

## Intercity Express Programme

# IEP Evaluation Process Guidance Document

Version	Prepared	Acknowledged	Approved	Circulated to
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## 1. Introduction

### 1.1 Purpose of the IEP Evaluation Process Guidance Document

The purpose of this guidance document is to establish and document the IEP evaluation processes.

### 1.2 Process Parameters

The IEP Evaluation Process Guidance Document will describe;

- Section 2 DfT's strategy and objectives for the evaluation process
- Section 3 The overall structure of the evaluation process
- Section 4 Primary evaluation process outputs
- Section 5 The key stages of IEP evaluation
- Section 6 Stage 1 Evaluation - Compliance Assessment
- Section 7 Stage 2 Evaluation of Deliverability
- Section 8 Stage 2 Evaluation - Technical Deliverability Assessment
- Section 9 Stage 2 Evaluation - Financial Deliverability Assessment
- Section 10 Stage 3 Evaluation - Assessment of Value
- Section 11 Contract mark up
- Section 12 Evaluation Phase Risks and Issues Identification Process
- Section 13 Evaluation Phase Clarification Question Process
- Section 14 Assessment of Additional Service Proposals
- Section 15 Assessment of Alternative Proposals
- Section 16 Core Evaluation Group

## 2. DfT's Strategy and Objectives for the Evaluation Process

### 2.1 Objective of the IEP Evaluation Process

The objective of DfT's IEP evaluation process is to ensure that bids are consistently, transparently and effectively evaluated and in doing so provide certainty to CAC that an auditable best practice approach to the evaluation process has been used in determining the recommendations of the CAC Summary Paper.

Section 3.1 of the ITT sets out the three categories of bid that the Bidders are required and/or given the opportunity to submit tender proposals for;

- Bids A – D Base Proposals
- Bids E – G Additional Service Proposals
- Bids H – J Alternative Proposals

The evaluation of the Base proposal forms the basis of the recommendation to CAC and the evaluation of these bids will be carried out as the principle assessment of IEP. Bids E

– G will be assessed in weeks 9 – 12 as will bids H – J subject to the Bidders submitting a proposal for the same.

Team and Plan Leads will advise their evaluation team members of the agreed order of evaluation of bids A – D, e.g. by route, by overall strategy etc in advance of the evaluation. Further detail is provided in Sections 8, 9 and 10.

## **2.2 Objective of IEP**

The DfT's objectives of the IEP are set out in section 2.1 of the ITT. At a high level these cover the principles that the DfT has based its various ITT input documents upon, including the evaluation criteria, and what it will ultimately seek as headline deliverables within the contractualised offering.

The objectives of IEP are to:

- deliver increased carrying capacity on the rail network;
- deliver a fast reliable journey time;
- meet customer requirements by providing an enhanced passenger environment;
- improve safety;
- deliver an environmentally sustainable solution;
- minimise whole-life, whole-system cost;
- offer flexibility of deployment;
- manage the transition between TSP and existing Intercity fleets.

## **2.3 Accordance with IEP ITT**

In accordance with the IEP ITT this Evaluation Process Guidance Document will ensure that each tender return will be evaluated for:

- Compliance tests set out in Section 3.5.1 of the ITT
- Deliverability assessment set out in Section 3.5.2 of the ITT
- Assessment of Value as set out in Sections 3.5.3 and 3.5.4 of the ITT

## **3. The Level 1 – 3 structure of the evaluation process**

The Level 1 – 3 structure of the evaluation process is shown in Figure 'A'.

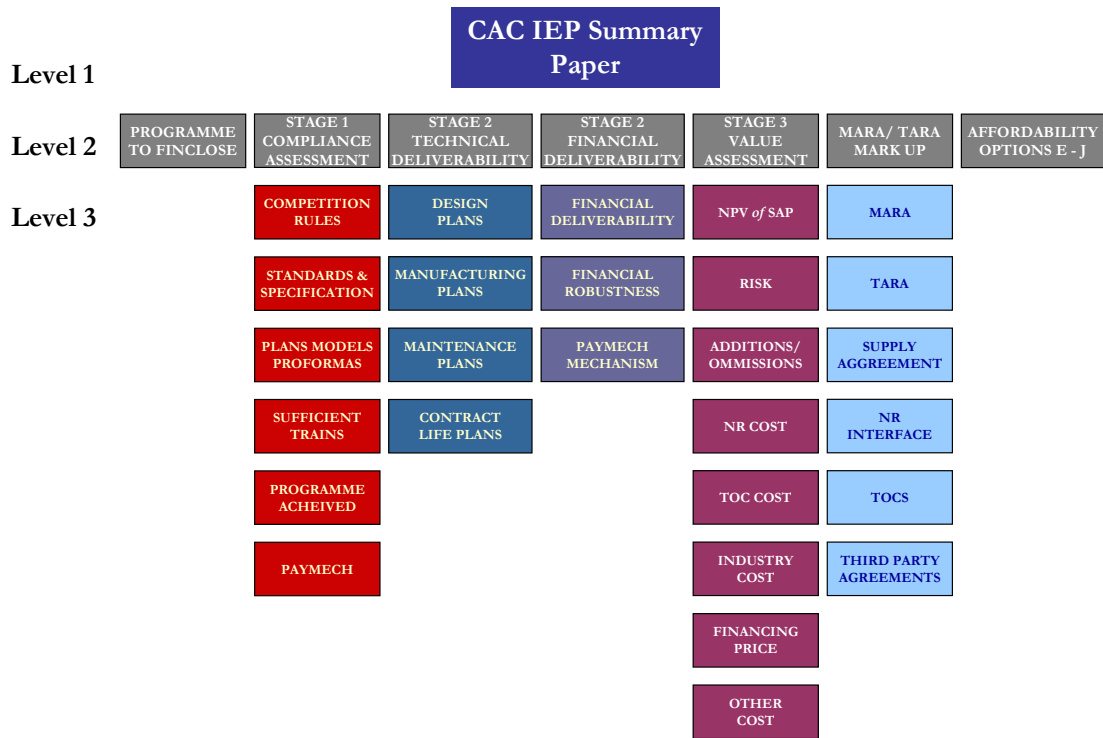


Figure ‘A’ – Level 1 -3 Evaluation Process Structure

### 3.1 Level 1 – CAC Presentation

The primary output from the evaluation stage will be a Summary Paper presented to the DfT Contract Award Committee (CAC). The CAC Summary Paper will collectively present the outputs from the key specialist areas of evaluation.

### 3.2 Level 2 – Evaluation Stage Reports

The CAC Summary Paper will be supported by a number of Evaluation Stage and contract mark up Reports each of which will distil the outputs from each of the following evaluation stages:

- Stage 1 – Compliance Assessment
- Stage 2 – Technical Deliverability Assessment
- Stage 2 – Financial Deliverability and Robustness Assessment
- Stage 3 – Assessment of Value

In addition the CAC Summary paper will include reports covering;

- MARA/TARA mark up review
- Programme to Financial Close analysis.
- Affordability, Options E-J

### 3.3 Level 3 – Sub-Section Evaluation Reports

The Stage 2 Deliverability evaluation groups the evaluation of clusters of plans, models and proformas into sub-sections of the Stage evaluation which are collectively reviewed, scored and reported (i.e.; Sub-Section 1 – Design Stage Plans). The Stage 2 Evaluation reports will be scored at this level. Further evaluation of technical and financial deliverability will be carried out at lower levels and the process for these is set out in section 8 and 9 of this document.

## **4 Primary Evaluation Process Outputs**

### **4.1 CAC Summary Paper**

The primary output from the evaluation stage will be a Summary Paper presented to the DfT Contract Award Committee (CAC). The paper entitled ‘Results of the IEP Evaluation and Proposed Negotiating Strategy’ will summarise the results of the evaluation of Bidders’ Proposals to provide train services to operate on various routes of the National Rail Network and to propose a negotiating strategy and objectives, boundaries and timescales.

### **4.2 Key inputs**

- Stage 1 Compliance Assessment Report (Responsible resource – [Redacted])
- Stage 2 Joint Assessment Score Report (Responsible resources – [Redacted])
- Stage 2 Technical Deliverability Assessment Report (Responsible resource - [Redacted])
- Stage 2 Financial Deliverability and Robustness Assessment Report (Responsible resources - [Redacted])
- Stage 3 Value Assessment Report (Responsible resource - [Redacted])
- Legal Commentary and Risks (Responsible resource - [Redacted])
- Affordability, Options E-J (Responsible resource – [Redacted])

### **4.3 Key Outputs**

- CAC Summary Paper (Responsible resource – [Redacted])

The template CAC Summary Paper is set out in Appendix A [Redacted].

## **5 IEP Evaluation**

### **5.1 The Key Stages of IEP Evaluation**

The key stages of evaluation set out in Section 3 of the ITT are;

- Stage 1 – Compliance Assessment
- Stage 2 – Technical Deliverability Assessment
- Stage 2 – Financial Deliverability and Robustness Assessment
- Stage 3 – Assessment of Value

To ensure consistency across all of the evaluation teams the evaluation process will include guidance for all DfT evaluation team members in respect of the common methodology and approach that is to be taken during the three evaluation stages.

For each stage the guidance note will:

- Identify the Evaluation Team lead
- Identify the planned DfT team resourcing profile and key responsibilities
- Identify the Bidder input requirements
- Set out the evaluation methodology
- Provide standard evaluation templates and proformas for the various levels of evaluation
- Provide standard scoring guidance for the various levels of evaluation
- Identify the mechanism for identifying and quantifying risk
- Establish the interlinkages and communication channels between the various DfT evaluation teams
- Set out the evaluation team outputs

## 5.2 Confidentiality

A fundamental requirement of the IEP procurement is that tender information is kept confidential at all times throughout the evaluation process and that the highest standards are applied and maintained in order to ensure that any evaluator's access to Bidder information is restricted to that agreed with the evaluation team leads and set out herein as defined by the access to information defined in ASITE.

Specifically commercially sensitive tender information must be controlled to:

- Prevent the prospect of insider trading in share prices
- Avoid the leakage of undesirable information to Bidders and the undermining of the DfT's negotiating leverage.
- Provide confidence in the procurement process
- Reduce the risk of Judicial Review

The need to balance the conflicting requirements of the control of access to Bidder specific commercially sensitive information whilst completing the demanding whole life, whole industry cost benefit assessment of bids with support from industry third parties is particularly complex on IEP. Instructions for the Control of Bidder Sensitive Information are set out in [Redacted].

Team Leads shall take all necessary precautions to ensure that all Information obtained from the Bidders is;

- given only to designated Staff and professional advisors or consultants engaged to advise in connection with IEP as is strictly necessary for evaluation of the bids;

- is treated as confidential and not disclosed or used by any Staff or such professional advisors or consultants otherwise than for the purposes of the IEP evaluation.

Evaluation Team Leads are responsible for ensuring that their entire evaluation team, including all staff or such professional advisors or consultants, sign a copy of the Evaluator's Terms of Reference/ Confidentiality Agreement set out in [Redacted] of this document. Team Leads are to maintain an IEP Evaluation Team File that includes original copies of each evaluator's signed Evaluator's Terms of Reference/ Confidentiality Agreement and to ensure that no access to bid information is given to anyone within their team who has not provided a signed version of the same.

ASITE Evaluator roles are set out in [Redacted].

## **6 Stage 1 Evaluation - Compliance Assessment**

### **6.1 Evaluation Team Lead**

The DfT IEP Procurement Team will be Accountable and Responsible for the Stage 1 evaluation process. [Redacted] is the designated Procurement Team lead for this phase.

### **6.2 Compliance Assessment Team**

The Compliance assessment will be carried out by the following team members:

- Compliance Lead - [Redacted]
- Technical - [Redacted]
- Programme - [Redacted]
- Finance - [Redacted]
- Commercial - [Redacted]

### **6.3 Bidder Input Requirements**

Section 3.5.1 of the ITT identifies for Bidders those areas of their bid that will contribute towards a 'Compliant Proposal' and sets out eight key areas against which their bids will be tested in the primary evaluation stage;

- be compliant with the competition rules and other legal obligations (as set out in section 2 of this ITT), Responsible DfT resource – [Redacted]
- be compliant in all material respects with the mandatory requirements of legislation, standards and the specifications, Responsible DfT resource – [Redacted]

- include the provision of full and comprehensive plans, models and designs and proformas as set out in Parts 1 – 9 of Table 3.4.1; Responsible DfT resource – [Redacted]
- deliver sufficient trains to run the diagrams for the Core Routes and Priced Options set out in section 1.3.2; Responsible DfT resource – [Redacted]
- deliver the trains into passenger service on the Core Routes and Priced options so as to allow full operation by IE Trains by the dates set out in section 1.3.2; Responsible DfT resource – [Redacted]
- demonstrate substantial acceptance of the payment regime set out in the TARAs; Responsible DfT resource – [Redacted]
- demonstrate substantial acceptance of the allocation of risk as set out in the draft IE Agreements including the MARA and TARAs; Responsible DfT resource – [Redacted]
- be capable of achieving Financial Close occurring on 1 April 2009 Responsible DfT resource – [Redacted]

#### 6.4 Evaluation methodology

Each of the eight key areas of compliance assessment set out in section 6.3 will be evaluated to identify where and the extent to which Bidders have deviated from the DfT requirements as set out in Section 3.5.1 of the ITT.

As part of their tender submission Bidders are required have completed a clause-by-clause compliance statement. The cumulative impact of any non-compliance statements will be assessed by the work-stream lead in discussion with [Redacted].

#### 6.5 Standard evaluation templates and Proformas

Standard template spreadsheets have been developed for the Stage 1 Evaluation process and are available on ASITE (folder reference 01-01 ITT). Bidders will be required to complete and supply completed templates as part of their bid;

**Template 1** – Aide-Mémoire, designed to identify that all key tender documents have been included within the Bidders tender return documentation. The template advises Bidders of those plans/ models/ pro-formas that the DfT are prepared to accept as a single generic offering satisfying the bid requirements for bids ‘a-d’ and those which are specific and/or incremental as set out in Sections 3.1 and 3.4.1 of the ITT. The default position in the event of blank response to the template is a ‘not returned’ statement.

**Template 2** – Bid Compliance, tests compliance with shelf life, competition matters and changes in circumstances. The default position in the event of blank response to the template is a ‘non compliant’ statement.



**Non-Compliance Statements – MARA**, tests compliance with DfT MARA on a clause-by-clause basis. Where a clause has been identified by the Bidders as being ‘non-compliant’ they are required to confirm that they have provided a mark-up of the text they wish to change. The default position in the event of blank response to the template is that the Bidder has accepted the terms of agreement and is required to provide details of the reason for the non-compliance. Bidders are required to complete a non-compliance statement in the format set out in 2.7.4 of the ITT.

**Non-Compliance Statements – TARA**, tests compliance with DfT TARA on a clause-by-clause basis. Where a clause has been identified by the Bidders as being ‘non-compliant’ they are required to confirm that they have provided a mark-up of the text they wish to change. The default position in the event of blank response to the template is that the Bidder has accepted the terms of agreement and is required to provide details of the reason for the non-compliance. Bidders are required to complete a non-compliance statement in the format set out in 2.7.4 of the ITT.

**Template 3 – TIIS**, tests compliance with the essential criteria of the NR TIIS on a clause-by-clause basis. Where a clause has been identified by the Bidders as being ‘non-compliant’ Bidders are required to confirm that their non-compliance has been discussed with NRIL prior to bid submission and to provide a summary of those discussions. Provision is also made for Bidders to cross reference sections of their bid which either support their compliance statement or mitigate the non-compliance. The default position in the event of blank response to the template is a ‘non compliant’ statement.

**Template 4 – TTS**, tests compliance with the essential criteria of the DfT TTS on a clause-by-clause basis. Where a clause has been identified by the Bidders as being ‘non-compliant’ Bidders are required to confirm that their non-compliance has been discussed with DfT prior to bid submission and to provide a summary of those discussions. Provision is also made for Bidders to cross reference sections of their bid which either support their compliance statement or mitigate the non-compliance. The default position in the event of blank response to the template is a ‘non compliant’ statement.

**Template 5** – Tests whether the proposed solution meets the desirable elements of the TTS following the same format as 5 & 6 above. This template is not part of the Compliance Statement and is non-compulsory.

**Template 6** – Identifies the number of trains in the Bidders offering and the programme for delivering the same into service.

## 6.6 Assessment

The outputs from the Bidder supplied Templates and all other compliant requirements set out in 3.5.1 of the ITT will be collectively reviewed and assessed. In line with the ITT Bidders are required to have demonstrated that their bids are substantiality compliant to

the satisfaction of the DfT in order to be able to advance to the Stage 2 Technical and Financial Deliverability Evaluation and Stage 3 Assessment of Value.

