

ITEM NO:	18.2 Confidential
MEETING TYPE	Ordinary Council
MEETING DATE:	21 February 2019
SUBJECT:	SA Local Government – Electricity Procurement post 31 December 2019
FILE NUMBER	F19/22 - Acting Chief Executive Officer
RECORD NUMBER:	R19/3121
AUTHOR:	Karina Ewer
ATTACHMENT (S):	Attachment 1 – Email from Andrew Haste regarding the Electricity Procurement Process (R19/3125) Attachment 2 – LGA Procurement – Memo – Electricity Procurement post December 2019 (R19/3211)

LINKS TO STRATEGIC MANAGEMENT PLAN 2016-2026

KEY RESULT AREA:	3. Environment and Planning
STRATEGY:	3.5. Adopt Environmental Sustainability principles in undertaking Council's activities.
ACTION:	3.5.1 Investigate future options for sustainable energy supplies, including but not limited to solar energy, wind energy, wave energy and desalination options.

BACKGROUND:

Council currently has an agreement in place with the South Australian Power Network (SAPN) for the supply of electricity at pricing which concluded on 31 December 2019.

LGA Procurement contacted all CEOs on 12 February 2019 to commence the process of securing set pricing for electricity across the State.

The Agreement to Participate is due for return to LGA Procurement on Monday 25 February 2019. It is recommended Council request information regarding all options be selected. Selecting all options in the first section will provide Council with more detail in regards to the pricing options or mix of options available.

Green Power options are not recommended for inclusion as these are neither currently available on the Eyre Peninsula, nor have they traditionally offered competitive pricing. Alternative and renewal energy sources provide better options.

The Acting CEO is requesting approval to sign the form as the Authorised Officer to participate in the Initial Process (the Agreement to Participate in Initial Process).

When the Agreement information is presented to the CEO, the CEO will have 12 to 24 hours to make a decision regarding accepting or rejecting the pricing offers presented. The Agreement is not expected until later in the year, but it is suggested Council delegate power to the CEO position in order to successfully complete the process when it occurs. Failure to do so may jeopardise not only this Council's access to a competitive pricing structure, but all other Councils involved.

CONSIDERATIONS:

Local Government Act 1999 Section 8 - Principles to be observed by a Council

A council must act to uphold and promote observance of the following principles in the performance of its roles and functions –

(a) provide open, responsive and accountable government;	<input checked="" type="checkbox"/>
(b) be responsive to the needs, interests and aspirations of individuals and groups within its community;	<input type="checkbox"/>
(c) participate with other councils, and with state and national governments, in setting public policy and achieving regional, State and national objectives;	<input type="checkbox"/>
(d) give due weight, in all its plans, policies and activities, to regional, state and national objectives and strategies concerning the economic, social, physical and environmental development and management of the community;	<input type="checkbox"/>
(e) seek to co-ordinate with state and national government in the planning and delivery of services in which those governments have an interest;	<input type="checkbox"/>
(f) seek to facilitate sustainable development and the protection of the environment and to ensure a proper balance within its community between economic, social, environmental and cultural considerations;	<input type="checkbox"/>
(g) manage its operations and affairs in a manner that emphasises the importance of service to the community;	<input checked="" type="checkbox"/>
(h) seek to ensure that council resources are used fairly, effectively and efficiently;	<input type="checkbox"/>
(i) seek to provide services, facilities and programs that are adequate and appropriate and seek to ensure equitable access to its services, facilities and programs;	<input type="checkbox"/>
(j) achieve and maintain standards of good public administration;	<input type="checkbox"/>
(k) ensure the sustainability of the council's long-term financial performance and position.	<input type="checkbox"/>

Risk Management – Framework and Policy Provisions

- (a) Risk Consequences must be considered as per Appendix B of the Risk Framework;
- (b) The likelihood of the recognised risk occurring must be considered as per Appendix C of the Risk Framework;
- (c) Where risks are identified as Extreme or High (Appendix D), Council must ensure its decision reduces the recognised risk to Medium or Low (residual risk) depending on the agreed tolerance level (Appendix E).

Risk Matrix

Likelihood/Consequence	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain	Medium	High	High	Extreme	Extreme
Likely	Low	Medium	High	Extreme	Extreme
Possible	Low	Low	Medium	High	Extreme
Unlikely	Low	Low	Low	High	Extreme
Rare	Low	Low	Low	Medium	High

Comment: Failure to delegate authority to the CEO to sign an Electricity Pricing Agreement will potentially mean Council (and possibly all Councils in the State) either miss the opportunity to access competitive pricing structures for the next 3- 5 years or the need to re-enter the procurement process to source new pricing options would be required.

