

D/SM 14/24

DEVIATION: Jan Marais SS Transformer upgrades: Extension of Transformer Storage & Associated Costs



MEMORANDUM

INFRASTRUCTURE SERVICES (ELECTRICAL)

Municipality - Munisipaliteit Stellenbosch			
05 JUN 2024	CHECK BEFORE SUBMISSION	YES	NO
	REGISTERED ON CSD DATABASE		
	LETTER - SOLE SUPPLIER if applicable.		
	QUOTE/INVOICE ATTACHED		
	BUDGET (SAMFAS)		
	CASHFLOW		
	SIGNATURES		

To: Aan: MUNICIPAL MANAGER
 From: Van: Mark Benson
 Job Title: Manager: Planning, Design Construction and Services
 Date: Datum: 05 June 2024
 Re: Insake: DEVIATION: Jan Marais SS Transformer upgrades: Extension of Transformer Storage & Associated Costs (June 2024 – December 2025) Revision 2

1. PURPOSE

To obtain approval in terms of Supply Chain Management Policy, to deviate from the official procurement process in terms of section 36 of the approved SCM Policy, for the moving and storage of two transformers as quoted by ACTOM in terms of supply Chain Management Policy 4.36.1(a).

REASON FOR DEVIATION: (Mark with x where applicable)		
1.	Emergency. "Emergency dispensation" means emergency as referred to in paragraph 36(1)(a)(I) of this policy under which one or more of the following is in existence that warrants an emergency dispensation;	
a	The possibility of human injury or death;	
b	The prevalence of human suffering or deprivation of rights;	
c	The possibility of damage to property, or suffering and death of livestock and animals;	
d	The interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the municipality as a whole;	
e	The possibility of serious damage occurring to the natural environment;	
f	The possibility that failure to take necessary action may result in the municipality not being able to render an essential community service;	
g	The possibility that the security of the state could be compromised; or	
h	The prevailing situation, or imminent danger, should be of such a scale and nature that it could not readily be alleviated by interim measures, to allow time for the formal procurement process. Emergency dispensation shall not be granted in respect of circumstances other than those contemplated above.	
2.	Goods or services are produced or available from a single provider	
3.	Acquisition of special works of art or historical objects where specifications are difficult to compile.	
4.	Acquisition of animals for zoos and /or nature and game reserves	
5.	Exceptional case and it is impractical or impossible to follow the official procurement processes	✓

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2. SUBSTANTIATE WHY SCM PROCESS COULD NOT BE FOLLOWED (TO BE REPORT TO COUNCIL)

- 2.1 In February 2019 Royal Haskoning DHV was appointed by means of bid B/SM 39/18 EE-A-4: to undertake Electrical Engineering Services for the new Dwarsrivier 66/11kV substation, replacement of two (2) 66/11kV transformers at Jan Marias Substation and re-allocate transformers at Stellenbosch main substation and build new switch station with switchgear in Franschhoek.

This capital project was to be executed in the three (3) financial year cycle ,2018/19 to 2020/21.

Exceptional Case

When it became apparent that the programme end dates were drifting out, we engaged RHDHV in October 2019 and questioned their performance. They stated that the company has restructured, and this has led to the lack of performance. We then de-scoped La Terra in April 2020 to lighten the load on RHDHV so that they could improve their performance. In August 2020 we terminated the services of Royal Haskoning RHDV.

La Terra Switching Station (Franschhoek)

Appointment was terminated and project descope in April 2020. Another service provider was appointed to execute this project.

Bien Donne 66/11kV substation

Appointment was terminated and project descope in August 2020. Another service provider was appointed to execute this project.

Jan Marais Substation

Package A: Tender B/SM 101/20: Design, Manufacture, Testing, Supply, Delivery & Offloading of Two 20 MVA 66/11 kV Transformers for Jan Marais Substation

- The tender closed on 24 August 2020.
- Royal Haskoning DHV in conjunction with the user department completed the tender evaluation in terms of functionality and it was submitted to SCM for final evaluation in terms of preference.
- Once the successful bidder was appointed, that conclude the procurement in terms of tendering. It was recommended that when the tender process is completed at the stage when an appointment letter is issued to the successful bidder by the municipality this part of the project will then be de-scoped from Royal Haskoning DHV's appointment.
- Royal Haskoning DHV's will remain available for queries during the 21-day appeal period. Should we require their services during this period Royal Haskoning DHV's pre –approved time-based rates will be applied. The costs for the services during the 21-day appeal period must be authorised by Electrical department prior to the commencement of services.
- ACTOM was appointed in November 2020.

