

Management report to Council

Agenda item 6.6

Operation, Maintenance and Replacement (OMR) Charge Agreement with Jemena for Energy Efficient Public Lighting

Council

Presenter: Jenny Bailey, Manager Engineering Services

26 June 2018

Purpose and background

1. The purpose of this report is to seek Council approval to enter into an agreement with Jemena Electricity Networks (Victoria) Ltd (Jemena) for the charges associated with the operation, maintenance and replacement (OMR) of energy efficient public lighting on Jemena's network within the City of Melbourne.
2. In August 2016, Council approved a \$30M loan from the Clean Energy Finance Corporation (CEFC) for various clean energy initiatives. The loan included \$15.1M for upgrading the remaining 10,589 CitiPower and 542 Jemena owned standard and nonstandard public lights located within the municipality
3. The upgrade includes installation of smart photoelectric cells on every new LED light.

Key issues

4. Without an OMR agreement with Jemena, regulated OMR tariff rates approved by the Australian Energy Regulator (AER) are used. The current regulated rates are based on the existing old technology lights.
5. The AER is expected to review the charges for energy efficient LED lighting by the end of 2020.
6. Jemena has agreed to install the energy efficient lighting at agreed tariff rates proposed by the agreement. These rates will apply until such time as an AER approved OMR charges become available and are more favourable to Council than the current regulated rates.
7. Jemena is in the process of installing new energy efficient lighting on Jemena's network and the upgrade works are scheduled to be completed by the end of June 2018. The upgraded works are funded by the Council through the loan from the CEFC.
8. The total cost of OMR charges for 518 lights covered under this agreement will be around \$27,800 per year. This represents a savings of \$20,000 per annum on the current tariff.

Recommendation from management

9. That Council enters into an agreement with Jemena Electricity Networks (Victoria) Ltd for the charges associated with the operation, maintenance and replacement of energy efficient public lighting in the City of Melbourne, at an estimated first year cost of \$27,800.

Attachment:

1. Supporting Attachment

Supporting Attachment

Legal

1. As signing the OMR agreement will incur an obligation to expend monies beyond the approved 2017–18 Council budget, a resolution of the Council is required to authorise the expenditure.

Finance

2. The total cost of OMR charges for 518 lights covered under this agreement will be around \$27,800 per year. This represents a savings of \$20,000 per annum on the current tariff. The agreement is expected to be in place for up to three years, bringing the total financial commitment to approximately \$85,000 allowing for CPI adjustments. This expenditure can be accommodated within the annual operating budget for public lighting power and OMR charges of \$1,375,000. The draft 2018-19 budget has allowed \$1,100,000 for Public Lighting and OMR charges.

Conflict of interest

3. 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.

Relation to Council policy

4. The recommendation is consistent with Council's sustainability policies and in particular, the 'Emissions Reduction Plan for Council Operations' approved by the Future Melbourne Committee on 16 August 2016.

Corporate social responsibility

5. This initiative supports the installation of energy efficient lighting, which reduces Council's carbon emissions and ongoing costs of power supply and operational charges.