european energy service initiative

Standard EPC documents

III. Public Tender

European Energy Service Initiative – EESI
IEE/08/581/SI2.528408

January 2011

Prepared by

SEVEn

Supported by INTELLIGENT ENERGY EUROPE

Public Tender

1 Introduction

The requirement to carry out public tenders to implement EPC usually concerns public organizations. However, some essential parts may be used to obtain the best bid (e.g. bid evaluation, demand definition, etc.) also for private customers.

Based on the acquired experience, it is recommended that the invitation for tenders for public contracts takes place in the form of a negotiated procedure with disclosure. This method allows the contracting authority to discuss with the best tenderers the final terms of the proposed contractual relationship even after the bid submission and to select the future ESCO solely on the basis of these negotiations. Prequalification of eligble tenderes is recommended since EPC is a complex energy service that needs experience for implementation on both sides, client and ESCO.

With respect to the duration of the EPC contract, it is always helpful to have the decision on the future manner of the utilisation of the building or premises accepted by the owner who is authorised to approve future commitments of the client. Public clients with less experience in EPC may use the help of experienced organisations such as energy agencies or consulting companies for project development and tender management.

With respect to the experience of the EESI partners, we do not provide full-text model documents for the public tender on EPC, as the concrete form of such documents always depends on the concrete legal framework conditions in each country. Instead, we provide the main principles, which are recommended to be followed in order to successfully navigate through the public tender for EPC.

2 Essentials of the tender dossier

The tender dossier in public tenders for EPC usually contains the following:

- **Calculation of baseline** (reference) energy consumption - determination of the reference value of operating costs (baseline) or the initial level of costs connected with the energy consumption is one of the most important items of the future contractual stipulations (for more details, see in EESI documents, specifically devoted to baseline),
- Specification of **detailed terms and conditions of the public tender** (place of public contract performance, onsite inspection of the place of performance, the deadline for submission of bids, the method of bid price calculation, specification of contractual terms and conditions, etc.),
- Preferably **a contract template** (on EPC contracts, please see the respective EESI document).
- Already undertaken **energy audits** or similar analysis

- **Technical materials** comprising project documentation, technical and revision reports, building plans etc,
- Information about **energy consumption** during the last several years
- Documents about the **state of repair** of technical facilities and buildings (depending on the date of the energy audit),
- Specification of the **mandatory measure**s demanded by the client,

The structure of EPC offers, which is usually requested by client and submitted by ESCO in a bid, is:

- Detailed proposal of energy efficiency measures (a new energy audit may be requested), including project documentation and calculation of energy savings expected
- Schedule of installing the proposed measures
- Financing of the investment value (some customers are able to co-finance partly),
- Procurement of all project,
- Guarantee provided for installed equipment, including repairing of damaged components,
- Guarantee provided for energy savings and savings monitoring and evaluation (M&V) in agreed periods.