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- It is important to note that in order for the warranties and guarantees to remain intact the transformer must remain with manufacturer, as the transformers are stored under specific conditions and monitored to ensure that the transformer cores are not exposed to air that would corrode the copper core.
- Initial free storage for three months ended of March 2022. *(January 2022 to March 2022)*

Exceptional case and it is impractical or impossible to follow the official procurement processes.

- Additional storage at that stage was estimated for a further 6 months. The first extension for storage was done through A variation process and was initiated by Mr. L De Lange Manager: Operations and Maintenance to extend storage for the initial 6 months with the manufacturer which came to an end in September 2022. *(April 2022 to September 2022)* This variation to the amount of R 109 200.00 (Excl. VAT) was approved by BAC.
- A quotation prepared by Actom dated 21/11/2022 for extension of storage for *(October 2022 to March 2023)* amounting to R 602 850.00 (Excl. VAT) detailed in Table 1 below was approved by MPAC on 20 April 2023. *(October 2022 to March 2023)*
- Total claimed on this quotation R 602 850.00 (Excl. VAT)

Table 1

ACTOM QUOTATION DATED 21/11/2022				
Item	Description	Quantity	Unit Price	Total Price
1	Transport and offloading of Unit and required accessories to Storage Area	2	R 45 000,00	R 90 000,00
2	Erection of unit for temporary storage	2	R 79 950,00	R 159 900,00
3	Storage per Unit per month <i>(October 2022-March 2023)</i>	2 trfr x 6 months	R9750 (Per Month per Trfr)	R 117 000,00
4	De-Erection of unit for temporary storage	2	R 79 950,00	R 159 900,00
5	Loading Transformer and associated accessories for site delivery	2	R 38 025,00	R 76 050,00
SUB TOTAL (Excl.VAT)				R 602 850,00

- A quotation prepared by Actom dated 09/03/2023 for extension of storage for (12 months) amounting to R1 594 604.00 (Excl. VAT) detailed in Table 2 below was approved by the BAC on 11 April 2023. *(April 2023 to March 2024)*
- Total claimed on this quotation R 234 000.00 (Excl. VAT)

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Table 2

ACTOM QUOTATION DATED 09/03/2023				
Item	Description	Quantity	Unit Price	Total Price
1	Storage per Unit per month (April 2023- March 2024)	2 trfr x 12 months	R9750,00 (per month per trfr)	R 234 000,00
2	De-Erection of unit for temporary storage	2	R 84 747,00	R 169 494,00
3	Loading Transformers and associated accessories for site delivery	2	R 40 307,00	R 80 614,00
4	Deliver and Offloading contract price change due to delivery delay (contract price was R170580/trfr)	2	R 451 500,00	R 903 000,00
5	Installation and cold commissioning contract price change due to late delivery delay (contract price was R93635/trfr)	2	R 103 748,00	R 207 496,00
SUB TOTAL (Excl.VAT)				R 1 594 604,00

- A quotation dated 04/06/2024 has been submitted to further extend the storage at ACTOM from June 2024 to December 2025. Total cost for Storage is detailed in Table 3 below amounts to R 2 113 590.00 (Excl. VAT)

Table 3

ACTOM QUOTATION DATED 04/06/2024				
Item	Description	Qty	Unit Price	TOTAL PRICE
1.	Extension of Storage per Unit per month (June 2024 – June 2025) (July 2025 – December 2025) (monthly check on units included)	2 trf x 12 months 2 trf x 6 months	R 10 400 (per month / per trf) R 11 900 (per month /per trf)	R 392 400
2.	De-Erection of the unit from temporary storage	2	R 107 205.00	R 214 410.00
3.	Loading Transformer and associated accessories for site delivery	2	R 50 990.00	R 101 980.00
4.	Delivery and offloading contract price change due to delivery delay (contract price was R170 580/ Trf)	2	R 571 150.00	R 1 142 300.00
5.	Installation and cold commissioning contract price change due to delivery delay (contract price was R 93 635 / Trf)	2	R 131 250.00	R 262 500.00
SUB TOTAL PRICE (Excl VAT)				R 2 113 590.00

Conditions of quotation:

1. Total price on the assumption that transformers will be stored for 18 months, June 2024 to December 2025, should this period be extended above quotation will be subject to requote.
2. Items 3 and 4 are estimates given on assumption for transport costs - if price at time of actual delivery (no later than December 2025) to site is above estimates we reserve the right to renegotiate.

