

28 February 2006**COMMUNITY POWER MEMORANDUM OF UNDERSTANDING****Committee** Planning and Environment**Presenter** Cr Ng**Purpose**

1. To report on the current status of the Community Power program and to seek Council's endorsement of a three-year Memorandum of Understanding between the Community Power member organisations for the financial years 2006/07 to 2008/09.

Consideration at Committee

2. As a result of consideration at Committee, the Committee endorsed the resolution detailed below.

Recommendation

3. That Council:
 - 3.1. note the report on the Community Power Program activities;
 - 3.2. by instrument of delegation sealed by the Council under Section 98(1) of the *Local Government 1989* ("the Act") delegate to the Chief Executive Officer, or the persons from time to time acting in that position, and in consultation with the Portfolio Councillor, authority to enter into a three year agreement with the Community Power Member Organisations to participate in the program and provide funding for each year of the agreement as prescribed in the Community Power Business Plan;
 - 3.3. under Section 98(3) of the Act, authorise the instrument of delegation to the Chief Executive, or the persons from time to time acting in that position, and in consultation with the Portfolio Councillor, to empower him or her to delegate any power, duty or function delegated to him or her under the paragraph above, to a member of Council staff;
 - 3.4. resolve that the instrument of delegation referred to in paragraph 3.3 above will cease and be of no further effect upon the agreement; and
 - 3.5. resolve that a report be presented to Council on an annual basis.

Council Report Attachment:

1. Planning and Environment Committee, Agenda Item 5.6, 7 February 2006

**PLANNING AND ENVIRONMENT
COMMITTEE REPORT**

Agenda Item 5.6

7 February 2006

COMMUNITY POWER MEMORANDUM OF UNDERSTANDING

Division Sustainability & Innovation

Presenter John Tunney, Manager City Sustainability

Purpose

1. To report on the current status of the Community Power program and to seek Council's endorsement of a three-year Memorandum of Understanding between the Community Power member organisations for the financial years 2006/07 to 2008/09.

Recommendation

2. That the Planning and Environment Committee recommend that Council:
 - 2.1. note the report on the Community Power Program activities;
 - 2.2. by instrument of delegation sealed by the Council under Section 98(1) of the *Local Government 1989* ("the Act") delegate to the Chief Executive Officer, or the persons from time to time acting in that position, the authority to enter into a three year agreement with the Community Power Member Organisations to participate in the program and provide funding for each year of the agreement as prescribed in the Community Power Business Plan;
 - 2.3. under Section 98(3) of the Act, authorise the instrument of delegation to the Chief Executive, or the persons from time to time acting in that position, to empower him or her to delegate any power, duty or function delegated to him or her under the paragraph above, to a member of Council staff; and
 - 2.4. resolve that the instrument of delegation referred to in point 2.3 of the Management Report will cease and be of no further effect upon the agreement

Key Issues

3. Community Power is a not for profit, renewable electricity buying group made up of the City of Melbourne, Darebin City Council, the Moreland Energy Foundation, the City of Yarra and Banyule City Council.
4. Community Power acts on behalf of the Councils' residents to broker a cheaper, greener and fairer energy contract with an energy retailer (AGL). Community Power also delivers household energy audits to Community Power customers and supports participants with a newsletter. From time to time Community Power is involved in broader advocacy and lobbying, using its experiences to inform State and Federal energy and greenhouse policies.

5. City of Melbourne has participated in Community Power since November 2002 and Council's participation was managed through a Memorandum of Understanding (MoU) which recently expired. A new MoU has been created to govern the relationship between the member organisations involved:
 - 5.1. City of Melbourne;
 - 5.2. Darebin City Council;
 - 5.3. the Moreland Energy Foundation Limited'
 - 5.4. the City of Yarra; and
 - 5.5. Banyule City Council.
6. Darebin City Council is the lead partner in the Community Power program. Darebin City Council has signed an 'Umbrella Agreement' with energy provider AGL, for the provision of energy services to the partners' residents who whose to sign on to Community Power.

A new phase of Community Power

7. The first contract with AGL expired in November 2005. In the months leading up to this Community Power went out to market to secure a new three year contract and AGL, as the only tenderer, entered into a new 'Umbrella Agreement' with Darebin (acting on behalf of the Community Power partners). The new agreement is a vast improvement on the previous partnership with AGL. AGL has shown greater commitment to the program and has been more engaged in the product development and marketing.
8. A stronger commercial arrangement between Community Power and AGL has also been reached. AGL is willing to commit staff and funds to the broad marketing of the program. An agreement has also been set up whereby AGL contributes funds directly to the Community Power budget based on the number of signups and existing participants in the program. This goes some way to establishing Community Power a more financially sustainable entity.

The new Community Power product

9. The product has been significant improved using the lessons learnt to date, independent market research advice, and a greater hands-on approach from AGL in the product design. It is a simpler (i.e. the consumers' choices are less confusing) and more financially attractive product as customers can receive a rebate on their gas bill if they sign up their gas to AGL as well.

New Business Plan

10. Community Power has established a new Business Plan which sets out the programs goals for the next three years. The City of Melbourne has taken a lead role in the development of both the new Business Plan and the MoU.

New membership

11. Banyule City Council has joined the program and Community Power is also working to secure the involvement of other municipalities over the term of the agreement.

Uptake in the City of Melbourne

12. At the end of the first three year term of the Community Power agreement there were 10 Community Power customers in the City of Melbourne and approximately 900 across the whole of the Community Power footprint. Since the new Community Power offer was launched in September 2005 a further 14 City of Melbourne households have signed on as Community Power customers. The low uptake within the municipality is thought to have occurred for the following reasons:
 - 12.1. Council joined Community Power after the initial recruitment phase for the program had been completed. Approximately 600 of the 900 signups were secured during the initial recruitment phase;
 - 12.2. the City of Melbourne residential market is dominated by apartment buildings in which residents often do not have a direct relationship with an energy retailer (i.e. most tenancies pay a body corporate energy charge rather than pay an energy retailer's bill). Therefore, most households could not access the Community Power product;
 - 12.3. the product was unavailable for half of the three year period due to fluctuations in the renewable energy market which needed to be managed in order to keep the product competitive; and
 - 12.4. AGL's ability to convert inquiries into sign ups was hindered by systems failures and time lags in training call centre staff.
13. Accessing apartment buildings still remains a barrier. However, Community Power will be working with AGL over the coming year to come up with a new product that bodies corporate can access on behalf of all their members.

Challenges facing the Community Power program

14. The Business Plan sets out an ambitious three year program for Community Power during which the member organisations aim to significantly increase customer numbers and increase the number of municipalities in the Community Power footprint.
15. However, the successful implementation of the Business Plan will be influenced by several factors including the ability of Community Power to compete against other 'green energy' products in the marketplace.
16. Recently the renewable energy market has been inundated by several new energy products and companies which purport to be 'green'. In some cases the company's or products 'green' credentials are legitimate. However, in other cases they are unfounded. The average consumer is unable to discern which are 'green' and which are not. Consequently, these products and companies are starting to gain a foothold in the market. Community Power's best response to these questionable energy products is to maintain its link to the Green Power accreditation scheme and the credibility that the Council partners bring to the program.
17. Additional competition is likely to occur as a result of a new campaign by a number of leading NGOs, led by Environment Victoria, to promote a single green energy product in response to the current confusion in the marketplace. They are endorsing a competing energy retailer's product and are actively promoting it in the coastal suburbs of Melbourne. This is a serious threat to Community Power, especially as the customer area Community Power covers is an attractive demographic for any seller of green energy to target.

City of Melbourne's future involvement in Community Power

18. It is recommended that City of Melbourne continues its commitment to Community Power by signing the MoU, as the new partnership and product has the potential to deliver some exciting results. However, it is also recommended that City of Melbourne's continued involvement be subject to the achievement of the following two recruitment milestones:
 - 18.1. an additional 100 participants signed on by 30 June 2006 (this is a KPI in City Sustainability's Business Plan); and
 - 18.2. a total of 387 participants signed on by 31 December 2006 (this is a target in the Community Power Business Plan).
19. If either target is not met, Council should consider its options and withdraw from the program. This position needs to be formalised and communicated back to the Community Power Steering Committee.
20. City Sustainability is currently developing a targeted recruitment plan to further increase participation rates. This program will roll out in February.

Time Frame

21. Council has been involved in the Community Power program since November 2002. The new Community Power MoU will operate from time of signing (i.e. early February 2006) until 17 March 2009. The Business Plan represents a framework for the operation of Community Power for the four financial years commencing July 2005.

Relation to Council Policy

22. The City of Melbourne's *Zero Net Emissions by 2020* strategy sets a target to reduce the municipality's greenhouse impact to zero by 2020. Council's involvement in the Community Power program is identified in *Action 17: Participate in Community Power- accessing renewable energy at the lowest possible price*

Consultation

23. The Memorandum of Understanding and Business Plan was developed by City of Darebin, with input from the other Partners. The City of Melbourne has played a leading role however in ensuring the legal, risk and insurance issues are well covered in the partnership (especially in the case of the City of Melbourne's own position). City Sustainability Branch has worked closely with the Legal & Governance branch in the development of the documents, including obtaining external professional legal advice.

Government Relations

24. Community Power is a partnership between Darebin City Council, the Moreland Energy Foundation Limited, the City of Melbourne, the City of Yarra and Banyule City Council.
25. From time to time Community Power receives grants and other support from the State Government and due to the innovative nature of what Community Power tries to achieve the State Government follows the development of the program closely.
26. The Community Power project is outside the scope of Section 193 of the *Local Government Act 1989* as the value of the enterprise is less than one per cent of each of the participating Council's revenue.

Finance

27. The Community Power Business Plan (Attachment 2) sets out a financial plan detailing the financial commitment required from Partners during the period of the MoU. All Partners will share the financial burden equally and this contribution will change if additional Partners join the program from 2007-2009. Conversely, it will also change if Partners leave the program.
28. Council's financial contribution for this year and the next three financial years is expected to be:
 - 28.1. 2005/2006: \$19,987 - already allocated in the City Sustainability Branch budget (based on the 5 existing Partners being in the program);
 - 28.2. 2006/2007: \$16,575 (based on the 5 existing Partners being in the program);
 - 28.3. 2007/2008: \$16,575 (based on the 5 existing Partners being in the program. It would be \$16,440 if an additional Partner joins the program); and
 - 28.4. 2008/2009: \$16,575 (based on the 5 existing Partners being in the program. It would be \$16,807 if an additional 2 Partners join the program).

Legal

29. The proposed activity is within Council's functions and powers and the project is outside of the scope of section 193 of the *Local Government Act 1989* as the value of the enterprise is less than 1% of each of the participating Councils' revenue.

Sustainability

30. Community Power aims to reduce greenhouse gas emissions from households by switching residents to more renewable energy sources.

Background

31. The Community Power project was developed in early 2002 by the Darebin City Council with support from the Moreland Energy Foundation and the City of Port Phillip. Subsequently, the Cities of Melbourne and Yarra were invited to join the program and Council resolved to do so in June 2002. The City of Yarra also joined and at this point the City of Port Phillip left the program. The Community Power 'product' was first offered to City of Melbourne residents in December 2002. Banyule City Council joined the program in July 2005.
 32. Cr Brindley is Melbourne City Council's nominated representative on the Community Power Steering Committee. Cr Brindley has also been appointed the Chair of the Community Power Steering Committee for the 2005/06 year, and has attended all the meetings where the Community Power MoU and Business Plan have been discussed.
-

Attachments:

1. Memorandum of Understanding between Community Power Member Organisations
2. Community Power: A Triple Bottom Line Business Plan 2005-2009

MEMORANDUM OF UNDERSTANDING BETWEEN COMMUNITY POWER MEMBER ORGANISATIONS

Parties- Banyule City Council
Darebin City Council (Darebin)
Melbourne City Council
Moreland Energy Foundation Ltd ACN 095 439 160
Yarra City Council
(individually referred to as 'Party/Parties' and collectively referred to as 'Community Power' for the purposes of this MoU)

In November 2002, Community Power came into being as a Council initiative to broker electricity offers on behalf of residents thereby reducing community greenhouse gas emissions. The primary legal agreement of this initiative is between Darebin and AGL (the service provider) and is known as the Umbrella Agreement. The Umbrella Agreement requires AGL to make Community Power Energy Plans available to customers in certain Council jurisdictions. Other than Darebin, the Parties to this MoU do not have any primary rights or responsibility under the Umbrella Agreement. There is no separate legal entity known as 'Community Power'.

