

Tender document

**Competition of the Public Procurement Act and the
Regulations relating to public procurement part I (below
NOK 500.000)**

for

NordREG-study on measures to support the functioning of
the Nordic financial electricity market

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1 GENERAL DESCRIPTION

1.1 Client

NordReg is an organization for the Nordic energy regulators. Our mission is to actively promote legal and institutional framework and conditions necessary for developing the Nordic and European electricity markets.

For more information about NordReg, visit our website:

<http://www.nordicenergyregulators.org/>

1.2 General introduction

The long-term electricity market, the so-called forward market, has an important role in allowing participants to hedge positions ahead of the day-ahead timeframe. In the Nordic region, trading and hedging in the forward timeframe is purely financial, and the foundation for the forward market is the availability of highly liquid system price products. For parties wishing to hedge area price difference, EPADs (Electricity Price Area Differentials) are available for most price areas.

In general, the existing Nordic financial forward market is perceived as a well-functioning system. For the most part, the market participants express a wish to maintain and develop the current market design. A main advantage with the existing forward market is, according to the market participants, the robust and liquid system price products. However, concerning the EPAD market, some bidding areas do not have the level of liquidity that is desired by market participants

The Nordic NRAs wish to explore the idea of letting TSOs facilitate the market to a certain extent. It is important to evaluate such measures thoroughly, in order to understand and minimize the risk for distortions on the existing market and price signals. The aim of this study is to gain knowledge on alternative models for TSO involvement in the financial electricity market and the impact the models could bring along in the market.

The successful vendor will present a well thought through methodology and work plan. NordReg seeks consultants with a good and well-documented understanding of the Nordic financial electricity market, confirmed by CV and previous relevant projects.

The final report should be submitted in English.

The total budget of the project is not to exceed 40.000 euro, VAT included.

1.3 Partial Tenders

Partial tenders will not be accepted

Tenders for part of the agreement will not be considered.

1.4 *Period of contract*

Delivery date: 2nd November 2015.

1.5 *Announcement*

The competition is announced in the MERCELL –database.

1.6 *Time schedule*

Preliminary time schedule for the process:

Activity	Time
Announcement in Mercell	Week 26
Submission deadline	24 th August 2015
Duration of tenders commitment	Minimum 60 days after submission date
Evaluation	Week 35-36
Selection of bid and information to bidders	Week 37
Deadline for filing complaints	7 days
Signing of contract	After deadline for filing complaints

Dates after submission of bids are tentative.

2 COMPETITION RULES

2.1 Procedure

Competition of the Public Procurement Act of 16 July 1999 No. 69 as amended, see also the Regulations relating to public procurement, laid down by Royal Decree on 7 April 2006 No 402.



2.2 Secrecy

The Client shall treat all bids and their contents in line with the Norwegian Public Administration Act § 13 and Royal Decree on 7 April 2006 No 402, concerning secrecy.

2.3 Confirmation of interest

Follow guidance given in the Merccell-database

2.4 Communication during the tender process

All communication during the process shall be routed via the Merccell-portal, www.merccell.no. This is to assure that all communication will be logged. When you are logged on to the competition, chose the flag marked "Communication", click on the symbol  "New message". Enter the information to the authority and then click send . The authority will then receive your message. If the question regards all bidders, the authority will answer the inquiry anonymously by giving the answer as additional information. Additional information is available under the flag "Enquiry", then the flag "Additional information". You will also receive an e-mail with a link to the additional information.

Requests received later than 5 working days prior to the deadline for the offer will not be answered.

2.5 Supplements or changes to the tender documentation

The Client reserves the right to supplement or change the tender documentation before the deadline for presenting tenders. If the changes are of a nature materially changing the scope of work or other important aspects, an extension of deadline will be announced. Any changes in the tender documentation will be published on in the Merccell-database. The changes will take precedence over previous versions of the tender documentation. If the supplier becomes aware of lack of information or ambiguities in the tender document that may affect the implementation of the assignment, pricing etc., the Client shall be made aware of this immediately.