## **6.7 Identifying and quantifying issues and risks**

In respect of any component of one of the eight key areas of Stage 1 evaluation where a Bidder has:

- Failed to comply
- Failed to comply as they have not been able to provide a sufficient level evidence of compliance
- Provided caveated evidence
- Provided an inconsistent response
- Identified a direct or indirect risk

The evaluator is required to note such item as a ‘provisional issue or risk’ on the IEP Issues and Risk Log and flag the same for assessment (see Section 12). Where the extent of the issue or risk is immediate and/or potential indirect issues or risks can be identified by evaluators these are to be flagged and communicated to the Evaluation Team Issues and Risk Assessment Manager (ETIRAM) to ensure that they are aware of the emerging risk. The risk should be noted as having been ‘flagged’ to the recipient on the evaluation risk log.

## **6.8 Interlinkages and communication channels between the various DfT evaluation teams**

Section 12 covers the issues and risk management process, Section 6.7 sets out the specific arrangements for this evaluation stage.

It is imperative that the Stage 1 evaluation team work co-operatively and collaboratively under the direction of [Redacted] regularly exchanging information and viewpoints and in doing so supporting a process with a strong audit trail which manages issues in a productive and positive manner and drives out inconsistencies and double-counting.

## **6.9 Outputs**

Establish key resource responsibilities;

- Risk identification, assessment and mitigation proposals
- Key Section Reports
- Intra-team communication and cross-Section evaluation team collaboration

Upstream feeds;

- Stage 1 – Compliance Assessment Report

## **7 Stage 2 Evaluation of Deliverability**

### **7.1 Weighting of Stage 2 Evaluation Scores**

Stage 2 of the evaluation process assesses the technical and financial deliverability of the Bidders' offerings. Although these are separately evaluated and assessed the deliverability of the offerings are collectively scored in line with Section 3.5.2 of the ITT.

Individual technical and financial deliverability scores are weighted as follows:

Financial	30%
Technical	70%

The overall combined technical and financial scores will be added to the joint Stage 2 Deliverability Assessment

## **8 Stage 2 Evaluation – Technical Deliverability Assessment**

### **8.1 Evaluation Team Lead**

The DfT IEP Procurement Team will be Accountable and the DfT Technical Team will be Responsible for the Stage 2 Technical Deliverability evaluation process.

#### **8.1.1 'Accountable' Resourcing**

[Redacted] is the designated Procurement Team lead for the Design Stage Plans and Manufacturing/ Bringing into Service Plans

[Redacted] is the designated Procurement Team lead for the Maintenance & Whole Life Plans

[Redacted] is the designated Procurement Team Lead for the Contract Life Plans

#### **8.1.2 'Responsible Resourcing'**

[Redacted] is the designated Technical Team Lead and Evaluation Team Lead for all plans.

### **8.2 Technical Deliverability Assessment Team**

Details of the Technical Deliverability Assessment evaluation team for each plan, including those aspects of the plan that they will be evaluating, will be set out in the IEP Process for Technical Evaluation ([Redacted] to this document).

Sub-Section Plan Leads are as follows:

#### **1 - Design Stage Plans**

[Redacted]

#### **2 - Manufacturing/ Bringing into Service Plans**

[Redacted]

#### **3 - Maintenance & Whole Life Plans**

[Redacted]

## 4 - Contract Life Plans

[Redacted]

### 8.3 Bidder Input Requirements

Section 3.5.2 of the ITT sets out the purpose of this stage of the evaluation, which principally is to give DfT confidence that the Bidders' offering is technically sound, evidenced and deliverable. Whilst technical innovation is welcomed, derogations from standards and technical specifications are only to be considered acceptable where pre-bid consultation has taken place and DfT are supportive of the same (in line with Clarification Questions RFd009, RFb132 and XXX). In the event that this is not the case refer to sections 6.7 and 12.

Section 4 of the ITT specifies the plans that the Bidders are required to provide as part of their tender returns. To improve the potential for Bidders' offerings to be more comparably evaluated Appendix A of the ITT suggests areas that the Bidders should consider for inclusion within their plans.

### 8.4 Evaluation methodology

#### 8.4.1 Evaluation Process Structure

Section 3 of this document sets out the Level 1 – 3 structure of the evaluation process. Figure 'B' illustrates the evaluation process to level 9.

The level of detailed evaluation required for each bid varies significantly across the Technical plans; some plans will need to be assessed and evaluated to Level 9 whereas others may only require system analysis evaluation to around Level 5 or 6. The typical aspects of the bids that will be evaluated at the various levels are set out in Figure B below.

#### Level 4 – Plan, Model, Proforma Evaluation

The evaluation of each of the Stage 2 Deliverability plans, models and proformas (e.g.; Concept Train Design Plan).

#### Level 5 – Plan, Model, Proforma Sectional Evaluation

The evaluation of key sections of each of the Stage 2 Deliverability plans, models and proformas (e.g.; Technical features).

#### Level 6 – Plan, Model, Proforma Sub-Sectional Evaluation

The evaluation of key sub-sections of each of the Stage 2 Deliverability plans, models and proformas (e.g.; Diesel).

#### Level 7 – Specific Plan, Model, Proforma Location/Type Analysis

The evaluation of key sub-sections of each of the Stage 2 Deliverability plans, models and proformas by type or location (e.g.; Under-body).

**Level 8 – Specific Plan, Model, Proforma Location/Type Sub-Section Analysis**

The evaluation of key sub-sections of each of the Stage 2 Deliverability plans, models and proformas by type or location sub-section (e.g.; Bogie)

**Level 9 – Specific Plan, Model, Proforma Location/Type Component Analysis**

The evaluation of key sub-sections of each of the Stage 2 Deliverability plans, models and proformas by type or location component (e.g.; Bogie Frame).

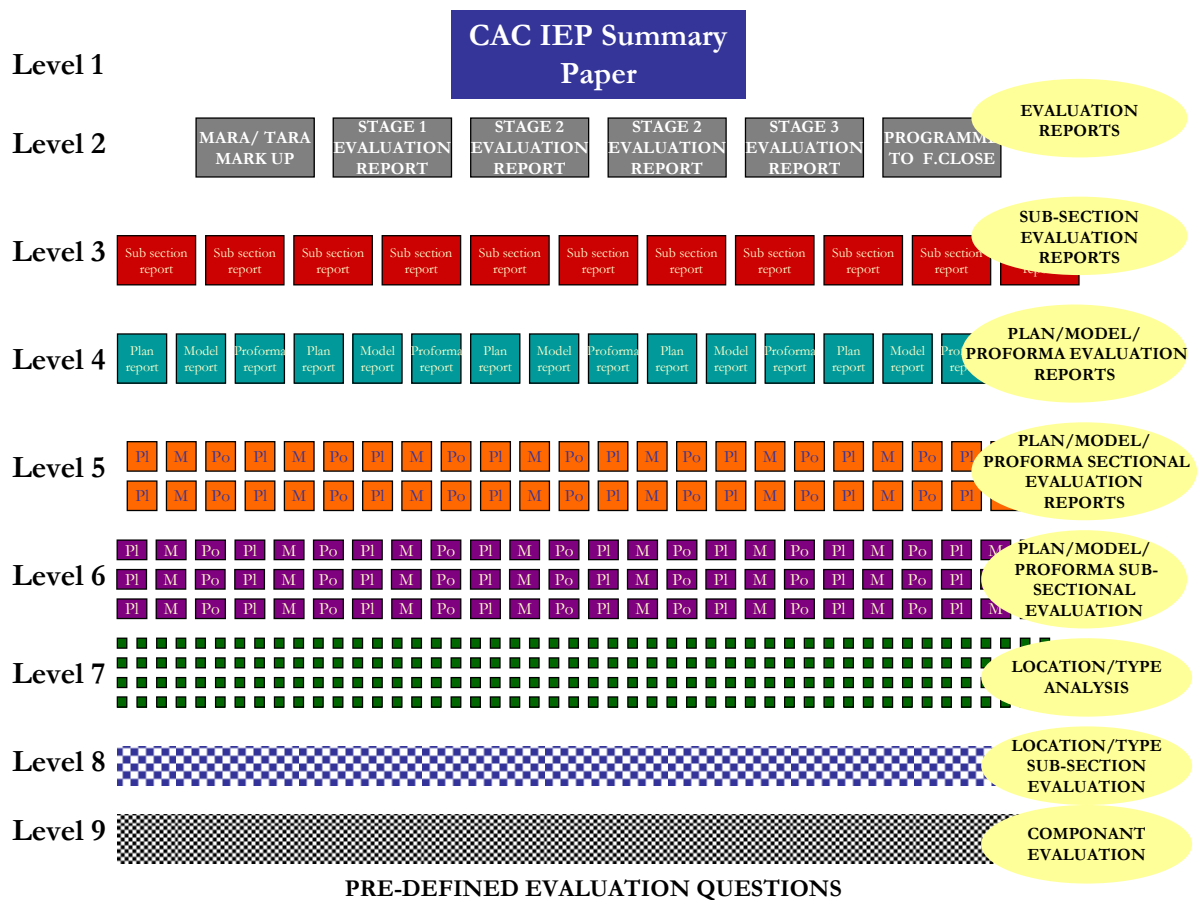


Figure ‘B’ – Evaluation Process Structure

In preparation for the evaluation phase the Technical Team Lead has established specific plan resourcing levels with all of the delegated plan team leads in line with Section 12. As part of this resource analysis the team will be required to establish for each plan the resourcing that they would apply to the various sub-sections that are to be assessed and the importance of these will have on the overall plan (see Section 8.6).

**8.4.2 Evaluation Consensus**

To ensure that results of lower level detailed evaluation are duly considered within the whole plan Consensus meetings will be held at specific points within the evaluation of

certain plans to gather results of earlier analysis and collect them in more appropriate clusters. An example would be the results of evaluation of sub-systems and components being brought to a consensus forum for collective review as an integrated system.

The consensus meeting will;

- Review strengths and weaknesses of the offering
- Identify risks and issues that have been established at lower levels of evaluation
- Inform participating evaluation leads of the results and considerations made in earlier levels of evaluation

The technical deliverability evaluation of level 4 and below review is set out in the IEP Process for Technical Evaluation ([Redacted]).

Plan level (level 4) consensus meetings will be chaired by an IEP Procurement Team representative, with the casting vote residing with the plan leader.

### **8.5 Bidder information access privileges**

Reflecting the DfT's fundamental requirement for the anonymisation of bids and effective segregation of Bidders' offerings, and the commercial sensitivity of much of the Bidders' offerings, the information that each member of the evaluation team will be able to access will be limited to that which directly relates to the area of the bid that they are assessing. In assessing definitive resourcing requirements for their plan evaluation team the delegated team lead will agree the aspects of the bid information that they will allow team members access to. The Technical Team Leader will confirm these requirements with the Procurement Team who will carry out a joint sensitivity analysis to ensure that the privileges are consistent with the role of each individual team member within the evaluation process. Where additional access is required to Bidders' information evaluators are to request such access via the team lead. The team lead is to discuss the same with the IEP Procurement team who, subject to acceptance, will reset and extend access privileges.

Individual ASITE privileges will be set for each team role to reflect the specific areas of evaluation in which they will be engaged. The privileges, which have been agreed with the Team Lead, will allow password protected access to ASITE and encrypted CDs and/or memory sticks of their designated sections of the Bidders' offerings to be provided.

### **8.6 Standard Evaluation Templates and Proformas**

To ensure that there is consistency across the evaluation team given both the number of evaluators that will be reviewing the Bidders' offerings and the fact that many of the evaluators will be involved in only a handful of the sections of plans, a standard approach to evaluating and recording scores has been created for each evaluation level.

Within each of the ITT Appendix A plans the Bidders have been provided with an evaluation criteria, it is primarily against these that evaluators will be making their assessment. Where Bidders provide information beyond those areas listed in Appendix

A, due consideration will be made of any strengths, weaknesses, risks and issues relating to these aspects of the bid offering as part of the consensus level evaluation.

In preparation for the evaluation phase the Responsible team lead will be required to identify resources and deliverables for each component part of the plan nominating a component lead for each. The delegated component lead, working with all other component resources must agree the methodology of evaluation with the technical lead which will include:

- Assessment of each component / element (based on its level of importance to the overall plan),
- Model answers (what good looks like) for inclusion with the Shadow bid
- The basis for assessing positively or negatively (ranked good – bad options)
- Foreseeable risks
- Potential mitigations

Standard evaluation templates and proformas to be used in the technical deliverability evaluation are set out in the IEP Process for Technical Evaluation ([Redacted]).

## 8.7 Scoring

### 8.7.1 Sub-Section Weightings (Level 3)

The technical plans are clustered into four Sub-section groups and are weighted as set out in 3.5.2 of the ITT.

<b><i>Plan</i></b>	<b><i>Weighting</i></b>
<b><i>Design Stage Plans</i></b>	<b><i>35%</i></b>
<i>Standards Plan</i>	
<i>Concept Train Design</i>	
<i>Detailed Train Design Plan</i>	
<i>VTISM Model Results File</i>	
<i>Approvals Plan</i>	
<b><i>Manufacturing/ Bringing into Service Plans</i></b>	<b><i>25%</i></b>
<i>Manufacturing Plan</i>	
<i>Testing, Acceptance and Commissioning Plan</i>	
<i>Training Plan</i>	
<i>Delivery and Transition Plan</i>	
<b><i>Maintenance &amp; Whole Life Plans</i></b>	<b><i>30%</i></b>
<i>Train Maintenance &amp; Servicing Plan</i>	
<i>Depot, Servicing and Maintenance Strategy</i>	
<i>Whole Life Modification and Upgrade Plan</i>	
<i>Hand Back Plan</i>	
<b><i>Contract Life Plans</i></b>	<b><i>10%</i></b>
<i>Business Management Plan</i>	
<i>Project Programme</i>	
<i>IEP Contractors Deliverables</i>	
<b><i>Total Weighting</i></b>	<b><i>100%</i></b>



### 8.7.2 RADAR Evaluation Moderation

The technical and business plans will be evaluated using RADAR in line with Section 7.1.1 of the ITT.

The evaluation technique analyses each of the plans in five component areas, and weights the outputs by importance in line with the weightings set out for each in the ITT.

<b>Results</b>	– 10%
<b>Approach</b>	– 20%
<b>Deployment</b>	– 35%
<b>Assessment</b>	– 10%
<b>Review</b>	– 25%

It is proposed that the technical evaluation team will resource the evaluation of plans according to the technical expertise available within those areas. For example a specialist mechanical engineering team will review the power unit offering required in the ITT Appendix A, 7.1.2 Concept Train Design Plan, Section 7 - Technical Features, item 20.

RADAR Evaluation Moderation will take place at Technical Sub-section plan level. The moderation will be carried out by the Technical team lead and the delegated Technical team plan leads representing the technical evaluation teams who have contributed in the level 4 and sub-level evaluation process.

Once each Sub-section of the Technical deliverability has been RADAR scored the results will be weighted in accordance with section 3.5.2 of the ITT and collectively totalled with all other sub-section weighted scores to establish the overall RADAR score for Stage 2 technical deliverability.

### 8.7.3 Sequence of technical evaluation

Flow diagram ‘C’ illustrates the sequence of the technical evaluation process.

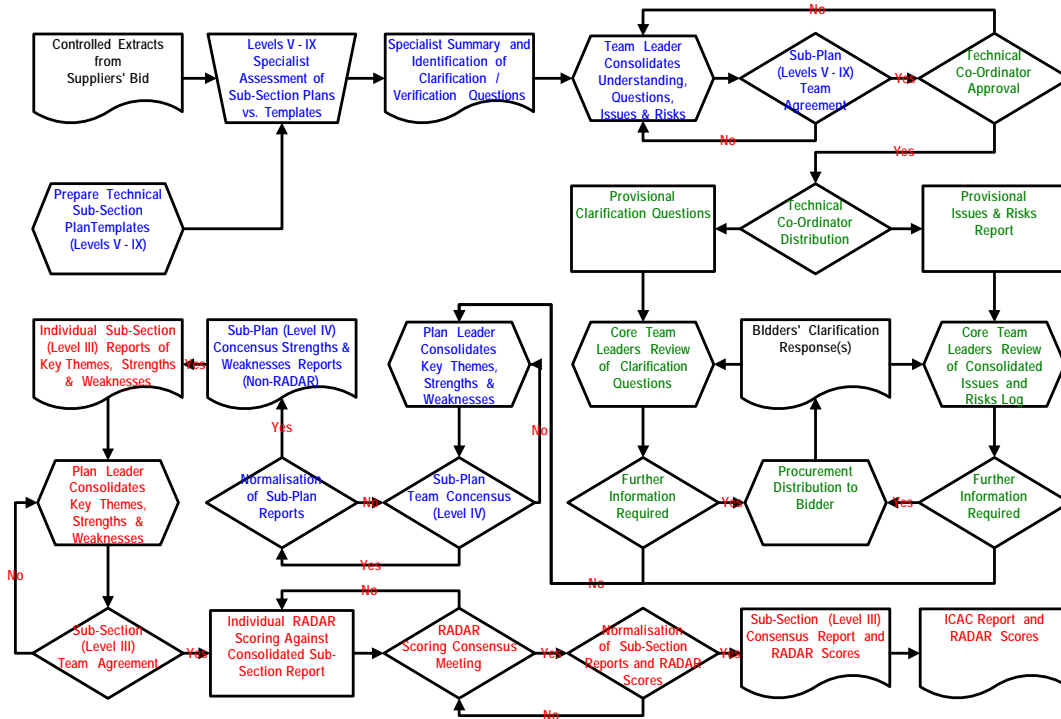
The technical deliverability evaluation of the bids brings together evaluators’ assessments from the various levels of review as set out in 8.4.1. The results of the level assessments are gathered together at various points within each plan review as part of a consensus exercise to collect aspects of the Bidders’ offerings to allow a more holistic view of each plan to be developed. Further bid information may be sought through the clarification question process (Section 13).

