

7.13 Contract 2022/2 Retail Energy - Gas - Large Sites

Executive Summary

Purpose

This report seeks Council endorsement to engage Shell Energy Retail Pty Ltd (ABN 87 126 175 460) as the Victorian member's energy retailer for gas supply (large markets) under Procurement Australia Contract No. 2506-0641 for a period of two years commencing July 2023.

Background

In June 2021, Council, along with a range of other Council's appointed Procurement Australia as its agent to undertake an open tender process with the intention to enter into Energy Supply Agreements with successful energy retailers. Procurement Australia held a competitive tendering process to establish Energy Supply Agreements with an energy retailer or retailers to service members' requirements in New South Wales, South Australia, Queensland, ACT, Tasmania and Victoria. The term for this agreement is for two years.

While the Agreement is not due to commence until July 2023, at the time Council committed to participating in the public Tender process there was an obligation for Council to enter into an Agreement with the successful entity.

Key Issues

- Procurement Australia undertook an open competitive tender process and robust evaluation of seven entities that submitted proposals.
- Shell Energy were the sole preferred retailer for Victoria after receiving the highest score for the combined non-financial for example compliance, accredited Green Power, flexibility with metering, self-service customer portal - availability and functionality, and financial weighted score.
- Shell Energy offered the most competitive rates for the term of the Agreement.
- Under this Agreement gas supplies will be provided to the following large sites:
 - Ashburton Pool Recreation, Warner Avenue, Ashburton
 - Boroondara Sports Complex, Belmore Road, Balwyn North; and
 - Hawthorn Aquatic & Leisure Centre, Grace Street, Hawthorn

Next Steps

Execute the Agreement with Shell Energy Retail Pty Ltd.

Confidential information is contained in **Attachment 1**, as circulated in the confidential section of the agenda attachments, in accordance with Section 66(2)(a) and the definitions of 'confidential information' in Section 3(1) of the *Local Government Act 2020*. The information relates to:

- a) private commercial information, being information provided by a business, commercial or financial undertaking that -
 - i. relates to trade secrets; or
 - ii. if released, would unreasonably expose the business commercial or financial undertaking to disadvantage;
- b) confidential meeting information, being the records of meetings closed to the public under section 66(2)(a);
- c) Information prescribed by the regulations to be confidential information for the purposes of this definitions.

This item has been included in the public agenda to facilitate transparency and accountability in Council's decision making.

If discussion of the confidential information in the attachments to this report is required in order for Council to make a decision, this item will be deferred to the confidential section of the agenda.

The value of the contract large sites will exceed the current \$500,000 delegation threshold in the Instrument of Delegation from Council to the Chief Executive Officer.

Accordingly, this report seeks Council's authorisation to enter into an individual contractual agreement resulting from the Procurement Australia tender process

Officers' recommendation

That Council resolve to

1. Enter into a multisite Agreement with Shell Energy Retail Pty Ltd (ABN 87 126 175 460) for the provision of gas supply (large market sites) resulting from the Procurement Australia tender for a period of two years at the fixed rates offered in the confidential section of this report.
2. Authorise the Director Places and Spaces to execute the Agreement on behalf of the Council and authorise payments under the contract.
3. Note that expenditure under this contract will at all times be in accordance with Council's adopted budget.

Responsible director: Daniel Freer, Director Places and Spaces

1. Purpose

The purpose of this report is to inform Council of the recent Retail Energy tender undertaken on behalf of Procurement Australia, and seek conferral upon the Director Places and Spaces to enter into a two-year multisite agreement with Shell Energy Retail Pty Ltd (ABN 87 126 175 460) for the provision of gas supply across Council's large market sites located at:

- Ashburton Pool Recreation, Warner Avenue, Ashburton;
- Boroondara Sports Complex, Belmore Road, Balwyn North; and
- Hawthorn Aquatic & Leisure Centre, Grace Street, Hawthorn.

2. Policy implications and relevance to community plan and council plan

This contract supports the continued use of Boroondara's Leisure and Aquatic Facilities. This activity is in accordance with the Boroondara Community Plan priority theme:

- Your Community, Services and Facilities

It is acknowledged that through Council's adopted Climate Action Plan that there is an action with respect to reducing Council's gas use in facilities, with the priority approach to smaller sites.

This procurement process has been carried out in accordance with the requirements of Council's Procurement Policy.