The purpose of this MoU is to outline the nature of the unincorporated joint venture relationship between the Parties in respect of the Community Power project. It lays out the agreed terms, rights, obligations and liabilities between the Parties to the MoU and acknowledges certain rights and liabilities of Darebin arising under the Umbrella Agreement. This MoU is intended to be binding on the Parties upon its execution.

Community Power is outside the scope of S193 of the *Local Government Act 1989* as the value of the enterprise is less than 1% of each participating Party's revenue. Other organisations that share Community Power's objectives may also be invited to become Community Power parties in accordance with this MoU. The primary relationship between Community Power Parties is a non-partnership unincorporated joint venture, with Darebin as the founding party and is limited to carrying out the Community Power aims and objectives set out in the *Community Power Business Plan*.

This MoU is supported by the terms of the Umbrella Agreement between Darebin and AGL; and the aims, objectives and operational framework enunciated in the *Community Power Business Plan*.

This MoU is effective from the date of execution and operates until 17 March 2009. The Parties will review the MoU after a period of two years. The Parties may extend, vary or replace the MoU by a document executed by the Parties.

The rights, duties, obligations and liabilities of the Parties are several and not joint and several.

Nothing contained in this MoU is intended to create a relationship of employment, agency or partnership. No fiduciary obligations exist between the Parties. Except as specifically set out in this MoU, a Party does not have any authority to act for or to create or assume any responsibility or obligations on behalf of any other Party.

Governance - Decision-making & Directions:

- The Community Power Business Plan will form the primary platform for strategic directions with regard to the roles of the Parties. To this end, the governance and decision-making processes are outlined in the Business Plan.
- The Community Power Business Plan will be reviewed by the Steering Committee before the end of February each year with a view of informing budget requirements in the upcoming financial year. Changes to the Business Plan will be adopted if a majority of 50% plus 1 members of the Steering Committee is in favour.
- The Community Power Steering Committee is the primary governance and decision-making body. A majority of 50% plus 1 of Steering Committee members is required to make any decisions. Steering Committee members can appoint proxies to represent and act on their behalf.
- New applicants and membership to Community Power will be reviewed by the Community Power Steering Committee as outlined in the Business Plan.
- Each Party agrees that it will do all things necessary and convenient within its powers to permit Darebin to comply with its obligations under the Umbrella Agreement. This includes but is not limited to the obligations of Darebin set out in clause 6 and the warranties set out in clause 12.1 of the Umbrella Agreement.
- A Party must not do anything which causes or is likely to cause Darebin to be in breach of its obligations under the Umbrella Agreement.
- Where Darebin feels there is risk of a decision or action adversely affecting its legal obligations or creating liability under the Umbrella Agreement, Darebin is:
 - Obligated to identify this risk to the Parties in clear and reasonable manner, and seek advice and support in a reasonable timeframe from the Parties in eliminating the risk associated with that decision,
 - If the risk to Darebin associated with a particular decision cannot be alleviated through the above action, Darebin then has the right to cast the final decision.
 - Nothing in this process will prevent Darebin taking the action it considers necessary to prevent or to remedy a breach of its obligations under the Umbrella Agreement.
- Darebin must at all times:
 - Exercise its rights under the Umbrella Agreement in a manner that preserves the benefits of that agreement for the Parties; and
 - Limit, to the maximum extent possible, the liability of the Parties to AGL.

Representation:

- The Community Power Steering Committee will contain representation from all the Parties. Representatives will be appointed as outlined in the Business Plan. The Community Power Steering Committee will be responsible for the strategic directions and decision-making of Community Power. The Chair will be selected by agreement amongst representatives of the Steering Committee (or where there is more than 1 nominee, by confidential ballot) on an annual basis.
- The Project Officer or a nominated representative will be responsible for keeping and distributing records of meetings and resolutions.

Recognition:

- The Community Power brand and logo will be the primary format for Community Power recognition in all Community Power promotional material, correspondence and key literature.
- All Parties will be recognised by logo (and where relevant, other acknowledgements) in all relevant Community Power literature and correspondence, particularly to all Community Power customers and supporters.
- Darebin will be recognised as the founding member of Community Power in all relevant Community Power literature and correspondence to councils, State and Federal Governments, in relevant key Community Power promotional material, and in the Community Power website.
- All Parties will promote Community Power on their respective websites and in relevant promotion and publications.

- Darebin remains the primary member and contact with AGL, particularly with regard to the Umbrella Agreement and Domain Name License.
- Darebin grants each other Party for the Term, a non-exclusive world-wide royalty free license to use its intellectual property (including the Community Power name, logo and trade mark) for the purposes of participating in the joint venture.
- All Parties agree not to use the AGL brand or name other than in ways agreed upon in the Umbrella Agreement. All Parties agree to comply with the Business Plan regarding the distribution of marketing material and any other obligations in support of the successful implementation and progress of Community Power in their municipal districts.

Community Power Project Officer (Project Officer):

- The Community Power Project Officer is selected and appointed by external advertising and interview, with the selection panel generally consisting of 1 representative from the Parties and 2 representatives from Darebin.
- The Project Officer is appointed for the term of the current Umbrella Agreement or remainder thereof (currently until March 2009)).
- The Project Officer reports to Darebin's Senior Environmental Planner. An annual performance review of this position is conducted by Darebin's Senior Environmental Planner.
- The Project Officer will be responsible for the day-to-day operations and implementation of Community Power as indicated in the Position Description and the Business Plan.
- The Project Officer will be assisted in these functions by the nominated officer at of each Party, particularly with regard to publicity, promotions, and provision of information.
- Where relevant, all Parties will support the professional development of the Project Officer in gaining the relevant knowledge and skills to implement and deliver Community Power effectively.
- The Project Officer will be employed by Darebin on behalf of Community Power.

Project collaboration:

- All Parties will share information about any project, initiative or grant application that adds value to Community Power, including sustainable energy behaviour change projects with a view to making these projects available to all Community Power members where appropriate.
- Project proposals for Community Power projects, will be developed in conjunction with the Community Power Project Officer and the nominated officers of the Parties prior to presentation to the Community Power Steering Committee for consideration.
- Copies of reports to funding bodies will be sent to the Community Power Project Officer for circulation to the Community Power Steering Committee and nominated officers of the Parties at least one week prior to submission.

Financial arrangements:

- All Parties will allocate an annual budget as indicated in the Business Plan to deliver the responsibilities and to contribute to the cost of the Community Power Project Officer, including additional or incidental costs such as legal advice.
- The costs associated with the employment of the Project Officer is borne equally by all Parties. All housing and administrative costs associated with the Project Officer are provided in-kind by Darebin.
- All amounts payable under this MoU must be paid in the time and in the manner set out in the Business Plan.
- The percentage of the Community Power annual budget covering the cost of the Community Power Project Officer and project deliverables will be administered through Darebin. Parties will, in consultation with the Community Power Project Officer, administer the percentage of their annual Community Power budget that covers in-house costs including publicity and promotion.
- Parties will be actively encouraged to develop opportunities and initiatives that add value and provide expansion opportunities to Community Power, including the development of grant applications or funding negotiations. Such initiatives and their financial arrangements must comply with the intent and directions of the Umbrella Agreement and the Business Plan and be developed in conjunction with the Community

Power Project Officer, the Nominated officers of the Parties and proposed to the Community Power Steering Committee prior to adoption, implementation or commitment of funds.

Liability

- If a Party or Parties (the first Party/s) incurs a contractual, tortious or statutory liability to a third party in pursuance of activities under the joint venture then to the extent that such liability arises as a direct result of a breach of this MoU by another Party or Parties (the second Party/s), the second Party/s must indemnify the first Party/s against that liability.
- In all circumstances, Parties to this MoU must use their best endeavours to avoid and/or mitigate the extent of third party liabilities arising in pursuance of the joint venture activities.

Exit Strategy:

- Any Party may choose to terminate their participation in Community Power. In order to effectively terminate participation, the Party must:
 - provide 3 months' written notice to other Parties
 - provide at least 1 months' written notice to all customers (in the geographical area supported by that Party) of the termination, including details of the implications of that Party's termination for the customer.
 - the terminating Party will submit the text of the notice to customers for the approval of the Community Power Steering Committee
 - from the date of termination, cease using any intellectual property it is licensed to use arising out of or in connection with this MoU, including without limitation any intellectual property of Darebin or AGL in relation to Community Power;
 - pay in full any outstanding annual contributions for that whole financial year. This will not be refundable. Community Power customers in that geographical area will continue to be serviced by Community Power for the remainder of that financial year.
- In the event that Darebin chooses to terminate its member participation in Community Power, it must follow the processes outlined above for any terminating Party.
- In the event that Darebin chooses to terminate its lead agency status, but remain a member, it must:
 - provide 3 months' written notice to other Parties
 - immediately upon notice, initiate discussions with other Parties to determine if another Party wants to become lead agency for Community Power and if this is the case;
 - provide written notice to AGL and proceed with Community Power Deed of Novation as per the Umbrella Agreement.
- Termination will not otherwise affect a Party's accrued rights or obligations to other Parties (if any) as at the date of termination.

Dispute Resolution & Expulsion:

- In the event of a dispute arising out of or relating to this MoU or the breach, termination, validity or subject matter of the MoU or as to any claim in tort, in equity or pursuant to any applicable statute or law, the Parties to this MoU and to the dispute agree to endeavour in good faith to settle the dispute by mediation.
- Notice that a dispute has arisen must be given in writing to each Party as soon as possible and must specify the nature of the dispute. Parties to the dispute must seek to resolve the dispute within 14 days of the notice of dispute being served.
- In the first instance, this will be by a special meeting by the Community Power Steering Committee, with a nominated mediator. The mediator will be appointed by agreement of the Parties to the dispute or failing agreement as selected by the Community Power Steering Committee.
- If the dispute remains unresolved, all Parties agree to mediation by the Australian Commercial Disputes Centre (ACDC) in accordance with ACDC guidelines for commercial mediation, before recourse to litigation except for an urgent interlocutory injunction.
- A Party can be expelled from Community Power and cease being a Party to this MoU if it becomes insolvent or if it breaches the terms and conditions of the Umbrella Agreement. Community Power will serve written notice of no less than 14 days in the event of expulsion.

Termination of the MoU:

- The termination of the Community Power joint venture requires a majority vote of at least 50% plus 1 of all Parties.
- In the event of early termination of the joint venture, each Party will pay in full any outstanding annual contributions for that whole financial year, including the contribution for the salary of the Project Officer.
- In the event of termination of the joint venture because Darebin has decided to terminate its lead status or involvement with Community Power, Darebin & Parties agree that as far as possible, they will seek to find an alternative lead organisation from the Parties that is willing and able to:
 - take on the legal, financial and Project Officer responsibilities that come with being the lead organisation in Community Power
 - be Party to a renegotiated Umbrella Agreement with AGL (or any other service provider).
- If, in the event of termination of the Community Power joint venture after the satisfaction of all debts and liabilities there remain any unused funds, these funds will be equally distributed amongst the Parties.

.....
Signature
Date:

.....
Name (please print)
on behalf of Darebin City Council

.....
Signature
Date:

.....
Name (please print)
on behalf of Melbourne City Council

.....
Signature
Date:

.....
Name (please print)
on behalf of Banyule City Council

.....
Signature
Date:

.....
Name (please print)
on behalf of Yarra City Council

.....
Signature
Date:

.....
Name (please print)
on behalf of the
Moreland Energy Foundation Ltd

COMMUNITY POWER

A TRIPLE BOTTOM LINE BUSINESS PLAN 2005 – 2009

December 2005

TABLE OF CONTENTS

EXECUTIVE SUMMARY 1

INTRODUCTION 2

Why Community Power 2

VISION & AIMS..... 3

Vision 3

Aims 3

Objectives for the Business Plan 3

Relationships 4

Activities..... 5

GENERAL RESIDENTIAL HOUSEHOLD ENERGY PRODUCT OPTIONS 6

Black Power Product Options..... 6

Green Power Product Options..... 6

COMMUNITY POWER PRODUCT OPTIONS..... 8

Comparison with regular Green Power Offers..... 8

HOUSEHOLD RECRUITMENT 9

Recruitment Numbers 9

Community Power revenue 11

Governance and Decision-Making 12

Community Power Steering Committee 12

Officers’ Group 13

Staff Resources..... 14

Financial Plan 15

Cash Flow 19

Key Reporting Indicators.....	20
Annual Reporting and Review of Business Plan.....	21
CONCLUSION.....	22
APPENDIX ONE - CONTEXTUAL ANALYSIS - SWOT	23
APPENDIX TWO - DEFINITIONS OF GREEN POWER AND RENEWABLE ENERGY.....	26
APPENDIX THREE - SUMMARY OF COMMUNITY POWER MARKET RESEARCH.....	27
APPENDIX FOUR - MARKETING ADVICE PREPARED BY CAMPAIGN KITCHEN APRIL 2004 ' <i>SWITCHING THE COMMUNITY ONTO COMMUNITY POWER</i> '.....	30
APPENDIX FIVE - HOUSING TYPES AND NUMBERS	38
APPENDIX SIX - SCENARIO TWO YEAR ONE.....	39
APPENDIX SEVEN - COMMUNITY POWER HISTORY	40

EXECUTIVE SUMMARY

The Community Power Business Plan provides a framework for moving forward into a new phase of operations with new product offers and a relationship with Energy Supplier AGL that is based on each parties key strengths. This new phase follows a challenging establishment period over the first two years of operation. Despite the challenges, these initial two years have resulted in some positive outcomes and experience, knowledge and research that has informed Community Power's new direction. Community Power's triple bottom line objectives remain the key guiding principles of the project. Community Power's key focus during the next four years is to significantly increase uptake of Community Power Energy Plans through active and effective promotion of the new offer and expansion of the Community Power footprint.

