

**ITEM 7. EXEMPTION FROM TENDER – UTILITY MANAGEMENT
INFORMATION SYSTEM – CONTRACT EXTENSION**

FILE NO: X004808

SUMMARY

This report seeks approval for extension of the existing contract with the City's incumbent Utilities Management Information System service provider Loquinar Pty Ltd.

In 2009, the City procured a Utilities Management Information System to record and report on utility consumption for its buildings, parks, civic-spaces and street lighting and track progress toward Sustainable Sydney 2030 targets. This system is known as the System Tracking Everything Environmental (STEvE).

The current contract for STEvE expires on 31 December 2016. Over the last nine months, in preparation for this expiry, the City has redefined and fully scoped its organisational operational requirements for a replacement system and, in July, commenced a tendering process to procure a Software as a Service (SaaS) solution under the Project name of SMART (Sustainability Management and Reporting Tool).

After completion of the tendering process (by mid-December 2016), the implementation of the alternative provider shall require time for configuration and set-up, data migration and testing with simultaneous running of both STEvE and the alternative provider.

It is therefore necessary to secure an extension of the current contract to facilitate the on-boarding of the new system and parallel testing with the existing STEvE system. It is envisaged that the contract extension required will be between six and 12 months.

Simultaneous operation of the two systems will be required to confirm data integrity across all utility billing cycles. This period is currently likely to commence in May 2017.

RECOMMENDATION

It is resolved that:

- (A) in accordance with the Local Government Act 1993, section 55(3)(i), Council approve exemption from tender for the extension to the existing service contract up to the amount and period indicated in confidential Attachment D to the subject report;
- (B) Council note the reasons why a satisfactory result would not be achieved by inviting tenders are:
 - (i) the City has already commenced the tendering process to procure a Software as a Service (SaaS) solution in mid-2016 with implementation of the service by mid-2017;
 - (ii) to ensure the continuous monitoring, management and reporting on utilities until the new SaaS solution is implemented and fully operational by mid-2017, and avoid interruptions to data and management of utilities; and

- (iii) the contract extension cost is considered fair and reasonable; and
- (C) authority be delegated to the Chief Executive Officer to finalise the terms of the contract with Loquinar Pty Ltd to accommodate the extension outlined in clause (A) above.

ATTACHMENTS

Attachment A: Resolution of Council of 7 November 2011

Attachment B: Resolution of Council of 21 October 2013

Attachment C: Resolution of Council of 14 December 2015

Attachment D: Contract extension and Costs (Confidential)

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

BACKGROUND

1. The City requires a platform to monitor, manage and report on utilities (electricity, gas, water) and greenhouse gas emissions within its owned and/or managed assets - including buildings, parks, civic-spaces and street lighting. The total utilities expenditure (including street lighting) for the City in 2015/16 was \$11M.
2. Currently the organisation primarily uses the System Tracking Everything Environmental (STEvE), an externally hosted platform, which is managed by City Property Services.
3. The City procured the STEvE system in 2009 through a Request for Tender process. Five organisations responded and a three year contract was awarded to Loquinar Pty Limited (then trading as East River Software), commencing 1 January 2010 until 31 December 2012.
4. The procured STEvE system 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 in energy and mains water consumption;
 - (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.
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 (refer Attachment A). Further variations for extending the term of the contract and expansion in scope of services were approved by Council on 21 October 2013 and 14 December 2015 respectively (refer Attachments B and C).
6. While the STEvE system is hosted and supported externally, it is more a bespoke platform that requires considerable time and internal resource for constant administration and customisation, which currently is managed by the Sustainability Manager in the Property Services business unit.
7. A comprehensive review of City's operational requirements was completed in February 2016 in consultation with main internal stakeholders and key business requirements and use cases were scoped and confirmed.

8. A Project Manager was appointed in May 2016 and the process commenced to procure a Software as a Service (SaaS) solution, which is called SMART (Sustainability Management and Reporting Tool). An Expression of Interest (EOI) for SMART was released to the market in July 2016. The EOI process is complete and the procurement process is currently in the select tender stage. The current provider is not on the select tender list.
9. The contract for STEvE expires at the end of 2016. At commencement of the project to replace the STEvE system it was noted in the project plan that an extension of the current contract would be required, with the extent of this to be quantified once the project had confirmed, via the EOI phase, configuration timelines amongst alternative providers and had proceeded to Final Tender stage.
10. The select tender process is envisaged to be completed by mid-December 2016, with configuration and implementation to be completed by mid-2017.
11. The implementation of the alternative solution will require time for configuration and set-up, data migration and testing with simultaneous running for a minimum of three months, of both current and the alternative provider.
12. It is recommended that Council approves an exemption from the requirement to tender and extend the existing contract with the incumbent provider for the following reasons:
 - (a) the contract extension cost is considered fair and reasonable;
 - (b) for continual monitoring, management and reporting on utilities until the new SaaS solution is implemented and fully operational by mid-2017; and
 - (c) the existing system is the performance management tool critical for sustainability projects and managing performance and will assist in confirming progress toward targets.

KEY IMPLICATIONS

Strategic Alignment - Sustainable Sydney 2030 Vision and Environmental Action 2016 – 2021 Strategy and Action Plan

13. *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 a platform the City cannot monitor and manage utilities consumption and therefore reduce greenhouse gases.
14. The *Environmental Action 2016 – 2021 Strategy and Action Plan*, outlines the approach to achieving City's Sustainable Sydney 2030 targets:
 - (a) The *Strategy and action snapshot – City operations* summaries interim environmental targets to be achieved by mid-2021 – Without a platform the City cannot monitor and manage its utilities consumption to meet these targets.

Risks

15. If the contract is not extended, it would leave the City without a consolidated utilities management reporting platform that could lead to utility budget variations due to undetected utility leaks and extreme consumption events. The City will be exposed to having no daily or weekly visibility on electricity, water and gas use for all its operations and risk of not achieving incremental 2021 and 2030 targets and NABERS rating targets.

BUDGET IMPLICATIONS

16. There are sufficient funds allocated in the 2016/17 operating budget and future years' forward estimates to extend the contract. An overlap period of three months to allow simultaneous operation of the two systems was accounted for in the 2016/17 budget.

RELEVANT LEGISLATION

17. Local Government Act 1993, section 55(3).
18. Attachment D 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. The current contract expires on 31 December 2016.

OPTIONS

21. Do Nothing: The City will be left without a consolidated utilities management reporting platform for a period of six to 12 months.
22. Procure a new solution: The City has commenced the tendering process to procure a Software as a Service (SaaS) solution in mid-2016 with implementation of the service by mid-2017.
23. Extend the existing STEvE contract: This gives time to the successful provider for configuration and set-up, data migration and testing with simultaneous operation with STEvE and effective implementing of the new solution.

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