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3. Stellenbosch Municipality is not obligated to pay for the full storage should the transformers be stores for less than 18 Months.

Package B:

Consultant: Royal Haskoning DHV

- Royal Haskoning DHV's Package B tender adjudication for Jan Marias was finalized in October 2021.
- Leafy Space (Pty) Ltd was appointed by means of bid B/SM 111/21: Jan Marias Substation Upgrade Civil, Electrical and Structural Works offer dated 8 November 2021.
- Letter of appointment dated 31 March 2022 was issued to Leafy Space after 14-day objection and 21-day appeal period that ran concurrently from date of notification 23 February 2022.

Consultant: Zutari (Pty) Ltd

- On the 26 August 2022 Zutari (Pty) Ltd was appointed under Bid B/SM 13/21 ESH.3 to replace RHDHV as the consultant to complete the construction phase of the project. Zutari (Pty) Ltd assisted in the termination of Leafy Space (Pty) Ltd.

Exceptional case and it is impractical or impossible to follow the official procurement processes.

- The package B tender, B/SM 111/21 the appointment of Leafy Space (Pty) Ltd at the end of March 2022. The construction phase was planned to start in October 2022 was terminated in November 2022 due to poor performance.
- A new contractor must be appointed to replace Leafy Space (Pty) Ltd, however for this to happen the current consultant Zutari (Pty) Ltd must have an amendment of their scope of works for their current appointment which was done through a section 116 process. Council approved the 116 at Council meeting dated 26 April 2023.
- Zutari (Pty) Ltd required all as build information to compile the detailed designs and tender specifications and documentation. The as-build information was not available from the Municipality.
- After consulting with SCM the user department was advised to go out on a tender instead of preparing a deviation.
- BVI Consulting was appointed in February 2024 for the Compilation of As-Build information at Jan Marius 66/11kV Substation by means of Bid B/SM 50/23 ESH.1
- According to BVI Consulting the As-Build information will be completed in June 2024
- This As-Build information is required for Zutari (Pty) Ltd to continue on their appointment for the design, procurement, and construction of Upgrading of Jan Marius 66/11kV substation.

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- Zutari (Pty) Ltd appointment is therefore on hold until BVI Consulting has generated the As-build information.

Electrical services department initiated a tender process to procure two 20MVA Transformers for the replacement and upgrade of the transformers at Jan Marais Substation, Jonkershoek area. This was needed to increased power demands and system improvements. This was done under Bid B/SM 101/20, known as Package A in this document and the tender was awarded to Actom Transformers in Johannesburg for design and construction. The Transformers were constructed and completed in November 2021 and stored after completion of Factory Acceptance testing.

- 2.3 Due to the nature of the storage of power transformers which required that they must be filled with Hydrogen gas and be monitored by specialised professionals. The storage cannot be done onsite in Stellenbosch.
- 2.5 It is important to note that the transformer remain with manufacturer, all the warranties and guarantees will remain intact, and the municipality won't carry any risk as in the case when the municipality opt to store transformers themselves.

