

## **Cancellation of Tender - Energy Services Upgrade - Cook and Phillip Park Aquatic Centre**

**File No:** X012321

**Tender No:** 1876

### **Summary**

This report provides details of the outcome of the tender process for an energy services upgrade at Cook and Phillip Park Aquatic Centre.

Key components of the upgrade include:

- (a) installation of a cogeneration system that is flexible enough to work with current conditions and with foreseeable future changes in operational needs;
- (b) removal of old heat pumps and boilers and replacement with new, more efficient plant; and
- (c) revisions to operation and management of hot/cold water supplies for space heating/cooling, for pool heating and for domestic hot water in order to be more cost-effective and more sustainable.

This project will achieve very substantial reductions in operational emissions (indicatively, 700 tonnes of CO<sub>2</sub> per year) at a competitive cost for this kind of project. Accordingly, it is desirable to expedite project delivery.

The tender was advertised on 18 September 2018 and closed on 16 October 2018. However, no tender submissions were received by the closing date.

A number of parties that had expressed interest in the project by way of attendance at the briefing session were contacted by the City to gain an understanding as to why they had not submitted bids. It is currently a very busy local construction market and these companies have many other projects underway. From the feedback, the City understands that qualified contractors would bid for the work on a commercial basis provided that adequate time is allowed to respond to the tender documents, and there is reasonable prospect of success (the number of bidding parties should not be too extensive).

This report recommends that Council cancel the tender and instead authorise the Chief Executive Officer to enter negotiations with suitable parties to provide the required energy services upgrade.

## **Recommendation**

It is resolved that:

- (A) Council cancel tender 1876 for Energy Services Upgrade at Cook and Phillip Park Aquatic Centre;
- (B) Council not invite fresh tenders on the basis that a more satisfactory result would not be achieved, taking into account the lack of response to the open tender process;
- (C) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the contract with suitably qualified contractors to undertake the scope of work; and
- (D) Council be informed of the successful tenderer by CEO update prior to executing and administering the contract relating to this tender.

## **Attachments**

Nil.

## Background

1. Sustainable Sydney 2030 is the City's vision to make Sydney green, global and connected by 2030 - reflecting our residents' aspirations for the City of Sydney area. Around 90 per cent of respondents to consultation on the draft vision said that they wanted urgent action on climate change.
2. Tri-generation and co-generation are identified as key elements in the City's Green Infrastructure master plans to reduce greenhouse gas emissions, and are necessary to meet the City's target to reduce its organisational emissions by 70 per cent by 2030.
3. Accordingly, the City has investigated options to install and operate co-generation and tri-generation at key facilities, notably at the City's two existing indoor aquatic centres.
4. Pitt & Sherry were commissioned to prepare a feasibility study for the installation of cogeneration at Cook and Phillip Park Aquatic Centre and at Ian Thorpe Aquatic Centre. At both sites, Pitt and Sherry concluded that a co-generation installation would be technically and commercially feasible.
5. Based on Pitt and Sherry's report, the City commissioned a co-generation plant at Ian Thorpe Aquatic Centre. This plant has now been installed and tested and is expected to commence commercial operation this month (November).
6. Due to the constricted access arrangements and plant room layout, Cook and Phillip Park Aquatic Centre ("the centre") required more investigation. A specialist service provider, Simons Green Energy, was engaged to develop a concept design for the layout of heating, cooling and generating plant.
7. Following the concept design, the City invited tenders to design, construct, operate and maintain an energy services upgrade at the centre.
8. A cogeneration system will be installed that is flexible enough to work with foreseeable future changes in aquatic centre needs and operations. Further emissions reductions will be achieved from other elements of the upgrade, including removal of outdated heat pumps and boilers and their replacement with new more efficient plant. Additionally, the operation and management of hot and cold water for space heating/cooling and pool heating and domestic hot water will be modified to be more cost effective and more environmentally sustainable.
9. In total, expected emissions savings are about 700 tonnes per year.
10. This project involves both Design and Construct and Operate and Maintain phases.
11. An extensive range of trades and suppliers will be required by the contractor to:
  - (a) consolidate electrical loads so the cogeneration unit can supply all electrical loads;
  - (b) review and if necessary upgrade gas supply arrangements;
  - (c) connect the cogeneration unit to hot water headers and fit intermediary heat exchangers and make other adjustments to maximise efficiency;
  - (d) modify ducts, flues, plena, pipework etc.;

- (e) install, commission and integrate new heat pumps, boiler and chiller; and
  - (f) install a new BMCS to maximise energy savings.
12. This project achieves a very substantial reduction in carbon emissions, and does so on a basis which is expected to be cost-competitive for this type of project. Accordingly, it is highly desirable to expedite project delivery, subject to due consideration of both transparency and commerciality.

