

# Innovating supply chain management



 e-auction

pause

↑ shift



## As a state enterprise, NGC is held to more demanding standards than energy companies in the private sector.

This is particularly true within the supply chain and procurement function, which must be strictly governed by such principles as transparency, accountability, value for money and fairness.

Over the years and across many state entities, public procurement practices in Trinidad and Tobago have come under criticism for being partisan or lacking transparency. In the interest of bringing its own operations in line with statutory requirements, and discharging its duty at the highest possible standards, NGC has been working assiduously to streamline and strengthen its procurement function. In so doing, the Company has been guided by the experience of internationally connected companies such as Wood Group, BPTT, Shell and Atlantic LNG.

In recent years, several policies, innovative tools, processes and workflows have been implemented that allow the Company to stand as a leader among state companies in this crucial area.

### Leveraging technology

Where so many paper-based transactions are being moved online, the Supply Chain Management (SCM) Division has been overhauling its traditional processes in favour of technology-driven solutions.

In 2019, a specialist Procurement Portal was launched to open a direct interface between the Company and its suppliers. This secure portal links to the SAP Ariba platform – a best-in-class cloud solution which integrates the entire supply chain. It brings all the procurement services available to suppliers into one dashboard, from which suppliers can receive invitations to tender, submit bids, request information on payments, access pre-qualification packages and generally keep tabs on transactions from start to finish. The accessibility and flexibility of the system enhance the ease of doing business with NGC, and add end-to-end accountability to the procurement process.

At the onset of the COVID-19 pandemic, NGC was able to activate and leverage functionalities of the SAP Ariba system to keep business running optimally. E-tendering became the norm, with tenders and bids being issued and submitted electronically across the board. The communication channels available on the Procurement Portal ensured suppliers never lost contact with SCM staff handling their payments and enquiries. The platform

also allowed suppliers to electronically submit invoices – a process improvement that will save time and resources going forward.

### E-auctions

Of the features of SAP Ariba that have been put to use by NGC, one of the most game-changing has been the e-auction functionality. In the past, suppliers for major projects were selected through traditional tendering. Suppliers were given tender packages and then submitted bids independently of one another, based on the scope of services.

The process of e-auctioning has radically changed how big projects can be awarded going forward. The basic premise of an auction is competitive bidding – participants would compete to outdo the others in terms of pricing offered to win the auctioned item.

In the case of e-auctioning, the auction room is a digital space, but the principle of competitive bidding remains the same. Participants are able to see their ranking relative to the lowest bid price, and have the opportunity to adjust their bids accordingly. NGC's e-auctions work in much the same way, but instead of forward auctioning, which is used to *sell* items, the Company makes use of reverse auctions to purchase services. This means that participants must try to *underbid* their competitors in order to gain the advantage.

The process is simple. NGC would issue a scope for a project, and invite suppliers who are technically prequalified to submit a technical proposal for evaluation. The contractors that are successful with the technical evaluation are invited to a live online auction for the award of the tender. Suppliers would post their initial bids, then based on the cost that other participants indicate, might choose to drop their service price to become more competitive. Within the allotted auction time, participants have the chance to change their offer prices as often as desired, until no supplier can go lower than the lowest bid.

The benefits of this new process have been considerable. Since the first e-auction in 2019, NGC has auctioned 13 contracts. The functionality has since been extended to subsidiaries National Energy and PPGPL who collectively presided over a further eight auctions. Millions of dollars have been saved relative to in-house estimates, which can now be put toward further technology enhancements in procurement and enterprise management.

The process of e-auctioning has also allowed NGC to refine in-house estimation, as it has given some insight into the threshold pricing for certain services and the concessions suppliers are willing to make. At the same time, the process has helped remove some of the



*NGC is supporting continuous improvement of contractors and suppliers*

premium pricing from the market, as suppliers witness first-hand how their competitiveness is eroded by high pricing.

NGC is now an industry leader in respect of this procurement practice and has been actively sought out by other energy companies to assist with the integration of similar technology into their workflows.

### **Building Local Content**

As a national company, NGC is duty-bound to seek the interest of the local population. When it comes to the award of contracts, the Company is guided by a local content policy, and aims to create opportunities for local, and where possible, community-based suppliers and contractors. The policy also addresses the use of local resources in the execution of contracts.

In recent months, NGC has recalibrated its prequalification procedure to allow for greater participation of local businesses in the Company's supply chain over the long term. In the past, prequalification criteria tended to exclude companies whose resource capabilities and experience did not meet with NGC's standards and expectations. Now, suppliers wishing to be prequalified who do not meet all the criteria are given the appropriate guidance so they could improve their chances of being engaged.

The Vendor Management team under the SCM Division is directly responsible for working with suppliers and contractors who fall short of prequalification criteria.

The officers identify the shortcomings – be they related to finance, HSSE, legal requirements and so on – and coordinate with the respective internal departments to help the applicant address and overcome those deficiencies. In this way, the prequalification process has become more of a continuous improvement tool rather than a barrier to inclusion. It gives suppliers with an interest in doing work with the Company, and a willingness to grow, the chance to remain in contention for future projects.

The Company's emphasis on building local capacity by supporting local contractors and suppliers in this way is another indication of its commitment to the country and to best-in-class operational standards. Strong local content is widely accepted as a means to maximise endogenous value creation, for its multiplier effect in the economy, and its role in strengthening local skill sets and capabilities. NGC's particular approach is further helping to enhance the competitiveness of suppliers so they can build their businesses and profitability.

### **Looking ahead**

The recent gains in the area of SCM have underscored the value to be derived from embracing change. Technology will continue to open new opportunities for further improvement and efficiencies, as will the deeper integration of the SCM function across the entire NGC Group. Whatever the future holds, the SCM team will continue to evolve to stay on par with best-in-class standards and practices, and strengthen the reputation of NGC as an exemplary state entity. ■