



PMC Cell – MM

## Oil and Natural Gas Corporation Ltd

Corporate Materials Management

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### Circular No. 26/2018-Cum-IMMM Amendment 36/2018

No: MAT/PMC/13( 220)/2018

Dated: 28.05.2018

**Sub: Quality and Cost based selection (QCBS) and QCBS with Least Cost Selection (LCS).**

Reference is invited to Circular No. 06/2015 dated 31.01.2015, whereby Integrated MM Manual was implemented in ONGC. Provisions under para 11.3 pertaining to procurement on Quality and Cost Based Selection (QCBS) were to be implemented after issuance of detailed guidelines in due course.

In the EPC meeting (06/2018) held on 07.03.2018 and 507th meeting of EC held on 9th & 10th March 2018, it has been decided that for procurement of critical nature of services, consultancy services (where scope of services cannot be drawn objectively) and where it can be justified, for meeting the requirement in an overall cost efficient manner, to adopt either Quality and Cost based selection (QCBS) or Least Cost Selection (LCS) with minimum qualifying marks.

Accordingly, in the aforesaid meeting of EPC and EC, following decisions have been taken with respect to evaluation of bids on QCBS and LCS basis:

- (I) **Least Cost Selection (LCS) of bids with minimum qualification score:**  
For selection of bids on LCS basis, minimum qualifying marks for quality of the technical proposal shall be prescribed as benchmark and indicated in the BEC/tender conditions along with a scheme for allotting marks for various technical criteria/attributes. Bidders scoring minimum technical qualifying marks shall be considered for price bid opening and L-1 among them shall be considered for award.

LCS shall be applicable for services which are characterized by high degree of technical influence and low value.

- (II) **Quality and Cost based selection (QCBS) of bids shall be adopted for procurement of following services:**

Sl.	Type of Services
(i)	Hiring of consultancy services for EPCM/PMC services (Engineering Procurement Construction Management Services / Project Management Contract)
(ii)	Hiring of Creative Advertising Agencies
(iii)	Hiring of Architectural firms

<b>Sl.</b>	<b>Type of Services</b>
(iv)	Hiring of Attornies (Qualified experienced professionals to render advice / service in business or legal matters)
(v)	Hiring of Trainers / Faculty (Professional/academicians to impart training and/or deliver lectures on subjects of specialized nature)
(vi)	Hiring of Management Consultants
(vii)	Hiring of services for Facility Management: (a) For Green Buildings (b) For Conventional Buildings
(viii)	Hiring of services for specialized consulting Services
(ix)	Hiring of services for Event Management Agencies (Planning and executing large-scale company meetings, special events, sporting events, reunions etc.)
(x)	Hiring of services for Integrated security services (Specialized integrated services involving Access Control, Fire Life-Safety Systems, Alarm Management, Photo ID, CCTV management, Physical Security, Video Management, Command and Control systems etc).

The list of services approved above and the weightage (Technical: Price) shall be reviewed based on the experience gained during the implementation of the policy after one year.

Separate approval would be required to be taken in case of non-implementation of QCBS for the specified services.

- (III) Applicability of QCBS/LCS will be approved by a Committee of Directors (CoD) comprising of Director (Finance), Director-I/c MM and Director concerned. The weightage of respective technical parameters (QCBS/LCS matrix) shall be proposed by the Working Group at the work center duly recommended by the concerned Key Executive and put up by Chief MM for the approval of CoD.
- (IV) QCBS methodology shall be implemented while awarding contracts for procurement / hiring of all E&P services in future. Similar QCBS matrix be firmed up for charter hiring of drilling rigs and other E&P services. The QCBS matrix be firmed up by the working group for factoring in the practices being followed by ONGC Videsh and other PSUs in awarding contracts through QCBS methodology.
- (V) The security tenders which have already been invited with QCBS methodology shall be finalized based on the decision taken by EC in its 495<sup>th</sup> meeting.

- (VI) EC had in the past provided guidelines on the QCBS methodology. This supersedes earlier decision of EC on QCBS.
- (VII) Regular/Routine procurement characterized by low degree of technical influence shall continue to be procured as per existing practice, wherein bids are shortlisted for price bid opening as per standard qualification criteria of BEC for service contracts.

