

PROGRAMME + PROJECT PARTNERS

Multi-Project Procurement Overview

November 2020



Sellafield Ltd

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Jacobs

MORGAN
SINDALL
INFRASTRUCTURE



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Foreward

Martin Chown - Sellafield Ltd CEO & Brian Davidson – PPP Representative

We're excited to mark the formal launch of the PPP's Multi-Project Procurement initiative to create long term works, supply and service partners to support PPP.

The supply chain are absolutely fundamental to delivery of the Sellafield mission and we believe that the MPPs offer a real opportunity for transformation of the supply chain and socio-economic landscape of West Cumbria.

We appreciate and thank you in advance for the effort, time and cost that your businesses will commit to participating in the tender process, but hope that you will welcome the unique opportunities to create long term collaborative partnerships with equitable contracting terms and would encourage you to give due commitment to ensure that together we can create a successful future for your businesses, Sellafield and West Cumbria.

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About Sellafield and the Programme and Project Partners

The Sellafield nuclear site is home to one of the most complex portfolio of construction and infrastructure projects in the world, stretching over many decades.

The Programme and Project Partners (PPP) is a 20-year framework between Sellafield Limited and the Lot Partners for major projects at the Sellafield site worth approximately £7bn, aiming to transform project delivery and leave a lasting legacy through the achievement of the PPP Critical Success Factors (CSFs).

The Lot Partners are KBR (Integration Partner), Jacobs (Design & Engineering Partner), Morgan Sindall Construction & Infrastructure (Civils Construction Partner) and Doosan Babcock (Process Construction Partner), who have been engaged based on a Management Contracting procurement model with all construction work to be undertaken by the Supply Chain.

This document sets out PPP's innovative proposals for the creation of long-term supply chain partners that will support delivery of the Sellafield mission and act as a catalyst for supply chain and social economic transformation of West Cumbria.

Multi-Project Procurements

The PPP Lot Partners have devised a supply chain strategy that aims to create a number of long-term frameworks between the Lot Partners and the supply chain for works, services and goods that are common across the portfolio of projects (Multi-Project Procurements, 'MPPs').

The MPPs consist of two broad categories:

1. **Key Delivery Partners** to deliver common construction elements such as civils, steelwork, mechanical, electrical, HVAC and other key trade packages, with the intent of the model to create exclusive frameworks for the maximum available duration (up to 18 years) and reflect the profit for performance ethos of PPP. It is envisaged that there will be approximately 10 categories of Key Delivery Partner.
2. **Goods Supply, Works and Services Agreements** to appoint preferred supplier to PPP to provide particular goods, works and services over a set term based on demand and the nature of the goods, works or services. It is envisaged that there will be approximately 25 categories of Goods, Works or Service Agreements.

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Scale of the MPP Opportunity

Our pipeline of projects includes those which are currently live or 'in-flight' and those projects which are planned further ahead or 'portfolio' projects, as well as a number of site-wide improvement initiatives. **We believe that the spend across MPPs over the next 18 years is in excess of £4.5bn.**

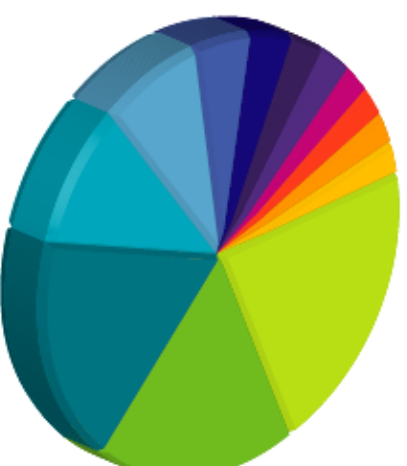
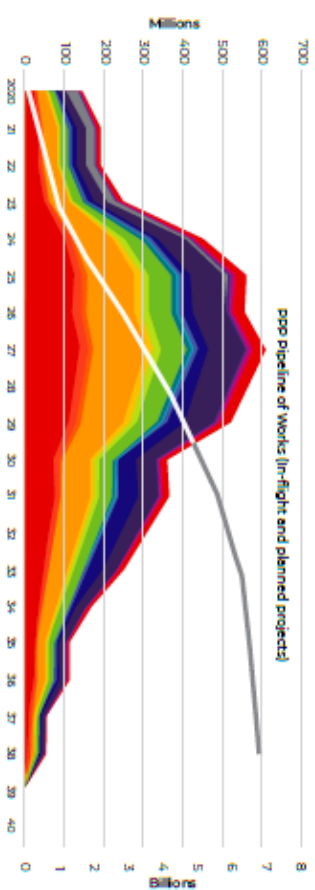
In Flight

