**RFP**

**Scope of Requirements**

Hedge Accounting and Interest Rate Risk Management System

NGN Contact Details: Becky Rowley – rrowley@northerngas.co.uk

**The Project/Scope of Requirements for Hedge Accounting and Interest Rate Risk Management System**

**ALL COMMUNICATIONS MUST BE SENT VIA THE ARIBA E-PROCUREMENT SYSTEM**

You are invited to tender after being shortlisted as part of the PQQ process.

This RFP is being conducted in line with the Utilities Contact Regulations 2016 using the negotiated procedure

**Project Scope**

Northern Gas Networks (NGN) needs a Hedge Accounting and Interest Rate Risk Management System which is fully integrated and ready to use by 1st September 2020.

NGN has a debt portfolio of c£1.4bn and around 130 interest rate swaps. The interest rate swaps are currently accounted for under IFRS9 in NGN’s own accounts and for the purpose of reporting to NGN’s majority shareholder under Hong Kong GAAP.

In order to comply with the relevant accounting standards and reporting obligations, as well as to streamline internal forecasting and support strategic planning, NGN requires an application that can meet the following mandatory requirements (bidders who can’t meet these requirements will be rejected):

**A**

* Maintain records of all debt (fixed rate bonds, term loans and revolving loans) and financial derivative instruments (including non-standard interest rate swaps, for example where pay and receive dates are not aligned or where settlement dates differ from calculation dates);
* Report future cash flows on debt and derivatives (actual based on known interest rates / floating rate re-fixes and forecast cash flows for the remaining life of each instrument based on market curves);
* Provide a comprehensive suite of standard and customisable reports on positions, valuations, cash flows, accruals, etc.
* Enable “what-ifs” and scenario analysis to be run on potential future trades.
* Enable deals to be categorised by type (e.g. actual, “what-if”, synthetic, cancelled).

**B**

* Value derivatives in compliance with IFRS13, incorporating CVA/DVA adjustments as applicable. In particular, where an interest rate swaps is subject to a termination option or mandatory break, value the derivative in a way that applies the CVA/DVA adjustment up to the prospective early termination date only;
* Automatically import market interest rates (actual daily Libor fixes, future expected Libor fixes, yield curves for valuations etc.);
* Value derivatives on both a clean and dirty basis
* Record fair value and cash flow hedge relationships in compliance with IFRS9;
* Support the creation and storage of hedge documentation;
* Carry out hedge effectiveness testing and provide evidence of effectiveness;
* Create journal entries relating to financial instrument accounting (e.g. swap debtors & creditors, fair value through P&L, hedge reserve movements through OCI etc.)
* Support counterparty exposure monitoring and management and apply CVA/DVA adjustments on the basis of net counterparty exposure where an appropriate ISDA agreement is in place.
* Support hedge accounting functionality as above for different legal entities with different financial year ends.

**C**

* Export data and reports to Excel
* Support future changes to NGN’s debt structure (e.g. the introduction of private placement debt, index-linked bonds and other forms of debt finance).
* Support future changes to financial market operations including any transition from Libor to a SONIA-based reference rate.
* Be implemented with minimal impact to the business and before the current contract on TMS system expires (31st August 2020) and include a training program to fully train NGN users before the transition.

**System requirements**

Your proposed system must -

* Be user friendly, with straightforward processes for NGN. Suppliers will be expected to demonstrate this, along with functionality as part of the tender process (at demo stage)
* Enable users to remain compliant with currently applicable international accounting standards (in particular IFRS9 and IFRS13)
* Have the capability of importing NGN’s existing portfolio (held on Reval) or as an alternative, the supplier must provide NGN with assistance with populating the new solution with details of debt and derivatives portfolios.
* Include functionality that would facilitate the potential future transfer of data to another provider.
* Be compatible with Windows 10 and 64 bit operating systems and must remain compatible with future Windows 10 upgrades.
* Allow for data to be exported to Barclays.net and SAP S4 HANA?
* Feature banking day calendars for the UK, US, EU, Australia and Hong Kong as a minimum.
* Be capable of supporting future changes in relevant accounting standards, published market interest rates and other relevant external factors.

