



# City of Whitehorse

## AGENDA

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### Special Committee of Council Meeting

To be held in the  
Council Chamber  
Nunawading Civic Centre

379 Whitehorse Road Nunawading  
on

**Tuesday 14 April 2020**

at 7:00pm

**Members:** Cr Sharon Ellis, (Mayor), Cr Blair Barker, Cr Bill Bennett, Cr Raylene Carr,  
Cr Prue Cutts, Cr Andrew Davenport, Cr Tina Liu,  
Cr Denise Massoud, Cr Andrew Munroe, Cr Ben Stennett

**Mr Simon McMillan**  
Chief Executive Officer

#### Recording of Meeting and Disclaimer

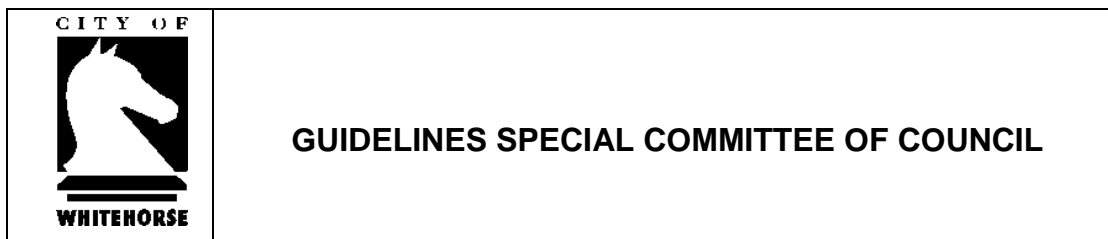
*Please note every Special Committee of Council Meeting (other than items deemed confidential under section 89(2) of the Local Government Act 1989) is being recorded and streamed live on Whitehorse City Council's website in accordance with Council's Live Streaming and Recording of Meetings Policy. A copy of the policy can also be viewed on Council's website.*

*The recording will be archived and made publicly available on Council's website within 48 hours after the meeting on [www.whitehorse.vic.gov.au](http://www.whitehorse.vic.gov.au) for a period of three years (or as otherwise agreed to by Council).*

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*Opinions expressed or statements made by individual persons during a meeting are not the opinions or statements of Whitehorse City Council. Council therefore accepts no liability for any defamatory remarks that are made during a meeting.*



### OBJECTIVE

To enhance the consultative process and facilitate public participation and involvement of the community in Council decision making in accordance with Council's Corporate Plan strategies – good governance.

### PURPOSE OF GUIDELINES

To facilitate public participation and involvement in meetings of the Special Committee. These Guidelines complement Council's Meeting Procedures and Common Seal Local Law 2013.

### PROVISION FOR PUBLIC PARTICIPATION

The public has two opportunities to participate in this meeting – either by a submission which may be heard at the start of the meeting, (i.e. **Public Submissions**, refer below) or if the item is on the agenda, immediately prior to consideration of the item, and by **Public Comment** later in the meeting. There is no public interjection during the meeting and speakers are heard in an orderly manner.

#### Public Submissions:

A submission may be made on any matter, providing it is not in contravention of Council's Meeting Procedures and Common Seal Local Law 2013.

A maximum of 10 speakers will be permitted to make a submission and they will be determined in order of registration.

No individual submission shall exceed three minutes.

Where submissions have been made, under the provisions of any statutory process, further submissions shall not be heard, unless the matter is listed as an item of business on the Special Committee of Council agenda.

#### Procedures for Public Submissions:

Persons wishing to make a submission to the Special Committee on matters other than land planning matters must directly notify the Committee Clerk, Civic Services Department by 4pm on the day of the meeting and register to speak, by telephoning 9262-6337. The person who registers to speak shall be the person who will make the submission to the Special Committee.

Persons wishing to make a submission to the Special Committee on any land use planning matter must directly notify the Committee Clerk, Civic Services Department, at least five working days prior to the day of the meeting and register to speak by telephoning 9262-6337. The person who registers to speak, shall be the person who will make the submission to the Special Committee.

At the time of registering to speak, that person must indicate whether he or she will be speaking in support of or opposition to any planning permit application or Planning Scheme Amendment (or proposed planning permit application or proposed Planning Scheme Amendment). The Special Committee must not listen to or read anything said by that person unless it is satisfied that, at least four working days before the day of the Special Committee Meeting, a member of Council staff has contacted the person(s) whose interests are inimical to the person who has registered to speak (eg has contacted the planning permit applicant if the person who has registered to speak has indicated that he or she will speak in opposition to the grant of a planning permit application) and invited the first-mentioned person (or a person authorised by him or her) to also register by 4pm on the day of the meeting to attend the Special Committee Meeting and speak.

