

Mayor and Councillors
COUNCIL

28 JANUARY 2016

Meeting Status: **Public Excluded**

Purpose of Report: For Decision

TIME OF USE ELECTRICITY CONTRACT

PUBLIC EXCLUDED SESSION

1 The reason for this report being considered in Public Excluded is:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Grounds under Section 48(1) for the passing of this resolution
To present the recommendation to approve the signing of a new electricity supply contract.	<p>Section 7(2)(b)(ii)—to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.</p> <p>Section 7(2)(i) – to enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	48(1)(a): that the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.

DELEGATION

- 2 The contract value exceeds the CE's financial delegation and Council's approval is required to proceed.
- 3 Council has the authority to consider this report.

BACKGROUND

- 4 In 2012 the Council joined the All of Government electricity buying group organised by the Ministry of Business Innovation and Employment (MBIE). It is through this group that Council has secured its electricity supplies since then.

- 5 Council's contract (also known as a 'pricing supplement' to the standard contract terms Council agreed to when joining the buying group) for electricity supply to its 'Time of Use' (TOU) sites expires on 31 January 2016. The term of this contract was 36 months. Expenditure through this contract in 2014-15 was \$1.33M.
- 6 TOU sites are those that are sufficiently large consumers of electricity to trigger a requirement for detailed energy use information to be gathered. TOU meters record the electricity use of a site in half hour blocks. Note that streetlights are not directly metered but are included in TOU. TOU electricity unit prices vary by time of day, weekday/weekend and by month.
- 7 The Council has five TOU supplies: Paraparaumu Waste Water Treatment Plant, the Waikanae Water Treatment Plant, the Tasman Bore in Ōtaki, Council-operated streetlights and the Coastlands Aquatic Centre.

ISSUES AND OPTIONS

Issues

- 8 Council requires a new TOU electricity contract to be in place with an electricity retailer effective from 1 February 2016. As invoices are not generated until after the end of each calendar month, the latest a new agreement can be signed that will meet this requirement is the 28th of February 2016.
- 9 Council was included in the sixth tranche of participating agencies seeking new fixed term electricity contracts via MBIE. Offers were obtained from five different retailers. MBIE used the consumption data of Council's TOU sites to calculate the cost of these offers, assuming the energy consumption of the sites does not change. MBIE reported the outcome of this tranche, its analysis and recommendation to Council in late October.

Option 1

- 10 The offer from Contact Energy is the lowest priced offers for the Council individually and the buying group overall. MBIE's recommendation is to take Contact's offer. Contact is also Council's incumbent TOU supplier.
- 11 Including network and transmission charges, the estimated value of the contract with Contact Energy is \$3.22M over 31 months. Comparing the estimated contract value in 2016-17 to 2014-15, this represents an annual saving of \$85,000 or 6.4%.
- 12 The term of Contact Energy's offer is 5 months shorter than most other offers. This will mean the next renewal will need to take affect from 1 September 2018. This timing is convenient for informing the 2019-20 Annual Plan process.
- 13 Other than the term, there is no material difference in the non-price attributes of the different retailers; all have gone through a prequalification process with MBIE. Council's experience as Contact Energy's customer has been positive. Hence it is recommended that Council accept MBIE's recommendation and Contact Energy's offer.

Option 2

- 14 In the past MBIE has shown flexibility regarding which offer the Council wishes to pursue. Council has exercised this in order to obtain the lowest price available for its energy. However in this case the other options are more costly.
- 15 The Council could seek to obtain offers from other suppliers outside the MBIE buying group. But this is at odds with the general movement towards shared services in local government, and Council's commitment to the group. It would also be very difficult to complete a new procurement process within the time available.

CONSIDERATIONS

Policy considerations

- 16 The process followed and recommendation is consistent with Council's procurement policy. There are no other policy considerations.

Legal considerations

- 17 The pricing supplement and the standard terms that accompany them have been examined by the Council's legal advisor. There were no legal issues identified.

Financial considerations

- 18 The prices offered by Contact Energy have been used to revise and set budgets for the 2015-16 and 2016-17 financial years respectively.

Tāngata whenua considerations

- 19 There are no tāngata whenua considerations.

SIGNIFICANCE AND ENGAGEMENT

Degree of significance

- 20 Although this decision relates to strategic assets, it does not affect them in any significant way.
- 21 This matter has a low level of significance under Council policy.

Consultation already undertaken

- 22 No consultation has been undertaken.

Engagement planning

- 23 An engagement plan is not needed to implement this decision.

Publicity

- 24 No publicity regarding this decision is planned.

RECOMMENDATIONS

- 25 That Council authorise the Chief Executive to sign the pricing supplement with Contact Energy for supply of electricity to the Council's 'time of use' metered sites, for the term 1 February 2016 to 31 August 2018, as outlined in Option 1 of this report.
- 26 That Council approves the release of report SP-16-1785 (excluding the table on page 2) and the resolutions from the public excluded session.

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