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Award

UK managed telecommunication network services

NATIONAL GRID UK LIMITED

F15: Voluntary ex ante transparency notice

Notice identifier: 2022/S 000-003280

Procurement identifier (OCID): ocds-h6vhtk-03136b

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Section I: Contracting authority/entity

I.1) Name and addresses

NATIONAL GRID UK LIMITED

Warwick Technology Park, Gallows Hill

Warwick

CV34 6DA

Contact

Andy Wright

Email

andy.wright@nationalgrid.com

Telephone

+44 7832156146

Country

United Kingdom

NUTS code

UKG - West Midlands (England)

Internet address(es)

Main address

www.nationalgrid.com

I.6) Main activity

Other activity

Electricity & Gas

Section II: Object

II.1) Scope of the procurement

II.1.1) Title

UK managed telecommunication network services

II.1.2) Main CPV code

- 32400000 - Networks

II.1.3) Type of contract

Supplies

II.1.4) Short description

This notice concerns the short-term extension of a managed telecommunication network services agreement, awarded by National Grid UK Limited (NG) to Verizon on 29 November 2010 (UK MSA). The services under the UK MSA include provision of a network and infrastructure operations centre (NOC) and network management services (together, the Relevant Services).

The original duration of the UK MSA was up to 12 years, comprised of an initial transition period (2 years and 6 months), a service period (up to 8 years) and a handback period (18 months), with Verizon obliged to continue providing all services during the handback period.

The UK MSA has been the subject of two previous amendments (in July 2018 and January 2021), including to extend the duration of the service period by one year.

For the reasons described in this notice, NG is now extending the UK MSA by a further 18 months.

Due to the current and future public procurement events NG is unable to disclose commercially sensitive price information concerning the UK MSA or the extension. The contract values stated in this notice have therefore been set at £1 (and have been completed only due to mandatory fields) and should be disregarded when viewing this notice.

II.1.6) Information about lots

This contract is divided into lots: No

II.2) Description

II.2.2) Additional CPV code(s)

- 32425000 - Network operating system
- 72700000 - Computer network services

II.2.3) Place of performance

NUTS codes

- UKG - West Midlands (England)

II.2.4) Description of the procurement

The short-term extension described in II.1.4 will defer the conclusion of the UK MSA by 18 months from 31 December 2023 to 30 June 2025.

NG had previously sought to procure a replacement for the Relevant Services, through two Lots that were included in a current procurement event . This procurement event was related to a global networks programme and was jointly advertised by NG and its US affiliate National Grid USA Service Company, Inc. However, those Lots have now been withdrawn from that procurement event by NG.

The Lots were withdrawn due to certain changes (and an ongoing state of flux) in both external circumstances and NG group strategy. NG currently intends that a new procurement event will be commenced later in 2022, with NG's requirements having been updated to reflect the prevailing position and with appropriate revisions to enable a successful transition to a new contract. In the meantime, NG is extending the UK MSA to secure the ongoing provision of the Relevant Services by Verizon, during the forthcoming anticipated period of change and flux.

The key factors necessitating NG's decision to extend the UK MSA are as follows (the Key Factors):

1. Advances in the development of the enterprise model since the procurement event was launched: this includes the need to support the accelerated advancement of several strategic NG technology programmes, which require a different approach to NG network capabilities to that envisaged by the previous procurement event. The successful development of the enterprise model also requires the dedication of scarce, specialist NG resources. The diversion of those resources to management of the transition to a new contract and supplier relationship for the Relevant Services (as had originally been envisaged by the previous procurement event) would be detrimental, and import significant risk, to NG's interests in successfully developing its enterprise model and delivering its strategic technology programmes.

2. Migration risk: separate from the services that were sought through the procurement event, NG is currently in the process of transitioning its hosting (data centre) environments from its previous supplier to its new supplier. The concurrent award of a new contract for the Relevant Services, and the need to on-board a new supplier at the same time as the hosting migration, would create significant additional transition risk.

3. Substantial business change: the NG group is undergoing a period of substantial business change, the scale and profile of which has emerged since the previous procurement event was launched. This includes: the divestment of the UK gas transmission business; the sale of Rhode Island business in the US; the acquisition of Western Power Distribution in the UK; and other potentially significant changes. These business changes require a stable, reliable network environment to enable the successful transformation and transition of NG systems to the divested and the acquired businesses. Given these complexities, NG considers it imperative that this transformation and transition is prioritised, to ensure successful completion, before NG embarks upon the scale of major change and transformation that would result from the award of a new contract or transitioning to a new supplier for the Relevant Services.

The extension of the UK MSA by NG is a permitted change under the Utilities Contracts Regulations 2016 (UCR) for the reasons described in this notice.