### **Invitation to Tender**

13. A public tender process has been conducted.
14. The tender opened on Tuesday 18 September 2018 and closed on Tuesday 16 October 2018, a period of four weeks.
15. The tender was advertised in the Sydney Morning Herald and the Daily Telegraph and on Council's E-tender website on 18 September 2018.
16. A briefing session for potential tenderers was held at CPP Aquatic Centre on Wednesday 26 September 2018. Several interested parties were represented at the briefing session.

### **Tender Submissions**

17. No tender submissions were received.

### **Tender Follow Up**

18. Subsequent to the tender closing date, a number of parties that had expressed interest in the project by way of attendance at the briefing session were contacted by the City to gain an understanding as to why they had not submitted bids for the project.
19. No parties have indicated that this is due to:
- (a) the nature of the contract structure and contract conditions, or
  - (b) the nature of the work to be performed, or
  - (c) the performance requirements in the contract, or
  - (d) technical constraints at the site.
20. However a number of parties indicated logistical and/or commercial reasons as to why they have not submitted bids for the project.
21. The principal logistical reason is the time and resources needed to prepare a detailed bid. As well, while the upgrade is not a particularly large scale project, it does involve extensive trades and suppliers. In a very busy local construction market, with a multiplicity of other projects on offer, bidding for this project means diverting resources away from other prospects on offer.

22. The principal commercial reasons offered up is the need to better assess project performance risks. While the City provided a concept design as part of the tender documentation, ultimate performance risk lies with the contractor. To be prudent, this means that potential bidders must review the concept design and verify that it works to their satisfaction. Again, this takes time and money in a busy construction market.
23. From the feedback, it appears that a number of parties who showed interest and other qualified contractors would bid for the work on a commercial basis provided that:
  - (a) adequate time is allowed to respond to the tender documents, and
  - (b) there is reasonable prospect of success (the number of bidding parties should not be too extensive).
24. Consideration was given to reissuing the tender on the same terms but allowing a longer period to respond. This would address the issue of sufficiency of time but it would not address the commercial issue i.e. how to encourage suitably qualified parties to allocate resources to validate project risks and prepare a detailed competitive bid. To sum up, going out to tender again on the same basis as before is unlikely to elicit a stronger response than before, even if a longer time frame to respond is offered.
25. Rather, value for money and a successful outcome are more likely to be achieved (and be achieved in a time-efficient manner) by negotiating with a number of suitably qualified parties.

### **Sustainability Considerations**

26. Successful delivery of this project has been factored into the City's 2021 emissions reduction targets.

### **Financial Implications**

27. Funds to deliver this project have been included in the capital works budget for the current financial year.

### **Relevant Legislation**

28. The tender has been conducted in accordance with the Local Government Act 1993, the Local Government (General) Regulation 2005 and the City's Contracts Policy.

### **Critical Dates / Time Frames**

29. The following revised timetable is proposed for delivery of this project:
  - Completion of negotiations - 21 December 2018.
  - Appointment of contractor by the CEO - 21 January 2019.

- Execution of contract with contractor – 21 February 2019.
- Site establishment – 21 March 2019.
- Installation of cogeneration plant and heat pumps – 30 June 2019.
- Practical completion – 30 September 2019.

## Options

30. Council has the following options in relation to this tender:

### Option A - Readvertise

31. Not preferred. There is no certainty that the readvertised tender would attract substantial additional interest, as the circumstances which led to a poor rate of response are still relevant (high level of competition between projects to attract contractors, relative complexity and level of risk compared to contract value). If tender response time frames were to be extended, it is highly likely that the project would be substantially delayed.

### Option B - Discontinue or delay the project

32. Not preferred. The project is expected to deliver substantial emissions reductions and to significantly increase the operation efficiency of this aquatic centre. Such improvements have been anticipated for some time and should not be further delayed.

### Option C - Negotiate with parties capable of delivering the project at suitable quality and cost and within the required time frame

33. Preferred. After structured discussion with a number of parties who expressed initial interest, it is evident that a positive response is likely, provided that some parties provided that they have sufficient time to validate the project risks and provide a detailed response. Also, provided that there is a reasonable prospect of success (i.e. the number of competing parties should be constrained). Council officers consider that sufficient competitive tension can be maintained throughout the negotiation process to ensure a satisfactory value-for-money outcome.

## Public Consultation

34. As reported above, a public tender process has been conducted in accordance with the provisions of the Local Government Act 1993.

## KIM WOODBURY

Chief Operating Officer

Chris Collins, Manager Green Infrastructure

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