

**ITEM 14. TENDER - PHOTOVOLTAIC SYSTEMS DESIGN AND  
INSTALLATION ON THE CITY'S BUILDINGS AND OPERATIONS**

**FILE NO: S086964**

**TENDER NO: 1110**

**SUMMARY**

In Sustainable Sydney 2030, the City has a target to reduce greenhouse gas emissions by 70% from 2006 levels by 2030 across the Local Government Area and for its own buildings and operations. Sustainable Sydney 2030 also sets a target for 100% of the Local Government Area's (and the City's) electricity requirements to be met by local energy by 2030 – 70% from trigeneration and 30% from renewable energy.

In addition, the City has a corporate target of reducing its own emissions by 20% from 2006 levels by 2012/13 as a first step towards the 70% reduction in emissions target. Timely installation of the solar panels proposed by this tender is a key action if the City is to meet its initial 20% target.

As a contribution towards meeting these targets, tenders were called in 2011 to seek the installation of solar photovoltaic panels on the roofs of approximately 30 of the City's buildings.

On 31 May 2010, Council resolved to replace the City's *GreenPower* purchase contract with a Renewable Energy Fund of up to \$2M per annum, which funds this initiative.

Council also resolved to retire, rather than sell, any Renewable Energy Certificates achieved so that the City's efforts to reduce greenhouse gas emissions through renewable energy projects will go beyond the Federal Government's Renewable Energy Target – increasing the amount of renewable energy generated in Australia.

On 20 February 2012, Council resolved to reject all tenders and to delegate authority to the Chief Executive Officer to negotiate with suitably qualified suppliers for the design and installation of the photovoltaic systems.

This report provides results of the tender negotiations and recommends acceptance of the submission from Tenderer 'A'.

The proposal from the recommended Tenderer 'A' will:

- provide carbon abatement at a cost of \$33/tonne;
- reduce Council's overall greenhouse gas emissions by 4%, compared with the target contribution from Solar PV of 8% by 2030; and
- result in 12.5% of the electricity consumed in the operation of the City's properties being generated from renewable energy sources, compared with the target of 30% by 2030.

The rates provided by Tenderer 'A' are competitive with global average prices and are recommended for acceptance. The carbon abatement cost is dependent on Council successfully completing the current negotiations for a trigeneration energy supply agreement with Cogent.

Should Council not conclude the negotiations, then the cost of carbon abatement could rise from \$33/tonne to \$65/tonne. In that case, the selected sites would be re-evaluated to reduce this overall cost.

**RECOMMENDATION**

It is resolved that:

- (A) Council accept the offer from Tenderer 'A' for the photovoltaic systems design and installation on the City's buildings and operations, including the offer from Tenderer 'A' for increased systems on Bay Street Depot and Epsom Road Depot; and
- (B) Negotiation Evaluation Summary, Attachment B to the subject report, remain confidential in accordance with Section 10A(2)(d) of the Local Government Act 1993:

**ATTACHMENTS**

**Attachment A:** List of the City's buildings to which it is intended to fit photovoltaic panels

**Attachment B:** Negotiation Evaluation Summary (Confidential)

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

## **BACKGROUND**

1. In Sustainable Sydney 2030, the City has a target to reduce greenhouse gas emissions by 70% from 2006 levels by 2030 across the Local Government Area and for its own buildings and operations. Sustainable Sydney 2030 also sets a target for 100% of the Local Government Area's (and the City's) electricity requirements to be met by local energy by 2030 – 70% from trigeneration and 30% from renewable energy.
2. In addition, the City has a corporate target of reducing its own emissions by 20% from 2006 levels by 2012/13 as a first step towards the 70% reduction in emissions target. Timely installation of the solar panels proposed by this tender is a key action if the City is to meet its initial 20% target.
3. As an initiative towards meeting these targets, tenders were called for the installation of solar panels on the roofs of approximately 30 of the City's buildings.
4. Requests for expressions of interest were advertised and returned on 1 October 2010. Selected organisations were invited to tender on 8 April 2011. Tenders closed on 29 July 2011.
5. The tenders were based on an output performance specification, whereby a contractor designs and installs their own photovoltaic proposals to generate renewable electricity on Council buildings and operations. The list of City properties for which it was specified to install photovoltaic systems is detailed in Attachment A. Some properties originally selected have been removed from the final list. Some further variations can be expected due to potential issues with development approvals, roof structures, Architects' moral rights and maximisation of solar efficiency.
6. Tenders received exceeded the envisaged 0.75MWp to 1MWp photovoltaic capacity over five years. However, some of the tenderers advised that photovoltaic manufacturing prices had recently fallen and the previously envisaged five year delivery program could be reduced, it was proposed to reject all tenders received and negotiate a new contract.
7. On 20 February 2012, Council resolved to reject all tenders and to delegate authority to the Chief Executive Officer to negotiate with suitably qualified suppliers for the design and installation of the photovoltaic systems.

## **INVITATION TO TENDER**

8. Negotiations have been completed. The proposal from the recommended Tenderer 'A' will reduce Council's overall greenhouse gas emissions by 4%, compared with the target contribution from Solar PV of 8% by 2030.

