

LATE ADDENDUM REPORT

REPORTS FROM THE DIRECTOR ENGINEERING

a24 [E-CM] RFO2016078 Supply Electricity for Large Sites from 1 July 2017

SUBMITTED BY: Infrastructure Delivery

Valid



Civic Leadership

LINKAGE TO INTEGRATED PLANNING AND REPORTING FRAMEWORK:

- 1 Civic Leadership
 - 1.3 Delivering the objectives of this plan
 - 1.3.2 Council will seek the best value in delivering services
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SUMMARY OF REPORT:

Request for Offer RFO2016078 was called to ensure continued electricity supply to Councils large site infrastructure after the completion of contract EC2014-036 Supply Electricity Large Sites 01-07-2014 to 30-06-2017.

The offer was advertised as per the requirements of the Local Government Regulation 2005 and closed at 4:00pm NSW Local Time on 10 May 2017.

Bidders that submitted an offer on 10 May 2017 were then included in a selective tenderer process to submit pricing component of their offer on Monday 15 May 2017. These offers are only valid for 5 business days allowing just enough time to report to Council and allow a Council decision on Thursday 18 May 2017 and subsequent signing of Contract by the General Manager on 19 May 2017.

The evaluation of the offers against the Selection Criteria is contained in the Offer Evaluation Report included in **CONFIDENTIAL ATTACHMENTS 1 and 2**. The recommendations are based on the evaluation.

RECOMMENDATION:

That:

1. Council awards the contract RFO2016078 Supply Electricity for Large Sites from 1 July 2017 to Momentum Energy Pty Ltd for a 3 year contract period commencing on 1 July 2017 (or the first meter read after that date) and finishing on 30 June 2020 (or the next meter read after that date) as per the Contract for
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the Sale of Electricity between Momentum Energy Pty Ltd ABN 42 100 569 159 and TWEED SHIRE COUNCIL ABN 90 178 732 496 dated 15/05/17.

- 2. Council delegates the General Manager to sign the Contract Acceptance before close of business on Friday 19 May 2017 and the subsequent Retail Electricity Supply Agreement with Momentum Energy Pty Ltd.**
- 3. ATTACHMENTS 1 and 2 are CONFIDENTIAL in accordance with Section 10A(2) of the Local Government Act 1993, because it contains:-**
 - (c) information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.**

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REPORT:

Offer Background

Offer RFO2016078 was called to engage a suitably qualified and experienced service provider to supply electricity for Council Large Sites. This proposed Contract for supply of Retail Electricity to Councils Large Sites will commence 01/07/2017 and cover a period of up to 3 years (until 30/06/2020). It will follow on from the existing electricity supply agreement EC2014-036 (with Momentum Energy) expiring 30/06/2017.

Offer Advertising

Offer RFO2016078 was officially invited in accordance with the provisions of the Local Government Act 1993 and the NSW Local Government (General) Regulation 2005.

The Offer was advertised on 28 February 2017 in The Sydney Morning Herald. The Offer was also advertised in The Brisbane Courier Mail, Gold Coast Bulletin and the Tweed Link.

Notices to Bidders

Two (2) Notice to Bidders were issued:

- Notice to Bidders 01 was issued on 29 March 2017 to provide 30 minute interval data for TSC power usage between 1 Jan 2016 and 31 Dec 2016. A 22mb data file was attached.
- Notice to Bidders 02 was issued on 1 May 2017 to notify bidders of a two stage tender process to allow bidders to submit their Terms and Conditions of Offer and all Return Schedules **except Schedule 3** before 4:00PM NSW Local Time Wednesday **10 May 2017** (this part of offer must be valid for 10 calendar days). And then bidders that submit an offer for RFO2016078 will then be able to access a second tender RFO2016078B. **Schedule 3 and all other pricing info** to be submitted before 4:00PM NSW Local Time Monday 15 May 2017 (this part of offer must be valid for 4 calendar days i.e. Until 4PM Friday 19 May 2017).

Offer Evaluation Panel

Council's Offer Evaluation Panel was made up as follows: Contract Engineer, Essential Services Officer, Finance Officer – Water Unit, Internal Auditor (Probity Officer)

Offer Submissions

As per the requirements of the Local Government Regulation 2005, Offer submissions closed at 4:00PM (local time) on Wednesday 10 May 2017 in the Tender Box located in the foyer of the Tweed Shire Council Civic and Cultural Centre, Murwillumbah NSW 2484. Offer submissions were recorded at the Tender Box opening and their details are as follows:

Bidder	ABN	Offered Amount (incl GST)
Energy Australia Pty Ltd	99 086 014 968	Non Price Offer
Origin Energy	22 078 868 425	Non Price Offer
Momentum Energy Pty Ltd	42 100 569 159	Non Price Offer
Tango Energy Pty Ltd	43 155 908 839	Non Price Offer

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Late and/or Non-Conforming Offers

Since the close of tender there have been a number of submissions received via email and the details are as follows:

Tenderer	ABN	Offered Amount (incl GST)
ERM Business Energy	87 126 175 460	Non Price Offer
Simply Energy	Not Provided	Non Price Offer

Post Offer Correspondence

As per the details of Notice to Bidder 02 issued on 1 May 2017, the conforming bidders were then required to furnish a second submission for the pricing component before 4:00PM (local time) on Monday 15 May 2017. Pricing offered was required to be valid for at least 4 business days to allow Council to determine the issue at the scheduled Council Meeting of 18 May 2017.