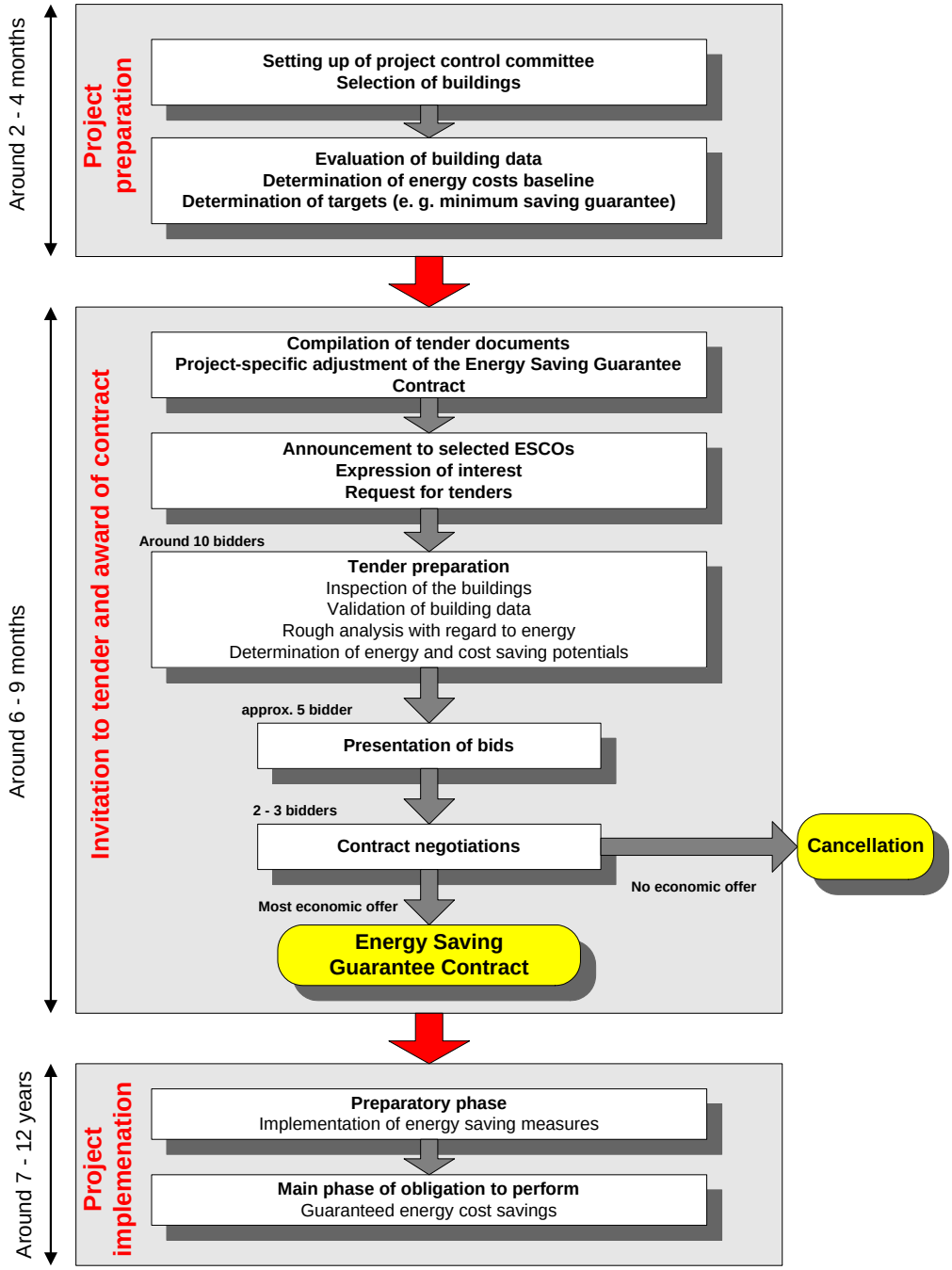
The tender procedure including all acts taken in its course leads towards the conclusion of the most favourable contract for the client. Therefore, it is highly advisable that the tender dossier actually **consist of a fix contract template**, **tailored to the given project**[1], into which the applicant companies only fill in the exact data (i.e. the company fills in "numbers", but not the text). The process of awarding public contracts has shown that if the contract template is not a part of the tender dossier, it is difficult for the client to compare the contractual terms and conditions in the individual bids and to make sure that other particulars in the bid are appropriately included in the contract. It is therefore highly recommended that the tender dossier includes such contract template.

3 Possible schedule of tender procedure

Followed by the project preparation with data collection, preparation of tender dossier and determination of the targets the first step to open the tender procedure is the **tender announcement** with the call for expression of interest of the ESCOs. After **pre-selection of eligible tenderers** a (limited) number of identified professional ESCOs are invited to **preparation of offers**. ESCOs with the most promising bids are invited to **presentation and negotiation of the bids**. The offer assessed to be the **best offer** in terms of the pre-defined quantitative and qualitative criteria is awarded with the **EPC contract**.

