

# **ATTACHMENT TO AGENDA ITEM**

Ordinary Meeting

16 September 2014

**Agenda Item 6.2      Electricity Supply to Public Lighting**

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**Attachment 2      Greater Shepparton Public Lighting Impact Statement ... 118**

**Attachment 3      Public Lighting Extension Evaluation ..... 119**

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25 May 2011

Julia Cambage  
 Chief Executive Office  
 Strategic Purchasing  
 447 Auburn Road  
 HAWTHORN EAST VIC 3123

Dear Julia

**1407/0614 ELECTRICITY SUPPLY TO PUBLIC LIGHTING**

I refer to the tender recommendation for Electricity Supply to Public Lighting in accordance with Procurement Australia's Contract 1407/0614 with a term of three (3) years with two (2) x one (1) year options to extend, commencing 1<sup>st</sup> August 2011.

It is the Great Shepparton City Council's intention to now submit a report based on this recommendation which nominates AGL Sales Pty Ltd under the above mentioned contract. The Greater Shepparton City Council will sign and finalise all sub-agreements with AGL Sales Pty Ltd as soon as possible after having received them, subject to final authorisation from Councillors at the next available council meeting, should this be required.

I acknowledge that I have the necessary authority within my organization to issue this letter of intention.

The contact for my organisation is:

Name: John Gribben  
 Position: Team Leader – Building Maintenance  
 Telephone Number: 5832 9812


Yours sincerely

A handwritten signature in black ink, appearing to read 'P. Harriott'.

**Peter Harriott**  
**GENERAL MANAGER ASSET DEVELOPMENT**

Ref:

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<b>Public Lighting</b>			
<b>City of Greater Shepparton</b>	<b>Current</b>	<b>Year 1: July 2014- June 2015</b>	<b>Year 2: July 2015- June 2016</b>
<b>Peak kwh per Annum</b>	811462.269	811462.269	811462.269
<b>Off Peak kwh per annum</b>	2076782.098	2076782.098	2076782.098
<b>Energy Charges</b>	\$151,392.17	\$157,308.43	\$159,096.84
<b>Network Charges</b>	\$195,493.53	\$195,493.53	\$195,493.53
<b>Renewable Energy Charges</b>	\$48,471.73	\$33,191.09	\$33,191.09
<b>Other Charges</b>	\$19,118.63	\$16,369.23	\$16,960.52
<b>Total Charges (inc GST)</b>	<b>\$455,923.67</b>	<b>\$442,598.51</b>	<b>\$445,216.18</b>
Savings on Contestable components		5.53%	4.45%
Overall Savings		2.92%	2.35%
<b>Note the following:</b>			
Network Charges are not contestable and are charged at pass through rates			
Consumption based on the 2013-14 FY usage			
Other Charges include non contestable charges set by the Australian Energy Market Operator (AEMO) as well as the new Service charge set by AGL. This service charge may appear in a different location on your invoices after the 1st of July 2014			
The Renewable cents per kwh, for SRES and LRETS, are calculated based on the percentages set by the Clean Energy Regulator and a snapshot used to calculate the effect on your organisations spend. This percentage is regulated and is subject to change without notification.			
The Renewable cents per kwh, for the VEET scheme is calculated based on the percentages set by the Essential Services Commission and a snapshot used to calculate the effect on your organisations spend. This percentage is regulated and is subject to change without notification.			
The new services charge from AGL has been included in this statement			



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## Extension of Contract

Contract Number: 1407/0614

Contract Name: Electricity Supply for Public Lighting for All Sites - Victoria

### Background:

In 2011 a Tender was conducted for the Supply of Electricity for Public Lighting- Contract number 1407/0614. AGL Ltd was successful as the sole supplier for this agreement. A Contract was executed for all Victorian sites based on a Fixed Rate as quoted per annum plus a Carbon Price Uplift. All other charges were at pass through rates. The existing contract, in its present form, is due for expiry at the end of July 2014. This contract represented 53 Member organisations, approximately 157 NMLs with an estimated volume of 144,054 MWh per annum throughout the state of Victoria

Procurement Australia would like to thank you for supporting Procurement Australia in the engagement of contract 1407/0614 for the provision of Electricity for Public Lighting

### Strategy

The initial term of the contract for the supply of power for Public Lighting is due to expire on the 31<sup>st</sup> of July 2014. However this agreement with AGL has an option to extend consistent with the original Tender term ( 3 years plus two (2) options of one (1) year each) . In order to validate the most appropriate extension period, Procurement Australia has carried out the following actions:

- 1) Approached the market (all respondents to the original tender) via a formal closed RFQ process for Market testing purposes.
- 2) The RFQ included only the contestable criteria. Omitted were Network Charges, Australian Energy Market Operator (AEMO) Pool Fees and AEMO Ancillary Charges as these are all regulated.
- 3) Evaluated the responses received against current rates

Possible outcomes from this process

- a) The incumbent maintains the business and the contract is extended, with new rates from the 1<sup>st</sup> of August 2014.
- b) The incumbent is identified as uncompetitive in the RFQ Market Testing process necessitating a Tender to be conducted prior to the expiry of the current contract.

