
Supply and Installation of Smart Meters and Installation of Backflow Prevention Devices - Contract # RCC1022-0011

Responsible Officer: Group Manager Planning and Delivery (Andrew Logan)

Recommendation

That Council:

1. Note the selective tendering process that has been undertaken for this contract through an Expression of Interest (EOI) and then selective tender submissions.
2. Authorise the General Manager to enter into negotiations and execute a supply contract with the preferred Tenderer, Nucleus 3 Pty Ltd for the Supply and Installation of Smart Meters and the Installation of Backflow Prevention Devices, including software maintenance for a period of 5 years, to a maximum contract value of \$2,866,239 (ex GST).
3. Approve an additional amount of \$994,139 from the Bulk fund for the overall Smart Metering and Backflow Project budget to take the total Project budget to \$3,559,939.

Background

Following Council's resolution 38/21 at the 21 July 2021 meeting, work has been undertaken to progress the implementation of Smart Metering. Smart Metering is being implemented to facilitate improved engagement and understanding by Council's retail water customers of their water consumption behaviours through provision of more timely information. This information will be available via a mobile App and web portal showing usage and alerts or alarms related to possible leaks, exceeding thresholds set by customers, and other features.

Council's resolution 52/21 at the 21 October 2021 meeting endorsed a revised Backflow policy. The updated policy clarified Council's position on the use of backflow prevention devices to protect the integrity of the water supply and the health and safety of water end-users. It involves installation of a testable backflow prevention devices at sites with 20mm, 25mm and 32mm service sizes, to reduce the risk of pathogen and/or chemical contamination to all customers from backflow, back siphonage and cross connections. These works will ensure that all properties connected to Council's bulk water supply distribution system are compliant with the Australian Drinking Water Guidelines, the Plumbing Code of Australia and the relevant Australian Standards.

At most customer sites, the existing meter service frames are too low to accommodate the new backflow device, so a new standard meter service frame will be installed at all sites serviced with 20 / 25 / 32mm service sizes.

The proposed smart meter solution must interface to Council's existing PropertyWise Billing system to allow bills to continue being issued from that platform.

A two-part, open tender process has been completed, involving Expressions of Interest (EOI) and Request for Tender (RFT) phases, for the procurement of a single supplier to implement the smart metering and backflow prevention project.

The contract includes the following:

1. Smart Metering - Supply, installation, platform establishment and configuration, and commissioning in the first year and all recurring charges for ongoing services and support in years 1 to 5, for all Rous retail customers.
2. Backflow Prevention – Installation and commissioning at nominated sites

The project budget is currently \$2,566,800.

Tenders received

Following evaluation of submissions from the EOI phase that closed in August 2022, four suppliers were shortlisted and invited to participate in the RFT. The RFT opened via the Tenderlink platform on 09 December 2022 and closed on 07 February 2023. Four Tenders were received through Tenderlink before the close of tender, as shown below in Table 1.

Table 1 – Tenderer details

Tenderer	A.B.N.
Nucleus 3 Pty Ltd	94 630 512 202
WaterGroup Pty Ltd	79 121 148 169
Taggle Systems Pty Ltd	64 126 467 847
SC Action Pty Ltd ATF Campbell Family Trust ¹	78 763 607 712

Examination of tenders

Pre-evaluation actions

The tendering process, including the advertisement, receipt, and consideration of tenders, was conducted in accordance with the requirements of Part 7 of the *Local Government (General) Regulation 2021* (the 'Regulation').

A Tender Evaluation Plan (TEP) was utilised by the Tender Evaluation Committee, consisting of staff from across Council's business units. The TEP was consistent with the evaluation criteria advertised in the RFT documents, being weighted price and non-price evaluation criteria based on a **50:50** ratio. The price \ non-price ratio was adjusted from the normal **60:40** approach because the project team considered customer engagement and water education\literacy as key project outcomes, which required more consideration of non-price criteria.

Evaluation of non-price

The information submitted by the Tenderers was evaluated against the specified non-price criteria. The four short-listed tenderers had also participated in the earlier EOI phase which was 100% non-price, with detailed lists of Rous non-price requirements. Key EOI extracts were included in the RFT document. The RFT document advised Tenderers of the weighting applicable to each non-price category. Table 2 (below) shows a high-level summary of non-price criteria used for the evaluation of this RFT.

¹ Trading name:- O'Brien Electrical & Plumbing Lismore

Table 2 – Non-Price Criteria Summary

Non-price criterion	Weighting
Alignment with Rous ICT strategies and requirements: Standard protocols and interfaces, adequate data privacy and cyber security; interface with PropertyWise Billing system; minimum vendor lock-in; expandable to constituent Councils, accommodate future smart sensor / smart city applications.	20%
Program Delivery: Relevant prior experience; project management systems, resources, skills, plans; adequate field resources and capability; Quality-Safety-Environment management systems; adequate plans for customer interactions.	15%
Customer Focus: Availability of Mobile App; Customer (web) Portal; Rous staff portal for customer enquiries; Prior deployments of customer digital experience platform; Resources for Comms Plan / customer notifications / customer interactions and support / on-boarding / service desk / dispute procedures.	15%

The non-price scores were weighted and totalled, as summarised below in [Table 3](#).

Table 3 – Non-Price Scores and Rank

Tenderer	Total non-price score	Rank
Nucleus 3 Pty Ltd	39.55	1
WaterGroup Pty Ltd	34.85	3
Taggle Systems Pty Ltd	36.40	2
SC Action Pty Ltd ATF Campbell Family Trust	26.70	4

Evaluation of price

The lump sums and rates submitted from each Tenderer were evaluated through a benchmarking process to enable an evaluation of the price criteria. Local content was considered but was not consequential in the outcome of the tender evaluation.

