



Regional
Energy
Agency North

PROURE+i
COMPETENCE CENTRE FOR
INNOVATION PUBLIC PROCUREMENT
Portugal



AGÊNCIA NACIONAL
DE INOVAÇÃO

Extensive transformation of a public building using innovation procurement

Innovation Procurement Case Studies and Practitioner Exchange between public sector organisations and innovation procurement experts

BREAKOUT SESSION

Denis Premec
project manager

Manuela Licul Martinčić
procurement consultant and trainer

PERSISTENCE
CONSISTENCE
RELIABILITY

Lisboa, Portugal, 26 September 2023

About us

- Regional Energy Agency North, Croatia. Established in 2009.
- Founded by cities of Varazdin, Virovitica and Koprivnica (north Croatia)
- Staff: 12 employees, mainly engineers of various professions
- Main role: support to local/regional governments, SMEs, citizens both in rural and urban areas with focus on renewable energy sources, energy efficiency and rational usage of energy
- Experts in: Energy and climate planning at the local and regional level, Sustainable construction and energy renovation, Innovative solutions for energy systems and smart cities, Green public procurement, Joint procurement of electricity and gas for local governments all over the country, Public lighting, Sustainable mobility, ...
- Manuela...

Our innovation procurement carried out as part of the EU project



- ❑ Prominent MED project: Nov 2016 – Oct 2020
- ❑ *To use Public Procurement of Innovation (PPI) approach supported by the European Union (EU) to stimulate the development of innovative technology systems and solutions in the field of **energy efficiency** and their market uptake **in small MED municipalities without previous PPI experience.***

Project consortium:

- **Italy** (SVILUPPUMBRIA - agency for development of Umbria, Municipality of Narni)
- **Croatia** (REA Sjever, City of Koprivnica)
- **Portugal** (IrRADIARE - Science for evolution, CIMBAL - Intermunicipal Community)
- **Spain** (Polytechnic University of Valencia, Ribera Consortium)
- **France** (CSTB - Scientific and Technical Centre for Building)

Resources

Municipality	City of Koprivnica	Human resources	16
Project	Kindergarten building (y.1982)	Internal	8
Building size (m²)	820	External	8
Design&Works Budget	300.000,00 excl.VAT	Expenses (externals)	13.000,00 EUR

Internal

- 1 construction engineer expert and 1 procurement expert from municipality (City of Koprivnica)
- 3 energy experts and 1 economist from project partner REA North
- 1 kindergarten manager and 1 kindergarten chief technician

External

- 1 national procurement expert (with us today)
- 1 international innovation procurement expert (Jera Consulting, UK)
- 2 engineers from Faculty of Civil Engineering, University in Zagreb
- 1 architect specialized for childcare buildings
- 1 expert associate from Croatia Green Building Council – marketing support
- 2 expert associates from Croatian Chamber of Economy – liaisons toward supply side

Timeline

No.	Task	2017												2018												2019											
		D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N
		M-1	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	M13	M14	M15	M16	M17	M18	M19	M20	M21	M22	M23	M24	M25	M26	M27	M28	M29	M30	M31	M32	M33	M34	M35
1	(ITERATIVE) IDENTIFICATION OF NEEDS	[Red bar from M1 to M11]																																			
12	Project team agree outcome based requirement																									[Black diamond at M11]											
13	ENGAGE FINANCIERS-STAKEHOLDERS	[Red bar from M1 to M10]																																			
17	MARKET ENGAGEMENT PREPARATION													[Red bar from M11 to M12]																							
23	Publish PIN with Market Sounding Prospectus													[Black diamond at M12]																							
24	MARKET SOUNDING STAGE													[Red bar from M12 to M14]																							
29	MARKET CONSULTATION STAGE													[Red bar from M14 to M17]																							
34	INNOVATION PROCUREMENT Strategy & Tendering													[Red bar from M11 to M28]																							
41	Contract signed																									[Black diamond at M28]											
42	WORKS IMPLEMENTATION (Design & Build)																									[Red bar from M28 to M34]											
45	End of Works Implementation																									[Black diamond at M34]											