Persons wishing to table written material must provide 15 copies to the Committee Clerk prior to the commencement of the meeting to enable distribution to Councillors prior to the start of the meeting. No material will be distributed during the meeting by any person, including Council staff.

Requests to speak will be registered strictly in the order of receipt. Speakers for topics not listed on the Special Committee Agenda for the meeting will be heard first, then speakers who wish to cover more than one topic (3 minutes in total, not 3 minutes per topic).

In instances where a number of persons wish to address the Special Committee on the same matter, the Chairperson at his or her discretion may request they nominate a speaker/speakers to represent them.

In accordance with Clause 48.5 of Council's Meeting Procedures and Common Seal Local Law 2013. It is not necessary for Standing Orders to be suspended to allow a person to address the Special Committee, subject to compliance with these Guidelines.

**Public Comment:**

After the "Other Business" Section of the meeting has concluded, the Mayor will invite members of the gallery to indicate by show of hands if they wish to make a comment. *Only matters pertaining to this evening's meeting are to be commented on, (i.e. a Council Officer report or presentation, and any "Other Business" matters) and a 3 minute period per speaker applies. A maximum period of 15 minutes shall be provided for public comment. The Mayor will call individuals forward to be heard and they should begin by clearly stating their name. This is a period for comment, not questions or debate and there is no opportunity for any further **Public Submissions**.*

## **ADOPTION AND AMENDMENT OF THESE GUIDELINES**

These guidelines were adopted by resolution of Council dated 21 August 2017 and may be further amended by resolution of Council from time to time. The Chairperson at his or her discretion may vary procedures under these Guidelines, at any meeting of the Special Committee.

- ❖ ***Please note that due to COVID-19 Whitehorse City Council has implemented the shut-down of various facilities announced by the Premier, and the advances social distancing announced by the Prime Minister.***

***Our meetings remain open to the public, we are however encouraging you to Live stream our meetings as an alternative to attending in person.***

***Members of the public are invited to register a submission on any issue or matter that they would like to present to Council at <https://www.whitehorse.vic.gov.au/about-council/what-we-do/meetings/public-submissions-questions-petitions/public-submissions>.***

***Guidelines for Public Submission are as follows.***

***An online registration form must be completed and submitted, a maximum 10 submission are permitted at any meeting, registration is determined in order of receipt\*, each submission is allocated a 3 minute time slot and the submission will be read out by a member of Council staff at the meeting.***

***\*Please note that the Chairperson retains the right to vary the order where deemed appropriate***

## **1 PRAYER**

### **1a Prayer for Council**

*We give thanks, O God, for the Men and Women of the past whose generous devotion to the common good has been the making of our City.*

*Grant that our own generation may build worthily on the foundations they have laid.*

*Direct our minds that all we plan and determine, is for the wellbeing of our City.*

***Amen.***

### **1b Aboriginal Reconciliation Statement**

*"In the spirit of reconciliation, Whitehorse City Council acknowledges the Wurundjeri people as the traditional custodians of the land we are meeting on. We pay our respects to their Elders past and present."*

## **2 WELCOME AND APOLOGIES**

## **3 DISCLOSURE OF CONFLICT OF INTERESTS**

## **4 CONFIRMATION OF MINUTES**

Minutes of the Special Committee of Council Meeting 10 March 2020.

### **RECOMMENDATION**

***That the minutes of the Special Committee of Council Meeting 10 March 2020 having been circulated now be confirmed.***

## **5 PUBLIC SUBMISSIONS**

*Please note that due to COVID-19 Whitehorse City Council has implemented the shut-down of various facilities announced by the Premier, and the advances social distancing announced by the Prime Minister.*

*Our meetings remain open to the public, we are however encouraging you to Live stream our meetings as an alternative to attending in person.*

*Interested parties who wish to submit to the Special Committee of Council during under the Public Submissions section of the Special Committee Meeting must register online at [www.whitehorse.vic.gov.au/about-council/what-we-do/meetings/public-submissions-questions-petitions/public-submissions](http://www.whitehorse.vic.gov.au/about-council/what-we-do/meetings/public-submissions-questions-petitions/public-submissions) by 4pm on the day of the meeting.*

*Persons wishing to make a submission to the Special Committee on any land use planning matter must register online by 4:00pm [www.whitehorse.vic.gov.au/about-council/what-we-do/meetings/public-submissions-questions-petitions/public-submissions](http://www.whitehorse.vic.gov.au/about-council/what-we-do/meetings/public-submissions-questions-petitions/public-submissions), at least five working days prior to the day of the meeting.*