Community Power aims to achieve environmental and economic benefits in a socially responsible manner for our communities. Community Power also aims to influence the energy market through the promotion of energy efficiency, Green Power, and advocating for a regulatory structure that promotes social and environmental outcomes.

The Umbrella Agreement defines the roles and responsibilities of the Energy Supplier and Community Power, as well as outlining the household products which are central to Community Power's offering in the community. The Umbrella Agreement seeks to minimise risk to Community Power and to build on the strengths of both partners to facilitate uptake of Community Power Energy Plans as efficiently and effectively as possible.

The Memorandum of Understanding between the Parties of Community Power outlines the nature of the unincorporated joint venture. It lays out the agreed terms, rights and obligations, including exit strategies between the Parties to the Memorandum of Understanding.

INTRODUCTION

This business plan represents a framework for the operation of Community Power for the four financial years commencing July 2005, based on triple bottom line objectives. It outlines the scope of its operations, as well as financial and program plans.

Community Power is acting as an unincorporated joint venture that currently consists of Darebin City Council, Melbourne City Council, the Moreland Energy Foundation Ltd, Yarra City Council and Banyule City Council. The Community Power project is outside of the scope of the S193 of the *Local Government Act 1989* as the Value of the Enterprise is less than 1% of each of the participating Council's revenue.

Other local governments or organisations that share Community Power's objectives may be admitted to the joint venture in the future.

The Business Plan will be reviewed by the Community Power Steering Committee on an annual basis.

WHY COMMUNITY POWER?

Each of the municipalities participating in Community Power are members of the worldwide Cities for Climate Protection Program which aims to reduce greenhouse gas emissions both within local government operations and in their respective broader communities. Historically, reducing greenhouse emissions within the residential sector of the community has been a very labour and resource intensive process.

Community Power presents the participating councils with an effective vehicle for achieving significant emission reductions in the community, by offering the purchase of emissions free renewable energy. Community Power is also structured to remove many of the barriers commonly associated with switching to Green Power. Each household choosing Community Power essentially reduces to zero, their emissions from electricity use.

In addition to reducing emissions through the purchase of clean renewable energy, Community Power actively educates residents about energy issues and how to use energy more wisely. This further supports Community Power's overall goal to reduce resource consumption and accelerate the move to a more environmentally sustainable community.

Community Power also represents a very cost effective avenue for emission reductions within the community. In 2004, Community Power achieved a cost per tonne for greenhouse abatement of approximately \$10 per tonne. This compares favourably to other community abatement programs run in the past by the City of Darebin and other partners which have ranged from \$60 to around \$320 per tonne.

The structure of Community Power also allows local government organisations to actively participate in and work towards influencing the wider energy market.

VISION, AIMS & OBJECTIVES

VISION

Community Power will achieve environmental and economic benefits for our communities, in a socially responsible manner, through the brokering of Community Power Energy Plans that meet our triple bottom line objectives and through the delivery of energy management programs. Community Power will advocate for regulatory structures that promote sound social and environmental outcomes.

AIMS

Community Power aims to achieve environmental and economic benefits for our communities, in a socially responsible manner by:

1. Developing an effective partnership with an Energy Supplier that understands and accommodates Community Power's objectives;
2. Developing Community Power Energy Plans that have environmental benefits, are cost competitive and include socially responsible contract conditions;
3. Implementing energy and/or resource management programs and incentives, including programs targeted at disadvantaged members of the community;
4. Facilitating greenhouse gas emission reductions; and
5. Drawing on Community Power's experience and expertise to advocate for social and environmental outcomes within the energy industry.

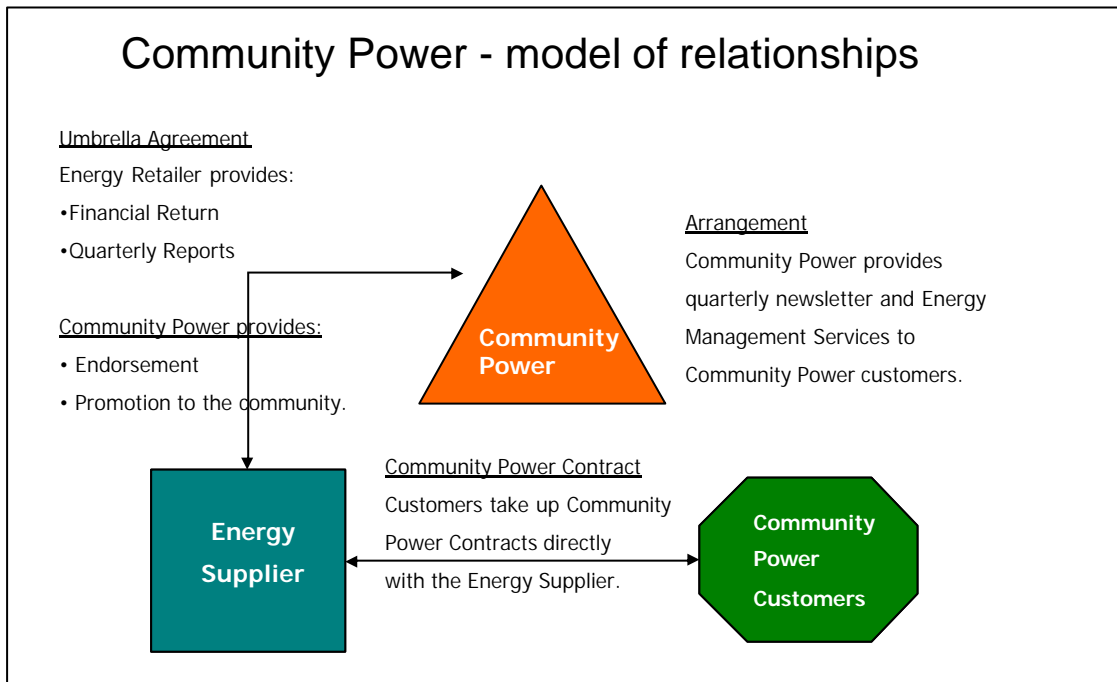
OBJECTIVES FOR THE BUSINESS PLAN

The Business Plan has been developed to meet the following objectives:

1. To establish targets for recruitment of households
2. To outline the aims and activities of Community Power
3. To outline governance arrangements
4. To outline resource generation and financing requirements for Community Power
5. To outline Key Performance Indicators which demonstrate the success of the Community Power products, as well as of the actions of Community Power in growing the venture

RELATIONSHIPS

The model which Community Power operates under is a unique one and imposes certain limitations and obligations upon Community Power. The highest priority for Community Power is to deliver on the terms of the Umbrella Agreement which Darebin City Council has formed with AGL. This agreement enshrines the nature of the household products which will be offered.



Community Power’s relationship with members of the community occurs in two main ways; at the recruitment phase where we promote directly to households (and in future to small businesses) and, for those who indicate they want to ‘Stay in Touch’ with Community Power, through regular newsletters and service provision. To date a very high percentage of customers have elected to ‘Stay in Touch’ with Community Power. Community Power also provides assistance to customers who are having difficulty with the Energy Supplier. Past experience of this influenced the way the Umbrella Agreement is shaped and processes have been put in place to ensure minimal inconvenience to customers and to Community Power.

Community Power’s relationship with the Energy Supplier AGL is enshrined in the Umbrella Agreement. Darebin City Council, as the signatory to the Umbrella Agreement, is the lead organisation in liaising and communicating with AGL.

A Memorandum of Understanding outlines the nature of the unincorporated joint venture between the Parties of Community Power.

ACTIVITIES

The main activities of Community Power over the Business Plan period will be the following:

Promoting Community Power products. This activity will be directed by the Marketing Communications Plan which is a joint plan of AGL and Community Power.

Developing local energy management initiatives. The Community Power Project Officer will conduct 50 free energy audits for Community Power Customers (or potential customers) per year. As far as practicable, these will be evenly divided between participating municipalities. The Umbrella Agreement specifies that AGL will sponsor 10 Community Power energy audits per year for every newly acquired 1000 customers. We will seek to develop this aspect of Community Power's work in conjunction with AGL, with a focus on households with larger than average energy bills and low income households. In addition to the energy audits sponsored by AGL and those undertaken by Community Power, Community Power will also work with AGL towards providing additional energy management services to the community and benefits to customers, such as rebates on the purchase of energy efficient appliances. Community Power may undertake energy management services or programs independently of AGL and with other partners.

Developing an Energy Offer for Small Business. Currently four of the nine licensed Green Power retailers in Victoria have Green Power products available to Small Business. Community Power will work with AGL to develop an Energy Plan for Small Business that will encompass our aims and objectives whilst being competitive and unique in the energy market. In the negotiations on the Umbrella Agreement there was significant interest within AGL to provide a Community Power contract for small business. Community Power will aim to have a Small Business product in place by the end of the first year of the Business Plan.

Growing Community Power. The Steering Committee will oversee a managed growth process, aiming to bring on board new partners to strengthen the capacity of Community Power to meet recruitment targets.

Advocacy. Community Power will provide advocacy for Community Power customers to assist them in disputes with AGL, on their request. We will also participate in State Government processes where relevant and where resources are available.

Monitoring. Community Power will monitor the effectiveness of its programs and activities and provide input to policy development and review in relation to the provision and consumption of energy.

GENERAL RESIDENTIAL HOUSEHOLD ENERGY PRODUCT OPTIONS

Currently residential households in Victoria can choose their energy retailer. They are able to choose an energy supplier for the supply of natural gas and electricity. Within the subset of electricity, households have the choice of either having their power supplied from electricity generated from mainly fossil fuel derived 'Black Power' sources or from clean renewable 'Green Power' energy sources.

BLACK POWER PRODUCT OPTIONS

Black power is referred to as the electricity circulating in the power grid derived mainly from burning fossil fuels such as coal.

The price paid by residential households for black power is regulated by the Essential Services Commission, known as the Standing Offer Tariffs or Standard Rates. Standard rates are the prices paid by Victorian electricity users who have not entered into a specific market contract with an energy retailer. These tariffs differ according to geographic network areas. There is a separate set of regulated Standard Rates for natural gas which also vary according to geographic area.

Recently a trend in the energy market in Victoria has been to offer loyalty rebates or sign up rewards to customers who switch to a new retailer or combine their gas and electricity with the one energy supplier.

In general, these offers are for 'black' power only, so there are no environmental benefits, and rebates paid on an anniversary date, range from approximately \$25 to \$50.

From time to time, retailers also offer special discounted tariffs or rate structures which vary from the Standing Offer Tariffs. These may be offered during a particular promotional campaign to recruit new customers or to help retain existing customers. Savings in this circumstance will vary, depending on the household's energy usage patterns and the level of discount off previously offered rates.

Other rewards or incentives to sign up with a new retailer vary from a dollar rebate off the first bill, savings off sporting club memberships or discount vouchers to use at retail outlets. Quite often these rewards can only be acquired if the household signs up to a fixed term contract.

GREEN POWER PRODUCT OPTIONS

Green Power is electricity sourced from clean renewable sources that meet accreditation criteria under the National Green Power Accreditation Program. When a household elects to purchase Green Power, the equivalent amount of energy is generated from Green Power sources, thus offsetting the same amount that would have been generated from fossil fuel sources and reducing greenhouse gas emissions. Currently there are approximately 40,000 residential households purchasing Green Power in Victoria.

Green Power usually attracts a premium price above the Standard Rates simply because renewable energy generators do not enjoy the economies of scale enjoyed by Australia's established coal-fired generation industry.

