MILLMERRAN POWER – MINING CONTRACT
CONTRACT REVIEW & IMPLEMENTATION



The Client

The Millmerran Power Partners (MPP) is a partnership that owns and operates a 840 MW coal-fired base load power station near Millmerran in SE Queensland.

The Project

- The coal used to fuel the power station is obtained from the Commodore Coal Mine adjacent to the station.
- MPP have a contract for a complete mining service to provide coal at specification to the power station
- Contract interface with a materials handling contractor is at a ROM hopper at the beginning of an overland conveyor to the power station stockpile
- That contract has been in existence for 12 years and was to end in August 2014
- MPP required a new contract for these services and sought to test the market for them given the drop in Queensland mining activity in preceding years

The Challenge

- The client is a power generator and not a miner. It required a full service mining contractor who could also deal with mine construction issues
- The contract and procurement process had to take into account the ongoing operation of the mine at either the interface between a new contract with the same contractor or another contractor
- Any new contract had to deal with what should happen to deal with partially complete work issues at the end of the new contract
- A consistent supply of coal within a tight specification mitigates the risk of failures in significant elements of; and the maintenance costs of a supercritical pulverised coal-fired base load power station
- The contract needed to accommodate the varying coal demand due to the number of power generation units on-line.
- Significant contract interfaces existed with the materials handling contractor and also with any potential creek construction contractor and the contract needed to take account of those
- Mining operations are sequential and thus rehabilitation activities are not completed immediately and allow for the burial of power station ash within strict environmental conditions

The Outcome

- Flagstaff was engaged to review the existing agreement in terms of MPP's needs at the time and into the future.
- Researched the market for prospective contractors
- Proposed the procurement strategy to meet MPP's needs both commercially and operationally
- Researched existing expenditure and model proposed expenditure about new contract terms to ensure compliance with MPP needs
- Proposed and developed initial contractor assessment model
- Conducted initial contractor prequalification
- Proposed and implemented contract price assessment model
- Advised on contract terms to meet the commercial environment at the time and into the future and model those new terms
- Engaged in the contractor negotiations

MPP successfully executed a new contract with their existing contractor which:

- allows for significantly reduced payments to the contractor at the time of major power station outages but which still cover the contractors fixed costs
- allows for a tighter specification on quality
- allows for management of the interface at the end out the existing contract and extends that to closing out this new contract in particular with respect to the environmental issues of rehabilitation and burial of ash

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