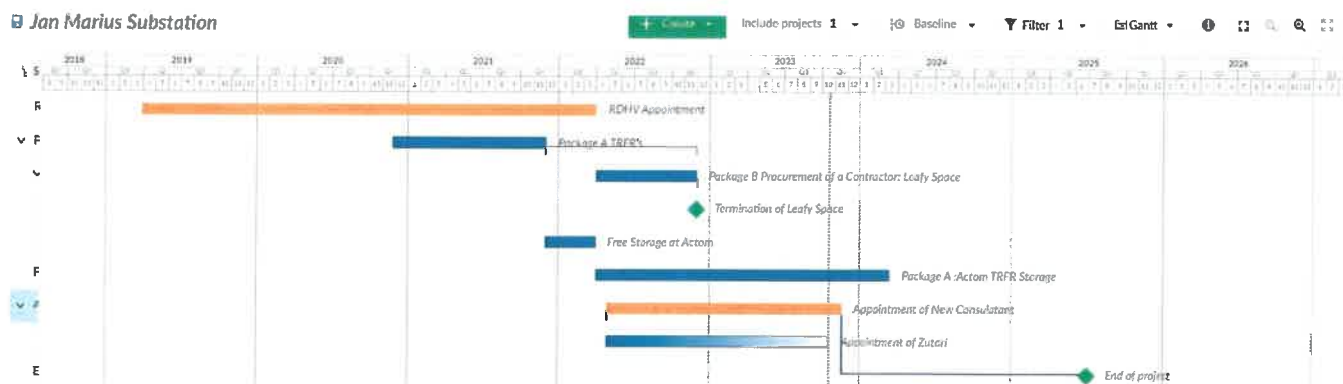
3. BACKGROUND

The Storage of the Transformers at Actom can be summarized as follows:

- 3.1 Initial free storage for three months ended of March 2022. *(January 2022 to March 2022)*
- 3.2 Manager: Operations and Maintenance to extend storage for the initial 6 months with the manufacturer which came to an end in September 2022. *(April 2022 to September 2022)* This variation was approved by BAC.
- 3.3 The storage was extended for *(October 2022 to March 2023)* amounting to R602 850.00 (Excl. VAT) was approved by the MPAC on 20 April 2023.
- 3.4 A quotation prepared by Actom dated 09/03/2023 for extension of storage for (12 months) amounting to R1 594 604.00 (Excl. VAT). A deviation was prepared for this additional storage that was approved by the BAC on 11 April 2023. *(April 2023 to March 2024)*
- 3.5 Another deviation for additional storage was presented at the BAC held on 26 March 2024, the deviation was not approved, the chairman of the BAC requested additional information that detailed the timeline of the events leading up to this point and the total costs associated with the storage be included in the deviation. The AG report dated 14 November 2023 was also mentioned and requested to be considered when compiling this item.
- 3.6 On the 12 April 2024 the item served again and was not approved as information submitted was not eligible, the BAC requested that the user department amend the item to address the specifics of the matter at hand.
- 3.7 Timeline of Events to date in diagram 1 below.

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Diagram 1



4. DISCUSSION

- 4.1 This item served at the BAC thrice, on the 26 March 2024, on the 12 April 2024 and then again on the 24 May 2024.
- 4.2 On the BAC of the 26 March 2024 the chairman also requested the total cost to date associated with the storage of the transformers since manufacturing. (Table 4)
- 4.3 At the BAC held on 26 March 2024, it was requested that a timeline of the events leading up to this point be included in the deviation. (Diagram 1)
- 4.4 The chairman also requested the AG report dated 14 November 2023 be considered when compiling this item. (Annexure A)
- 4.5 At the BAC on the 12 April 2024 the item in its form was not supported and a request was made that the user department amend the item to address the specifics of the matter at hand.
- 4.6 At the BAC on the 24 May 2024 the item was supported and approved. The BAC requested that the user department amend the item to adjust the length of the storage to 18 months as well as the commencement date of the storage.
- 4.7 In Terms of Local Government: Municipal Finance Management Act & Regulations (MFMA) Act 56 of 2003 section 63: Asset & Liability Management
(1. The accounting officer of a municipality is responsible for the management of – (a) the assets of the municipality, including the safeguarding and the maintenance of those assets.)

5. FINANCIAL IMPLICATIONS

The total cost claimed by Actom for storage since the transformers has been manufactured amounts to R 946 050.00 (Excl. VAT) as per table 4 below.