The table below illustrates the Green Power premium an average Victorian household, consuming 15 kWh of electricity per day would expect to pay for the varying percentages of Green Power.

Green Power Choice	Green Power Premium	Approx. Green Power cost per week	Approx. Green Power cost per year
10%	0.66c	\$0.70	\$36.15
20%	1.43c	\$1.50	\$78.30
50%	2.75c	\$2.90	\$150.50
100%	5.50c	\$5.80	\$301.10

COMMUNITY POWER PRODUCT OPTIONS

Two Community Power Energy Plans will be offered to residential households:

Standard Green Option: delivers 100% greenhouse neutral electricity (20% Green Power and 80% non accredited renewable) at pay no more than conventional energy at standard rates; \$24 a year savings on gas.

Premium Green Option: for those that are in a position to contribute more to the purchase of Green Power - consists of 100% Green Power at the premium cost of an AGL 50% Green Power product and \$24 a year savings on gas .

These two options are unique in their price structure and set a precedent for Green Power prices in Victoria. They offer exceptional value for households that currently purchase or are looking to purchase Green Power and, for those who choose a Community Power gas deal, also offer an annual dollar saving to households regardless of their 'green' motivations.

Both Community Power Options are available as electricity only or in combination with natural gas. Both have no minimum term and no termination fee and are available to households with an off-peak tariff matching the most common Y8 rate.

COMPARISON WITH OTHER OFFERS

In comparison to alternatives currently available, the two Community Power options are quite attractive.

With Community Power's Standard Green Option, the average house would save approximately \$75 a year compared to the purchase of a similar quantity of Green Power through an alternative arrangement.

A regular 100% Green Power option would cost the average house around \$300 extra per year. With the Community Power Offer, a prospective household looking to purchase 100% Green Power will only pay on average approximately \$150 per year.

Both Community Power options offer prospective households the opportunity to save \$24 a year on their gas bill and to support a local initiative with positive environmental outcomes.

For households more interested in saving money than the environmental benefits of Green Power, they could save more with a Black Power offer provided elsewhere. However, for those households wanting to achieve some level of cost saving, plus environmental benefits, signing up to Community Power for gas and electricity will achieve this outcome.

HOUSEHOLD RECRUITMENT

RECRUITMENT NUMBERS

The total residential base of the five current members represents approximately 200,000 occupied dwellings. A proportion of this housing includes multi-unit dwellings where a body corporate is responsible for the bulk purchase of energy under commercial and not residential energy rates. At the time of writing, units within these body corporates do not have access to a Community Power Energy Plan. Community Power will work with AGL to develop an appropriate offer for body corporates in the future.

The following targets have been developed based on expected take up indicators from AGL, Campaign Kitchen and current customer numbers. Of the total accessible dwelling stock, Community Power's current customer numbers constitutes around 0.5%.

There are currently approximately 2,001,000 domestic electricity customers in Victoria, of which around 12% are actively switching retailers in the contestable market. Approximately 3.3% (65,800) of domestic customers in Victoria are currently signed onto Green Power.

Community Power aims to have 3000 customers by December 2006, which works out to approximately 1.5% of the total accessible dwelling stock. Each partner organisation will aim to attract 1.5% of its respective housing base to take up a Community Power Energy Plan.

Given that as of June 2005, 830 households were signed up to a Community Power Energy Plan in the current Community Power footprint (and including customers in the City of Port Philip), a total of just over 2000 new households will need to sign up to a Community Power Energy Plan by December 2006. The table below outlines the new Customer target for each council area.

Table 1. Recruitment targets for year one by Municipal area.

	Total Accessible Residential Dwellings	Total Current Customers	New Customers recruited by Dec 06	Total Customers Dec 06
Darebin	49,153	487	250	737
Moreland	52,391	273	513	785
Yarra	30,214	37	416	453
Melbourne	25,842	10	378	387
Banyule	42,278	0	634	634
	<u>TOTAL</u>		2000	3000

Given Community Power's history and the implementation of a new direction, it is difficult to confidently establish targets that are both challenging and achievable. Performance against targets will be reviewed as part of the Business Plan Review each February to inform necessary target and budget amendments for the next financial year.

The year one target should be considered a stretch goal that is within the realm of the possible. Given Community Power's experience to date of achieving just over 1,000 customers in two years it is probably optimistic to aim for 3,000 customers at the end of December 06.

Set targets should not in anyway limit take-up over and beyond the targets; clearly the larger the take-up the more benefits will be accrued (environmental, economic and lobbying power).

Table 2 shows what could be achieved in terms of greenhouse savings, income and community savings if Community Power is successful in recruiting reasonably high numbers of households. It would be assumed that Community Power will have at least 2 new partners during the 4 year term and that 3 to 4 new partners is probably required in order to achieve the year four target.

Table 2. Potential greenhouse savings, income and community savings on achievement of recruitment targets

	Total No of Customers	Customers to be recruited within this period	Estimated Greenhouse Savings	Cost per tonne of Greenhouse abatement	Income per annum	Community Savings
31 Dec 05	1000		5,845 tonnes			12,000
30 Jun 06	2000	1000	11,676 tonnes	\$ 8.56	19,800	24,000
31 Dec 06	3000	1000	17,535 tonnes			
30 Jun 07	4000	1000	23,352 tonnes	\$4.15	42,000	48,000
31 Dec 07	5000	1000	29,225 tonnes			
30 Jun 08	6500	1500	37,947 tonnes	\$2.90	37,500	78,000
31 Dec 08	8000	1500	46,771 tonnes			
30 Jun 09	9000	1000	52,542 tonnes	\$2.45	37,500	108,000

Calculations are based on the following assumptions:

- There are approximately 1000 existing Community Power customers at the end of 2005.
- 50% of new customers will choose to combine their gas and electricity. (this is a conservative estimate and should, in reality be higher)
- The average household will consume 4.2 MWh of electricity per year.

- Green Power and renewable energy ('old green') are both defined as greenhouse neutral.
- Greenhouse gas emissions from natural gas usage are not estimated.
- Community Savings are based on savings made by existing customers and the \$24 per year rebate for the estimated 50% of new customers that take up dual fuel. This is a conservative estimate as it is based on savings compared to the purchase of Black Power, savings compared to alternative purchases of equivalent amounts of Green Power are much higher.

COMMUNITY POWER REVENUE

The Promotional and Marketing fee payable to Community Power by the Energy Supplier will consist of two components; an annual retainer based on total customer numbers and a commission per new sign up. This balance should ensure an ongoing incentive to increase uptake plus some economic sustainability for ongoing service delivery to an increasing customer base.

The following table presents the 'Promotional and Marketing Fee' payable to Community Power by the Energy Supplier dependent on the number of existing and new customers.

Table 3. Promotional and Marketing Fee

<i>Customer numbers</i>	<i>Annual Retainer</i>	<i>Electricity sign up fee</i>	<i>Gas sign up fee</i>
<i>0 – 1500</i>	<i>\$5,000</i>	<i>\$10 per electricity ac</i>	<i>\$5 per gas ac</i>
<i>1501 – 2500</i>	<i>\$6,250</i>	<i>\$10 per electricity ac</i>	<i>\$5 per gas ac</i>
<i>2501 – 3500</i>	<i>\$8,750</i>	<i>\$10 per electricity ac</i>	<i>\$5 per gas ac</i>
<i>3501 and above</i>	<i>\$11,250</i>	<i>\$10 per electricity ac</i>	<i>\$5 per gas ac</i>

Community Power may also decide to pursue grant funding if such funding is available and it is agreed that the resources would benefit Community Power. No grant funding has been modelled into the Financial Plan below.

GOVERNANCE AND DECISION-MAKING

Participating Councils do not require approval under S193 of the Local Government Act for their involvement in Community Power where the Total Enterprise (Total Enterprise = Total Investment plus Total Risk Exposure) of their involvement is less than 1% of the rates base. This is the case for Community Power's current status and members.

The members operate as an unincorporated joint venture. Darebin City Council is the lead organization and is the signatory to the Community Power Umbrella Agreement with the Energy Supplier.

A Memorandum of Understanding between the Parties of Community Power outlines the nature of the joint venture.

MEMBERSHIP TO COMMUNITY POWER

There is no limit to the number of member organisations that can join Community Power, however each new member will be reviewed by the Steering Committee prior to the applying member being accepted.

In addition to other Councils, the Steering Committee may also consider the appointment of like-minded organisations as members. Representation on the Steering Committee of community representatives or industry experts may also be considered.

New member organizations joining Community Power will be required to contribute a one off membership fee of \$6,000 to recognize the investment that has been provided by the existing members. The joining fee will be paid to Darebin City Council and distributed equally amongst existing members. The membership fee will be non-refundable. Membership will be executed when the Memorandum of Understanding (or deed of accession) is signed by relevant Parties and membership fee paid.

Community Power may develop relationships with other organizations that further Community Power's aims but do not require membership status of the Community Power Steering Committee. These relationships will be defined in a Memorandum of Understanding that is approved and executed by Steering Committee members.

THE COMMUNITY POWER STEERING COMMITTEE

The Community Power Steering Committee will comprise one Councillor or Board Member and one Officer from each member organisation and is responsible for the governance and strategic direction of Community Power. Additional representatives will be able to attend meetings on an as needs basis

As a new member organisation is admitted to Community Power, they will be required to nominate a Councillor or equivalent representative and an officer to attend Steering Committee meetings.

The role of the Steering Committee will be to oversee and provide strategic advice to the Officers' Group on the following issues:

- tender processes and negotiations to appoint an Electricity Supplier
- the development of new Community Power products and/or energy management programs
- implementation of the project and review of progress against indicators
- the Community Power Marketing Communications Plan
- Annual review and development of the Business Plan

The Steering Committee will meet on an as needed basis but at least twice per year. The Steering Committee will also meet with AGL senior staff on a yearly, or on an as needed basis, to discuss the progress of the project.

The Chair of the Steering Committee will be one of the Councillor (or equivalent) representatives. The Chair will be appointed annually, in the first meeting of the calendar year (and for 2005/06 in the first meeting of the 2005/06 Financial Year). Nominations will be called and if two or more Councillors nominate, a confidential ballot will be undertaken. There is no limitation to the number of years a Councillor may be Chair; the previous Chair can nominate again for the next year.

The decision making process aims to reach consensus through discussion and debate. However, where consensus cannot be reached, Community Power will make resolutions with a majority of 50% plus 1 of member organisations in support.

Each member organisation will have one vote. Steering Committee representatives can nominate a proxy to represent and act on their behalf. If the vote returns an equal number in favor of both positions, Darebin City Council will have a casting vote (in light of Darebin's additional responsibilities/risk in the project).

For decisions that adversely affect Darebin's legal obligations or create liability under the Umbrella Agreement, Darebin will identify the risk to the Parties in a clear and reasonable manner and seek advice and support from the parties in a reasonable timeframe to eliminate the risk. If the risk to Darebin associated with a particular decision cannot be alleviated through this action, Darebin then has the right to cast the final decision.

The Community Power Project Officer will provide secretarial support to the committee and will not have a voting right. Notice of meetings will be given 3 weeks prior to the meeting and an agenda will be circulated 1 week prior to the meeting.

OFFICERS' GROUP

The Officers' Group will consist of at least one officer from each member organisation and the Community Power Project Officer. The Officers' Group will meet once every two months, or more frequently on an as needs basis.

The Officers' Group will liaise with the Community Power Project Officer and be responsible for coordinating promotions within their municipality, providing assistance with the delivery of energy management projects, liaising and reporting within their Council/organisation, meeting with AGL and progressing the project under the guidance of the Steering Committee.

New Councils will be required to appoint one Officer to the Officers' Group, In addition to the nominated Officer, up to two other representatives from each member organisation may attend Officers' Group meetings if required.

The appointed officer will be required to attend Officers' Group meetings and will also act as the liaison between Community Power and the member organisation.

STAFF RESOURCES

The Community Power Project Officer is a shared resource and is responsible for:

- Day to day communications with AGL on project implementation and customer issues including development of Community Power Energy Plans and marketing material, reporting requirements etc
- Liaison with Community Power members' staff representatives on project implementation including centrally coordinated expenditure and reporting
- Member organisations will be invoiced biannually (December and June) for expenditure co-ordinated centrally through the Community Power Project Officer (including contributions for the Project Officer salary). Invoices will be marked to the attention of the nominated contact officer.
- Co-ordination of promotions including for example the preparation of joint media releases, advertisements, letters to community groups or schools, co-ordination of bulk distributions, co-ordination of Outreach Workers and co-ordination of centralised promotional expenses
- Implementation of energy management programs including 50 energy audits per year across the footprint (audit numbers may be increased with new partners and/or increased uptake)
- Preparation and dissemination of Community Power's quarterly newsletter
- Organisational and secretarial support for steering committee meetings
- Presentation to community groups across the footprint (up to ~ 16 per year)

Each member organisation shall have nominated contact staff responsible for:

- Officers' Group meetings
- Liaison with Community Power and with relevant staff within their own organization on project implementation
- Development and implementation of promotions for their municipality in consultation with Community Power Project Officer.