*In completing the online public submission form a member of Council staff will inform you whether your registration was successful and the submission will then be read out at the meeting.*

*The submission, name and suburb will then form part of the Special Committee of Council minutes and become part of a permanent record of the Council.*

## **6 REPORTS FROM OFFICERS**

### **6.1 CITY DEVELOPMENT**

#### **Engineering and Environmental**

##### **6.1.1 Energy Contract and Power Purchase Agreement Update**

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###### **SUMMARY**

*This report provides an update on Council's upcoming energy contract (effective 1 July 2020) including Council's commitment to allocate 67% of its electricity load (based on 2017/18 data) towards the Local Government Power Purchase Agreement (LGPPA). Since the Council resolution to participate in the LGPPA (15 July 2019), there has been continued delay in progressing the LGPPA project and an opportunity has arisen to participate in a competing Power Purchase Agreement (PPA) with Procurement Australia.*

*Power Purchase Agreements offer long-term financial certainty, financial and environmental benefits to Council compared with continuing to purchase electricity through 'business as usual' electricity supply contracts.*

*Council's previous resolution for the LGPPA included an option to switch to an alternative PPA with Procurement Australia if the LGPPA failed to commence by 1 July 2020, the expiry date of Council's current electricity contract. As the proposed commencement date for the LGPPA is now 1 July 2021, consideration has been given to dividing up Council's electricity load from large buildings and street lighting between the PPA offers from Procurement Australia and LGPPA.*

###### **RECOMMENDATION**

###### **That Council:**

- 1. Acknowledges that the Local Government Power Purchase Agreement (LGPPA) project will not deliver a renewable electricity contract by 30 June 2020 as promised, and therefore Council needs to make alternative arrangements to ensure it has electricity supply contracts in place by 30 June 2020 to ensure continuity of electricity supply;**
- 2. Approves electricity supply for the following Council large building facilities to be obtained as an interim arrangement from the State Procurement Contract (electricity) for the period 1 July 2020 to 30 June 2021, with an option to extend if needed:**
  - a) Whitehorse Civic Centre**
  - b) Nunawading Community Hub**
- 3. Approves the electricity supply for all street lighting be included in Procurement Australia's current Power Purchase Agreement contract that commences from 1 July 2020, to provide pricing certainty about street lighting electricity costs (excluding network charges) for the next 10 years;**
- 4. Approves the electricity supply for the following Council large building facilities to be included in the Local Government Power Purchase Agreement Project (LGPPA), and subject to the tender outcome achieving financial and environmental savings for Council, rolling these facilities into the LGPPA as their interim electricity supply arrangements expire:**
  - a) Whitehorse Civic Centre (interim contract expires 30 June 2021)**
  - b) Nunawading Community Hub (interim contract expires 30 June 2021)**
  - c) Box Hill Town Hall and Hub (interim contract expires 30 June 2021)**

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- d) Operations Centre (interim contract expires 30 June 2021)*
- e) Sportlink (interim contract expires 30 June 2021)*
- f) Aqualink Box Hill (interim contract expires 30 June 2022)*
- 5. Authorises the CEO to sign a revised Member Binding Agreement with Procurement Australia and a revised Participation Deed for the LGPPA, confirming Council's participation in the Procurement Australia Power Purchase Agreement and Local Government Power Purchase Agreement as per this report;**
- 6. Considers an update report on the LGPPA project once tender outcomes are known.**

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## BACKGROUND

At the Council Meeting on 15 July 2019, Council resolved to participate in the Local Government Power Purchase Agreement (LGPPA) joint tender for a renewable energy supply contract to commence 1 July 2020. This included committing Council's electricity load from street lighting and Council's 3 largest electricity-consuming buildings (Civic Centre, Aqualink Box Hill and Aqualink Nunawading) to the LGPPA contract for a period up to 10 years; up to a maximum of 67% of Council's current total electricity consumption (load).

These measures are expected to contribute significantly towards Council reducing its carbon footprint and greenhouse emissions towards a target of becoming carbon neutral by 2022.

A Power Purchase Agreement (PPA) is a mechanism to procure renewable energy to supply electricity for Council's buildings and streetlights for an agreed price and period of time. As part of LGPPA, 48 Victorian Councils including Whitehorse Council came together to drive investment in renewable energy and in total procure 250GWh of electricity.

The full 15 July 2019 Council resolution is outlined below.