SPRS Retreatment Plant (SRP)	£660m
SIXEP Continuity Plant (SCP)	£515m
Replacement Analytical Project (RAP)	£440m
Box Encapsulation Plant Product Store (BEPPS 2)	£260m
Lightly Shielded Store (LSS)	£130m

Portfolio / Future

FCMSP Sludge Handling & Export (SHEP)	£195m
Interim Storage Facility (ISF2)	£30m
LLW sort/segregate (LLW & Sub LLW Treatment)	£55m
SIXEP Waste Management (SWM)	£1,535m
BUFT capability / Enterprise Fuel Study (EFS)	£1,105m
SPRS 2	£ 275m
Package to Box Transfer Facility (PBTf)	£290m
BEPPS 3	£200m
VPS Replacement	£215m
WTC2	£125m
BEPPS 4	£190m
Lightly Shielded Store (LSS2)	£40m
SPRS 3	£ 270m
PFCs Waste Treatment Plant	£270m
EDS4 / EDS5	£4m

Our pipeline of work will put demands on us as partners and the supply chain, it will be essential to plan ahead to ensure that all projects are resourced for delivery.



Mechanical process equipment 21%	Groundworks 3%
Design Services 18%	Structural steel 3%
Concrete Structures 18%	Piping
Electrical 10%	Finishes
Commissioning 8%	Instrumentation
Site Support 5%	Scaffolding
HAVC ductwork 4%	

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Establishing a new approach based on enterprise and not transactions

Project 13 and Sellafield's vision moves away from transactional project driven procurements, to an enterprise model whereby sophisticated long-term relationships are created with success based on enterprise outcomes. Those outcomes have been defined in PPP by Sellafield Ltd by way of the Critical Success Factors (CSFs):

- **Critical Success Factor 1: Cost management**
A sharp focus on cost and project lifecycle forecasting to bring **cost certainty and double-digit percentage savings** on Project outturn costs based on the Employer's approved Major Project Total Price.
- **Critical Success Factor 2: Employment**
The longevity of the relationship and subsequent **confidence to invest within the workforce and the local areas**. Investment in training and apprentices leading to a significant **reduction in agency supplied workers at all levels of the Employer's supply chain**.
- **Critical Success Factor 3: Outcome**
The achievement of aligned rewards through the **collective successful delivery of Major Project outputs**.
- **Critical Success Factor 4: Output**
Early contractor involvement from Project conception ensuring the right Project is executed and creating more **certainty of achieving the outputs**
- **Critical Success Factor 5: Workforce skills**
Upskilling of the Employer and supply chain

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Key Delivery Partners - Creating enterprise focussed Multi-Project Procurements

Project 13 - when applied in a Management Contracting model as it is in PPP - requires total alignment of enterprise outcomes between the PPP and the Supply Chain.