Verizon has similar contracts in place with NG's group operations in the US, with similar short-term extensions being entered into. Those US operations are not the subject of this notice.

Due to the current and future public procurement events NG is unable to disclose commercially sensitive price information concerning the UK MSA or the extension. The contract values stated in this notice have therefore been set at £1 (and have been completed only due to mandatory fields) and should be disregarded when viewing this notice.

II.2.11) Information about options

Options: No

II.2.14) Additional information

The Relevant Services include: the NOC; non-operational network services for the NG global enterprise business; WAN connectivity (for NG sites, offices, data centres, internet and cloud); LAN services (including site wireless networks); voice services; and network security. The NG enterprise IT network scope covers approximately 600 sites (nearly 400 in the UK).

Section IV. Procedure

IV.1) Description

IV.1.1) Type of procedure

Award of a contract without prior publication of a call for competition in the cases listed below

- The procurement falls outside the scope of application of the regulations

Explanation:

NG is extending the UK MSA through an amendment agreement. The extension of the UK MSA by NG is a permitted change under the UCR. First, it is not a substantial modification within the meaning of Regulation 88(7), and the extension is therefore permitted by Regulation 88(1)(e). Second, even where the extension is a substantial modification, it is permitted by the exemption in Regulation 88(1)(b). For completeness, and to maximise transparency, NG will also publish a modification notice under Regulation 88(2) in due course.

The extension is not a substantial modification because:

(a) It does not render the UK MSA materially different in character from the contract initially concluded. It is simply a short-term extension of the duration of the service period, and concerns exactly the same services.

(b) It does not introduce conditions which, had they been part of the initial procurement procedure through which the UK MSA was awarded, would have: allowed for the admission of other candidates than those initially selected; allowed for the acceptance of a tender other than that originally accepted; or attracted additional participants.

(c) There is no change in the economic balance of the UK MSA in favour of Verizon in a manner which was not provided for in the UK MSA. The various component prices applicable during the extension period are either remaining the same or being reduced. Changes to the service levels are also being made to strengthen the contractual requirements and increase performance thresholds.

(d) The extension does not extend the scope of the UK MSA considerably. There are no changes in the scope of the services to be delivered. The extension of the duration is short-term (18 months) in the context of the original maximum contract duration, proportionate given the complexity of the Relevant Services and NG's developing requirements, and the minimum required to cover the forthcoming anticipated period of change and flux for NG.

(e) The contractor will remain the same.

Even where the extension is a substantial modification (which, as explained above, it is not), it is permitted by Regulation 88(1)(b) because:

1. There are additions to the contracted services (i.e. the continuation of exactly the same services during the extended service period) that have become necessary and that can be supplied by the original contractor. The continued provision of the Relevant Services during the extension period is necessary, in that it is essential to the functioning of NG's business.
2. Those additions were not included in the initial procurement.
3. A change of contractor cannot be made for economic and technical reasons. In particular, the technical complexity and scale of the Relevant Services means that the cost of migration to a new supplier is estimated to be circa £3.8 million. This would be a disproportionate economic burden for NG to bear given the ongoing change and flux. The current situation means that NG's specific requirements for the medium and long term cannot yet be defined with certainty, with the strategy still under review. Entering into a new contract now could result in two migrations in short order (from Verizon to the new supplier, and then potentially - in whole or in part - from the new supplier to another person) depending on the final strategy.
4. A change of contractor at this point in time would cause significant inconvenience for NG given the ongoing change and flux, and other overlapping resource-intensive and business critical change projects, as explained in the Key Factors in II.2.4. It would also cause substantial duplication of costs.

IV.1.8) Information about the Government Procurement Agreement (GPA)

The procurement is covered by the Government Procurement Agreement: No

Section V. Award of contract/concession

A contract/lot is awarded: Yes

V.2) Award of contract/concession

V.2.1) Date of conclusion of the contract

4 February 2022

V.2.5) Information about subcontracting

The contract/lot/concession is likely to be subcontracted

Value or proportion likely to be subcontracted to third parties

Proportion: 15 %

Short description of the part of the contract to be subcontracted

Any sub-contracting will primarily involve last mile access circuits

Section VI. Complementary information

VI.3) Additional information

NG will not enter into the amendment agreement to extend the UK MSA until after a period of at least 10 days beginning with the day after the date on which this notice is published. The date in V.2.1 should be disregarded when viewing this notice, it is the date of sending this notice and is completed only as it is a mandatory field which does not enable a date in the future to be entered. The current indicative date for award of the UK MSA is 28/02/2022.

VI.4) Procedures for review

VI.4.1) Review body

High Court of England & Wales

Royal Courts of Justice, Strand

London

WC2A2LL

Telephone

+44 2070734734

Country

United Kingdom