Consented results are taken forward for consideration within later levels of plan review. In certain cases where levels of evaluation are highly detailed there will be numerous consensus meetings. Further bid information may be sought through the clarification question process (Section 13).

Plan evaluation outputs (level 4) are gathered for final consensus review by plan leads and nominated key evaluators. Outstanding bid information may be sought through the clarification question process (Section 13).



Sub-section evaluation meetings (level 3) will evaluate the results of those plans (level 4) that are clustered within each sub-section as set out in 3.5.2 of the ITT. Using RADAR moderation the results of the grouped plan evaluations will be brought together and evaluated by sub-section, the results of which will be weighted as set out in the ITT.



Flow Diagram ‘C’ – Sequence of Technical Deliverability Evaluation

RADAR consensus meetings will be chaired by an IEP Procurement Team representative, with the casting vote residing with the technical team leader.

**8.8 Identifying and quantifying issues and risks**

A primary purpose of the technical deliverability evaluation will be to review Bidders’ offerings to a sufficient level of detail to be able to gain confidence in their ability to achieve the performance outputs included within their bids. The technical plans requested in the ITT are designed to allow all Bidders the same opportunity to substantiate their bids more fully with evidence and other supporting information to improve the evaluator’s understanding and confidence in the offerings.

It is expected that those technical issues and risks identified within the Stage One assessment that have been added to the evaluation Issues and Risk Log as ‘provisional issues and risks’ flagged for assessment within Stage 2 (see Section 12) will be more fully understood by reference to further information contained within the technical plans.

Additional issues and risks that become apparent during the Stage 2 evaluation process need to be added to the risks and issues log. All issues and risks will be flagged and communicated to [Redacted], the ETIRAM and the Value Assessment Team via the IIRAM using an Issues and Risks pro forma. Pro forma entries will then be added to the

evaluation Issues and Risk Log in line with the issues and risk process set out in Section 12.

Key outputs from this evaluation Stage will be the identification and quantification of technical issues and risks categorised as ‘Significantly Material’ risks. The process, set out more fully in Section 12, will include the reassessment and recalculation of flagged risks from Stage 1 Compliance assessment which in some cases will include their removal from the Issues and Risk Register. Where risks have been identified they will be categorised as ‘Significantly material’, ‘Material’ or ‘Noteworthy’ issues and risks.

‘Significantly Material’ risks (Risks valued  $\geq$  £5m) will be quantified (cost and programme), and mitigation plans will be developed to allow the Stage 3 evaluation team to understand the dimension and importance of the risks. New and adjusted issues and risks will be communicated immediately to the Stage 3 evaluation team for inclusion within their evaluation assessment.

‘Material’ risks (£5m > risks valued  $\geq$  £1m) will be quantified (costs and programme) and mitigation plans developed. ‘Noteworthy’ risks (< £1m) will be estimated (costs and programme) and noted. New and adjusted risks will be reviewed for inclusion within the evaluation risk log or transferred as a listed negotiation strategy item.

The identification and assessment of risks is described further in Sections 10 and 12.

### **8.9 Interlinkages and communication channels between the various DfT evaluation teams**

Section 12 covers the risk management process, Section 8.7 sets out the specific arrangements for this evaluation stage.

It is imperative that the Stage 2 evaluation team work collegiately and collaboratively with the whole of the IEP Evaluation Team under the direction of [Redacted] (Design Stage Plans and Manufacturing/ Bringing into Service Plans), [Redacted] (Maintenance & Whole Life Plans) and [Redacted] (Contract Life Plans).

### **8.10 Outputs**

Establish key resource responsibilities;

- Risk identification, assessment and mitigation proposals
- Key Sub-Section (Design Stage Plans, Manufacturing/ Bringing into Service Plans, Maintenance & Whole Life Plans and Contract Life Plans) Reports.
- Intra-team communication and cross-Section evaluation team collaboration

Upstream feeds;

- Stage 2 – Technical Deliverability Assessment Report

The overall combined technical and financial scores will be added to the joint Stage 2 Deliverability Assessment

## **9 Stage 2 Evaluation – Financial Deliverability Assessment**

## 9.1 Evaluation Team Lead

For the Stage 2 Financial Deliverability evaluation process the DfT IEP Procurement team will be the 'Accountable' party with [Redacted] designated as the team lead and the DfT CFD team will be the 'Responsible' team led by [Redacted] with support from PwC.

## 9.2 Financial Deliverability Assessment Team

The Financial Deliverability Assessment is split into two areas of assessment; 'Funding Deliverability' and 'Financial Robustness'. [Redacted] (Rail Procurement) will have overall accountability for the combined financial deliverability assessment.

The Sub-section assessments will be carried out by the following team members:

### 9.2.1 Funding deliverability (Delegated Responsible lead – [Redacted]).

[Redacted] (CFD lead reporting to [Redacted]) will 'project manage' the funding deliverability assessment, arrange and co-ordinate meetings, reports, etc.

[Redacted] (PwC) will manage PwC resource input into the assessment process.

Further support for specialist areas of the assessment will include members of teams led by [Redacted] (IEP Procurement) and [Redacted] (SDG).

### 9.2.2 Financial Robustness (Delegated Responsible lead – [Redacted]).

[Redacted] (CFD lead reporting to [Redacted]) will 'project manage' the financial robustness assessment, arrange and co-ordinate meetings, reports, etc.

[Redacted] (PwC) will manage PwC resource input into the assessment process.

Further support for specialist areas of the assessment will include members of teams led by [Redacted] (IEP Procurement), [Redacted] (SDG) and [Redacted] (Technical) and [Redacted] (Insurance).

### 9.2.3 Resourcing

The Financial Evaluation Team (FET) from PwC will comprise the following team members:

- [Redacted]

## 9.3 Governance Arrangements: Financial Assessment Working Group (FAWG)

To undertake the Deliverability analysis and support the Stage 3 Value Assessment (Section 10), a FAWG has been established, the membership of which is made up of resources set out in 9.2.1 & 9.2.2:

The FAWG will meet formally on a weekly basis every Wednesday. It is envisaged that smaller sub-groups of the FAWG will be constituted that will meet informally on an 'as required' basis to consider / resolve specific issues.

The FAWG lead will report weekly at the Core Evaluation Group meeting (CEG), highlighting evaluation progress, emerging issues / risks, etc.

#### **9.4 Financial Deliverability Evaluation Criteria**

Financial Deliverability Assessment comprises two parts: Funding Deliverability and Financial Robustness. Both of these parts carry equal weight in the overall Financial Deliverability Assessment.

**Funding Deliverability Assessment** will evaluate the extent to which the financing proposal demonstrates that there is full and unconditional commitment in place from all providers of finance (including equity, debt and other providers) to underwrite the financing and achieve the financial close as per the Project time lines.

**Financial Robustness Assessment** will evaluate the ability of the key stakeholders (including but not limited to TSP, Sponsors, Parent Company Guarantors, Sub-Contractors and other credit enhancers) and the proposed project / commercial structure to identify, mitigate and absorb the risks involved in the overall delivery and performance of the project. Primarily, the aim is to identify the level of distress that the project will be exposed to and the level of distress that can be handled by the project without impacting its delivery and performance obligations.

#### **9.5 Bidder Input Requirements**

Section 6.1 of the ITT refers the Bidders to Appendix B (Financial Response Requirements) which sets out the information that is to be provided by the Bidders as part of their tender return.

To improve the potential for Bidders offerings to be comparably evaluated Appendix B of the ITT requires Bidders to complete tables 7.2.1 – 7.2.8.

#### **9.6 Financial Evaluation Process**

Section 3.5 of the ITT describes the three stages in evaluation process of the Bidder proposals.

##### **9.6.1 Stage 1 – Compliance Assessment.**

The evaluation team will assess compliance of the proposals across eight parameters. Section 3.5.1 of ITT describes these eight parameters. The key objective of this stage of evaluation is to assess the Bidders compliance with the mandatory legal, technical and commercial requirements of the procurement process and IEP requirements as set out in the ITT.

The DfT IEP Procurement Team (DPT) will be Accountable and Responsible for this stage of evaluation. The PwC financial evaluation team (FET) will have a supporting role

in this stage of the evaluation process where required. FET will support DPT in assessing compliance across:

- Changes in Circumstances as per Section 2.7.2 of ITT
- Legal compliance as per Section 2 of ITT
- Provision of Plans as per Parts 3, 4 and 5 of Table at Section 3.4.1 of ITT
- Provision of Models / Financial Response as per Part 7 of Table at Section 3.4.1 of ITT
- Provision of Proformas as per Part 7 of Table at Section 3.4.1 and Appendix B 7.2.3 – 7.2.8 of ITT
- Substantial acceptance of payment regime as per TARA
- Substantial acceptance of risk allocation under MARA and TARA
- Achievement of Financial Close as per ITT requirements

Across the areas highlighted above FET, through [Redacted] the ETIRAM, will identify any deviations and the risks issues that are likely to emerge from such deviations and the likely impact of such risks and advise the Value assessment Team of these via the IIRAM. Only those proposals that meet substantial compliance criteria would be taken forward to Stage 2 evaluation.

### **9.6.2 Stage 2 – Evaluation of Deliverability**

This stage of the evaluation process assesses the technical and financial deliverability of the proposals. Section 3.5.2 of the ITT describes the technical and financial criteria that would be used for evaluation in this stage. Technical and Financial Deliverability are to be assessed separately with FET Accountable and Responsible for the Financial Deliverability Assessment.

### **9.6.3 The Financial Deliverability Assessment**

Comprises two parts: assessment of Funding Deliverability and Financial Robustness. These two parts are weighed equally in arriving at the overall Financial Deliverability scores. Financial Deliverability evaluation would primarily be based on the information provided by the Bidders as per Section 7.2.1 and 7.2.2 Appendix B of ITT. The methodology for Financial Deliverability Assessment and resource requirements is presented in the subsequent sections of this note.

The Financial Deliverability will calculate a preliminary NPV assessment of the availability payments including adjustment only for manifest errors, the adjustment to the NPVs based on the risks identified would be carried out in Stage 3 of the evaluation process.

### **9.6.4 Support to Technical and Legal Teams**

For the Technical Deliverability Assessment, which would be led by the Technical Evaluation Team, FET has a consultative and supporting role across the following areas:

- Delivery and transition plan
- Alternative delivery and transition plan
- Depot servicing and stabling plan
- Handback plan
- Environmental sustainability
- Business management and contractors deliverables
- Project programme

In addition, FET would also provide its inputs and support to Legal Team (LT) across review of the Project Agreements.

### 9.6.5 Stage 3 – Assessment of Value

In this stage, based on the assessment carried out in Stage 2, the individual offers would be normalised/standardised, adjusted (based on value metrics) and compared to identify proposals and value configurations that offer best value for money to DfT. The DPT will be Accountable and the Value Assessment Team will be Responsible for this stage in the evaluation process.

## 9.7 Evaluation Methodology

This section presents an outline of the methodology for the evaluation of the Financial Deliverability Assessment.

### 9.7.1 Scoring and rating framework

The Scoring criteria and framework that will be used for the evaluation of Funding Deliverability and Financial Robustness is presented in the table below. Both Funding Deliverability and Financial Robustness carry equal Scores of 50% each. Based on the evaluation, a single Score out of 50 would be provided to these two parts. Individual elements / dimensions / parameters will be assessed but not scored separately.

The sum of the scores for Funding Deliverability and Financial Robustness will give a final score out of 100.

The Scoring for the Funding Deliverability and Financial Robustness will be as follows:

Scoring	Rating	Description
4	<b>Clearly Deliverable</b> (Range 90% - 100%)	The submission contains clear and explicit evidence the criterion is understood and addressed; a sound approach has been adopted, is deliverable and there are no significant weaknesses, no significant unmitigated project risks. The proposal may include features beneficial to DfT.

3	<b>Deliverable</b> (Range 65% - 85%)	The submission contains clear evidence that most of the criterion is understood and addressed; the approach adopted for funding is deliverable and there are minor weaknesses and/or unmitigated project risks that are not significant and can be accepted as offered.
2	<b>Substantially Deliverable</b> (Range 40% - 60%)	The submission contains some evidence that the criterion is understood and addressed; the approach adopted for funding is deliverable but there are minor weaknesses and/or unmitigated project risks that can be accepted as offered after adjustment.
1	<b>Possibly Deliverable</b> (Range 15% - 35%)	The submission contains minimal evidence that the criterion is understood and addressed; the approach adopted for funding carries significant weaknesses and project risks that will require significant adjustment, which may significantly alter the proposal.
0	<b>Undeliverable</b> (Range 0% - 10%)	The submission contains little or no evidence that the criterion is understood and addressed; the approach adopted for funding does not seem to be deliverable.

### 9.7.2 Funding Deliverability Assessment

Section 3.1, 3.2 and 3.3 of ITT describe the range of proposals covering the various phases of IEP that the Bidders need to provide. However, at this stage Funding Deliverability Assessment would only be carried out for ECML Phase 1 and GWML Phase 1.

The following table presents the framework that would be used for Funding Deliverability Assessment of ECML Phase 1 and GWML Phase 1 proposals.

Key dimension	Sub-parameter	Description
<b>Funding strategy:</b> Given the current state of the financial markets and the quantum of funding required, this dimension aims at assessing the deliverability of the proposed financing solution.	Funding solution proposed	The type of funding structure and solution proposed (leased, bank, bond, equity arrangements, others) and its deliverability under the current market conditions and at financial close.
	Quantum of funding	Coverage of the solution in terms of addressing the entire quantum of funding / support required.
	Funding instruments	The type of funding instruments, underpinning structures and their deliverability.



	Level and strength of underwriting / commitment	Level and strength of underwriting achieved / commitment received for the funding solution.
	Strength of underwriting institutions	Strength of the institutions underwriting / committing to the financial solutions.
<b>Funding terms:</b> The terms of financing proposed. Their comparison with the market standards and deliverability.	Tenor	The tenor of funding proposed across instruments
	Credit Margins	Pricing across the various stages of the Project (construction / manufacturing / operations) and how they compare with market standards on similar deals
	Key ratios	Financial ratios and covenants, definitions and the basis of calculation
	Financing / Other fees / costs	Financing / other fees and costs and comparison with market standards
	Pricing terms (firm or flex)	Are the pricing terms committed / fixed or there are re-pricing options leading to substantial financing risks.
<b>Funding commitment:</b> Level of commitment demonstrated through the strength of documentation.	Type and strength of documentation	The form of documentation provided evidenced by appropriate level of approvals (board minutes, credit committee approvals, support letters etc.) to demonstrate that the funding is committed.
	Level of due diligence demonstrated	Demonstrate that the funders have been deeply engaged with the Project and understand the key risk issues as evidenced by the level of due diligence performed
	Conditions precedent / Other conditions	The type and nature of conditions precedent / covenants attached to the availability of funds for the Project.
	Project Agreement Mark – Ups	Evidence that there is understanding of the risk sharing structure underpinning the transaction as per project agreements and evidence that there is substantial acceptance of the structure as part of the financing solution.



The sub parameters identified in the table above are not exhaustive and may change based on the proposals received from the Bidders.

In accordance with the Section 3.5.2 of ITT and Section 7.2.1 of Appendix B of ITT, FET will evaluate the information and documentation provided by the Bidders across the above framework.

A single score will be assigned for ECML Phase 1, out of a total weight of 40%. Similarly, single score would be assigned for GWML Phase 1 out of a total weight of 10%.

### 9.7.3 Financial Robustness Assessment

Financial Robustness Assessment would primarily be carried out for ECML Phase 1, which has a total score of 50% assigned to it.

The FET will prepare an overview of the project and commercial structure proposed, specifically addressing aspects such as financing structure (this aspect will also be informed by the assessment carried out of Funding Deliverability), design and delivery structure (covering the role of manufacturers and other stakeholders), infrastructure arrangements (covering depot construction and management), operations structure (looking at service delivery / train delivery to TOC) and other arrangements that may have been proposed as part of the bids. All these aspects are expected to be underpinned by relevant contracts and sub-contracting arrangements hedging and mitigating the risks for TSP.

This overview and analysis will lead to identification of unmitigated risks, their quantification and likely impact on Bidders proposals and the adjustments that may need to be applied to each proposal

The FET will also carry out an initial NPV analysis of the availability payments proposed based on the review of financial models and proformas. This NPV analysis along with the model review will also be used to carry out sensitivity and scenario analysis as part of the Financial Robustness Assessment.

