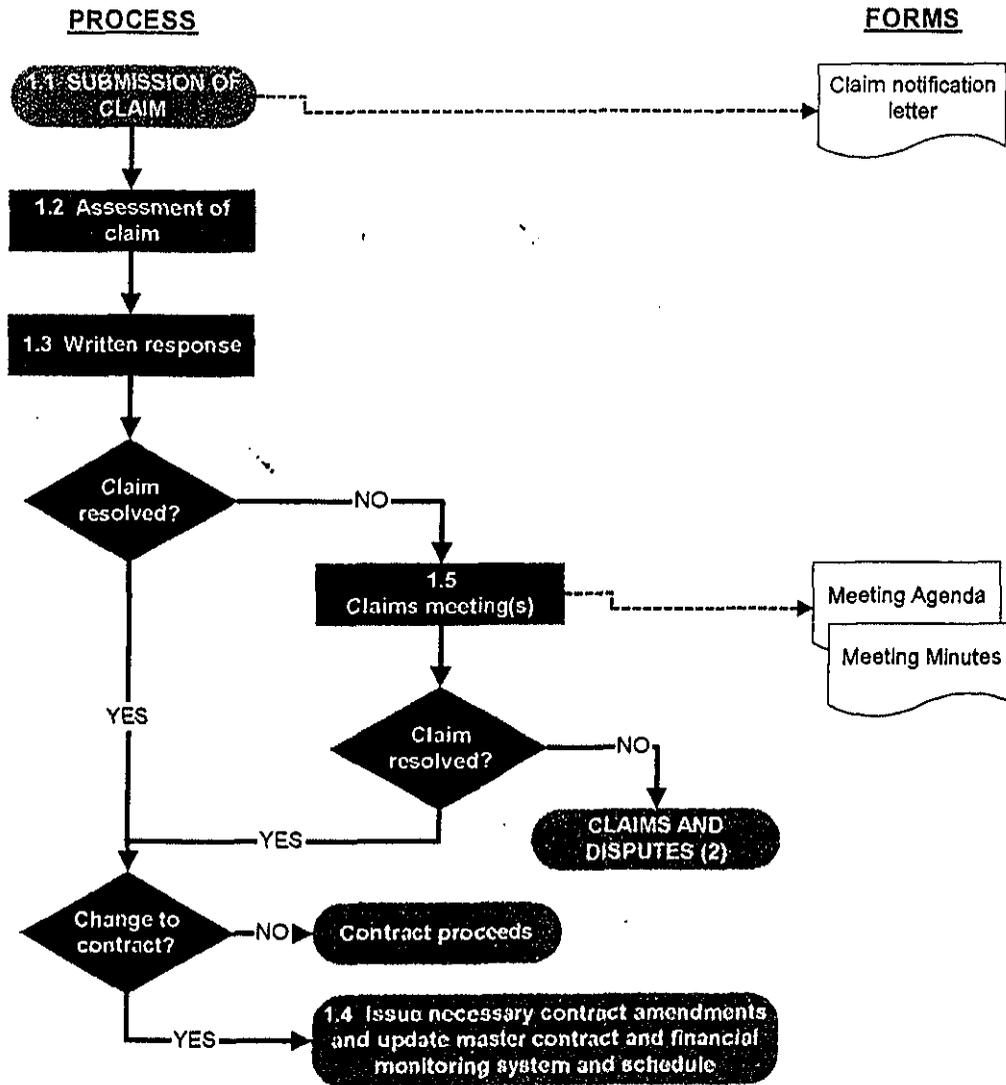
- The claim may be agreed
- The claim may be agreed in principle but not the value
- The claim may be rejected

Reference:

Manual
Section 7

Manual
Section 7.2

Manual
Section 7.2



NOTES

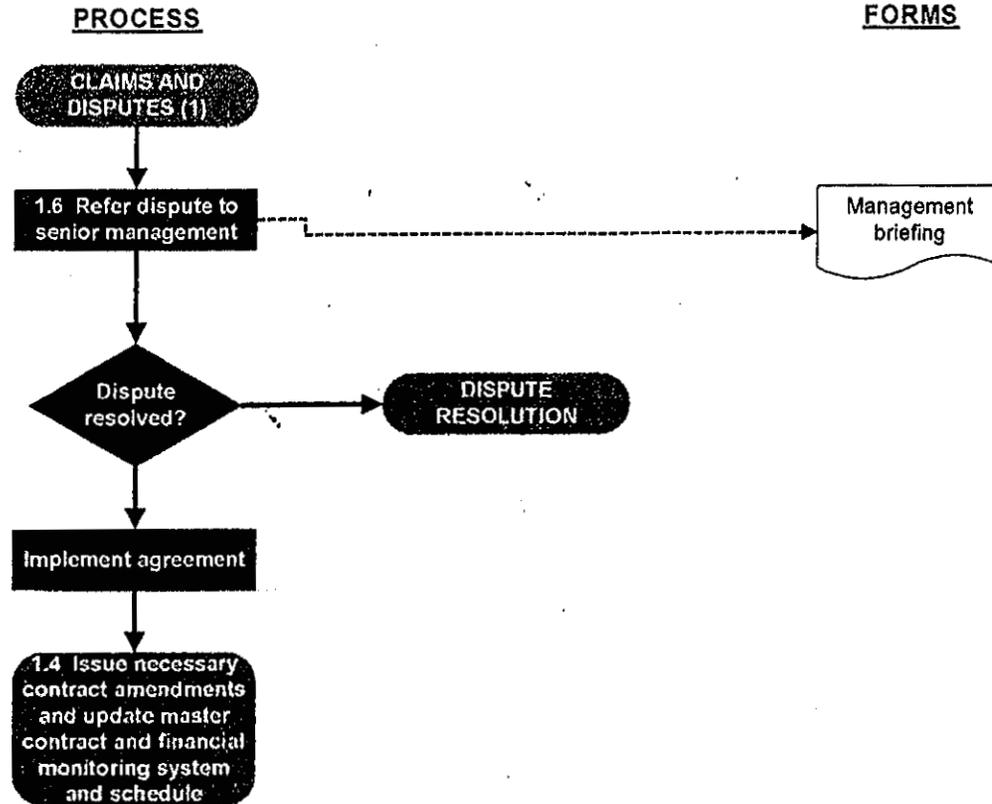
The party submitting a claim could be either the contractor or NEPA, depending on the cause.

The claim must be assessed against the contract.

The first step in any claim/dispute is a statement in writing of difference of opinion.

The Contract Manager must prepare adequately before the meeting with the Contractor, and take appropriate team members to meeting.

The Contract Manager may need to obtain additional approval from an appropriate level of authority before agreement can be concluded with the Contractor and the claim resolved. Follow Procedure 009, Management of Contract Changes (2).



FORMS

Management briefing

NOTES

The contract will define the time within which senior management representatives of the Parties must meet to try and resolve the dispute amicably. The Contract Manager must prepare comprehensive documentation to brief the company's management representative.

The contract will define the dispute resolution mechanism to be used in the event that the parties cannot reach agreement amongst themselves.

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If the claim is agreed in whole or part the Contract Manager must ensure that he has contract authorisation to agree the claim. If he does not have adequate contract authorisation then he must obtain that as described in procedure 009 sections 2.2 & 2.3

Reference:

Proc 009

When authorisation is in place, the Contract Manager must set out the agreement in writing to the contractor. This may include a Contract Variation (Form 009-03)

Form 009-03

1.4 Enter Changes on Master Contract

Any changes to the contract schedule or value as the result of a claim must be fully documented and the documents added to the Master Contract.

1.5 Claims Meeting(s)

If the response is a rejection of the claim, the contractor has two options:

- Accept that the claim is rejected
- Dispute the response

The contractor often looks upon the rejection of his claim as the first stage in a negotiation and is therefore very likely to dispute the Contract Manager's response. If the contractor disputes the response, then a Dispute negotiation meeting must be set up.

The Contract Manager should approach this meeting in exactly the same way as any other negotiation by preparing thoroughly. The principles set out in procedure 011 and the Manual for the Management of Projects section 6 should be applied.

Proc 011
Manual
section 6

1.6 Refer Dispute to Senior Management

NEPA's aim should be to resolve the dispute at the lowest level possible. If progress is being made towards a resolution then more meetings may be held until agreement is reached.