**Additional requirements**

* Training must be offered to NGN staff for all incremental upgrades throughout the life of the contract
* Suppliers must be able to demonstrate that they have a robust business continuity regime in place to ensure uninterrupted access to the solution in the event of disruption to "business as usual" arrangements
* NGN requires 2 full users and 2 read only users, all who will require full training before 1st September 2020 to allow for a smooth transition
* The supplier must demonstrate that they have experience of delivering this type of project in the past, including the implementation and transition from a previous system. It should be demonstrated that this has been completed successfully within NGN’s maximum timeline for implementation and training (4 months)
* Minimising implementation, hosting and support costs will be important considerations and the solution must
* The ability to expand the solution to support other NGN Treasury activity in the futures (for example by providing interfaces with accounting and payment systems and generating cash flow forecasts) is desirable.

**Estimated Contract Timings**

****

**Tender Assessment / Evaluation**

The award will be based upon price & quality ratio. It is the intent that the award will deliver to NGN the total best value.

The evaluation criteria are 40% commercial, 60% non-commercial. The individual scores for each section are indicated against the questions in the evaluation criteria document.

The assessment of price will be carried out independently of the quality assessment and scored against the methodology stated in the evaluation criteria document.

Pricing has 3, 5 and 6 year options for suppliers to complete. NGN will assess all options and ask for suppliers to provide a best and final offer (BAFO) against the chosen option. This option will then be scored.

A range method shall be used against the chosen option with the lowest tenderer/s receiving maximum points and the tenderer/s in between will be scored proportionally.

Final Assessment – The quality scores are combined with BAFO price scores and presentation/demonstration scores to arrive at the final scores for each supplier.

**Evaluation Panel**

**2.7 Evaluation Panel**

NGN’s team to perform the evaluation of this tender process comprises the following:

|  |  |
| --- | --- |
| Name | Department |
| Ian Clark | Finance |
| David Appleton | Finance |
| Harriet Wilkes | Procurement |
| Rebecca Rowley | Procurement |
| Adam Ibbotson | IT |
| Martin Blunn | IT |
| Richard Armstrong | Legal |

**2.6 Scoring Methodology**

For qualitative questions NGN will score on the following basis

|  |  |
| --- | --- |
| **Points** | **Interpretation** |
| **10** | **Excellent** –Overall the response demonstrates that the bidder exceeds all areas of the requirement and provides all of the areas evidence requested in the level of detail requested. This, therefore, is a detailed excellent response that meets all aspects of the requirement leaving no ambiguity as to whether the bidder can meet the requirement. |
| **8** | **Good** -Overall the response demonstrates that the bidder meets all areas of the requirement and provides all of the areas of evidence requested but contains some trivial omissions in relation to the level of detail requested in terms of either the response or the evidence. This, therefore, is a good response that meets all aspects of the requirement with only a trivial level ambiguity due the bidder’s failure to provide all information at the level of detail requested. |
| **5** | **Adequate** - Overall the response demonstrates that the bidder meets all areas of the requirement, but not all of the areas of evidence requested have been provided. This, therefore, is an adequate response, but with some limited ambiguity as to whether the bidder can meet the requirement due to the bidder’s failure to provide all of the evidence requested. |
| **2** | **Poor** – The response does not demonstrate that the bidder meets the requirement in one or more areas. This, therefore, is a poor response with significant ambiguity as to whether the bidder can meet the requirement due to the failure by the bidder to show that it meets one or more areas of the requirement. |
| **0** | **Unacceptable** - The response is non-compliant with the requirements of the ITT and/or no response has been provided. |

**Tender Response**

Responses must be submitted via Ariba with all attachments saved in a zip file, if you experience any technical difficulties please contact the person names in this document.