The following table presents the framework that is proposed to be used for identifying and quantifying key risks that emerge as part of the Financial Robustness Assessment of ECML Phase 1.

Key dimension	Sub-parameter	Coverage / mitigation strategies
Financing risks	Interest rate risk	The hedging strategy proposed for mitigating interest rate risk and based on this hedging strategy the extent to which the project is exposed to interest rate fluctuations / changes and its impact on the Bidder offering.
	Inflation risk	The hedging strategy / indexation proposed for mitigating inflation risk and based on this hedging strategy the extent to which the project is exposed to inflation fluctuations / changes and

		its impact on the Bidder offering.
	Foreign exchange risk	Forex component in the bid and forex hedging strategy / mechanism proposed and level of unmitigated forex risk exposure.
	Repayment risk	Reserving and contingency arrangements for debt repayments in terms of strength of DSRA / standby equity, parent company guarantees and other arrangements.
Cost overruns and delays	Project costs	Robustness of overall project cost estimates, contingency and insurance arrangements. Strength of sub-contracting arrangements and level of risk transfer / liability caps. Impact of increase in unmitigated costs on the project delivery.
	Manufacturing costs	Robustness of manufacturing cost estimates, contingency and insurance arrangements. Strength of sub-contracting arrangements and level of risk transfer / liability caps. Impact of increase in unmitigated costs on the project delivery.
	Fleet / set delivery delays (on account of TSP)	Contingency arrangements and level of risk transfer to sub-contractors to deal with delays in delivery of train sets. Impact of delay in delivery of trains on the project.
	O&M costs	Robustness of O&M cost estimates, contingency and insurance arrangements. Strength of sub-contracting arrangements and level of risk transfer / liability caps. Impact of increase in unmitigated costs on the project.
	LC costs	Robustness of life cycle / major maintenance cost estimates, contingency and insurance arrangements. Strength of sub-contracting arrangements and level of risk transfer / liability caps. Impact of increase in unmitigated costs on the project.
Delivery risk	Design risk	Failure to design to specifications, design delays, design changes. Systems incompatibility. Sub-contracting arrangements and level of risk transfer.
	Construction / Build	Delays in manufacturing of trains, train specification failures - Sub-contracting arrangements and level of risk transfer.

	Testing and acceptance risk	Delays in testing, fleet acceptance failure - Sub-contracting arrangements and level of risk transfer.
Performance / Operations and service risk	Acceptance failures during operations period/ delays	Set acceptance failures during operations period, delays in delivery - Sub-contracting arrangements and level of risk transfer.
	Changes in demand patterns	Increase / decrease in train set requirements, changes in diagrams
	Availability adjustments	Service failures, availability deductions as per payment mechanism - Sub-contracting arrangements and level of risk transfer.
	KPI Adjustments	Service failures, availability deductions as per payment mechanism - Sub-contracting arrangements and level of risk transfer.
Interface risks	Track and Infrastructure interface	Track interface issues, network management issues – arrangements with NR
	TOC interface	Train handover and handback risks / acceptance risks / vandalism risks
Asset Value Risk		Risk of residual value of asset beyond usage period
Depot		Planning permissions, delays in construction, cost escalations, in adequate design / planning - Sub-contracting arrangements and level of risk transfer.
Accounting treatment		Balance sheet treatment proposed and its compliance with IAS and Project Agreements (PAs)
Tax treatment		Tax structuring – capital allowances, deferred tax, VAT rate / eligibility – PAs
Change of Law		Change of law leading to changes in design, specifications, safety, environment and other issues and the resulting impact on capital and O&M costs, revenues, deliverability and performance - PAs
Termination		Force Majeure, events of defaults – insurance arrangements, PAs

The risks identified in the table above are not exhaustive and may change based on the proposals received from the Bidders.

The Financial Deliverability Assessment will also inform the risk adjustment work being undertaken as part of the Value Assessment in Stage 3. This will also inform the affordability assessment. The NPV work will be underpinned by an analysis of the Bidders' financial model and Cost Proformas. The Value analysis will include appropriate sensitivity tests and risk adjustment work, as required. This stream of work would be carried out by FET as part of the Stage 3 of the evaluation process comprising Value Assessment.

The evidence and supporting information provided by the Bidders with their bids will be assessed and distilled into a Level 2 Financial Deliverability and Robustness Assessment report, the key findings from which will be entered into the AWARD evaluation tool – see **OUTPUTS** below. This report will provide the following information:

- A series of recommendations relating to each bid based on the financial deliverability of the offer and the steps that should be taken to improve it through further negotiation;
- Key financial risks and issues;
- A detailed analysis supporting the Report's conclusions, providing sufficient evidence for a robust audit trail.

### 9.7.3 Assessment of different options

Funding deliverability and financial robustness will be assessed for each of the four base proposals separately as set out in the ITT

Bid	Routes	Weighting
A + B	ECML Phase 1 and GWML Phase 1 only	33%
C + B	ECML Phase 1 and GWML Phase 1 + Priced Option 1 (WCML (South) + synergies)	33%
D + B	ECML Phase 1 and GWML Phase 1 + Priced Options 1 + 2 (WCML (South) + ECML Phase 2 + synergies)	34%

### 9.7.4 Bidder information access privileges

Bidder Information will be located on ASITE. Reflecting the commercial sensitivity of much of the Bidders' offerings the extent of information that each member of the evaluation team will be able to access will be limited to that which directly relates to the area of the bid that they are assessing.

In assessing definitive resourcing requirements the team lead will agree the aspects of the bid information that they will allow specific team members access to. The Financial Team Leader has discussed these requirements with the DPT to ensure that the

privileges are consistent with the role of each individual team member within the evaluation process. ASITE Privileges reflecting the extent of access to bid information will be made by DPT for each evaluator in line with Bidder information access arrangements pre-agreed with the Team Leads.

Financial evaluation team resourcing is set out in Section 9.2.3 of this document.

To ensure security and confidentiality in line with Section 5.2 no access to bid information will be only be possible where evaluators are licensed as an ASITE user.

## 9.8 Identifying and quantifying risk

A primary purpose of the financial deliverability evaluation will be to review Bidders' offerings to a sufficient level of detail to be able to gain confidence in their ability to finance and achieve the performance outputs included within their bids. The financial plans and pro-formas requested in the IIT are designed to allow all Bidders the same opportunity to substantiate their bids more fully with evidence and other supporting information to improve the evaluator's understanding of their offering.

It is expected that those financial issues and risks identified within the Stage One assessment that have been added to the evaluation Issues and Risk Log as 'provisional issues and risks' flagged for assessment within Stage 2 (see Section 12) will be more fully understood by reference to further information contained within the technical plans.

Additional issues and risks that become apparent during the Stage 2 evaluation process need to be added to the risks and issues log. All issues and risks will be flagged and communicated to [Redacted], the ETIRAM and the Value Assessment Team via [Redacted], the IIRAM using an Issues and Risks pro forma. Pro forma entries will then be added to the evaluation Issues and Risk Log in line with the issues and risk process set out in Section 12.

Key outputs from this evaluation Stage will be the identification and quantification of technical issues and risks categorised as 'Significantly Material' risks. The process, set out more fully in Section 12, will include the reassessment and recalculation of flagged risks from Stage 1 Compliance assessment which in some cases will include their removal from the Issues and Risk Log. Where risks have been identified they will be categorised as 'Significantly material', 'Material' or 'Noteworthy' issues and risks.

'Significantly Material' risks (Risks valued  $\geq$  £5m) will be quantified (cost and programme), and mitigation plans will be developed to allow the Stage 3 evaluation team to understand the dimension and importance of the risks. New and adjusted issues and risks will be communicated immediately to the Stage 3 evaluation team for inclusion within their evaluation assessment.

'Material' risks (£5m > risks valued  $\geq$  £1m) will be quantified (costs and programme) and mitigation plans developed. 'Noteworthy' risks (< £1m) will be estimated (costs and programme) and noted. New and adjusted risks will be reviewed for inclusion within the evaluation risk log or transferred as a listed negotiation strategy item.

The identification and assessment of risks is described further in Sections 10 and 12.

## **9.9 Outputs and Key Deliverables**

### **9.9.1 Key Deliverables**

The key deliverables that FET would generate and other reporting arrangements that it would support across the entire evaluation process (to Stage 3) are as follows:

#### **Stage 1 – Compliance Assessment**

FET would primarily support DPT in compiling the Stage – 1 Compliance Assessment Report for upstream feed. In line with its role, as described above, FET would provide its inputs primarily across the financial areas of the proposals.

#### **Stage 2 – Evaluation of Deliverability (Funding Deliverability)**

FET would submit an Independent Funding Deliverability Report (IFDR) covering a detailed assessment of the qualitative aspects of the bids, together with an assessment of the deliverability of the Bidders' proposals. This report would present the findings of Funding Deliverability and Financial Robustness Assessment and identify key risks (both qualitative and quantitative) that are likely to lead to adjustments for Value Assessment. The report would specifically cover the following aspects:

- Review of Financial Model and Proforma
- Preliminary NPV assessment of the proposed availability payments
- Funding Deliverability Assessment
- Financial Robustness Assessment – including financial model runs to run sensitivity scenarios and identify risks

FET will prepare IFDR and present it to FAWG.

#### **Stage 3 – Value Assessment**

For Stage 3 evaluation, FET will calculate an NPV analysis of the proposal (adjusted for manifest errors and calculation differences which will be included in the Financial Deliverability Report. This will be provided to the Value Assessment Team for inclusion in the final Stage 3 Assessment of Value Report.

It is envisaged that this work will feed directly into the proposed ICAC paper and the business case.

#### **Other Reporting Arrangements**

In addition to the two key deliverables – IFDR and VR, FET will also assist other teams, as presented in the previous section. This assistance is likely to be in the nature of specific inputs / advice and at this stage no formal deliverables are envisaged to be provided by FET.

### **9.10.2 Upstream feeds**

- Stage 2 – Financial Deliverability Assessment Report

The template Stage 2 Financial Deliverability Assessment Report is set out in [Redacted]

The CFD deliverability analysis and PwC Deliverability Report will be considered agreed by FAWG. FAWG will agree and endorse the key findings and recommendations for input to the AWARD assessment tool. These recommendations / findings will need to be endorsed by [Redacted] in CFD before input to the AWARD bid assessment tool. A final FAWG report for the audit trail will be completed shortly afterwards.

### **9.11 Interlinkages and communication channels between the various DfT evaluation teams**

Section 12 covers the risk management process, Section 9.7 sets out the specific arrangements for this evaluation stage. It is imperative that the Stage 2 evaluation team work collegiately and collaboratively with the whole of the IEP Evaluation Team under the direction of [Redacted].

The key objectives of the interlinkages and communication arrangements would be to regularly exchange information and viewpoints and in doing so support a process with a strong audit trail which manages issues in a productive and positive manner and drives out inconsistencies and double-counting.

Such mechanisms will allow for risks and issues identified during the various Stages of evaluation to be identified, quantified and dealt with based on a common understanding of such issues. The regular monitoring and robust management of the inter-linkage processes is imperative to ensure the following;

- Consistent approach
- There is no double counting in deliverability and value scores
- That materiality thresholds for adjustments are correctly assigned
- An appropriate level of Clarification with Bidders exists
- Where clear assessments are not possible that range (to reflect uncertainty) v point value is correctly applied
- Where some risks unable to be monetised that due consideration is given to their adjustment

At Stage 2, FET would require significant inputs from the Technical and Legal Team. Inputs from Technical Team would be required to understand the technical aspects of the Bidder offerings such as raw cost estimates, delivery schedules, interface issues, design and specifications issues, operations and service issues (in line with some of the risks identified in the table above). This understanding would be used for Funding Deliverability and Financial Robustness Assessment in line with the methodology presented in the previous section.

Similarly, significant inputs would be required from Legal Team in terms of understanding the deliverability and financing commitment aspects and contractual



structures (sub-contract agreements, insurance agreements, documentation related to financing, equity subscription documents) and the level of risks transfers within them.

## **9.12 Security Arrangements**

PwC will establish the following security procedures to ensure the confidentiality and security of those parts of the Proposals held at PwC offices.

### **9.12.2 Evaluation Room**

Hard copy material held on PwC premises, including the ITT submissions, PwC analysis (working documents and reports) and any other documents relating to the ITT evaluations, will be contained in a key lockable office (the **'PwC Evaluation Room'**).

The PwC Evaluation Room will be locked at any time it is unattended.

Printed information which is of no further use to the evaluation will be shredded in the PwC War Room (which will contain a designated shredder) or confidential document waste disposal box.

A clean desk policy will be operated in the PwC Evaluation Room overnight.

## **10 Stage 3 Evaluation – Assessment of Value**

### **10.1 Evaluation Team Lead**

The DfT IEP Procurement Team will be Accountable and the Value Assessment Team will be Responsible for the Stage 3 evaluation process. [Redacted] is the designated Procurement Team lead and [Redacted] is the designated Value Assessment Team lead for this stage.

Given the large number of people involved in the assessment of value and its interaction with and reliance on Stages 1 and 2 of the evaluation and the contract mark-up work-stream, it is essential that there is strong coordination to ensure consistency across the evaluation. Sections 6.8, 8.9, 9.11, 10.7 and 11.7 of this report outline the Interlinkages between the Stage 1, 2 and 3 evaluation teams and the contract mark-up team.

### **10.2 Value Assessment Team**

The Value Assessment Team will have responsibility for delivering the Stage 3 (Value Assessment) of the evaluation process. The key resources within this team are:

- [Redacted], Value Assessment Team Leader
- [Redacted], Issue and Risk Adjustment Co-ordinator
- [Redacted], Comparator Model
- [Redacted], Added Value Assessment
- [Redacted], Business Case Model
- [Redacted], Business Case Operations Adviser
- [Redacted], Performance and Reliability



The assigned responsibilities for the assessment for each sub-section of Stage 3 are set out below. The Shadow Bid gives further detail of the elements included under each of these subsections.

### **(i) Availability Payments**

[Redacted] will be the Responsible Lead for the determination and treatment of the Availability Payments. As noted in 9.6.3 The Financial Deliverability will involve a preliminary NPV assessment of the availability payments (which may include adjustments for manifest errors).

### **(ii) Risk Adjustments**

The Responsible Lead will be the IIRAM [Redacted] who will co-ordinate the assessment and valuation of risks with the activities of the Value Assessment Team and the determination and treatment of all corresponding value adjustments.

Identification and assessment of specific issues and risks will be managed by the relevant evaluation team leaders and their ETIRAMS:

- Financial - [Redacted]
- Contractual, including TARA/MARA mark up - [Redacted]
- Technical deliverability – [Redacted]
- Project Programme - [Redacted]
- Contract deliverables – [Redacted]

[Redacted] as the Evaluation Team Issues and Risks Assessment Managers (ETIRAMS), will have responsibility for identifying Issues and Risks and notifying these to the IEP Issues and Risks Assessment Manager (IIRAM) [Redacted] who will manage the Issues and Risks log supported by [Redacted] who will manage the process.

[Redacted] will be responsible for developing and populating the Comparator Model to reflect the value adjustments agreed by the evaluation team and for logging the rationale and methodology used to calculate each adjustment.

[Redacted] will be responsible for the application of the Business Case Model, where appropriate, in order to inform the valuation of risks involving costs, benefits or time scale in terms of their impact on value. The Business Case Model will not always be the appropriate tool for valuation and in many cases the judgement of the wider evaluation team will be drawn on to inform the valuation.

### **(iii) Omissions/Inconsistencies**

The Responsible Lead will be [Redacted] who will co-ordinate the treatment of any omissions or inconsistencies with the activities of the Value Assessment Team and the determination and treatment of all corresponding value adjustments.

Identification and assessment of specific omissions or inconsistencies will be managed by the relevant evaluation team leaders and their ETIRAMS:

- Financial - [Redacted] (ETIRAM - [Redacted])
- Contractual, including TARA/MARA mark up - [Redacted] (Lead and ETIRAM)
- Technical deliverability – [Redacted] (ETIRAM – [Redacted])
- Project Programme - [Redacted] (ETIRAM – [Redacted])
- Contract deliverables – [Redacted] (ETIRAM – [Redacted])

Omissions and inconsistencies will not necessarily be visible to the individual team leaders above and their identification will require cross-team collaboration, for example, to assess whether the costs in the financial proformas are consistent with what the Bidders are describing in the deliverability plans.

#### **(iv) Incremental Infrastructure Costs**

[Redacted] will be the responsible lead who will liaise and co-ordinate with Network Rail through [Redacted] to identify and determine all incremental changes to infrastructure costs associated with the Bidders' proposals.

[Redacted] will be Network Rail's representative and will co-ordinate all requests to and responses from Network Rail and the Value Assessment Team via [Redacted].

#### **(v) Added Value adjustments (Appendix C)**

The Responsible Lead will be [Redacted] who will manage the application of the Appendix C values to the Bidders' inputs. Support will be required as follows:

- [Redacted] – validation of the Bidders' inputs for capacity, journey time, energy consumption
- [Redacted] (SDG) - valuation of quality
- [Redacted] for Network Rail via [Redacted] – validation of Bidders' VTISM results

#### **(vi) Other NR/TOC/FOC/DfT costs or cost savings**

The Responsible Lead will be [Redacted].