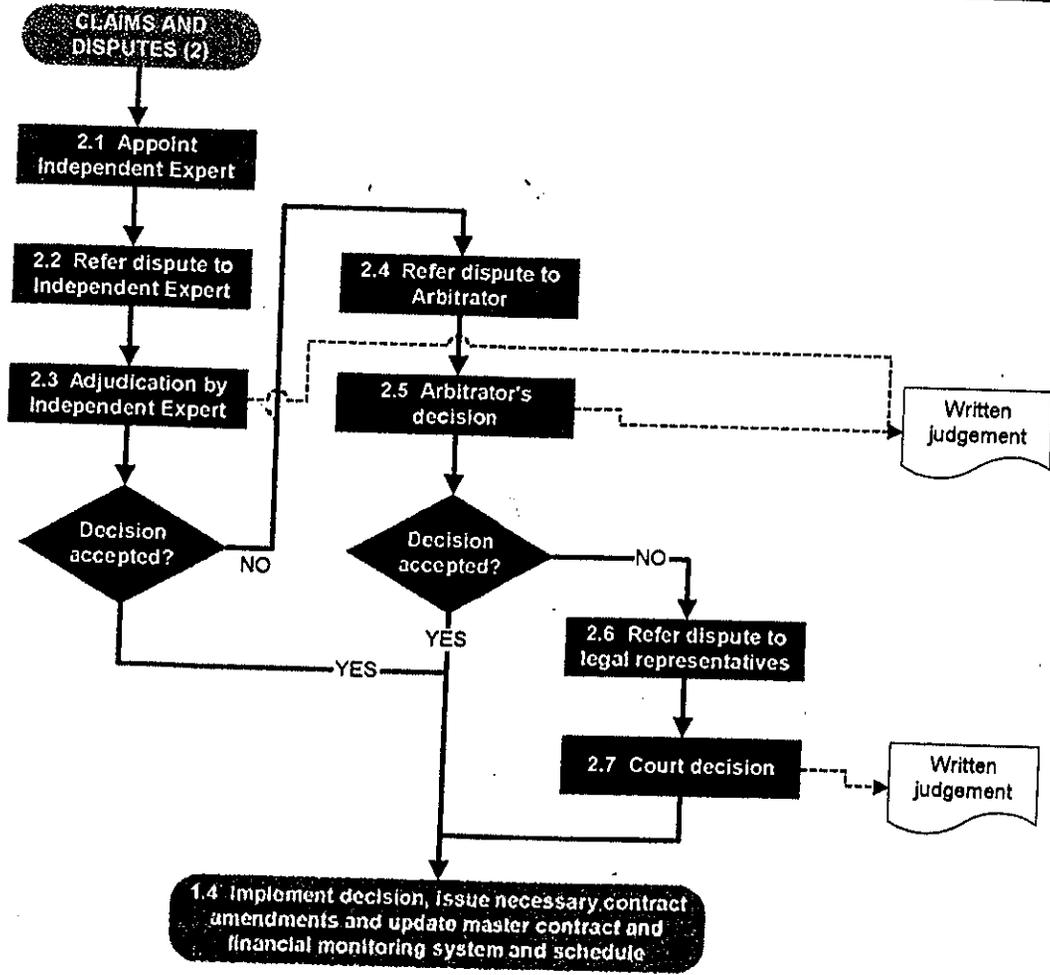
If it becomes obvious that the Contract Manager and the contractor cannot reach agreement at this first level i.e. stalemate at the meetings, they may agree to refer the dispute up to more senior management

Senior Management will then agree to meet to try to resolve the dispute. The Contract Manager must fully brief the management official who will be conducting the renewed negotiations.

If the dispute cannot be resolved at this level then it must be referred on to Arbitration as described in the contract (See section 2 below)

Section 2

PROCESS



FORMS

NOTES

The contract will define the dispute resolution mechanism to be used in the event that the parties cannot reach agreement amongst themselves. Dispute resolution may be by an Independent Expert, Arbitration and, ultimately, by the courts. The contract will also define how the Independent Expert and Arbitrator are appointed, where hearings are to be held and what rules/jurisdiction will apply.

The contract will define whether arbitration is binding. The parties must recognise that any escalation in a dispute will be costly both in cost terms and in delay.

The courts should be the last resort!

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Reference:

1.7 Enter Changes on Master Contract

Whenever agreement is reached, the Contract Manager should document agreement and check the contract authorisation in the way described in section 1.3 above. The agreement should then be set out in writing to the Contractor along with any Variation to Contract.

