Victorian Government

Renewable Energy

Auction Scheme

Submission of the Industry Capability Network (Victoria) Limited

September 2016
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1. Executive Summary

The Renewable Auction Scheme (the Scheme) offers significant opportunities for job creation and industry development in Victoria. This submission details how DELWP can use the Victorian Industry Participation Policy (VIPP) and ICN services to help increase participation of local small to medium enterprises (SMEs) on renewable projects. It can also help build sustained local capability and job creation in the sector.

The Victorian Government is committed to leveraging government procurement to boost local economic growth and job creation. VIPP is one mechanism through which the government is achieving outcomes for local industry. It aims to ensure consideration is given to competitive local suppliers on the basis of best value for money. ICN implements the VIPP on behalf of the Department of Economic Development, Jobs, Transport and Resources (DEDJTR). Therefore, its application to the Scheme should be undertaken in consultation with DEDJTR.

ICN recommends the VIPP be applied to the Scheme’s assessment methodology and hold a formal 10% weighting, as it currently does on VIPP applicable projects. This would require project respondents to detail their commitments to local content in a Local Industry Development Plan (LIDP), which can be modified to suit the reverse auctions requirements. ICN is experienced in VIPP facilitation and assessment. ICN can assist DELWP in assessing responses against the 10% weighted selection criterion.

Once a project and respondent is selected, ICN proposes to work collaboratively with preferred contractors and DELWP to develop minimum local content requirements, which each contractor would be expected to achieve. Preferred contractors would then be required to provide a more detailed LIDP, detailing their commitments to local content and local industry, which will become contractual at award.

Throughout the Auction process, project delivery and monitoring phases, ICN has various tools that can be drawn on to assist in the delivery of local industry outcomes. For example, ICN Gateway and ICN Industry Advisors help to connect local industry with project opportunities. ICN also provides a monitoring service which tracks the local content commitments made by the Contractor.

ICN has extensive experience advising on the use of local industry, as well as connecting local industry to large government projects, including on renewable projects.

ICN looks forward to contributing to the significant opportunities presented to local industry by the Scheme.
2. **Victorian Industry Participation Policy (VIPP)**

Through its Victorian Industry Participation Policy (VIPP), the DEDJTR is committed to improving opportunities for local suppliers, hence creating new jobs and growing the economy.

The VIPP ensures that SMEs are given a full and fair opportunity to compete for government contracts, while still achieving value for money. It aims to ensure SME participation by mandating their consideration by Agencies and industry at the bid and post contract award phases. The VIPP is applied to projects valued at $3 million and above in metropolitan Melbourne or state-wide, and $1 million and above in regional Victoria. For these projects, the bidder is required to complete a standard VIPP plan.

Projects in excess of $50m are considered Strategic Projects and can have additional requirements such as, minimum local content requirements, use of 100% locally milled steel, requiring bidders to detail their commitments in a Local Industry Development Plan (LIDP).

### 2.1 VIPP Principles

VIPP is built on four fundamental principles that are applied at all stages during the procurement process:

- **Value**: Value for money is a primary consideration in Government purchasing and supply decisions
- **Competitiveness**: The ability of local SMEs to compete globally will be strengthened and promoted
- **No discrimination**: Consistent with international obligations, there will be no protectionism, subsidies or premiums on price
- **Transparency**: All Government tendering mechanisms and processes will be open, clear and accountable.

### 2.2 VIPP Objectives

The main objectives of the VIPP are as follows:

- Promoting employment and business growth by expanding market opportunities for local industry
- Providing contractors with increased access to, and raised awareness of, local industry capability
- Exposing local industry to world’s best practice in workplace innovation, e-commerce and use of new technologies and materials
- Developing local industry’s international competitiveness and flexibility in responding to changing global markets by giving local industry a fair opportunity to compete against foreign suppliers.
2.3 2016 VIPP Reviews and Reforms

The VIPP has recently undergone a review process. The aim of the review and the resulting recommendations seek to maximise the benefit of VIPP to industry, increase economic activity, provide greater opportunities for SMEs and boost local jobs.