Issues which will lead to changes in cost will be identified through the Issue and Risk Identification Process set out in Section 12. The cost impacts of these issues on industry stakeholders, notably Network Rail, passenger and freight train operators and DfT will be assessed with the support of the relevant evaluation team leaders and stakeholders:

- [Redacted] for Network Rail via [Redacted]

#### **(vii) Transition cost adjustments**

The Responsible Lead will be [Redacted] who will review the impacts of the Bidders' offerings with the support of the relevant evaluation team leaders and stakeholders:

- [Redacted] for Network Rail via [Redacted]
- [Redacted] for NX
- [Redacted] - FGW

### **(viii) Any other adjustments**

The Responsible Lead will be [Redacted].

This section covers any other issues identified through the Issue and Risk Identification Process set out in Section 12 which are not covered elsewhere. The impacts of these issues will be assessed with the support of the relevant evaluation team leaders and stakeholders:

- [Redacted]

## **10.2 Bidder Input Requirements**

Stage 3 Assessment of Value calculates the NPV of the Project (as defined in IIT Section 3.5.4). Section 3.5.4 of the IIT sets out the elements of the NPV of the Project but does not set out specific Bidder input requirements. For some subsections, Bidder input requirements are specified elsewhere within the IIT, but for most the assessment of value will be based on DfT's interpretation/analysis of other parts of the submission.

Bidder input requirements are set out for each of the subsections of IIT Section 3.5.4 below.

### **(i) Availability Payments**

*'maximum availability payments proposed to be payable to the TSP and other specified costs using a standardised assumption about the level of such requirements'*

Evaluation information will be sourced from the Bidders' financial model and managed by the Financial Evaluation Team.

### **(ii) Risk Adjustments**

*'adjustments, as determined by DfT, based on the value of risk retained by DfT or the TOCs, including but not limited to the impact of any changes proposed by the Bidder to the MARA and TARA and any other project agreements, the degree of indexation and the impact of interest rate hedging strategies'*

These will be identified by the DfT evaluation team during the Stage 1 Compliance and Stage 2 Deliverability assessments, sourced from the Bidders' plans, designs, models and proformas provided for the Deliverability Assessment, the contract mark-ups and, where relevant, their responses to clarification questions.

### **(iii) Omissions/Inconsistencies**

*'adjustments, as determined by DfT, to reflect any omissions or inconsistencies in the pricing and scope of the technical parts of Proposals, including any that affect the deliverability of the Project'*

These will be identified by the DfT evaluation team during the Stage 2 Deliverability assessment, from the Bidders' plans, designs, models and proformas provided for the Deliverability Assessment, the contract mark-ups and, where relevant, their responses to clarification questions.

#### **(iv) Incremental Infrastructure Costs**

*'adjustments, as determined by DfT, to reflect the incremental cost to NRIL of the Proposals including but not limited to additional or reduced infrastructure costs identified by the evaluation of the Bidders' VTISM results file as set out in Appendix C of this ITT and any additional industry costs associated with maintenance and servicing depot works'*

The Technical Evaluation Team in conjunction with Network Rail will consider the Bidders' plans, designs, and models provided for the Technical Deliverability Assessment to assess incremental impacts on infrastructure upgrade costs (compared with those estimated by Network Rail for the Shadow Bid).

#### **(v) Added Value adjustments (ITT Appendix C)**

*'adjustments, as determined by DfT, to reflect the additional or reduced third party (including TOCs) costs, revenues and the economic benefits generated as a result of the Proposal's variation from the essential requirements of the TTS as set out in Appendix C of this ITT'*

Bidder input requirements are specified in ITT Appendix A, Annex I, ITT Appendix C and TTS Appendix A. A document which brings together these requirements has been provided to Bidders, along with a detailed template for journey times and energy consumption requirements. The inputs are provided as part of the Bidders' submissions for the following plans:

- Concept Train Design
- Depot, Servicing and Stabling Plan
- VTISM Model Results File.

#### **(vi) Other NR/TOC/FOC/DfT costs or cost savings**

*'adjustments, as determined by DfT, to reflect any additional savings or costs to NRIL and the TOCs of the Bidders proposed technical solutions including but not limited to maintenance and servicing, the impact of reconfiguring internal space, coupling and uncoupling of carriages'*

These will be identified by the DfT evaluation team during the Stage 2 Deliverability assessment, from the Bidders' plans, designs, models and proformas provided for the Deliverability Assessment, the contract mark-ups and, where relevant, Bidders' responses to clarification questions.

#### **(vii) Transition cost adjustments**

*'adjustments, as determined by the DfT, to reflect any additional savings or costs to manage the transition of the existing fleet and the existing depot portfolio'*

These will be identified by the DfT evaluation team during the Stage 2 Deliverability assessment, from the Bidders' plans, designs, models and proformas provided for the Deliverability Assessment, the contract mark-ups and, where relevant, Bidders' responses to clarification questions.

### **(viii) Any other adjustments**

*'any other appropriate adjustments, as determined by DfT, including outcomes of scenario testing, necessary to ensure that the Proposals are compared on a like for like basis'*

These will be identified by the DfT evaluation teams during the Stage 2 Deliverability assessment, from the Bidders' plans, designs, models and proformas provided for the Deliverability Assessment, the contract mark-ups and, where relevant, Bidders' responses to clarification questions.

## **10.3 Evaluation Methodology**

### **10.3.1 Overview**

The details of the methodology vary across the eight sub-sections of the value assessment but, in general, a key requirement across all of these is the need for clarity and consistency both within the Stage 3 evaluation team and for inter-linkages between Stage 3 and the Stage 1 and 2 evaluation teams the legal team to be consistently strong and well managed.

Most of the issues assessed under value will be initially identified within the Stage 1 and 2 evaluations or contract mark-ups. In preparation for bid submission the Stage 3 evaluation team will work with the Stage 1 and 2 evaluation teams to ensure that the process for identifying and quantifying risks/issues/impacts on industry costs, revenues and benefits is clear and understood to ensure that it will support the Stage 3 assessment at all times. This is discussed further in section 10.7 below.

Given the limited timescales for bid evaluation, it will be necessary to run the Stage 3 Value Assessment in parallel to the Stages 1 and 2 evaluations as follows:

- During Stage 1 of the evaluation process any non-compliances that potentially represent material issues and risks will be identified and flagged by the Compliance Assessment Team and transferred to the Issues and Risk Log. The log will be managed in accordance with Section [12] of this document and those items of 'significantly material' importance will be reported at the weekly Core Evaluation Team Meetings (CEG – Section 16). Items on this log will be considered by the Value Assessment Team in order to determine how they may be treated for value adjustment purposes (e.g. change in magnitude or timing of cost, benefit).
- During Stage 2 of the evaluation process the Valuation Assessment Team (VAT) will seek further input to the items recorded in the Issues and Risks Log from the evaluation teams and will manage the process that identifies and determines those issues and risks which relate to each of the eight value assessment elements set out in 3.5.4 of the ITT
- The VAT may seek further clarification from Bidders of details relating to specific issues in order to more accurately assess materiality and quantification. In some cases this may involve a series of iterative clarifications in line with the Clarification Question Process (as Section 13).

- The VAT will report its assessment of ‘Material’ and ‘Significantly Material’ risks and issues to the CEG on a weekly basis. The CEG will be asked to confirm or advise on the assessment and valuation of risks undertaken by the VAT. Where appropriate the VAT will seek guidance from the CEG on the treatment of specific issues and risks where the basis for quantification or allocation is unclear or open to question.
- A Key Issues and Risks Working Group (KIRWG) will be convened to review key issues and risks arising, notably those identified as potentially being ‘Significantly Material’. The objectives of this group will be to ensure that:
  - the issues and risks have been appropriately assessed
  - that any aspects that require co-ordination across evaluation teams have been properly recognised and communicated
  - the basis of quantification is reasonable
  - significant qualitative impacts that cannot be readily quantified (e.g. political consequences) have been recorded
  - potential omissions or double-counting are avoided
- KIRWG meetings are anticipated to be required in weeks 3, 6 and 9 of the programme.
- The KIRWG will be attended by members of the VAT and the CEG on an as required basis. Other representatives nominated by their relevant team leaders may be requested to attend for specific issues.

The process for issue and risk identification and assessment is further described in section 12.

### 10.3.2 Comparator Model

A Comparator Model will be developed to support the value assessment. This will serve as a tool to collate/calculate the full range of value adjustments into a single framework which will enable comparison of Bidders with each other and with the Shadow Bid. This will help to ensure consistency of approach across the full range of adjustments to be made. [Redacted] will be responsible for developing and populating the Comparator Model to reflect the value adjustments agreed by the CEG and for logging the rationale and methodology used to calculate each adjustment. Where appropriate, the Business Case model will be used to help develop estimates of the monetary value of adjustments and as a source of assumptions.

The Comparator Model will include an ‘Adjustments Template’, where each adjustment will appear as a separate line entry within the template and will be traceable by a reference I.D. to the details concerning the nature and source of data underpinning the adjustment. Where relevant (i.e. for risk and issue adjustments) an upper and lower band sensitivity estimate will also be provided for.

The Comparator Model will collate adjustments inputs in three different formats:

- Series of nominal cash flows – to be provided by the Finance Evaluation Team for the Set Availability Payment adjustments

- Point Estimates – defined by the wider team through the Issues and Risks Log described in Section 12.
- A single NPV figure – as output from the Added Value model (Section 10.3.4).

The Shadow Bid has been developed to serve as a ‘model answer’ for Stage 3 and will be the initial input into the Comparator Model. It will contain values for some of the sections below but in many cases the values will be zero.

Section 3.5.4 of the ITT those elements of the Stage 3 Value Assessment that are to be assessed over the Usage Undertaking period (20 years), and others to be assessed over 30 years (the assumed asset life). The principles underlying the appropriate period to be used for each adjustment will be agreed before bid submission.

The Value Assessment will be undertaken for Bids A to D as specified in Section 3.1. of the ITT:

- Bid A ECML Phase 1
- Bid B GWML Phase 1
- Bid C Priced Option 1: ECML Phase 1 + WCML (South)
- Bid D Priced Option 2: ECML Phase 1 + WCML (South) + ECML Phase 2

These bids will be weighted to provide an overall value as set out in Section 3.5.3 of the ITT;

Bids A+B	33%
Bids C+B	33%
Bids C+D	34%

### 10.3.3 National Express Franchise Impact Assessment

The risks to franchise revenues and the activities to be undertaken by National Express associated with the Pre-Series trains will need to be addressed through the franchise change mechanism. To inform DfT and prepare for any potential negotiations with the franchisee, a franchise IMPACT model will be used to capture and calculate the potential impacts of each Bidders’ proposals on the NXEC Franchise. These impacts will be determined from the Stage 2 evaluation of the bids and are likely to include:

- Costs to industry stakeholders – impacts on NXEC operating costs and revenues
- Performance benchmarks
- Transition costs – impacts from Bidders’ Delivery and Transition Plans, describing delivery, maintenance, servicing and stabling of the new rolling stock during transition and for training of NXEC staff
- Economic value – including passenger journey time and ambience and how this would translate into passenger revenue

Such impacts will be determined from the issues and risks arising during Stage 3 through the issues and risk identification process as described within this section 10. [Redacted] will be responsible for managing and updating the franchise IMPACT model.



### 10.3.4 Elements of Value Assessment

There are eight elements of the Value Assessment for which value adjustments may be derived. These are described below.

#### (i) Availability Payments

The NPV of Set Availability Payments (SAP) will be sourced from the Bidders' financial model and provided by the Financial Evaluation Team (FET). Adjustments for manifest error may be included. All other adjustments will be under one of the following seven categories. With the exception of the Added Value adjustments, these will be identified, logged and valued as part of the Issues and Risks process described in Section 12.

#### (ii) Risk Adjustments

Issues and risks will initially be identified and flagged by each of the evaluation teams and captured on the Issues and Risks Log. They will be communicated to the VAT using the Issues and Risks pro forma as set out in Section 10.4.2 in line with the process for Issue and Risk Identification as set out in Section 12.

The VAT will review all risks logged on the Issues and Risks Log and determine:

- whether a risk has been duplicated or otherwise already captured in part or whole
- whether the risk is 'significantly material' (over £5m), 'material' (between £1m and £5m) or 'noteworthy' (less than £1m);
- the extent to which it may constitute a potential adjustment in terms of cost, benefit or programme;
- the information required to clarify the status and nature of the risk;
- how the risk may be quantified as a value adjustment.

Working with the relevant evaluation teams either via the ETIRAMS, the evaluation team leads or, with their consent, directly with specialists within their teams, the VAT via the IIRAM will where necessary seek an improved level of understanding of the issues or risks including advice on the likelihood of the occurrence and assessment of cost/programme impacts. As necessary, clarification questions may be agreed and issued to Bidders in accordance with the clarification process (as Section 13) to assist in the assessment of potential risks.

Through the IIRAM, the VAT will repeatedly review the portfolio of logged issues and risks to identify any inter-relationships or duplications in order to ensure that any double-counting is avoided.

Where a risk may represent an impact on the Business Case (e.g. a delay to the delivery of journey time benefits), the Business Case model will be used to determine the value of that impact.

The quantification of risks may be treated either as the value that the occurrence of that risk would represent or the cost of its mitigation.

To enable quantification of each risk, an estimate of the following attributes will be sought:



- a three-point value estimate using a ‘most likely’, a ‘highest’ and ‘lowest case’ within an 80 percentile range
- the timing of occurrence (of start and finish or single event)
- the probability of occurrence assigned from one of the following bands:

Certain	100%
Very High	90%
High	70%
Medium	50%
Low	30%
Very low	10%

The results of which will be recorded on a standard template which will be held within the Issues and Risks Register managed by the IIRAM. Details of the nature of a risk and any relevant source data will be traceable by an I.D. reference assigned to each risk.

Those risks identified as potentially being ‘Significantly Material’ will be subject to review by the KIRWG (see 10.3.1 above) and confirmation by the CEG before being taken forward as a value adjustment.

The VAT will then determine the value adjustments for the risks approved by the CEG and will undertake a statistical modelling approach to determine high and low ranges around a central case.

Each ‘significantly material’ risk adjustment will then form a line entry in the Comparator Model adjustments template. ‘Material’ and ‘noteworthy’ risks will be reviewed to determine whether any should be treated collectively where as such they would then constitute a ‘Significantly Material’ risk. All residual ‘Material’ and ‘Noteworthy’ risks will be recorded within the issues and risks log and reported by appropriate grouping within the Value Assessment Report.

### **(iii) Omissions/Inconsistencies**

The mechanism for identifying and assessing omissions or inconsistencies will follow a similar process to that for (ii) Risk Adjustments. In populating the Risks and Issues Register, Evaluation Team leaders will be required to flag those items that they consider to be omissions and inconsistencies and where possible to assist the understanding of the issue by assessing the cost and programme impact of the same. Those items that have been identified as material omissions or inconsistencies and potentially warranting a value adjustment will be assessed by the VAT to determine:

- the extent to which it may constitute a potential adjustment in terms of cost, benefit or programme;
- the information required to clarify the status and nature of the omission or inconsistency; and
- how the omission or inconsistency may be quantified as a value adjustment.

#### **(iv) Incremental Infrastructure Costs**

Network Rail (NR) will use the Bidders' technical plans, models and pro-formas provided for the Stage 2 Technical Deliverability Assessment to assess the incremental impacts of the Bidders' proposal on infrastructure upgrade costs (compared with those estimated by NR for the Shadow Bid). Where NR determine that the consequential infrastructure costs associated with a Bidders' proposals vary from those identified in the Shadow Bid, NR will notify the VAT via the Issues and Risk Log and provide an estimate of the value and timing of that variance. In the event that NR are unable determine such an estimate the technical evaluation team will be consulted and asked to recommend a provisional estimate for value adjustment purposes. Any assumptions corresponding to these estimates will be recorded.

#### **(v) Added Value adjustments (Appendix C)**

Added Value adjustments will be calculated by use of the Added Value model. Copies of the Bidders' completed Appendix C data templates will be transmitted to the Value Assessment Team by the Technical Evaluation Team via ASITE. The Value Assessment Team will then run the information from these templates through the Added Value model and calculate a single NPV adjustment figure for each Bidder. These adjustment figures will then be entered into the Comparator model.

#### **Seating and Standing Capacity**

Bidders will provide numbers of seats and standing passengers for each train type/interior layout as part of the Concept Train Design. These will be reviewed by the Technical Team ([Redacted]) for accuracy, consistency with IIT/TTS instructions and with other information provided in the Concept Train Design Plan. If necessary, the inputs will be adjusted before inclusion in the Added Value adjustment.

#### **Journey Times**

Bidders will provide journey times as part of the Concept Train Design. These which will be reviewed by the Technical Team ([Redacted]) for accuracy, consistency with IIT/TTS instructions and with other information provided by the Bidder. The Bidders' journey times will be adjusted if necessary.