The Community Power Project Officer currently reports to the Senior Environmental Planner at Darebin City Council who also plays a role in co-ordinating the project.

Staff, Councillors and Board Members from other member organisations have had and will continue to play a significant role in implementation of the project including advocacy; funding applications; co-ordination of components of the project etc.

FINANCIAL PLAN

The following section is intended to provide a summary of estimated expenditure for each member over the next 4 financial years based on the targets outlined above. The Community Power partners will be required to allocate the resources indicated in the tables below, with the understanding that they may be able to reduce costs by meeting their obligations under the Business Plan and the Marketing Communications Plan through different means of delivery, including in-house services. Overall resource reductions or increases will be decided upon by the Community Power Steering Committee. Currently, each member needs to be in a position to deliver at least two bulk distributions across their municipality in years 1 and 2 (and 1 thereafter) and have \$10,000 available for additional promotions.

The projected expenditure and income based on current targets indicates that it is not realistic to expect cost neutrality over the next four years. This may change however with expansion of the footprint, higher than anticipated take up and consequent increase in revenue. It is important to note however that these costs are very reasonable for significant community greenhouse emission reductions and in comparison with community behaviour change programs of a similar magnitude.

Annual costs decrease marginally for each partner if one additional member joins Community Power per year in the first three years. Modeling by Community Power shows that costs to partners do not decrease exponentially with the addition of new members and could in fact increase if the partner "load" required additional staffing. Therefore the growth of Community Power needs to occur in a managed way.

Table 4. Estimated Expenditure and Income

Year 1 - Financial Year 2005/2006	
1000 New Customers (2000) Total	with 5 Partners
Expenditure (per partner)	
Salary contribution to CP Officer position	\$ 10,200
Two letter box drops to entire municipality	\$ 3,200
Other promotions and energy management program	\$ 10,000
Newsletter	\$ 1,197
<i>Sub-Total expenditure</i>	\$ 24,597
Income (per partner)	
Income based on 1000 new and 1000 existing customers	\$ (3,360)
Annual Retainer paid on anniversary date	\$ (1,250)
<i>Sub-Total income</i>	\$ (4,610)
Estimated Contribution per partner	\$ 19,987
Total estimated Greenhouse emissions abated (tonnes CO2 -e)	
	11,676
Cost per tonne of greenhouse abatement per member	\$ 8.56

Year 2 - Financial Year 2006/2007 -- Scenario One	
2000 New Customers (4000) Total	with 5 Partners
Expenditure (per partner)	
Salary contribution to CP Officer position	\$ 10,200
Two letter box drops to entire municipality	\$ 3,200
Other promotions and energy management program	\$ 10,000
Newsletter	\$ 2,425
<i>Sub-Total expenditure</i>	\$ 25,825
Income (per partner)	
Income based on 2000 new and 2000 existing customers	\$ (7,000)
Annual Retainer paid on anniversary date	\$ (2,250)
<i>Sub-Total income</i>	\$ (9,250)
Estimated Contribution per partner	\$ 16,575
Total estimated Greenhouse emissions abated (tonnes CO2 -e)	
	23,352

Cost per tonne of greenhouse abatement per member	\$ 3.55
---	---------

Year 2 - Financial Year 2006/2007 -- Scenario Two	
2000 New Customers (4000) Total	with 6 Partners
Expenditure (per partner)	
Salary contribution to CP Officer position	\$ 8,500
Two letter box drops to entire municipality	\$ 3,333
Other promotions and energy management program	\$ 10,000
Newsletter	\$ 2,021
<i>Sub-Total expenditure</i>	\$ 23,854
Income (per partner)	
Income based on 2000 new and 2000 existing customers	\$ (5,833)
Annual Retainer paid on anniversary date	\$ (1,875)
<i>Sub-Total income</i>	\$ (7,708)
Estimated Contribution per partner	\$ 16,146
Total estimated Greenhouse emissions abated (tonnes CO2 -e)	
	23,352
Cost per tonne of greenhouse abatement per member	\$4.15

Year 3 - Financial Year 2007/2008 -- Scenario One	
2500 New Customers (6500) Total	with 6 Partners
Expenditure (per partner)	
Salary contribution to CP Officer position	\$ 8,500
One letter box drop to entire municipality	\$ 1,667
Other promotions and energy management program	\$ 10,000
Newsletter	\$ 3,356
<i>Sub-Total expenditure</i>	\$ 23,523
Income (per partner)	
Income based on 2500 new and 4000 existing customers	\$ (5,208)
Annual Retainer paid on anniversary date	\$ (1,875)
<i>Sub-Total income</i>	\$ (7,083)
Estimated Contribution per partner	\$ 16,440
Total estimated Greenhouse emissions abated (tonnes CO2 -e)	
	37,947
Cost per tonne of greenhouse abatement per member	\$ 2.60

Year 3 - Financial Year 2007/2008 -- Scenario Two	
2500 New Customers (6500) Total	with 7 Partners
Expenditure (per partner)	
Salary contribution to CP Officer position	\$ 7,286
One letter box drop to entire municipality	\$ 1,571
Other promotions and energy management program	\$ 10,000
Newsletter	\$ 2,876
<i>Sub-Total expenditure</i>	\$ 21,733
Income (per partner)	
Income based on 2500 new and 4000 existing customers	\$ (4,464)

Annual Retainer paid on anniversary date	\$ (1,607)
<i>Sub-Total income</i>	\$ (6,071)
Estimated Contribution per partner	\$ 15,662
<hr/>	
Total estimated Greenhouse emissions abated (tonnes CO2 -e)	37,947
Cost per tonne of greenhouse abatement per member	\$2.89

Year 4 - Financial Year 2008/2009 -- Scenario One	
2500 New Customers (9000) Total	with 7 Partners
Expenditure (per partner)	
Salary contribution to CP Officer position	\$ 7,286
One letter box drop to entire municipality	\$ 1,571
Other promotions and energy management program	\$ 10,000
Newsletter	\$ 4,021
<i>Sub-Total expenditure</i>	\$ 22,878
Income (per partner)	
Income based on 2500 new and 6500 existing customers	\$ (4,464)
Annual Retainer paid on anniversary date	\$ (1,607)
<i>Sub-Total income</i>	\$ (6,071)
Estimated Contribution per partner	\$ 16,807
<hr/>	
Total estimated Greenhouse emissions abated (tonnes CO2 -e)	52,542
Cost per tonne of greenhouse abatement per member	\$ 2.24

Year 4 - Financial Year 2008/2009 -- Scenario One	
2500 New Customers (9000) Total	with 8 Partners
Expenditure (per partner)	
Salary contribution to CP Officer position	\$ 6,375
One letter box drop to entire municipality	\$ 1,500
Other promotions and energy management program	\$ 10,000
Newsletter	\$ 3,518
<i>Sub-Total expenditure</i>	\$ 21,393
Income (per partner)	
Income based on 2500 new and 6500 existing customers	\$ (3,906)
Annual Retainer paid on anniversary date	\$ (1,406)
<i>Sub-Total income</i>	\$ (5,312)
Estimated Contribution per partner	\$ 16,081
<hr/>	
Total estimated Greenhouse emissions abated (tonnes CO2 -e)	52,542
Cost per tonne of greenhouse abatement per member	\$2.45

CASH FLOW

Following the development of the Marketing Communications Plan and the implementation of year one, cash flow projections may be developed for subsequent years. The Community Power Project Officer will invoice member Councils on a half yearly basis (December and June) for shared expenditure, including a summary table. If there is net income, this will be distributed evenly amongst the partner organisations at the end of each financial year.

Calculations based on the following:

- Estimated Income assumes that:
 - Our current customers will continue with Community Power until their contracts end around May 2006. It is expected these approximately 800 existing customers will take up a new Offer and become new customers, adding to income in Year 2.
 - 50% of new customers combine their gas and electricity; it may be higher than this.
 - The annual retainer is paid on the anniversary date in conjunction with the Promotional and Marketing Fee.
- For simplicity, all costs in this table have been shared equally between partners; currently however some costs eg newsletter and income are allocated on a prorata basis
- The cost per tonne of greenhouse gas abatement is projected to be lower than in past years. This is due to an increased income from AGL, higher expected customer numbers and a rationalisation of operating expenses.
- Year 1 target from Table 1 has been adjusted to fall in line with the calendar year.
- Customer targets in Year 4 are also scaled to a nine month financial year as the Umbrella Agreement with AGL expires in March 2009.

KEY REPORTING INDICATORS

The following lead indicators will be used to evaluate the success of the program with lag indicators to determine areas for improvement:

Uptake

- number of households subscribing to Community Power against the overall target of for the year – 80% and over achieved: lead, under 80%: lag
- coverage within each municipality – 80% and over achieved for at least 3 municipal targets: lead, less than 80% for 2 or more municipalities: lag

Expansion of Project

- at least 5 Councils/Organisations involved by end 2005/6: lead, less than 5: lag.
- at least 6 Councils/Organisations involved by end 2006/7: lead, less than 6: lag.

Performance of Energy Contractor

- offer on line for 80% of each year (following initial launch): lead, less than 80% lag,
- 60% of inquiries to AGL re Community Power to result in an offer being sent out or a telephone take up: lead, less than 60%: lag.

- number of complaints received by Community Power regarding AGL service less than 5% of total inquiries to AGL: lead, more than 5%: lag.
- customer satisfaction with Community Power measured via targeted annual survey with the first survey to be conducted at the end of year two.
- Timely and accurate reporting as per clause 6.3 and 6.4 of the Umbrella Agreement.
- Timely and effective delivery of Marketing Communications Plan

Energy Management Programs

- 80% of total energy audit target conducted a year: lead, less than 80%: lag
- 80% of energy audit target for each municipality conducted a year: lead. Less than 80%: lag.
- 80% of target (as specified for each particular program) participates in additional energy management programs: lead. Less than 80%: lag.
- Estimated energy reductions achieved through energy management programs.

Financial

- total cost per tonne of abatement less than \$15.00 per tonne: lead, more than \$15.00 per tonne: lag
- similar relative costs between CP partners

ANNUAL REPORTING AND REVIEW OF BUSINESS PLAN

At each meeting of the Steering Committee, the Community Power Project Officer will provide an update and project summary and will draw on the above performance indicators to develop this synopsis.

Before the end of February each year, a full report in relation to the performance indicators will be presented to the Steering Committee and will inform the review of the Business Plan for the following financial year.

A review of the broader Green Power market in Victoria and Australia will also be undertaken annually at this time to inform the future direction of Community Power Energy Plans and prescribe any adjustments to the Community Power Energy Offers to keep them as fresh and competitive as possible within the energy marketplace.

CONCLUSION

Community Power meets community needs, is a cost effective way to achieve significant community greenhouse gas reductions and can play a significant role in promoting sustainable energy use and influencing the energy industry.

This business plan demonstrates the opportunity to build on Community Power's experiences to date to consolidate and grow this innovative project. Community Power will continue to actively work with the community, Government and the energy industry to produce triple bottom line benefits to all stakeholders.

APPENDIX ONE: CONTEXTUAL ANALYSIS - SWOT

STRENGTHS

Establishment work – Community Power has been successful in establishing Australia's first electricity buying group for residential customers. The development stage has involved a number of challenges which have contributed to Community Power's knowledge base and informed the next stage of the project. Community Power is in a strong position to move forward and increase uptake.

Community support – Darebin Council's initial community survey indicated very high levels of community support for Councils involvement in the initiative and interest in taking up an offer with Green Power and cost savings. Since then Community Power has conducted market research with current and potential customers. Satisfaction ratings amongst existing customers are very high (95% satisfied with the product range and 88% satisfied with AGL service). Green Power and environmental benefits were ranked as the highest priority for potential customers (A summary of market research results is included in Appendix 3).

A ground breaking energy offer. To date Community Power has achieved the only energy offer that provides Green Power and cost savings to customers. The proposed offer will provide Green Power at no additional cost with cost savings for dual fuel customers. 100% Green Power at the cost of purchasing 50% Green Power will be the cheapest option for purchasing 100% Green Power available on the market. The dual fuel option and no minimum term and no termination fee will appeal to more potential customers and provide a larger ongoing customer base.

