

ORDINARY COUNCIL

LATE REPORTS

Thursday 15 February 2024

Ordinary Council Meeting

Thursday, 15 February 2024

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4 Your Natural and Built Environment

What we are trying to achieve

A connected, sustainable, accessible community and environment that is protected now and into the future.

What the result will be

We will have:

- Effective management and maintenance of essential water, waste and sewer infrastructure
- A community that is prepared for natural events and climate change
- Sustainable and environmentally sensitive development outcomes that consider the impact on the natural environment
- Accessible transport network for our communities
- Infrastructure provision and maintenance that meets community expectations and needs
- Well planned communities that are linked to encourage and manage growth
- Accessible and protected waterways, foreshores, beaches and bushlands
- An environment that is protected and conserved for future generations
- Renewable energy options that are understood and accessible by the community

How we will get there

- 4.1 Provide (appropriate) infrastructure and services including water cycle management, waste management, and sewer management
- 4.2 Aim to minimise the impact of natural events and climate change, for example, floods, bushfires and coastal erosion
- 4.3 Facilitate development that is compatible with the natural and built environment
- 4.4 Plan for integrated transport systems that help people get around and link our communities
- 4.5 Plan for integrated and connected communities across the Port Macquarie-Hastings area
- 4.6 Restore and protect natural areas
- 4.7 Provide leadership in the development of renewable energy opportunities
- 4.8 Increase awareness of issues affecting our environment, including the preservation of flora and fauna

Powering Tomorrow: Regional Councils NSW PPA



POWER PURCHASING AGREEMENT OVERVIEW



Supported by



Overview of the *Powering Tomorrow: Regional Councils NSW PPA*

Hunter Joint Organisation (Hunter JO) and Mid North Coast Joint Organisation (MNCJO) are leading a renewable energy Power Purchasing Agreement (PPA) tender process for regional councils across NSW with electricity contracts expiring in 2024.

Five councils have joined the *Powering Tomorrow: Regional Councils NSW PPA* (Regional Councils PPA) buyer's group as of 30 November 2023, with several more planning to join over the coming months. The confirmed councils so far are: Bellingen Shire Council, Dungog Shire Council Maitland City Council, Muswellbrook Shire Council, and Upper Hunter Shire Council.

Specialised advice is essential for delivering a successful PPA. An experienced team of advisors has been selected to support councils during the procurement process, including a technical energy advisor, procurement advisor, probity advisor and legal advisor. The tendering process will comply with the NSW Local Government Act 1993, Local Government (General) Regulation 2021 and procurement regulatory framework, as well as probity principles.

Background: How did we get here?

Hunter JO and MNCJO investigated several existing PPA opportunities on behalf of its member councils. However, the available options were found not to be fit for purpose for regional councils. This is due to either high upfront fees, ongoing trailing commissions, unsuitable governance models that favoured metro councils, or previous unfavourable PPA outcomes.

Hunter JO and MNCJO worked together to find a pathway forward that would meet the needs of its member councils, would be fit for purpose, transparent, and provide long-term value for councils.

The decision was made for Hunter JO and MNCJO to establish and facilitate a buyer's group. The Regional Councils PPA has an affordable upfront fee, no ongoing trailing commission, and a governance model that enables participating councils to steer and shape the outcome.

Why should regional councils collaborate on a PPA?

A PPA is long term agreement between a renewable energy power generator and a consumer/s for the purchase of clean electricity at a stable and predictable price. The long-term nature of the agreement protects organisations against the risk of price fluctuations in the electricity market, providing budget certainty and resilience ([NSW DPE, 2022](#)).

Several of the participating councils have endorsed net zero targets. A PPA is a simple and affordable way for councils to significantly reduce their emissions. Hundreds of councils across Australia are participating in renewable energy PPAs, and this number is increasing every year.

A PPA combines sustainability outcomes and financial risk management. A PPA buyer's group share resources, workload, and up-front consultant fees that can otherwise be a barrier for individual councils. Groups also bring increased scale, leveraging collective buying power for a better deal.

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Stakeholder Roles and Responsibilities

All councils who have been through a PPA journey stress the importance of having experienced advisors as partners. Advisors bring specialist knowledge, help translate complex energy concepts, model financial scenarios, evaluate offers, and provide comfort to executives that work has been reviewed by experts. The Regional Councils PPA consists of the following advisors and stakeholders:

Stakeholder/ Advisor	Role	Key Responsibilities
Procurement Advisor: Regional Procurement	Manage administrative aspects of procurement process, such as the tender process and evaluation process.	<ul style="list-style-type: none"> • Reviewing Draft Tender • Tenderlink advertising • Coordinating responses to Tenderers • Opening and compliance check of Tenders • Referee checking • Facilitation of the Tender evaluation • Tender evaluation report
Technical Energy Advisor: Sourced Energy	Arrange the retail renewable PPA, support throughout the procurement process, technical advice, energy modelling.	<ul style="list-style-type: none"> • Plan procurement process. • Electricity analysis, modelling, and forecasting • Prepare tender documents. Advise on terms, technical and commercial content of tender documents • Evaluate tenders, and support Evaluation Panel in selection • Contract negotiations
Probity advisor: Procure Group	Provide independent objective advice on procurement activities to ensure high standards of honesty, morality and transparency in procurement.	<ul style="list-style-type: none"> • Develop Probity Plan • Review all Request for Tender documentation • Confirm governance, confidentiality and conflict of interest management arrangements • Attend all meetings • Assist in the resolution of probity issues arising • Provide a probity report at conclusion of project
Hunter JO	Facilitator	<ul style="list-style-type: none"> • Project management, coordination, administration, provide advice, communications, and public relations, MOU coordination, and financial management.
MNCJO	Project management	<ul style="list-style-type: none"> • Assist with project management, coordination, administration, provide advice and support at all stages of process.
Participating Councils	Decision makers	<ul style="list-style-type: none"> • Attend meetings, provide data, contribute to tender development, review terms and agreements • Participate in Steering Committee, Procurement Development Team and Procurement Evaluation Panel
Local Government Legal	Legal services	<ul style="list-style-type: none"> • Reviewing and advising each council on agreements • This service is optional. Councils are free to use their in-house legal team or to directly engage an independent legal firm of their choosing.

Note: Sourced Energy was selected as the successful tenderer following a competitive Request for Quotation process. Regional Procurement and Local Government Legal are related entities to Hunter JO.

Governance

The Regional Councils PPA governance model consists of three committees. As part of the Memorandum of Understanding (MOU), participating councils can choose to nominate suitable candidates for each committee.

The three committees are:

1. **Procurement Development Team:** The Procurement Development Team is responsible for developing tender documentation and ensuring compliance of tender processes. The Procurement Development Team consists of a technical energy advisor, procurement advisor, probity advisor, Hunter JO, MNCJO, and representatives from participating councils.
2. **Procurement Evaluation Panel:** The Procurement Evaluation Panel is responsible for assessing tender submissions to the Request for Tender. The Panel consists of nominated officers from participating councils with technical energy expertise. Not every council is required to have representation on the Procurement Evaluation Panel.
3. **Steering Committee:** The Steering Committee is responsible for providing oversight and guidance to the Procurement Evaluation Panel and Procurement Development Team as required, and to approve the tender documents, evaluation plan and the recommendation for acceptance by General Managers of the participating councils. The Steering Committee will consist of nominated Directors and General Managers from the participating councils.

Overview of the Procurement Process

The Regional Councils PPA will:

- Involve a two-stage procurement process allowing councils to fully understand and negotiate terms before final pricing. Each council's General Manager will require delegation to sign the contract for fast execution of contract pricing. A council resolution during an ordinary council meeting will be required to assign this delegation.
- Be flexible with timing to market to capitalise on the best possible time to go to market.
- Enable councils to choose their preferred level of renewable energy to procure, between 1-100%, with the option to increase this over time.
- Ensure councils are free to choose whether to proceed with the PPA outcome. This means that councils are not locked in to accepting the proposed PPA solution.
- Enable councils to play an active role in shaping the PPA, and the procurement process.

The final PPA model and duration will be determined by the Steering Committee based on the tenders received. However, the technical energy advisor has advised that a sleeved PPA model over a duration of 6-10 years may be a suitable, low risk PPA option, based on the profile of this group.

Pricing

Price to participate in the Regional Councils PPA

Councils are required to pay an upfront fee to participate in the buyers group. This fee covers the costs of the technical energy advisor, legal services, procurement services and probity services. It also includes the cost of a financial capacity assessment undertaken on the preferred tenderer. The total fee is payable upon signing of the MOU and is non-refundable.

Hunter JO and MNCJO developed a tiered pricing model based on annual energy consumption to ensure pricing is fair, given the differences in council size, resources, and energy consumption across the group. This pricing model was discussed and confirmed by the initial group of councils.

Unlike other PPA models in the market, there is no trailing commission based on energy consumption in this PPA. This ensures the final price that councils receive is as low as possible.

Annual Electricity Consumption	Price (ex GST)
Less than 1 GWh	\$7,620
Between 1-3 GWh	\$13,980
Between 3-10 GWh	\$15,930
More than 10 GWh	\$22,385

Consultant fees

Some consultants charge a fee per council, and others provide a fee for service regardless of the number of participating councils. The consultant fees are outlined below:

Consultant/Service Provider	Fee per council (ex GST)
Technical energy advisor: Sourced Energy	\$9,000
Local Government Legal (\$315/hour x 5 hours per council) This service is optional. Councils are free to use their in-house legal team or to directly engage an independent legal firm of their choosing.	\$1,575

Consultant/Service Provider	Total Fee (ex GST)
Procurement Advisor: Regional Procurement	\$8,000
Probity Advisor: Procure Group	\$11,756
Financial capacity assessment of the preferred tenderer (Equifax)	\$3,000
Hunter JO and MNCJO	In-kind

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