



**EXTRAORDINARY MEETING OF COUNCIL
TO BE HELD ON THURSDAY, 11 FEBRUARY 2010 AT 5.00PM
LEVEL 3, COUNCIL CHAMBERS**

A G E N D A

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NOTE: For Full Details, See Council's Website –
www.kmc.nsw.gov.au under the link to business papers

APOLOGIES

DECLARATIONS OF INTEREST

DOCUMENTS CIRCULATED TO COUNCILLORS

GENERAL BUSINESS

**GB.1 Tender, Electricity Supply, Large Use Sites and Street Lighting,
Acceptance of SSROC Group Tender**

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File: S06401

The purpose of this report is to seek Council's acceptance of the tender for the supply of electricity to large use sites and street lighting as part of the SSROC group tender and authorise completion of contract documents by the General Manager.

Recommendation:

That Council accepts the proposal from electricity supplied by Momentum Energy Pty Ltd as recommended by the SSROC tender evaluation.

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TENDER, ELECTRICITY SUPPLY, LARGE USE SITES AND STREET LIGHTING, ACCEPTANCE OF SSROC GROUP TENDER

EXECUTIVE SUMMARY

PURPOSE OF REPORT:

The purpose of this report is to seek Council's acceptance of the tender for the supply of electricity to large use sites and street lighting as part of the SSROC group tender and authorise completion of contract documents by the General Manager.

BACKGROUND:

On 13 October 2009, Council resolved to join with the group tender facilitated by SSROC for electricity supply to large use sites and street lighting. On 2 February 2010, Council considered a report on the timing of acceptance of tenders and letters of acceptance are required to be sent to the successful supplier on 12 February 2010 to take advantage of cost savings for Council.

COMMENTS:

SSROC is facilitating the tender process and evaluation. In order to obtain the best prices, the time between close of tender and acceptance letters has to be minimised. Tenders closed on 5 February 2010 and the recommendation by the SSROC Tender evaluation is to accept the proposal from Momentum Energy Pty Ltd. As negotiations finalise on 10 February, there may be further details circulated at the extraordinary meeting.

RECOMMENDATION:

That Council accepts the proposal from electricity supplied by Momentum Energy Pty Ltd as recommended by the SSROC tender evaluation.

PURPOSE OF REPORT

The purpose of this report is to seek Council's acceptance of the tender for the supply of electricity to large use sites and street lighting as part of the SSROC group tender and authorise completion of contract documents by the General Manager.

BACKGROUND

Council has been part of the State Contracts Control Board 777 Contract for retail supply of electricity from 30 June 2006 to 30 June 2009 with the 12 month extension expiring on 30 June 2010.

At an Ordinary meeting on 13 October 2009, the Council considered a report covering options for tendering for supply of electricity to large use sites, including street lighting for the period commencing 01 July 2010. Council resolved to join the group tender being facilitated by the Southern Sydney Regional Organisation of Councils (SSROC) for the supply of electricity for street lighting.

On 2 February 2010, Council considered a report advising about the timing of the assessment of the tenders by SSROC. Critical timing concerned the close of tenders on 5 February 2010, and the negotiations finalising on 10 February, with letters of acceptance required to be sent to the successful supplier before 11 am on 12 February 2010 to take advantage of significant cost savings. Given acceptance of tenders is required by Council with an Ordinary meeting occurring well after 12 February, Council resolved to hold an extraordinary meeting on 11 February 2010.

COMMENTS

The tender was undertaken by the SSROC, on behalf of Ku-ring-gai Council as one of the 17 participating member councils, for the supply of electricity for large sites, street lighting and green power. SSROC has taken to market, 91 accounts with a current total annual expenditure of \$8.3million. These sites are currently on contracts expiring on 30 June 2010 except for 8 sites for one council that will roll-in to the agreement 1 July 2011.

Ku-ring-gai Council is one of the participating Councils.