To achieve the enterprise outcomes – and ultimate success of PPP requires creation of long term, strategic, outcome-based supply chain agreements coined **‘Key Delivery Partners’** (‘KDPs’) whereby:

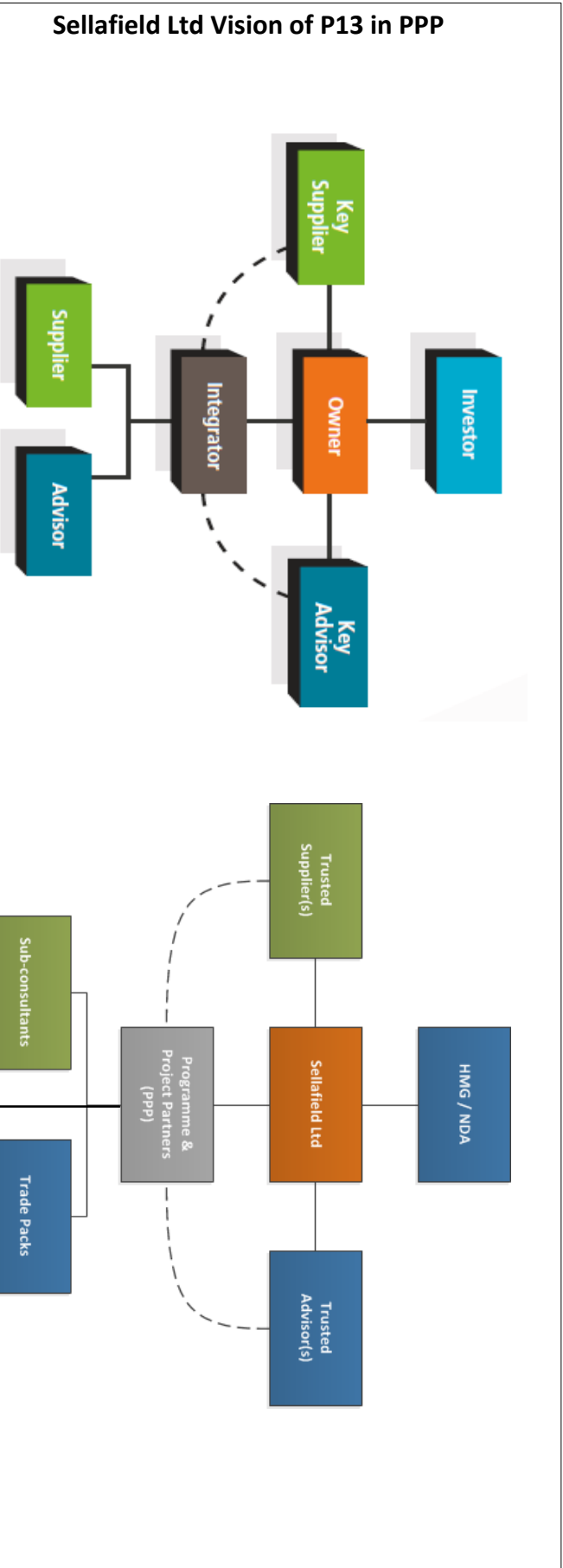
- The PPP Procurement Plan, project input and market engagement has defined the long-term agreements that can be created.
- Each KDP drives a ‘profit for performance’ approach at enterprise level and not solely project performance, with the KDP able to earn profit based on achieving pre-defined, aligned, outcomes and objectives.
- Long term relationships are created that give the entire supply chain the confidence to invest in the enterprise
- Performance is defined by outcomes and incentives, with KDPs reimbursed cost on an actual cost basis with no delay damages, with loss of the potential to earn profit and general liabilities and insurances the only remedies.
- Each Key Delivery Partner may constitute a collaboration of one or more supply chain members, SMEs and/or the totality key supply chain members likely to be needed to achieve the objectives for each KDP framework
- The Key Delivery Partners must set out a clear, tangible roadmap for success (e.g. cannot be a contract awarded to a major contractor with a ‘TBC’ approach to delivery or create another layer of management contracting)

***“Transactional
commercial models
often create divisive
behaviours where
commercial interests
destroy overall
programme value.”***

Project 13 Commercial
Handbook

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Key Delivery Partners - Link to Sellafield's vision for P13 in PPP



