

26 March 2012

Michelle Groves  
Chief Executive Officer  
Australian Energy Regulator  
GPO 520  
MELBOURNE 3001

Dear Ms Groves

**RE:    Probity Report – Information Technology Tender – Multinet**

Dench McClean Carlson Corporate Advisory (“DMC”) was engaged by Multinet in July 2011 to provide probity advice in respect of the process for the procurement of Information technology (“IT”) Services.

We are members of the Victorian Government’s probity panel administered by the Department of Treasury and Finance and we have extensive experience in assessing and advising on probity of procurement processes.

We have provided probity advice and assessments for Victorian Government departments and statutory authorities and for energy entities including AEMO.

We were commissioned to assist Multinet with design of a suitable process for the procurement of three IT service packages as follows:

- Service Management
- Application Management
- Infrastructure Management

We assisted with the review of the procurement documentation and evaluation plans for both stages of the tender. The evaluation plans identified the probity requirements to be followed during the procurement. We also provide material for the Project Manager to give the procurement team a probity briefing.

Tender responses were requested and assessed via a two-stage tender process, with proposals submitted against:

- An Expression of Interest (“EOI”)
- A Request for Proposal (“RFP”)

Proposals were evaluated by:

- Shortlisting submissions at the EOI stage – 20 responses were received, twelve expressed interest in all three service packages; the remainder expressed interest in one or two packages
  - The seven top scoring respondents for each package were shortlisted
  - This involved nine different respondents
- Issuing an RFP to the nine respondents shortlisted
  - Responses were received from five of the invited respondents
  - Four respondents elected not to participate in the RFP
- Evaluating the RFP submissions
- Selecting preferred proposals and conducting negotiations

We were asked to provide independent and appropriate sign-off, at designated milestones in the process, on probity requirements, including whether the processes:

- (i) were developed in accordance with standards of probity generally expected by Government regulators
- (ii) were conducted in accordance with Multinet's procurement policies, rules and guidelines established for this procurement

This report details our findings with respect to the both stages of the process, the EOI and the RFP.

### **Competitive Process**

The EOI was developed to provide the market with clear information on the opportunity. We reviewed the document on 1 August 2011. It was a good document, clear on what it was requesting and providing appropriate disclosure to the market to enable prospective respondents to make an informed business decision on whether to respond.

The market was advised that Multinet's expectations of respondents included the following:

*“Respondents must identify any circumstances and all relationships which constitute a conflict, or potential conflict, of interest in respect of this request for EOI or any future RFP (should UE and Multinet, in their sole discretion, decide to issue one) or any agreement which may eventuate from the RFP. This includes collusive tendering, anti-competitive conduct or any other similar conduct with any person in relation to the preparation or lodgement of responses.”*

All respondents were given access to the same information. All questions from the market were recorded; ten questions were received during the EOI open period. Written answers were provided to all parties who registered for the EOI.

## **EOI Evaluation**

The evaluation methodology was based on the evaluation criteria provided to the market in the EOI. The methodology including the weightings for the criteria was provided to us on 18 August before the EOI close date of 26 August. The methodology was detailed in the Evaluation Plan for this project. The Evaluation Team members were trained on the methodology to be followed.

The Project Manager provided a probity briefing to the Evaluation Team members based on briefing material we provided on 19 August identifying the probity principles to be followed during the evaluation.

Multinet received twenty responses to the EOI. The responses were scored and ranked against the evaluation criteria for each of the three service packages.

Clarification questions were asked of the respondents during evaluation; eleven clarification questions were asked. We reviewed all questions before they were given to respondents.

The seven top scoring respondents for each package were recommended for shortlisting.

A number of the top scoring respondents expressed interest in more than one service package. In total nine different respondents were recommended for shortlisting.

We reviewed the EOI Evaluation Report on 21 September and noted that it demonstrated an evaluation in accordance with the criteria provided to the market.

## **Security and Confidentiality**

Multinet staff and team members were advised of the requirements for security and confidentiality in the Evaluation Plan document. They were required to complete a conflict of interest declaration and were reminded of the confidentiality requirements of their employment.

External contractors were required to complete both a conflict of interest declaration and a confidentiality agreement. In this case one contractor who participated for a short time early in the procurement was covered by the general confidentiality provisions of his contract but did not complete a separate confidentiality agreement. He did complete a separate conflict of interest declaration.

EOI responses were kept in secure facilities with controlled access.

## **Conclusion**

We were satisfied that, at the Expression of Interest ("EOI") stage, the Multinet process for the procurement of Information Technology Services met the necessary probity requirements.

## **RFP Invitation**

The RFP was developed to provide the shortlisted respondents with clear information on the services required. We reviewed the document on 29 September 2011.

It identified detailed evaluation criteria and weightings. It gave an evaluation timeframe and identified the Conditions of the RFP. A draft Services Agreement was provided and a Response Template was also provided.

Following the review of the market responses in the EOI process, the specifications for the RFP combined the three service packages from the EOI into two packages. These were:

- Application Management
- Service and Infrastructure Management

The RFP document allowed respondents to bid for one or both of these two service packages.

## **RFP Evaluation**

As noted, the evaluation criteria and weightings were provided to invited respondents in the RFP. The evaluation criteria provided to the market matched the criteria used in the evaluation.

The methodology was detailed in the Evaluation Plan for the RFP Stage of this project. We reviewed this Plan on 6 October; it was finalized on 26 October. This was before the RFP close date of 4 November.

The Evaluation Team members were trained in the methodology to be followed.

Multinet received five responses to the RFP by the close of submissions on 4 November 2011. Four of the firms invited did not submit RFP submissions.

Two respondents bid for both service packages; three bid for one package only.

The responses were reviewed against the evaluation criteria outlined in the RFP.

Following review of the responses the highest scoring suppliers for each of the two service packages were recommended for negotiations.

After normalizing costs, the recommended supplier for Application Management was the lowest cost response.

The recommended supplier for Service and Infrastructure Management was the second lowest cost proposal but provided the lowest price risk as the lowest price respondent reserved its right to review pricing post a proposed due diligence.

The recommended suppliers were assessed as the best value for money offers.

We reviewed the RFP Evaluation Report on 9 January 2012 and noted that it demonstrated an evaluation in accordance with the criteria provided to the market.

### **Security and Confidentiality of RFP**

Multinet staff and team members were advised of the requirements in the Evaluation Plan. They were required to complete a conflict of interest declaration and were reminded of the confidentiality requirements of their employment.

External contractors were required to complete both a conflict of interest declaration and a confidentiality agreement.

RFP responses were kept in secure facilities with controlled access.

### **Unsuccessful Respondents**

Multinet will offer to provide debriefings to unsuccessful respondents when the procurement process is finished.

### **Conclusion**

We are satisfied that the Multinet process for the procurement of Information Technology Services has met the necessary probity requirements.

We would be happy to provide clarification on any matters associated with this report - contact numbers are (03) 8617 2626 (Direct) and 0419 373 096 (Mobile).

Yours faithfully,  
DENCH MCCLEAN CARLSON CORPORATE ADVISORY



**Anne Larkins**  
**Director**