*That Council:*

1. Endorses its participation in the Local Government Power Purchase Agreement (LGPPA) joint tender for an energy supply contract for renewable energy.
2. Authorises the Chief Executive Officer to sign a Letter of Intent confirming Council's participation in the LGPPA tender, and agrees to pay the required upfront tender administration fee of \$25,000 to cover the one-off costs of preparing detailed tender specifications, tendering, evaluating submissions and awarding contract(s), subject to the LGPPA guaranteeing to achieve savings, and meet tender and contract award timelines that ensure commencement of a new electricity supply contract from 1 July 2020.
3. Endorses the commitment of the electricity load from street lighting and Council's 3 largest electricity-consuming buildings to the LGPPA contract for a period up to 10 years; up to a maximum of 67% of Council's current total electricity consumption (load).
4. Endorses the remaining 33% of Council's electricity load to the next Procurement Australia electricity supply contract (Council's current electricity supply service provider).
5. If the LGPPA fails to guarantee its new electricity supply contract to commence on 1 July 2020, then it authorises the Chief Executive Officer to achieve a suitable alternative electricity supply contract with Procurement Australia, based on 67% of Council's electricity load being sourced through a Power Purchase Agreement.
6. Delegates authority to the Chief Executive Officer to make changes to the mix of Council's electricity accounts (energy load) for the LGPPA or Procurement Australia contract, provided any changes still achieve cost and greenhouse gas savings within the endorsed maximum of 67% of Council's total electricity consumption, for a scenario where the tender response provides a more beneficial arrangement if Council's energy load was adjusted slightly.



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7. Receives advice of the final outcome to the LGPPA and Procurement Australia tenders, and if the tender outcome is materially different to the cost saving and greenhouse reduction criteria outlined in this report, then a report be brought back to Council for its further consideration.

Since this Council resolution, there have been significant delays in the LGPPA project due to a number of reasons. These include:

- In October 2019, the LGPPA contract start date was deferred to 1 January 2021 (from 1 July 2020) due to the need for Australian Competition and Consumer Commission (ACCC) preliminary authorisation to ensure project compliance with the Competition and Consumer Act 2010.
- Further delays occurred in the process of establishing and finalising the multi-Council governance and tender management arrangements, including the ongoing management of the contract (still not finalised).

On 7 February 2020, Darebin Council CEO informed participating Councils that lawyers Maddocks were being engaged to complete an initial review of the project work undertaken by Darebin to date and a risk analysis of the planned process. The Maddocks report has now been received and it outlines several options for progressing the project and clarifying governance and management of the tender process and ongoing contract.

Some of the recommended measures will take time to finalise and implement, so a further delay in commencing the tender and subsequent contract start date is anticipated. Most likely the start date will not be before 30 June 2021.

The deferred LGPPA contract commencement date is now nominally 12 months after the expiry of Council's current electricity contract on 30 June 2020. This means that Council's electricity supply for street lighting and the Whitehorse Civic Centre is immediately affected.

The delay to the LGPPA requires Council to source an interim electricity contract from 1 July 2020, to ensure continuity of electricity supply to Council buildings and street lights. Electricity contracts typically have a minimum 12 months duration, so any interim arrangement would need to be for 12 months until 30 June 2021.

As a result of the delays to the LGPPA project, staff representatives from the Finance, Procurement and Engineering & Environmental Services (Sustainability) teams considered alternative electricity supply options for the short and long term.

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As the early delays became apparent in August 2019, the following actions were taken to mitigate the risk of not having an electricity supply contract in place for key Council assets and maximising financial benefit:

- Reduce Council's original 67% electricity load commitment to the LGPPA project to 40%, and transfer the remaining 27% to a proposed Procurement Australia (PA) PPA. This decision was approved by the CEO (Letter of Agency to MAV, 9 August 2019), as a means of reducing risk while still achieving the intention of sourcing renewable electricity supply through a PPA as endorsed by Council.
- Changing which sites were included in a future PPA based on the benefit of being in a PPA due to their usage pattern and projected electricity rates.
- Nominating potential Council sites and street lighting for consideration in the current PA PPA, to meet the PA contract deadline for tender evaluation. This followed an opportunity that arose in November 2019 to add new electricity load to PA's current PPA, which at that time the tender negotiations were being finalised. New councils such as Whitehorse were initially excluded from being added at this late stage to the PA PPA tender and contract.

Council staff attended a Procurement Australia PPA tender outcome briefing on Wednesday 12 February 2020. The tender outcomes reflect that changes have occurred in the electricity market over the last six months, which have resulted in slightly higher than expected electricity prices for the PA PPA tender. Following a detailed tender evaluation process, a preferred supplier for the PA PPA has been nominated.

