

## 6.2.7 Local Government Power Purchase Agreement Project

**File Reference:** Nil.  
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### Recommendation(s)

That Council:

1. Approves Council's participation in the LG PPA project and procuring renewable electricity for all of Council's electricity load from July 2022, through its group tendering process.
2. Delegate limited authority to the CEO to execute the Renewable Electricity Supply Agreement (RESA) or agreements resulting from the LG PPA project tender process, subject to the following conditions:
  - a) The net present cost impact of the LG PPA project offer is no more than Business as Usual based on the mid-renewables scenario, where 'Business as Usual' includes the cost of renewable energy and associated LGCs as per the methodology established in the project's business case.
  - b) The project meets all other agreed project parameters as set out in Schedule 2 of the Participation Deed (attached) between all participating Councils; and
  - c) There is not sufficient time to present the final report to Council to allow Cardinia Shire to enter into such a contract.
3. In the event that the CEO makes this decision under this delegation a further report is provided to Council at the earliest possible Council meeting providing the details of the contract entered into.

### Attachments

1. CONFIDENTIAL - Confidential Attachment - Circulated to Councillors only [6.2.7.1 - 1 page]

### Executive Summary

Council officers have been investigating options for the most cost-effective reduction of organisational electricity related greenhouse gas emissions. This is required to enable the achievement of the zero net emissions by 2024 target, as outlined in the Aspirational Energy Transition Plan (AETP). Various options have been investigated, and a Power Purchase Agreement (PPA) has been identified as the most advantageous option.

The LG PPA project led by Darebin City Council, has significant participation and may represent the only viable local government renewable energy PPA at this stage. 41 Councils have already committed to the LG PPA project representing over 230 GWh per annum of electricity and approximately 40% of Victorian local government electricity load. The large collective load is likely to prove attractive to the energy market and provide a competitive financial outcome.

To participate in this project Council is required to contribute a \$35,000 participation fee. Limited delegated authority is sought for the CEO to enter into the electricity agreement(s) associated with the outcomes of the LG PPA tender process, subject to specific objectives and conditions. This authorisation is required, due to the nature of the tendering process and short timeframes that maybe available to execute the resulting agreements.

### **Background**

The Aspirational Energy Transition Plan includes an action to purchase renewable energy from 2022/23 through a Power Purchase Agreement or other competitive means, as part of the pathway to achieve zero net emissions by 2024.

Council's current energy contract expires on 30 June 2022, and it is proposed to have alternative arrangements in place by this date to enable council to progress towards its 2024 target. As reported to Council Briefing on July 13 (item no. 2), the LG PPA project provides the opportunity for Council to pursue the cost-effective procurement of renewable energy to achieve its emissions reductions objectives and long-term energy security.

Through our membership to the South East Council Climate Change Alliance (SECCCA), Council has been invited to participate in this LG PPA project, which is being led by Darebin City Council. The LG PPA Project is the collective effort of Councils from across Victoria seeking a new, long-term (7-10 years) retail electricity contract for Council operations that is sourced from 100% renewable energy sources.

The LG PPA business case demonstrated that using a PPA model for procurement, is likely to secure 100% renewable energy at a lower cost than buying energy in a business as usual way. The procurement activity for the LG PPA is planned to be completed over the next 9 months to enable Councils to commence the purchase of energy through this agreement from 1 July 2021. To coincide with Council's target, it is recommended that 100% of Council's electricity demand is incorporated into the LG PPA.

Darebin City Council have advised that to participate in the LG PPA project, the CEOs of participating Councils are required to be provided with the delegated authority to execute a Renewable Electricity Supply Agreement (RESA) resulting from the tender process. Legal advice recommended this authority is obtained. Due to the dynamic nature of the electricity market and the number of Councils involved in the tendering activity, the outcomes of the tender process may not be available to present to all Councils prior to the deadline for signing the resulting agreements.

Other Councils participating in this project have provided the delegated authority to their CEOs. The PPA is critically based upon the aggregated committed load volumes from every participating council entering into the resulting electricity agreements.

This delegated authority is to be conditional on the tender achieving the agreed project outcomes, and the opportunity not being available to present the tender outcomes to Cardinia Shire Council for their review/approval. The project outcomes that would need to be achieved to enable the execution of the agreement(s) under this delegated authority are:

1. The net present cost impact of the LG PPA project offer is no more than Business as Usual based on the mid-renewables scenario, where 'Business as Usual' includes the cost of renewable energy and associated LGCs as per the methodology established in the project's business case.
2. The project meets all other agreed project parameters as set out in Schedule 2 of the Participation Deed (attached) between all participating Councils; and

3. There is not sufficient time to present the final report to Council to allow Cardinia Shire to enter into such a contract.

### **Policy Implications**

Reducing Council's emissions from electricity consumption is consistent with climate leadership considerations outlined in the AETP, and supports actions associated with Council's climate emergency declaration.

### **Relevance to Council Plan**

Nil.

### **Consultation/Communication**

Internal consultation has taken place with the various council units that are involved in the procurement and management of electricity. The outcomes of the LG PPA project are intended to be promoted to the community at the appropriate time.

### **Financial and Resource Implications**

Council is required to contribute \$35,000 to the project to help cover various project costs, such as advisory services (including an independent Probity Advisor) legal costs, procurement and tendering activities. This is the participation fee for a Metropolitan and Interface Council, which is intended to be funded from this financial year's Council utility accounts.

Council currently incurs over \$1.5 million dollars per annum of electricity costs, it is estimated approximately 45% of these costs are contestable energy charges, with the remainder made up of fixed network and other costs. The LG PPA project is committed to providing electricity and renewable energy certificates (LGCs) at a 'no more than business as usual' scenario based on a mid-level modelled broader market uptake of renewable energy. The business as usual base model includes the purchase of renewable energy certificates (LGCs) to provide a like for like scenario. Modelling completed as part of the LG PPA business case indicates that savings or a cost neutral outcome is likely to be achieved compared to business as usual, even without the additional cost of LGCs included in the business as usual model. This outcome would provide renewable energy including LGCs without any additional cost.

If the process was to provide the worst case outcome and deliver power at a business as usual level including LGCs, this would incur an additional cost to Council, as Cardinia currently does not purchase LGCs, but is required do so in order to meet its emissions reduction target. Whilst the market is unpredictable, the additional cost of LGCs for Council's current electricity demand has been estimated at approximately \$50,000 per annum on average from 2022 to 2030. This is consistent with the allowance for this cost nominated in the AETP to purchase 100% renewable energy from 2022/23.

### **Conclusion**

Council needs to secure renewable energy to achieve its AETP target. Based on a detailed review of available options, participation in the LG PPA project provides the most viable and cost-effective way to achieve the organisational emissions reduction goals and long-term energy security for council.