Greenhouse Abatement. Community Power has achieved significant community greenhouse gas reductions (~5,000 tonnes/yr to date). The estimated cost per tonne (not including staff time) is around \$13 (including development costs). This is a very cost effective way to achieve significant greenhouse reductions. Community Power has the potential to make significant inroads to community greenhouse reduction targets and Council responsibilities under the Cities for Climate Protection Program.

Leadership and Credibility Many residents have expressed some anxiety and confusion about the current regulatory structure and market contract options. Community Power has provided general advice to residents about their potential options and how to compare offers. In a complex market, Councils provide a credible agent for brokering and endorsing an energy contract offer. The social, environmental and economic advantages that are achieved benefit ratepayers, build partnerships between Councils and the community and provide a positive triple bottom line leadership model. Community Power is recognised as a ground breaking achievement within government and industry circles.

Advocacy. Community Power's involvement in the energy market enhances our advocacy potential to argue for changes to the regulatory and market structures to ensure sound social and environmental outcomes and to facilitate aggregation groups. Increasing customer share will also send a signal to energy suppliers about customer

interest in Green Power and environmental outcomes. Community Power has also been active in sharing our learning with interested parties from interstate.

Community Benefits If predicted targets are met the total savings to the community over 4 years is estimated to be in the order of \$144,0000 (based on annual savings per household). Residents are also provided with the opportunity to contribute to a healthier environment and support Australia's renewable energy industry without being financially penalised.

Greenhouse Reductions The electricity component of proposed Community Power Energy Plans are effectively greenhouse neutral - they consist of either a blend of accredited Green Power and renewable energy or 100% Green Power. Renewable energy is also defined by the Sustainable Energy Authority Victoria as greenhouse neutral and is reported as such on customer bills. This allows for very significant and cost-effective community greenhouse reductions. Energy Management programs are also implemented to facilitate the wise use of energy and to further reduce emissions.

Limited Risk and Administration The model of interacting with the customer and electricity retailer limits the risk and administration for Community Power. Changes to the *Local Government Act* no longer require Council approval under S193 to participate in the program.

Environmentally Ethical Purchasing Community Power can ensure that its partnership with an Energy Supplier reflects the environmentally purchasing practice of the member entities. For instance the Federal Governments' *Renewable Energy (Electricity) Act 2000* requires electricity retailers to source about 2% of the electricity they generate from 'renewable' sources. Currently the act includes the burning of native forest woodchips as a definition of 'renewable' energy. This counters good environmental practice and Community Power will review its relationship with an Energy Supplier that contracts with a generator using native forest woodchips.

WEAKNESSES

Complexity of the Industry The competitive energy market is more mature than when Community Power first entered the arena, but the energy industry and regulatory requirements remain complex. Unanticipated changes in availability, price or regulations could impact on Community Power.

Barriers to Take up. Energy and energy contracts can be difficult for people to grasp and to date only about 12% of the Victorian population has taken up a market contract.

OPPORTUNITIES

Expanding the Project. A number of Victorian local governments have expressed interest in participating in the Community Power project. This has the potential to significantly increase environmental and economic benefits and potential for influence and advocacy. VicUrban has also expressed interest in promoting Community Power to current and future residents of its projects. Further opportunities to link with other like minded organisations to assist with promotions of Community Power can be explored.

Energy Management Programs. Community Power will continue to explore the opportunity to further engage the Energy Supplier in energy management programs and to investigate opportunities for demand side management.

Green Power Promotions. The State Government will unroll a marketing campaign to increase awareness and uptake of Green Power in early 2005. This will benefit Community Power through reducing misunderstandings about Green Power in the community and providing leverage opportunities for Community Power promotions.

Funding Opportunities. Community Power has been successful in attracting funding for specific energy management projects to date and is in a good position to secure future funding.

Business Offer The Energy Supplier has indicated its willingness to develop a Community Power Business Offer in partnership with Community Power. A business offer would provide the opportunity to engage the small business sector and high density housing that operates through a body corporate.

Low service provision by the energy supply industry The energy industry do not currently offer credible energy management or environmental programs and this provides an opportunity for Community Power to develop and deliver programs in these areas, providing benefits to the community and opportunities for industry involvement.

THREATS

Poor relative performance of Energy Supplier The Energy Supplier may struggle to deliver their responsibilities under the agreement to the standard expected by Community Power. The Energy Supplier may have poor relative market performance in relation to environmental, economic or social goals.

Electricity market may stagnate. A stagnating market and/or low community interest in energy contract offers may impact on Community Power.

Predictions and Targets are difficult to set due to the leadership nature of the project. Despite Community Power's experience to date, we continue to blaze a new trail.

SUMMARY

During the development and first two years of implementation, Community Power has directly experienced the impacts of the threats and weaknesses identified above. Community Power has learnt from this experience and wherever possible has sought to address or minimise these risks in the new Energy Plan and new relationship with the Energy Supplier.

Community Power has many strengths and opportunities and will further consolidate and expand and benefit from these in the next four years of growth.

APPENDIX TWO: DEFINITIONS OF GREEN POWER AND RENEWABLE ENERGY

Green Power is renewable or 'green' energy that has been approved by the national Green Power accreditation system that is overseen by the Sustainable Energy Development Authority (SEDA) and the Sustainable Energy Authority Victoria (SEAV) and other state agencies. The Green Power scheme accredits generators that are producing renewable energy from sustainable sources such as solar, wind, methane recovery from landfill, small scale hydro. Green Power does not accredit generators that are producing electricity via the burning of native forest woodchips. Further, Green Power has been established to drive new production of renewable energy and expansion of the renewable energy industry in Australia. This is achieved through the requirement that 80% of Green Power accredited electricity has to be sourced from accredited generators that were commissioned post 1997 when the Green Power scheme was introduced.

The Green Power scheme relies on consumer choice to support renewable energy and reduce greenhouse emissions. Green Power sells at a premium of around 30% above conventional electricity sourced from coal-fired power stations. Take up of Green Power has been increasing but is still very low at levels of around 0.5% across Victoria. This is probably due to low awareness and understanding of the scheme and the cost premium.

Renewable energy from generators that meet the SEDA/SEAV accreditation requirements for Green Power but were commissioned before 1997 is available at a lower premium than Green Power. This renewable energy meets all of the sustainability requirements of Green Power but is not accredited by Green Power because the generators were in existence prior to the commencement of the Green Power scheme. Purchasing this energy does not result in additional renewable energy entering the grid, nor does it drive new investment in the renewable energy industry, therefore associated greenhouse emission reductions cannot be claimed by Community Power.

APPENDIX THREE: SUMMARY OF COMMUNITY POWER MARKET RESEARCH

Background

Questionnaire's were prepared to collect information on customer attitudes to Community Power. There were two different questionnaires sent; 638 were sent to existing Community Power customers and 3561 to potential customers from the Expression of Interest database. Of the existing customers 330 (52%) responded to the survey and of the potential customers 658 responded, (18%) representing a good response. Also most of the potential customers gave their name and address details and requested to be kept in touch regarding future developments. This provides us with a valuable database for future marketing.

The Responses

Survey 1. Potential Customers

2a Main Reason that they did not proceed.

- 19.1% said they do not remember the offer
- 11.4% were too busy and did not get around to it.
- 10.5% said the prices were not good enough
- 9.0% were on an off peak tariff
- 6.1% said the information was too complicated.

2b Other reasons they did not proceed

- 14.7% were uncomfortable with signing a contract
- 13.3% were already with AGL
- 13.0% felt the prices were not good enough
- 9.8% said they did not receive enough information
- 8.8% said the information was too complicated.
- 8.1% were too busy and did not get around to it.

3 What would have to change to take up Community Power?

405 Respondents provided comments

- Overwhelmingly price is an issue
 - they want lower / better prices
 - more competitive off peak tariffs
- contracts is another issue
 - do not understand them
 - do not want to sign with AGL
 - not in a position to sign contract
 - do not want to sign contracts
- Information
 - needs to be clearer and easier to understand
 - more information required
- Bad customer service from AGL - do not want to deal with AGL

4. What attracts you to Community Power? (30% of respondents ranked their preferences)

1. Green Power and environmental benefits
2. Cheaper prices,
3. Combination of cheaper prices and environmental benefits
4. A community base that gave power to the people
5. Fairer contract terms.

When results were analysed disregarding ranking, the results were as follows.

- 20% Cheaper prices
- 19% Green Power and environmental benefits
- 17% Fairer contract terms (16.8%),
- 13% Community base that gives power to the people
- 11% Combination of price and environmental benefits

- 5 Would you be interested in a dual fuel offer with gas & electricity?
 47.6% yes,
 33% maybe.
 8.2% said no.

Potential customer demographics

- 6 44% were male and 52% were female
- 7 The majority of respondents were from the City of Darebin
- 8 The age of the respondents were:
- | | | |
|-----|------|-------|
| 10% | aged | 20-35 |
| 23% | | 36-45 |
| 29% | | 46-60 |
| 20% | | 61-75 |
| 10% | | 75 + |
- 9 Household Structure
- | | |
|-----|-----------------------|
| 29% | Sole person household |
| 28% | Couple only household |
| 29% | two parent family |
| 6% | one parent family |
| 5% | group household |
- 10 Home ownership
- | | |
|-----|----------|
| 52% | Own home |
| 34% | Mortgage |
| 13% | Renting |
- 11 Country of Birth
- | | |
|-----|-----------|
| 79% | Australia |
| 3% | Italy |

Survey 2 Existing Customers

- 1 Are you satisfied with the CP Product range?
 95% said yes.
- 2 Are you happy with the service from AGL?
 88% were happy with the service.
3. What attracted you to Community Power?
1. Green Power and environmental benefits
 2. Price and environmental benefits
 3. Community base returning power to the people
 4. Cheaper prices
 5. Fairer contract terms
4. Would you be interested in a dual fuel offer?
 66%, Yes
 26% Maybe,
 6% No.

Demographics Existing Customers

Sex 51% male, 49% female

Location Mainly City of Darebin

The age of respondents

7%	20 to 35,
25%	36 to 45,
27%	46 to 60,
25%	61 to 75,
15%	75+

Country of Birth 80% Australian

APPENDIX FOUR: MARKETING ADVICE PREPARED BY CAMPAIGN KITCHEN APRIL 2004 'SWITCHING THE COMMUNITY ON TO COMMUNITY POWER'

Executive summary

Community Power has very limited funds and even when you reach your customer target of 10,000 households your income will only be around \$50,000 per annum. Community Power needs to focus on marketing channels and methods that will get you to 10,000 household target in the quickest timeframe possible for the least cost. Community Power also needs to develop an annual marketing effort. This effort needs to fit within your annual income stream so that you maintain your customer base in a sustainable way.

Most effective channels and timeframes

Direct mail is the cheapest way to generate leads. Paid advertising even in local papers is far too costly, even insertion in Darebin news is too costly in relation to available budget. If possible this direct mail should be supported with other low cost or free forms of marketing e.g. posters in community facilities, website, free media and Mayor's columns in local papers. Direct mail is the only way to reach the numbers of households needed to generate the leads we require.

If rate notice insertion method is used we should be able to generate 10,000 household sign ups for between \$36,000 to \$44,000 (plus the councils' own internal insertion costs). This target could be achieved by 3-4 insertions. Please note to target some high rental areas, targeted leaflet drops will be needed in addition to rate notice insertion. For the City of Yarra and Melbourne where rates notice insertion is not possible additional costs here would mean an extra 4 cents per item in those Cities.

If the leaflet drop method is used for all four cities used then we would need at least 5 drops. This higher frequency is due to the poorer penetration of unaddressed mail. So total cost to reach 10,000 target would be \$76,000 plus. This can be achieved in a two and half year timeframe with mail outs every six months. As a comparison to generate the same number of leads from outworkers would cost \$239,000. If cities elect to not have rate notice insertions then those cities need to contribute around 4 cents per item more for marketing effort. For instance the 65,000 private households in Yarra and MCC alone would add \$3,250 per mailout or a total of \$16,250 to total costs for five leaflet drops.

Improving total marketing effort

While Community Power's past direct mail can be considered successful given a 3% response rate it can be improved with some simple actions:

Action 1: Response rates could be lifted to 4% with better creative execution e.g. Local 'super heroes' for Community Power e.g. a local identity such as Rod Quantock would match Community Power brand values.

Action 2: Response rates could be further lifted with insertion in rate notice.