No.	Task	2017												
		D	J	F	M	A	M	J	J	A	S	O	N	D
		M-1	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
1	(ITERATIVE) IDENTIFICATION OF NEEDS	[Red arrow spanning from M-1 to M12]												
2	Identify good practices (building solutions and finalised PPI-like projects)	[Blue bar from M1 to M6]												
3	Define basic needs (energy retrofiting, interior rearrangement and refurbishment)	[Blue bar from M1 to M5]												
4	Recognise all current tech and organizational problems	[Blue bar from M2 to M5]												
5	Recognise all possible opportunities regarding future development of the kindergarten	[Blue bar from M2 to M5]												
6	Describe current situation in plain language				[Blue bar from M4 to M6]									
7	Consult with main stakeholder (City of Koprivnica)						[Blue bar at M6]							
8	Complete set of needs aligned with stakeholder's and system policies and organisation						[Blue bar at M7]							
9	Prepare the project scope/outline document with list of benefits and wider market opportunities (business case or						[Blue bar at M7]							
10	Define genuine, accurate and credible outcome-oriented requirements (contribution to a credibility)						[Blue bar at M8]							
11	Identifying wider market demand based on number of potential types of buildings (=customers) (contribution to a						[Blue bar at M8]							
12	Project team agree outcome based requirement						[Black diamond at M11]							
13	ENGAGE FINANCIERS-STAKEHOLDERS	[Red arrow spanning from M-1 to M12]												
17	MARKET ENGAGEMENT PREPARATION						[Red arrow at M11]							
23	Publish PIN with Market Sounding Prospectus						[Black diamond at M12]							
24	MARKET SOUNDING STAGE						[Red arrow at M12]							

No.	Task	2018												2019				
		S	O	N	D	J	F	M	A	M	J	J	A	S	O			
		M9	M10	M11	M12	M13	M14	M15	M16	M17	M18	M19	M20	M21	M22	M23		
24	MARKET SOUNDING STAGE	[Red arrow spanning from M12 to M13]																
25	Issuing Market Consultation Questionnaire or Response Form	[Blue bar at M13]																
26	Supply chain feedback and communication	[Blue bar at M13]																
27	Site visit(s)	[Blue bar at M13]																
28	Market sounding review and analysis	[Blue bar at M14]																
29	MARKET CONSULTATION STAGE	[Red arrow spanning from M14 to M15]																
34	INNOVATION PROCUREMENT Strategy & Tendering	[Red arrow spanning from M9 to M28]																
35	Develop pro-innovation procurement strategy, evaluation criteria	[Blue bar from M9 to M14]																
36	Refinement of needs and outcome-oriented requirements							[Blue bar from M17 to M19]										
37	Procurement strategy final										[Blue bar at M20]							
38	Develop, finalise and sign off Tender documents										[Blue bar from M21 to M25]							
39	Announce the Tender															[Black diamond at M26]		
40	Tendering process (including possible prolongation, delays, complaints)										[Blue bar from M26 to M28]							
41	Contract signed															[Black diamond at M29]		
42	WORKS IMPLEMENTATION (Design & Build)										[Red arrow spanning from M29 to M33]							
45	End of Works Implementation															[Black diamond at M34]		

Users' and stakeholders' importance

- ❑ **Needs identification** - the first critical part of the project;
 - ❑ during this phase we discussed **with local end-users**, which involved two separated focus groups, and **with all other local stakeholders** (primarily City of Koprivnica, kindergarten owner)
- ❑ **Identified representatives of possible future end-users** on a **nationwide** scale: a market research to identify the possible market size, determine capitalisation possibilities and gained preliminary expressions of interest from **60 public administration + business entities + faculties + ministries** for the market engagement procedure
 - ❑ Ministry of Construction detected as a stakeholder!
 - ❑ By engaging **Design&Build** approach + by defining important part of award criteria to be quality and innovation criteria (50 % of points), **we had necessary arguments to encourage bidders to compete** with effective, long(er) lasting and innovative solutions
 - ❑ Proving all that feasible, we also engaged extra funding from main stakeholder, **City of Koprivnica**