PA's energy expert consultants Savvy Plus undertook extensive cost modelling to reassess the value of the PA PPA given the preferred tenderer's response. Despite the challenges facing the electricity market, the evaluation and cost modelling indicated that PA's PPA provides long term pricing certainty (the same fixed cost for 10 years, no annual CPI increase) and if there continues to be upward pressure on electricity prices, potential financial savings for street lighting.

Given the complexity of evaluating the costing for energy contracts, Council's Head of Finance and Corporate Performance has undertaken separate cost modelling and Savvy Plus has provided additional Whitehorse-specific cost modelling for a range of different scenarios. The PA/Savvy cost modelling for the multi-Council PPA tender used the total portfolio load across all Councils, so it was recognised that the financial outcomes per Council may vary slightly.

To get a further independent assessment of the value of PPAs, Council engaged Ironbark Sustainability to provide an update on the energy market, the value of the PA PPA, and the prospects for the LGPPA.

### **DISCUSSION**

As indicated in the original Council report, it is important for Council to lock in some long-term electricity supply and pricing certainty in a volatile energy market, to diversify its energy supply arrangements, and to purchase renewable energy. This will reduce the risk of exposure to volatile energy prices and the predicted upward spikes in electricity supply prices when ageing coal-fired power generators close over the coming decade.

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The energy market has changed somewhat since mid-2019 and there is a range of factors now influencing the predicted electricity pricing over the coming decade. These include:

- Slower than expected growth in renewable energy generation coming online due to Australian Energy Market Operator (AEMO) requirements for voltage regulation, grid capacity restrictions and less available financing for major projects.
- Drought and fires experienced over the 2019/20 summer and the damage to infrastructure has resulted in significant repair and replacement costs, and increased insurance premiums for electricity generators.
- Extreme weather events including increased number of heat waves has added pressure onto the current electricity grid and supply.
- The previously predicted electricity price reduction over the next few years seems to have softened somewhat, with market predictions indicating more of an upwards pricing pressure from 2024/25 onwards
- Retail electricity prices for Council have actually increased for 2020/21, despite a previous forecast that a reduction in wholesale electricity prices would commence in 2020/21.

Reflecting these upward price pressures, tender prices for PA's PPA came in higher than expected, but still represent value-for-money for some of Council's electricity load compared with likely 'business as usual' costs. In summary, this PPA offers:

- Retail Service Agreement with a major electricity retailer as the contract supplier.
- PPA contract duration of 10 years, with start date of 1 July 2020 to 30 June 2030.
- A fixed peak and off-peak electricity (only) rate for street lighting and large market sites, with no price reset options, and no CPI increase over the full 10-year contract period.
- Opportunity to purchase additional voluntary Largescale Generation Certificates (LGCs) at the same price over the 10 year contract period (no CPI increase).

Long-term pricing certainty at favourable tariffs for street lighting reduces the risk against rising electricity prices post 2024/25 and market volatility. It is therefore recommended that Council's electricity load for all street lighting be added to PA's PPA to commence from 1 July 2020.

However the cost modelling and independent advice relating to Council's large building facilities didn't support the inclusion of these large buildings in the PA PPA.

Instead it would seem that there is better value in including the electricity load for these large building facilities in the original LGPPA to be tendered later in 2020 and with an anticipated start date of 1 July 2021.

#### **Interim electricity contract arrangements**

As indicated in this report above, the delay in the LGPPA will require interim arrangements to be put in place for Council's large building facilities.

In 2019, the following facilities were put into a Procurement Australia interim fixed term contract, for either 12 months or 2 years, commencing from 1 July 2020 to ensure continuity of supply:

- Box Hill Town Hall and Hub (1-Year Fixed Price Contract expiring on 30/6/2021)
- Operations Centre (1-Year Fixed Price Contract expiring on 30/6/2021)
- Sportlink (1-Year Fixed Price Contract expiring on 30/6/2021)
- Aqualink Box Hill (2-Year Fixed Price Contract expiring on 30/6/2022)
- Aqualink Nunawading (2-Year Fixed Price Contract expiring on 30/6/2022)

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The Procurement Australia interim tendered tariff outcomes were within 10.6% of Council's current fixed term electricity contracts (Average % difference combining peak and off-peak rates).

#### **State Procurement Contract (for electricity)**

Several options were considered for the remaining Council facilities that need interim electricity contract arrangements from 1 July 2020: the Whitehorse Civic Centre and Nunawading Community Hub.