The TTS Appendix A requests a second set of journey times including signal stops and TSRs for selected journeys. This is designed to test the ability of the Bidders' train to recover from perturbations on the route. The Technical Team ([Redacted]) will review the second set of journey times and assess whether an adjustment should be made to reflect the risk of the inability to recover from perturbations.

The Technical Team ([Redacted]) will review the Bidders' proposal for evidence that it meets the essential requirements for dwell times and cycle times in the TTS. If the evaluator perceives a significant risk to delivery of the essential requirement, an adjustment will be made to journey times.

The journey times, with any adjustments, will be taken forward to the Added Value adjustment.

### **Energy consumption**

Bidders are required to provide;

- Tractive energy consumption for the same set of journeys as specified for journey times (Concept Train Design);
- Energy consumption for auxiliary systems per minute (Concept Train Design); and
- ECS mileages (Depot, Servicing and Stabling Plan).

Tractive energy consumption and energy consumption for auxiliary systems will be reviewed by the Technical Team ([Redacted]) for accuracy, consistency with ITT/TTS instructions and with other information provided by the Bidder. ECS mileages will be reviewed by the Technical Team ([Redacted]).

The Bidders' values will be adjusted if necessary and taken forward to the Added Value adjustment.

### **Track wear and tear**

Network Rail (via [Redacted]) will check the Bidders' VTISM modelling and where necessary, revise the inputs to the Added Value adjustment.

### **Quality**

Aspects of quality can be categorised into the following:

- elements which are measurable (seat pitch, noise, lighting)
- those which are not and which contribute to 'ambience'

The methodology is therefore based on a combination of engineering measures and customer evaluations using mystery shopping techniques.

The engineering measures are part of the Concept Train Design and will be reviewed by the Technical Team ([Redacted]).

The ambience measures will be customer evaluations using mystery shopping techniques. The mystery shopping exercise will involve around 100 evaluators who will complete a questionnaire on each of the Bidders' train designs, plus a reference train (such as an Adelante). A virtual 3D 'fly-through' will be used to enable mystery shoppers to rate different aspects of the trains.

Each of the evaluators will be given an appropriate 'scenario' to base their evaluation on, based on a typical traveller type, and relevant to their own personal experience. The exercise will be implemented by an independent, specialist research organisation. It is likely to involve evaluators awarding ratings on an 11 point scale (0-10) on around 20 attributes

Statistical analysis of the National Passenger Survey provides data which will be used to weight the relative importance of different aspects of ‘quality’, enabling an overall quality score to be obtained

By conducting this exercise for an existing train as well as the IEP options a value relative to the benchmark 4% (as assumed in the business case) can be obtained.

[Redacted] will be responsible for the ambience assessment and for calculation of the overall quality score which combines the engineering and ambience measures.

### **Added Value Model**

Once the review and adjustment, where necessary, of the Bidders’ inputs has been completed, the adjusted numbers will be input into the Added Value Model.

This model then aggregates as appropriate (e.g. energy consumption for each train type is aggregated to take account of the full set of diagrams run by a given train type, including ECS moves), calculates an incremental value compared with the reference train and then multiplies this increment by the Appendix C values to give a total NPV for each element.

### **Higher speeds on ECML**

Bidders are required to provide timings and incremental costs for a higher line speed profile on the ECML. Appendix C advises that ‘DfT’ will use the same analytical approach to the calculation of the benefit of the offer in respect of any savings offered by higher speed (>125 mile/h) operation on the ECML as is used for the journey time savings in the 125 mile/h case. The assessments will apply a 50% likelihood factor to the availability of the route to facilitate these speeds from an implementation date of January 1st 2022’.

The recent appraisal update considered this scenario and the results will be used to inform the assessment of the Bidders’ proposals.

As above, the Technical Team ([Redacted]) will review the Bidders’ simulated journey times and adjust if necessary.

### **(vi) Other NR/TOC/FOC/DfT costs or cost savings**

The process for identifying and assessing issues that will have an impact on wider industry costs will be as described in Section 12. In populating the Issues and Risk Log, the Evaluation Team leaders will be required to flag those items that they consider to have an impact on wider industry costs and where possible to assist the understanding of the issue by assessing the cost and programme impact of the same. Those items that have been identified as material and potentially warranting a value adjustment will be assessed by the VAT with the support of the relevant evaluation team leaders and stakeholders.

As part of the assessment of the Bidders’ proposals the technical evaluation team will assess the impacts of these against the industry in general. This assessment will include the extent to which the TOCs, NR, third parties and other industry wide assets and resources are affected by the Bidders’ proposals.

The technical team will be required to determine through consultation, where appropriate with the relevant NR or TOC representative, the nature, value and timing of any such industry costs or savings. Any assumptions corresponding to these estimates will be recorded.

#### **(vii) Transition cost adjustments**

The process for identifying and assessing issues that will have an impact on transition costs will be as described in Section 12.

Similarly to (vi) above the technical deliverability assessment of the Bidders' proposals will include an assessment of the bringing into service of the new IEP fleet. Section 1.3.2 of the ITT sets out the timings for the deployment of the IEP fleets but it is for the Bidder to propose in line with section 4.4.4 of the ITT within the Delivery and Transition Plan how they intend to introduce the fleets and their proposals for maintaining, servicing and stabling their new rolling stock during the transition phase and for training of TOC staff. Stage 2 of the evaluation will assess the deliverability of the Bidders' proposals, Stage 3 will need to account for incremental impacts to the TOCs, NR, third parties and other industry wide assets and resources of the same.

The technical team will be required to determine through consultation, where appropriate with the relevant NR or TOC representative, the nature, value and timing of any such transition cost adjustments. Any assumptions corresponding to these estimates will be recorded in the Issues and Risk Log.

Similar to (vi) above will be a review with key stakeholders of the 'do-ability' of the bids with respect to their Delivery and Transition Plans. The TOCs have requested gateway reviews of specific areas of the bids, in particular those relating to the introduction of the new train fleets and the consequential impact on the operation of the railway and depots.

#### **(viii) Any other adjustments**

This section of the Value Assessment is designed to pick up any issues that fall between the various sub-sections of the Value assessment.

The process for identifying and assessing these issues will be as described in Section 12.

It is likely that a key contribution to this section of the Stage 3 assessment will be the residual issues list that supports the evaluation risk log where they do not naturally fall within any of the previous ITT Section 3.5.4 categories.

### **10.3.5 Co-ordination of identification and quantification of value adjustments associated with issues and risks.**

The VAT will collate all the proposed value adjustments associated with each of the eight elements above. A key role of the VAT will be to ensure consistency between the adjustments, that double counting or omissions have been avoided and that the accuracy of the adjustments are reasonable and the relevant assumptions are understood.

Most of the estimates and supporting information underpinning the adjustments will be sourced through the evaluation teams. The VAT, through the IIRAM supported by [Redacted] will seek to ensure that all teams have visibility of all relevant issues and risks through the Issues and Risks log. The evaluation teams will also be consulted through the ETIRAMs in the assessment and valuation of those items to which adjustments are to be assigned through the respective team leaders via the CEG and/or the KIRWG.

The VAT will, where appropriate, challenge estimates and seek clarification on assumptions, particularly where estimates have been sourced from third parties such as NR or TOCs. The VAT may consult the technical evaluation team via [Redacted] the ETIRAM for advice on certain cost estimates and, where the relevant data cannot be derived from the shadow bid, may draw on other sources for benchmark comparisons.

### **10.3.6 Value adjustments**

Each value adjustment will form a single line entry within the Comparator Model, containing a brief description of the adjustment, the adjustment values distributed in the time line by 6-month periods and a reference to the source of the adjustment.

A record will be held to ensure that details of the calculation of the adjustment values, all relevant assumptions and the sources of input (evaluation team members and relevant documentation) to those calculations and assumptions can be traced.

Prior to entry of the adjustments within the Comparator Model, the following steps will be undertaken:

- Checked by the Value Assessment Team to ensure the adjustment does not represent any double-counting.
- Cost estimates provided by Network Rail, TOCs or other third parties sense checked by appropriate technical experts within the Technical Evaluation Team.
- All assumptions checked for consistency (e.g. between adjustments for same Bidder and between Bidders) and internal challenge by the Value Assessment Team.
- Endorsement by the Core Evaluation Team that the adjustments are justified in accordance with the IIT section 3.5.4, that, in the case of risks or issues, they are 'Significantly Material' and the basis for the valuation of the adjustment is reasonable.

## **10.4 Standard Evaluation Templates and Proformas**

### **10.4.1 Bidder templates**

The majority of the information required for the Value Assessment will be communicated via the Issues and Risks pro formas and the summary log as described below.

The only area in which the Bidders will provide specific information for the value assessment is for the IIT Appendix C evaluation. Currently information requirements are spread throughout the IIT and TTS. Bidders have been provided with a document which brings together these requirements, along with a detailed template for journey



times and energy consumption requirements. Copies of the Bidders' completed templates will be transmitted to the Value Assessment Team by the Technical Evaluation Team via ASITE. The Value Assessment Team will then run the information from these templates through the Added Value model.

Any adjustments to the Set Availability Payments will be transmitted by the Financial Evaluation Team to the Value Assessment Team in the form of a cash flow template via ASITE.

#### 10.4.2 Standard IEP Evaluation Phase Templates

Master copies of the following templates have been placed on ASITE in the Standard Templates File section.

- **Issues and Risks Pro Forma** – Where evaluators identify a risk or an issue they are required to download a copy of this document and complete the same with details of key information relevant to the issue or risk including its probability of occurrence and magnitude or value of its impact. Once complete the document should be attached to an ASITE internal message and forwarded to the relevant Plan Lead for review. Subject to the Plan Lead's acceptance the completed pro-forma will be sent to the nominated Evaluation Team Issues and Risks Manager (Technical Team – [Redacted], Financial Team – [Redacted], Value Assessment Team – [Redacted], MARA/ TARA Team – [Redacted]). The pro forma will be checked by the nominated ETIRAM who will send the document to the IIRAM [Redacted] of the Value assessment Team via ASITE. Each pro forma may be subsequently updated, superseded or withdrawn taking account of Bidder clarifications or further actions taken by the evaluation teams. Each completed pro-forma will have a unique I.D. reference which will enable its status to be tracked and provide traceability of supporting information. The I.D. reference and summary details from each Issues and Risks pro forma received by the Value Assessment Team will be recorded on the Issues and Risks Log.
- **Issues and Risks Log** – This will be populated by the IIRAM [Redacted] of the Value Assessment Team with summary information from each of the Issues and Risk pro formas submitted by the ETIRAM. The use of this log in the issues and risk identification process is further described in Section 12.

#### 10.5 Standard Scoring Guidance

The Stage 3 assessment of value is in monetary terms so guidance on weighting/scoring of individual elements is not required.

Section 12 of this document provides guidance on the issues and risks identification and assessment process.

#### 10.6 Identifying and Quantifying Risk

Risks will mainly be identified in Stages 1 and 2 and the contract mark-ups and passed through to Stage 3 using the Issues and Risk pro forma described above. The process to communicate risks and ensure that they are understood, gathered, assessed, mitigated,

removed or calculated for inclusion within the Stage 3 value assessment is further described in section 12.

For the purpose of clarity, two types of risk will be considered:

- Those that represent a risk to the value of the Bidders' proposals and will be referred as 'risks' and will be captured in accordance with item (ii) as described in sections 10.2 and 10.3 above.
- Those that represent a potential risk to industry stakeholders (e.g. DfT, Network Rail, TOCs) and will be referred as 'issues' and will be captured in accordance with relevant items (iii), (iv), (vi), (vii) and (viii) as described in sections 10.2 and 10.3 above.

A **risk** will be identified where there is a potential consequence that could cause:

- the benefits derived from IEP to be affected (e.g. journey time capability, capacity, route availability, reliability, service quality where these have not already been captured as part of the Appendix C evaluation (see [10.3.4 (v) above]))
- a change to the Service Availability Payments as proposed by a Bidder
- a change to any other direct costs to DfT (e.g. compensation to Network Rail or TOCs)
- a change in the delivery schedule that could affect the timing or quantum of costs and/or benefits identified above

An **issue** will be identified where, in order to enable the proposals to be compared on a like for like basis, there may be a need to make a value adjustment to reflect the risk of wider consequence to industry stakeholders. Issues where such adjustments may be required include:

- incremental costs to NR including additional or reduced infrastructure costs, other than those identified as part of the Appendix C evaluation (see [10.3.4 (v) above]);
- additional or reduced third party (including TOC's) costs, revenues and economic benefits other than those identified as part of the Appendix C evaluation (see [10.3.4 (v) above]);
- additional savings or costs to manage the transition of the existing fleet and the existing depot portfolio
- a change to any other costs affecting industry stakeholders (including Network Rail and TOC's)

In completing their initial risk or issue pro-forms Stage 2 evaluators will be required to provide an indication of:

- A summary description of the nature of the risk or issue with reference to the definitions above
- The magnitude of the potential impact:
  - Materially significant (more than £5m)
  - Material (between £1m and £5m)
  - Noteworthy (less than £1m)



- The likelihood of occurrence:
  - Certain 100%
  - Very High 90%
  - High 70%
  - Medium 50%
  - Low 30%
  - Very low 10%
- Any potential mitigation measures
- The likely timing of occurrence (year of start and finish or single event)

Where the magnitude of the potential impact is likely to be greater than £5m a three-point value estimate will be required using a ‘most likely’, a ‘highest’ and ‘lowest case’ within an 80 percentile range.

The Value Assessment Team will seek further clarification from the evaluation teams where appropriate to determine and verify these details.

### **10.7 Inter-linkages and communication channels between various DfT evaluation teams**

The inter-linkages and risk processes will allow for issues and risks identified within Stages 1 and 2 and from the contract mark-up work stream to be fed directly into Stage 3 as and when they are identified. Key evaluation risk reviews will be carried out as a standard agenda item on the weekly CEG meetings. At designated stages during the evaluation phase there will be additional risk reviews (KIRWG) to discuss evaluation of key risks and issues across work streams.

The regular monitoring and robust management of the inter-linkage process is imperative to ensure the following;

- Consistent approach
- There is no double counting in deliverability and value scores
- That materiality thresholds for adjustments are correctly assigned
- An appropriate level of clarification with Bidders is maintained
- Where clear assessments are not possible that a high-low range (to reflect uncertainty) around a point value is correctly applied
- Where some risks are unable to be monetised, that due consideration is given to their adjustment, possibly within Stage 2

For the Stage 3 Value Assessment, the key interfaces between the Value Assessment Team and other members of the DfT IEP Evaluation Teams will be as follows:

- Compliance Assessment Team for potential issues requiring value adjustment emerging in Stage 1
- Technical Delivery Assessment Team for identification, assessment of potential issues and risks emerging in Stage 2 and for quantification of significantly material issues and risks in the completion of Stage 3

- Financial Delivery Assessment Team for identification, assessment of potential financial issues and risks emerging in Stages 1 and 2, and treatment of the adjustment outputs of the value assessment
- Contract Mark-up Review Team for identification, assessment of risk associated contract mark-ups, and treatment of corresponding adjustment outputs of the value assessment

## **10.8 Outputs**

### **10.8.1 Key Deliverables**

- Completion of value assessment template within the Comparator Report
- Value Assessment Report as a feed to the CAC Summary Paper

### **10.8.2 Upstream feeds**

- Technical Evaluation Reports (responsible lead: [Redacted])
- Independent Funding Deliverability Report (responsible lead: [Redacted])
- Phase 1 Preliminary Mark Up Report (responsible lead: [Redacted])
- Phase 2 Detailed Mark Up Report (responsible lead: [Redacted])
- Issues and Risks Log (responsible lead: [Redacted])

## **10.9 Security Arrangements**

The SDG team managing Stage 3 will establish security procedures to ensure the maintenance of confidentiality and security of any documentation or electronic media relating to the IEP bid evaluation process held at SDG offices.

Any such hard copy material will be contained in a key lockable office. Any electronically held information will be security protected to ensure that it may only be accessed by persons notified to and authorised by the DfT.

## **11 Contract Mark Up**

### **11.1 Evaluation Team Lead**

The DfT IEP Legal Team will be Accountable for the Contract mark-up evaluation and Freshfields will be Responsible for the evaluation process.

### **11.2 Contract Mark-up Review team**

Support to the Contract mark-up evaluation will be provided by the review team who will meet on a weekly basis during the evaluation phase. The purpose of these meetings will be; (i) to scope risk and attach a preliminary financial value to it; (ii) to start to formulate an agreed position for future negotiations.

The review team will include [Redacted].

### **11.3 Bidder Input Requirements**

Section 5.1 of the ITT requires Bidders to confirm their acceptance of the detailed terms and conditions of the MARA and TARA contracts, and where the Bidders are unable to confirm this, they are required under the instructions of Section 2.7.4 to set out where in the contracts they are unable to confirm acceptance using a Non-Compliance Statement table in the format provided.