## **NEGOTIATION SUBMISSIONS**

9. Submissions were received from:

<b>NAME</b>	<b>ORIGINAL TENDER</b>	<b>REVISED OFFER</b>
Ingenero Pty Ltd	yes	yes
Nu Energy Pty Ltd	yes	yes
RF Industries	yes	no
Solgen Energy	yes	yes
Sunpower Corporation	yes	yes

10. No late submissions were received.

### **NEGOTIATION EVALUATION**

11. All members of the Negotiation Evaluation Panel have signed Pecuniary Interest Declarations. No pecuniary interests were noted.

12. The relative ranking of offers as determined from the total weighted score is provided in the Confidential Negotiation Evaluation Summary – Attachment B.

13. All submissions were assessed in accordance with the approved evaluation criteria.

14. The Negotiation Evaluation Criteria were:

- (a) lump sum price and schedule of prices;
- (b) solar electricity generation peak power capacity;
- (c) annual solar electricity production;
- (d) annual reduction in greenhouse gas emissions;
- (e) output performance specification requirements;
- (f) business case and methodology to implement the project;
- (g) Occupational Health and Safety; and
- (h) financial and commercial trading integrity and insurances.

### **PERFORMANCE MEASUREMENT**

15. The City will ensure that performance standards are monitored during construction by internal staff, and the appointment of an external solar consultant to:

- (a) evaluate closely any design changes;
- (b) attend weekly site meetings and holding regular weekly inspections of the works with the Contractor;
- (c) undertake Quality Assurance inspections with the City's Design Consultants at critical points in the construction;

- (d) ensure that the Contractor delivers all necessary OH&S plans, method statements, inspection and test plans and certificates of compliance as specified in the tender documents; and
- (e) monitor the Contractor's program and assessing monthly progress claims.

### **RENEWABLE ENERGY TARGET**

- 16. The proposal from the recommended Tenderer 'A' will result in 12.5% of the electricity consumed in the operation of the City's properties being generated from renewable electrical energy sources, compared with a target of 30% by 2030.

### **PRICE ON CARBON**

- 17. The Australian Government has announced a price on carbon of \$23/tonne beginning on 1 July 2012. The price will rise 2.5% a year plus the underlying rate of inflation during a three year fixed price period until 1 July 2015. The carbon price mechanism will then transition to an emissions trading scheme where the price will be determined by the market. A tonne of carbon equates to about 1MWh of grid electricity or 2.5c/kWh.

### **FINANCIAL IMPLICATIONS**

- 18. There are sufficient funds allocated for this project within the 2012/13 Capital Works and Operating budgets and future years' forward estimates.
- 19. In May 2010, Council endorsed no longer purchasing GreenPower; to instead invest money previously allocated to GreenPower into a \$2M annual renewable energy fund to install renewable energy at Council locations.
- 20. The rates provided by Tenderer 'A' are competitive with global average prices and are recommended for acceptance. The carbon abatement cost is dependent on Council successfully completing the current negotiations for a trigeneration energy supply agreement with Cogent.
- 21. Should Council not conclude the negotiations, then the cost of carbon abatement under this proposal could rise from \$33/tonne to \$65/tonne. In that case, the selected sites would be re-evaluated to reduce this overall cost.

### **RELEVANT LEGISLATION**

- 22. The tender and negotiations have been conducted in accordance with the Local Government Act 1993, the Local Government (General) Regulation 2005 and the City's Contracts Policy.
- 23. Information provided by companies which is commercial-in-confidence has been protected and will not be disclosed in accordance with section 10A(2)(d) of the Local Government Act 1993. A consistent standard for all companies has been used in assessing any request for confidentiality by a tenderer.
- 24. It is not considered to be in the public interest to make the confidential information public because that may affect future tender submissions.

25. Other legislation applying is the State Environmental Planning Policy (SEPP) (Infrastructure) 2007, a part of the Environmental Planning and Assessment Act 1979. This stipulates the various circumstances where photovoltaic arrays are exempt from, or requiring of, development consent.

#### **CRITICAL DATES / TIME FRAMES**

26. The duration of the overall project was indicated in the original tender documents at five years. It is now intended to target completion of the bulk of the projects within two years, with a few that might run on a little, due to approvals.

#### **OPTIONS**

27. If the tender is not approved, the objectives of Sustainable Sydney 2030 will be more difficult to achieve.
28. Council could potentially achieve a further reduction in carbon abatement cost if it were to reconsider its current policy to retire, rather than sell, any Renewable Energy Certificates achieved.

#### **PUBLIC CONSULTATION**

29. No specific consultation was undertaken with respect to this tender. However, this tender has been developed in direct response to the 70% reduction in greenhouse gas emissions and renewable energy targets in Sustainable Sydney 2030 for the City's own buildings and operations as a 'show by doing' project. Sustainable Sydney 2030 was subject to the most extensive public consultation ever undertaken by Council.
30. Consultation is required with the public in the case of installations and/or access required in the public domain. Consultation is also required with tenants, building managers and city staff, where in occupation, and for some properties with the original architect.
31. For properties where the City has possession under a lease or as a trustee for a Crown reserve, consent will also be required from the Lessor or Minister, respectively.
32. Development applications will be submitted when relevant as required by SEPP (Infrastructure) 2007.

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