

**Item 5.****Tender - Reject and Negotiate - Utility Management**

**File No:** X019254.007

**Tender No:** 1895

**Summary**

Property Services manages the provision of and payment of all utility services inclusive of electricity, gas, water and waste for the City. The total annual spend for these services exceeds \$13 million. These services were previously consolidated within the scope of the former property services provider.

As part of the new property model, utility management was identified as an area requiring a specialist service provider.

The key functions of the utility management contract is broken into two components: financial management of electricity, gas, water and property waste accounts, and consulting services within these areas. Financial management services include validating bills against contractual rates and historical usage patterns, providing relevant reports to evaluate performance and validating usage data. Consulting services include market advice on energy optimisation, procurement timing and conducting utility optimisation audits.

Consequently, the City has conducted a tender to select an appropriate supplier. The City was able to attract three bids as an outcome of this exercise. Based on the bid responses, this report recommends that Council reject and negotiate the tender offers for Tender - Utilities Management Services.

Following the expiry of the previous service provider's agreement on 30 June 2018, the City has engaged an interim service provider to conduct utility management services.

Due to the additional time required for the reject and negotiate process, this report also recommends an extension of the interim contract with the existing vendor for four months, from 1 March 2019 to 30 June 2019.

## **Recommendation**

It is resolved that:

- (A) Council reject the tender offers from all tenderers for Tender 1895 Utilities Management Services;
- (B) due to the lack of conforming tenders received, Council enter into negotiations with suitably qualified suppliers for the provision of Utilities Management Services to the City;
- (C) authority be delegated to the Chief Executive Officer to approach suitably qualified suppliers to negotiate, execute and administer the contracts relating to the tender; and
- (D) Council approve an extension of the current contract to provide utility bill validation and associated financial management services with Energetics Pty Ltd for four months, from 1 March 2019 to 30 June 2019.

## **Attachments**

**Attachment A.**      Tender Evaluation Summary (Confidential)

## Background

1. Property Services manages the provision of and payment of all utility services inclusive of electricity, gas, water and waste for the City. The total annual spend for these services exceeds \$13 million. These services were previously consolidated within the scope of former property services provider.
2. In February 2017, Council endorsed a new property model which moved away from a consolidated model to a specialist model. As part of the new property model, utility management was identified as an area requiring a specialist service provider.
3. The key functions of the utility management contract is broken into two components:
  - (i) financial management of electricity, gas, water and property waste accounts The contract term is for nine (9) years. This is broken down to an initial term of four (4) years with two additional options of three (3) and two (2) years respectively.
  - (ii) consulting services include market advice on energy optimisation, procurement timing and conducting utility optimisation audits.
4. Consequently, the City has conducted a tender to select an appropriate supplier. The City was able to attract three bids as an outcome of this exercise.
5. Based on the tender evaluation panel, all bids were deemed as non-conforming as outlined in Confidential Attachment A. Since there were no conforming tender responses received, it is recommended that Council reject all tender submissions for Utility Management Services Tender, and enter into direct negotiations with suitable service providers to optimise financial, commercial and legal outcomes.
6. Given the previous consolidated Property supplier agreement expired on 30 June 2018 and the complexity of transitioning to the new property model, the City has engaged an interim specialist service provider to conduct utility management services.
7. Due to the additional time now required for the reject and negotiate process, this report also recommends an extension of the interim contract with the existing vendor for four months, from March 2019 to June 2019.

## Invitation to Tender

8. The tender was put on exhibition in The Sydney Morning Herald and The Daily Telegraph, and on the City's eTendering website on Tuesday 20 November 2018, and closed on 14 December 2018 (24 days).

## Tender Submissions

9. Three submissions were received from the following organisations:
  - Energetics Pty Ltd;
  - Energy Action (Australia) Pty Ltd; and

- Smart Power Utilities Pty Ltd.
10. No late submissions were received.

## **Tender Evaluation**

11. All members of the Tender Evaluation Panel have signed Pecuniary Interest Declarations. No pecuniary interests were noted.
12. The relative ranking of tenders as determined from the total weighted score is provided in the Confidential Tender Evaluation Summary – Attachment A.
13. All submissions were assessed in accordance with the approved evaluation criteria being:
  - demonstrated capacity and technical ability to carry out the work under the contract;
  - demonstrated experience utilising the Primary System (Envizi or similar);
  - the proposed methodology as outlined in the draft Service Delivery Plan;
  - demonstrated managerial capability, qualifications, experience and number of personnel;
  - Work, Health and Safety;
  - finance and commercial trading integrity, including insurances; and
  - the lump sum price and Schedule of Rates.
14. Preliminary evaluation of Utility Management Services Tender submissions by the panel have concluded that the submissions are deemed non-conforming. Please see Confidential Attachment A for details.

## **Performance Measurement**

15. The performance measurement criteria is as follows:
  - Completion and delivery of all Utilities Financial Management Services
  - Delivery of an accurate utility budget with minimal variance to actuals
  - Delivery of an accurate utility forecast with minimal variance to actuals
  - Data Capture, Administration, Validation and Reporting
  - Tenant Invoicing

## Financial Implications

16. There are sufficient funds allocated for this project within the current year's operating budget and future years' forward estimates.

## Relevant Legislation

17. The tender has been conducted in accordance with the Local Government Act 1993, the Local Government (General) Regulation 2005 and the City's Contracts Policy.
18. Attachment A contains confidential commercial information of the tenderers and details of Council's tender evaluation and contingencies 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 transition period between service providers is a minimum of two months. The transition period will begin five days after contract execution. It is therefore critical that the contract is executed two months before the expiration of the proposed extension of the current engagement as of 30 June 2019.
21. The anticipated contract award and start of the transition phase is targeted for early April 2019.
  - (a) Council approval to reject and negotiate tender - March 2019
  - (b) The City negotiates the contract with suitable providers - March 2019 through April 2019
  - (c) Complete negotiations and execute contract with service provider - May 2019

## Options

22. Cancel the tender and re-advertise. This option is not recommended as it is considered this will not attract additional submissions.
23. Reject the tender and negotiate with suitable service providers to carry out the work and delegate authority to the Chief Executive Officer to enter into a contract. This option is recommended.

**Public Consultation**

24. There has been no public consultation regarding the tender.

**AMIT CHANAN**

Director City Projects and Property

Kunal Johri, Manager Utilities