

## **11 ELECTRICITY AND GAS FIXED PRICE CONTRACT EXTENSION**

FILE REFERENCE INT1969853

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### **RECOMMENDATION**

That Council extend the existing Fixed Price Contracts for large and small scale metered electricity and gas supply with AGL and Origin through Procurement Australia for a cost of \$2.3 per annum for an additional 2 year period.

### **Attachments**

*Nil.*

### **EXECUTIVE SUMMARY**

In June 2018, Cardinia entered into a short term, fixed price energy contract through Procurement Australia. The award of the contract across 114 participating Councils and other private sector organisations went to AGL and Origin Energy.

At the time it was accurately predicted that 2018/19 Cardinia's energy related expenditure would increase in the first year by 26%, but in the second year this increase would reduce by 5%.

The significant increase in year 1 was a result of a number of key factors. Cardinia (along with many other Councils) were coming off a long fixed price contract with AGL, who refused to offer further extensions. The energy industry business and cost structures had significantly changed since the original AGL contract was negotiated and finally, Cardinia's annual consumption growth of 10% all contributed to the significant Year 1 net retail price increase. (Network charges are not negotiable)

The Procurement Australia short term fixed price energy contract is now due to expire on 30 June 2020. In order for Cardinia to take advantage of a one-time extension of this arrangement for a further 2 years, we need to execute an extension letter with Procurement Australia by 20 September 2019.

### **BACKGROUND**

The Australian and in particular the Victorian energy market, is fluctuating significantly in pricing, ability to manage power stability and changes with investment/divestiture in new/old technology solutions. Councils are directly affected by these conditions and face business continuity risk and soaring costs as traditionally sourced short-term energy contracts expire in the near future.

On 14 June 2018, Council executed a fixed term contract for electricity and gas supply for the Shire. This contract was the result of a collaborative process across multiple councils and the private sector, which significantly benefitted Cardinia, as our profile for electricity and gas was a negligible component of the total volume that was leveraged in the Tender process.  
(Cardinia profile represented only 1.2% of electricity and less than 1% of total gas consumption)

The tender was competitively led by Procurement Australia utilising industry consultants, SavvyPlus on behalf of the 144 participating councils and private sector organisations which resulted in a split award to AGL and Origin Energy for the following services.

- Electricity – Large & Small Market

- Natural Gas – Large & Small Market
- Public Lighting.

This contract is due to expire on 30 June 2020, however there is a one-time option available to extend these services for a further 2 years, so that the contract will remain in effect until June 2022.

This strategy is recommended to Council, as it provides time for Council Officers to conduct extensive investigations into reducing the costs of electricity and options for meeting Council's future energy demands.

Council endorsed an Aspirational Energy Transition Plan (AETP) in 2014, to achieve zero net emissions by 2024. This plan requires Council to consider alternative green solutions to pursue where possible renewable energy, transformation and new innovations in line with our Council priorities.

## **POLICY IMPLICATIONS**

Nil.

## **RELEVANCE TO COUNCIL PLAN**

Cardinia Aspirational Energy Transition Plan (AETP) 2014–24.

## **CONSULTATION/COMMUNICATION**

Brett Munckton, Aruna Dias and Bruce Walker are working collaboratively with relevant Industry Energy consultants, multiple Council's and State Authorities.

Senior Leadership Team have been briefed on this matter and are supportive of this recommendation.

## **FINANCIAL AND RESOURCE IMPLICATIONS**

The recommended option to extend our incumbent contract, obviates the need for additional Council resources or budgets to be impacted by this decision until June 2022. The two year extension will cost \$2.3M per annum

## **CONCLUSION**

It is proposed that Council extend the current Contracts 18/22 A, B, C with AGL and 18/22 D with Origin Energy so that they remain in effect until 30 June 2022.