Section 1.3

2 ARBITRATION

The arrangements for Arbitration are set out in the contract. The approach should be thorough preparation and a clear statement of NEPA's case. This will give the best chance of success.

2.1 Appoint Independent Expert

The Independent Expert or similar Independent Engineer is appointed as set out in the contract. This appointment is normally made within a few months of contract award by mutual agreement between NEPA and the contractor.

2.2 Refer Dispute to Independent Expert

If NEPA and the contractor are unable to resolve their differences, they may agree to seek the opinion of the Independent Expert appointed under the contract.

2.3 Adjudication by Independent Expert

After due consideration, the Independent Expert will provide his opinion on the relative merits of each party's case. Both parties have the option of accepting or rejecting the Independent Expert's opinion.

2.4 Refer Dispute to Arbitrator

Following breakdown of negotiations between NEPA and the contractor senior staff and if either party rejects the opinion of the Independent Expert, the dispute is referred to the Arbitrator for a determination. The Arbitrator is appointed as set out in the contract.

2.5 Arbitrator's Decision

After due consideration of the relative merits of both party's cases, the Arbitrator will make a decision. The contract may require the parties to accept the arbitrator's decision (binding arbitration). If not, either party has the right to take the case further.

Reference:

2.6 Refer to Legal Representatives

If either party rejects the Arbitrator's decision, the only recourse they have is through the courts. If the case is referred up to the courts, NEPA must brief their Legal Representatives prior to any court submission.

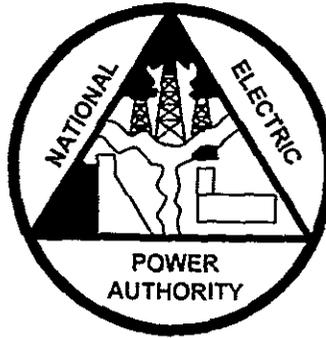
2.7 Court Decision

After consideration of the relative merits of the cases, the court will make a judgement. This is normally binding on both parties.

2.8 Enter Changes on Master Contract

Whenever agreement is reached, the Contract Manager should document agreement and check the contract authorisation in the way described in section 1.3 above. The agreement should then be set out in writing to the Contractor accompanied by a Variation to Contract as appropriate.

Section 1.3



NIGERIA ELECTRIC POWER AUTHORITY

PROCEDURE N^o: 011

NEGOTIATION PROCEDURE

Approved for Issue by: _____
Engr. Makoju
Managing Director

Document Revision History

Version		Issue Date
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Reference:

SCOPE

Negotiation is a common process in Contract Management. It may apply to any situation where there is a difference of opinion between two parties and negotiation is used to resolve that difference of opinion.

This procedure describes the processes necessary for the conduct of successful negotiations.

Manual section 8

PROCEDURE

1 Appoint Negotiating Team

The project sponsor should nominate a Lead Negotiator who would normally be the existing contract manager. The lead negotiator then selects a team to assist him normally from the existing project team.

Manual section 8.1, 8.2.1

2 Prepare Negotiation Brief

The negotiating team should identify NEPA's objectives for the negotiation and prepare a negotiating brief for approval by senior management (2.1). This brief must discuss the issues for negotiation and identify NEPA's preferred position and position of last resort

Manual section 8.2.2

The team should also assemble all relevant documentation and prepare a statement of facts, cross-referenced to the documents, ready for use in the negotiation meeting.

Manual section 8.2.3, 8.2.4

2.1 Obtain Management Approval

If the terms to be agreed are outside the Contract Manager's or Project Manager's delegated authority the negotiating brief should be submitted to senior management for approval. Approval by management gives the negotiating team authority to negotiate within the bounds of the brief.