Proposed KDP Approach

- Principles of the Key Delivery Partner (KDP) Approach**
- KDPs include Works Contractors, Consultants and Suppliers
 - One contract entered in to between the PPP Partners and each KDP, hence single point responsibility for PPP Partners
 - Number and scope of KDPs driven by PPP Procurement Plan and Supply Chain Strategy and supply chain market engagement to determine type and structure
 - The Key Delivery Partner (KDP) constitutes the all of the key supply chain members to deliver the works, services and CSFs, which may mean collaboration of competitors, inclusion of sub-contractors and local SMEs in the model for the KDP
 - The KDP is incentivised based on project performance and enterprise performance

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Key Delivery Partners - Outline Cost and Profit Model

For any services or works, Key Delivery Partners will be always be reimbursed Actual Cost and Corporate Overhead in accordance with pre-defined schedules in the contract. Tenderers will be asked to demonstrate their Corporate Overhead percentage, with tender scoring based on pre-defined bandings.

Profit will be broadly split twofold: Nominal Profit and Incentivised Profit.

Profit ranges will be developed as part of developing ITT evaluation criteria and tenderers assessed based on a score within the bandings, with an overall Profit Cap also applicable for each KDP (relative to the market and category).

Nominal Profit

Nominal Profit will be a level of tendered profit to be earned in addition to Actual Cost and Corporate Overhead and generally retained by the KDP, however will be at risk in instances of exceptionally poor performance. In instances where the KDP's Project Objectives are forecast to be missed by a significant degree, entitlement to Nominal Profit on the same project would be lost. The intent is to retain a level of incentivisation should an objective be missed.

For example, a KDP's baseline price (which forms part of the KDP's Project Objectives) may be £10,000,000, with an allocated level of incentivised profit relative to baseline delivery. If the KDP exceeds the baseline by a pre-determined percentage, there would be no entitlement to Nominal Profit on the same project.

Incentivised Profit

Incentivised Profit will be split three ways:

- KDPs performance against Project Objectives; to be set collaboratively as part of setting the PP project baseline processes whereby PPP develop the overall baselines and Major Project Total Price for Sellafield, NDA and HMG approval.
- KDPs performance at enterprise level; measured against the relevant Critical Success Factors (CSF 2 and 5) and measured based on Key Performance Indicators and Operating Plans for the KDPs.
- Partnering Trades fund earned based on objectives with paired interfacing trades; detailed overleaf and based on interfacing KDPs.

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Key Delivery Partners - Partnering Trades and the Partnering Trade Fund

KDPs will be grouped in to Partnering Trades (PTs), with a percentage of the Incentivised Profit allocated to the Partnering Trades Fund (PTF); creating an incentive pot for the project that objectives and performance measures can set to determine entitlement to the fund or part thereof.

PTs will be grouped based on typical interfaces and interdependencies on major projects at Sellafield and reviewed based on feedback from the market. For example, Concrete Structures, Steelwork and Cladding may be grouped in to Partnering Trades with aligned incentive to deliver a weathertight structure.

PTs will be set as part of the KDP tender; however, PPP will reserve the right to add to, or remove from, the groups forming the Partnering Trades on a project by project basis. For example, on a particular project it may be considered beneficial to group Steelwork and HVAC based on installation strategy.