Recommendation:

That Council:

- (a) Pursuant to Section 90(2)(3)(a)(i)(ii) of the *Local Government Act 1999*, orders that all persons with the exception of the Acting Chief Executive Officer, Karina Ewer, Acting Manager, Corporate Services, Sandra Brice, Manager, Regulatory Services, Jennifer Brewis, Manager, District Services, Robyn Nottle and (Executive Assistant & Governance Officer/Minute Taker), Judy Childs be excluded from attendance at the meeting for agenda item 18.2, relating to 'SA Local Government – Electricity Procurement post 31 December 2019'.
- (b) The Council is satisfied pursuant to Section 90(3)(d) of the *Local Government Act 1999*, the information to be received, discussed or considered in relation to this agenda item is related to 'Streaky Bay Foreshore Tourist Park'.
- (c) The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances as commercial details re submissions regarding Council's commercial operations would be disclosed.

Recommendation

That Council, having considered Report No 18.2 SA Local Government – Electricity Procurement post 31 December 2019, 21 February 2019 and its role under Section 6, 7 and 8 of the Local Government Act 1999 approve the Acting CEO to sign and submit the Council Agreement to Participate in the Initial Process form.

Recommendation

That Council, having considered Report No 18.2 SA Local Government – Electricity Procurement post 31 December 2019, 21 February 2019 and its role under Section 6, 7 and 8 of the Local Government Act 1999 delegate to the position of CEO the ability to sign an Electricity Agreement on behalf of the District Council of Streaky Bay once the final pricing is submitted.

Recommendation

That Council considered the agenda item 18.2 relating to 'SA Local Government – Electricity Procurement post 31 December 2019' in confidence under Section 90(2) and (3)(d) of the Local Government Act, pursuant to Section 91(7) of the Act orders that the minutes, reports considered and discussed in relation to agenda item 18.2 be retained in confidence and not be available for public inspection and its role under Section 6, 7 and 8 of the Local Government Act 1999 determine to keep this report Confidential until the expiry of the Capital Business Investment Agreement which shall be no later than 30 June 2022 and to be reviewed every 12 months.

Karina Ewer

From: Andrew Haste <andrew.haste@lga.sa.gov.au>
Sent: Tuesday, 12 February 2019 4:25 PM
To: Andrew Haste
Cc: Diane Harris; Victoria Newton
Subject: URGENT – Respond required by 3pm Monday 25 February 2019
Attachments: LGA Procurement - Memo - Electricity Procurement post Dec.2019.pdf

Good Afternoon,

LGA Procurement undertakes the procurement of energy for the SA Local Government sector, with the next round of agreements needing to be in place to commence 1 January 2020.

We have proactively formed a Working Party and have engaged with CQ Partners to develop a procurement strategy in a changing market. The key drivers for LGA Procurement including developing a solution that is able to address a number of challenges such as cost reduction, price certainty, local provisioning where possible and lowering the risk and administrative burden.

The local electricity market has evolved since the last market engagement in 2017 and we will now seek Power Purchase Arrangement solutions for as short as 5 years with South Australian based renewable energy providers where possible.

Attached is a confidential memorandum to be reviewed. It is to be noted, that this is a 2 stage procurement process, with stage 1 being a no obligation approval for LGA Procurement to obtain pricing for your consideration.

Please review and complete page 2 of the attached to allow us to proceed on your behalf and return to LGA Procurement by **3pm on Monday 25 February 2019**.

Before stage 2 is undertaken, we will need final numbers and the name and email address of your council's authorised officer.

If you have any queries, please don't hesitate to contact Diane Harris on 8224 2015 or email diane.harris@lga.sa.gov.au.

Regards,
Andrew

Andrew Haste • CEO LGA Procurement

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12 February 2019

CONFIDENTIAL MEMORANDUM

To: Chief Executive Officer and Authorised Officers
From: Andrew Haste, Chief Executive Officer, LGA Procurement.
Re: South Australian Local Government sector - Electricity Contracts post 31 December 2019

LGA Procurement has been actively considering the future procurement arrangements for the South Australian Local Government Sector in consultation with a Working Party comprising Council representatives and with our appointed procurement partner, CQ Partners.

