

# **CONTRACTOR RATING GUIDELINES**

**Developer Design &  
Construct Works**



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# CONTRACTOR RATING GUIDELINES

## DD&C WORKS



### PURPOSE AND SCOPE

The intent of this document is to describe how contractors are rated under existing Ergon Energy policies and to be engaged by developers for Developer Design and Construct Works.

### RESPONSIBILITIES

Group Manager Works Enablement is the Process Owner responsible for approving this Reference document.

Contestable Works Panel Manager is responsible for maintaining this Reference document.

Contestable Works Panel Manager is the Subject Matter Expert (SME) for the content this Reference document.

### DEFINITIONS, ABBREVIATIONS AND ACRONYMS

<b>Approved Suppliers Register (ASR)</b>	A list of Contractors that have been assessed, accepted, and Rated by Ergon Energy as suitable for undertaking works associated with UDC Developments. A Developer may propose a Contractor to be assessed for addition to the Register, however, acceptance and Rating is a prerequisite to engagement of such Contractor for UDC Electrical Works.
<b>AQTF</b>	Australian Quality Training Framework
<b>Contestable Works</b>	A CICW proposal which might be executed under contract by Ergon Energy or a Contractor listed on the Ergon Energy Approved Suppliers Register.
<b>Contractor/s</b>	A company or person (including a sub-contractor engaged by the Contractor) selected by the Developer or Ergon Energy to undertake construction associated with the project.
<b>Customer Initiated Capital Works (CICW)</b>	Any work required to extend or augment the Distribution Network that has been initiated to enable a customer to connect new load to the Distribution Network.
<b>Developer</b>	Any person or company which enters into an agreement with Ergon Energy for the Electrical Reticulation works.
<b>Developer Design &amp; Construct Works (DD&amp;C Works)</b>	Works that will be undertaken by the Developer by entering into an Network Extension Agreement with Ergon Energy and by selecting Ergon Energy approved contractors to design, project manage and construct the Electrical Reticulation for a Project and enable connection with the Distribution Network that must be compliant to Ergon Energy's standards and specification.
<b>Development</b>	Works within an area which the Developer has entered into an agreement with Ergon Energy for the Electrical Reticulation works..
<b>Distribution Network</b>	The distribution network owned and operated by Ergon Energy.
<b>Electrical Reticulation</b>	Any works directly associated with the supply of electricity within the Development.
<b>Electrical Works</b>	The DD&C Works, Network Connection Works and any other work associated with the installation of electrical infrastructure, which may comprise work outside the boundary of the Development (including in a Publicly Controlled Place).
<b>Headworks</b>	Works involved in the construction of any extension to the Ergon Energy

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	network to provide a connection point and electricity supply to the Development
<b>Major non-conformance</b>	A variation from standard specification, Acts, Regulations or requirements that has a material effect on product quality, the environment or safety of the Nominated Contractor, Ergon Energy or the general public <b>and requires immediate rectification.</b>
<b>Minor non-conformance</b>	A variation from standard specification that affects product quality and requires rectification.
<b>Nominated Contractor/s</b>	The Contractor/s from each of the project management, design and construction categories selected by the Developer from the Approved Suppliers Register.
<b>Network Extension Agreement (NEA)</b>	The agreement between the Developer and Ergon Energy for the connection of Electrical Works to the Distribution Network.
<b>Observation</b>	A variation from standard specification that does not need to be rectified and is a recommendation for future work.
<b>Panel Manager</b>	The Ergon Energy employee assigned the responsibility to manage the rating process and maintain the Approved Suppliers Register.
<b>Project Manager</b>	The person or organisation authorised by the Developer to manage the construction of Electrical Reticulation infrastructure for a project.
<b>Project</b>	All Electrical Works to be undertaken and includes Upstream Works, Headworks and the Development.
<b>Product</b>	This may include hardware, processed material, software, system or a combination thereof.
<b>QA</b>	Quality Assurance
<b>Quality Plan</b>	An approved document setting out the specific work practices, resources required, and activities relevant to a particular contract or Project.
<b>Rating/s</b>	An objective value developed from subjective measures to grade the QA system, capacity and performance of a nominated Contractor.
<b>UDC</b>	Underground Distribution Construction
<b>Upstream Works</b>	Works required to upgrade the Distribution Network to provide additional capacity necessary for electricity supply to the Development.