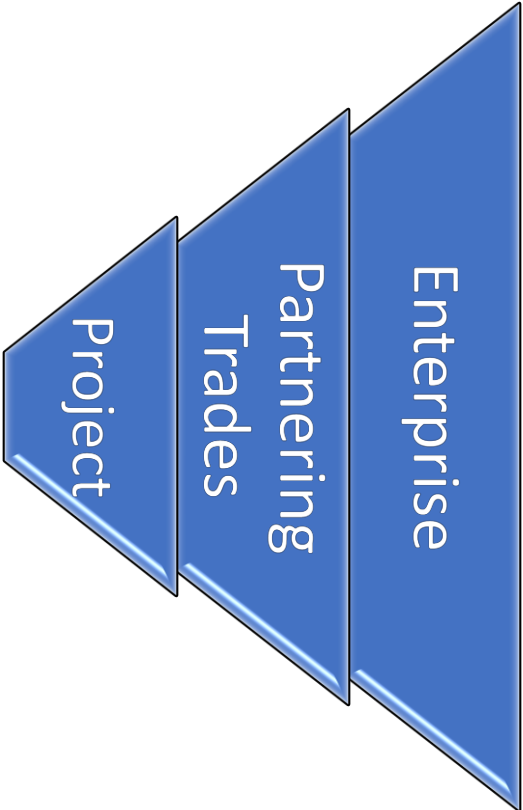
It is proposed that a percentage of the Incentivised Profit will be allocated to the PTF. Upon setting baselines for a major project, PPP will - in collaboration with the KDPs - set the measures necessary to entitle the KDP to earn amounts from the PTF, which will be based on things such as critical interfaces (e.g. tolerances, timing and quality) and combined performance of the PTs.

Prior to setting the baseline on a major project, any ECI or work by the KDPs will exclude the percentage associated with the PTF, hence this Incentivised Profit can only be earned on major project performance.

The objectives and proportions that entitle release of the Partnering Trades Fund will be set by the project as part of setting the baseline and based on the project's key interfaces.

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Key Delivery Partners - Profit for performance and alignment of outcomes


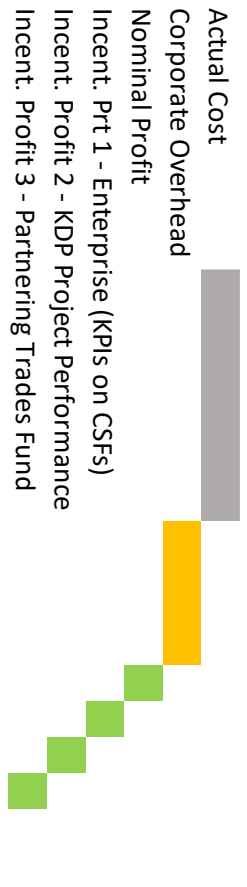
Objectives (PPP Critical Success Factors, CSFs)				Typical Measures
CSF2: Employment				UK GVA, jobs and apprentices, SME proportion, resilient local economy
CSF5: Workforce Skills				Partnering Trade performance, interface management and joined up delivery
CSF1: Cost Management				Cost, schedule, quality, health and safety, supplier performance
CSF3: Outcome				
CSF4: Output				

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Key Delivery Partners - Illustration of profit model compared to traditional models

The intent of the outcome-based model is to move away from traditional, adversarial, margin-based contracting. The baseline for KDPs on projects will be the same as the PPP baseline and on the same risk profile for package specifics risk, with variations/compensation events back to back with the PPP baseline.

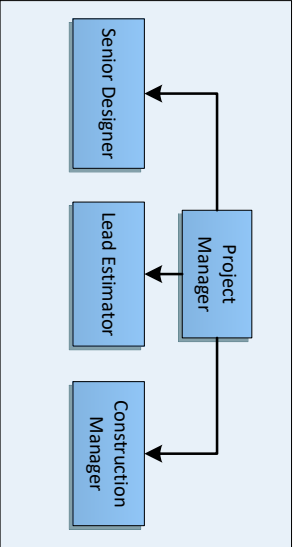
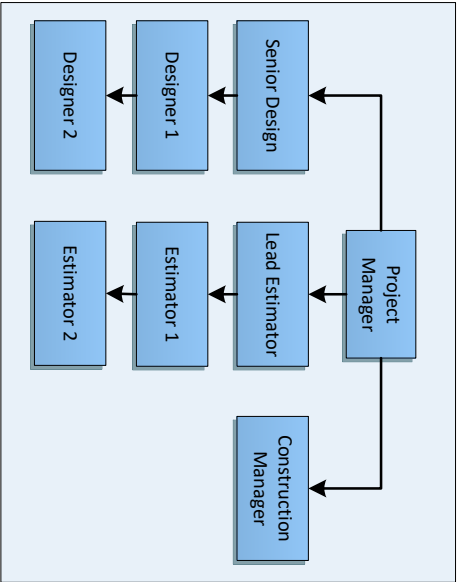
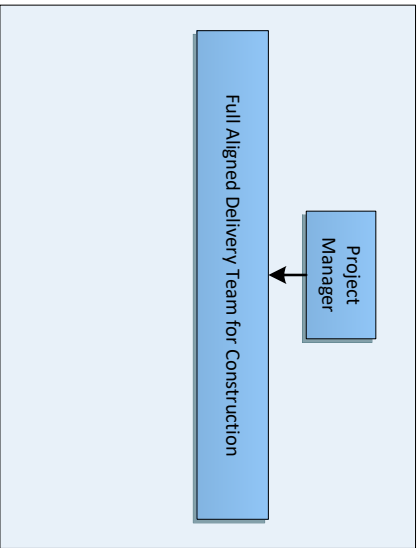
The model aims to drive a change in culture, increased collaboration and fundamentally (including through Early Contractor Involvement) also mitigate potential changes before they arise; incentivising performance to aligned baselines.

