



PMC Cell – MM

Oil and Natural Gas Corporation Ltd Corporate Materials Management

9th Floor, South Tower, SCOPE Minar,
Laxmi Nagar, Delhi -110 092
Tel – (011) 22406044 Fax – (011) 22446494

Circular No. 42/2016-cum-Integrated MM Manual Amendment No. 18/2016

No: MAT/PMC/13(218)/2016

Dated: 22.09.2016

Sub: Revision of Cost Estimate for LSTK projects.

Reference is invited to the guidelines issued vide Office Order No. DLH/Dir/Onshore/DES/22/08 dated 06.10.2008 and relevant provisions of Integrated MM Manual wherein guidelines on revision of Cost Estimate for LSTK projects have been notified.

EPC in its meeting (26/2016) held on 22.08.2016, reviewed the provisions pertaining to revision of cost estimate for LSTK projects and decided that:

- i) The same authority who has approve original cost estimate would be the competent authority for approving the revised cost estimate also.
- ii) Cost estimates need to be reviewed under the following situations:
 - (a) The time interval is more than 18 months between preparation of cost estimate & the date of tender opening.
 - (b) Substantial change in market condition as due to change in external economic and market environment.

Accordingly, relevant provisions of Integrated MM Manual stand modified as per Annexure-A.

This supersede the guidelines issued vide aforesaid Officer Order dated 06.10.2008.

Above instructions should be meticulously followed by all concerned.


(Ashwini Nagia)
ED-Chief MM Services

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3. CVO, ONGC, Jeevan Bharti Building, New Delhi.

Statement showing existing vis-a-modified provisions of Integrated MM Manual.

Para No.	Existing Provisions	Modified Provisions
4.6.1	In case of LSTK / EPC works, approved costing methodology by CA shall be followed. The expected accuracy range of class 1 estimate should be used for preparation of estimates for tender document and also for check estimate i.e. for justification of rates.	In case of LSTK / EPC works, costing methodology <u>approved by respective Chief of Services through their respective VCB</u> shall be followed. The expected accuracy range of class 1 estimate should be used for preparation of estimates for tender document and also for check estimate i.e. for justification of rates.
4.7	<p>Revision of Cost Estimate for LSTK projects:</p> <p>If the market has shown abnormality, the cost estimate may be reviewed before the due date of bid submission by the team which prepared the initial estimate and revised only if necessary. The revised cost estimate will need to be approved by the concerned competent authority with full justification. Accordingly tender conditions if any, required to be changed as a consequence of revision of cost estimate, the same will be amended before submission of the bid.</p> <p>In case of LSTK projects, the revised cost estimates prepared as a sequel to pre-bid conference or otherwise shall be frozen before the due date of bid submission and submitted to tender committee for appropriate decision as per para 12.17.8.</p>	<p>Revision of Cost Estimate for LSTK projects:</p> <p>Cost estimates need to be reviewed under the following situations:</p> <p>(a) The time interval is more than 18 months between preparation of cost estimate & the date of tender opening.</p> <p>(b) Substantial change in market condition as due to change in external economic and market environment.</p> <p>Cost estimate may be reviewed before the due date of bid submission by the team which prepared the initial estimate. <u>Such revised cost estimates shall be got vetted from the head of the finance of the work centre / establishment.</u> The revised cost estimate will need to be approved by the concerned competent authority <u>who approved the preliminary estimate as defined under para 11.1.1.3,</u> with full justification. Accordingly tender conditions if any, required to be changed as a consequence of revision of cost estimate, the same will be amended before submission of the bid.</p> <p>In case of LSTK projects, the revised cost estimates prepared as a sequel to pre-bid conference or otherwise shall be frozen before the due date of bid submission and</p>

		submitted to tender committee for appropriate decision as per para 12.17.8.
11.1.1.3	In the case of LSTK/EPC tenders, where the contractor is responsible for the detailed engineering, the technical bid package and the estimates shall be approved by Head Design Offshore/Onshore and Head institutes for projects to be undertaken with in house consultancy. Wherever external consultants are engaged, such approvals shall be accorded by Level II officer of the project execution group.	In the case of LSTK/EPC tenders, where the contractor is responsible for the detailed engineering, the technical bid package and the estimates shall be approved by Head Design Offshore/Onshore and Head institutes for projects to be undertaken with in house consultancy. Wherever external consultants are engaged, such approvals shall be accorded by <u>the same authority as mentioned above.</u>