### Market Test:

A Request for Quote (RFQ) - was sent out to the Retailers who participated in the original tender for Electricity for Public Lighting conducted in 2011. The documents sent to the participants were as follows:

- RFQ 1407/0614 Market test Public Lighting (main document)
- Schedule 1- Response sheet
- Market Test Data (12 months summary)
- 12 months interval data (upon request)

The Retailers engaged for this test included the incumbent AGL as well as, Origin Energy, Pacific Hydro,

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Simply Energy and TRU Energy (Energy Australia)

Responses were received back from : AGL, Pacific Hydro ,Origin Energy and Simply Energy. TRU Energy chose not to respond to this RFQ. In the remainder of this document, the only Retailer named will be AGL. The other retailers will be referred to as Retailer 2,3 or 4 in no specific order

Clarifications with respect to the responses were sought from the individual retailers and tabulated for reference, risk identification and mitigation.

**Market Test Criteria**

The following selection criteria was utilised to evaluate all supplier submissions in accordance with their significance to the contract requirements. The following listed criteria are not necessarily in order of importance.

<b>Compliance with Specification</b>	<p><i>Including but not limited to:</i></p> <ul style="list-style-type: none"> <li>• Compliance with the product specification;</li> <li>• Compliance with the RFQ submission requirements;</li> <li>• Compliance with the terms and conditions of the RFQ;</li> <li>• Review of the Respondents submitted Terms and Conditions</li> </ul>
<b>Price</b>	<p><i>Including but not limited to:</i></p> <ul style="list-style-type: none"> <li>• Overall Best Value (Carbon Exclusive only)</li> </ul>

**Market Test Result**

Identified Risks

Compliance with Specifications	AGL	Retailer 2	Retailer 3	Retailer 4
General Administration related to providing data upon request	Free of charge	Fee for service	Free of charge	Free of charge
Due to the variable Member sign off structure and timing, is it possible for the Retailer to accept a Letter of Intent so as the submitted Pricing may be locked in?	No Risk Identified			Medium Risk, this retailer would prefer signed individual contracts
Pricing	No Risk Identified			Medium Risk, this retailer would prefer signed individual contracts

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Electricity Supply to Public Lighting – Carbon Exclusive	UOM	Current	01st August 2014- 31st July 2015	01st August 2015- 31st July 2016	01st August 2014- 31st July 2015	01st August 2015- 31st July 2016	01st August 2014- 31st July 2015	01st August 2015- 31st July 2016	01st August 2014- 31st July 2015	01st August 2015- 31st July 2016
			AGL		Retailer 2		Retailer 3		Retailer 4	
Energy, Peak	c/kWh	2.73000	2.83820	2.89240	3.82200	4.00500	3.48100	3.31800	4.10400	4.23000
Energy, Off-Peak	c/kWh	2.73000	2.83820	2.89240	2.64400	2.71500	2.40800	2.62700	2.60600	2.72800

Savings vs Current Pricing	01st August 2014- 31st July 2015	01st August 2015- 31st July 2016	01st August 2014- 31st July 2015	01st August 2015- 31st July 2016	01st August 2014- 31st July 2015	01st August 2015- 31st July 2016	01st August 2014- 31st July 2015	01st August 2015- 31st July 2016
	AGL		Retailer 2		Retailer 3		Retailer 4	
Combined Peak and Off Peak					0.59%			
Renewables	32.44%	28.57%	30.56%	25.45%	31.24%	25.18%	27.42%	20.07%
Total Savings including Service Charges	7.32%	4.66%	4.86%	0.62%	9.28%	4.54%	0.30%	

Ranking	01st August 2014- 31st July 2015	01st August 2015- 31st July 2016	01st August 2014- 31st July 2015	01st August 2015- 31st July 2016	01st August 2014- 31st July 2015	01st August 2015- 31st July 2016	01st August 2014- 31st July 2015	01st August 2015- 31st July 2016
	AGL		Retailer 2		Retailer 3		Retailer 4	
Combined Peak and Off Peak	2	1	3	3	1	2		
Renewables	1	1	3	2	2	3		
Service and Other Charges	2	2	1	1	3	3		
Overall Ranking	2	1	3	3	1	2		

#### Summary:

- AGL ranked number 1 or 2 in all criteria.
- Retailer 3 had the best Combined Peak/Off Peak pricing for year 1
- Retailer 3 presented a high risk as they would not fix the pricing based on a Letter of Intent. This retailer would vary the pricing if individual contracts were not signed by individual members within the quotation validity timeframe. (typically 2-4 days)
- All Retailers allowed +/- 10% on the load variation. This can have a material impact when members add to or vacate sites due to changes in business.
- AGL have provided fixed rates for the extension term

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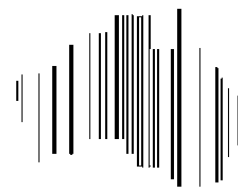
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**Recommendation:**

Through the process conducted, Procurement Australia confirms that it has exercised the contract extension option available with AGL for a period of 24 Months beginning the 1<sup>st</sup> Of August 2014. It is Procurement Australia's recommendation that Members continue to source their Public Lighting requirements via this Contract Extension.

**Important Next Step:**

To ensure your organisation continues to source public lighting energy under the Procurement Australia contract, and thus obtains guaranteed access to AGL's contract extension rates, a Letter of Variation (LOV) to extend the Contract for your organisation will be forwarded to you directly from AGL shortly. Could you please sign this LOV, by the date specified, and return it to AGL as soon as possible thereafter.

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