The decision to aggregate the purchasing was based on the assumption that additional savings would be available than if Councils undertook the exercise individually. This has proved to be correct as evidenced by the additional savings of 16.3% achieved beyond the NSW Government Contract across all accounts in the tender process. This is the result of facilitating increased competition (only 1 supplier opted to bid for the NSW Contract).

To ensure a competitive contract would be secured, the following process was undertaken:

- Recent detailed billing information was obtained from EnergyAustralia (current supplier);
- Half-hourly data for all accounts was collected.
- An "Advance Notification" was forwarded to all active retailers to gauge interest and allow retailers to prepare for the tender;

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- A detailed Request for Tender (RFT) document was prepared and forwarded to all NSW licensed retailers.
- A detailed evaluation was undertaken with 2 independent external specialists and 2 SSROC senior staff.

Large Use sites are those using more than 160MWh pa, and represent about 2% of Ku-ring-gai Council's budgeted expenditure, comprising 1.5% in street lighting and 0.5% at other large use sites. Joining a group tender facilitated by SSROC, including use of energy consultants is considered the effective way to obtain best value for Council for the supply of electricity for a period up to 3 years from 01 July 2010.

The Table summarising the tender outcome for Ku-ring-gai council is in **Attachment A**.

The Detailed Tender Evaluation report by SSROC is attached as **Attachment B** with analysis assumptions. The rates for Green energy are included for completeness. To date Council has been able to obtain greater returns by investing in energy efficiency than paying for Green energy.

SSROC Group General Manager has advised that all Councils need to accept the tenders before 12 February 2010 otherwise there could be financial penalties due the volatile nature of the electricity supply market.

CONSULTATION

Council has consulted with the Program Manager for the Street Lighting Improvement Program, which is co-ordinated by SSROC.

FINANCIAL CONSIDERATIONS

In terms of the Large Sites and Street Lighting Category, Momentum Energy Pty Ltd is providing the most competitive overall benefit to Council, by providing a total potential cost decrease of \$255,505 (15.9%) over three years than compared with costs associated with EnergyAustralia for these categories.

CONSULTATION WITH OTHER COUNCIL DEPARTMENTS

Consultation with other Council Departments was undertaken during preparation of the report considered by Council on 13 October 2009. As this report covers the acceptance of the tenders further consultation was not required.

SUMMARY

Supply of electricity for large sites and street lighting are currently on State Contracts Control Board 777 Contract expiring on 30 June 2010.

A tender, for the supply of electricity for large sites, street lighting and green power was therefore undertaken by the SSROC, on behalf of Ku-ring-gai Council as one of the 17 participating member

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councils. The contract is for a period up to 3 years from 01 July 2010. Tenders close on 5 February 2010, and negotiations finalise on 10 February, with letters of acceptance required to be sent to the successful supplier before 11 am on 12 February 2010 to take advantage of significant cost savings.

For Large Sites and Street Lighting Categories, Momentum Energy Pty Ltd provides the most competitive overall benefit to Council, with a total potential cost decrease of \$255,505 over three years than compared with costs associated with EnergyAustralia through the tender process.

It is therefore recommended that Council accept the proposal from Momentum Energy Pty Ltd

RECOMMENDATION

- A. That Council accepts the tender for the Provision of Electricity for large sites, street lighting and green power from Momentum Energy Pty Ltd as preferred suppliers to Council for three (3) years, in accordance with necessary contractual arrangements.
- B. That Council authorises the General Manager to;
 - i. Sign a Letter of Acceptance for the contracts and for it to be issued no later than the 12 February 2010
 - ii. Sign contracts and all documents pertaining to this decision to ensure finalisation of all documentation by 26 February 2010.

Jim Turner
Team Leader Design & Projects

Ian Taylor
Acting Director Operations

Attachments: **A. Summary of Tender Evaluation - Confidential**
 B. Detailed Tender Evaluation Report from SSROC - Confidential