3. Background

Council currently purchases energy for its large sites from AGL Sales Pty Ltd under Procurement Australia 2206/0638 contract (Boroondara Contract No. 2020/54).

The current contract for the supply of gas (large market sites) is for an initial term of three years and is due to expire on 30 June 2023.

Procurement Australia advised participating Council's in May 2021 of their intention to conduct a new tender process for Retail Gas contracts. In June 2021, Council indicated its intention to participate in the new tender process being conduct by Procurement Australia.

4. Outline of key issues/options

This type of collaborative procurement model run by Procurement Australia allows Council to leverage its electricity requirements as part of a much larger aggregated volume. This aggregated volume should result in a better commercial outcome for Council than would otherwise be possible.

Procurement Australia undertook an open competitive tender process and robust evaluation of seven entities that submitted proposals. Shell Energy were the sole preferred retailer for Victoria after receiving the highest score for the combined non-financial for example compliance, accredited Green Power, flexibility with metering, self-service customer portal - availability and functionality, and financial weighted score. Shell Energy offered the most competitive rates for the term of the Agreement.

Under this Agreement gas supplies will be provided to the following large sites:

- Ashburton Pool Recreation, Warner Avenue, Ashburton;
- Boroondara Sports Complex, Belmore Road, Balwyn North; and
- Hawthorn Aquatic & Leisure Centre, Grace Street, Hawthorn

5. Consultation/communication

Council, along with other Council's, appointed Procurement Australia to act as it's agent to run a competitive tendering process, for the retail gas (small and large sites), therefore satisfying the requirements of Section 109 of the *Local Government Act 2020 (Vic)*.

6. Financial and resource implications

Council's approach to securing best value utility prices makes use of a collaborative tender managed by Procurement Australia. This approach is expected to deliver pricing value beyond what Council could secure tendering alone.

As part of the tender evaluation report prepared for Procurement Australia by energy market experts Savy Plus, the report notes that:

- Natural gas prices have been volatile since late 2019
- The LNG forward market continues to climb in line with global shortages

Despite these trends towards volatile and increasing natural gas prices, the tender process has secured fixed prices below Council's existing contract rates. Ignoring the impacts of COVID related closures and using historical natural gas consumption figures, at current contract rates, forshadowed expenditure for natural gas in 21/22 is \$483,222. At the same consumption levels, the proposed contract rates result in forshadowed expenditure of \$441,626 in 23/24 and \$465,873 in 24/25

Contract and year	Current contract price 21/22	New Contract Price 23/24	New Contract Price 24/25
Expenditure based on 44.5 GJ consumption	\$483,222	\$441,626	\$465,873

Due to COVID related closures, actual costs in 21/22 will be lower than the indicative figure provided for comparison.

The sites included in the large market portion of Council's natural gas contract are currently managed by the YMCA as part of our BLAF contract. As part of this contract arrangement, natural gas and other utilities are paid directly by the YMCA.

Council has an additional contract for small market natural gas. With the exception of the BLAF sites, all Council facilities are designated as small market. Pre-pandemic expenditure under that contract was around \$156,000 per annum.

7. Governance issues

The implications of this report have been assessed in accordance with the requirements of the Victorian Charter of Human Rights and Responsibilities.

The officers responsible for this report have no direct or indirect interests requiring disclosure.

This tender process has been carried out in accordance with the requirements of Council's Contracts and Tendering Probity Policy and Council's Procurement Policy.

8. Social and environmental issues

Council operates Leisure and Aquatic Facilities with a broad community benefit derived from the aquatic programs and facilities offered. This includes learn to swim, hydrotherapy, warm water exercise, lap and recreational swimming. These activities rely on the operation of existing gas fired boilers to heat water for use.

It is acknowledged that Council has through the adopted Climate Action Plan to investigate the removal of gas facilities with a priority focus of small sites. This contract will allow for the continuation of service at these facilities.

9. Conclusion

As a result of the procurement process conducted by Procurement Australia, it is recommended that Council enter into a multisite Agreement with Shell Energy Retail Pty Ltd (ABN 87 126 175 460) for the provision of gas supply (large market sites) resulting from the Procurement Australia tender for a period of two years at the fixed rates offered in the confidential section of this report.

**Director &
Report officer:** Daniel Freer, Director Places and Spaces