Exclusions, Omissions, Qualifications and Departures in Tender Proposals

All four Tenders were generally complete without significant exclusions, omissions, qualifications or departures however only the preferred Tenderer was fully examined in this regard. The only significant exclusion was failing to make provision for estimated CPI increases in years Y2 to Y5, so an estimate of this was made and applied to their Tender price. When the preferred Tenderer's price and total score was still in front after this additional cost was applied, there was no need to investigate and cost the departures and exclusions of the other three Tenderers.

The omissions identified in the Nucleus 3 bid related to not considering / costing the (provisional) satellite sites and not anticipating field audit costs to confirm threads and couplings for the 132 meters (25-200mm) that will be retained and reinstalled into the new meter service frames. These omissions will be negotiated further and resolved prior to contract award.

Normalised price scores

The Tenders were compared based on the Assessed Tender Amounts, calculated by adding the assessed values of omissions, qualifications and departures to the original Tender Amounts.

The Assessed Tender Amounts were used to calculate (both) the weighted and normalised price scores using the method set out in the Tender Evaluation Plan and to provide an estimate of the total cost payable to the contract in the first five years. The price scores are summarised below in Table 4.

Table 4 – Price Scores and Rank

Tenderer	Weighted price score	Ranking
Nucleus 3 Pty Ltd	50.00	1
WaterGroup Pty Ltd	46.73	2
Taggle Systems Pty Ltd	36.89	3
SC Action Pty Ltd ATF Campbell Family Trust	18.60	4

Selection of the most advantageous tender

Total scores were obtained for each of the Tenders by adding the normalised total non-price score and weighted price score. The total overall scores are summarised below in Table 5.

Table 5 – Overall Scores and Rank

Tenderer	Total normalised non-price score	Weighted price score	Total score	Ranking
Nucleus 3 Pty Ltd	39.55	50.00	89.6	1
WaterGroup Pty Ltd	34.85	46.73	81.6	2
Taggle Systems Pty Ltd	36.40	36.89	73.3	3
SC Action Pty Ltd ATF Campbell Family Trust	26.70	18.60	45.3	4

The Preferred Tenderer has confirmed understanding of scope, contractual obligations and that the Tender Amount reflects all contractual obligations.

The Tender Evaluation Committee is in full agreement that the Tenderer with the highest total score, therefore representing the best value for money, was Nucleus 3 Pty Ltd and that they can complete the required services under this contract satisfactorily.

Estimation of total contract value

The scope of services to be supplied under this contract includes:

- Supply and Install 1,998 smart meters and 132 smart loggers at Rous retail water customer sites.
- Replace 2,112 existing meter service frames with a new standard arrangement that can accommodate backflow devices.
- Install 1,757 backflow devices supplied by Rous, at sites where none currently exist; test and re-install or replace backflow devices that currently exist at 318 additional properties.
- Provide (or provide access to) the wireless network, device management platform, data storage, application software necessary to collect and utilise the smart meter water usage data.
- Provide and interface with Rous Billing software.
- Provide a customer web portal or mobile digital interface, web portal for Rous staff use, and related training and support for Rous staff.
- Essential smart meter and smart logger spares and warranties.
- Utilize a solution architecture that is scalable and could separately accommodate smart water meter and/or other smart device/smart city program rollouts by constituent Councils.

The Total Estimated Contract Cost over 5 years for the Preferred Tenderer Nucleus 3 is \$2,866,239 (excl GST).

Finance

The expected maximum contract value payable to Nucleus 3 over a 5 year period is \$2,866,239 (excl GST), with approximately \$2,513,000 payable in the first 12 months of the project (which will span across budget years 22/23 and 23/24). The remaining \$353,000 is payable as recurring charges over years 2 to 5.

Table 6 - Smart Metering and Backflow Expected Total Project Costs (all excl GST)

Item	21/22	22/23	23/24	24/25	25/26	26/27	27/28	Total
Smart Metering and Backflow Contractor Costs (incl contingencies)	\$0	\$262,000	\$2,250,944	\$80,384	\$86,011	\$91,170	\$95,730	\$2,866,239
Rous Project Management	\$79,040	\$161,680	\$182,441	\$0	\$0	\$0	\$0	\$423,161
Backflow Device and BackflowID platform Purchase	\$0	\$271,539	\$0	\$0	\$0	\$0	\$0	\$271,539
TOTAL	\$79,040	\$695,219	\$2,433,385	\$80,384	\$86,011	\$91,170	\$95,730	\$3,559,939

Legal

As the value of the contract was expected to exceed \$250,000 (incl GST), Council was required under section 55 of the *Local Government Act 1993* to invite tenders in accordance with the tendering provisions of the Regulation prior to entering into contracts.

As outlined in the body of this report, the selective tendering method² was utilised in conformance with the requirements set out in Part 7 of the Regulation.

Should Council authorise the General Manager to negotiate and enter into a contract with the preferred Tenderer, Nucleus 3 Pty Ltd, the details of the contract will be recorded in Council's contracts register available on its website in accordance with *Government Information (Public Access) Act 2009* (NSW).

² Section 166(b) *Local Government (General) Regulation 2021* (NSW)

Conclusion

At the conclusion of the evaluation process for the award of the contract 'RCC1022-0011 Supply and Installation of Smart Metering and Installation of Backflow Prevention Devices', the preferred Tenderer is Nucleus 3 Pty Ltd.

It is recommended that Council authorise the General Manager to enter into negotiations with Nucleus 3 to execute a Contract for the work to a maximum amount of \$2,866,239 (excl GST) and approve an increase in the overall project budget of \$993,139 to take the total Smart Metering and Backflow Project budget to \$3,559,939.