Accordingly, modified provisions for procurement on QCBS and LCS basis have been incorporated in IMMM as per enclosed Annexure-A.

Above guidelines should be meticulously followed by all concerned.

*Ashwini Nagia* 20/5/18

(Ashwini Nagia)  
ED-Chief MM Services

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3. CVO, ONGC, New Delhi.

## Existing vis-à-vis modified provisions of Integrated MM Manual.

Para No.	Existing Provisions	Modified Provisions																						
11.3	Quality and Cost based selection	<p data-bbox="1057 354 1964 513"><b>Quality and Cost based selection (QCBS)</b> Applicable for procurement of following critical nature of services which are characterized by high degree of technical influence and high value impact and where it is justifiable to pay appropriately higher price for higher quality.</p> <table border="1" data-bbox="1072 549 1973 1350"> <thead> <tr> <th data-bbox="1081 555 1155 584">Sl.</th> <th data-bbox="1155 555 1964 584">Type of Services</th> </tr> </thead> <tbody> <tr> <td data-bbox="1081 584 1155 683">(i)</td> <td data-bbox="1155 584 1964 683">Hiring of consultancy services for EPCM/PMC services (Engineering Procurement Construction Management Services / Project Management Contract)</td> </tr> <tr> <td data-bbox="1081 683 1155 715">(ii)</td> <td data-bbox="1155 683 1964 715">Hiring of Creative Advertising Agencies</td> </tr> <tr> <td data-bbox="1081 715 1155 746">(iii)</td> <td data-bbox="1155 715 1964 746">Hiring of Architectural firms</td> </tr> <tr> <td data-bbox="1081 746 1155 817">(iv)</td> <td data-bbox="1155 746 1964 817">Hiring of Attornies (Qualified experienced professionals to render advice / service in business or legal matters)</td> </tr> <tr> <td data-bbox="1081 817 1155 916">(v)</td> <td data-bbox="1155 817 1964 916">Hiring of Trainers / Faculty (Professional/academicians to impart training and/or deliver lectures on subjects of specialized nature)</td> </tr> <tr> <td data-bbox="1081 916 1155 948">(vi)</td> <td data-bbox="1155 916 1964 948">Hiring of Management Consultants</td> </tr> <tr> <td data-bbox="1081 948 1155 1046">(vii)</td> <td data-bbox="1155 948 1964 1046">Hiring of services for Facility Management: (c) For Green Buildings (d) For Conventional Buildings</td> </tr> <tr> <td data-bbox="1081 1046 1155 1078">(viii)</td> <td data-bbox="1155 1046 1964 1078">Hiring of services for specialized consulting Services</td> </tr> <tr> <td data-bbox="1081 1078 1155 1181">(ix)</td> <td data-bbox="1155 1078 1964 1181">Hiring of services for Event Management Agencies (Planning and executing large-scale company meetings, special events, sporting events, reunions etc.)</td> </tr> <tr> <td data-bbox="1081 1181 1155 1343">(x)</td> <td data-bbox="1155 1181 1964 1343">Hiring of services for Integrated security services (Specialized integrated services involving Access Control, Fire Life-Safety Systems, Alarm Management, Photo ID, CCTV management, Physical Security, Video Management, Command and Control systems etc).</td> </tr> </tbody> </table>	Sl.	Type of Services	(i)	Hiring of consultancy services for EPCM/PMC services (Engineering Procurement Construction Management Services / Project Management Contract)	(ii)	Hiring of Creative Advertising Agencies	(iii)	Hiring of Architectural firms	(iv)	Hiring of Attornies (Qualified experienced professionals to render advice / service in business or legal matters)	(v)	Hiring of Trainers / Faculty (Professional/academicians to impart training and/or deliver lectures on subjects of specialized nature)	(vi)	Hiring of Management Consultants	(vii)	Hiring of services for Facility Management: (c) For Green Buildings (d) For Conventional Buildings	(viii)	Hiring of services for specialized consulting Services	(ix)	Hiring of services for Event Management Agencies (Planning and executing large-scale company meetings, special events, sporting events, reunions etc.)	(x)	Hiring of services for Integrated security services (Specialized integrated services involving Access Control, Fire Life-Safety Systems, Alarm Management, Photo ID, CCTV management, Physical Security, Video Management, Command and Control systems etc).