<p>Traditional Target Cost Contracts and Supply Chain Model</p> 	<ul style="list-style-type: none"> ◆ Target cost not always aligned to Client baseline ◆ Incentivises Value Engineering if Contractor can propose changes ◆ No incentive for Contractor not to implement Client led change ◆ Entitlement to variations and changes for numerous reasons ◆ Level of pain is model specific and often capped at SL
<p>Proposed KDP Commercial Model</p> 	<ul style="list-style-type: none"> ◆ Target cost and client baseline one in the same ◆ Back to back entitlement to Adjustment Events (few reasons) ◆ Visibility of Overhead percentages ◆ Contractor incentivised to challenge Client led change ◆ Achievement of KPIs and outcomes drives Profit ◆ Incentives and outcome split drive 'continuous' performance

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Key Delivery Partners - Early Contractor Involvement

ECI is achieved through integration of KDPs into the project team, with KDPs paid for supporting the project through the project lifecycle.

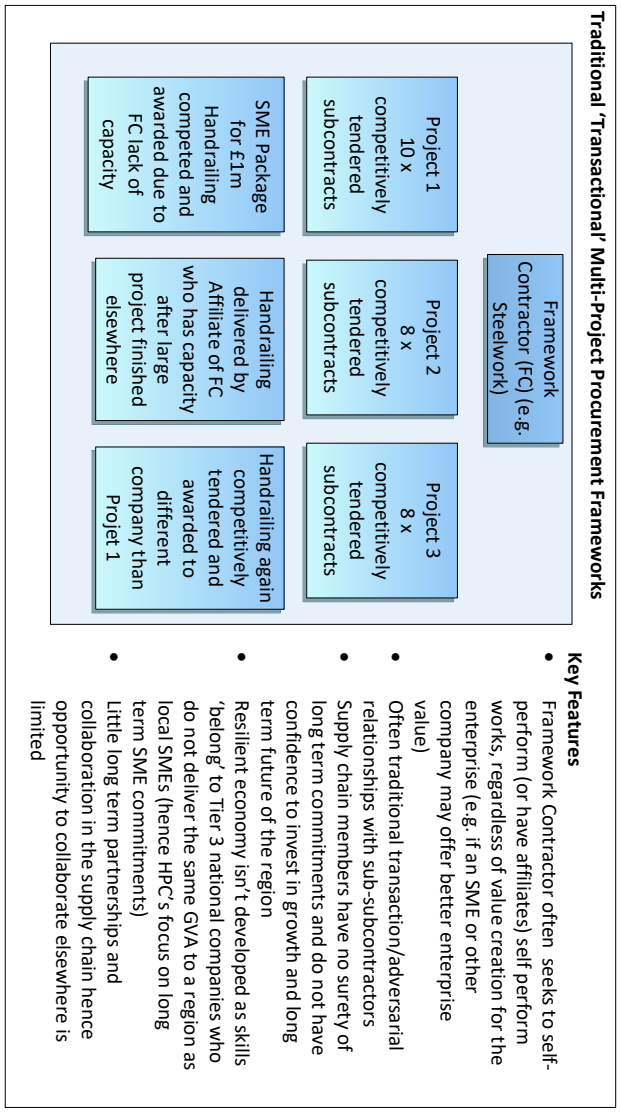
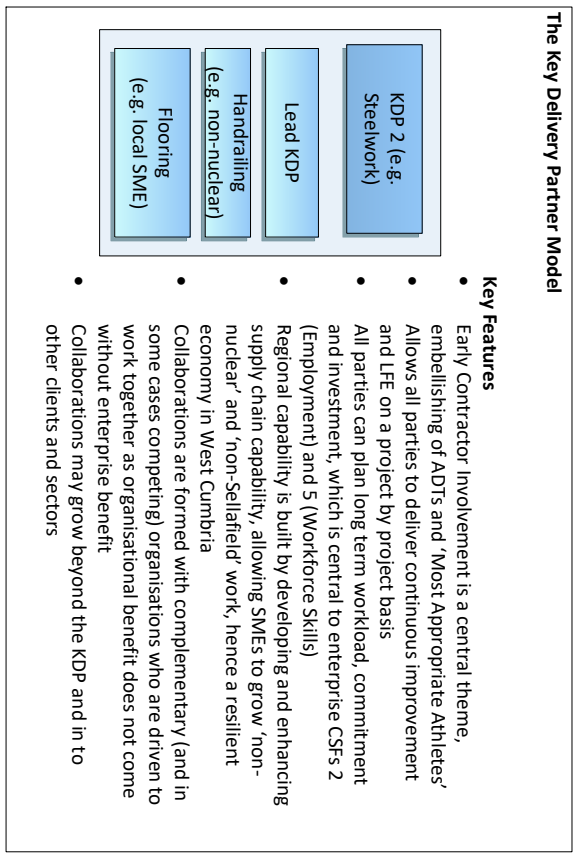
IPDG		
		
<p>Activities include:</p> <ul style="list-style-type: none"> • Support initial design proposals • Advises on constructability • Supports price and programme preparation and optioneering studies • Supporting production of Acquisition Strategies and associated documents 		
DDG		
<p>KDP Aligned Delivery Team (Supplements existing PPP ADT)</p> 		