### **11.4 Evaluation methodology**

#### **11.4.1 Phase 1 Preliminary Findings**

In order to quickly identify major mark-up issues as soon after bids have been returned as possible Freshfields will report on their Preliminary Findings during the week following bid submission to the Contract Mark-up Review Team. The Preliminary Findings will consist of a high-level overview of the Bidders' mark-ups of the MARA and TARA, designed to flag any major commercial issues which are apparent from an initial review of the documents.

#### **11.4.2 Phase 2 Heads of Terms Mark-Up**

Phase 2 will consist of Freshfields preparing mark-ups of the Heads of Terms that was prepared during the development of the MARA and TARA. The mark-ups will show how the each Bidders' commercial proposal, as evidenced in the MARA and TARA Mark-ups and Non-Compliance Statement, differs from the DfT's commercial package.

The Heads of Terms Mark-Up will be prepared for presentation to the Contract Mark-up Review Team two to three weeks after the bids are submitted.

#### **11.4.3 Phase 3 Key Topic Review**

Before bids are submitted, a list of Key Topics will be identified and agreed by the Contract Mark-up Review Team. These will consist of areas within the contracts where there are significant possibilities of risk transfer in the bids, and are likely to include areas such as: Acceptance Process; Delayed Delivery and Delayed Acceptance; Termination Mechanics; Variation and Change in Law; and the Payment Mechanism.

Throughout the evaluation period the Contract Mark-up Review Team will meet weekly to collectively review the Key Topics to refine the DfT's position on issues that remain open. To allow a more complete understanding of specific Key Topics a dialogue between Freshfields and a wider group of specialist resources may be required which may form an agenda item on a future meeting of the Contract Mark-up Review Team or as part of a separate discussion with the relevant specialist resources. The programme for these meetings will be developed by Freshfields and the DfT to ensure that key resources are available on the proposed dates.

The conclusions of these discussions will be reported back to the Contract Mark-up Review Team—and following any further necessary discussion a report will be produced

which will summarise the Bidders' proposals on the Key Topics, and the DfT's and its advisers' response to them and, where possible, provisionally identify the magnitude of the risks relating to each Key Topic in line with the principles of section 12.

The report is intended to be used to support the following;

- the basis for agreeing DfT's position
- to provide a robust audit trail for the Contract Mark-up Review Team
- to identify the key issues and risk and input into the CAC paper
- to identify any areas that require clarification with the Bidders
- to provide high level support and direction for the negotiating strategy

The Contract Mark-up Review Team will consider the outputs from Phases 1, 2 and 3 collectively and incorporate the outputs as a primary feed into the relevant Risks and Issues Log. If the processes involved in, and the outputs of, Phases 1 to 3 identify issues which could fundamentally undermine the principles of IEP these will require further review by the Contract Mark-up Review Team to determine how the IEP team will communicate such issues to the CAC.

#### **11.4.4 Phase 4 Supplemental Report**

In conducting the reviews of the Bidders' mark-ups necessary for Phases 1 to 3, Freshfields will conduct a clause-by-clause review of the mark-ups. To the extent that this review identifies any changes likely to have a material impact on evaluation of the bids, additional to the changes already covered in Phases 1 to 3, these will be flagged with the Contract Mark-up Review Team and, where appropriate, fed into the relevant Risks and Issues Log. If this review identifies key areas where there may be substantial risk transfer or commercial issues arising, such areas may be designated 'Key Topics' and discussed with specialist resources under Phase 3 above. Ultimately, Freshfields will produce a Supplemental Report listing the additional changes on a clause-by-clause basis which, together with the outputs from Phases 1 to 3, will provide a complete picture of the Bidders' mark-ups.

#### **11.4.5 Other Project Agreements**

As outlined in Clause 5.2 of the ITT Bidders are required to provide fully developed heads of terms for Other Project Agreements. Freshfields will carry out a due diligence summary for these documents and in consultation with the wider evaluation team will flag any key issues and risks.

#### **11.4.4 Bidder information access privileges**

Reflecting the commercial sensitivity of much of the Bidders' MARA and TARA mark-ups the extent of information that each member of the evaluation team will be able to access will be limited to that which directly relates to the area of the bid that they are assessing. In assessing definitive resourcing requirements for their plan evaluation team the delegated team lead will agree the aspects of the bid information that they will allow team members access to. The Legal Team Leader and Freshfields will confirm these

requirements with the Procurement Team Lead who will carry out a joint sensitivity analysis to ensure that the privileges are consistent with the role of each individual team member within the evaluation process.

ASITE will be used to set team member access privileges.

### **11.5 Freshfields Summary Level 2 Report**

The Level 2 Report will consist of the Heads of Terms Mark-Up and the Key Topic Review report.

### **11.6 Identifying and quantifying risk**

A key purpose of the MARA/ TARA mark up evaluation will be to identify areas of the Agreements where the Bidders are unable to confirm acceptance of the current drafting. The review process set out in section 11.4 establishes how issues including risk will be identified, flagged and transferred to the Contract Mark-up Review Team.

It is expected that those risks identified within the Phase 1 Preliminary Findings and Phase 2 Heads of Terms Mark Up will be added to the evaluation risk log as 'provisional risks' flagged for risk assessment (Section 12) by the nominated specialist teams (i.e. Financial, Technical, Commercial).

Further risks identified within the Phase 3 Key Topic Review will be added to the evaluation risk log, flagged and communicated to the recipient risk team manager to ensure that they are cognisant of the emerging risk. The risk should be noted as 'flagged' to the recipient on the evaluation risk log in line with the risk process set out in Section 12. This aspect of the evaluation will be closely linked with the Phase 3 Topic Sheet Report and identified risks will be colour coded as set out in Section 11.4.

All issues and risks will be flagged and communicated to the IIRAM on behalf of the VAT Team using the standard ASITE Issues and Risks pro forma. Pro forma entries will then be added to the evaluation Issues and Risk Log in line with the issues and risk process set out in Section 12.

Key outputs from this evaluation Stage will be the qualification and quantification of Commercial and Legal risks categorised as 'Significantly Material' risks. The process, set out more fully in Section 12, will include the reassessment and recalculation of flagged risks from Stage 1 which in some cases will be their removal from the risk log. Where risks have been identified they will be categorised as 'Significantly Material or Material' risks.

'Significantly Material' risks (Risks valued  $\geq$  £5m) will be quantified (cost and programme), and mitigation plans will be developed to allow the Stage 3 evaluation team to understand the dimension and importance of the risks. New and adjusted issues and risks will be communicated immediately to the Stage 3 evaluation team for inclusion within their evaluation assessment.

'Material' risks (£5m > risks valued  $\geq$  £1m) will be quantified (costs and programme) and mitigation plans developed. 'Noteworthy' risks (< £1m) will be estimated (costs and

programme) and noted. New and adjusted risks will be reviewed for inclusion within the evaluation risk log or transferred as a listed negotiation strategy item.

The identification and assessment of risks is described further in Sections 10 and 12.

### **11.7 Interlinkages and communication channels between the various DfT evaluation teams**

Section 13 covers the risk management process, Section 11.7 sets out the specific arrangements for this evaluation stage.

Section 11.4.3 sets out the arrangements for linking the activities and outputs from the Phase 3 Topic Sheet Reports to the Stage 1 Compliance assessment, Stage 2 Technical and Financial Deliverability Evaluation and Stage 3 Assessment of Value teams.

### **11.8 Outputs**

Establish key resource responsibilities;

- Risk identification, assessment and mitigation proposals
- Preliminary comparison reports for identification of key commercial changes; mark ups of the Heads of Terms to provide a summary of the Bidders' respective positions; report on key topics, to form the basis of responses to Bidders and Supplemental Report to fit into evaluation to ensure no gaps appear in MARA / TARA and other transaction documents; identification of risks in supporting documents; identification of impact points on Franchise Agreement.
- Intra-team communication and cross-Section evaluation team collaboration

Upstream feeds;

- Level 2 - MARA/TARA Mark up Report

## **12 Evaluation Phase Issue and Risk Identification Process**

### **12.1 Evaluation Issue and Risk Identification Process – Step 1**

Throughout the Evaluation Phase the IIRAM [Redacted] will be responsible for establishing, managing and maintaining a single Issues and Risks Log. The log will mature over the course of the evaluation phase and will be subject to three Core Evaluation Group workshops reflecting the improved understanding of Bidders' offerings as the evaluation progresses. [Redacted] will provide support in the management of this process.

Bidders are required to comply with the submission requirements set out in Section 2.5.1 of the ITT. The Stage 1 Compliance Assessment, set out in Section 3.5.1 of the ITT, will capture primary areas of deficiency within the bids through the tender return spreadsheet which the Bidders are required to populate and submit with their bids.

The tender return spreadsheet is designed to quickly identify areas of non-compliance so that specific items can be flagged to the rest of the evaluation team for further review. At this early stage of evaluation it will be difficult to assess the ultimate relevance and impact

of these non-compliance issues until such time as a full review of all supporting information including references elsewhere within the bid and where necessary through dialogue with the Bidder using the Clarification Question process (See Section 13) has been completed.

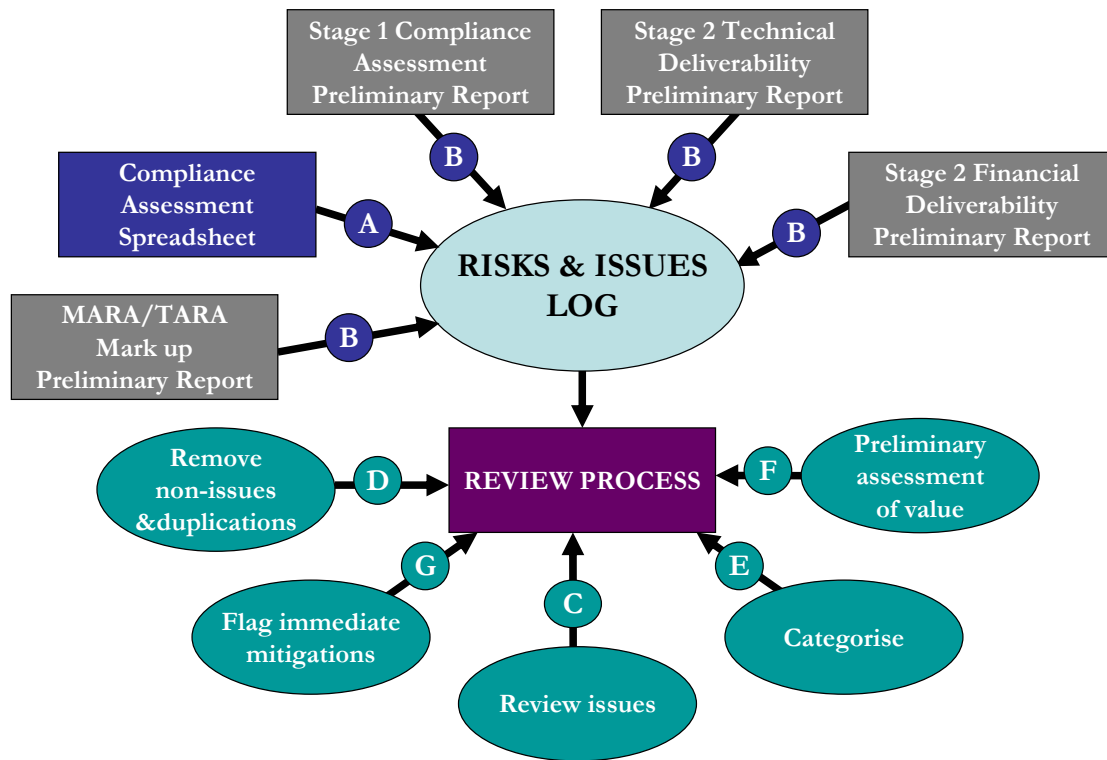
It is proposed that each of the teams involved in the various evaluation Stages will carry out a Preliminary Review of their specialist evaluation section comparatively measured against each bid and the shadow bid to identify key aspects of the offerings where risks, gaps, increased benefits and deficiencies exist within the first few days of the tender return date. A Preliminary Review report will be prepared by each of the evaluation teams in which key issues will be identified. The outputs from these reports will be collectively gathered in the Preliminary Risks and Issues log for further review.

This process allows for those issues that have been identified by the contributing teams to be communicated and understood by the CEG at an early stage after the tender return date. It is acknowledged that the preliminary review is unlikely to fully identify all of the key issues within the bids but it acts as an early first filter of the offerings highlighting areas of the bids where further evaluation and assessment will be required.

The Step 1 Process Actions are as follows;

- Action A  
Review each of the Bidders' tender return spreadsheets and identify areas of non-compliance. Input results of the same into the relevant (Bidder X/ Bidder Y) Risks and Issues Log.  
Responsible IEP resource – [Redacted]
  
- Action B  
Each evaluation team to prepare a Preliminary Review Report via the respective ETIRAM identifying where risks, gaps, increased benefits and deficiencies exist within each of the bids. Input results of the same into the relevant (Bidder X/ Bidder Y) Risks and Issues Log.  
Responsible IEP resources; Stage 1 Compliance Assessment Report - [Redacted],  
Stage 2 Evaluation of Technical Deliverability Report – [Redacted],  
Stage 2 Evaluation of Financial Deliverability – [Redacted],  
MARA/TARA Mark Up Report – [Redacted].





## 12.2 Evaluation Issue and Risk Identification Process – Step 2

In addition to capturing and communicating the emerging issues and risks within each of the bids to the IIRAM for distribution to the CEG the Preliminary Risks and Issue Log allows specific issues to be flagged and further reviewed to ensure that interlinkages between the various evaluation teams are developed and maintained. The Step 2 Issues and Risk review process will be carried out once all Preliminary Review Reports have been collectively shared with the CEG and will form an agenda item on the first post tender return CEG (Section 16).

The Step 2 Process Actions (Responsible Resources – IIRAM [Redacted] and ETIRAMs) are as follows;

- Action C  
Review each entry on the Bidder X and Y Risks and Issues Log, to ensure that issues have been recorded and described correctly.
- Action D  
Analyse Log entries to remove duplications and collectively determine validity of issues.
- Action E  
Categorise Issues to determine evaluation team interest groupings for specific issues (i.e. technical, financial etc) and designate the eventual Stage 3 Value assessment area where the item will be collected if not mitigated or removed during the assessment process (i.e. 3.5.4 (ii) risk, 3.5.4 (iii) omission, (iv) infrastructure costs etc.).
- Action F

Carry out a preliminary estimate to assess value and review impact and likelihood of event occurring in the case of risk items. Further categorise risks and issues into three groups;

1. Significantly Material (Estimated over £5m) - 'Chalkboard' Log
  2. Material (Estimated over £1m below £5m) – 'Residual' Log
  3. Low materiality – 'Noteworthy' (Estimated below £1m) – 'Noted' list
- Action G  
Where appropriate flag potential mitigations and create interlinkages between evaluation teams for each issue. Ensure that interlinkage deliverables are understood and plans for updating the Issues and Risk Log in relation to each are clear and agreed.

### 12.3 Evaluation Issue and Risk Identification Process – Step 3

The output of the Step 2 issues and risk review process will be an improved and more accurate Issues and Risk Log for each Bidder, split into estimated value categories, identifying those key aspects of the bid that are under further review and assessment by designated specialist teams, with a clear action plan for each item including any interlinkages with other evaluation teams, planned outputs and action programme.

It is proposed that each of the evaluation teams will carry out a Phase 2 Detailed Report of the evaluated sub-sections by Bidder which will provide a more detailed understanding of the primary strengths and weaknesses of the overall offering at high level, identifying key risks, gaps, increased benefits and deficiencies exist by the end of week two of the tender return date. The outputs from these reports will be collectively gathered and checked against the categorised Preliminary Risks and Issues Log.

Step 3 of the process reviews the further development of all logged issues and risks for each Bidder and any additional Issues and Risks that have been identified within each of the Phase 2 Detailed Reports. Any new issues and risks will be subject to the same review process set out in Sections 12.1 and 12.2.

