



GUIDELINES FOR REVERSE AUCTION - 2020

(AA:SSP:RA:04)
revised as on 04.03.2020

(applicable for all NITs issued on or after 04.06.2020)

Note: Abridged version for information of the bidders

**SOURCING STRATEGY & POLICY
CORPORATE OPERATIONS MANAGEMENT**

BHARAT HEAVY ELECTRICALS LIMITED

Regd. Office: BHEL House, Siri Fort, New Delhi – 110049, India

Website: www.bhel.com

CIN: L74899DL1964GOI004281

Guidelines for Reverse Auction – 2020

Doc. No. AA:SSP:RA:04
Dated: 04.03.2020

1.0 Scope

This document describes the guidelines to be followed by each Unit/ Division/ Region for conducting Reverse Auction (RA) for procurement of material/ works/ services. These guidelines will be applicable for all purchases/ contracts to be awarded under Purchase/ Works policy and the RA shall follow the philosophy of English Reverse (No ties).

English Reverse (No ties) is a type of auction where the starting price and bid decrement are announced before start of online reverse auction. The interested bidders can thereupon start bidding in an iterative process wherein the lowest bidder at any given moment can be displaced by an even lower bid of a competing bidder, within a given time frame. The bidding is with reference to the current lowest bid in the reverse auction. All bidders will see the current lowest quoted price and their rank. The term 'No ties' is used since more than one bidder cannot give an identical price, at a given instant, during the reverse auction. In other words, there shall never be a tie in the bids.

3.0 Upfront declaration in NIT

Wherever it is felt that procurement may be done through Reverse Auction, the bids shall be invited in two parts/ three parts or single part bid (Price Bid) where Techno-Commercial MoU already exists. Wherever, the evaluation is done for individual line item, separate sealed envelope price bid for each line item shall be taken.

Decision to go for RA would be taken before floating of the tender. In case it is decided to go for RA, same shall be declared upfront in NIT by inserting the following **clause**:

"BHEL shall be resorting to Reverse Auction (RA) (Guidelines as available on www.bhel.com) for this tender. RA shall be conducted among all the techno-commercially qualified bidders.

Price bids of all techno-commercially qualified bidders shall be opened and same shall be considered as initial bids of bidders in RA. In case any bidder(s) do(es) not participate in online Reverse Auction, their sealed envelope price bid along with applicable loading, if any, shall be considered for ranking."

Guidelines for Reverse Auction – 2020

Doc. No. AA:SSP:RA:04
Dated: 04.03.2020

6.0 Business rules for RA

Model Annexure-I is attached.

7.0 Role of Service Provider

- Acknowledge the receipt of mandate from BHEL.
- Contact the bidders, provide business rules and train them, as required.
- Get the process compliance form signed by all the participating bidders before RA event.
- Conduct the event as per the contract and business rules.
- Submit the Login Reports, Results, History sheet and authorized final bid from the bidders.
- To obtain price breakup from successful bidder and submit the same to BHEL.

10.0 Reverse Auction Process

10.1 Reverse Auction will be conducted if three or more bidders are techno-commercially qualified. In case of more than four techno-commercially qualified bidders, H1 bidder (whose quote is highest in sealed envelope price bid) shall not be allowed to participate in RA. However, there will be no H1 removal in case H1 happens to be MSE or qualifying under PPP-MII, Order 2017 irrespective of the number of bidders qualifying techno-commercially.

In case of multiple H1 bidders, all H1 bidders (excluding MSEs and bidders qualifying under PPP-MII, Order 2017) shall be removed provided minimum three bidders remain in fray, else no H1 removal.

10.2 During RA, all bidders will see their rank and current L1 price and their ranking L1, L2 etc. on the screen. Once the RA is done, the ranking status would be based on the last quoted price of the bidder(s) irrespective of the quote received in RA or sealed envelope price bid.

10.3 No bidder shall be allowed to lower its bid below the current L1 by more than 5 decrements at one go.

Guidelines for Reverse Auction – 2020

Doc. No. AA:SSP:RA:04
Dated: 04.03.2020

13.0 Processing of case after RA

- 13.1 Wherever the evaluation is done on total cost basis, after Reverse Auction, prices of individual line items shall be reduced on pro-rata basis.
- 13.2 In case of splitting requirement, H1 bidder(s) who were removed from participation in RA may also be considered for counter offer if the pre-stated (NIT) numbers of suppliers do not accept the counter offer.

15.0 Others

- 15.2 In case of enquiry through e-Procurement, the sealed electronic price bid (e-bid) is to be treated as sealed envelope price bid.
- 15.3 BHEL will inform bidders the details of service provider who will provide business rules, all necessary training and assistance before commencement of online bidding.
- 15.4 Bidders are advised to read the 'Business Rules' indicating details of RA event carefully, before reverse auction event.