A significant policy change is the introduction of a formal 10% local content weighting as part of project tender evaluation. For the first time, the use of local suppliers will be given formal priority during tender assessment. This will further encourage bidders to use local suppliers in all projects.

2.4 Applying the VIPP to the Renewable Auction Scheme

ICN believes that the VIPP principles and processes should be applied to projects in the Scheme as it can help capture and measure the benefits to local industry. It can be applied in two steps. The first applies to the assessment of proposals from respondents and the second step involves formulating minimum local content requirements at the award stage, in which the contractors are expected to achieve. The following details the recommended process in further detail.

Step 1: Local Industry Development Plan forming 10% weighting in auctions assessment

ICN proposes that as with all VIPP applicable projects, a 10% weighting be applied to the Auction’s assessment methodology. This requires that all respondents complete a tailored version of the Local Industry Development Plan (LIDP). ICN would work with DELWP to create a LIDP template that requests local content information relevant to the reverse auctions requirements, whilst reducing burden on respondents.

ICN has significant experience providing DELWP and other Government agencies advice about local content on projects in various sectors. Therefore, it is recommended that respondents submit their LIDPs to ICN’s VIPP evaluations team. The LIDP would then be acknowledged and assessed by ICN. ICN would then issue DELWP with an evaluation report detailing the risks and merits of the respondent’s commitments. It is recommended that the respondent’s local content commitments, along with ICN’s report be used in the selection process and hold a 10% weighting. It would be DELWP’s responsibility to clarify or communicate any risks detailed in the evaluation report to the respondents.
Step 2: Minimum local content and contract commitments

After a preferred contractor has been selected, opportunities for local industry are facilitated by the development of a practical minimum local content requirement. This would be developed through a collaborative process between ICN, the preferred contractor and DELWP. Here, the project requirements and specifications would be examined, as well as the suitability of local industry to supply.

The awarded contractor would then be required to complete a more detailed LIDP, detailing information about their local content commitments and local industry engagement strategy. These commitments would become contractual obligations, which will need to be reported on. ICN recommends that reporting is undertaken at a minimum annually to monitor progress against commitments and at practical completion of the project.

Step 3: Monitoring and reporting

DEWLP would be responsible for ensuring compliance with the minimum local content targets. These targets would need to be communicated to the awarded contractor, as well as the reporting requirements that need to be undertaken at set reporting periods.
2.5 Applying ICN’s services to the Scheme

The below process illustrates an example of applying ICN’s services to the Auction Scheme to maximise benefit to local industry.

<table>
<thead>
<tr>
<th>Stage/ Steps</th>
<th>Responsibility of: ICN and the Contractor</th>
<th>Responsibility of: DELWP</th>
</tr>
</thead>
</table>
| Stage: Auction Scheme  
Step 1: Bidders submit LIDP | | DELWP to communicate to all reverse auction respondents, the local content requirements and the assessment criteria for local content. |
<p>| | On behalf of DELWP, ICN will list the Auction Scheme project and relevant work packages on ICN Gateway and collate Expressions of Interest from local suppliers. | |
| | Auction scheme respondents prepare a LIDP (tailored to DELWP’s requirements). ICN Industry Advisers assist respondents complete their LIDPs. | |
| | Auction scheme respondents submit LIDP Plan to ICN VIPP team | |
| | ICN’s VIPP team acknowledges lodgement of completed LIDP and evaluates LIDP based on the risks and merits. ICN collates findings in formal evaluation report to DELWP. | |
| | ICN’s VIPP team sends evaluation report to DELWP. It will be the responsibility of DELWP to seek any clarifications or issues that arise from ICNs findings from the contractor. DELWP to use ICN’s evaluation report in selection process, with a 10% weighting. | |</p>
<table>
<thead>
<tr>
<th>Stage/ Steps</th>
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<th>Responsibility of: DELWP</th>
</tr>
</thead>
</table>
| **Stage: Contract award**  
Step 2: Set minimum local content and formalise commitments in contract | ICN works with preferred contractor and DELWP to collaboratively set a minimum local content target. In doing so ICN’s VIPP team will advise on contestable\(^1\) items as well as on local industry capability.  
Contractor to develop LIDP with local content commitments, which meet or exceed the minimum local content target. Contractor will prepare the LIDP with assistance of an ICN Industry Adviser. | DELWP to formalise LIDP commitments in the contract. |
| **Stage: Project delivery**  
Step 3: Monitoring and reporting | Suppliers interested in providing goods and/or services to the project continue to submit EOIs on ICN Gateway and ICN forwards submitted company details to the contractor. | DELWP ensures compliance with contracted local content commitments against actual.  
Contractor monitors local content and report back to DEWLP. ICN can collate data and monitor subcontractors local content commitments on behalf of contractor. |