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11.3.1	QCBS uses a competitive process among firms that takes into account the quality and the cost of the proposal in the selection of the successful firm.	QCBS uses a competitive process among firms that takes into account the quality and the cost of the proposal in the selection of the successful firm.																																	
11.3.2	<p>Procurement types have to be classified into one of <u>three</u> categories to assign relative Weightage for quality and cost:</p> <p>a. Regular/Routine: Characterized by low degree of technical influence; Weightage (Technical: Price) - 0:100 to 20:80</p> <p>b. Specialized: Characterized by high degree of technical influence and low value impact of tender; Weightage (Technical: Price) - 50:50 to 60:40</p> <p>c. Critical: Characterized by high degree of technical influence and high value impact of tender; Weightage (Technical: Price) - 70:30 to 100:0</p> <p>d. where degree of technical influence is determined by <u>multi-disciplinary team</u> based on</p>	<p>Considering the technical influence and value impact of the above services proposed to be procured, relative Weightage (Technical: Price) for quality and cost shall be assigned as under:</p> <table border="1" data-bbox="1070 539 1832 1125"> <thead> <tr> <th></th> <th>Name of Service</th> <th>Weightage (Technical: Price)</th> </tr> </thead> <tbody> <tr> <td>(i)</td> <td>EPCM/PMC services</td> <td>70:30</td> </tr> <tr> <td>(ii)</td> <td>Creative Advertising Agencies</td> <td>70:30</td> </tr> <tr> <td>(iii)</td> <td>Architectural firms</td> <td>70:30</td> </tr> <tr> <td>(iv)</td> <td>Attornies</td> <td>70:30</td> </tr> <tr> <td>(v)</td> <td>Trainers / Faculty</td> <td>70:30</td> </tr> <tr> <td>(vi)</td> <td>Management Consultants</td> <td>70:30</td> </tr> <tr> <td>(vii)</td> <td>Facility Management: (a) For Green Buildings (b) For Conventional Buildings</td> <td>(a)70:30  (b)40:60</td> </tr> <tr> <td>(viii)</td> <td>Specialized consulting Services</td> <td>70:30</td> </tr> <tr> <td>(ix)</td> <td>Event Management Agencies</td> <td>70:30</td> </tr> <tr> <td>(x)</td> <td>integrated security services</td> <td>40:60</td> </tr> </tbody> </table> <p>For other cases, degree of technical influence shall be determined by <u>Indenting department</u> based on various parameters. An indicative list of such parameters is provided hereunder:</p>		Name of Service	Weightage (Technical: Price)	(i)	EPCM/PMC services	70:30	(ii)	Creative Advertising Agencies	70:30	(iii)	Architectural firms	70:30	(iv)	Attornies	70:30	(v)	Trainers / Faculty	70:30	(vi)	Management Consultants	70:30	(vii)	Facility Management: (a) For Green Buildings (b) For Conventional Buildings	(a)70:30  (b)40:60	(viii)	Specialized consulting Services	70:30	(ix)	Event Management Agencies	70:30	(x)	integrated security services	40:60
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	<p>i. Importance of Technical competence</p> <ul style="list-style-type: none"> <li>➤ Certifications</li> <li>➤ Product/service conformance to norms/specs</li> <li>➤ Expected life time (if applicable)</li> <li>➤ Importance of experience of firm or key personnel (as applicable)</li> </ul> <p>ii. Importance of Service levels</p> <ul style="list-style-type: none"> <li>➤ Timely delivery</li> <li>➤ Lead time</li> <li>➤ Warranty and support experience</li> <li>➤ Support coverage</li> </ul> <p>iii. Degree of differentiation of offerings</p> <ul style="list-style-type: none"> <li>➤ Technological similarity of offerings</li> <li>➤ Functional Substitutability of competing offerings</li> </ul> <p>Value impact of tender will also be determined by multi-disciplinary team and will reflect the net</p>	<p>i. Importance of Technical competence</p> <ul style="list-style-type: none"> <li>➤ Certifications</li> <li>➤ Product/service conformance to norms/specs</li> <li>➤ Expected life time (if applicable)</li> <li>➤ Importance of experience of firm or key personnel (as applicable)</li> </ul> <p>ii. Importance of Service levels</p> <ul style="list-style-type: none"> <li>➤ Timely delivery</li> <li>➤ Lead time</li> <li>➤ Warranty and support experience</li> <li>➤ Support coverage</li> </ul> <p>iii. Degree of differentiation of offerings</p> <ul style="list-style-type: none"> <li>➤ Technological similarity of offerings</li> <li>➤ Functional Substitutability of competing offerings</li> </ul> <p>Value impact of tender will also be determined by <u>Indenting department</u>.</p>