---XXX---

Guidelines for Reverse Auction – 2020

Doc. No. AA:SSP:RA:04
Dated: 04.03.2020

Business Rules for Reverse Auction

Annexure – I

This has reference to tender no **{tender number....date...}**. BHEL shall finalise the Rates for the supply of *{item name}* through Reverse Auction mode. BHEL has made arrangement with M/s. *{Service provider}*, who shall be BHEL's authorized service provider for the same. Bidders should go through the instructions given below and submit acceptance of the same.

The technical & commercial terms are as per (a) BHEL Tender Enq. No. {...} dated {...}, (b) Bidders' technical & commercial bid (in case of two part bid) and (c) subsequent correspondences between BHEL and the bidders, if any.

1. Procedure of Reverse Auctioning

- i. Price bids of all techno-commercially qualified bidders shall be opened.
- ii. **Online Reverse Auction:** The 'bid decrement' will be decided by BHEL.
- iv. Bidders by offering a minimum bid decrement or the multiples thereof can displace a standing lowest bid and become "L1" and this continues as an iterative process. However, no bidder shall be allowed to lower its bid below the current L1 by more than 5 decrements at one go.
- v. After the completion of the online reverse auction, the Closing Price (CP) shall be available for further processing.
- vi. Wherever the evaluation is done on total cost basis, after Reverse Auction, prices of individual line items shall be reduced on pro-rata basis.

2. Schedule for reverse auction: The Reverse Auction is tentatively scheduled on *{date}*; *:{start time}*; *:{Close Time}* }.

3. Auction extension time: If a bidder places a bid in the last {...} minutes of closing of the Reverse Auction and if that bid gets accepted, then the auction's duration shall get extended automatically for another {...} minutes, for the entire auction (i.e. for all the items in the auction), from the time that bid comes in. Please note that the auto-extension will take place only if a bid comes in those last {...} minutes and if that bid gets accepted as the lowest bid. If the bid does not get accepted as the lowest bid, the auto-extension will not take place even if that bid might have come in the last {...} minutes. In case, there is no bid in the last {...} minutes of closing of Reverse

Guidelines for Reverse Auction – 2020

Doc. No. AA:SSP:RA:04
Dated: 04.03.2020

Business Rules for Reverse Auction

Annexure – I

Auction, the auction shall get closed automatically without any extension. However, bidders are advised not to wait till the last minute or last few seconds to enter their bid during the auto-extension period to avoid complications related with internet connectivity, network problems, system crash down, power failure, etc.

The above process will continue till completion of Reverse Auction.

Complaints/ Grievances, if any, regarding denial of service or any related issue should be given in writing thru e-mail/ fax to M/s. {Service provider} with a copy to BHEL within 15 minutes prior to initial closing time of Online Reverse Auction.

4. **Bid price:** The Bidder has to quote the {.....} Price inclusive of Packing & Forwarding charges, all the routine & type tests as per tender scope, taxes, duties, freight and insurance as specified in tender document, including loading (if indicated by BHEL due to deviations in technical/commercial terms) for the Items specified. Details are as shown in Excel Sheet for calculation of total cost to BHEL (To be specified by Unit as per NIT conditions).
5. **Bidding currency and unit of measurement:** Bidding will be conducted in *Indian Rupees per Unit* of the material as per the specifications {...}

In case of foreign currency bids, exchange rate (TT selling rate of State Bank of India) as on scheduled date of tender opening (Part-I bid) shall be considered for conversion in Indian Rupees. If the relevant day happens to be a Bank holiday, then the forex rate as on the previous bank (SBI) working day shall be taken.
6. **Validity of bids:** Price shall be valid for {... days} from the date of reverse auction. These shall not be subjected to any change whatsoever.
7. **Lowest bid of a bidder:** In case the bidder submits more than one bid, the lowest bid at the end of Online Reverse Auction will be considered as the bidder's final offer to execute the work.
8. Unique user IDs shall be used by bidders during bidding process. All bids made from the Login ID given to the bidders will be deemed to have been

Guidelines for Reverse Auction – 2020

Doc. No. AA:SSP:RA:04
Dated: 04.03.2020

Business Rules for Reverse Auction

Annexure – I

made by the bidders/ bidders' company.

- 9. Post auction procedure:** BHEL will proceed with the Lowest Bid in the Reverse Auction for further processing.
11. Computerized reverse auction shall be conducted by BHEL (through M/s {Service Provider}), on pre-specified date, while the bidders shall be quoting from their own offices/ place of their choice. Internet connectivity shall have to be ensured by bidders themselves.

During the RA process if a bidder is not able to bid and requests for extension of time by FAX/ email/ phone then time extension of additional 15 minutes will be given by the service provider provided such requests come before 5 minutes of auction closing time. However, only one such request per bidder can be entertained.

In order to ward-off contingent situation of connectivity failure bidders are requested to make all the necessary arrangements/ alternatives whatever required so that they are able to circumvent such situation and still be able to participate in the reverse auction successfully. Failure of power or loss of connectivity at the premises of bidders during the Reverse auction cannot be the cause for not participating in the reverse auction. On account of this, the time for the auction cannot be extended and neither BHEL nor M/s. {Service provider} is responsible for such eventualities.

