

4.1 SUPPLY OF GAS FOR MONASH AQUATIC AND RECREATION CENTRE AND OTHER COUNCIL SITES

(KH:CF2008206)

Responsible Director: Peter Aumann

RECOMMENDATION

1. *That the tender submitted by AGL Sales Pty Ltd for the Supply of Gas for the Monash Aquatic and Recreation Centre for the submitted schedule of rates, for the period from 1 November 2008 until 31 October 2011, be accepted. (Estimated expenditure is \$132,000 per annum, inclusive of GST).*
2. *That the tender submitted by TRUenergy Pty Ltd for the Supply of Gas for the minor Council sites for a 10% discount on the standard natural gas tariffs, for the period from 1 November 2008 until 31 October 2011, be accepted. (Estimated expenditure is \$160,000 per annum, inclusive of GST).*
3. *That the Contract Agreements be signed and sealed.*

INTRODUCTION

This report seeks Council endorsement for the acceptance of a schedule of rates tenders for the supply of gas to Council's facilities. The current contracts conclude on the 31 October 2008.

BACKGROUND

The regulated gas industry is considered in two components - large consumption sites using five terra Joules (TJ) of gas or greater and smaller sites using less than five TJ of gas. For the larger sites, there are two components, one being a contestable part (the subject of this tender) and a non-contestable part, which are costs from the regulator and distributor that are passed through the retailer to the consumer.

The Monash Aquatic and Recreation Centre (MARC) is the only site that consumes above 5 TJ. All other sites are smaller sites and they are supplied from Origin Energy Pty Ltd, TRUenergy Pty Ltd and AGL Pty Ltd.

Tenders were called as a "group" tender, similar to the supply of electricity for the metered sites tender, and was facilitated by City of Greater Geelong. The Councils in the group were Cities of Greater Geelong, Frankston, Kingston, Monash and Mornington Peninsula Shire. The tender is to be evaluated separately by each Council with each accepting and signing its own contract with their tenderer of choice.

The contracts are for a three year term from 1 November 2008 until 31 October 2011.

DISCUSSION

Tenders were advertised on 20 September 2008 and tenders were received from:

1. AGL Sales Pty Ltd, for the larger sites only.
2. TRUenergy Pty Ltd

The tenders were evaluated on the following criteria:

- Price;
- Changeover Process;
- Relevant Experience;
- Customer Service;
- Management Systems;
- Other Services.

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

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

For the MARC site each tenderer submitted a rate and these have been separately circulated to Councillors. For this site, the offer by AGL Sales Pty Ltd was the lowest cost to Council. These rates are subject to CPI increases, which are applied to rates on the 1 January of each year.

There has been a 26% increase in the tendered rates, however the usage at MARC has decreased over the past year due to some operational changes, which allows the expected expenditure to be managed within the current allocated budget.

For the smaller sites, the offer by TRUenergy Pty Ltd, of 10% discount off the published tariffs was the only one received. These rates are only subject to change should the regulated charges, as set by the Essential Services Commission, change and these charges would be passed through to Council. This offer is considered to be favourable for Council.

The offers by AGL Pty Ltd and TRUenergy Pty Ltd on both the larger and smaller sites, were conditional upon payment terms being 14 days from date of issue of the invoice.

FINANCE

For MARC, the contract value is approximately \$120,000, excluding GST, per year, which is within the current operating budget allocation.

The annual contract value for sites using less than 5TJ per annum, is approximately \$145,000, which would provide Council with a \$10,000 per annum saving over the current rates.

CONCLUSION

The tender received from AGL Sales for the larger sites (>5TJ) and the tender received from TRUenergy for the smaller sites (<5TJ) are considered to be the most advantageous to Council and should be accepted.