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	<p><u>present value of benefits expected from executing the tender. Multi-disciplinary team not below E-5/E-6 level duly constituted by the Key Executive shall consist of members from Indenting, MM/Category manager, Finance and end user if indenter is not the end user. In case of projects, calculations done for feasibility report can be leveraged to determine the same.</u></p>	
11.3.3	<p>Approval for implementing QCBS for a category of items will need to be obtained from the EC. Relative weightage and template for QCBS evaluation are to be decided by Multi-disciplinary team for the tender which will be approved by EC for first time procurement of Goods/Services/LSTK Project. For subsequent tenders, if no changes in parameters of QCBS are made then the same template can be followed with approval of CPA. Concerned Director will have full powers for EPC level cases.</p>	<p>Considering the technical influence and value impact of the service proposed to be procured, for applicability of QCBS Indenter shall obtain the approval of a Committee of Directors (CoD) comprising of Director (Finance), Director-I/c MM and Director concerned. The weightage of respective technical parameters (QCBS matrix) shall be proposed by the Working Group at the work center duly recommended by the concerned Key Executive and put by Chief MM for the approval of CoD.</p>
11.3.4	<p>Bid package: The evaluation criteria based on Concerned Director's decision on relative Weightage of cost and quality along with criteria and weightage of quality related parameters need to be clearly mentioned in the BEC.</p>	<p>Bid package: The evaluation criteria based on the decision of competent authority on relative Weightage of cost and quality along with criteria and weightage of quality related parameters need to be clearly mentioned in the BEC.</p>
11.3.5	<p><u>Tender evaluation: The evaluation of the proposals shall be carried out in two stages: first the quality, and then the cost. Evaluators of techno-commercial proposals shall not have access to the price bids until the techno-commercial evaluation is concluded. Financial proposals shall be opened only thereafter based on Quality score and techno-commercial evaluation. Short listing of bidders for price bid opening shall be approved by Competent Purchase</u></p>	<p>Tender evaluation: The evaluation of the proposals shall be carried out in two stages: first the quality, and then the cost. The evaluation shall be carried out in full conformity with the provisions of the tender documents.</p>

Para No.	Existing Provisions	Modified Provisions
	<p><u>Authority. During the evaluation process/clarification process, recommendation for acceptance/rejection of bidder(s) shall also require the approval of Competent Purchase Authority. However, concerned Director will have full powers. The evaluation shall be carried out in full conformity with the provisions of the tender documents.</u></p>	
	<p>a. Techno-commercial evaluation to be carried out by respective indenting officer and team including MM and finance for the received bids. All key criteria on quality are objectively scored and weighted as per Weightage described in the BEC of the bid.</p> <p>The tender committee is authorized to seek any clarifications from bidders at this stage if necessary.</p> <p>b. Cost evaluation to be carried out as done under two bid open tenders and firms are given scores as per guidance provided in BEC with maximum score being provided to lowest bidder (L-1).</p> <p>Commercial Score = (100 * L-1) / Bidder's Price</p>	<p>a. Techno-commercial evaluation to be carried out by respective indenting officer and team including MM and finance for the received bids. All key criteria on quality are objectively scored and weighted as per Weightage described in the BEC of the bid.</p> <p>The tender committee is authorized to seek any clarifications from bidders at this stage if necessary.</p> <p>b. Cost evaluation to be carried out as done under two bid open tenders and firms are given scores as per guidance provided in BEC with maximum score being provided to lowest bidder (L-1).</p> <p>Commercial Score = (100 * L-1) / Bidder's Price</p>
11.3.6	<p>The contract shall be awarded to the vendor with the highest combined score calculated using the following formula.            Combined Score = (Quality Score assigned to bidder x Technical weight %) + (Commercial Score assigned to bidder x Commercial weight %)</p>	<p>The contract shall be awarded to the vendor with the highest combined score calculated using the following formula.            Combined Score = (Quality Score assigned to bidder x Technical weight %) + (Commercial Score assigned to bidder x Commercial weight %)</p>
11.3.7	<p>Rate reasonability: Rate reasonability is not required in QCBS methodology.</p>	<p>Rate reasonability: Rate reasonability is not required in QCBS methodology.</p>



