

Information and Context for proposed Hinkley Point Supply Chain Support Programme.

The Heart of the SW Local Enterprise Partnership recognises the vast economic opportunities for SME's that the proposed construction of 2 new nuclear reactors at Hinkley Point in Somerset by EDF Energy could deliver.

However, evidence from Business Support Agencies, EDF Energy, and their T1 Contractors provides a compelling case for need for specific and bespoke interventions to support the SME community to embrace these opportunities.

HOTSW LEP together with Industry has been the lead body in facilitating a cluster development approach to supporting and maximising the economic opportunities from the nuclear sector in its widest sense. This activity has seen the creation of Nuclear South West and a coming together of 3 Local Enterprise Partnerships (West of England and G1st) together with academia, Vocational Skills providers, Business Support agencies and Inward Investment. A robust Industry grouping is aligned to this sector development activity.

Nuclear South West has produced a draft Strategy and amongst other activity clearly identifies the type of support that the SME community requires to be able to access the Nuclear Supply Chain opportunities.

At the core of the Nuclear South West ambition is collaboration, and this is reflected in the recent in principle decision made by the West of England LEP to support HPC Supply Chain activity and to undertake a joint procurement of a service with HOTSW LEP.

This Service will be subject to an OJEU procurement process, where tenders received will be appraised against strict criteria which will include value for money, quality of delivery and outputs, innovation and alignment / collaboration with other business support and nuclear cluster activity.

PROPOSED SERVICE DESCRIPTION

Context / overview

EDF Energy (EDFE) is proposing to invest circa £18 billion in building a new nuclear power station at Hinkley Point C (HPC) in Somerset. At present there is a high likelihood that much of the supply chain input to the construction will come from overseas, as the nuclear manufacturing supply chain is not strong in the UK, and is not well established in the local area. To address this the Heart of the SW LEP and other partners / stakeholders are working together to maximise the local, South West and UK economic impact of this development

and ensure that this delivers sustainable future economic growth in an economically weak part of the UK. Supporting additionally the growth of wider nuclear related activity, not just new build civil nuclear, and setting out to ensure that the nuclear sector opportunities estimated to be in excess of £50 Billion over the next 15 years are maximised. This will be done through the work of Nuclear SW the nuclear cluster for the South West.

In the short-term the emphasis will be on supporting the supply chain to access the opportunities from the new nuclear build at Hinkley Point C, but other opportunities associated with decommissioning, operational and defence could be part of the overall offer.

The Beneficiaries

The service will support SMEs operating within the South West, specifically located in the HOTSW LEP and WoE LEP areas to secure contracts related to the Hinkley Point C Supply Chain specifically and potentially other nuclear cluster related activity.

Winning contracts will generate jobs, increase GVA and improve productivity and promote long-term structural change in the local economy.

Rationale for provision of this service

In considering how the SME population can be best supported to access the immense potential offered by this project it needs to be recognised that this is the first new nuclear build in the UK for over a generation. Whilst many companies acknowledge that there are opportunities, they simply 'do not know what they don't know'. The unpicking of very complex packages, and communicating these requirements to local companies is time consuming and necessarily an interactive / iterative process.

The procurement of the 160 packages of work needed to build Hinkley Point C has been taking place since 2010. During this time many larger companies have been assessed and inspected in a comprehensive prequalification process. Short lists allow the formal invitations to tender to be released and this has been often a two stage process which has lasted over 2 years in many cases.

In addition to this many of the packages are too large for individual businesses to bid for and require a consortium approach. This adds further layers of complexity and the requirement for intense business support delivered to groups of companies, rather than individuals.

The baseline for many of the contract packages has been Flamanville 3. Hence several Tier 1 contractors likely to be awarded work on the HPC project are European based and hence have already long established supply chains. Although EDF is encouraging the use of local & regional suppliers, if none are of the standard and quality demanded then the Tier 1's will utilise their EU suppliers.

To enable local business within the UK, to break into this market then early development of the local supplier base is absolutely critical. Experience to date shows that it can take a potential supplier several years to improve their standards and facilities necessary to enter the nuclear sector. Hence support for suppliers who have the appetite to improve is needed

well before the contracts are released as the supply chains will be quickly firmed up once this occurs.

The Service

The Hinkley Point C supply chain requires specific business support interventions where currently there are gaps to enable local small and medium-sized enterprises to become procurement ready. The lead-in time to build the capacity of businesses wanting to access the nuclear supply chain is significantly longer than would be required by other sectors. Support needs to be focused on proactive and early interpretation of work package requirements, identifying and briefing suppliers with transferable capability and leveraging existing support mechanisms to deliver tailored supply chain development. This specific and specialist activity is required in advance of existing services provided by, for example, Fit for Nuclear and the Business Growth Hub, though clearly there needs to be linkages and synergies established.

The current mechanism for engaging with small and medium-sized enterprises is to encourage registration on the South West Hinkley supply chain portal (www.hinkleysupplychain.co.uk). The Supply Chain Portal captures the details and existing capabilities of businesses who have registered and provides visibility for T1 Contractors. Registration is the initial stages of what is a long and complicated process for many businesses wishing to secure HPC related contracts. As previously described the competencies and cultures required for the nuclear industry are unique. This extends throughout the whole of the supply chain, from Tier 1's right through to the lower levels. Experience has demonstrated that the requirements are extremely rigorous even for associated development activity and site services contracts. However, will be demonstrated in this business case, the rewards for perseverance can be exceedingly high, and has the potential to impact a wide and varied range of SME's.

The additional support required can be defined as a technical advisor and supplier match service, whereby specialist manufacturer, engineering and commercial knowledge is required to interpret and assess work package requirements, identify target suppliers / supplier groups, deliver supplier briefings in the absence of Tier 1 support (commercial sensitivity) and advise on supplier development programmes with partners. This is followed up by brokerage to support technical advisors working with identified suppliers to pro-actively support engagement processes and ensure relevant support is made available for accreditations and capability and brokering to appropriate partners and business support providers.

Somerset County Council, as the accountable body for the HotSW LEP, expects to publish a Contract Notice through OJEU to commence the procurement exercise for this proposed contract. It is expected that Tenderers will be able to demonstrate applicable knowledge and experience of supply chain requirements, the wider nuclear sector, and the HPC Project.

Please Note - The above information is provided to enable interested Suppliers/Tenderers to make an assessment of their interest in the proposed contract opportunity. The content and any timings presented are for indicative purposes, and are accurate at the time of publishing this information, and as such may be subject further change.