

Ref: S2-FGJV-CAD-LET-0545

Date: 22nd October 2021

Snowy Hydro Limited
Monaro Highway
Cooma NSW 2630

Attention: Kieran Cusack
Employer's Representative

Project: Contract No. 94896 – Snowy 2.0 Pumped Hydro Electric Scheme Capacity Upgrade

Subject: Re: Steel Lining Subcontract – Consent to Subcontract

Reference: [1] S2-FGJV-CAD-LET-0506, dated 29 September 2021

Dear Kieran,

The Contractor refers to its previous letter [1] requesting the Employer's consent to subcontract the design, supply and installation of steel lining works under the Contract to a third party (**Subcontract Works**). The Contractor also advised the Employer that it intends to appoint ATB Riva Calzoni S.p.A (ATB) to undertake the Subcontract Works.

Subsequently, the Parties had further discussions on this matter. In response to the Employer's Representative's request, the Contractor clarifies below (in brief) the process it undertook in selecting ATB.

SCOPE OF SUBCONTRACT WORKS

- Supply of steel in following quantities/specification:

Element	Steel Grade	Plate Thickness (mm)	Internal Dia (mm)	Qty (ton)
Penstock	PV700/AS3597	71 - 76	2200 - 3800	~7,000
Draft Tube	PV500/AS3597	30 - 80	3500 - 6600	~2,800
Collector Tunnels	PV500/AS3597	29	6600	
U/s and D/s Surge Shafts	S460Q	20	5000 - 9000	

NOTE:

(a) All materials shall be certified with Inspection Certificate 3.1 according to EN10204 covering an agreed set of properties.

(b) High strength steel shall be produced by a quenching and tempering process. Thermo-mechanically rolled products shall not be used for high strength steel.

- Preparation of shop drawings, procedures and method statements
- Fabrication including cutting, rolling, welding, surface treatment, heat treatment testing etc. in accordance with the Employer's Requirements for *S4.8 Tunnel Steel Liners*.
- Transport to the Site
- Assembling and erection works
- Hydrostatic testing of steel liners



PROCUREMENT PROCESS

- Prior to commencing the procurement process, the Contractor took a number of steps to identify Australian suppliers capable of providing the steel lining required for the Project, including advertising for expressions of interest through the ICN Gateway in early February 2021.
- ICN Gateway advised the Contractor on 25 February 2021 that it has received 23 expressions of interest from potential bidders:
- Based on ICN Gateway responses, the Contractor identified 4 capable Australian suppliers, who were invited to participate in the procurement process. 2 further Australian suppliers, who did not participate in the ICN Gateway process were also invited to participate in the procurement process.
- Procurement process commenced with a Request for Quotation (RFQ) issued in March 2021 to 9 potential bidders.
- 6 out of 9 potential bidders were Australian companies.
- During the initial 2 month period of technical and commercial clarification process, 3 Australian companies formally withdrew from the procurements process.
- Subsequently 6 bidders submitted technical and financial proposals.
- Except for ATB and another international bidder, rest of the proposals were not fully compliant with the RFQ. The non-compliant proposals received were from 3 Australian companies and an international company.

The process detailed above confirms that the Contractor has provided full, fair and reasonable opportunities to the eligible Australian entities to participate in the procurement process. The comprehensive process undertaken by the Contractor in selecting ATB is fully detailed in the enclosed document entitled "ATB Selection".

REASONS FOR NON-SELECTION OF AUSTRALIAN COMPANIES

- None of these companies had previous experience in manufacturing Penstocks or high strength steel lining works.
- None of these companies are capable of supplying 100% of the Contractor's steel plate requirements in compliance with the quantities/specification noted above.
- None of these companies are capable of undertaking full scope of the Subcontract Works.
- None of these companies are capable of manufacturing steel plates of the minimum dimensions required by the Contractor.
- Plates of lesser dimensions manufactured by these companies require welding to make up for the required dimensions for the project; welding steel plates pose the risk of increased cracking.
- They are unable to maintain the tight tolerances as set in the Employer's Requirements and other applicable standards.
- Their inability to locally fabricate the steel components to the tolerances set in the Employer's Requirements and thereby requiring any plates sourced locally to be sent overseas for fabrication.

