

Management report to Council

Agenda item 6.4

Energy (Gas) Contract 0638/2206 with Procurement Australasia

Council

Presenter: Michael Tenace, General Manager Finance and Procurement

26 May 2020

Purpose and background

1. The purpose of this report is to give authorisation to execute and commit to Energy (Gas) Supply Agreements through the established panel of retailers, recently tendered through Procurement Australasia.
2. The Energy (Gas) Supply Agreements will be offered for a period of 1, 2 or 3 years, enabling Council to select the most cost effective contract period, commencing 1 July 2020.
3. Council currently utilises Procurement Australasia contracts (with AGL Energy and Origin) for the provision of gas supply to 31 small sites and 1 large site. Gas expenditure for FY 18/19 was \$263,927 (ex GST) and the gas budget for FY19/20 is \$245,902 (ex GST), against current April YTD spend of \$186,683 (ex GST). FY20/21 budget of \$246,000 is subject to Council endorsement on 7 July 2020.
4. The panel of retailers have been selected through public tender and Procurement Australasia evaluation of non-financial and pricing to be awarded accordingly.

Key issues

5. Gas contracts are typically committed volume agreements, which requires provision of volume to the market to ensure that retailers have the capacity to supply in accordance with requirements. Given the nature of committed volume contracts, fixed prices cannot be obtained without volume commitment.
6. The final cost of this gas contract to Council will not be known until the pricing process is complete and has a very limited time period of five days to commit, before the process has to be restarted.
7. If new gas sites are added over the life of the new contract, Council will receive assistance from Procurement Australasia to add these sites under the fixed price cost model.
8. Committing to this process will assist Council in securing a fixed priced agreement, which historically provides better rates compared to standing offer contracts.

Recommendation from management

9. That Council approves and authorises management to execute and commit to the Energy (Gas) Supply Agreements with the successful energy retailer or retailers on the Procurement Australasia Ltd panel, following conclusion of the pricing process, for a multiyear contract (up to three years) at an estimated annual cost in year one of \$246,000.

Attachments:

1. Supporting Attachment (Page 2 of 2)

Supporting Attachment 1

Legal

1. Pursuant to section 186 of the *Local Government Act 1989* (Vic), before a Council enters into a contract for the purchase of goods or services to the value of \$150,000 or more (levels increased by Order in Council dated 7 August 2008), the Council must give public notice of the purpose of the contract and invite tenders from persons wishing to undertake the contract.
2. In this case, Procurement Australasia has carried out a tender process to establish the panel and the Minister for Local Government has provided an exemption from section 186 in such circumstances.

Finance

3. FY19/20 is forecast to be on track to meet budget. FY20/21 budget of \$246,000 is subject to Council endorsement 7 July 2020.

Procurement

4. This recommendation complies with CoM Procurement policy via Procurement Australasia panel contracts

Tender evaluation summary

5. Not applicable as the tender has been run by Procurement Australasia and the panel contract is in place.

Conflict of interest

6. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a direct or indirect interest in relation to the matter of the report.

Health and Safety

7. At this stage it appears that this contract will not involve any works for installation of new gas meter.

Stakeholder consultation

8. External stakeholder consultation undertaken with Procurement Australasia.

Relation to Council policy

9. This recommendation complies with CoM Procurement policy via Procurement Australasia agreements.

Corporate social responsibility

10. CoM's sustainability pillars will be explored with Procurement Australasia and the retailers, with a view to implement and champion VEET (Victoria Energy Efficient Target). The VEET scheme started in 2009 as a market-based approach to encourage energy efficiency in households and workplaces throughout Victoria. The scheme operates through earning Victorian Energy Efficiency certificates when eligible energy efficiency measures are implemented. Every certificate represents one tonne of carbon emissions saved over the lifetime of the measure.

These certificates can then be sold to energy retailers who are required to meet an emission savings target each year. CoM may be able to implement sustainability measure to generate certificates and then sell the certificates to energy retailers.