\(^1\)Note: Goods and services in a procurement process are considered to be contestable when there are competitive international suppliers and local suppliers.
3. **Industry Capability Network (Victoria)**

Since the inception of VIPP in 2001, ICN Victoria has facilitated the VIPP on behalf of the Victorian Government, providing services which are delivered by two separate teams, ensuring separation of duties and that Government probity requirements are met.

The services are:

1. Assistance to bidders and suppliers by the ICN VIPP Industry Adviser Team;
2. Assessment services for government agencies by the ICN VIPP Policy Team.

**ICN Team Functions**

**ICN VIPP INDUSTRY ADVISER TEAM**

- **Localisation Support:**
  - Provided by ICN Industry Advisors
  - Available to all bidders should they select the "localisation assistance" option.
  - Available to all bidders on Strategic Projects.

- **General VIPP Enquiries**
  - Provide assistance with general VIPP questions.
  - Available to all bidders

**ICN VIPP POLICY TEAM**

- **Implementation Support:**
  - Provided by ICN VIPP Analysts at pre-tender, tender, contract award and completion phases.
  - Available to Government departments and agencies for VIPP applicable tenders.
  - No direct communication with bidders

Industry Capability Network (Victoria) (ICN) is an independent, non-profit organisation supported by the Victorian Government as well as providing enhanced fee-based services to administer the Victorian Industry Participation Policy (VIPP), support import replacement and assist Victorian and Australian companies to access opportunities. In administering the VIPP, ICN:

- identifies and selects local products and services that meet the contract requirements;
- acknowledges and evaluates the ANZ value-added activity (local content) commitments made by suppliers in their Local Industry Development Plans; and
- monitors and reports on outcomes for Victorian industry involvement.
3.1 ICN Results

Since the implementation of the VIPP in 2001, the VIPP through ICN has led to over $1 billion worth of import replacement orders for local industry (i.e. orders that would otherwise have gone overseas).

Since the 1st of July 2012, ICN has assisted local industry to obtain $480 million worth of work. Recently in 2015-2016, $204 million worth of orders to local industry was attributed to ICNs assistance.

4. ICN Operations

ICN helps to connect local industry to project opportunities through localisation assistance and assessment, ICN Gateway and ICN Industry Advisers. ICN has coverage of industry across Victoria, Australia and New Zealand. Below illustrates ICN’s capabilities in the three areas.

4.1 Localisation assistance and assessment

Through undertaking the administration of VIPP, ICN has developed assessment and evaluation methodologies and amassed data for local content facilitation on projects. With the support of the Victorian Government, this expertise and knowledge have become the foundation building blocks for localisation assistance and assessment for major projects (outside of VIPP) to Government at all levels, Buyers and Suppliers.