Outcome based requirements (OBR)

Outcome based **requirements** rather than detailed **specifications** during the market engagement

Outcome based **specifications** only at the tendering stage

Avoid specifying solutions' or specifications' details or requiring technology approach (technology neutral)

This is how we make a room for **innovative solutions**



Market engagement

Identify
communication
channels, supply-chain
contact list

Create MSP - Market
Sounding Prospectus

Supply chain
feedback and
communication

Market sounding
review and
analysis

Create Market
Consultation
Questionnaire /
Response Form for
suppliers to complete

Development of web
presence / site

Define and
organize Market
Consultation
Workshop(s)

Carry out Market
Consultation
Workshop(s) / Site
visit(s)

Write down PIN - Prior
Information Notice

**PUBLISH MSP &
PIN**

**Existing technical
documentation**

PILOT PROJECT FOR
EXTENSIVE TRANSFORMATION OF
KINDERGARTEN BUILDING

Expressions of interest

**Suppliers connecting
tool**

Site visit reservations

**Register for Market
Consultation Workshop**

Let me walk you through my webpage...

[EXPRESS YOUR INTEREST](#)

[Ask questions to ppi@rea-sjever.hr](mailto:ppi@rea-sjever.hr)

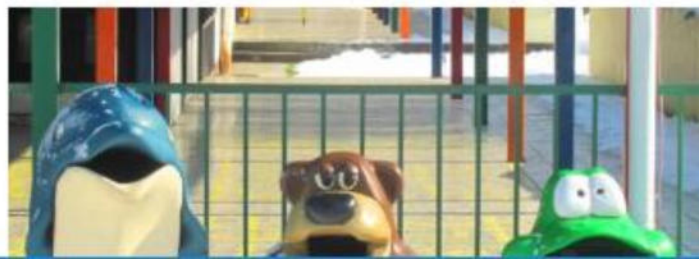
Please read the Market Sounding Prospectus below before expressing the interest.

JOIN US IN OPEN MARKET CONSULTATION

During this market sounding phase all potential suppliers have the chance to present their products and services, connect with other suppliers and influence the procurement process.

We welcome expressions of interest from all parts of the supply chain including manufacturers, innovators, renovators, designers, architects, educators.

We are interested to hear ideas, information, new concepts and innovation that could contribute to achieving improvements in one or more aspects of the requirement:





Expression of Interest

Down below you can write more about your company or organisation and how you could contribute to the project. You do not have to answer to all questions.

11. What innovative solutions, goods or services are currently available from your area of expertise or interest that would contribute to delivering the required transformation outcomes during this pilot project?

Your answer

12. Are you currently developing innovative solutions, goods or services which can be adopted or trialled in next 12 months given the right market conditions?

Your answer

13. Do you offer Energy Performance Contracting services or innovative financing solution for energy retrofitting projects?

Your answer

- 30 expressions filled by interested suppliers
- Many received expressions were quite detailed, with a very clear wish to cooperate
- 3 site visits arranged and conducted
- Supply chain feedback, intense communication
- Additional proactive seeking and engaging suppliers in a difficult sellers' market

Suppliers' Directory

Welcome!

This document will regularly include data from those suppliers that have requested in the Market Sounding Response Form to publish their basic identification data and area of expertise.

In this way, all the suppliers that have requested it have the possibility to become visible and make contact with other suppliers.

