

**ITEM 24. EXEMPTION FROM TENDER - VARIATION TO UTILITIES
MANAGEMENT INFORMATION SYSTEM LICENCE CONTRACT**

FILE NO: S085484

SUMMARY

In 2009, the City procured a Utilities Management Information System to record and report on utility consumption for its buildings, parks and street lighting.

The Utilities Management Information System was implemented with the purpose of:

- tracking energy and water consumption to ensure progress towards Sustainable Sydney 2030 targets;
- managing in excess of 900 electricity, gas and water accounts; and sub-metering of utilities;
- providing feedback of utility consumption for staff to provide awareness and empower staff to take appropriate corrective action;
- assessing feasibility, projected and actual impact and return on investment of energy and water efficiency projects; and
- providing reports and data for internal and external reporting and analysis, including the bi-annual "Green Report", Better Building Partnership Quarterly Reporting, Performance Planning targets, the National Carbon Offset Standard and C40.

This report relates to an extension of the scope of service delivery to provide additional system administration support and system improvement services. The additional scope will ensure improved data integrity, reporting and system usability.

RECOMMENDATION

It is resolved that:

- (A) in accordance with section 55(3)(i) of the Local Government Act 1993, as a result of extenuating circumstances, Council endorse the variation to the existing service contract for an expanded scope of services up to the amount indicated in confidential Attachment C to the subject report;
- (B) Council note that the reason a satisfactory result will not be achieved by inviting tenders is that the administration support and system improvement services required can only be practically provided by the current platform developer and hosting manager; and
- (C) authority be delegated to the Chief Executive Officer to finalise the terms of the contract variation and authorise its execution on behalf of the Council.

ATTACHMENTS

Attachment A: Resolution of Council 7 November 2011

Attachment B: Resolution of Council 21 October 2013

Attachment C: Contract Variation and Costs (Confidential)

(As Attachment C is confidential, it will be circulated separately from the agenda paper and to Councillors and relevant senior staff only.)

BACKGROUND

1. The City's Property unit manages utilities (electricity, gas and water) on behalf of the City, including procurement, contract management, invoice payment and arranging connections and transfer. The total utilities expenditure (including Street lighting) for the City in 2014/15 was \$13M.
2. In 2009 the City procured, by request for quotation, a utilities management system. Five organisations responded and a three year contract was awarded to Loquinar Pty Limited, commencing 1 January 2010 until 31 December 2012.
3. The procured utilities management provides the following functionality:
 - (a) tracks the City's progress against its targets;
 - (b) provides information at an organisational, divisional, business unit, building or sub-building level to create an awareness of where and how much energy and water is consumed;
 - (c) delivers by email utility consumption reports to over 85 staff and contractors which has led to reductions of between 5% to 10%;
 - (d) allows the City to capture (and resolve) multiple operational environmental issues (water leaks, lights left on etc.);
 - (e) tracks the implementation, the cost and the effectiveness of the projects and initiatives undertaken;
 - (f) calculates greenhouse gas emissions; and
 - (g) provides greenhouse gas, energy and water data for the City's environmental reports.
4. The utilities management system is provided as a hosted and maintained service, where the City does not own the software, but pays a licence for the use of the system.
5. On 7 November 2011, an initial variation to extend to December 2013 and accommodate increased scope and the number of utilities accounts / meters was approved by Council (see Attachment A).
6. On 21 October 2013, a further variation extending the term of the contract to end of December 2016 was approved by Council (see Attachment B).
7. While the system is hosted and supported externally, there are considerable internal resources required for system support and administration which currently are spread between City Property staff. This report therefore recommends an extension of contract scope to provide this system support externally, by the system expert, and improve timeliness and accuracy of reporting and data provision.
8. The extended scope of services will cover:
 - (a) setup for and ongoing maintenance, e.g. issues register, organisation hierarchy review, data and system clean-ups, improved reporting;

- (b) report clean-ups during the migration to Version7, including overall review and rationalisation;
 - (c) regular meetings to review progress; and
 - (d) operational assistance and system administration support, including user/group management, report definitions (including reports for Better Building Partnership & Green Report), creating new meters, sub-meters and assets, management of data feeds from retailers and third parties, facilitating upload of profile and billing data on a regular basis and managing any data issues, responding to ad-hoc data requests and completing data entry as required.
9. The new contract sum, including the recommended variation, will exceed \$150,000.
10. It is recommended that Council approves an exemption from the requirement to tender, for the following reasons:
- (a) the variation of costs is considered fair and reasonable;
 - (b) there has been considerable time invested in setting up the system and integrating it into the City's business process; and
 - (c) the system is the performance management tool critical for sustainability projects and managing performance and will assist in confirming progress toward targets.
11. The City is shortly to commence scoping of business requirements for a utilities management and environmental reporting system to facilitate tendering in early 2016 and implementation in late 2016 when the current contract expires.

KEY IMPLICATIONS

Strategic Alignment - Sustainable Sydney 2030 Vision

12. *Sustainable Sydney 2030* is a vision for the sustainable development of the City to 2030 and beyond. It includes 10 strategic directions to guide the future of the City, as well as 10 targets against which to measure progress. This report is aligned with the following SS2030 strategic directions and objectives:
- (a) Direction 2 provides a road map for the City to become A Leading Environmental Performer – Without this system the City cannot monitor and manage utilities consumption and therefore reduce greenhouse gases.

Risks

13. If the contract scope is not expanded, the City will forego an identified improvement opportunity to provide timely and accurate key environmental reporting information. If implemented, the improvement will allow additional time to be made available to manage utility consumption and other sustainability projects to achieve environmental targets.

Environmental

14. The system is critical to assist in managing the City's utility consumption, which directly affects greenhouse gas and water reductions.

Economic

15. The continued management of utility consumption results in lower expenditure, relative to rate and network charge increases.

BUDGET IMPLICATIONS

16. There are sufficient funds allocated in the 2015/16 operating budget and future years' forward estimates to expand the scope of services.

RELEVANT LEGISLATION

17. Local Government Act 1993, section 55(3).
18. Attachment C contains confidential commercial information which, if disclosed, would:
 - (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
19. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

CRITICAL DATES / TIME FRAMES

20. Current contract expires 31 December 2016.

OPTIONS

21. Develop or replace the current system to provide similar or improved functionality immediately. Costs, resourcing and timing currently makes this option impractical.
22. Retain the bulk of system support and administration services in-house, resulting in less efficient service delivery overall and less efficient use of existing resources.
23. Consider appointing a staff specialist to undertake system administration and development in-house. This specialist would require training in the current platform design. This in-house option is not considered to be cost efficient, given the short term the City will have the current system in place before contract expiry. The additional scope would not warrant a full-time employee.

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