## REFERENCES

The Contractor's quality system must be based on the following relevant Australian/New Zealand/International Standard and Ergon Energy's requirements:

- AS/NZS ISO 9001:2000 - Quality Management Systems Requirements.
- AS/NZS ISO 14001 - Environmental Management Systems - Specification for guidance of use
- ASNZS 1199 - Sampling Procedures and Tables for Inspection by Attributes
- AS/NZS ISO 9004.5 - Quality Management and Quality System Elements - Guidelines for Quality Plans

The Ergon Energy specifications relevant to the design, project management and construction of the Electrical Reticulation for UDC DD&C Works include:

- UDC Developers Handbook
- PW000102R101 Distribution Asset Manual
- Distribution Design Manual
- Underground Construction Manual

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- Lighting Construction Manual
- RSC14 UDC Project Management specification
- RSD01 UDC Design specification
- RSC06 UDC Main Specification
- RSC07 UDC Civil Works specification
- RSC08 UDC Electrical Works specification
- RSC09 UDC Horizontal Directional Drilling specification
- RSC10 UDC Electrical Testing specification
- RSM01 UDC Materials specification
- RSM02 UDC Compatible Materials Listing specification

## 1. INTRODUCTION

### 1.1. General

The Ergon Energy distribution business has a primary focus on meeting the increasing demands of our customers, regulators and shareholders in relation to our electricity network. This work includes the implementation of significant programs to improve the quality and reliability of electrical supplies across regional Queensland. In one such program Ergon Energy allows developers to undertake design, project management and construction of the Electrical Reticulation for UDC Developments. This objective is achieved if all the products and services used in the Ergon Energy network conform to technical, quality and other requirements defined in the relevant specifications.

Ergon Energy's DD&C Works model relies on a formal Contractor rating recorded on the Approved Supplier Register. The Contractors listed on the Register have been rated – "A", "B" or "C", as a result of an evaluation in three areas:

- Quality Management System,
- Capability, and
- Performance and Experience.

A Contractor's rating applies specifically to one of the three functions: Design, Project Management or Electrical Construction. A Contractor may be rated for more than one function.

## 2. APPROVED SUPPLIER REGISTER (ASR)

Ergon Energy maintains an Approved Supplier Register of Contractors who have been assessed, accepted and 'rated' by Ergon Energy as suitable for undertaking the DD&C Works. Developers must choose a Contractor from the Approved Supplier Register to undertake the design, project management and construction of the DD&C Works. The Developer will be responsible for directly engaging Contractor/s.

The Approved Supplier Register will contain details of the Contractor's quality system, capability and performance, and records of Contractor Ratings. **Any Contractor or sub-contractor engaged in respect of DD&C Work must be from the Approved Suppliers Register or otherwise approved by Ergon Energy.**

### 2.1. Standards

As a general guide, a quality system like AS/NZS ISO 9001 is required where the specification provides for new, proven or modified designs. Accordingly, this is the corporate standard used by Ergon Energy. The specifications are available on the Ergon Energy website.

### 2.2. Requirements for Advertising/Promotion

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A Contractor must submit to Ergon Energy in writing, a request for approval of any advertising or promotional material that states the Contractor is an Ergon Energy quality assured/rated provider or in any way associated with Ergon Energy. The Contractor is not to use the Ergon Energy brand (logo) without the prior written consent of Ergon Energy.

### 3. QUALITY ASSURANCE (QA) RATING

#### 3.1. Eligibility

The Developer must select a Contractor from the Approved Suppliers Register or contract Ergon Energy to complete the DD&C Works. The Contractors listed on the ASR have been rated by Ergon Energy as a result of an evaluation in three areas:

- Quality Management System
- Capability; and
- Performance and Experience.

Only rated Contractors or Contractors who have otherwise been approved by Ergon Energy will be eligible to execute contracts for DD&C Works which when completed are to be connected to the Ergon Energy network. The Contractor/s will be contracted to a Developer for this work. Contractors are rated to provide the relative level of quality assurance to Ergon Energy and the customer. Ratings are valid for a period of 2 years and within that period the Ratings may be modified for performance only.