The Victorian Government's State Procurement Contract for Electricity (SPC), Contract Ref No: SS-03-2018, where Department of Treasury and Finance is lead agency is considered to be the best interim option based on pricing, availability, flexibility and performance.

This contract is available to State Government agencies and local Councils.

The SPC follows a Progressive Purchasing Model (progressive model), where electricity is purchased in 'blocks' at different times within an agreed framework, rather than purchasing all electricity requirements at once at a single price. This progressive model takes a more strategic yet flexible approach, where the key benefits include:

- Purchasing electricity from the wholesale market taking in consideration weather/climate, and how existing infrastructure is generating electricity.
- Future electricity needs purchased 9 to 12 months in advance, and in 'blocks' for future quarters.
- Picking and choosing which quarter to buy for, depending on seasonal demand.

Although there is less certainty about the price obtained for the whole contract period, the SPC has consistently achieved cheaper pricing on average compared with conventional fixed-price and fixed-term electricity contracts. An added benefit is that the contract runs until 30 June 2022 providing an option to further extend Council's use of this contract if needed.

Participation in the State Procurement Contract from 1 July 2020 requires Council to nominate the proposed large building facilities intended for inclusion in the contract to be submitted to the State Government by 30 April 2020.

It is recommended that the Whitehorse Civic Centre and Nunawading Community Hub be included in the State Procurement Contract, to ensure continuity for electricity supply after the current electricity supply contract expires on 30 June 2020.

#### **Largescale Generation Certificates (LGCs)**

As part of the Power Purchase Agreements, there is opportunity to purchase additional voluntary LGCs to ensure that the electricity sourced is from approved renewable sources and that Council can claim authorised carbon offset credits to count towards its corporate emission reduction target.

In the case of the Procurement Australia PPA, the contracted electricity retailer has engaged an existing wind farm as the energy generator (name of site is currently commercial in confidence until contract finalisation) to supply renewable power and source the LGCs.

A similar arrangement to purchase voluntary LGCs will be available through the LGPPA.

LGCs are a commodity that can be traded. One LGC is created per megawatt hour (MWh) of eligible electricity generated by a renewable energy generator. The current Australian Renewable Energy Target (RET) mandates that 20% of electricity is sourced from eligible renewable energy sources, and therefore 20% of LGCs are required to be purchased within the electricity price charged to customers (Councils). The credit for these mandatory 20% LGCs is only available to the retailer, not Council.

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However, participating Councils can purchase additional voluntary LGCs to count towards their own emission reduction targets. The contracted energy retailer must surrender these voluntary LGCs equal to a percentage of the MWh nominated by the participating Council.

Under the terms of the PA PPA contract, Council must nominate the percentage of LGCs it wishes to purchase at the commencement of the contract. Council can nominate a fixed proportion of LGCs or the proportion can vary over time, but the nominated percentage(s) is locked in from contract commencement and Council cannot later change the LGC arrangements.

In accordance with the energy hierarchy, it is critical to prioritise avoiding and reducing greenhouse gas emissions from the electricity source (eg buildings, street lights), and then as a final measure to offset any remaining emissions as needed. Therefore, for Council to claim and certify that it purchases 100% renewable electricity, 100% of additional voluntary LGCs will be required to be purchased.

The Local Government Power Purchase Agreement (LGPPA) Council report and resolution in July 2019 anticipated Council purchasing 100% additional LGCs as part of a PPA, to help Council to meet its emission reduction targets.

However the fixed price of LGCs offered through the Procurement Australia PPA does not seem to be beneficial over the term of the contract, so it is recommended that the voluntary LGC option for the Procurement Australia PPA for Council's street lighting not be taken up.

Instead it is proposed to consider the subsequent tender with the LGPPA to determine the extent of LGCs that would be both environmentally and financially beneficial for purchasing through a PPA. The different contract structure for the LGPPA is expected to yield lower LGC prices than those received by Procurement Australia.

It is envisaged that LGCs can be purchased using savings from the PPA compared with 'business as usual' electricity costs. If further funding is required to purchase 100% additional voluntary LGCs, it may be possible to drawdown from some of the Energy Management Funds set aside for implementing measures that reduce Council's greenhouse gas emissions. A separate calculation will be made when the tender outcomes for the LGPPA are known, and the extent of savings is confirmed.

#### **Impact on achieving Council's carbon neutral target**

Council has been progressively implementing a range of measures to reduce its energy consumption from its facilities, street lights and operations towards achieving an energy reduction target of 45% by 2022, and to become carbon neutral by 2022.