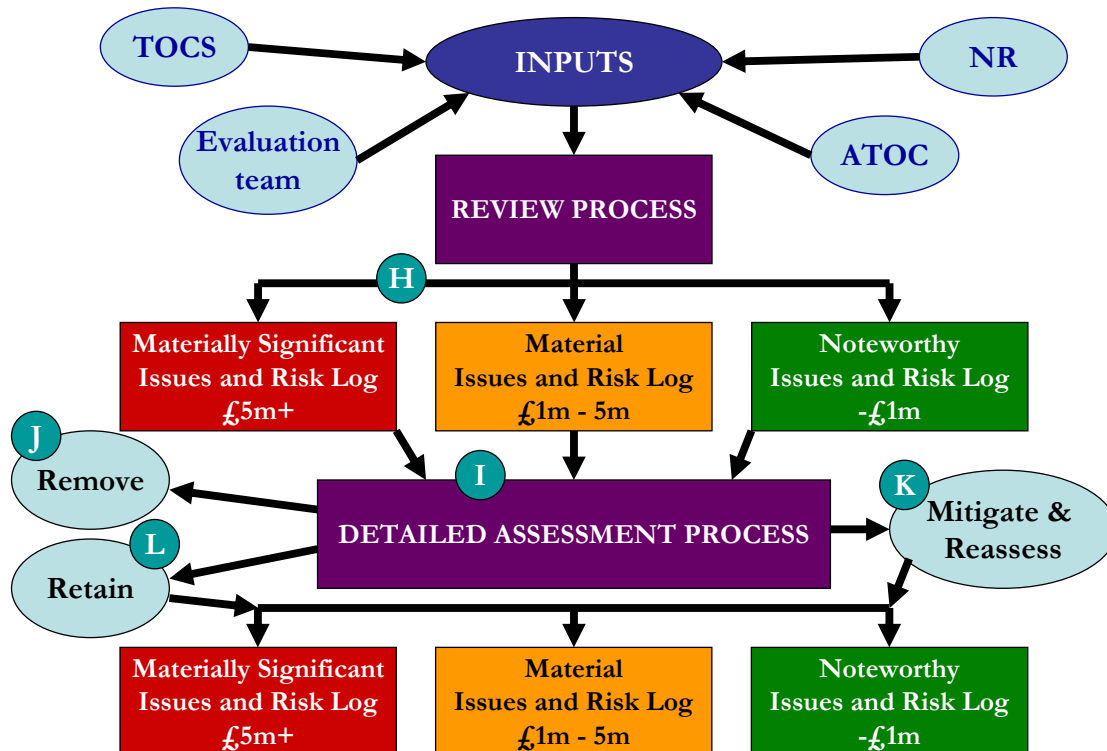
The Step 3 review will be carried out in the third week of the evaluation phase and will include a detailed review of all issues and risks within the three value categories for each bid. At this stage each of the evaluation teams, identified within Action G of 12.2 will have carried out a more detailed review of key flagged risks to provide them with an improved level of understanding of the issues, risks and their consequences. The IIRAM will draw together the various outputs from each of the teams via the respective ETIRAMs in relation to logged items. To ensure consistency in approach a review of actioned issues and risks outputs will be carried out with the relevant ETIRAMs representing the various issues or risks.

The collective review of the various issues and risks will be presented to the CEG as the provisional assessment review workshop during week 3 of the evaluation phase. The CEG and will be given the opportunity to add further input to any of the assessments. Where possible issues and risks that have been zeroed will be removed from the logs,

typically these will include issues that have been resolved through the clarification process or where supporting evidence neutralising a risk has been found through a more detailed review of the offering during the evaluation process. Items that have been mitigated through the review process may be reassessed and allocated to an alternative log depending on the re-estimate of value.

It is proposed that after the week three review only the Chalkboard log will be presented at future weekly CEGs.

The Step 3 Process Actions (Responsible Resources – [Redacted] and all ETIRAMs) are as follows;



- Action H

Further issues and risks identified by the evaluation teams and stakeholders are reviewed and agreed by the respective ETIRAMs for potential inclusion within the Issues and Risk Log. Chalkboard items should be flagged to the IIRAM for immediate inclusion and communication. Material risks should be discussed with the IIRAM and depending on their importance may be flagged for circulation to the CEG at the next meeting. Low materiality and noteworthy items should be included in the Phase 2 Detailed Report.
- Action I

Teams flagged with an Action G responsibility will be consulted prior to the week three CEG for the results of their more detailed assessment of the Issues and Risks that they are reviewing. The IIRAM prepares a detailed Issues and Risk review for presentation to the week 3 CEG. The CEG members review the recommendations and approve actions J, K and L.

- Action J  
Issues and Risks deemed redundant will be identified as ‘Closed’ with an explanation of the logic behind such action.
- Action K  
Issues and Risks mitigated during the review process are reassessed and redirected where necessary to alternative logs.
- Action L  
Issues and risks deemed unchanged are retained in their various logs.

#### 12.4 Evaluation Issue and Risk Identification Process – Step 4

The output of the Step 3 Issues and Risk Review Process will be a more refined and definitive update of the Issues and Risk Log grouped by scale of materiality (‘Noteworthy’, ‘Material’, ‘Significantly Material’). The IIRAM will continue to manage the process of improving the evaluation teams understanding of any emerging and existing issues or risks and the impacts/ consequences of the same.

Following the week three CEG review further weekly meetings will be limited to a review of Chalkboard issues and risks only (i.e. those deemed ‘Significantly Material’). The IIRAM will be responsible for managing all of the logs and identifying with each of the Team Leaders the status and progress of all items for which they have an Action G responsibility.

IIRAM will share the outputs of the weekly log reviews with the VAT to ensure that the results are reflected in the Assessment of Value in line with Section 3.5.4 of the ITT.

During week 9 of the evaluation phase a Final Detailed Evaluation Stage Report including a full review of risks will be carried out by the Stage 1 and 2 evaluation teams and the MARA/ TARA mark up team for presentation to the CEG. Issues and Risk outputs from this report will form the penultimate issues and risk assessment that will feed directly into the Stage 3 Assessment of Value process as a principal basis for assessment.

- Action M  
Stage 1 and 2 evaluation teams and MARA/TARA mark up teams prepare and present Final Detailed Evaluation Stage Reports including full assessment of Issues and Risks.
- Action N  
CEG review Final Detailed Evaluation Stage Reports and approve final Stage 3 Assessment of Value Issues and Risks inputs.
- Action O  
Issues and risks logs built into the Stage 3 Assessment of Value analysis.

### 13 Evaluation Phase Clarification Question Process

### **13.1 Bidder Liaison**

The primary point of contact with Bidders during the evaluation phase will be the IEP Procurement Team who will be responsible for managing the interface and relationships between the DfT and the Bidders. The principal method of communication during the evaluation phase will be Clarification Questions.

### **13.2 Purpose of Evaluation Phase Clarification Questions**

It is important to note that the principal purpose of the clarification question process during the evaluation phase is to allow evaluators to gain a better understanding of a Bidders' offering, for example where there is ambiguity, so as to be able to evaluate the bid fairly and accurately. It is imperative that the process does not invite or give the opportunity for Bidders to materially modify their bid.

### **13.3 Formulation of Clarification Questions**

Reflecting the success of the pre-bid clarification process ASITE will continue to be used as the vehicle for communicating and distributing questions and responses.

As evaluators identify aspects of the bid that they require further clarification and/or better particulars, they will record draft questions using a standard template within ASITE in the Templates File section. Evaluators are to download a copy of the form and complete the same, attach it to an ASITE internal message and send it to the relevant Plan Lead for review. Once the Plan lead has reviewed and is comfortable with the Clarification Question it should be sent via ASITE to the ETIRAM for further review before being forwarded via ASITE to the IEP Procurement Team Clarification Questions Manager ([Redacted]).

Questions within this section of ASITE are visible only to copied individuals and the data site administrator. The ETIRAM, Team and Plan leads will consider the question and discuss any points with the clarification question author to determine whether to proceed with the request for further clarification. Options at this stage would be:

1. Recommend requesting further clarification from Bidders or specific Bidder.
2. Modify the clarification question, once accepted by the author recommend the same as item 1 above.
3. Reject the clarification question

Where a question has been recommended by the team lead it should be copied to IEP Procurement for final review before being processed for response from the Bidders/ Bidder and marked as 'open' on the clarification question register.

Where IEP Procurement intends to reject or modify a recommended question it will discuss the proposition with the team lead.

Specific Clarification Questions may be referred to the CEG for review and approval.

### 13.4 Responding to Clarification Questions

Bidders will be asked to respond to Clarification Questions within a pre-agreed time frame. In some cases the priority, importance and timing of the question may be critical to the evaluation process and in these instances Clarification questions may be requested with a rapid turn-around time. Where such action is required the ETIRAM will need to discuss the case and agree the prioritisation of the response with IEP Procurement.

As responses to clarification questions are received IEP Procurement will review the same and distribute them in whole or part to the ETIRAM, Team and Plan leads and the author. Where the clarification question has been fully answered the ETIRAM and Team lead is to confirm the same with IEP Procurement so that the question can be marked as 'closed' on the clarification question register

Where clarification questions have not been fully addressed or responded to the question should go back through the process set out in 13.3 above before being re-requested with further clarification and instruction during this process the question will remain marked as 'open' on the clarification question register.

## 14 Evaluation of Additional Service Proposals

In line with Section 3.6 of the ITT, bids E – G (Additional Service Proposals) will not be weighted as part of the evaluation process although they will be assessed using the general principles set out in this document for bids A – D and this assessment may be taken into account during negotiations and in deciding which routes to deploy IE trains.

### 14.1 Additional Service Proposals

Section 3.2 of the ITT requires the Bidders to submit the following three Additional Service Proposals with their tender return;

**Bid E** – Cross Country

**Bid F** – GWML Phase 2

**Bid G** – Transport Scotland

Section 3.4.2 of the ITT sets out the extent to which the Bidders are to provide information in respect of the three bids at tender return which is as follows:

#### Part 1 – Proposed Summary

A separate summary of the Additional Services Proposal setting out the incremental benefits and disbenefits (e.g. synergies with the Core routes) of the additional service as compared to the Base Proposal

#### Part 2 – General Contractor's Plan

Details of distinctive features of the additional service.

Incremental effects and impacts of the Additional Service on the Base Proposal, or to confirm that there is no such change.

Details of all spares, manuals and other critical resources required to deliver full maintenance and operation of the Additional Service.

Any opportunities and/or risks that will arise from implementation of the plan

### **Part 3 – Financial response**

The capital price of Trains, spares, equipment and facilities for the Additional Service in line with Clarification Question No 1 – dated 21/11/2007

#### **14.2 Resourcing**

##### **14.2.1 Evaluation Team Lead**

The DfT IEP Procurement Team will be Accountable and the DfT Projects Team will be Responsible for the Alternative Services proposal assessment process.

##### **14.2.2 ‘Accountable’ Resourcing**

[Redacted] is the designated IEP Procurement Team Lead

##### **14.2.3 ‘Responsible Resourcing’**

[Redacted] and [Redacted] are the designated DfT Projects Team Leads.

##### **14.2.4 ‘Supporting Resourcing’**

[Redacted] is the designated Technical Team Lead for all technical plans.

[Redacted] and [Redacted] are the designated Financial Team Leads for all financial responses.

[Redacted] is the designated Business Case Team lead for all risk and whole industry impact adjustments.

#### **14.3 Evaluation Methodology**

The general principles of the Technical and Financial Deliverability evaluation as set out in Sections 6 and 7 of this document will be applied to the assessment of the Additional Service Proposals.

Bidders are required to provide details of the incremental effects and impacts of each Additional Service on any Base Proposal plan where they occur. To the extent that there has been an incremental change within any plan the respective Financial and/or Technical plan lead for the base proposal will review the same to determine whether



further evaluation and/or possible adjustment of the plans' strengths and weaknesses is required to be taken into consideration and produce an Incremental Effects and Impact report for each plan where appropriate.

The Technical and Financial leads are responsible for collecting together all Incremental Effects and Impact reports for their designated evaluation area for consultation with the DfT Project Team Leads.

The Stage 3 Evaluation team are responsible for reviewing the Incremental Effects and Impact reports and together with the DfT Project Team Leads will make an optimised adjustment for risks and whole industry impacts that are collectively considered relevant adjustments to the bids.

#### **14.4 Evaluation Consultation**

The DfT Project Team Leads will be responsible for arranging a consultation meeting with the Technical, Financial and Stage 3 assessment team leads. Attendees should include specialist team resources where the team leads consider their attendance appropriate.

Following the consultation the DfT Project Team Leads will be responsible for producing the IEP Additional Service Report.

#### **14.5 Key Deliverables**

- IEP Additional Service Report

### **15 Assessment of Alternative Proposals**

In line with Section 3.6 of the ITT, the submission of bids H - J (Alternative Proposals) is at the Bidders' discretion. Should proposals be received they will not be weighted as part of the evaluation process although they will be assessed using the general principles set out in this document for bids A – D and this assessment may be taken into account during negotiations and in deciding which routes to deploy IE trains.

#### **15.1 Alternative Proposals**

Section 3.3 of the ITT requires the Bidders to submit the following three Alternative Proposals with their tender return;

**Bid H** – ECML Phase 1 Alternative Delivery and Transition Plan

**Bid I** – GWML Phase 1 Alternative Delivery and Transition Plan

**Bid J** – ECML Phase 1 Supported Debt Proposal

Section 3.4.3 of the ITT sets out the extent to which the Bidders are to provide information in respect of the three bids at tender return which is as follows:

## 15.2 Bidder Requirements for Bids H and I

If the Bidder chooses to submit an Alternative Delivery and Transition Plan (see section 4.4.5) it is required to provide with their tender return, as a minimum, the following key pieces of information:

- The total price for the Alternative Delivery and Transition Plan (this price is not to be expressed as a payment per set, but is a gross increment on the Base Proposal), including all spares, manuals and resources that may be needed to deliver full maintenance and operation;
- The incremental benefits and disbenefits of the additional service as compared to the Base Proposal (e.g. depot synergies and general observations including how the depot solution will be made effective);
- A general plan which highlights any distinctive features of the additional service; and
- Any opportunities and/or risks that will arise from implementation of the plan.

## 15.3 Bids H & I Resourcing

### 15.3.1 Evaluation Team Lead

The DfT IEP Procurement Team will be Accountable and the IEP Technical and Programme Teams will be Responsible for the Bids H & I Additional Proposal assessment process.

### 15.3.2 'Accountable' Resourcing

[Redacted] is the designated IEP Procurement Team Lead

### 15.3.3 'Responsible Resourcing'

[Redacted] is the designated Programme Team Lead.

### 15.3.4 'Supporting Resourcing'

[Redacted] is the designated Technical Team Lead for all technical aspects of the bids.

[Redacted] is the designated Programme Team Lead for all programme aspects of the bids.

[Redacted] and [Redacted] are the designated Financial Team Leads for all financial aspects of the bids.

[Redacted] is the designated Business Case Team Lead for all risk and whole industry impacts aspects of the bids.

## 15.4 Bids H & I Evaluation Methodology

The general principles of the Technical and Financial Deliverability evaluation as set out in Sections 6 and 7 of this document will be applied to the Additional Service Proposals.

Bidders are required to provide details of the benefits and disbenefits of the additional service as compared to the Base Proposal and a general plan highlighting any distinctive features of the additional service. To the extent that any benefit or disbenefit has been identified the Technical and/or Financial plan lead for each of the areas identified will review the same to determine whether further evaluation and/or possible adjustment of the plans' strengths and weaknesses is required to be taken into consideration and produce an Incremental Effects and Impact report for each plan where appropriate.

The Technical and Financial leads are responsible for collecting together all Incremental Effects and Impact reports for their designated evaluation area for consultation with the DfT Project Team Leads.

The Stage 3 Evaluation team are responsible for reviewing the Incremental Effects and Impact reports and together with the DfT Project Team Leads will make an optimised adjustment for risks and whole industry impacts that are collectively considered relevant adjustments to the bids.

## 15.5 Bids H & I Evaluation Consultation

The Programme Team Lead will be responsible for arranging a consultation meeting with the Technical, Financial and Stage 3 assessment Team Leads. Attendees should include specialist team resources where the team leads consider their attendance appropriate.

Following the consultation the DfT Project Team Leads will be responsible for producing an IEP Alternative Proposal Report.

## 15.6 Bidder Requirements for Bid J

If the Bidder submits an Alternative Financing: 30% Government Supported Debt it is required to provide with their tender return, as a minimum, the following key pieces of information:

- a financial model;
- details of any changes to debt and equity documentation; and
- details of approvals from equity and debt providers,

## 15.7 Bid J Resourcing

### 15.7.1 Evaluation Team Lead

The DfT IEP Procurement Team will be Accountable and the DfT Finance Team will be Responsible for the Bid J Additional Proposal assessment process.

### 15.7.2 'Accountable' Resourcing

[Redacted] is the designated IEP Procurement Team Lead

### **15.7.3 'Responsible Resourcing'**

[Redacted] and [Redacted] are the designated DfT Finance Team Leads.

## **15.8 Bid J Evaluation Methodology**

The general principles of the Financial Robustness and Deliverability evaluation as set out in Section 7 of this document will be applied to the Bid J Additional Service Proposal.

## **15.9 Additional Services Key Deliverables**

- IEP Bid H Additional Service Report
- IEP Bid I Additional Service Report
- IEP Bid J Additional Service Report

## **16 Core Evaluation Group**

### **16.1 Membership**

The following are the members of the IEP Core Evaluation Group (CEG):

[Redacted]

### **16.2 CEG Meetings**

Meetings will be held weekly commencing 10<sup>th</sup> July 2008. Meetings will be diarised between 09:00 and 13:00hrs.

### **16.3 Meeting Agendas**

The weekly agenda will be circulated within 48hrs of each CEG meeting, typically the agenda will include the following:

- Progress Reports (Copies of Template Progress Reports are set out in [Redacted])
- Chairman's Update
- Risks and Issues Log
- Clarification Questions
- AOB

[Redacted]