4.2 ICN Gateway

ICN Gateway is ICN’s online business networking platform connecting suppliers with project owners and procurement managers. It contains over 70,000 suppliers and more than $400 billion worth of opportunities. With over 12,000 supplier searches per month, ICN Gateway is a simple and easy way to engage with industry and maximise Victorian and Australian content.

4.3 ICN Industry Advisers

ICN has a dedicated team of Industry Advisers that embody a sound and up to date knowledge of industry capability. Our Industry Advisers have experience in various sectors such as, renewable energy, construction, manufacturing, transport, defence, mining, oil & gas, rail, and more. ICN Industry Advisers have worked on countless Victorian infrastructure projects, working one on one with bidders and contractors to connect local industry with project opportunities.
5. **When does ICN get involved in a project?**

ICN is typically involved at each stage of a VIPP applicable project’s procurement cycle. Table 1 illustrates ICN’s role in each of the stages and similarly, how ICN can be involved in the Scheme.

**Table 1**

<table>
<thead>
<tr>
<th>Stage</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre Tender</td>
<td>- Identifying contestable opportunities within VIPP applicable tenders</td>
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<tr>
<td></td>
<td>- Recommending minimum local content requirements for Strategic Projects</td>
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<tr>
<td>Tender</td>
<td>- Assisting bidders to prepare VIPP Plans or Local Industry Development Plans (LIDPs) and identify opportunities for further localisation</td>
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<tr>
<td></td>
<td>- Certifying VIPP Plans or LIDPs</td>
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<tr>
<td>Assessment</td>
<td>- Assessing the achievability of the commitments in VIPP Plans or LIDPs</td>
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<tr>
<td></td>
<td>- Reviewing variations to the preferred bidder’s VIPP commitments, arising from post-tender negotiations</td>
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<tr>
<td>Post Contract</td>
<td>- Localisation assistance</td>
</tr>
<tr>
<td>Award</td>
<td>- Monitoring and reporting of local outcomes</td>
</tr>
<tr>
<td></td>
<td>- Facilitating engagement with local industry</td>
</tr>
</tbody>
</table>

6. **Additional ICN Activities**

**100% Australian Steel**

ICN has been involved in pursuing the Victorian Labor Government’s commitment to use 100% Australian steel in its level crossing removal project. This commitment could be applied to the projects in the Scheme, in which ICN would be willing to facilitate.
7. Case Study

Our experience with connecting local industry to Renewable energy projects - Solar

First Solar
Approx. value: $60 million  Project completed: 2012

Challenge
First Solar establishing a local manufacturing supply chain as a new entrant to the Australian market.

ICN solution
– Identified capable and competitive Australian manufacturers and service providers
– Assisted Australian suppliers to meet the requirements of the client
– Used our extensive network reach to find Victorian and interstate manufacturers and service providers to match First Solar’s requirements.

Outcome
With ICN’s assistance, First Solar was able to quickly establish their local supply chain. Result was securing $60 million worth of contracts for local manufacturers, including:
– Metal roll forming and frame assembly for Backwell IXL
– Metal stamping of brackets for Hofmann Engineering
– Medium voltage switchgear for ABB Australia
– Distribution transformers for Wilson’s Transformers
– Tooling for brackets for Hofmann Engineering
– Wire harness assemblies for Prysmian Group
8. **ICN’s Government supported services and ICN’s Enhanced fee-based services that could support industry engagement on the Renewable Energy Auction Scheme**

ICN services available to support projects can be broken down into Government supported (free) services and Enhanced (fee-based) services. ICN proposes these services could be beneficial in the Renewable Energy Auction Scheme.