Reducing the initial scope of electricity load in the PA PPA to just street lighting will slow Council's emissions reduction path. The delayed commencement of the LGPPA contract and the consequent ability for emission reductions at large Council facilities will further delay emission reductions.

If the proportion of LGCs purchased through a PPA is reduced from Council's original intention to buy 100% LGCs, it will be necessary to purchase more carbon offset credits through a separate arrangement to meet Council's 2022 carbon neutrality target.

Further modelling of Council's energy consumption and emission reduction progress has been commissioned, as well as suggested actions that Council can take to compensate for the delayed emission reduction benefits from participating in PPAs.

Council's recent resolution to accelerate the implementation of energy reduction measures as part of an interim Climate Response Plan will help to compensate for delays, and this will be taken into consideration with the updated emission reduction modelling.

LGC costs will be discussed further in the "Financial Implications" section of this report.

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#### **Future Power Purchase Agreement opportunities**

In addition to the pending LGPPA tender in 2020/21, Council understands that Procurement Australia plans to run another PPA tender later in 2020. Council's independent energy advisor says that PPAs continue to be a popular mechanism for procuring electricity for public and private sector organisations.

Council's Aqualink Nunawading has been left out of consideration for any current PPA offers due to uncertainties around the scope of redevelopment works proposed at Aqualink Nunawading within the next 5 years. Council's reconstructed Whitehorse Centre will also come back online in about 2 years' time.

The Procurement Australia PPA and the LGPPA each have capacity for participating Councils to add a limited number of new facilities into the PPA contract at a future stage, subject to the spare capacity not being taken up earlier by other Councils.

Council will continue to stay informed about PPA and their financial and environmental benefits compared with conventional shorter term or fixed electricity contracts. If the benefits remain proven and a suitable opportunity arises to add facilities to an existing PPA or participate in a new PPA, a report will be brought to Council for its consideration.

#### **Recommendation for participating in PPAs:**

With the certainty that the Procurement Australia (PA) PPA contract will be effective from 1 July 2020 and the 10-year same-price tariff for this contract, it is recommended that the Council approve the switch of street lighting from the LGPPA to PA's PPA. The potential financial benefits for procuring electricity for street lighting in the PA PPA are outlined in the next section of this report.

It is further recommended that a range of Council's large building facilities be nominated for the upcoming Local Government Power Purchase Agreement (LGPPA) project upon expiry of their interim electricity contracts in the expectation that financial and environmental savings will be achieved compared with using conventional electricity supply contracts.

These building are:

- Whitehorse Civic Centre
- Nunawading Community Hub
- Sportlink
- Box Hill Town Hall and Hub
- Operations Centre
- Aqualink Box Hill

#### **CONSULTATION**

The internal working group represented by Finance (Procurement) and Engineering and Environmental Services (Sustainability) teams have worked closely together to ensure Council's expectations and requirements have been considered for the options presented. Where required, the working group has sought support from relevant General Managers to ensure senior management including the CEO are across the broader direction of achieving a PPA outcome.

Council has liaised in detail with Procurement Australia and the LGPPA project team, including attending briefing sessions, webinars, forums and project communications.

Through its various networks with other Councils, Council staff have been keeping abreast of how other Councils are dealing with the LGPPA delay and other Councils now considering a switch to the PA PPA.

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#### **FINANCIAL IMPLICATIONS**

Power Purchase Agreements (PPAs) are consistently delivering better financial outcomes with cheaper electricity consumption tariffs than conventional 'business as usual' electricity contracts made up from mainly non-renewable energy. The consumption component of an electricity bill that the PPA tender is based on excludes service and other charges that are non-contestable.

While the PPA duration is longer than the typical 2 to 3 year 'business as usual' electricity contracts, price modelling demonstrates that PPAs achieve a cheaper rate than the standard market, smooth out electricity market prices over time and avoid price spikes. This provides more certainty for Council's long term financial planning.

The PA PPA tender evaluation included detailed cost modelling of the PPA prices compared with forecast 'business as usual' and LGC prices over the next 10 years. Electricity prices are reasonably able to be forecast over the next 3 years because some forward electricity contract rates are known.

However the electricity price for subsequent years involves complex modelling based on factors and assumptions around operating costs for electricity generators, grid constraints, timing and impact of closure of ageing coal and gas-fired generators, and the rate at which new generators come onto the market, particularly the lower-cost renewable energy generators.