A formal re-Rating may be requested by either Ergon Energy or the Contractor due to some improvement or change by the Contractor, or as a result of observed performance (see below). Any change in the Contractor's Rating will stand until, in the opinion of Ergon Energy, there is demonstrated evidence that the cause of the change has been eliminated and performance is satisfactory.

Ergon Energy may call for a registration of interest for Contractors wishing to be considered for the Approved Suppliers Register. Prospective Contractors may, however, request to be added to the Approved Suppliers Register at any time.

Ergon Energy may choose to implement a fee schedule which covers the cost of completing a Contractor Rating. The Contractor's Rating will be assessed on the basis of the following table:

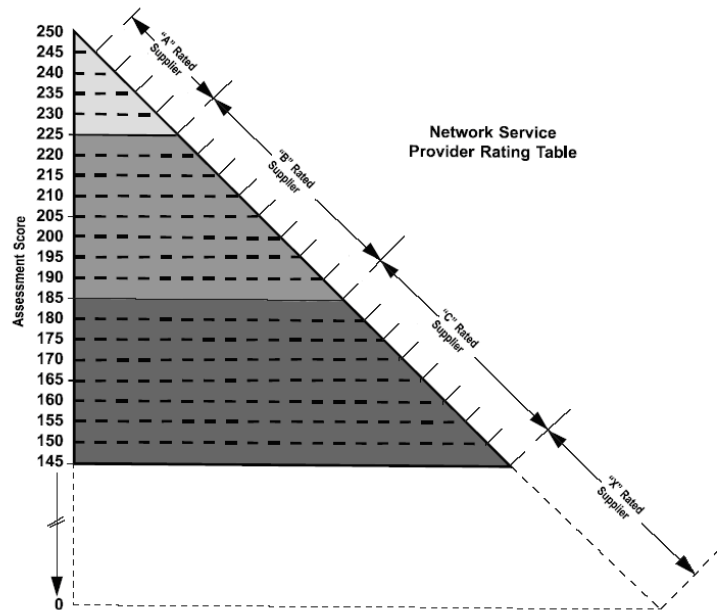
Supplier Ratings Component	Max Points
Quality Management System	80
Capability (to provide the required service)	70
Performance and Experience	100
Maximum Score	250

A Contractor with no relevant Ergon Energy performance data for assessment may commence with an initial score of 65 for performance.

#### 3.2. Calculation

The Contractor's quality assurance system will be evaluated on the basis of information provided by the Contractor. A score will be determined for each of the three components listed in the table above. A Rating will be determined by the addition of the score for each of the three components, and by reading the applicable Rating from the following diagram:

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Calculation of the Rating:

- Obtain total score from assessment of Quality Management System, Capability and Performance.
- Read diagram (above) e.g. Score of 180 determines Contractor is "C" rated.

Any raw score achieved will be rounded down to next increment on scale, e.g. Score of 199 will go to 195.

- Rating bands are as follows
  - "A" Rating commences from a score of 225
  - "B" Rating commences from a score of 185
  - "C" Rating commences from a score of 145

A Contractor may appeal to Ergon Energy's panel manager for a review of its Rating. The Contractor must nominate a representative with responsibility for liaison with Ergon Energy on quality matters. The nominated representative will have authority to initiate appropriate changes relating to quality system requirements, standards, quality performance and other matters. The Rating will only be made available to the Contractor and to those Ergon Energy personnel who require knowledge of the Contractor's Rating for the assessment and management of offers, contracts and other services.

## 4. MONITOR ASR RATING

### 4.1. Rating Period

The frequency of Rating reviews will be as follows:

- For the initial Rating, there will be one review allowed within 3 months of the initial evaluation. There will be no charge for this review. However, a fee, based on the cost of a field audit for a "B" rated Contractor (refer to the UDC Developer Handbook), may be charged for subsequent visits. This 'fee' decision is to be taken by the panel manager and will be advised to the Contractor prior to the visit.

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- Ratings will be reviewed every 2 years (based on an assessment of Quality Management Systems, Capabilities and Performance).
- On a quarterly basis, the panel manager reviews the collated minor non-conformances recorded during performance audits which were completed in that year. A report to the Contractor will result if there is a significant change to the Contractor's Rating.
- A review of the Rating will be conducted annually with a rating review letter sent to each contractor.
- Rating reviews will not be undertaken within 3 months of a previous review unless a major non-conformance has occurred within the period.
- If a Contractor has not been awarded a contract within 2 years of receiving an initial Rating, then the Rating may lapse. If a subsequent Rating is requested, performance assessments prior to the 2 year period will not apply and the Contractor may receive the standard performance allocation of 65 points unless referee reports provide adequate additional information.
- If a Contractor is issued a Rating with a 65 entry performance score, a performance review will not be conducted until after the completion of the first full quarter.
- A review of Developer Design & Construct policy and documentation will be conducted annually, unless there is a legal imperative.