Attached please find the Confidential Proposal relating to the process which needs to be reviewed and the attached Agreement completed and returned to LGA Procurement by **3pm on Monday 25 February 2019.**

The Agreement is to enable LGA Procurement through its Agent to seek initial pricing across a range of options, including but not limited to, traditional Retail purchase of energy, Power Purchase Agreements, other alternative offers, but is not committing Councils to take up the offer. The intent is to seek pricing for PPA from South Australian based Renewable Project Developers to enable Councils to support local initiatives where possible. Once pricing is obtained, we will need to obtain final numbers that will then require Councils to commit in writing. Only by working together will the sector be able to obtain benefits for all Councils within South Australia.

Please note that the Agreement will require the name and contact phone/email **of the person who has the delegated authority to commit** once the final pricing is submitted. The Authorised Officer will be required to sign a Confidentiality and Conflict of Interest Statement prior to receiving final pricing and recommendation for consideration and must be able to act under the authorised delegation of the Council.

The documentation provided below is submitted as Confidential and Commercial-in-Confidence and is intended for review only by SA Local Government and authorised eligible entities. It is to be noted that due to outside influences, we are going to the market sooner than we would have anticipated, so it is envisaged that the initial market approach will identify suitable providers for shortlisting, with a final price obtained once final numbers are realised and the market is better placed to respond favourable regarding pricing.

For any further information or clarification, please contact Diane Harris, Procurement Specialist, LGA Procurement on 8224 2015 or email diane.harris@lga.sa.gov.au

Regards



ANDREW HASTE
Chief Executive Officer - LGA Procurement
Telephone: 8224 2073
Email: andrew.haste@lga.sa.gov.au

COUNCIL AGREEMENT TO PARTICIPATE IN INITIAL PROCESS

LGA Procurement will undertake a 2-stage procurement process for supply of energy to the South Australian Local Government sector with contracts to commence on 1 January 2020. This initial stage is to obtain “no obligation” approval for LGA Procurement to act on your behalf to obtain pricing for consideration. The second stage will be the requirement for your Authorised Officer to sign the final “Authority to Participate” agreement to take up the offer and be included in the Contracts.

Please complete the Initial Agreement below relating to the commencement of the procurement process for contracts that are required to be in place for commencement on 1 January 2020, and email your response to LGA Procurement on lgaprocurement@lga.sa.gov.au by no later than **3.00 pm Monday 25 February 2019**.

Councils will be required to consider the offers received from Retailers, as and when these are presented as part of the procurement process. **The person indicated below will be required to have the authority of the Council to accept or reject the offer on council's behalf** in this regard. This will then enable LGA Procurement to seek final pricing based on actual numbers from shortlisted providers.

Dependent upon final signed “Authority to Participate” agreements, LGA Procurement may be required to either accept or reject each offer on behalf of the sector. Councils are under no obligation to take part in the final Contract until the Authority of Participate document is signed following consideration of the Recommendation Report after close of RFP.

AGREEMENT

(Council Name) agrees to participate in the pending:

LGA Procurement process to consider options for the establishment of Energy contract(s) for the supply of:

- Electricity to Below 160 MWh pa sites; and/or
- Electricity to Above 160 MWh pa sites; and/or
- Electricity to 12 & 24 Hour Unmetered (Street & Traffic Lights) sites
- Power Purchase Agreements (all sites)

Council also agrees to participate in the pending process to establish contract(s) for the supply of:

- Accredited Green Power for Below 160 MWh pa sites; and/or
- Accredited Green Power for Above 160 MWh pa sites; and/or
- Accredited Green Power for 12 & 24 Hour Unmetered (Street & Traffic Lights) sites.
- Alternative Carbon Mitigation Products.

Green Power Commitment - Council's Percentage Requirement
<p>Council's "Green Power" percentage (%) requirement is to purchase the nominated percentage of its electricity load for sites as indicated above, from an 'Accredited GreenPower' source or to consider the Alternative Carbon Mitigation Products. If this section is left blank it will be assumed that Council does not wish to purchase GreenPower or Alternative Carbon Mitigation Products.</p> <p style="text-align: center;">..... %</p>

Signature:(Authorised Officer)

Name:

Position:Date:.....



Confidential



LGA Procurement Electricity Procurement Options Beyond 2019

CONFIDENTIAL & COMMERCIAL-IN-CONFIDENCE. SA LOCAL GOVERNMENT

February 2019

Introduction

It is clear Australia's and in particular, South Australia's, electricity market is undergoing a significant transition impacting both the security and cost of supply to end consumers. Multiple factors including the retirement of ageing baseload coal generators, rapidly fluctuating supply and demand and the rising cost of domestic gas has resulted in significant cost increases to SA consumers particularly since 2016.