<p>Activities include:</p> <ul style="list-style-type: none"> • Input and produce design as per Acquisition Strategy • Enabling or early works as per Acquisition Strategy • Produce Major Project Total Price and Baseline for particular works • Support production of Final Business Case where appropriate 		
PROJECT DELIVERY		
		
<p>Activities include:</p> <ul style="list-style-type: none"> • Project Delivery in accordance with Acquisition Strategy 		
ALLOWABLE COST + CORPORATE OVERHEAD + NOMINAL PROFIT		
INCENTIVISED PROFIT FOR PROGRAMME LEVEL KPIS CAN BE EARNED ON ALL ALLOWABLE COST		
INCENTIVISED PROFIT FOR PROJECT PERFORMANCE		
INCENTIVISED PROFIT BASED ON PARTNERING TRADES FUND		

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Key Delivery Partners - Long term supply chain and SME engagement

The Key Delivery Partner approach is based on generation of social value by enabling long term surety of work and an enterprise focus for all parties in the supply chain.

KDPs are intended to be based supply chain collaborations, joint ventures, a and long-term frameworks (including with SMEs) to deliver all works in the portfolio of the particular KDP framework, based on desired outcomes for the enterprise and not simply creating multiple layers of subcontract.



The KDP is intended to be the primary and exclusive delivery route for works in that particular category, however, as a **contingent measure only** in the event of capacity issues or exceptional circumstances, specific package may still be **competitively tendered** in the open market (in collaboration with the KDP).