An overview of the steps to be taken and the approximate time needed is given in the following picture:

[1] The contract template to be used in the tender may be prepared in cooperation with the consulting company, which has also carried out the initial audit.



Picture 1 Schedule of EPC tender procedure (example of German procedure, differences in other countries are due to national procurement regulations)

4 Criteria for assessment of bids and for selection of bidders

EPC projects are complex services and their purpose is to find the best solution. A set of suitable criteria is used to this end. The criteria may be recommended by the consultant who assists the client to organise the tender. However, only the client decides on the final form of the criteria. The legal regulation for public procurement have to be taken into consideration, the method described in this papers is proven to be applicable in some EU countries.

- **Selection of eligible tenderers**

In most cases, the criteria to pre-selection of eligible tenderes contain the following items:

- fundamental eligibility criteria (criminal convictions certificate of the responsible person, an affidavit on applicant's eligibility)
- professional eligibility criteria (certificate evidencing entry in the Companies' Register, trade authorisations necessary for performing the public contract, potentially certificates issued by professional organisations, etc.),
- economic and financial criteria (documents evidencing third-party liability insurance, the applicant's turnover in the last accounting period, documents evidencing economic and financial health of the applicant such as, e.g., the balance sheet, the profit and loss statement, etc.)
- technical eligibility criteria (a list of substantial analogous contracts realised recently, a description of technical facilities available to the applicant, and other documents demonstrating the technical capabilities of the applicant)

In public tenders some eligibility criteria can be specified in a manner ensuring that the requested quality of applicants is achieved (the minimum third-party liability insured amount; the minimum annual turnover, e.g., during the last three accounting periods, etc.).

- **Quantitative evaluative criteria**

The criteria which will be used for evaluation of EPC offers have to be clearly set out in the call. Similarly, **exact weight** of each criterion in the evaluation should be specified in the tender dossier according to their relative importance for the final assessment. The quantitative criteria to asses EPC offers are based on the evaluation of benefits offered by the tenderer to the customer.

In tenders for EPC, the two most important evaluation criteria are **value of energy savings** and **cost of investment**. Conversely to other tenders, the price (meaning the sum of investment costs and price of other services) is not the major decision factor. In fact, it has no relevance in such decision process (on the contrary, lower price can actually bring worse results); the tenderers rather compete in energy savings and cost of investment. Nevertheless, the price is implicitly present in these two criteria – energy savings and cost of investment.

Other criteria, which may be used apart from the two main ones, are e.g. the share of the customer on excess (not-guaranteed) savings, guarantees provided by the contracting company or even the amount of sanctions which the company is willing to take.

The benefits in terms of value of energy savings can be divided into **two main time periods**. The first time period includes the savings achieved throughout the duration of the contract. The second time period, which is also important for the client, includes the savings achieved after the termination of the contract until the end of lifetime of the measures.

The quantitative evaluative criteria for these two time periods are based on cash-flow comparisons. For example, the following criteria may be used:

- First period: Net present value of cost savings of the contracting authority throughout the duration of the contract (annual savings of energy consumption costs minus annual remunerations of the contractor for all services)
- Second period: Decrease in energy intensity at the end of the contract, compared to the initial (referential) state

- **Qualitative evaluative criteria**

Based on varied experience, the following qualitative criteria are used to asses the quality of EPC offers:

- Compatibility of the proposed energy saving measures with the existing system
- Energy management level (proposal of system behaviour measuring and monitoring)
- Method of problem solving and maintenance level
- Level of proposal for motivating the user's personnel
- Quality, service life and future availability of technical equipment and spare parts
- Reduction of CO_2 emissions

However, practice has shown that evaluation of such criteria can be very subjective and rather complex. According to recent experience, the use of only one qualitative criterion "Quality of technical design, scope of services offered" may be recommended.

Both qualitative and quantitative criteria are combined with a pre-defined methodology to asses the best offer as the offer with the highest sum of net-present value and value of additional benefits.