REASON FOR SELECTING ATB

- As detailed above, the 6 Australian companies who participated in the RFQ process none of them were able to supply steel in compliance with the scope of the Subcontract Works or to the required specification.
- This resulted in the only option for the Contractor to source its steel requirements from overseas manufacturers.
- ATB is part of ATB Group, an industrial group based in Italy, and operating in over 20 countries with more than 1500 employees.
- ATB has been working with WeBuild, the Contractor's JV partner, in many of its overseas hydropower projects and has gained a reputation as a very reliable company of fabrication and erection of high strength steel components.
- ATB has more than 20 years of experience in design, fabrication, erection and commissioning of high strength steel Penstock for Hydro Projects all over the world.
- ATB has a wide experience in execution of large hydropower projects, keeping under its direct control the fabrication of key components in its three production facilities in Northern Italy and Colombia, while maximising the use of local capabilities with on-site manufacturing and preassembly operations.
- The Hydro Mechanical Equipment, Oil & Gas and Nuclear manufacturing activities are carried out in the three main workshops of ATB, with a total area of 160,000 m², out of which 45,000 m² are covered.
- The main ATB workshop is located in Roncadelle, Italy, with five (5) bays fully equipped for all product lines and in-house manufacturing activities. The workshop has the following main capacities:
 - Fabrication of components up to 200 tons
 - Rolling of up to 300 mm thick plates
 - Forming 2600 mm diameter heads
 - Several Welding and weld overlay stations (SAW, ESW, GTAW, GMAW/FCAW, SMAW)
 - Heat treatment furnaces
 - Fully-equipped Machining Department
 - NDT (non-destructive testing) Department and Laboratory
 - Welding Engineering Department
- In the last 50 years, ATB has worked in more than 700 dam and hydropower projects providing more than 2,000 gates and more than 200 penstocks.
- ATB is dealing since 1960 with the design, fabrication and inspection of Pressure Vessels for Oil & Gas, Nuclear and Power Generation industries all over the world. In particular, ATB supplied more than 35 pressure vessels in Australia, designed in accordance with AS 1210 regulation.
- The company profile of ATB was previously provided under letter [1].

CONTRACTOR'S COMMITMENT TO SUPPORT LOCAL COMPANIES

It is important to note that the steel lining sits alongside the 130,000 concrete segments which are all being made locally in Cooma. The segments are an example of where the Contractor could use local

capability and therefore, the Contractor invested \$35 million in building a new concrete segment factory rather than importing segments from offshore.

In addition, ATB have informed about its intention to source approximately 2800 tons of steel (PV500 for Collector Tunnels and Draft Tubes) to be supplied under the Subcontract Works from Australian entities. This material will also be locally processed by a Tier-Two Subcontractor.

Therefore, please be assured that the Contractor in discharging its obligations under the Contract is fully committed to provide the Australian entities to have full, fair and reasonable opportunities to bid for the supply of key goods and services for the Project and will continue to do the same in future as well.

The Contractor trusts that this letter and the attached document satisfactorily addresses any concern the Employer may have had in regard to the Contractor providing fair and reasonable opportunities to the Australian entities in this procurement process.

Yours sincerely,



Massimo Franceschi
Project Director & Contractor's Representative
Future Generation JV

Encl: ATB Selection

Project: Snowy 2.0

Package: PPK-013 – Steel Lining

Prepared by: Carlo Giraudo

Date: October 7th, 2021

Subject: Steel Lining Subcontract – Procurement Selection Process

1. Scope of Work

This Scope of Work encompasses the comprehensive execution of Steel Lining and Penstocks Works and includes (but is not limited to) the following:

- Preparation of Shop drawings, Procedures and Method statements;
- Supply of material in accordance with specifications and Employer Requirements;
- Fabrication including cutting, rolling, welding, heat treatment, testing and surface treatment of pipes in transportable length/segments (including non-destructive testing (NDT) of welds including stain gauges measurement and report)
- Surface treatment;
- Shipment and Transport to Site;
- Assembling and erection works
- Hydrostatic testing of steel liners

2. Procurement Process - Vendors` List

Back in March 2021, the Vendors List of potential Subcontractors to invite to Tender was set. The mix of potential Subcontractors (9 in Total) was selected by considering the following mixed criteria:

- Financial Capability to perform the Scope of Work (all Companies)
- Previous experiences on Steel Lining Works (2 Companies out of 9)
- Local Content (Australian Companies, 6 Companies out of 9)
- Emerging Markets in APAC Region (1 Company out of 9)

The first Stage of Tender (prior to the submission of the First Offer) has been carried out over a period of approx. two months through 12 addenda (Technical and Commercial clarification).

During the Tender Process, two Companies have expressed their intention to jointly submit the proposal with the aim of forming a future Joint Venture in case of successful awarding. *The Two Companies are ATB Riva Calzoni S.p.A. (Italy) and CB&I – McDermott (Australia).* The proposal was welcomed by FG JV considering the mix of experience from the industry (*ATB*) and the local component from a reputable player (*CB&I*). All of a sudden, at the end of May, *CB&I* have officially informed about their decision to pull out of the Tender (refer to letter dated May 26th, 2021 – Abstract 1)

26th May 2021

Future Generation JV

Attn: Carlo Giraudo
Procurement Manager

Subject: Bid S2-FGJV-TEC-SOW-013

Dear Carlo,

As discussed, CB&I will be officially withdrawing from the PPK 013 - Steel Lining tender process.

CB&I's JV partner ATB will be pursuing this opportunity on their own accord.