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Key Delivery Partners - Contract Structure and Principles

Structure

- A 'complex framework' arrangement between the Lot Partners and the Key Delivery Partner based on a flow-down of the AIA and Lot Contracts to set out the framework level information, key principles, success factors, partnering trade provisions and the like.
- Individual Call-Off Contracts (based on the NEC suite) to act as 'Service Commencement Notices' that will be placed between the procuring Management Contractor and the Key Delivery Partner.
- The contract is intended to be 'fit for purpose' and act as an enabler and not a barrier for the supply chain, minimising unnecessary or restrictive clauses and flow-downs where possible

Key Principles

- A 'no disputes' clause and approach, instead promoting dispute avoidance through the use of an 'Issues Board' and modern dispute escalation and avoidance principles
- Minimal opportunity for individual project changes (variations/compensation events) and a threshold amount before entitlement to changes to the baseline
- Performance review points and termination for convenience provisions.

"If the commercial model is going to drive the right behaviours it must be meaningful to the delivery teams. It will only impact on behaviours if the teams and individuals can see how it relates to them. The focus should be on simplicity and alignment."

Project 13 Commercial Handbook

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Goods, Works and Services Agreements

The Key Delivery Partner model supports those trade packs for common and large packages that are likely to be required on a consistent basis over the remaining 18-year term of PPP, with ability to influence all of the PPP Critical Success Factors.

In addition, there are a number of other MPPs whereby common Goods, Works and Service Agreements may be required through the remaining term of the PPP Contract:

- **Goods Supply Agreements (GSAs)** for the supply of Goods (such as Cranes, Accommodation, and Equipment). The strategy for each package will be unique, but with the term of these arrangements generally a fixed term appropriate to the specific category with options to extend.
Commercial models will be unique to each category, with contracts based on an NEC Framework Contract (FC) with NEC Supply and Short Supply terms as appropriate.
 - **Works Agreements (WAs)** for works that may be required on an ad-hoc basis (such as Piling) where the contractor can contribute to achievement of some of the CSFs, but the demand profile or type of works doesn't warrant KDP status.
Commercial models will be unique to each category, with contracts based on an NEC FC with Professional Services Contracts (PSCs) and Engineering and Construction Contracts (ECCs) to let individual packages.
 - **Service Frameworks (SAs)** for the provision of Services, either Term Services for works or Professional Services (such as Catering, Testing and Professional Services).
- Commercial models will be unique to each category, with contracts based on the NEC FC with Professional Services Contract (PSC) and Term Services Contract (TSC).

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Key Procurement Dates

The programme for procurement and commencement of KDPs and Goods, Works and Service Agreements has been based upon supporting delivery of the 'in-flight' projects and their specific needs.

Procurement will be undertaken in phases of between 4 to 6 live procurements, which will constitute a balance of KDPs and Goods, Works and Service Agreements as appropriate for the category of works or services required.

The draft key dates for Phase 1 and 2 are tabulated below in order to inform likely tendering demand on the supply chain. Phase 2 is a provisional list only and will be finalised in due course and communicated to the supply chain, along with as information about further phases as we develop the MPP strategy.

Phase	Works Category	Agreement Type	Commence PQQ	Commence ITT	Anticipated Award
1	HVAC Works	Key Delivery Partner	February 2021	March 2021	August 2021
	Electrical Works	Key Delivery Partner	February 2021	March 2021	August 2021
	Building Fit Out & Blockwork	Key Delivery Partner	February 2021	March 2021	August 2021
	Accommodation	Goods Supply Agreement	February 2021	March 2021	August 2021
	Fabrication	Goods Supply Agreement	February 2021	March 2021	August 2021
2	Pipework	Key Delivery Partner	April 2021	May 2021	October 2021
	Steelwork	Key Delivery Partner	April 2021	May 2021	October 2021
	Roofing and Cladding	Key Delivery Partner	April 2021	May 2021	October 2021
	Scaffolding	Key Delivery Partner	April 2021	May 2021	October 2021