Price submissions were recorded at the Tender Box opening of Monday 15 May and their details are as follows:

Offerer	ABN	Offered Amount (incl GST)
Energy Australia Pty Ltd	99 086 014 968	Schedule of Rates
Origin Energy	22 078 868 425	Schedule of Rates
Momentum Energy Pty Ltd	42 100 569 159	Schedule of Rates

Tango Energy Pty Ltd provided email notification at 2:40pm 15 May 2017 advising that the company was no longer in a position to price the offer. This rendered their original offer incomplete/non-conforming and Tango Energy was not included in any further assessment.

Evaluation Process

The 3 conforming bids as of 4pm 15 May 2017 were evaluated as per the Offer Evaluation Plan dated 1 May 2017.

To compare offer pricing as equally as possible, bidders rates and Councils historical consumption figures were used to calculate an indicative 3 year contract pricing. The total estimated value is only the contestable component of electricity costs. The other part of electricity costs are made up of Network and Government charges which are reviewed by IPART annually and are passed through at cost by the retailer.

Full details of the price and non-price evaluation scoring are shown on the attached Offer Evaluation Spreadsheet.

Electricity Pricing Discussion

Electricity rates offered for RFO2016078 from all conforming bidders are significantly higher than the current agreement EC2014036 that was entered into on 04 April 2014. The energy charges, which represent around a quarter of the invoice total, have increased by the following percentage:

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Type	% change
Peak	325%
Shoulder	325%
Off Peak	294%

There has been significant pressure on the Australian Electricity market over recent months caused by a number of significant Industry events. Examples are the recent close down of Hazlewood Power Plant and the run of extreme hot weather experienced in the southern states during last Summer causing Spot Electricity pricing to rise.

Offer Evaluation Summary

Details of the comparisons are shown on the attached Tender Evaluation Report which is CONFIDENTIAL in accordance with Section 10A(2)(c) of the Local Government Act, 1993, because it contains commercial information in relation to the tenders, the disclosure of which would be likely to prejudice the commercial position of the tenderers if it was provided. The information identifies the tenderer in relation to the tender price and the evaluation of the products offered by the tenderer. If disclosed, the information would be likely to prejudice the commercial position of the tenderer in terms of market competitiveness by giving their competitors an advantage. Accordingly, disclosure of the information is not in the public interest.

Recommendations

It is recommended that Council awards Contract RFO2016078 Supply of Retail Electricity (Large Sites) to Momentum Energy Pty Ltd for a 3 year contract period commencing on 1 July 2017 (or the first meter read after that date) and finishing on 30 June 2020 (or the next meter read after that date) as per the Contract for the Sale of Electricity between Momentum Energy Pty Ltd ABN 42 100 569 159 and TWEED SHIRE COUNCIL ABN 90 178 732 496 dated 15/05/17.

And that Council delegates the General Manager to sign the Contract Acceptance before close of business on Friday 19 May 2017 and the subsequent Retail Electricity Supply Agreement with Momentum Energy Pty Ltd.

OPTIONS:

That Council:

1. Awards the contract RFO2016078 to Momentum Energy Pty Ltd ABN 42 100 569 159 as per the Contract for the Sale of Electricity between Momentum Energy Pty Ltd ABN 42 100 569 159 and TWEED SHIRE COUNCIL ABN 90 178 732 496 dated 15/05/17.
2. Awards the Contract to a different Bidder, including reasons for this course of action.
3. Declines to accept any of the Offers, including reasons for this course of action.

CONCLUSION:

It is recommended that Council awards Contract RFO2016078 Supply of Electricity for Large Sites from 1 July 2017 to Momentum Energy Pty Ltd for a 3 year contract period

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commencing on 1 July 2017 (or the first meter read after that date) and finishing on 30 June 2020 (or the next meter read after that date) as per the Contract for the Sale of Electricity between Momentum Energy Pty Ltd ABN 42 100 569 159 and TWEED SHIRE COUNCIL ABN 90 178 732 496 dated 15/05/17

COUNCIL IMPLICATIONS:

a. Policy:

Procurement Policy v1.6

The Offer invitation and evaluation have been conducted in accordance with the provisions of:

- The Local Government Act 1993 and the NSW Local Government (General) Regulation 2005
- Council's Procurement Policy.

b. Budget/Long Term Financial Plan:

Electricity is an operational charge that is covered in the allocation for each operational site that individual Council Divisions are responsible for.

The proposed energy charge rates commencing 1 July 2017 are significantly higher than the current supply agreements under EC2014036 and EC2014037. From a cost perspective, the increase in electricity charges is estimated to result in additional expenditure in excess of \$1.5 million per annum. The 2017-18 budget includes sufficient allocations to absorb this increase. There is a risk that the electricity charges may exceed their allocated budgets as there were some restrictions with the analysis, as noted below:

- Analysis is based on a one month sample period.
- The actual versus budget figure was prepared based on data at mid-February 2017.
- Expenditure was apportioned based on the sample period analysis.
- Estimated network charges, demand charges, other industry charges and unmetered street lighting charges are based on historical data.
- Due to conditions related to the energy market, pricing information was only received at 4pm on 15 May 2017. This restricted the available time to perform analysis.

The energy charges component of Council's large site electricity cost will decrease over the term of the recommended offer. This decrease will result in some savings. As per the offer:

- In year two, energy charges will decrease 19% from the year one peak rate and 21% from the year one off peak and shoulder rates.
- In year three, the energy charges will decrease 30% from the year one peak rate and 26% from the year one off peak and shoulder rates.

The decreases in the energy charge rate in years two and three may be offset by rises in other charges.

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c. Legal:

Not Applicable.

d. Communication/Engagement:

Inform - We will keep you informed.

UNDER SEPARATE COVER/FURTHER INFORMATION:

(Confidential) Attachment 1. RFO2016078 - Offer Evaluation Report (ECM 4533501)

(Confidential) Attachment 2. RFO2016078 - Offer Evaluation Scoring Sheet
(ECM4534345)

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