



# **Common Guidelines for conducting Reverse Auction**

(Revised as on 30.09.2013.

Applicable for all RA events on or after 01.12.2013)

**(AA:MM:RA:02)**

**CORPORATE MATERIALS MANAGEMENT**

**BHARAT HEAVY ELECTRICALS LIMITED  
NEW DELHI**

(Note: Abridged version for the information of the bidders)

## **COMMON GUIDELINES FOR CONDUCTING REVERSE AUCTION**

### **(Revised as on 30.09.2013)**

#### **1.0 Scope**

This document describes the guidelines to be followed by each Unit/ Division/ Region for conducting reverse auction for procurement of material/ services/ works. These guidelines will be applicable for all purchases/ contracts to be awarded under extant policy and the Reverse Auction 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 only the current lowest quoted price. 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.

#### **2.0 Intent of Reverse Auction (RA)**

To derive maximum benefit in cost savings through competitive bidding.

#### **4.0 Purchases/ Works Thru RA**

##### **4.1 Terms in NIT**

Wherever it is felt that procurement may be done thru RA, the bids shall be invited in two parts (techno-commercial and price). Decision to go for RA would be taken after evaluation of techno-commercial bids. The NIT would contain following **clause**:

*“BHEL reserves the right to go for Reverse Auction (RA) instead of opening the sealed envelope price bid, submitted by the bidder. This*

*will be decided after techno-commercial evaluation. All bidders to give their acceptance for participation in RA. Non-acceptance to participate in RA may result in non-consideration of their bids, in case BHEL decides to go for RA.*

*In case BHEL decides to go for Reverse Auction, only those bidders who have given their acceptance to participate in RA will be allowed to participate in the Reverse Auction. Those bidders who have given their acceptance to participate in Reverse Auction will have to necessarily submit 'online sealed bid' in the Reverse Auction. Non-submission of 'online sealed bid' by the bidder will be considered as tampering of the tender process and will invite action by BHEL as per extant guidelines in vogue."*

Information and General Terms and Conditions governing RA shall form part of the RFQ/ Enquiry.

#### **4.2 Procurement through Reverse Auction**

The decision to hold the RA by the Competent Authority will depend upon the market trend and the nature of the response.

#### **4.4 Receipt of Techno-Commercial Bids & evaluation**

Suppliers are required to submit their best price bid in a separate sealed cover along with techno-commercial bid. After Evaluation of Techno-Commercial Bids:

- a) In case BHEL decides not to conduct RA, the envelope sealed price bids of all techno commercially qualified bidders, along with price impact, if any, should be opened and processed as per extant Policy.
- b) In case BHEL decides to conduct RA, business rules of RA will be sent to service provider as well as all bidders who have agreed to participate in the RA.

4.6 Bidding for RA will start as per RA schedule specified in business rules. After receipt of 'online sealed bids' by the participating bidders, start price & bid decrement will be communicated to the service provider, before the online Reverse Auction. Only those bidders who have submitted the 'on-line sealed bid' within the scheduled time shall be eligible to participate further in RA process. However, the H1 bidder (whose quote is highest in online sealed bid) will not be allowed to participate in further RA process.

#### **5.0 Business rules for RA may include:**

- Enquiry/ Request For Quotation (RFQ) number
- Name and Addresses of the bidders
- Items description, quantities/ weight, Specification
- Date and time of opening and closing of RA
- Extension conditions
- Loading Criteria/ Formulae
- FE rates for evaluation
- Taxes & Duties
- Freight & Insurance
- Bidders' training, if required, etc.

BHEL shall issue a mandate to the service provider covering business rules etc. and inform about event to all techno-commercially accepted bidders who have agreed to participate in Reverse Auction.

#### **6.0 Role of Service Provider**

- Acknowledge the receipt of mandate.
- Contact the bidders and train them.
- 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 including that of line items (wherever required) from successful bidder and submit the same to BHEL.

## **8.0 Bidding after 'online sealed bid'**

- 8.1 Once participating bidders have given 'online sealed bid' and 'start price' & 'bid decrement' is communicated by BHEL to the service provider, bidding would start at scheduled time specified in business rules. Bidders may then submit their bids (current L1 prices lowered by multiple of decrements).
- 8.2 If the lowest online sealed bid is the starting price, then the lowest bidder in online sealed bid shall be shown as current L1 automatically by the system and no acceptance of that price is required. System shall have the provision to indicate this bid as current L1. RA would be deemed to have started at this stage for further bidding.
- 8.3 In cases where BHEL has given start price and no bidder accepts that price, RA is to be treated as failed and sealed envelope price bids of all the techno-commercially qualified bidders shall be opened and the tender processed accordingly. Wherever the techno-commercially acceptable bidder(s) had agreed to participate in the RA and had failed to submit the online sealed bid, the envelope sealed bids of such bidder(s) shall not be entertained.

In such cases, no cognizance of online sealed bids shall be taken. In case the L1 bidder of 'sealed envelope price bid' has quoted a lesser price in the 'on-line sealed bid', cognizance of the same shall be taken for price negotiations.

## **9.0 Processing of case after RA**

After declaring L1 upon completion of RA, envelope price bids shall not be opened and file is to be processed as per extant policy provisions as

applicable.

#### **11.0 Others**

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

11.3 Relative position of bidders (for usage in cases of splitting the quantities) shall also include bidders who have given 'online sealed bids' but have not given further bids in auction.

11.4 In case only one on-line sealed bid is received, further RA process shall be aborted and the case shall be processed as per norms of the extant Policy.