### 4.2. Rectification of Non-Conformances

If non-conformances are identified, it is the responsibility of the Contractor to submit to Ergon Energy a plan for immediate rectification of such deficiencies. The Contractor is required to show evidence of any completed corrective actions. If corrective action is not taken prior to the completion of the project, Ergon Energy is unlikely to accept the completed work.

### 4.3. Reward for Performance

As stated above, the commercial and contractual terms between a Developer and the engaged Contractor/s will be the responsibility of the parties involved. Circumstances may arise where a poor performance has elicited penalties under those contractual arrangements. Irrespective of that action, poor performance will affect the rating for the Contractor. Areas of consideration for the performance evaluation may include those of technical, safety, environmental, customer service and industrial matters. An infringement in performance may result in a combination of the following actions:

- issue of a defect notice;
- warning for poor performance;
- the deduction of points from the Contractor's performance score, which could affect the Contractor's Rating;
- review of the Contractor's Rating;
- suspension of the Contractor's Rating; or
- withdrawal of the Contractor from the Approved Supplier Register.

The severity of the penalty will relate to the severity of the infringement.

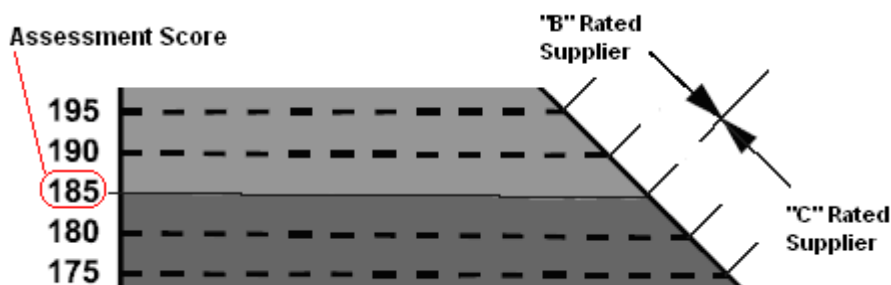
A successfully completed project could result in a bonus under contractual arrangements between a Developer and the engaged Contractor(s). Even so, the good performance will affect the Rating for the Contractor. The areas of consideration for the performance evaluation are the same as those considered in the previous sub-section. A good project result may result in a combination of the following actions:

- issue of a letter of commendation;
- addition of points to the Contractor's performance score; and
- review of the Contractor's Rating.



## 4.4. Application of the 'Golf Handicap Approach

At the initial Rating of a Contractor the Contractor is assigned a score for its quality management system, its capability and its performance. Let us assume the scores are as follows: 60, 55, 70. The total (185) is converted to a rating.



The Contractor is a "B" rated Contractor.

In its first DD&C project the Contractor is audited by Ergon Energy. Three non-conformances are detected and remedied. The result of the audit is forwarded to the panel manager of the Approved Suppliers Register. A poor audit result is defined as one or more non-conformances.

The panel manager notes the "poor" audit result and adjusts the performance score down by 5 points. The total score is now 180 so the Contractor's Rating is now "C".

Currently, the Contractor is engaged on its second UDC project. The Contractor is advised of the downgrade which applies immediately. The increase in any audit costs applies for the next project. The Developer of this second UDC project will not be financially disadvantaged during this project.

Two good audit reports will see the Contractor rating advanced by 5 points and it becomes a "B". This is a significant incentive for the Contractor. A positive result scores only 2.5 points because this is the result which is expected and desired.

## 5. CONTROL RATING

### 5.1. Introduction

The Electrical Reticulation of DD&C Works is to be designed and constructed in accordance with the quality standards and performance requirements of Ergon Energy now and into the future. Developers may choose Ergon Energy or a single Contractor or individual Contractors who will facilitate or undertake all or some of the following functions:

- **Design** – this Contractor is responsible for producing the design of the Electrical Reticulation and public lighting for the proposed Development.
- **Project Manager** means a company or person approved by Ergon Energy, selected by the Developer and nominated in the Network Extension Agreement to facilitate, manage and coordinate electrical works for the Development.
- **Electrical Construction** – this Contractor is responsible for constructing the Electrical Reticulation and public lighting for the proposed Development.