**8.1 Government Supported Services**

Applicable to Victorian Government *Strategic Projects* (Government projects that are in excess of $50m)

**SERVICES PROVIDED BY POLICY TEAM**

**Local Content Target and Standard Evaluation**

This service includes:
- Acknowledging VIPP plans/ LIDPs have met core requirements of completeness or submitted by due date
- Identifying contestable opportunities
- Recommending minimum local content requirements
- Assessing the achievability of the commitments made in the LIDP and providing a risk profile for the Client

**SERVICES PROVIDED BY INDUSTRY ADVISER TEAM**

**Generic Project Page on ICN Gateway**

ICN can provide a project page and associated work packages on ICN Gateway. The page will provide basic project detail and opportunities for local industry to consider registering their expression of interest against for buyer consideration.

**Contestable Item Research & Localisation Assistance**

ICN can ascertain industry’s capability to supply contestable items and local items for the project in accordance with the product/service specifications, particularly those associated with shortfalls on any work package. ICN would provide to the Contractor a list of all suppliers who have registered an Expression of Interest on ICN Gateway.

**Remedial Localisation Assistance**

ICN can provide remedial assistance to the Constructor to address localisation issues where previously identified suppliers are no longer able to supply to the project.
LIDP/ VIPP Assistance

Project respondents are provided with assistance from an ICN Industry Advisor on the development of their LIDP.

Supplier Briefings (Constructor/ Asset Owner Organised and Managed Event)

ICN can provide a representative to present on VIPP and the ICN Gateway at the Constructor’s event.

8.2 ICN’s Enhanced Services (fee-based services)

ICN can also provide fee-based services to Government and project proponents to assist in achieving the outcomes required on projects.

SERVICES PROVIDED BY VIPP POLICY TEAM

Adviser for Evaluation

ICN provides tailored certification and evaluation services of bidder proposals which can include:
- An acknowledgement letter confirming each has bidder complied with VIPP and minimum local content requirements at the start of the evaluation process
- Analysis and commentary (draft and final) on the achievability of local content, employment and supply chain engagement commitments made by bidders across the Project to support relevant evaluation panel and advisors
- Attending and presenting at evaluation discussion and ranking meetings.

SERVICES PROVIDED BY INDUSTRY ADVISER TEAM

Dedicated project page on ICN Gateway

ICN can create an ICN Gateway project page for the project proponent to promote their company, project, associated opportunities as well as to collect Expressions of Interests from local companies. This will assist in demonstrating a local industry engagement process for the project.

Supplier Filtering and Prequalification

To ensure EOIs submitted meet project specifications, ICN Gateway can request suppliers submitting an EOI to download a copy and complete standard prequalification documents on behalf of a Constructor and upload it onto ICN Gateway. ICN Gateway can provide a library of prequalification questions.

ICN can also undertake supplier assessments to help ensure supplier capability is met.

ICN Gateway Project Page Support

ICN provides system administration to upload the project page, upload work package information and download supplier EOIs from ICN Gateway and answer Supplier queries to achieve the required localisation outcomes.
Supplier Briefing (ICN organised and managed event)

ICN is experienced in holding industry events and can assist with event facilitation and management on behalf of a Constructor. This includes, event promotion, targeted supplier invitations, liaison with local industry organisations and stakeholders for support and representation at the event, provide event support staffing, handle event registrations and manage outcomes and enquiries from the event.

Supplier Data Review Service

This service supports Contractors with the data integrity of local content and employment information requested from potential suppliers for the development of LIDPs.

Monitoring and Reporting Service

Dealing with many suppliers is an onerous task. ICN can assist provide Contractors a reporting and monitoring process which tracks actual orders for local industry against the commitments made in the LIDP.

Project Secondment of ICN Industry Advisers

There is the option to embed an ICN Industry Advisers via a project secondment to the Constructor to augment expertise in the delivery of contracted localisation outcomes, including,

- Clarity on policy and Government expectations
- Policy reporting processes
- ICN Gateway supplier prequalification activities
- Supplier localisation data, enquiries, filtering, prequalification and
- General supply chain facilitation to support procurement

TAILORED SOLUTION

ICN can readily adapt any combination of Enhanced Service to support your project in the most timely and cost effective manner possible.