12. Proxy bids: Proxy bidding feature is a pro-bidder feature to safe guard the bidder's interest of any internet failure or to avoid last minute rush. The proxy feature allows bidders to place an automated bid in the system directly in an auction and bid without having to enter a new amount each time a competing bidder submits a new offer. The bid amount that a bidder enters is the minimum that the bidder is willing to offer. Here the software bids on behalf of the bidder. This obviates the need for the bidder participating in the bidding process until the proxy bid amount is decrementally reached by other bidders. When proxy bid amount is reached, the bidder (who has submitted the proxy bid) has an option to start participating in the bidding process.

The proxy amount is the minimum amount that the bidder is willing to offer. During the course of bidding, the bidder cannot delete or change the

Guidelines for Reverse Auction – 2020

Doc. No. AA:SSP:RA:04
Dated: 04.03.2020

Business Rules for Reverse Auction

Annexure – I

amount of a proxy bid.

Bids are submitted in decrements (decreasing bid amounts). The application automates proxy bidding by processing proxy bids automatically, according to the decrement that the auction originator originally established when creating the auction, submitting offers to the next bid decrement each time a competing bidder bids, regardless of the fact whether the competing bids are submitted as proxy or standard bids. However, it may please be noted that if a manual bid and proxy bid are submitted at the same instant manual bid will be recognized as the L1 at that instant.

In case of more than one proxy bid, the system shall bid till it crosses the threshold value of 'each lowest proxy bid' and thereafter allow the competition to decide the final L1 price.

Proxy bids are fed into the system directly by the respective bidders. As such this information is privy only to the respective bidder(s).

13. Bidders are advised to get fully trained and clear all their doubts such as refreshing of Screen, quantity being auctioned, tender value being auctioned etc from M/s {Service provider}.
14. M/s. {Service provider}, shall arrange to demonstrate/ train the bidder or bidder's nominated person(s), without any cost to bidders. M/s. {Service provider}, shall also explain the bidders, all the business rules related to the Reverse Auction. Bidders are required to submit their acceptance to the terms/ conditions/ modalities before participating in the Reverse Auction in the process compliance form as enclosed. Without this, the bidder will not be eligible to participate in the event.
15. Successful bidder shall be required to submit the final prices (L1) in prescribed format for price breakup, quoted during the Online Reverse Auction, duly signed and stamped as token of acceptance without any new condition (other than those already agreed to before start of auction), after the completion of auction to M/s. {Service provider} besides BHEL within two working days of Auction without fail.
16. Any variation between the final bid value and that in the confirmatory signed price breakup document will be considered as tampering the tender

Guidelines for Reverse Auction – 2020

Doc. No. AA:SSP:RA:04
Dated: 04.03.2020

Business Rules for Reverse Auction

Annexure – I

process and will invite action by BHEL as per extant guidelines for suspension of business dealings (as available on www.bhel.com).

17. Bidders' bid will be taken as an offer to execute the work/ supplies the item as per enquiry no. {...} dt. {...}. Bids once made by the bidder, cannot be cancelled/ withdrawn and bidder shall be bound to execute the work as mentioned above at bidder's final bid price. Should bidder back out and not execute the contract as per the rates quoted, BHEL shall take action as per extant guidelines for suspension of business dealings (as available on www.bhel.com).
18. Bidders shall be able to view the following on their screen along with the necessary fields during Online Reverse Auction:
 - a. Leading (Running Lowest) Bid in the Auction (only total price of package)
 - b. Bid Placed by the bidder
 - c. Start Price
 - d. Decrement value
 - e. Rank of their own bid during bidding as well as at the close of auction.
19. BHEL's decision on award of contract shall be final and binding on all the Bidders.
20. BHEL reserves the right to extend, reschedule or cancel the Reverse Auction process at any time, before ordering, without assigning any reason, with intimation to bidders.
21. BHEL shall not have any liability to bidders for any interruption or delay in access to the site, irrespective of the cause. In such cases, the decision of BHEL shall be binding on the bidders.
22. Other terms and conditions shall be as per bidder's techno-commercial offers and other correspondences, if any, till date.
23. If there is any clash between this business document and the FAQ available, if any, in the website of M/s. {Service provider}, the terms & conditions given in this business document will supersede the information contained in the FAQs. Any changes made by BHEL/ service provider (due to unforeseen contingencies) after the first posting shall be deemed to have been

Guidelines for Reverse Auction – 2020

Doc. No. AA:SSP:RA:04
Dated: 04.03.2020

Business Rules for Reverse Auction

Annexure – I

accepted if the bidder continues to access the portal after that time.

24. Bidder shall not divulge either his Bids or any other exclusive details of BHEL to any other party. If the Bidder or any of his representatives are found to be involved in Price manipulation/ cartel formation of any kind, directly or indirectly by communicating with other bidders, action as per extant *BHEL guidelines for suspension of business dealings (as available on www.bhel.com)*, shall be initiated by BHEL.

ABRIDGED VERSION