

D/SM 13/24

DEVIATION: Jan Marais SS Transformer upgrades: Extension of Transformer Storage



MEMORANDUM

INFRASTRUCTURE SERVICES (ELECTRICAL)

CHECK BEFORE SUBMISSION	YES	NO
REGISTERED ON CSD DATABASE		
LETTER - SOLE SUPPLIER if applicable.		
QUOTE/INVOICE ATTACHED		
BUDGET (SAMRAS)		
CASHFLOW		
SIGNATURES		

To: Aan: MUNICIPAL MANAGER
From: Van: Mark Benson
Job Title: Manager: Planning, Design Construction and Services
Date: Datum: 12 MARCH 2024
Re: Insake: DEVIATION: Jan Marais SS Transformer upgrades: Extension of Transformer Storage (April 2024 – March 2025)

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	✓

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

- 2.1 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.
- 2.2 Three months storage at no cost was included in the B/SM 101/20 Bid. This storage period expired at the end of March 2022. An initial extension was estimated for a further 6 months. A variation process 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. This variation was approved by BAC.
- 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.
- 2.4 Bid B/SM 111/21 known as Package B in this document. Bid B/SM 111/21 was for the appointment of a contractor to install the transformers at Jan Marias Substation, the consultant RHDHV (Pty) Ltd was responsible for this Bid. A contractor Leafy Space was appointed, however RHDHV's contract was terminated after appointing the contractor Leafy Space (Pty) Ltd due to poor performance. 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. All the above has created a delay in the installation of the transformers and an extension of storage must be arranged.
- 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.
- 2.6 The package B tender, B/SM 111/21 that was since awarded the contractor Leafy Space (Pty) Ltd was expected to start during October 2022, however due to poor performance the services of Leafy Space were terminated in November 2022.
- 2.7 A new contractor must be appointed, 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 is being done through a section 116 process. Council approved the 116 at Council meeting dated 26 April 2023.

3. BACKGROUND

- 3.1 Package A refers to the manufacturing of the Transformers through Bid B/SM 101/20, which included storage for three months. Package B refers to the installation of the transformers and all the associated Civil & Electrical work at Jan Marais substation done through Bid B/SM 111/21.

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- 3.2 Due to these two parallel processes, there was a delay in tender Package B while tender Package A was completed on time. This necessitated an extension of storage with the manufacturer. As well as the appointment of the new consulting engineer for the second phase project.
- 3.3 BVI Consulting was appointed in February for the Compilation of As-Build information at Jan Marius 66/11kV Substation by means of Bid B/SM 50/23 ESH.1
- 3.4 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.

4. DISCUSSION

- 4.2 Refer to the initial Deviation prepared by L De Lange dated 22 November 2022 that served at BAC on 13 December 2022, Annexure C. Also find attached the outcome of that BAC. An extract from the BAC minutes is attached, Annexure D. The recommendation by CFO was that a MPAC item be prepared by user department.
- 4.3 Considering the 116 Process that is underway to extend the scope of works of Zutari (Pty) Ltd to appoint a new contractor to install the two newly procured 20 MVA Transformers it is necessary for the municipality to extend the storage for a further (12 months) so that a new contractor can be appointed for the civil works, installation of transformers and the commissioning can be completed.

5. FINANCIAL IMPLICATIONS

The municipality was requested by ACTOM to move the transformers to a suitable storage site, next to their workshop. As the workshop space were needed for other manufacturing projects. A quotation in the amount of R602 850.00 (VAT excl.) was requested for the preparation and moving to a neighbouring storage facility. This quotation, Annexure E is attached for the extension of storage and storage facility from October 2022 to 11 April 2023. The initial deviation as prepared by Mr. L De Lange dated 22 November 2022 that served at BAC on 13 December 2022 was not approved.

A second quotation prepared by Actom dated 09/03/2023 Annexure F for extension of storage for (12 months) amounting to R1 594 604.00 (Excl. VAT) was approved by the BAC on 11 April 2023.

A third quotation Annexure G dated 05/02/2024 has been submitted to further extend the storage at ACTOM. Total cost for Storage is detailed in Table 1 below amounts to R 1 814 294.00 (Excl. VAT)

Actom Quote Reference	Date of Quotation	Duration of Storage	Associated Costs (Excl. VAT)
WO3035550102 Additional Storage Costs	05/02/24	April 2024 - March 2025	R 1 814 294.00
			R 1 814 294.00

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 1 814 294.00 (Excl. VAT).

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 (12 months) as per the quotations received from Actom amounting to R 1 814 294.00 (Excl. VAT). The storage will commence on 1 April 2024 for a period of 12 months ending March 2025.

ANNEXURES:

Annexure A: Letter of termination for RHDHV (Pty) Ltd

Annexure B: Letter of Termination for Leafy Space (Pty) Ltd.

Annexure C: Initial Deviation prepared by L De Lange dated 22 November 2022 that served at BAC on 13 December 2022

Annexure D: An extract from the BAC minutes is attached, the recommendation by CFO was that a MPAC item be prepared by user department.

Annexure E: Quotation for the extension of storage and storage facility from October 2022 to 11 April 2023.

Annexure F: Second quotation prepared by Actom dated 09/03/2023 for extension of storage for (12 months)

Annexure G: A third quotation dated 05/02/2024 has been submitted to further extend the storage at ACTOM

Compiled by:



M Benson

Manager: Planning, Design, Construction & Services

12/03/2024

Date:

Supported by:



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Snr Manager: Electricity Services

12/3/24

Date:

Supported by:



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Director: Infrastructure Services

12/3/24

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