RESPONSE AND SHARING DOCUMENT

- ❑ 26 suppliers shared their contact info and description of their specialization and interest in the procurement
- ❑ It was an opportunity to find compatible suppliers and to eventually later step together into partnership for tendering procedure

Opsežna transformacija montažne zgrade

Pilot projekt čiji je cilj isporučiti replikabilno rješenje za vanjsku, unutarnju, energetske učinkovitu i funkcionalnu transformaciju zgrade te implementirati rješenje na montažnoj zgradi vrtića



Rbr.	Gospodarski subjekt	Adresa, mjesto	Internet stranica	Broj zaposl.	Specijalizacija	E-pošta kontakt osobe	Št.
25.	Vaillant d.o.o.	Heinzelova 60, Zagreb, Hrvatska	http://www.vaillant.hr	11-50	Vaillant nudi korisnicima širom svijeta energetske učinkovite i ekološki prihvatljive sustave grijanja, hlađenja i ventilacije s naglaskom na obnovljivim izvorima energije. Proizvodni program obuhvaća solarne sustave, geotermalne dizalice topline, ventilacijske sustave (rekuperatore zraka) za nisko-energetske objekte, visokoučinkovite kondenzacijske plinske uređaje za grijanje, električne uređaje za grijanje i potrošnu toplu vodu, klima-uređaje, pločaste radijatore te kompletan program regulacije.	hrvoje.milanovic@vaillant.com	9
26.	VELUX Hrvatska d.o.o.	Avenija Većeslava Holjevca 40, 10010 Zagreb, Hrvatska	http://www.velux.hr	11-50	Krovni prozori za kosi i ravan krov - dovođenje dnevne svjetlosti i svježeg zraka u unutrašnje prostorije. Regulacija svjetlosti i topline pomoću naših sjenila za krovne prozore.	mario.bojic@velux.com	11

WHAT'S IMPORTANT FOR MARKET SOUNDING PROSPECTUS

- ❑ You probably won't be able to write an MSP on your own. Use consultant! (*thank you, Gaynor!*)
- ❑ Structure & Design + Be **clear and concise**
- ❑ Clearly state that it's not the start of tendering process (motivates supply side to involve)
- ❑ Not a technical document, **watch the language**
- ❑ Show **credibility** by showing how good you **know the case** and what are market opportunities **based on your careful research**
- ❑ Show your stakeholders and supporters!
- ❑ Quote someone or highlight something
- ❑ Show what you expect from supply side

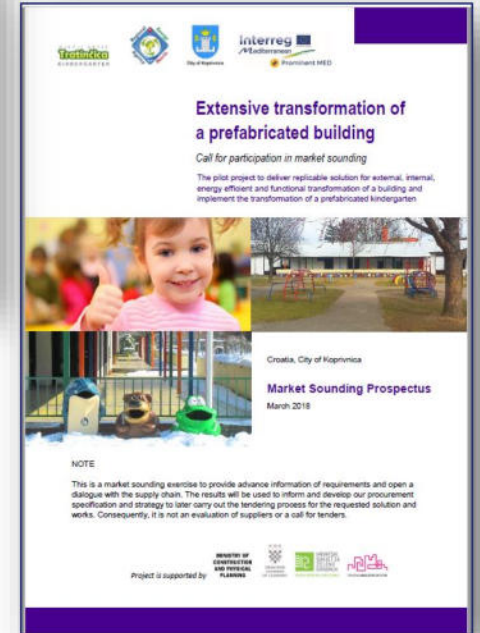
Content

- 1 Introduction
- 2 Outcome based requirements
- 3 Market opportunities
- 4 Market engagement
- 5 Procurement process and timeline
- 6 Annexes
 - Annex 1 Overview of the building
 - Annex 2 Non-exhaustive list of prefabricated kindergartens in Croatia
 - Annex 3 List of supporting parties
 - Annex 4 Policies

The City has performed activities to determine possible market size. The focus of the market research has been put to prefabricated buildings used as kindergartens. For this specific purpose, representatives of 127 cities in Croatia have been interviewed. Research revealed that at least 25 similar buildings exist in Croatia and none of these buildings have

Potential suppliers can register for visits and workshop and submit their Express of Interest by returning the **Market Sounding Response form** available under this link:

<https://ppi.koprivnica.hr/>
 under **EXPRESS YOUR INTEREST**



OPEN MARKET CONSULTATION WORKSHOP

Opsežna transformacija montažne zgrade

Pilot projekt čiji je cilj isporučiti replikabilno rješenje za vanjsku, unutarnju, energetske učinkovitu i funkcionalnu transformaciju zgrade te implementirati rješenje na montažnoj zgradi vrtića



Open Market Consultation Workshop

Innovative pilot project for extensive transformation of a prefabricated building

25. April 2018. 10.00 – 13.00

Croatian Chamber of Economy, Draškovićeva 45, Zagreb

PROGRAMME

- 10:25-10:50** Requirements for energy-efficient extensive transformation of the kindergarten
 - Denis Premec, REA North
- 10:50-11:00** Innovation example of development and implementation of ECO-SANDWICH® house
 - Ljubomir Miščević, Faculty of Architecture
- 11:00-11:15** Public procurement of innovation
 - Manuela Licul Martinčić
- 11:15-11:25** Project benefits and market opportunities
 - Boris Kuharić, Regionalna energetska agencija Sjever
- 11:25-11:40** Working in groups
 - Working in groups to analyze project requirements and ask questions

Competitive procedure with negotiation – TERMS OF USE

If the needs of a public contractor can not be met without the adaptation of easily accessible solutions

