

LATE ITEM C21/5885 – PROVISION OF ELECTRICITY TO CITY OF MELVILLE FACILITIES (REC) (CONFIDENTIAL ATTACHMENT)

Ward : All
 Category : Operational
 Subject Index : Tender
 Customer Index : City Of Melville
 Disclosure of any Interest : No Officer involved in the preparation of this report has a declarable interest in this matter.
 Previous Items : Not Applicable
 Works Programme : Not Applicable
 Funding : Various operational budgets
 Responsible Officer : Alan Ferris
 Director Corporate Services

AUTHORITY / DISCRETION

DEFINITION

<input type="checkbox"/>	Advocacy	<i>When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.</i>
<input checked="" type="checkbox"/>	Executive	<i>The substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.</i>
<input type="checkbox"/>	Legislative	<i>Includes adopting local laws, town planning schemes & policies.</i>
<input type="checkbox"/>	Review	<i>When the Council operates as a review authority on decisions made by Officers for appeal purposes.</i>
<input type="checkbox"/>	Quasi-Judicial	<i>When the Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</i>
<input type="checkbox"/>	Information	<i>For the Council/Committee to note.</i>

LATE ITEM C21/5885 - PROVISION OF ELECTRICITY TO CITY OF MELVILLE FACILITIES (REC) (CONFIDENTIAL ATTACHMENT)**KEY ISSUES / SUMMARY**

- This item relates to a proposal from WALGA for provision of electricity to City of Melville facilities with renewable energy offsets from 1 July 2022.
- WALGA has undertaken a Bulk procurement process for the provision of electricity for contestable sites. The proposal covers electricity for 51 member councils with the added option for renewable energy based offsets to make it green power.
- WALGA has analysed all the terms and conditions of the proposed contract with Synergy and negotiated a “Energy Framework Agreement” for the bulk procurement of electricity from Synergy and recommended using the Unbundled Tariff option and the purchase renewable energy offsets from 3 Wind Projects in WA.
- The City has an existing contract with Synergy that expires on 30 June 2022. If approved the City will transition to this agreement after 30 June 2022
- It is understood that all of the Councils have accepted this proposal.
- The Energy Framework Agreement is required to be signed by 18 November 2021
- As proposed by WALGA the likely increases in cost forecasted for the renewable energy offsets it is recommended that the City agree to sign the Energy Framework Agreement for the purchase of Electricity and Renewable Energy Offsets.
- The option to sign the Energy Framework Agreement is also recommended to manage the reputational loss of not taking Climate Action in this regard in comparisons to other councils in the region.

BACKGROUND

Every 2 years, the City seeks proposals from the Western Australian Local Government Association (WALGA) Preferred Supplier Panel, in the category of Energy Services, for reliable, secure and cost effective supply of grid-electricity to the portfolio of Contestable Sites. The proposals are selected with expectation that the supply of electricity and the effective on-going management of electricity supply will be carried out smoothly with minimal involvement from the City.

WALGA suggested the sector consider an unsolicited proposal for grouped electricity procurement, with all local governments collaborating to procure under a single tender. WALGA approach was to go unbundled, without a fixed peak and off peak tariff and to purchase renewable energy credits (LGCs) to offset emissions from consuming electricity generated by green power. Based on WALGA’s analysis, this option will lead to immediate savings and greening of the power supply at major electricity consuming sites of the City.

**LATE ITEM C21/5885 - PROVISION OF ELECTRICITY TO CITY OF MELVILLE
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WALGA has drafted an Energy Framework Offer Document to present their analysis on reducing the cost of electricity supply and associated emissions. The document details the terms on offer, pricing and advises the benefits of using an unbundled tariff and their intent to establish this bulk procurement model. WALGA indicates that the pricing in the renewable offset market is increasing and therefore to protect the Local Government Sector against this risk, WALGA enabled this stepped approach for renewable offset provision with electricity procurement through their contract.

WALGA has proposed this as the first step of a wider program, where they are proposing to collectively procure carbon offsets, electric fleet and more local government venture projects to help local governments transition to achieve 100% carbon neutral status in the future.

Through this process the City has not been successful in negotiating terms including the minimum take waiver, solar feed in tariffs and Peer to Peer (P2P) opportunities, which are terms addressed in some way in the current contract with Synergy. Whilst this is not ideal, considering that this is a 3-year contract, the City is not losing a huge opportunity by not having these criteria met.

If the City decided not to be part of the agreement the City would face a risk of being the only local government going alone for a tender for the contestable sites and would expect to pay more under an individual arrangement. This WALGA initiative is the first renewables carbon offset aggregation project in WA to be granted authorisation by the Australian Competition and Consumer Commission.