Para No.	Existing Provisions	Modified Provisions
11.3.8	<p>In case the bidder with highest combined score(referred as B1 below) cannot meet the full quantity of the tender, the bidder with the next highest combined score (or the bidder with highest technical score among the remaining bidders, as specified in the tender document) (referred as B2 below) will be asked to match the combined score of the bidder with highest score.</p> <p>Combined score can be matched by the bidder B2 through reduction in price only as per the following formulae:</p> <p>Target price to be matched =  <math>100 \times \text{lowest price bid among all technically acceptable bidders}</math>  (Divided by)  <math>((\text{Difference between combined score of B1 and B2} / \text{Commercial weightage \%}) + \text{Commercial score of B2})</math></p>	<p>In case the bidder with highest combined score(referred as B1 below) cannot meet the full quantity of the tender, the bidder with the next highest combined score (or the bidder with highest technical score among the remaining bidders, as specified in the tender document) (referred as B2 below) will be asked to match the combined score of the bidder with highest score.</p> <p>Combined score can be matched by the bidder B2 through reduction in price only as per the following formulae:</p> <p>Target price to be matched =  <math>100 \times \text{lowest price bid among all technically acceptable bidders}</math>  (Divided by)  <math>((\text{Difference between combined score of B1 and B2} / \text{Commercial weightage \%}) + \text{Commercial score of B2})</math></p>
11.3.9	No provision exist	In the QCBS system, as the evaluation of bids shall be based on combined score (Technical parameters and prices), purchase preference policies (like Policy for MSEs and PPLC etc.) shall not be applicable.
11.4	<b>No Provisions exist</b>	<b>Least Cost Selection (LCS) with minimum qualification score.</b> Applicable for services which are characterized by high degree of technical influence and low value impact. Value impact of tender will be determined by <u>Indenting department</u> . In case of projects, calculations done for feasibility report can be leveraged to determine the same.
11.4.1		Under Least Cost Selection with minimum qualification score, the lowest proposal with lowest cost among those that passed the minimum technical score shall be considered for award.

Para No.	Existing Provisions	Modified Provisions
11.4.2		Considering the technical influence of the service proposed to be procured, marks for <u>Technical Weightage</u> for shortlisting of bids shall be assigned.
11.4.3		Degree of technical influence shall be determined by Indentor as per provision under 11.3.2 above
11.4.4		Approval for implementing LCS with minimum qualification marks for a category of items, technical weightage, matrix and template for evaluation shall be decided and approved as per provisions under para 11.3.3 above.
11.4.5		<p>Bid package: The evaluation criteria based on <u>Concerned Weightage</u> of quality related parameters need to be clearly mentioned in the BEC.</p> <p>It shall be specified in the tender conditions that ONGC shall select bidders scoring certain pre-defined minimum technical score for opening of price bids. The minimum quality score required for selection of bid for price bid opening shall be clearly indicated in the BEC.</p>
11.4.6		The Technical bids shall be evaluated on the basis of their responsiveness and point system specified in the Data Sheet supplied with the tender document. Each responsive offer will be given a technical score. An offer shall be rejected at this stage if it is not found responsive or if it fails to achieve the minimum technical score indicated in the Data Sheet provided along with the tender document.
11.4.7		Price evaluation to be carried out as per BEC.
11.4.8		The contract shall be awarded to the L-1 bidder based on the price evaluation of the bids.
11.4.9		Rate reasonability: Rate reasonability shall be determined as per provisions on ascertaining the reasonability of rates.
11.5	No provision exist	QCBS/LCS with minimum qualification marks shall not be adopted for procurement of goods (except for premium bits which shall be procured as per para 28 of IMMM) and LSTK contracts.