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TOTAL COST OF TRANSFORMER STORAGE TO DATE									
Tender Number	Description of Contract	Appointed Service Provider	Date Awarded	Actom Quotation	Total Quote Value (Incl.VAT)	Actom Quote Date	Cost (Excl. VAT)	15% VAT	Cost (Incl. VAT)
MPAC ITEM	Storage for Oct 2022 to March 2023	Actom Power Transformers	2023/04/26	Ref W0303550102 'Quotation for storage for 2 x 20 MVA 66/11kV Power Transformers at Abbott premises for a period of six months'	R 693 277.50	2022/11/21	R 602 850.00	R 90 427.50	R 693 277.50
Deviation D/SM 10/23	Storage for April 2023 to June 2023	Actom Power Transformers	2023/04/11	Ref W0303550102 'Quotation for storage for 2 x 20 MVA 66/11kV Power Transformers at Abbott premises for a period of 12 months'	R 1 833 794.60	2023/03/09	R 38 122.50	R 6 727.50	R 44 850.00
Deviation D/SM 10/23	Storage for July 2023 to March 2024	Actom Power Transformers	2023/04/11	Ref W0303550102 'Quotation for storage for 2 x 20 MVA 66/11kV Power Transformers at Abbott premises for a period of 12 months'	R 1 833 794.60	2023/03/09	R 175 500.00	R 26 325.00	R 201 825.00
Sub Total							R 816 472.50	R 123 480.00	R 939 952.50

A quotation Annexure B dated 04/06/2024 for the further extend the storage at ACTOM from June 2024 to December 2025. Total cost for Storage is detailed in Table 5 below amounts to R 2 113 590.00 (Excl. VAT)

Table 5

ACTOM QUOTATION DATED 04/06/2024			
Actom Quote Reference	Date of Quotation	Duration of Storage	Associated Costs (Excl. VAT)
WO 303 555 01-02 Additional Storage Costs	04/06/2024	June 2024 - December 2025	R 2 113 590.00
SUB TOTAL PRICE (Excl VAT)			R 2 113 590.00

6. RECOMMENDATION

That the approval, from U-key 20220630076571 (Jan Marais substation upgrade) for the moving and storage of two transformers as quoted by ACTOM in terms of supply Chain Management Policy 4.36.1(a), amounting to R 2 113 590.00 (Excl. VAT) from June 2024 to December 2025.

7. VALUE FOR MONEY (OTHER RATES/VALUES/...)

It is considered that based on the risks associated with safekeeping, storing and retention of all guarantees of the Transformers, storage be extended with the manufacturer.

RECOMMENDED THAT:

- 7.1 ACTOM Power Transformers be appointed for storing and safekeeping of 20x20MVA Transformers for an additional (18 months) as per the quotations received from Actom amounting to R 2 113 590.00 (Excl. VAT). The storage will commence on 05 June 2024 for a period of 18 months ending December 2025.

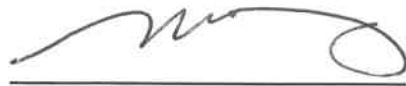
ANNEXURES:

Annexure A: Auditor General Report dated 14 November 2023.

Annexure B: A revised quotation dated 04/06/2024 was received on 04/06/2024 was submitted to further extend the storage at Actom.

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Compiled by:



M Benson

Manager: Planning, Design, Construction & Services

05/06/24

Date:

Supported by:



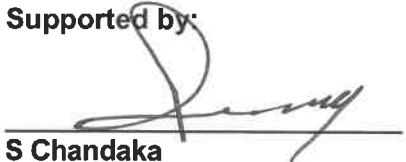
Nombulelo Zwane

Snr Manager: Electricity Services

5/6/24

Date:

Supported by:



S Chandaka

Director: Infrastructure Services

05/06/2024

Date:

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7. SUPPLY CHAIN MANAGEMENT COMMENTS:

Scm performed testing and support deviation Jan

8. APPROVAL:

REQUEST SUPPORTED / NOT SUPPORTED BY THE STELLENBOSCH MUNICIPAL BID ADJUDICATION COMMITTEE		
Name	Signature	Date
D. Jauch	Jan	5/1/2024
S Chandaka	online	5/6/2024
A de Beer	online	5/6/2024
J Boshoff	online.	5/6/2024
Comments: Support the deviation		
CHAIRPERSON: 	DATE 5/6/2024	
RECOMMENDATION FROM BID ADJUDICATION COMMITTEE APPROVED BY THE ACCOUNTING OFFICER		
Comments:		
ACCOUNTING OFFICER: 		
DATE 5/6/2024		