

4.1 SUPPLY OF ELECTRICITY FOR COUNCIL'S MAJOR BUILDINGS

(KH:CF2008184)

Responsible Director: Peter Aumann

RECOMMENDATION*That Council:*

1. *Endorses the acceptance by the Chief Executive Officer of the tender for the Supply of Electricity for Monash Council's Major Buildings, submitted by IPower Pty Ltd and IPower 2 Pty Ltd, trading as Simply Energy for the period 1 July 2008 to 30 June 2011. The estimated total cost of the contract is \$ 1.00million per annum, (exclusive of GST).*
2. *Authorises the Chief Executive Officer to execute the agreement with the supplier.*
3. *Signs and seals the Contract Agreement.*

INTRODUCTION

This report seeks Council's acceptance of schedule of rates contract for the supply of electricity to Council's major buildings. The contract is for a three-year term.

BACKGROUND

Council currently has twelve sites under contract for the supply of electricity. These sites are the Council's largest users of electricity consuming approximately 70% of Council's electricity, excluding the street lights. Eleven of the sites are with Origin Energy Pty Ltd and there is a separate contract with Simply Energy for the Oakleigh Recreation Centre. The Origin Energy Pty Ltd contracts conclude on 30 June 2008 and the Simply Energy contract has an end date on 30 September 2008. These twelve plus the Bogong Av Deck Carpark were combined to be tendered in this one contract.

The tender was a "group" tender facilitated by Geelong Council. The six other Councils in the group were Cities of Greater Geelong, Manningham, Kingston, and Shires of Mornington Peninsula, Nillumbik, and South Gippsland. Each tender is to be evaluated separately by each Council with each Council accepting and signing its own contract with their tenderer of choice.

The tender included options for the electricity from sustainable sources, or "green power". This type of energy typically comes from hydro schemes, wind power and landfill sites. As Green Power is a premium to 'Black' energy, it can be purchased at any time.

DISCUSSION

Tenders closed on Wednesday, 30 April 2008 and three tenders were received from:

1. Origin Energy Pty Ltd.
2. IPower Pty Ltd and IPower 2 Pty Ltd, trading as Simply Energy.
3. COzero Pty Ltd.

The tenders were evaluated on the following criteria:

- Price;
- Changeover Process;
- Relevant Experience;
- Customer Service;
- Capacity to provide “Green” power
- Management Systems;
- Other Services.

Tender submissions were evaluated in accordance with Council’s tendering policies and procedures using the point score method.

The overall tender estimates ranged from \$1.00million to \$1.17 million.

The tender panel was Kim Hanisch, Manager Infrastructure Strategy and Craig Marschall, external technical advisor.

The thirteen sites are – Civic Centre, Monash Gardens Nursing Home/Hostel, Elizabeth Gardens Nursing Home/Hostel, Clarinda Hostel, Monash Gallery of Art/Wheelers Hill Library, Oakleigh Library, Mount Waverley Library, Works Administration Centre (2 separate meters), Monash Aquatic and Recreation Centre, Clayton Community Centre, Oakleigh Recreation Centre and Bogong Deck car park.

For the thirteen sites, each tenderer submitted a peak and off-peak rate and these have been separately circulated to Councillors. For these sites the offer by IPower Pty Ltd and IPower 2 Pty Ltd offers the lowest cost to Council. The rates obtained are approximately 50% higher than the current rates, which equates to an overall power cost increase of 25% when the regulated charges are taken into account.

Green power is able to be purchased from any supplier, but is in addition to the purchase of the ‘black’ power. The lowest tender for the supply of green power was received from COzero.

All tenderers offered to provide other services such as tailored reporting, energy management and similar services.

FINANCIAL IMPLICATIONS

The rates achieved in this tender are expected to deliver a cost to Council of \$1.0m per annum. The total annual cost is in line with the 2008/09 budget estimate and this has been achieved through a combination of the energy saving initiatives and the climatic conditions that had been experienced in the last few years.

The rates vary for each year of the contract over the three years. Those from IPower Pty Ltd and IPower 2 Pty Ltd, are around 50% higher than the current contract rates.

The purchase of green power would increase the expenditure above the current level, for example if 10% green power was purchased, this would add approximately \$90,000 to the estimated expenditure.

IMPLEMENTATION

The tender acceptance of the lowest tenderer was required by 8 May 2008 and verbal agreement of Councillors was obtained for the Chief Executive Officer to accept the tender on behalf of Council, as a Council meeting would not be convened prior to the expiration of the tender acceptance period.

Implementation will commence on 1 July 2008, except for the Oakleigh Recreation Centre which shall commence on 1 October 2008. As Green Power is a premium to 'black' energy, it can be purchased at any time. Prior to the purchase of any "green" energy, Council will need to be satisfied that this energy is coming from sustainable sources.

CONCLUSION

The submission from IPower Pty Ltd and IPower 2 Pty Ltd is considered to be the most advantageous to Council.

