OPG PROCUREMENT PROCESS

1.0 PURPOSE

This evidence describes OPG's procurement process. It provides support for the OM&A purchased services information presented for Nuclear (Ex. F2-6-1), and Support Services (Ex. F3-3-2).

2.0 OVERVIEW OF PROCUREMENT PROCESS

This exhibit sets out OPG's procurement process, explains how it has been updated since EB-2016-0152 to include changes as required by the trade agreements, describes how category management and strategic sourcing have been incorporated in the procurement process, and introduces the technology and processes implemented to improve sourcing efficiencies and lower procurement cycle times. Each of these items is covered in the sections summarized below:

- The Procurement Process
  - The procurement process, sometimes referred to as transactional procurement, continues to support procurement of individual demand of items and services. By default, OPG uses an open competitive process as required by the trade agreements. This is further described in Section 3.0.
- Category Management and Strategic Sourcing
  - Supply Chain is now using category management principles and leveraging enterprise-wide spend to establish supply agreements and/or Vendors of Record ("VOR") through a competitive process. This process consolidates enterprise wide forecast demand in select purchasing categories of products and services that have recurring demand, and proactively makes supply arrangements by establishing VORs and Master Services Agreements ("MSA") or Master Products Agreements ("MPA") with the VOR suppliers in anticipation of requests from requisitioners. By consolidating all OPG requirements for a category and buying under one Request for Proposal ("RFP") and contract, OPG increases it's opportunity to get a better deal by leveraging its spend power. This process is further described in Section 4.0.
- Technology and Process Improvements

- OPG has leveraged technology to transform its sourcing and procurement operations with new tools and processes. Details are further described in Section 5.0.

3.0 THE PROCUREMENT PROCESS

OPG's procurement process is conducted as follows:[1] The need for a service or item is identified and a requisition is created and approved by the appropriate authority as per OPG's Organizational Authority Register ("OAR").

- If no existing agreement is in place that can satisfy the need for the product or service, Supply Chain, in consultation with the requisitioner, seeks quotations[2] or proposals[3] using the following methods:
  - Open Competitive Process - this process involves posting procurement documents using an approved OPG electronic proposal system. All consulting services contracts, and non-consulting services with a procurement value greater than $500k must be conducted through the open competitive process.
  - Invitation Competitive Process - this process uses the request for quotation or request for proposal ("RFQ/RFP") process as applicable. For the procurement of products and services (both consulting and non-consulting), a request to submit a written quotation/proposal in response to OPG requirements is made to qualified suppliers. This is an exception to the open competitive process and must be justified for procurement of all consulting services contracts of any value and products and non-consulting services with a procurement value greater than $500k. Accordingly, prior approval from the appropriate purchasing authority (according to the Procurement Process Approval Authority or "PPAA"), must be granted when an invitational competitive process is used.
  - Single/Sole Source Process - exceptions to a competitive procurement process are allowed under certain circumstances. Exceptions must be justified and prior approval

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[1] This process applies to the acquisition of products or services above a threshold value of $10k. Below this threshold value, purchasing authority is delegated to the businesses through the use of a purchasing card or local purchasing authority (purchase order-based transactions).
[2] A request for quotation ("RFQ") is a request for price and availability of items/services based on specified technical, quality, and commercial requirements where the value is estimated up to $100k.
[3] A request for proposal ("RFP") is a formal request for price and availability of an item and/or service based on specified technical quality and commercial requirements where the value is estimated to be greater than $100k.

from the appropriate purchasing authority (according to the OAR), must be granted when a single/sole source strategy is used.

- OPG's RFQ/RFP process requires that the evaluation criteria and weightings be established by Supply Chain and the requisitioner/project manager in advance of issuing the RFQ/RFP. The criteria, weightings and evaluation methodology (the process used to assess, evaluate and score supplier proposal) are fully disclosed to proponents in the RFQ/RFP and typically include the following:
    - Mandatory requirements, which are criteria that are assessed on a pass/fail basis.
    - Rated requirements, which include all weights and sub-weights and a description of any short-listing processes including any minimum rated score requirements and the role and weighting, if applicable, of reference checks, oral interviews, demonstrations and site visits.
    - Price/cost and a description of the evaluation methodology that may include the use of scenarios to determine cost for specific volumes and service levels. The evaluation of price/cost is only completed if mandatory and minimum rated requirements are met.
- For services performed on OPG premises, potential suppliers are pre-qualified with respect to safety performance.
- To ensure the integrity of the procurement process, Supply Chain acts as the single point of contact with potential suppliers until the evaluation of proposals or quotations is complete and a supplier has been selected. Initial purchase price is part of the total lifecycle cost criteria used in evaluating proposals or quotations; however, when elements of the lifecycle cost of an item or service beyond the initial purchase price are known, the additional lifecycle cost elements are included and evaluated through the process. Additionally, the relative weighting of the selection criteria varies and there may be instances when the lowest initial purchase price supplier is not selected.
- Negotiation and finalization of the purchase order and/or agreement terms is led by Supply Chain with support from other internal subject matter experts along with the requisitioner, as required. An agreement and/or purchase order is issued once Supply Chain receives a requisition approved by the appropriate OAR authority.
- Once the supplier is awarded business, depending on the complexity and financial implications, an OPG contract administrator may be assigned to monitor the contract to