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Developers are to select their preferred Contractor from the Approved Suppliers Register. The Developer may also nominate a Contractor not on the Register. If the nominated Contractor is not on the Register they must undergo the process of obtaining registration before they can commence work.

The selected Contractor/s must hold and maintain a Rating on the Approved Suppliers Register for one or more of the three functions of design, project management and electrical construction.

### 5.2. Rating Evaluations - Project Managers

The construction of DD&C Works is to meet stated quality standards and performance requirements. It is important that these works are constructed to Ergon Energy's standards so there are minimum future maintenance problems and interruption to customers.

This can be achieved by ensuring that the construction conforms to Ergon Energy's standards and stated requirements. As such, the completed electrical infrastructure must be effectively project managed.

Ratings will be issued for the project management of electrical construction for DD&C Works. The responsibilities of a project manager are defined in the accepted principles of project management. A Project Manager's QA evaluation is based on the standard process for Contractors, as follows:

- Quality Management Systems Evaluation - This evaluation will be based on the submission of a Quality Systems manual and an assessment of the Contractor's Management Systems. Maximum management system points will be allocated where a consultant has current third party certification (by a nationally accredited audit organisation) to AS/NZS ISO 9001:2000 which includes the appropriate scope of work.
- Capabilities will be evaluated for the company, and maximum points are awarded if all the key project management personnel are certified. The following issues are considered:
  - appropriate tools and competencies as identified in the AQTF for project management;
  - the number of staff qualified<sup>1</sup> at AQTF Levels 4 and 5 in project management;
  - the number of staff professionally certified<sup>2</sup> in project management; and
  - demonstrated supervision capability.
- The determination of the performance score will initially will be based on the historical performance of the company.
- The performance score once registered will then be based on the performance of the company with a score using the following:
  - The results of the construction Contractor performance evaluation for the Developer's project [50%]; and
  - The project management outputs for Electrical Reticulation works:
    - Compliance to design;
    - As constructed drawings;
    - Commissioning procedures;
    - On site audit results;
    - Rectification of defects;
    - Materials used; and
    - Test results.

<sup>1</sup>'Qualified' at Level 4 or 5 means a Certificate IV or a Diploma in Project Management.

<sup>2</sup>'Certified' at Level 4 or 5 means the individual is a Qualified Project Professional (QPP) or a Registered Project Manager (Reg PM) with the Australian Institute of Project Management (AIPM) or the Project Management Institute (PMI).

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### 5.3. Rating Evaluations - Design

Evaluations for design consultants are based on the standard AS/NZS ISO 9001:2000:

- Quality Management Systems Evaluation - This evaluation will be scored the same way for project management, design and construction contractors.
- Capabilities Evaluation - Capabilities will be evaluated based on the following:
  - the number of personnel qualified to use, or experienced in use of, approved design tools;
  - qualified personnel authorised to approve electrical designs;
  - the availability of approved design tools;
  - familiarity with Ergon Energy's design requirements;
  - capacity to exchange soft copy design files; and
  - the submission of a design capability test, as required, for evaluation.
- Performance - The initial determination of the performance score subsequent audit results will be based on an evaluation of submitted designs which will include the following factors:
  - general design and schedules;
  - commissioning plan;
  - approvals;
  - labelling, profiles; and
  - volt-drop calculations.

### 5.4. Rating Evaluations – Electrical Construction

Evaluations for construction consultants are based on the standards (refer References section).

