

8.23. Renewable electricity supply contract

AUTHOR: Niki Carey, Snr Sustainability Programs Co-ordinator
Albert Lo, Manager Property Assets

ENDORSED BY: Duncan Mitchell, Director Engineering and Property Services
Rob Emerson, Director Open Space and Environmental Services

ATTACHMENTS: Nil

PURPOSE:

Council endorsement is sought to increase the proportion of renewable electricity that Council purchases.

EXECUTIVE SUMMARY:

Since 2009 until 2019, Council purchased up to 50% renewable electricity through the Australian government managed Greenpower™ program, to help achieve its greenhouse gas (GHG) reduction targets. In 2019 Council took the opportunity to switch to a significantly more cost-effective renewable energy solution through a ten-year Renewable Energy Power Purchase Agreement under the Southern Sydney Regional Organisation of Councils (SSROC) Program for Energy & Environmental Risk Solutions 1 (PEERS 1) program. This resulted in a direct saving to Council of \$95,000 in its first year while also reducing greenhouse gas (GHG) emissions by approximately 1500 tonnes. At the time the contract restricted Council to purchase only 30% of renewable electricity. Additional generation through Council's own on-site solar systems, as well as the renewable component in the standard electricity grid mean that 54% of Council's electricity needs were met by renewable energy sources in 2019/20.

North Sydney Council is again participating in an electricity supply contract tender process through SSROC, called PEERS 3. The contract is an opportunity for Council to increase the percentage of renewable energy in its electricity supply in line with greenhouse gas reduction targets and its climate emergency declaration.

Council's GHG reduction targets are to reduce emissions by 50% from 1996 levels by 2020. Based on the most recent verified audit conducted in 2019, it achieved a 32% reduction. In a separate report going to the May 2021 meeting, Council is considering an Environmental Sustainability Strategy which seeks to set the following new targets:

1. 100% of Council's electricity needs are met by renewable energy sources before 2030
2. 100% carbon neutrality for Council operations achieved before 2030

FINANCIAL IMPLICATIONS:

Funding will be provided from the Maintenance Program for Property (Council Buildings), Open Space (Parks & Reserves) and Traffic (Street lighting) and are available from the Recurrent Expenditure budgets.

SSROC have a track record of saving money for councils due to the nature of large electricity contracts and the large number of councils participating, but exact pricing will only be available once tenders have closed in around July/August 2021.

RECOMMENDATION:

- 1. THAT** Council endorses North Sydney Council's participation the SSROC tender for Renewable Energy and standard grid electricity for Streetlights, Small Market and Large Market Retail Supply of Electricity for North Sydney Council.
- 2. THAT** Council delegates authority to the General Manager to determine Councils participation in the PEERS 3 procurement process following close of tenders to achieve up to 70% renewable electricity or more if cost neutrality can be maintained.
- 3. THAT** the General Manager be authorised to take any necessary action to implement the decision including entering associated contracts.
- 4. THAT** once Council has executed the Contract, information relating to the successful tender be published in Council's Register of Contracts as required by Government Information (Public Access) Act 2009 - Part 3 Division 5 - Government Contracts With Private Sector.

LINK TO COMMUNITY STRATEGIC PLAN

The relationship with the Community Strategic Plan is as follows:

1. Our Living Environment
- 1.2 North Sydney is sustainable and resilient

BACKGROUND

Without dedicated renewable energy purchases, electricity use generates approximately 75% of Council's operational greenhouse gas (GHG) emissions. Since 2009 until 2019, Council purchased up to 50% renewable electricity through the Australian government managed Greenpower™ program, to help achieve its GHG reduction targets. This program is independently verified and is charged at an additional rate on top of standard electricity charges. The Greenpower™ verification process ensures that the purchased energy comes from renewable sources, and the money goes to creating more Australian renewable energy projects. This high level of verification comes at a price premium.

In 2019 Council took the opportunity to switch to a significantly more cost-effective renewable energy solution through a ten-year Renewable Energy Power Purchase Agreement with Origin Energy under the SSROC Program for Energy & Environmental Risk Solutions 1 (PEERS 1) program. Under this program, North Sydney purchases 30% of its total electricity requirements via Origin Energy directly from the Moree solar farm. This was the maximum available through the contract at the time. The remaining 70% consists of standard grid electricity. As a result Council has saved approximately \$95,000 in electricity costs in the first year, and reduced GHG emission by 1500 tonnes per year. In 2019-2020 Council's total electricity expenditure was \$1,165,340.

CONSULTATION REQUIREMENTS

Community engagement is not required.

DETAIL

Council's current 30% renewable energy commitment through PEERS 1 is fixed for another seven years. SSROC is currently undertaking a new round of electricity procurement (PEERS 3) to secure electricity contracts for participating councils including North Sydney. Similar to PEERS 1, PEERS 3 will be a contract for standard grid power and renewable energy.

The contract is an opportunity for those participating councils to increase the percentage of renewable energy in its electricity supply in line with its GHG reduction targets and climate emergency declaration.

SSROC surveyed councils looking to participate in PEERS 3 and concluded that "price" and "cost minimization" ranked as the two most important criteria for the procurement process. It

also determined that over half of those councils would request 100% renewable energy. However, exact pricing will only be available once tenders have closed.

Renewable electricity pathways

Alternative pathways to increase the renewable component of Council's electricity supply are to purchase renewable electricity through Greenpower™ or Large Scale Generator Certificates (LGCs), which are charged at \$56/MWh and \$35/MWh respectively, in addition to standard grid power rates.

These pathways have been summarised in the following table:

Renewable Electricity Pathways (in addition to PEERS 1)	Total renewable electricity purchased	% of Council's electricity needs that are met by renewable energy sources	Annual budget implications based on PEERS 1 2019/20 savings
Business as usual	30% PEERS 1	54%	-\$95,000 (saving)
Purchase Greenpower™ at \$56/MWh + standard grid power cost	50% (20% Greenpower™ + 30% PEERS 1)	66%	-\$13,996 (saving)
	70% (40% Greenpower™ + 30% PEERS 1)	82%	+\$ 57,785 (additional cost)
	100% (70% Greenpower™ + 30% PEERS 1)	100%	+\$165,456 (additional cost)
Purchase LGCs \$35/MWh + standard grid power cost	50% (20% LGCs + 30% PEERS 1)	66%	-\$44,373 (saving)
	70% (40% LGCs + 30% PEERS 1)	82%	+\$490 (cost neutral)
	100% (70% LGCs + 30% PEERS 1)	100%	+\$67,785 (additional cost)
Purchase renewable electricity through PEERS 3	Unknown until July/August	Unknown until July/August	Unknown until July/August

Discussion

Based on the table above, the current price for LGCs at 70% renewable electricity would be essentially cost neutral. The cost neutral assumption is based on factoring in the current \$95,000 savings that Council is benefiting from under the existing PEERS 1 contract. It is likely that PEERS 3 pricing will come in below this level. A typical turnaround for councils to sign the contract once prices are released is 24 hours. Council is also likely to be in caretaker mode at this time, so it is requested that Council delegates the General Manager to implement the most cost effective option once tender prices are known to achieve up to 70% renewable electricity or more if cost neutrality can be maintained.