LGA Procurement (LGAP) have engaged CQ Partners, one of Australia's most respected energy advisory consultancies, to develop an electricity procurement solution that addresses the challenges for SA councils. LGAP will seek to provide an electricity procurement approach that provides significant cost savings, price certainty and lower administration costs for councils.

SA Market Update

The South Australian electricity market has recently stabilised since the events of 2016 due to a combination of increased lower cost renewables entering the market, government focus to address energy market volatility and consumer response through programs providing demand response that manage fluctuations in supply and demand.

Whilst the SA market has stabilised somewhat, there are challenges ahead to balance supply and demand in a rapidly changing landscape of increased renewable supply and a further shrinking of traditional baseload supply. The short-term appears to show stable pricing to 2021, with pricing beyond that difficult to predict given the material changes occurring within the Australian energy markets.

CQ Partners and the LGAP have had initial dialogue with both existing and new South Australian renewable generation project owners with respect to energy offtakes from 1 January 2020.

The South Australian market has evolved since 2017 with established wind farms coming to the end of their initial PPA contracts established since 2008 and now seeking to establish PPA offtakes with new customers from 2020. In addition, new SA project developers for solar and wind are seeking PPA offtakes with new customers, representing an opportunity to SA councils to purchase low cost renewable energy that supports SA projects.

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1 What is Being Offered

1.1 Electricity Commodity

LGAP will go to market in late Feb/early March 2019 seeking pricing from both retailers and SA renewable project developers covering the following categories of council site:

- Large sites (over 160MWh pa)
- Small Sites
- 12, 24 hour and unmetered sites

The types of electricity offtakes sought will request retailers and renewable project developers to provide responses to:

- Standard retail rates (peak and off peak)
- PPA prices (flat rate covering all hours of supply)
- Terms 1, 2, 3, 4, 5 years (for standard retail and PPA)
- Terms of 10+ years for PPA offers (to allow Councils to consider price difference for longer terms)
- Improved invoicing (bill verification)

The LGAP will provide a summary recommendation report to councils detailing the financial outcomes of each procurement option detailing:

- Rates provided (peak, off peak, controlled load, flat rate for PPAs);
- LRET and SRES rates;
- Annual price review (e.g. CPI adjusted);
- Annual cost comparison:
 - PPA vs retail
 - Over various terms (e.g. 1 year through to 15 year)
 - Various site types (library, civic centre, depot, swimming centre, unmetered, small)
- Recommendations of terms based on market changes and forecasts at the time pricing has been received.

LGAP is aware it is difficult for councils to consider longer term contracts, particularly PPAs which can extend beyond 10 years and will provide PPA options for shorter periods such as 5 years.

1.2 Carbon Neutral Options

In addition to the GreenPower product offering which LGAP will seek pricing for those councils wishing to participate in the program, LGAP will offer alternate options for procuring carbon mitigation products that provide significant cost savings to options such as GreenPower that support local carbon mitigation projects.

1.3 Consideration for Market Movements

LGAP will approach this procurement exercise seeking the best market outcomes for councils by initially seeking market pricing in late February early March 2019, then consider pricing submitted in line with market expectations. If LGAP, upon advice from CQ Partners, believe market pricing offered represents a premium to councils, LGAP will seek repricing from the market at a later date to optimise the pricing obtained from the market.

2 Procurement Timeline

The schedule below provides a timeline for LGAP electricity procurement offer from 1 January 2020, noting if pricing obtained during February reflects a premium for councils, LGAP will defer and seek market pricing based on market movements providing further savings for councils. The timeline may shift in line with when CQ Partners is actually appointed to undertake the scope of works, but provides an indication of likely timeframes.

Task	When
Development of tender documentation and LGA signoff <ul style="list-style-type: none">• PPA and Retail offers• Large, Small & Unmetered sites	11 Feb to 22 Feb
Request Market Pricing	25 Feb to 8 Mar
Evaluate Market Offers	11 Mar to 13 Mar
Recommendations Report to Councils (or defer the process)	15 Mar
Council Responses	18 Mar to 22 Mar
Finalise contracts (if agreed or deferred) – includes some time for additional negotiation if required	25 Mar to 5 Apr

3 Further Information

If you wish to obtain further information regarding LGAP's electricity procurement offering beyond 2019, please contact Diane Harris via email on diane.harris@lga.sa.gov.au or phone (08) 8224 2015.

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