2.6 Cancellation of competition

The Client may cancel the competition or reject all bids if adequate reasons are found to be existent.

2.7 Sub-contractors

There shall be one main contractor responsible for the assignment.

The main contractor may use sub-contractors for parts of the assignment. In such case, the tender shall include information regarding which sub-contractors will be used for which parts of the work.

If the Consultant intends to sub-contract any part of the assignment, the Client will require documentation of the agreement, either in the form of a signed letter of intent, or a copy of a signed contract between the Consultant and any sub-contractor.

The main contractor is fully responsible to the Client for the sub-contractors engaged and for committing them contractually to fulfil the requirements in the standard agreement.

3 QUALIFICATION REQUIREMENTS

Requirement	Supporting documentation
Supplier shall be in good order with respect to payment of tax and VAT.	<p>Company tax certificate; Value added tax certificate. A certificate of tax and a certificate of payment of tax issued either by the local tax office or the tax office where the supplier has its headquarters. See: http://www.skatteetaten.no/en/About-Skatteetaten/Contact-us/e-mail/e-mail-us/Other/Order-certificates-or-printouts/Certificate-for-tax-and-value-added-tax/</p> <p>Foreign suppliers must submit certificates from the corresponding authorities to the Norwegian.</p>
Supplier shall have a functioning HSE system.	HSE self-declaration. See uploaded document in Mercell.
If the supplier is a company, proof of establishment must be submitted.	<p>Norwegian companies: Company registration certificate. Foreign companies: Confirmation that the company is registered in a trade or business register as prescribed by the law of the country where the supplier is established.</p>
Service provider shall have the financial capacity to undertake the assignment / contract	<p>Annual accounts including management report and auditor's notes If a service provider has valid reasons not to submit the documentation requested by the award authority, he may prove his economic and financial position by submitting any other documentation that the award authority can accept.</p>
The supplier must be able to deliver electronic invoices to NVE (Electronic Trading format (EET))	<p>Confirmation from the supplier. For further information see, http://www.anskaffelser.no/e-procurement</p>

From the 1st of July 2012 all Norwegian state entities shall demand electronic invoices from their suppliers.

4 SELECTION CRITERIA

The successful vendor will present a well thought through methodology and work plan. NordReg seeks consultants with a good understanding of the Nordic financial electricity market, documented by CV and previous relevant projects.

The selection will be based on the following criteria:

Criteria	Weight	Documentation requirements
Price	10%	Total price incl. VAT in Merzell.
Methodology and work plan: <ul style="list-style-type: none"> - Presentation of background and understanding of the issues to be studied, - Approach on how to solve the project 	50 %	Work plan should be properly described. (See Annex 1 for Project description)
The knowledge and expertise of the consultants: <ul style="list-style-type: none"> - Relevant expertise and projects in the consultancy team - Knowledge of the Nordic physical & financial electricity market - Strong CV of the consultants 	40%	Names and brief CV of the consultants (maximum 4 pages per CV: page 5 onwards will not be taken into account).

5 Submission of Tender

Special information for overseas Suppliers:

All tenders shall be submitted electronically via the Merzell portal, www.merzell.no by the tender deadline. Tenders delivered after the deadline will not be accepted. (The system does not permit tenders to be sent electronically via Merzell after the tender deadline.)

If you are not a Merzell customer, or you have questions regarding how the application functions, e.g. how to submit a tender, please contact Merzell Support at tel +47 21 01 88 60, or by e-mail to support@merzell.com. It is recommended to submit the tender in adequate time before the deadline. A minimum of 1 hour before the deadline is suggested.

If the authority should provide additional information that results in you wanting to change your tender before the deadline, you can access your offer, open it, make the necessary

changes and send it again right up to the deadline. The last submitted tender will be regarded as the final one.

The tender requires an electronic signature when it is submitted. When sending the tender electronically, an electronic signature will be requested to confirm that you are the actual bidder who has submitted the tender. An electronic signature can be obtained at www.commfides.com, www.buypass.no or www.bankid.no.

