

Late Addendum Report

REPORTS FROM THE DIRECTOR ENGINEERING AND OPERATIONS

a45 [EO-CM] EC2011-005 and EC2013-001 Supply of Retail Electricity - Street Lighting

SUBMITTED BY: Contracts



Supporting Community Life

SUMMARY OF REPORT:

Tender EC2013-001 Supply of Retail Electricity (Street Lighting) was invited by open tender in accordance with the requirements of the Local Government (General) Regulations 2005. The Tender was advertised on 5 March 2013 in the Sydney Morning Herald and closed in the Tender Box at 4:00pm NSW Local Time on Wednesday 10 April 2013.

The reason for calling this tender is that Council's existing Contract EC2009-155 Supply of Electricity to Streetlighting Network is due to expire on 30 June 2013.

Unfortunately no tenders were received at the advertised tender closing time.

However, there is an opportunity for Council to enter a bulk purchasing electricity supply contract (State Contract 777 – for Large Sites and Streetlighting) which was prepared by NSW Procurement (a NSW State Government Department) in 2011.

State Contract 777 (awarded to Energy Australia) has been pre negotiated by NSW Procurement and is in place until 30 June 2014. The rates and benefits of utilising the State Contract 777 until 30 June 2014 are detailed in this report.

RECOMMENDATION:

That:

1. **As no tenders were received for EC2013-001, Council enter the NSW State Contract 777 (awarded to Energy Australia) commencing on 1 July 2013 and finishing on 30 June 2014 as the best value alternative option available.**
2. **Council delegates the Acting General Manager to sign the State Contract 777 Retail Electricity Supply Agreement before 30 June 2013.**

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3. **The ATTACHMENTS are CONFIDENTIAL in accordance with Section 10A(2)(c) or 10A(2)(d) of the Local Government Act 1993, because it contains commercial information of a confidential nature that would, if disclosed:-**
- (c) information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business**
 - (d) commercial information of a confidential nature that would, if disclosed:**
 - (i) prejudice the commercial position of the person who supplied it, or**
 - (ii) confer a commercial advantage on a competitor of the council, or**
 - (iii) reveal a trade secret**

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REPORT:

Background

Council's existing Retail Electricity Supply Contracts are:

EC2011-005 Supply of Retail Electricity to Non Contestable Sites

Small Sites or sites that consume less than 160MWh per year. This contract was created through the Local Government Procurement electricity supply contract which expires on 30 June 2014 (or the first meter read after that date). There are approximately 350 small sites operated by Council within the Shire.

EC2011-006 Supply of Retail Electricity to Contestable Sites

Large Sites or those consuming more than 160MWh per year. This contract was created through an open market tendering process conducted in house and will expire on 30 June 2016 (or the first meter read after that date). There are 22 large sites operated by Council within the Shire.

EC2009-155 Supply of Electricity to Streetlighting Network

Council's unmetered streetlighting network. Awarded as per the Council Recommendation on 16 March 2010. An open market tender was conducted in house and in accordance with the requirements of the Local Government (General) Regulations 2005. The contract expires on 30 June 2013 (or the first meter read after that date).

Street Lighting Electricity

The street lighting electricity supply is unmetered and electricity consumption charges are calculated based on the latest street light bulb inventory and a standard set of operational hours per day. The most recent street light bulb inventory as maintained by Essential Energy was included in the Tender Documents.

Council also pays a Streetlight Use of System (SLUOS) Tariff direct to Essential Energy which is separate from any electricity supply contract arrangements. This tariff covers all costs associated with operational and maintenance costs for bulbs and power poles.

New Tender

Tender EC2013-001 Supply of Retail Electricity (Street Lighting) was invited by open tender in accordance with the requirements of the Local Government (General) Regulations 2005. The tender closed in the Tender Box at 4:00pm NSW Local Time on Wednesday 10 April 2013. The tender was prepared to replace Contract EC2009-155 which is due to expire on 30 June 2013.

Tender Submissions

Unfortunately, there were no submissions received at the advertised tender opening time.

Other Contract Options

Council has the alternative option to add the unmetered Street Lighting account into the State Contract 777 (previously prepared by NSW Procurement). However, this contract has an expiry date of 30 June 2014 so this option will only provide Council contract coverage for 12 months.

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Evaluation of Rates

The Evaluation/comparison of the State Contract 777 rates against previous Council contracts is included in **ATTACHMENT 1** which is **CONFIDENTIAL**

Evaluation Summary

It should be noted that this assessment only considers the Consumption Charges of electricity supply costs.

Based on comparisons in the Tender Evaluation (Attachment 1), it is evident that the State Contract 777 rates are competitive when compared against previous supply contracts for Council.

Council's estimate for annual consumption charges under State Contract 777 is \$109,383.92 incl GST for the 2013/2014 financial year. This estimate is based on historical usage and the current street light bulb inventory. The estimate shows an additional \$5,000 incl GST (or 5%) increase on costs for the 2012/2013 financial year (assuming usage profile and inventory does not change).

Other components of standard electricity bills include Network Charges, Market Charges and Government Charges. These ancillary charges are fixed annually by the Independent Pricing & Regulation Tribunal (IPART) and Government. Ancillary charges include Carbon Charge, other Environmental levies and charges, National Electricity Metering charges and the customer has no negotiation power over these rates.

Tender Recommendation

It is recommended that:

1. As no tenders were received for EC2013-001, Council enter the NSW State Contract 777 (awarded to Energy Australia) commencing on 1 July 2013 and finishing on 30 June 2014 as the best value alternative option available.
2. Council delegates the Acting General Manager to sign the State Contract 777 Retail Electricity Supply Agreement before 30 June 2013.
3. **The ATTACHMENTS** are **CONFIDENTIAL** in accordance with Section 10A(2)(c) or 10A(2)(d) of the Local Government Act 1993, because it contains commercial information of a confidential nature that would, if disclosed:-
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COUNCIL IMPLICATIONS:

a. Policy:

Procurement Version 1.4.

b. Budget/Long Term Financial Plan:

Funding for subsequent Contract EC2013-001 - Supply of Retail Electricity (Street Lighting) is provided from within the 2013/2014 Traffic and Streetlighting Budget managed within the Engineering and Operations Division.

c. Legal:

This tender process is in accordance with Section 55 of the Local Government Act 1993, Part 7 (Tendering) of the NSW Local Government (General) Regulation 2005 and Council's Procurement Policy. It is considered that the tendering process has adequately addressed the five fundamentals of probity:

- Best value for money
- Impartiality
- Dealing with conflicts of interest
- Accountability and transparency
- Confidentiality

d. Communication/Engagement:

Not Applicable.

LINKAGE TO INTEGRATED PLANNING AND REPORTING FRAMEWORK:

- 1 Civic Leadership
- 1.3 Delivering the objectives of this plan

UNDER SEPARATE COVER/FURTHER INFORMATION:

- (Confidential)* Attachment
1. Supply of Retail Electricity to Street Lighting - Historical Pricing (ECM 66328986).
 2. Energy Australia - Retail Electricity Supply Agreement (ECM 66363176).
 3. Energy Australia - Schedule - Retail Electricity Contract - Tweed Shire Council May 2011 (ECM 66363179).
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