

Innovation in Procurement

Presentation to Construction Clients' Group

Wednesday 28 May 2014



meridian



Intro to Meridian Energy Ltd

- New Zealand's largest electricity generator
- Generates electricity from only renewable resources
- Retails electricity to homes, farms, businesses and industry throughout NZ
- Recently partly privatized ~51% ownership held by the Crown
- Own, operate and maintain 7 Hydro sites (2,368 MW installed capacity), 5 Wind sites in NZ (356 MW installed capacity) and 1 wind site under construction (59.8 MW capacity).



Procurement Innovation?

“Being the customer of choice”

1. Building long-lasting industry relationships
2. Selecting a fit-for-purpose contracting method
3. Using these relationships and contracts to drive improved performance

Customer of Choice

- Why does it matter?

- Critical infrastructure -> Response times
- Limited industry -> Contractor availability
- Specialised skills -> Forward planning of projects
- Relationships -> Better understanding of risks

Types of procurement undertaken

- New generation asset builds (Mill Creek ~NZ\$169M)
- Asset Management Capital Programme (~NZ\$27M per annum)
 - *Waitaki Refurbishment*
 - *Manapouri Ventilation Upgrade*
 - *Benmore Final Configuration*
- Asset Maintenance & BaU (~NZ\$22M per annum)
 - *~70% is locked up just keeping the lights on*
 - *Facilities Maintenance*
 - *Lakeshore erosion protection*
 - *Revenue Metering certification*
 - *Hydrometric Services*
 - *Dam Safety Review / Data Monitoring*

Building long-lasting industry relationships

- SRM Framework with key parties

- *Relationship managers within each Party to discuss performance, problems, opportunities & resourcing.*

- Constructability workshops

- *Opportunity to get Contractors who perform well to provide professional advice*

Project – Manapouri Powerhouse Ventilation Upgrade

Cost: ~\$10M

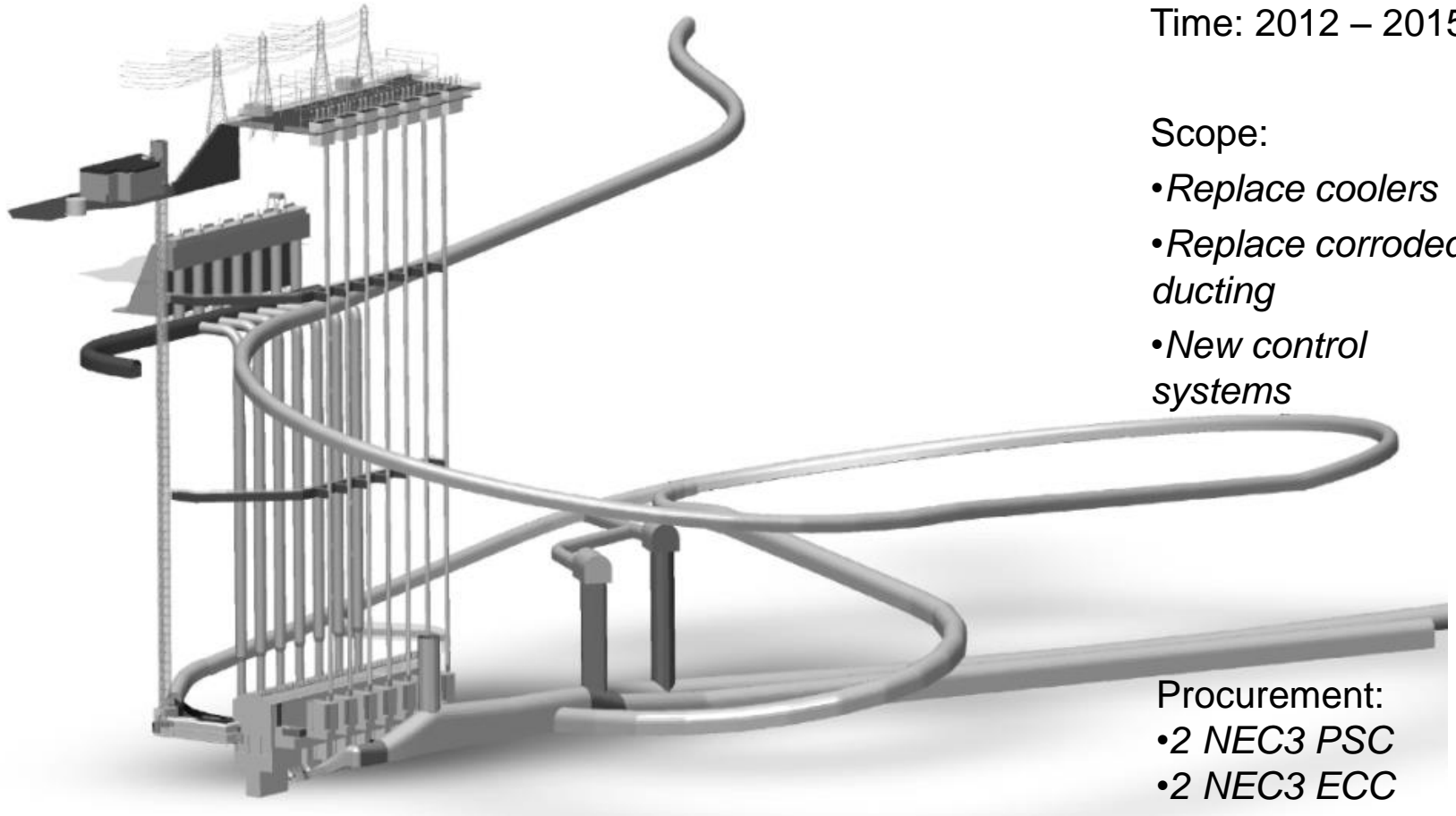
Time: 2012 – 2015

Scope:

- *Replace coolers*
- *Replace corroded ducting*
- *New control systems*

Procurement:

- *2 NEC3 PSC*
- *2 NEC3 ECC*



Selecting a fit-for-purpose contracting method

- NEC3 Contract Suite

- *“Relational contracting”*
- *Process contract*
- *Best for project outcomes through Early Warnings*

- Contract training sessions

- *For staff, contractors / consultants etc*

- Standardised tendering

- *Online tendering ~ reduced timeframes*

- Panel / master agreements

- *5 year commitment -> reduced rates*
- *Easier to engage (mini-tenders)*
- *Better risk coverage*

Project – Waitaki Refurbishment

Cost: ~\$45M

Time: 2013 – 2016

Scope:

- *Refurbish cranes*
- *Replace CO₂*
- *Refurbish lift*
- *Replace intake screens*
- *Recommission G3*
- *Repair river bank erosion*
- *Replace unit protection systems*

Procurement:

- *Approx 40 NEC3 contracts*

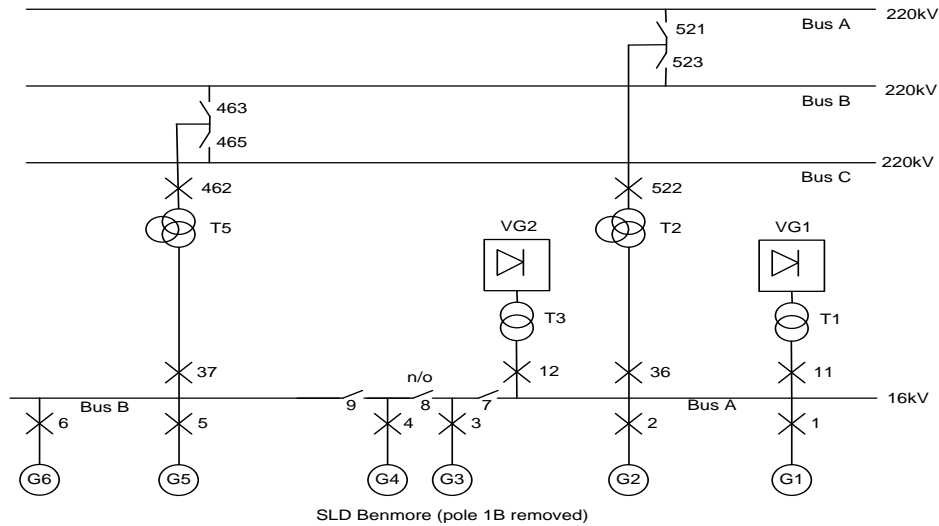


Driving performance

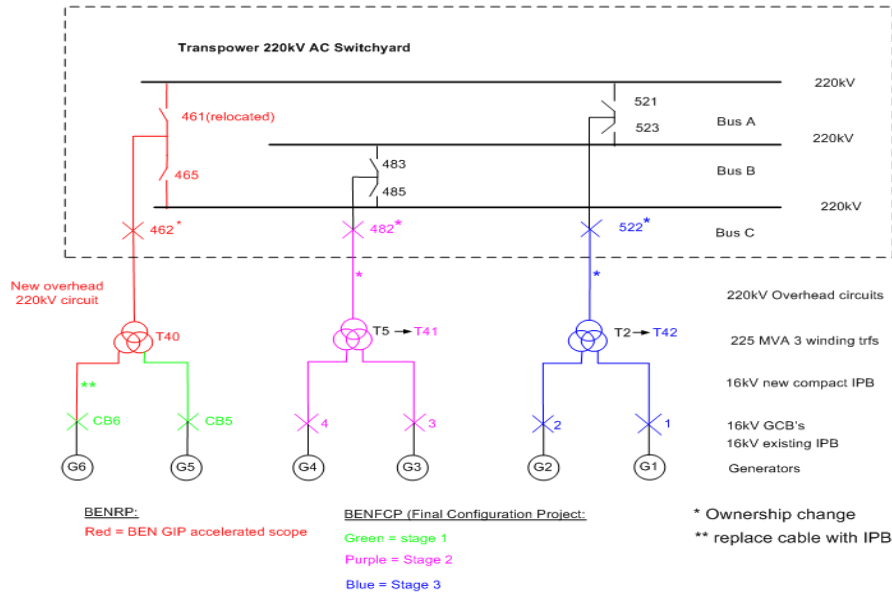
- In-house project management capability
 - *Better relationships with contractors/suppliers*
 - *Significant savings compared to main contractors / project management body shops*
- Contract management system
 - *Standardised process for managing contracts*
 - *Easier identification of contractual timeframes*
 - *Portfolio reporting on contractual performance*
- Collaborative solutions to problems
 - *Using relationships and contractual processes to get real best-for-project outcomes*

Project – Benmore Final Configuration

From this...



To this...



Or alternatively

From this...



Cost: ~\$22M

Time: 2010 – 2014

Scope:

- *Replace 16kV switchgear*
- *Replace transformers*
- *Electrical Reconfiguration*

To this...



Procurement:

- *NEC3 PSC*
- *2 NEC3 SC*
- *3 MF/2*
- *NEC3 ECC*

Questions?