STAKEHOLDER ENGAGEMENT**I. COMMUNITY**

No stakeholder engagement has been required or undertaken for this proposal from WALGA.

II. OTHER AGENCIES / CONSULTANTS

The City has been part of the WALGA initiated Energy Framework Agreement discussions with local governments.

LATE ITEM C21/5885 - PROVISION OF ELECTRICITY TO CITY OF MELVILLE FACILITIES (REC) (CONFIDENTIAL ATTACHMENT)**STATUTORY AND LEGAL IMPLICATIONS**

The attachment to this report is confidential in terms of section 5.23(2)(c) and (e)(ii) of the *Local Government Act 1995*, which relates to information of a commercial value and a contract entered into, or which maybe entered into, by the local government and which relates to a matter to be discussed at the meeting.

Local Government (Functions and General) Regulations 1996 Section 3.57 11 (2) (b)

“Tenders do not have to publicly invited ... if the supply of the goods or services is to be obtained through the WALGA Preferred Supplier Program”.

Any discussion on the confidential attachment will be closed to the members of the public in accordance with the provisions of Section 5.23(c) of the *Local Government Act 1995* which state as follows:

(c) a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting;

Delegated Authority – DA-117 Authority to Sign Documents will be exercised to execute the Contract.

FINANCIAL IMPLICATIONS

- Approximately \$1 million a year from various accounts for electricity consumption (depends on actual consumption at each facility).
- Approximately \$100,000 a year for Renewable Energy Credits (depends on actual consumption at each facility)

STRATEGIC, RISK AND ENVIRONMENTAL MANAGEMENT IMPLICATIONS

Strategic implications of these works relate only to the consequences of not procuring the services through a tender or the WALGA Preferred Supplier Program, which would result in the City being in breach of the *Local Government (Functions and General) Regulations 1996*.

Not being a part of this bulk procurement program may lead to adverse message in the community that the City of Melville being the only Council not opting for this program and not procuring green power to act against Climate Action.

It is uncertain if taking part in this bulk procurement program brings the best value outcome as we cannot reasonably estimate or compare the market condition in July 2022, when the contract starts.

The qualitative criteria of the contract have not been negotiated by the City and may provide hindrances to the City’s strategy on emission reductions when an opportunity to put a direct action arise, e.g. no solar feed in tariff, no allowance for P2P or net metering of facilities and only 20% roll in and roll out by consumption.

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WALGA's offer focuses on offsets, it does not consider the City's objectives with regards to supporting the development of new solar PV and battery installations within the contestable energy portfolio. The approach of new solar PV installations gives the City flexibility to increase its energy consumption via self-generated solar power without price penalty of offsets and also reduces the total cost of electricity, and thus is a favoured direct action. While the WALGA contract does not restrict the City in putting more Solar PV at our sites, it reduces the benefit and potential to identify local partners for sharing renewables.

Purchasing renewable energy offsets would increase the operating costs of the City and the clubs and organisations that use City facilities. On the other hand, installation of energy saving and energy generating technologies in those facilities would reduce costs whilst achieving emission reduction targets.

POLICY IMPLICATIONS

CP-023 Procurement of Products or Services.

ALTERNATE OPTIONS AND THEIR IMPLICATIONS

Not being a part of this bulk procurement program is the alternate option but that may lead to adverse message in the community that the City of Melville being the only Council not opting for this program and not procuring green power to act against Climate Action.

CONCLUSION

The proposal from WALGA is not the best possible option for power procurement but is the most risk managed given it is a standard contract for all local governments and is in place only for three years. This also helps in making all the electricity procured by the City to be green, using renewable energy credits.

In the three years where the contract is in place, the City may prepare for future actions, reduce its consumption and build self-reliance in order to continue with a stronger action for emission reductions and make best use of the market mechanisms to provide best value to the Community and strengthen partnership with them in this space.

LATE ITEM C21/5885 - PROVISION OF ELECTRICITY TO CITY OF MELVILLE FACILITIES (REC) (CONFIDENTIAL ATTACHMENT)**OFFICER RECOMMENDATION (5885)****APPROVAL****That the Council:**

- 1. Approves the acceptance of the WALGA negotiated Energy Framework Offer Document for the bulk procurement of electricity from Synergy using the Unbundled Tariff option.**
- 2. Approves the signing of the Synergy Contract negotiated by WALGA under this offer.**
- 3. Notes that this contract will commence on 1 July 2022.**
- 4. Notes that the City will continue to strengthen its approach to reduce emissions through direct climate action.**