

Relevant Information for Committee

FILE: S084740 **DATE:** 11 March 2019

TO: Lord Mayor and Councillors

FROM: Amit Chanan, Director City Projects and Property

THROUGH: Monica Barone, Chief Executive Officer

SUBJECT: Information Relevant To Item 7.2 – Inclusion of Requirement for 100 per cent Renewables in Electricity Procurement

For Noting

This memo is for the information of the Lord Mayor and Councillors.

Purpose

To provide answers to the Environment Committee regarding questions raised on Item 7.2 – Inclusion of Requirement for 100 per cent Renewables in Electricity Procurement.

Background

Price Validity

The wholesale electricity market is subject to change on a daily basis. This is due to electricity demand volatility, which changes every 30 seconds, causing the price to fluctuate between \$40-220/MW.

Due to this volatility, the industry practice is that the electricity offers are usually valid for up to one week. For the City's most recent renewal of its electricity contract, on 30 April 2018, the price was valid for one day only. Furthermore, for the prior contract renewal for electricity on 1 July 2015, the price was valid for one week. Due to short price validity of previous contract renewals, on both these prior occasions, the Council delegated authority to the Chief Executive Officer to execute the contracts.

It should be noted that requesting an extended price validity longer than one week would result in a significant price premium. Consequently, the Committee report proposes an upper limit on the premium for 100 per cent renewable electricity that can be approved under delegation by the CEO, without needing to extend the required price validity period. It is proposed that a CEO Update will be provided once the procurement exercise reaches its conclusion.

Community Generated Power

The City's decision to procure 100 per cent renewable electricity can help drive the market in the direction of community-generated power. It is proposed that the tender documents will specify a preference for community-generated power schemes to be included in the supply mix. This will also form an item in the tender assessment criteria. Tenderers will therefore be aware that their tender is more likely to be successful if community-generated power is included in their proposal.

It is also proposed that the City specify renewable energy sourced from projects located in regional NSW. This will ensure that local communities within the regional areas of NSW benefit from this transaction.

Payment Structure Details and Business Model

The purchase of actual electricity will be similar to the current contract structure. The City will pay the electricity retailer for its own electricity usage. This transaction is governed by the whole electricity market, where an electricity user enters into a contract with an electricity retailer for an agreed price and term.

A separate market, known as National Energy Market (NEM) governs transactions between the electricity retailer and electricity generator. The retailer will be responsible for paying the renewable generator. The City cannot transact in this market, and does not wish to be exposed to the dynamics and risks within the market.

As part of the supply linked Power Purchase Agreements (PPA), the City will develop a relationship with the selected generator to pay them directly for the purchase of Large-Scale Generation Certificates (LGCs). No electricity retailer margin will be placed on this transaction.

Memo from Amit Chanan, Director City Projects and Property

Prepared by: Neil Palagedara, Business Performance Manager

Attachments

Nil.

Approved

A handwritten signature in black ink, appearing to read 'P.M.B.' followed by a stylized flourish.

**MONICA BARONE, CHIEF EXECUTIVE
OFFICER**