- Quality Management Systems Evaluation - This evaluation will be scored the same way for project management, design and electrical construction contractors.
- Capabilities will be evaluated for the company, and maximum points are awarded if the company owns its own equipment and its employees hold all the appropriate qualifications for the electrical construction work. The following issues are considered:
  - the availability of the tools and equipment required for the execution of the tasks described in the standards; (refer References section),
  - the number of employed staff with the appropriate qualifications; and
  - organisational capacity to absorb the construction work.
- Performance – If an initial performance score cannot be determined a standard value of 65 is awarded. Otherwise, the initial evaluation of the performance score and subsequent audit results will be based two areas of assessment:
  - The results of the construction Contractor performance evaluation for completed projects; and
  - The usual deliverables from UDC works:
    - process and final product audit results;
    - design compliance;
    - labelling compliance;
    - use of economical commissioning procedures;
    - signed off hold points for conduits; and
    - project success

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### 6. PRINCIPAL CONTRACTORS WHO USE SUB-CONTRACTORS AND/OR SPECIALIST CONTRACTORS

#### 6.1. Methodology

All principal Contractors must have a rating (refer section 1.1) and the principal Contractor is able to engage sub-contractors as an extra resource, if required.

For auditing purposes the principal Contractor must notify Ergon Energy prior to any sub-contractor being engaged and approval given before the sub-contractor commences work.

Any non-conformances found will affect both the principal and sub-contractors Rating (refer section 4.4).

#### 6.2. Specialist Contractors

Specialists refer to sectors of the trade where there is a shortage of suitable tradespersons in specialised fields, such as in this case of HV cable jointing.

The specialist will have the rating of the contractor requiring the specialist resource under the Approved Suppliers Register (i.e. in relation to the three criteria Quality Management System, Capability and Performance). The specialist will be attached to the principal Contractor for cable jointing work. If there are any changes to the cable jointer's status then the Contractor is to notify and provide Ergon Energy with the details of the new specialist including references to confirm quality of product and performance. If references can not be substantiated, Ergon Energy will be required to witness the first cable joint being completed by the specialist for quality of product at no cost to Ergon Energy.

The specialist will then be a department of the principal Contractor and be subject to the final compliance audit in relation to his performance and managed accordingly.

In Developer Design & Construct construction HV cable jointing is the only field listed as specialised with Ergon Energy.

### 7. CONTRACT NON-CONFORMANCE

#### 7.1. Non-Conforming Work

All non-conformances will be itemised by Ergon Energy personnel on an appropriate assessment checklist. A report on the assessment results will be promptly forwarded to the Developer. The Developer is required to rectify, at its expense, all the listed defects within a specified time. Ergon Energy reserves the right to rectify the defects at the Developer's expense if the Developer is unable to attend to the rectification/s in a timely and acceptable manner, or the Developer does not satisfy Ergon Energy's specified requirements.

Each audit is analysed and an audit analysis is prepared. The analysis collates all of the audits comments into one of four categories:

- Product – usually the source of any major non-conformances
- Management
- Documentation and Rectification
- Safety

These four categories make the link between the audit checklist and the elements of the Contractor's rating, as follows:

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Components of contractor rating	Elements of contractor performance and how they affect rating																
	Management				Documentation				Safety				Product				
	1. Accountability	2. Scheduling	3. Monitoring	4. Use of tools	5. Planning	6. Implementation	7. Certification	8. Understanding	9. Process	10. Product applic'n	11. Staff applic'n	12. Site applic'n	13. Quality control	14. Appearance	15. Materials	16. Standard	17. Awareness
Quality Assurance	✓	✓						✓	✓								✓
Capability			✓	✓	✓	✓					✓	✓					
Performance							✓			✓		✓	✓	✓	✓	✓	

Any non-conformance may be raised by Ergon Energy personnel during a visit or audit. The defect will be recorded as a major or minor non-conformance. Subsequently, the defect will be communicated in writing to the Developer. If Ergon Energy is required to rectify any non-conformance, Ergon Energy will recover the cost from the Developer.

## 8. CONCLUSION

The commercial and contractual terms between a Developer and a Contractor are the responsibility of the parties involved. The contractual relationship model for projects undertaken by Contractors engaged directly by a Developer is supported within the Developer Design & Construct initiative.

Only Contractors registered on the Approved Suppliers Register are authorised to perform DD&C Works. If a Developer wishes to use a specific Contractor who does not have a rating, the unrated Contractor is to apply to the Panel Manager who supervises the Approved Suppliers Register.

Once rated, the Contractor is responsible for maintaining or improving the Rating. This involves maintaining compliance with all of the requirements of a Contractor on the Approved Suppliers Register, including action to ensure the currency of certificates, maintaining work place health and safety and environmental protection conditions in respect to performing work that complies to Ergon Energy requirements.