



2018/19 Business Development Branch Significant Contracting Plan

Section 221 of the *Local Government Regulation 2012* stipulates that a Significant Contracting Plan must be prepared prior to commencement of a contract that Council has identified as a Significant Contract. Council may, by resolution, amend a Significant Contracting Plan at any time before the end of the financial year to which the plan relates.

1. Key Information

Significant Contract Title: Retail Electricity Services – Street Lighting

Group: Business Performance

Branch: Business Development

Contract Administrator: Simon Crock

Position: Coordinator Commercial Analysis

Procurement Specialist: Brian Weyhardt

Contract/Project Description: Arrangement of fixed price electricity supply agreement (ESA) for Street Lighting

Link to Procurement Plan:

https://eddieweb.scc.qld.gov.au/HPECContentManager?uri=11880522&t=record&lang=ln_english&mbd=false

2. Council Resolutions

Previous Council resolutions:

Not applicable

This plan endorsed by Council:

3. Background

There are approximately 29,000 street lights in the Sunshine Coast Council area as of May 2018 for which Council is responsible for procuring electricity supply. The current contract expires 31 December 2018. The annual cost to Council of this contract is forecast to be \$4.7m for FY18 and \$5.0m for FY19. The cheapest time to go to market to source electricity pricing for the next term is in winter, hence Council plans to tender for a new arrangement in July / August 2018.

4. Objectives

What are the objectives of this contract?

To secure the best value for money fixed price electricity supply agreement available with a retailer for a period of at least 12 months for Council's street lighting fleet.

How will objectives be achieved?

By undergoing a tender process in July / August 2018 to obtain the best priced contract available in the market.

How will achievement of objectives be measured?

Financial analysis of tender submissions will be carried out to assess the contract representing the best value for money to Council whilst securing a reliable supply of power. Non-price objectives such as retailer reputation, reliability, customer service and reporting methods will also be considered.

What are the alternative ways of achieving the objectives? Include reasons for not adopting alternative ways.

An alternative means of sourcing a power arrangement for Council's street lighting fleet is to bring it into the Pool Price Pass Through (PPPT) arrangement in conjunction with the Sunshine Coast Solar Farm. However analysis to date indicates that at present spot market pricing and activity, this arrangement would not result in any meaningful saving to Council and in fact could represent a significant price risk. Street lighting operates at opposite times to solar generation

hence this market segment is less closely aligned than power usage at Council's interval sites such as administrative buildings and facilities.

8. Proposed category and contractual arrangements

Which category does this contract fall within?

Goods Materials and Supplies

Which contractual arrangements should be applied to this contract, and why?

Goods and Services

9. Market and Risk Assessment

Provide an assessment of the market in which the contract is to happen, including an assessment of any procurement risks. Refer to the Risk Assessment Calculator in the Procurement Plan.

The procurement market comprises a number of national electricity retailers. Competition in the market together with statutory regulation reduces the risk that pricing will be extortionate thus financial risk is fairly minor. In the unlikely event that the chosen supplier fails and an alternative option is to be sought, alternative retailers exist to service the contract and the financial impact above expected spend is likely minimal. The regulation in the electricity industry together with use of an established retailer renders compliance, natural environment and WH&S risks extremely minor. Service delivery and reputation (should lighting power supply fail) are the principal risks, however these are largely mitigated by use of an established retailer with significant experience in the market.

Proposed mitigations for identified risks:

Refer above.

Undertake an assessment of operational risks relating to the contract/project. Attach details.

Operational risks of the contract are minimal. Street lighting has been supplied to Council for decades and the suppliers (electricity retailers) together with the mandatory distributor for South East Queensland (Energy Queensland) are experienced and subject to substantial regulation.

Approvals

Position	Name	Signature	Date
Manager, (of Branch seeking contract)			
Group Executive (of Group seeking contract)			
<i>Prior to going to Council</i>			
Manager, Business Development			
Chief Executive Officer			