I would like FGJV for giving CB&I this opportunity to participate and wish the project every success going forward.

Yours Sincerely,

CBI Constructors Pty. Ltd.



Mark Hulbert
Business Development

Please Reply To: Mark Hulbert
Mobile: 0409 178 922
E-Mail Address: mhulbert@mcdermott.com

Abstract 1 – CB&I McDermott letter

Approx. one month earlier, another Australian Subcontractor (*Hoffmann Engineering Pty Ltd based in Bendingo, VIC*) have informed about the intention not to proceed any further with the Tender as consequence of the complexity of "On-Site" operations along with the compressed Time Schedule for the execution of the Subcontract Works (refer to mail dated April 29th, 2021 – Abstract 2)

From: David Hubbert <David.Hubbert@hofmannengineering.com>
Sent: Thursday, 29 April 2021 3:18 PM
To: Rhiannon Evans
Cc: Kadhem Tanazefi; Carlo Giraud; Marc Heaven; Lida Petraskova; Micah Bearlin-Allardice
Subject: RE: PPK 013 Steel Liners Addendum No.5

Hi Rhiannon,

After consultation with the Hofmann Board, we have decided not to submit a tender for these works. The significant onsite fabrication and installation works together with the compressed timeframe formed the basis for this decision.

I remain very interested in the supporting the project and hope we can do business with another work scope.

If you have any questions please do not hesitate to give me a call.

Best Regards,

David Hubbert

General Manager - Bendigo | Direct: (+61) 3 5440 7415 | Mobile: (+61) 439 150 654 | Office: (+61) 3 5440 7400

Abstract 2 – Hoffman mail

Eventually, also *Baker&Provan Pty Ltd.* (Australia) informed that they would not have submitted any proposal, but at the same time confirmed the interest to perform the “On-Site” operations under the coordination of the awarded Subcontractor. The matter was discussed on Video conference (no formal notification from Vendor).

3. Procurement Process – Evaluation of Submitted Offers

Out of 6 submitted Technical and Financial proposals, two Companies only (*ATB Riva Calzoni S.p.A.* – Italy and *Whessoe Sdn Bhd* - Malaysia) were fully compliant with the Request for Quotation. Both *ATB* and *Whessoe* are specialists in Steel Lining Works with previous experiences in similar Projects to Snowy 2.0.

All other submissions:

- *Calbah Industries Pty Ltd.* – Australia: The Offers covers supply and fabrication of material only (evidence of Offer qualification can be provided upon request)
- *Keppel Prince Engineering Pty Ltd.* – Australia: The Offers covers the supply and fabrication of Draft Tube and Collector Tunnels only. No Transport and installation works have been considered (evidence of Offer qualification can be provided upon request)
- *Thornton Engineering Australia Pty Ltd.* – Australia: The Offers covers the supply and fabrication only. No Transport and installation works have been considered (evidence of Offer qualification can be provided upon request)
- *NOV* - Indonesia) were covering partial Scope (Fabrication only): The Offers covers the supply and fabrication only. No Import duties and installation works have been considered (evidence of Offer qualification can be provided upon request)

For the above reasons, final negotiation has been carried out with *Whessoe* and *ATB* only, the latter lately selected as preferred Bidder.

4. Subcontractor`s setup and strategy

The complex logistic conditions of the Project along with the compliance with the fabrication requirements as per Main Contract and applicable standards` specification, have driven the proposed Subcontractor`s decision to perform the fabrication of Penstocks in an already set-up overseas facility.

The preferred Bidder have informed about the intention to procure the Penstocks` Steel Plates (approx. 6,960 Tons) from the Austrian Steel Mill Voestalpine AG (www.voestalpine.com), however approx. 2,810 Tons of steel (PV500 for collector tunnels e draft tubes) equal to approx. 30% of the overall quantity will be Australia sourced steel: this material will be locally processed by a Tier-Two Subcontractor.

On top of the abovementioned permanent structures, material for temporary Collector and Draft Tubes` supports (approx. 60 Tons) and steel structure for Temporary workshop/facilities will be procured by local Supplier and processed by Local Subcontractors.

The possibility to procure 100% material from Australian source (including Penstocks) has been considered and lately abandoned for two main reasons:

- Smaller size of steel plates from the Steel Mill: this constrain requires additional welding with an associated risk to increase the risk of cracking and deviate from tight tolerances as set in the ER and other applicable standards;
- A remarkable price increase due to extra manpower and consumables (welding operation) and logistic/shipment costs (material to be shipped overseas for fabrication and sent back to Australia after processing). The combination of these factors would have an impact of 20+ AUD Million on Subcontract Price.

5. Subcontractor`s References

The preferred Bidder *ATB Riva Calzoni S.p.A.* is an experienced Subcontractor with a wide experience in Hydro Power Projects. References and Company capability are provided in attachment for your reference.