We would like to remind you that it can take some days to acquire an electronic signature, and therefore recommend that this process be initiated as soon as possible.

The request for qualification shall be structured according to the structure presented below, accompanied with a signed cover letter.

The supplier is solely responsible for answering all questions and that all criteria are answered and/or reviewed.

The application shall have the following structure:

1. Acceptance of terms. If the supplier has reservations regarding parts of the tender documentation, required specifications or other tender documents, it shall be clearly stated in the qualifying application . Any reservations must be specified, including consequences for performance, prices or other conditions.
The same applies to non-conformity. Reservations and non-conformities shall be stated precisely and unambiguously. They shall be stated in the bid letter in such a manner that the contractor can evaluate them without it being necessary to contact the supplier, cf. Section 20-3 of the Public Procurement Act. Substantial reservations, and reservations or non-conformities that can result in uncertainty regarding evaluation of the bid compared to other bids, will result in the bid being disallowed, cf. Section 20-13(1) of The Public Procurement Act.
If the supplier's reference to standardized terms of delivery, or something similar, deviates from existing tender or contract provisions, it will be regarded as a reservation.
2. Tax- documentation (payment of in-come tax)
3. Tax- documentation (payment of VAT)
4. HSE-self declaration form
5. Documents proving fulfilment of the Qualification Requirements.
6. Documents proving fulfilment of the Selection Criteria (bid).
7. Documentation of contracts/agreements with sub-contractors
8. Self declaration form on salary and working conditions

Annex 1 – Project specification

Background

The long-term electricity market, the so-called forward market, has an important role in allowing participants to hedge positions ahead of the day-ahead timeframe.

In the Nordic electricity market, all available transmission capacity is allocated to the Day Ahead timeframe. Trading and hedging in the forward timeframe is purely financial, and the foundation for the forward market is the availability of highly liquid system price products. For parties wishing to hedge area price difference, EPADs (Electricity Price Area Differentials) are available for most price areas. These contracts are available on a regulated market place, Nasdaq OMX Commodities, which is totally independent from the TSOs. EPADs are also frequently traded bilaterally or in brokered deals. These are also independent from the TSOs who have no role in the forward market. EPADs use the system price as reference; therefore there is no direct relationship between EPADs and transmission capacities between the markets.

There is an ongoing process in the EU related to the development of “Network Code on Forward Capacity Allocation” (NC FCA). The aim of the NC FCA is to establish common rules for Forward Capacity Allocation and providing market participants with sufficient hedging opportunities related to the area price risk. The Network Code on the Forward Capacity Allocation (FCA NC) makes clear that the reference tools to allow for cross-border hedging are FTR or PTR with UIOSI issued by the TSOs. However, an exemption is possible if cross-border financial hedging tools on both side of an interconnector exist and have shown their efficiency. In such a case, issuing of Long-Term Transmission Rights (LTTR) is not obligatory.

The development of rules for electricity trade (e.g. network codes), increasingly affects the functioning of the Nordic electricity market as a whole – including the financial market. The Nordic NRAs (National Regulatory Authorities) are continuously working to increase their understanding of the dynamic environment of the electricity market in all timeframes, including the forward market.

The proposal for a FCA NC brings forth the need to look at the functioning of the existing forward market and to assess various measures that can be considered to support the functioning of the market. NordReg has an on-going dialogue with stakeholders and market participants in relation to these important issues. The overall feedback is that the market participants acknowledge the existing Nordic financial forward market as a well-functioning system. For the most part, the market participants express a wish to maintain and develop the current market design. A main advantage with the existing forward market is, according to the market participants, the robust and liquid system price products. However, concerning the EPAD market, some bidding areas do not have the level of liquidity that is desired by market participants. Several market participants have pointed at the need to implement

adequate measures to support the functioning of the EPAD market and increase the liquidity and market depth.