Modelling for the LGPPA was undertaken in 2019 by energy specialists Energetics Pty Ltd. A brief summary of expected LGPPA tariffs compared to Council's current electricity contract was included in the July 19 report to Council. Updated modelling for the LGPPA has not yet been undertaken, however Council's independent energy advisor has indicated that the expected favourable pricing outcomes may still be valid.

The Procurement Australia cost modelling was undertaken by PA's energy consultants Savvy Plus, who modelled the overall PPA portfolio of electricity from all participating Councils. Separate independent cost modelling was undertaken by Council's Head of Finance and Corporate Reporting using the average PA PPA rate compared with the current average electricity cost for Whitehorse. Council also commissioned Savvy Plus to apply the PPA tender rates for peak and off-peak electricity consumption at all of the facilities and street lighting that will form part of the PPA, as an added assessment of the value of the PA PPA.

The PA PPA cost modelling demonstrates there is expected to be overall financial benefit for street lighting costs from the PA PPA compared with Council's current and pending fixed electricity contracts.

Modelling was undertaken for different scenarios and included industry assumptions about factors likely to influence future electricity price to achieve a cost comparison over the next 10 years. In all cases the energy analysts stressed that savings cannot be guaranteed, and the electricity market is notoriously volatile. However there is good consistency with the modelling of future electricity prices between different industry analysts, with the main variability being when the expected low-point of electricity pricing will occur before an anticipated rise in electricity costs over time.

It is also important to note that the modelling relies on wholesale electricity price forecasts, so there is added variability applicable to changes in network costs, government regulation costs, and retail margins. As such the modelling mainly focusses on the expected changes to wholesale electricity prices.

### **6.1.1**

(cont)

#### **PA PPA costs for street lighting**

The Savvy Plus modelling for street lighting costs over the next 10 years indicates the PA PPA will achieve average savings of the order of \$61,400. However the Savvy Plus advisors are pointing to a possible steeper incline in 'business as usual' electricity prices in the latter years of the PPA, so the savings achieved by the fixed price PPA may escalate further in the latter years of the PPA contract.

Applying a scenario where the electricity price doesn't rise to the extent modelled in the base case, it is possible that the latter year savings may not fully offset earlier periods where the wholesale electricity price may continue to decline and remain cheaper than the PPA fixed price. Conservative modelling of such a scenario indicates the PPA may result in a \$50,000 additional cost over the 10 year contract period, compared with 'business as usual' conventional electricity contracts.

However the recent indications that there is more of an upward pricing pressure applying to the electricity market support the probability that this conservative scenario is less likely to occur, and even the Savvy Plus modelled saving may prove to be too conservative and actual savings will be greater.

#### **Largescale Generation Certificates (LGCs)**

The modelling for future LGC prices indicates a sharp fall from current prices in the next two years, followed by a flattening of the LGC price over the subsequent 7 or so years. The LGC price is also influenced by many factors, including federal policies related to Renewable Energy Targets, international carbon prices for renewable certificates, and whether a future federal government would introduce a price on carbon.

LGCs are one mechanism for achieving credited carbon offsets, and the benefit of purchasing LGCs through an electricity contract is certainty of price and therefore certainty of environmental benefit.

As indicated earlier in this report, the tendered price for LGCs through the PA PPA was not as financially favourable as expected so it is recommended that the purchase of LGCs be considered separately, including as part of the LGPPA. A decision on the purchase of LGCs would best be made once the LGPPA tender prices for LGCs are known.

#### **POLICY IMPLICATIONS**

Power Purchase Agreements using renewable energy will help Council to meet the sustainability objectives and strategies of the *Council Plan 2017-2021* and the targets and actions in Council's *Whitehorse Sustainability Strategy 2016-2022*.

The Sustainability Strategy has a target to reduce Council's corporate greenhouse gas emissions by 45% by 2022 and Council has adopted the target to become carbon neutral by 2022. The recommended PPA will make a significant contribution towards the delivery of key Council environmental and economic policies.

Sourcing electricity supply from renewable energy and the purchase of voluntary LGCs will make a valuable contribution towards Council's target to reduce its corporate greenhouse gas emissions by 45% and become carbon neutral by 2022. Council is currently preparing an Energy Roadmap to guide progress towards Council's energy consumption and emission reduction targets.

The PA tender process was compliant with the Local Government Act procurement requirements.



**7 OTHER BUSINESS**

**8 PUBLIC COMMENT**

*Persons speaking will be identified and recorded for Council Minutes and become part of a permanent record of the Council. Please indicate if you do not wish your name to be recorded.*

**NB.** Public Comment will not be available due to the COVID19.

**9 CONFIDENTIAL ITEMS**

**10 CLOSE MEETING**