Action 3: Conversion rates should be lifted from 20% to 25% with better follow up.

Action 4: Print and design costs can be reduced by at least 35% using a sympathetic local print and design company like Currency Communications* (in Brunswick).

Action 5: Distribution costs can also be brought down with insertion in rate notice.

Action 6: Generate more leads by increasing frequency and reach (leaflet drop or insertion twice a year and across all four cities).

Action 7: Better branding of Community Power on the AGL bill.

Action 8: Use of outreach workers and other low cost marketing in community to raise awareness and support direct mail effort. (e.g. Green events calendar fridge magnet as a handout, posters, badges, Mayor's column, website presence and billboards on council land)

Action 9: An annual direct mail promotions program put in place to maintain customer base

Action 10: Secure a cost effective and sympathetic local print and design firm with green credentials.

Short term marketing plan and budget

Community Power has a short-term budget of around \$20,000. The following marketing package estimate could be realistically achieved using a sympathetic supplier like Currency Communications:

- Printing of 200,000 post card size mail-out to go to all households (through rates notice insertions in Moreland and Darebin) \$9,200
- Leaflet drop in MCC and Yarra area \$3,250
- Print 5,000 green calendar fridge magnets (with response card) to be handed out by Outreach workers at community events \$720
- Photo shoot of local 'super hero' in costume \$650 (plus extra studio time if done with Mayor's for Mayor's columns)
- Nominal payment for 'super hero' endorsement \$5,000
- Design of special web page or animated 'tile' for inclusion on four council websites \$450
- Design of 1000 A3 posters with tear off response slips \$650
- Printing of 1000 A3 posters with tear off response slips \$0
- Design and layout of Mayor's column pieces \$360
- Design of green calendar \$1250
- Design of main direct mail response flyer (postcard) \$1250
- Design and production of badges \$250 (depending on size 50cents to \$1 each)
- Design of car or bike helmet stickers \$220
- Printing of 1,000 car or bike helmet stickers (free)
- Design of billboards to go on council land \$670 (perhaps real estate agent could sponsor production costs)

Subtotal of costs: 17,920 plus GST

- \$1500 for two workers at \$25 per hour to attend 10 events for 3 hours.

Total of costs \$21,212

Background

Community Power's initial direct mail campaign should be considered successful in terms of response rates but did not have adequate reach or frequency. With only Darebin and Moreland households included it managed to generate a response rate of around 3%. This fits within direct mail industry standards for a general commercial offer of between 1% to 4%. Community Power has also generated 80 expressions of interests with canvassing at community events.

The actual sign up rate of under 20% appeared to be a little disappointing. But we need to keep this in perspective. In the highly competitive arena of computers 20% conversions are a fact of life. In home mortgages competitive home loan products can expect up to 50% conversion rate if the product fits target audience. Conversion rate may have also been affected by service delivery issues and the busy time of the year. Research supports this with many non-signers also saying they were too busy to deal with the offer.

Conversion rates can always be improved at the margins with better product design and better follow up methods. Follow up needs to focus on main benefits that typical community power customers want. An analysis of the survey shows that around 130 customers who did not sign up actual fit the community power consumer profile. So the conversion rate should be around 25% with improved follow up.

The timeframe of one year for initial target of 10,000 appears to be over optimistic given response rates from direct mail. We also need to keep in mind that the total market is primarily the 12% of households who would switch their power. So a 10,000 target is actually means 45% of the 22,000 households who are willing to switch.

Overall it appears that Community Power has had a degree of marketing success but building a bigger buyer group means duplicating successful elements of your marketing effort and improving some aspects. Significant growth will only be achieved over time by repeating the offer.

More Creative Solution Needed

It is likely that a stronger and more targeted creative solution for the mail-out would have generated an even higher response rate than 3%. This assumption can be tested in the future by trying stronger and more creative promotional material. A very conservative estimate with a stronger creative offer would be a 4% response rate in direct mail. People are very busy and time poor and we all live in an information congested world. Gaining the attention of consumers in today's marketplace is a serious challenge.

Outreach workers and other community promotions

In addition to the direct mail effort Community Power also has outreach workers who are canvassing at community events. This activity must be seen in the light of building up community awareness. In terms of costs these EOI are costing four times more than a rate notice insert and twice as much as a leaflet dropped item. But it should be noted that we only have very preliminary data on this activity. We should also bare in mind that while the lead generation is small in numbers it is likely that final conversion rates may be higher in percentage terms than direct mail. This is due to the fact that people who attend local events are by their nature more community minded (e.g. sharing the local preference values our prime target market).

Outreach workers can also help build up the profile of Community Power in the community-minded section of population by attending community events and showing a grass roots face of Community Power. But using outreach workers exclusively is a very slow way to generate Expressions of Interest. Based on past activities (and bearing in mind data is limited so far) of 26 leads per event, they would need to attend over 1538 events to reach 10,000 household target. It is simply not possible to reach target with outreach workers. Outreach workers should concentrate on getting word out and giving community response items such as a 'green events' fridge magnet, or energy saving thermometer, badges and/or stickers. 5,000 green events fridge magnets with tear off response card could be designed and produced for around \$1,200 by Currency Communications. They have also indicated they could print 1,000 A3 posters with tear off phone numbers for free within an overall package. These posters could be used in at stalls and also in council owned facilities. Badges and stickers can also be produced for minimal costs.

Maintaining your customer base

An annual direct mail effort supported by other low cost or no cost promotions can be put in place once 10,000 households have been signed up. By mailing out once a year Community

Power can replenish lost customers and sign up new residents. Without this annual effort your customer base will shrink each year. A realistic budget for this direct mail effort would be \$20,000 a year depending on distribution method. This would allow \$30,000 per annum for other program costs. Another important part of maintaining customer base is a far better branding of Community Power on the AGL bill. As the customer base builds up you will also need to look at insertions for existing customers with special offers etc.

The size of the total potential market

The size of the total market can be determined as those 12% of households who would considered changing power supplier. This about 22,000 households in total. This market can then be further divided in to three behavioral market segments based on key benefits sought. Firstly, those who are seeking a greener solution, secondly those who are looking for a cheaper supplier and finally those looking for a fairer supplier.

However all these groups have alternatives to Community Power. This means that the Community Power offer does not have any market segment entirely to itself. A further segmentation is required of both the 'Green Power' segment and the 'cheaper power' segment. This final segmentation is those who would prefer a 'local' supplier to deliver greener and cheaper power solution. In fact, it could be argued that, for many consumers a local supplier would be seen as the fairest.

Ultimately, this 'Local, greener, cheaper, fairer' power consumer is the natural market for Community Power. For this final segment of consumers Community Power is the preferred solution. But how many out of the 12% of electricity switchers are 'Local, greener cheaper, fairer' consumers?

Firstly let's clarify this segment a little more by looking at the responses of those who did sign up. Your survey of consumers who expressed interest can be taken as a reasonable sample of attitudes of the 12% of power switchers. Furthermore in your research what is clear is that those who do sign up rank community base at a higher level than those who do not sign up do. Furthermore those who signed up ranked green first and then followed by 'price and environmental' outcomes. Price alone came after the community return. For many of those who did not sign up price was number one criteria. For about 20% of those who did not sign up, price and off peak rates remain the principle issues – price is not your natural market and there are off-peak households who would like to take up if they could. For another 20% green issues are dominant – we cannot totally dismiss this group as your existing customers also list green as the number one issue. Finally there are 13% who list community base as number one issue. This segment should be able to be converted and other issues obviously prevent them. A significant part of the green group as should be able to be converted as well. However, the most significant reason for not taking up the offer (30%) was that they either could not remember the offer or were to busy. This points to the fact that repeated marketing messages need to be sent out.

The nature and needs of the most likely segments in this larger potential market

Segments of potential Community Power customers:

From this we can make some assumptions about your most likely market segments:

Around 1.3% of all households are Community Power's natural market.

Around 2.4% of all households (green first) are your secondary green market

Around 2% of all households want a fairer supplier

Possibly another 0.5% (balance between price and green) are also part of your secondary market.

Medium Term Objective:

Over time Community Power could conservatively aim for 6.2% of all households. About half of all potential switchers.

Total potential households in current footprint: 11,470.

Expanding into other municipalities would result in a higher potential.

Potential customers outside of identified market segments:

There are two untapped sources for customers in the current footprint that could give Community Power extra households above and beyond the 11,470 so far identified. Firstly LOTE households who were under represented by 50% in Darebin responses and secondly political switchers.

LOTE households

Given the large number of LOTE households on age pension and fixed income price could be a key trigger for these households. The use of key languages for key features should be considered. This may mean nothing more than the words 'cheaper and fairer' along with phone number in appropriate LOTE languages such as Italian, Greek, Turkish and Arabic, Chinese, and Vietnamese. Council supplied or other translation services would also be welcome addition for this segment. For long established LOTE households, who remember the reliability and service of previous council supplied electricity; a local supplier with some savings may be very attractive. The exact number of potential customers in this LOTE segment are hard to judge because of the low participation of LOTE households in your consumer survey. However, this segment is the key market for value-for-money retail outlets like the Preston Market and should not be ignored.

Socially minded non-switchers

There may be additional consumers who switch on to Community Power outside of the normal 12% of households who consider switching. Here I am talking about those who resent privatization and globalization and may switch for socio-political reasons. Going local for almost political reasons. A stronger local message may draw these extra households to Community Power. The use of a local comedian like Rod Quantock, with a strong reputation on social issues, would assist with this dialogue. The choice of Community Power needs to be seen as a form of social expression for this group who are less motivated by price and less likely to buy into a purely commercial or retail offer. This group, along with many 'green' consumers, will appreciate Community Power being presented as a grass root based opportunity. They will more appreciate a community movement feel than a straight commercial offer. In terms of political switchers it is remembering that electricity privatization was very unpopular across Melbourne.

So total customer base could end up larger than 11,470 households if the social aspect of the local message is sharpened and use of languages are improved. However, be aware that many LOTE households looking for big discounts may not switch and will carefully test any offer for its value-for-money potential.

Reaching your potential market

So how do we get to 11,470 customers in the shortest and least expensive manner? You could duplicate past efforts for ten years. Or we could devise some improved channels, increase frequency, and sharpen messages to lift response rates and improve follow up.

Improved follow up

Follow up could be improved but looking at the survey result it seems as though there are only about 130 customers from the Expression of Interest process who slipped through the net. These 130 customers are those with priorities close to the profile of your existing customers. So a 25% conversion rate should be the aim. Follow up needs extra effort either by AGL or directly by Community Power. If possible direct mail or better still phone contact would be worthwhile to those on the original interest list who fit the Community Power profile.

Improve frequency and reach

Community power could reach 11,470 household level by repeated use of direct mail to all four local government areas. Yarra and MCC areas have not been fully exposed to the offer and must be a high priority for direct mail and letter boxing.

Recommended effective channels in 2004-2005:

Two mail-outs (Moreland and Darebin) or letter drops (Yarra and Melbourne) per year for 42 months

An inner city local spokesperson

Handouts at community events

Use of free space/land (eg Signboards) to promote offer around time of two mail-outs

Billboards on council land

Posters in council facilities

Hand out green calendar and tear off response card

Website response page

Links to council page

Use council pages in leader

Stickers

Letterbox in areas with high levels of renting

Better branding on AGL bills

Future inserts to existing customers

Key benefits outlined for key target segments

Electricity is not seen as an overly complex product by consumers, in fact it is viewed as a mere commodity. The key benefits sought are therefore fairly simple:

- greener power
- cheaper power
- fairer power
- local power

You need to offer all of these benefits. You do not have the luxury of only offering one benefit. You need to sign up customers from all groups. Greener and cheaper are by far more sort after benefits than simply being local.

The research indicates that:

- Those looking for the benefit of local power are your easiest market.
- Those looking for Green Power are your biggest potential market.
- Those looking for price first and foremost are the least likely to sign up.
- Those looking for a fairer deal are likely to consider a local option as a credible one

An overall statement on your core marketing proposition

Looking at the segments and the preferred benefits sought by these segments leads us to the unique selling proposition for Community Power:

Community Power – the local alternative for greener, cheaper, fairer power.

Your USP is not your final slogan but it defines your overall offer and should be used as the starting point in any creative marketing efforts. Depending on the use of spokesperson the final creative expression may change. Whatever the final creative solutions the key points will be: Community Power for greener, cheaper, fairer power.

Rod Quantock might express the key three benefits along with an social slant: e.g. 'Not all power corrupts...Community Power gives you greener, cheaper, fairer electricity'.