OR

Design or innovative solutions is included

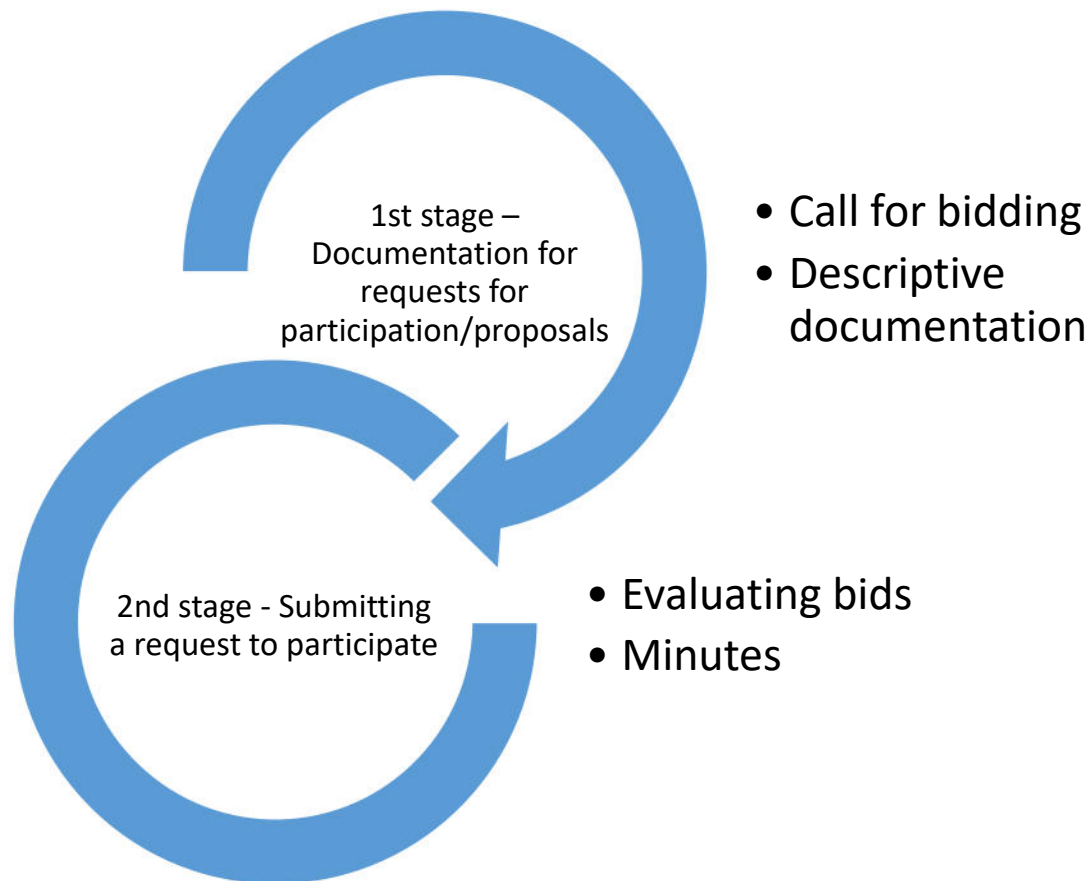
OR

The contract can not be awarded without prior negotiations due to specific circumstances relating to the nature, complexity or legal and financial conditions or the risks associated with them

OR

The contracting authority can not establish technical specifications with a sufficient degree of precision in terms of standards

Competitive procedure with negotiation – MAIN STEPS



Evaluation criteria:

- Price 50 %
- Warranty 20 % (up to 60 months)
- Innovation criteria 30 %

From
another
point
of view.

Competitive procedure with negotiation: KEY TAKEAWAY



- Competitive procedure w/ negotiation takes time > **planning!**
- Competitive procedure w/ negotiation includes many stakeholders > **organizing!**
- Competitive procedure w/ negotiation includes decision makers goal envisionment & support > **networking!**
- Competitive procedure w/ negotiation includes wide and diversified team members > **diversifying!**
- Competitive procedure w/ negotiation ATT didn't have many replicable examples on national level > **building base for being example for others!**

ABOVE ALL:
COMPETITIVE PROCEDURE W/ NEGOTIATION IS
MAINLY A JOURNEY, RATHER THAN JUST A *FINAL GOAL*

Awarding (evaluation) criteria table > Most Economically Advantageous Tender (used MEAT methodology)

CRITERIUM NAME	MEASURING UNIT	SIMBOL	RELATIVE %	METHODOLOGY	POINTS
THE PRICE	HRK / than national currency [0,00]	C	50,00%	C_{Pmin} = lowest price of all bids C_p = price of evaluated bid 40,00 = relative MEAT weight	Scoring for this criterion calculated up to two decimal places, as follows. $C = \left(\frac{C_{Pmin}}{C_p} \right) \times 50,00$
INNOVATIVE SPECIFICATION OF MEASURE 1	Innovative feature; Logical test YES / NO	MI ₁	15,00%	NO	0,00
				YES	15,00
INNOVATIVE SPECIFICATION OF MEASURE 2	Innovative feature; Logical test YES / NO	MI ₂	15,00%	NO	0,00
				YES	15,00
WARRANTY PERIOD	Months; whole units	J	20,00%	24 months	0,00
				25 to 29 months	2,50
				29 to 34 months	5,00
				35 to 39 months	7,50
				40 to 44 months	10,00
				45 to 49 months	12,50
				50 to 54 months	15,00
				55 to 59 months	17,50
More than 60 months	20,00				
MAXIMUM			100,00%		100,00
MEAT = C + MI₁ + MI₂ + J					

Problems and risks we have faced with

- ❑ Changes in the Croatian construction market dramatically impacted the market conditions
→ The impact came to its peak in the middle of **2018**
- ❑ **Reason 1:** Drainage of skilled workforce to Germany and other EU countries resulted with limited supply capabilities of Croatian companies
- ❑ **Reason 2:** More than 200 million euros from EU funds placed on the market through public calls in 2017 and 2018 (just for public buildings, the overall amount was even bigger)
- ❑ **Consequence 1:** The market responded by increasing the prices for more than 30 % on average
- ❑ **Consequence 2:** Construction companies overloaded due to extremely increased demand for construction works
- ❑ We realised that the market appetite for our project, and especially for innovation demand, became limited
- ❑ Worried if our small project would be interesting in such a changed market



Regional
Energy
Agency **North**

THANK YOU!

Denis Premec

Manuela Licul Martinčič

PERSISTENCE
CONSISTENCE
RELIABILITY