Aim of the study

The Nordic NRAs are committed to look at ways to further develop the Nordic forward electricity market. The Nordic NRAs' starting point is to maintain and improve the current market design in the Nordic electricity market with implicit auctions combined with financial markets for hedging. Our most important concern is that fundamental participants are able to hedge their risks. However, the NRA's acknowledge the market participants desire for further development and improvements related to the EPAD markets.

Based on the dialogue with the market participants, the Nordic NRAs wish to explore the idea of letting TSOs facilitate the market to a certain extent. It is important to evaluate such measures thoroughly, in order to understand and minimize the risk for distortions on the existing market and price signals. The aim of this study is to gain knowledge on alternative models for TSO involvement in the financial electricity market and the impact the models could bring along in the market.

Scope of the study

The consultant should consider the following in the course of the study:

- Suggestions and descriptions of alternative models for TSO involvement in the financial forward market. The following models must be among the alternatives:
 - TSOs to support and finance/co-finance market maker function organized by Nasdaq or other marketplace,
 - TSOs to auction EPADs at Nasdaq or other viable marketplace,
 - TSOs guaranteeing a spread in the EPAD market and
 - TSOs offering EPAD Combo`s

The description of the models must include:

- practical setup, including a description of need for collaboration with Nasdaq or other marketplace (if needed)
- a cost estimate (at least in rough brackets or categories such as high, medium and low cost),
- practical implications for the market participants.
- To describe possible impacts of the different models.
 - What would be the main benefits of each proposed scheme?

- In what ways (if any) will the models interfere with the existing financial electricity market? Look specifically at the potential for distortion of price signals and strategic behaviour of market participants under different models.
 - How efficient are the different models/measures in order to increase liquidity?
 - Will any of the measures potentially impact grid users through tariff increases or in any other way?
 - How will the different measures affect the TSOs financial exposure? Can alternative setups affect the level of exposure?
 - What is the risk of overregulating? If possible, describe the accuracy of the measures.
 - Other possible ripple effects
- Recommendation

Given the preference of NRAs to cause as limited as possible intervention and as small negative effects for the market as possible:

- Which model or models are evaluated as being most beneficial to be introduced if the NRAs should implement measures to support the existing Nordic forward market, taken into account the criteria discussed?
- Would it be possible to suggest a common solution for the Nordic Region or would it be more beneficial to establish a set of common principles and identify optional measures that can be used alongside each other in the Nordic Market? If so, which different measures should be included in such a “toolbox”? Are there regional or bidding zone specific characteristics that should influence or guide the choice of measure?

The final product

The final product to be delivered consist of a report describing the suggestions and advice. The final report should be submitted in English, contains an executive summary and ready for publication.

The total budget of the project is not to exceed 40 000 euro, VAT included.

Annex 2 – Contract conditions

<http://www.anskaffelser.no/verktoy/oppdragsavtalen-ssa-o>

Annex 4 – Self declaration on Salary and working requirements for personnel under service contracts with Norwegian public institutions

With reference to the Circular dated 16 July 2005 from the Ministry of Administration and Reform, Norwegian public institutions shall ensure that the use of personnel engaged under service contracts complies with ILO Convention No. 94 regarding work clauses to guarantee equal working conditions regardless of nationality.

The provider shall therefore ensure that its own employees and employees of any sub-contractors enjoy the salaries and working conditions laid down in tariff agreements, regulations or whatever normally applies to the place and work in question. The manager of the entity is responsible for ensuring compliance with this regulation.

All contracts that the provider enters into that cover work under this contract shall include these provisions.

If the provider fails to comply with these provisions, the Client is entitled to retain part of the payment until compliance is documented. The amount to be withheld shall equal twice the amount saved by the provider.

The provider shall upon request present documentation regarding the salaries and documentation used.

I hereby confirm that systematic measures have been implemented to meet the above requirements in connection with salary and working requirements for personnel under service contracts with Norwegian public institutions.

Place: _____ Date: _____

Signature: : _____