A key message framework and message hierarchy for these markets

The idea of this framework is to provide the basis to engage marketing, creative and other communication services (and/or activate internal resources) around a focused plan and a clear message hierarchy. You still need to translate this key message framework into copy, design and other written and visual marketing items. What is vital to build greater success than before is the use of 'cut through' creative to get consumers to notice.

Examples of cut-through creative:

Local heroes campaign; using local artists or comedians etc:

First local Super Hero: eg Rod Quantock with red flying cape and electric bolt through head etc:

Small caption under photo Rod Quantock, comedian, local resident and official super hero for Community Power

Other examples of creative expressions for direct mail, posters or stickers etc:

Alternative testimony:

'Not all power corrupts: we switched to the locals - Community Power'

Targeting green consumers: 'How green is your power?'

Switch to your local supplier, Community Power and start saving with greener, cheaper, fairer electricity.'

Message framework

The message framework can be divided in key ingredients in the following ranking:

- 1) direct request: Switch to the locals, Community Power. (or your local supplier, Community Power)
- 2) main heads to highlight one or all three benefits: greener, cheaper and fairer
- 3) clear use of Community Power name and logo
- 4) simple call to action: eg phone contact number and fill in response postcard
- 5) flag cheaper issues in key community languages
- 6) Simple clear subheads, use of underline under key points and use of plain English
- 7) Use of eye catching graphic (e.g. Rod Quantock with electricity bolt etc)

A media channel plan including ideas to take this back to the community

The following short term marketing channels could be used.

Directmail:

- 200,000 post card size mail-out to go to all households (through rates notice insertions in Moreland and Darebin)
- Leaflet drop in MCC and Yarra areas

Outreach workers:

- Green calendar fridge magnets (with response card) to be handed out by outreach workers at community events
- Programs or other 'giveaways' through schools etc

Website:

- Design of web page or animated 'tile' for inclusion on four council websites
- New campaign material on Community Power website

Posters, stickers and billboards:

- Billboards to go on council land
- 1000 A3 posters with tear off response slips
- 1,000 car or bike helmet stickers

Local media:

- Mayor's column pieces
- PR and free media

Medium term marketing plan

A medium-term annual marketing plan based on around \$20,000 could be developed based on the successful elements of above short-term program. Methods and channels should be judged by response rates and measured against our medium-term objective of 11,470 households. Creative items should only be changed if response rates drop. This may occur after two to three mail-outs. Changing the creative treatment adds to expense so if creative treatment is working then you do not need to change them. Refreshing the creative treatment should not be confused with changing main benefits in your offer.

A practical plan for follow up on past and new leads

Looking at the market research it appears that about 130 households already communicated with may fit Community Power consumer profile. Appropriate resources should be allocated to follow up with another letter if possible. However not too many resources are needed here if repeated direct mail offers are commenced.

More importantly Community Power should handle calls directly from new leads to ensure conversion rate is closer to 25%.

APPENDIX FIVE: HOUSING TYPES AND NUMBERS

**Housing Stock by dwelling type in Community Power Footprint
ABS Census data 2001**

	Darebin	Moreland	Yarra	Melbourne	Banyule
Separate Houses	34,008	37,093	6,301	1,491	34,597
Semi-detached, ROW or terrace house, townhouse	4,653	5,732	12,704	5,517	4,350
Flat, Unit or Apartment	9,769	8,779	10,209	18,076	2,971
Other (Caravans, Houseboats, etc)	403	462	583	316	117
Not Stated	320	325	417	442	243
Total Occupied Dwellings	49,153	52,391	30,214	25,842	42,278
Unoccupied Dwellings	3,378	3,980	2,568	0	2,479
Total Dwellings	52,531	56,371	32,782	25,842	44,757

COMMUNITY POWER POSTCODES

Darebin	Moreland	Banyule	Yarra	Melbourne
3070	3044	3084	3078*	3052
3071	3055	3081	3068	3053
3072	3056	3088*	3065	3000
3073	3057	3083*	3066	3031
3078*	3058	3084	3067	3002
3083*	3060	3095*	3121	3006*
	3046	3079	3054*	3003
		3093		3051
		3085		3004
		3094		3141*
		3087		3207*
				3081

Note: Postcodes marked with asterisk cross municipal boundary

APPENDIX SIX: SCENARIO TWO YEAR ONE

The following scenario is based on a target of 500 new customers by the end of 2005/06 Financial year. 1,500 customers may turn out to be more realistic based on experience to date and the need to build awareness around the new product. Achieving 500 new customers would still be a positive result, representing a 50% increase and a significant abatement of greenhouse emissions.

The table below shows that although income declines, so too does expenditure and the overall input from each partner remains similar (an in fact slightly lower) to that of the 2005/06 Financial year in Table 4.

Year 1 - Financial Year 2005/2006	
500 New Customers (1500) Total Expenditure	with 5 Partners
Salary contribution to CP Officer position	\$ 10,200
Two letter box drops to entire municipality	\$ 3,200
Other promotions and energy management program	\$ 10,000
Newsletter	\$ 1,037
<i>Sub-Total expenditure</i>	<i>\$ 24,437</i>
Income	
Income based on 2000 new and 2000 existing customers	\$ 4,360
Annual Retainer paid on anniversary date	\$ 1,000
<i>Sub-Total income</i>	<i>\$ 5,360</i>
Estimated Contribution per member	\$ 19,077
Total estimated Greenhouse emissions abated (tonnes CO2 -e)	8,757
Cost per tonne of greenhouse abatement per member	\$ 10.89

APPENDIX SEVEN: COMMUNITY POWER HISTORY

Darebin, Melbourne and Yarra City Councils and the Moreland Energy Foundation Ltd have developed the Community Power project for the benefit of our communities and to reduce greenhouse gas emissions. Community Power aims to achieve environmental and economic benefits for our communities – the participating organisations will not be making a profit from the project.

From 13 January 2002 full retail contestability of electricity was introduced in Victoria. The idea of an electricity buying group was originally raised with Darebin City Council by a local community group, the Westgarth Action Group. Electricity Purchasing Groups have been established overseas in response to competitive electricity markets.

Darebin City Council recognised the value of the scheme for the community in reducing prices and greenhouse emissions via the incorporation of a component of Green Power. In August 2001 Darebin Council commissioned a telephone survey of 300 Darebin households to assess community interest in the project prior to proceeding. The survey results showed strong support for Council's involvement in the project and strong interest in joining the group. 97% of respondents believed that Darebin City Council should pursue an Electricity Buying Group. From the survey 35% indicated environmental benefits and 31% indicated cost benefits as a reason to join the group. Interest in a combination of Green Power and cost savings was high at 79%.

Following this strong show of support Darebin Council resolved to proceed with the project and was joined by Port Phillip City Council and the Moreland Energy Foundation Ltd. Darebin community representatives also had input into the project development through an advisory committee.

A database was established to store details of those people who expressed interest in the Community Power project. Households and small businesses were invited to express interest on the basis of the triple bottom line objectives of the group: cheaper electricity prices, reduced greenhouse emissions and socially responsible contract conditions and service benefits. Approximately 4,000 people expressed interest in taking up a Community Power contract.

An expression of interest and tender process to select an Energy Supplier to deliver Community Power Energy Plans that met with Community Power objectives was also undertaken. Pulse Energy was the preferred tenderer. Community Power was still in negotiations with Pulse when they were taken over by AGL in August 2001. Following extended negotiations with AGL, the first Umbrella Agreement was signed on 18 November 2002. The Umbrella Agreement was for a two year period until November 2004.

The Community Power Energy Plans developed in collaboration with the Energy Supplier were the first electricity offer available in Australia that included some Green Power at prices cheaper than buying conventional energy on standard tariffs and featured some improvements in contract conditions over the Retail Code.

Community Power customers take up an offer directly with the Energy Supplier. The relationship between Community Power and Community Power Customers is informal;

customers that elect to 'Stay in Touch' with Community Power receive a free quarterly newsletter; Community Power delivers energy management services including free energy audits to customers (and in some cases prospective customers); Community Power also provides support to customers that ask for assistance with service delivery issues.

Community Power Energy Plans were posted to those on the expression of interest database and two weeks later became available to all residents in the Cities of Darebin, Melbourne, Moreland and Yarra. Port Phillip City Council decided not to proceed with the project. This was due to Community Power's intention at that time to establish a Company Limited by Guarantee and because of Port Phillip's other environmental priorities. The Port Phillip residents (approximately 70) that took up a Community Power Energy Plan continue to receive the Community Power newsletter and are referred to Port Phillip if they inquire about Community Power's energy management services.

In the early stages of availability (Dec 2002 – January 2003) there were a number of problems with the initial mail out and associated service of Community Power Energy Plans. These problems including incorrect information from call centre staff, offers not sent to some who requested them, incorrect confirmation notices for some customers, immense difficulty for those attempting to take up 50 or 100% Green Power. These problems and changes in the standard tariffs resulted in the offer going off-line in early 2003.

Although improvements were made in service delivery and the structure of the Energy Plan during the two year period of the first Umbrella Agreement, for more than 12 months of the two years, the offer was off-line. This significantly impacted on promotional momentum, accessibility and uptake numbers.

Despite these challenges, more than 1000 households have signed up to Community Power – with 900 customers being billed as of December 2004. These households have achieved a collective reduction in greenhouse gas emissions of 6,400 tonnes. This total is equivalent to removing 1,420 average Australian cars from the road. Community Power has proven to be a very cost-effective way to achieve this significant level of community greenhouse reductions.

Households have also benefited from cost savings and free energy management advice and services. Community Power customers have also valued the opportunity to be part of a local level energy project and to sign up with a market contract offer they can trust. Community Power has also helped increase awareness of options under full retail contestability of energy.

Community Power energy management programs have been very successful with 50 energy audits being conducted annually with an average greenhouse abatement of around 1 tonne/year per household. Free energy starter kits ensure that implementation of actions is convenient and easy. Community Power has also delivered a successful Self Audit seminar series that was attended by over 90 people with high participation rates in the self audit, high implementation of actions and high satisfaction with the program.

Community Power has attracted more than \$100,000 in funding towards the Community Power Project Officer position and for the delivery of energy management programs. Funding has been received from the State Governments Community Action Fund and the Australian Governments Cool Communities program.

Community Power has hosted two seminars to raise awareness of social and environmental issues in the energy industry and continues to provide feedback to the State Government and the Essential Services Commission around options for improving economic and social outcomes through changes to market and regulatory structures. Community Power received a small grant from the Consumer Utilities Advocacy Centre for one of these seminars. Community Power customers were involved in the Community emPowerment research project to investigate energy usage patterns and barriers and opportunities for demand management for small customers. This research was conducted by MEFL in collaboration with the Institute of Sustainable Futures and funded by the Advocacy Panel for the National Electricity Code.

After two years of full retail contestability in Victoria, Community Power remains the only successful buying group for residential customers. Community Power is recognised as a ground breaking achievement within government and industry circles. In 2004 Community Power received a commendation in the Local Greenhouse Action category of the Australian Government's National Awards for Local Government.

In October 2004 Community Power proceeded with a tender process to select an Energy Supplier to deliver Community Power Energy Plans from 2005-2009. AGL was the preferred tenderer with a product option that met all of Community Power's key objectives and considerable improvements to services.

FINANCE ATTACHMENT

COMMUNITY POWER MEMORANDUM OF UNDERSTANDING

Funding of \$19,987 has been provided in the 2005/06 budget for Community Power.

Funding for future years will be subject to normal budget processes.

Joe Groher
Manager Financial Services

LEGAL ATTACHMENT

COMMUNITY POWER MEMORANDUM OF UNDERSTANDING

Section 3C of the *Local Government Act 1989* (“the Act”) states one of the facilitating objectives of Council is:

(2)(a) *“to promote the social, economic and environmental viability and sustainability of the municipal district”*.

Section 3D provides that the role of Council includes:

(2)(b) *“providing leadership by establishing strategic objectives and monitoring their achievement”*.

Section 3E sets out one of the functions of Council is:

(1)(b) *“planning for and providing services and facilities for the local community”*;

Section 193(1) of the Act authorises Council to participate in the formation and operation of a corporation, trust, partnership or other body, and to enter into a joint venture arrangement. Section 193(5) states that:

“Before a Council does anything under subsection (1), the Council must have regard to the risks involved and comply with sub-sections (5A) and (5C)”.

Sub-section 5A provides:

“If the Council proposes to exercise any power under sub-section (1), the Council must assess the total investment involved and the total risk exposure”.

The project is outside of the scope of section 193(5C) of the Act as the value of the enterprise is less than 1% of each of the participating Councils’ revenue.

Alison Lyon
Manager Legal & Governance