ensure the supplier meets all contractual obligations, confirm receipt of the product or service, and approve submitted invoices for payment. The performance of the supplier is assessed by the contract administrator and Supply Chain can utilize this assessment when selecting proponents for future work.

- The requisitioner notifies Supply Chain once the contract requirements are complete and final payment has been made. The purchase order is subsequently closed out by Supply Chain.

4.0 CATEGORY MANAGEMENT AND STRATEGIC SOURCING

As part of the Supply Chain initiatives, OPG has incorporated Category Management and Strategic Sourcing practices in its procurement process:

- OPG has classified products and services that it procures from suppliers into market-facing baskets or categories of products and services.
- Where there is an opportunity to leverage a consolidated demand, OPG may collaborate with industry peers to procure products and services with similar specifications, scopes of work or demand timelines, to increase opportunities for economies of scale and pricing advantages.
- OPG develops a Strategic Sourcing Plan incorporating categories of products and services that are selected based on their annual spend level and criticality to OPG. The products and services in these categories have repeat demand every year:
    - OPG develops and executes sourcing strategies for the categories in the Strategic Sourcing Plan following a standard multi-step methodology that includes category spend analysis, internal requirements analysis, market research, development of the RFP including supplier selection and evaluation criteria, execution of the RFP, selection of suppliers and negotiation of agreements with suppliers. By default, OPG will use an open competitive process and the RFP/ RFQ, evaluation of supplier proposals/ quotes, and negotiation processes are conducted as described in Section 3.0 above.
    - OPG establishes VOR arrangements with selected suppliers utilizing the above-described strategic sourcing process.
    - Under a VOR arrangement for products with known specifications and where a demand forecast is available, OPG makes supply arrangements that include a fixed unit price for

a defined period of time, typically six months or one year, and a defined method to adjust prices and lead-times. Such arrangements reduce procurement times and avoid the necessity of repeatedly issuing RFQs or RFPs for same products or services. Blanket Purchase Orders ("BPO"s) are established for such products in OPG's electronic system incorporating the fixed unit price and order to delivery lead-time. Whenever a demand for such products is created in the system, a Purchase Order Release using the established price for such demand requirement is automatically issued to the selected supplier.

- Master agreements are established with the VOR suppliers. When more than one supplier exist for products and services, OPG will conduct a secondary competitive process where VOR suppliers competitively bid on each work package, thus ensuring OPG receives the best value. Thresholds are defined for the minimum number of suppliers to be invited to participate in a secondary competitive process. For requirements of products and services with a procurement value less than $100,000, OPG may invite one supplier from the VOR list. If such requirements are equal to $100,000 and less than $500,000, OPG will invite at least three suppliers. If there are less than three suppliers on the VOR list, OPG will invite all suppliers. If such requirements are $500,000 or greater, OPG will invite all suppliers on the VOR list. There may be instances where direct awards may be executed with documented allowable exemptions.
- OPG does not make any commitments to any of its VOR suppliers to purchase any specific quantity, volume or value.

5.0 TECHNOLOGY AND PROCESS CHANGES

OPG has implemented the following technology and process improvements[4] to its sourcing and procurement operations:

- A Contract Management technology platform, which is an end-to-end automated contract management tool that will allow procurement staff to build, author, manage, store, retrieve, and sign agreements with suppliers. This tool will reduce total cycle-time from contract

[4] Delivered through the Re-imagine Program identified in Ex. D3-1-2.

creation to agreement execution and eliminate the need to track, store and archive executed agreements, background and support documentation externally.

- A Supplier Relationship Management process that will enable OPG to develop, monitor and evaluate OPG's relationships with suppliers.
- A Guided Buying technology tool which is like a "one stop shop" guide for OPG requisitioners to find out 'how' and 'where' to buy goods and services. This will provide staff with self-serve capabilities and support procurement governance and compliance, as the tool will direct the requisitioner to the correct procurement governance process (to be implemented Q1 2021).
- New Governance and Standards that provide streamlined, consistent execution of processes and clearly define roles and responsibilities.