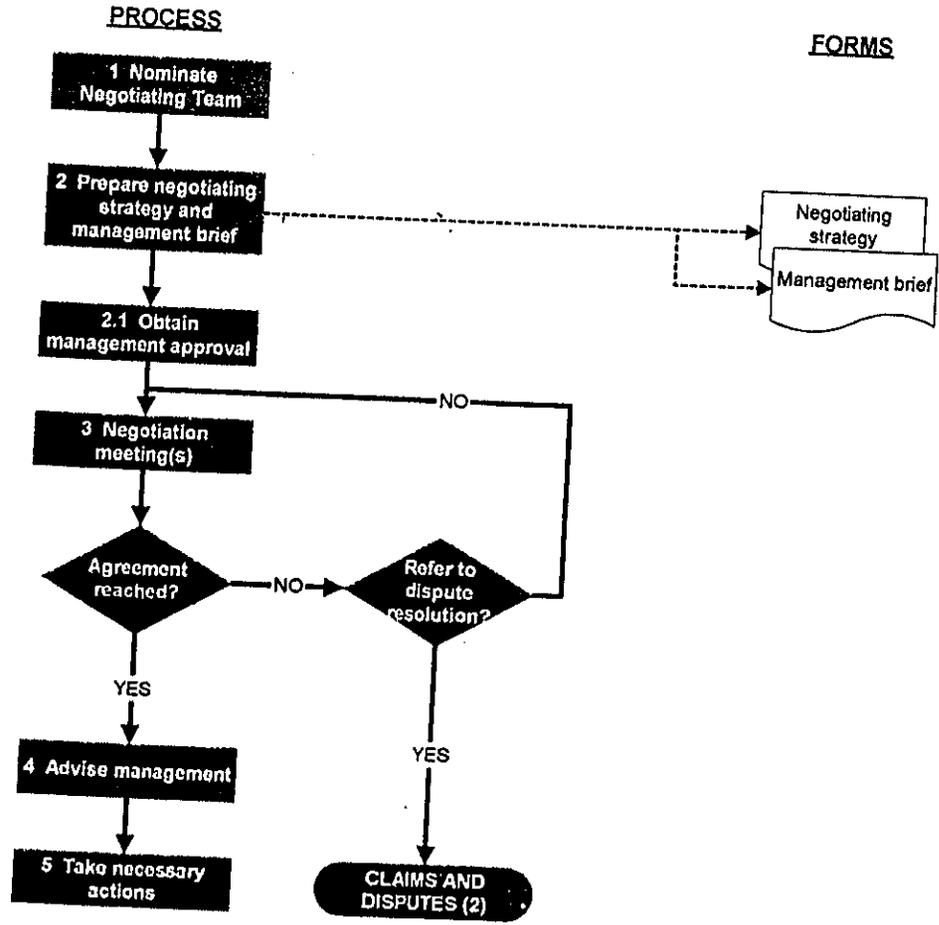
If the management do not approve the negotiating brief, the project team must take their comments into consideration and change the brief to make it acceptable. The changed brief should be resubmitted for approval, which should be obtained prior to any negotiating meeting with the bidder.

3 Negotiation Meeting(s)

Manual section 8.3

As the Client, NEPA must prepare the agenda for the negotiation meeting and choose the venue, usually NEPA offices. If the negotiation might involve inspection of the work site or work records, then a meeting should take place at site. (Section 8.3 of the Manual for the Management of Contracts gives more details)

NEGOTIATION



NOTES

Negotiating strategy identifies "backstop position" for each issue.

The Contract Manager should advise management on how negotiations are going and update on issues agreed and issues outstanding.

Necessary actions could include amending the contract, providing goods, equipment or services, obtaining management approvals, etc.

Reference:

It is important that the Lead Negotiator and his negotiating team should not exceed the authority given to them by the management approval of their negotiating brief

Anything agreed in the negotiations should be carefully recorded and NEPA should issue agreed minutes.

It is likely that full agreement will not be reached at the first meeting, so several meetings may be required. It is important to agree which points remain outstanding and a date or dates for subsequent meetings so that momentum may be maintained and the negotiations brought to a rapid conclusion.

4 Advise Management

Following each meeting the lead negotiator should provide a brief to management outlining:

- Overview of how negotiations are going
- Issues agreed
- Issues outstanding

5 Take Necessary Actions

Following conclusion of successful negotiations the Contract Manager should take whatever actions are necessary to implement the agreements. For example:

- If a claim has been agreed, he should arrange to update the contract price and make any payments that are necessary
- If the contractor has agreed to carry out improvements, arrangements may be made for access to site or for monitoring of the works

If agreement cannot be reached when negotiating a claim, then a dispute is declared, and the contract specifies how to deal with this. Procedure 010 outlines the necessary steps in more detail.

Proc 010