

11.1 Confidential - Community Owned Renewable Energy (CORE) B Project

This report details the outcomes of a registration of interest (ROI) procurement process for the CORE B project and informs Council of the next stage in the process.

This is an update on a previously reported project, concept or issue.

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Attachments: Nil

1 Executive summary

This report details the outcomes of a registration of interest (ROI) procurement process for the CORE B project and informs Council of the next stage in the process.

1.1 Context

This report details the outcomes of the first stage in the registration of interest (ROI) process conducted to engage a commercial partner(s) to design, establish and operate a mini solar farm (s) in the city, which is funded in part or wholly by community 'investors'.

It is suggested that Council consider this item in Confidence. Section (ii) 90(3)(b), 90(3)(d) of the *Local Government Act 1999* is suggested as the most appropriate to use for this purpose.

This item is presented as a confidential item as it details commercial proposals for the implementation of this project. Our procurement policy and process focuses on ensuring that information which may confer a commercial advantage or could prejudice commercial position in the course of tendering is preserved.

1.2 Financial implications

Council's financial contribution to the CORE B project is limited to:

- the engagement of specialist energy, commercial, probity and legal advisors in the preparation and evaluation of tender documentations and in contract negotiations and
- support marketing and communication of the project.

This funding is allocated from the Climate Change Response Fund and is reported to council as part of the annual budget process.

1.3 Suggested outcome

That Council is informed of the next steps in the process for implementing the CORE B project.

2 Recommendation(s)

1. That:

- a. **under the provisions of Section 90(2) of the *Local Government Act 1999* an order be made that the public be excluded from attendance at the meeting in order to consider in confidence this item.**
- b. **the Council is satisfied that it is necessary that the public be excluded to enable the Council to consider the report at the meeting on the following grounds:**

Section 90(3)(b) information the disclosure of which -

- (i) **could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and**
- (ii) **would, on balance, be contrary to the public interest;**
and

Section 90(3)(d) commercial information of a confidential nature (not being a trade secret) the disclosure of which -

- (i) **could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and**
- (ii) **would, on balance, be contrary to the public interest;**
- c. **accordingly, on this basis the principle that meetings of the Council should be conducted in a place open to the public has been outweighed by the need to keep the information or discussion confidential.**

2. That this report be received and noted.

- 3. That an order be made under the provisions of Section 91(7) and (9) of the *Local Government Act 1999* that the above mentioned document (or part of such document) including the minutes and the report of Council relating to discussion of the subject matter of that document, having been considered in confidence under Section 90 of the Act should be kept confidential on the grounds of information contained in 90(3)(b), 90(3)(d) until the procurement process for the delivery of this project is complete and legal agreements executed.**

Key factors

3 Strategic/Corporate Direction

The CORE project is a foundation project of the climate change strategy and a key action in the Energy Futures strategy.

4 Council's Role(s)

Council's role in the implementation of the CORE B project is principally as facilitator and initiator.

Council would also assist the appointed commercial partner to identify suitable sites for PV installations. For Council owned property this may include providing information on building energy consumption, and negotiated leasing arrangements for use of roof space and/or land.

Council would also monitor the operation of the program. This may include undertaking satisfaction surveys of investors and other participants.

5 Discussion

5.1 The procurement process

The ROI documentation allowed for a three step process

- Stage one – registration of interest
- Stage two – detailed and costed proposal
- Stage three – contract documentation and award.

This report focuses on the outcomes of stage one and advises council that stage two and three requirements have been combined in a final stage. Progress to this final stage is now contingent on external funding being secured from Renewables SA.

5.2 Anticipated role of commercial partner(s)

It is anticipated the commercial partner would have the following roles:

- designing and establishing financial and governance models;
- securing formal agreements between the parties;
- recruiting community investors (including issuing of a prospectus and disclosure statements where required);
- identifying sites suitable for PV installations
- installing and maintaining PV systems in accordance with relevant Australian standards, including the following:

- compliance with relevant Clean Energy Council (CEC) design and installation guidelines;
- using accredited CEC system designers and installers (including supplementary Australian Institute of Building Surveyors [AIBS] Roof Safety training required in SA);
- applying for funding from federal and state governments in conjunction with Council;
- securing revenue from the sale of power and/or RECs;
- distribution of revenue to investors;
- obtaining development approvals for installations (where required);
- participating in information and promotion activities run by Council ;
- obtaining Council approval for promotional or advertising material relating to participation in the initiative;
- complying with relevant Australian Security and Investment Commission requirements; and
- respecting and prioritising the interests of the investor, asset owner and tenants at every stage of the selection and installation process.

5.3 Outcomes of registration of interest stage

The registration of interest process was launched in December 2010 and closed on 11 February 2011. Submissions were received from ARC Consulting, Love Energy, Offshore Energy Pty Ltd Trading as Solar Depot and Zen Commercial Energy Systems.

The ROI documentation specified criteria that ROI should be assessed against. This is summarised in Table 1 below.

Table 1: Qualitative Criteria & Weightings

<i>Criteria</i>	<i>Purpose</i>	<i>Weighting %</i>
Demonstrated Ability <i>(Experience)</i>	<p><i>To assess the experience and capability of the tender to deliver the project:</i></p> <ul style="list-style-type: none"> • An overview of the company profile including resources eg financial, equipment, organisational structure, training and qualifications of staff (installation, sales and project managers). • Details should also be provided of Public Liability Insurance Cover, Workcover registration and approach to Occupational Health Safety and Welfare. • Details on experience in undertaking PV installations and any accreditations and/or compliance with Clean Energy Council design and installation guidelines. Provide details of experience in establishing and attracting and managing investment schemes relating to renewable 	20

	energy.	
Methodology	<p>To assess the proposed methodology of the tenderer including governance and financial arrangements:</p> <ul style="list-style-type: none"> ▪ how scheme will be financed including details of how any financial products will be structured and managed ▪ what are the opportunities for community investment and required levels of investment to be secured ▪ how the scheme will raise revenue and how will this be allocated between parties (including land and building owners, building tenants and operator) ▪ details of formal structures required and/or agreements between parties ▪ how risk is to be allocated between the parties 	30
Resources (financial viability)	<p><i>Provide an indicative business case for the scheme. This should identify:</i></p> <ul style="list-style-type: none"> • <i>anticipated return to community investors and other parties (eg tenants land owners)</i> • <i>anticipated returns to scheme operator</i> • <i>describe any assumptions are made that underpin the viability (for example access to feed in tariffs, council or state government funding)</i> • <i>required grant funding or contributions from council or state government and whether these are ongoing or for establishment.</i> 	30
Functionality/Operational	<ul style="list-style-type: none"> • <i>criteria to be used for selecting sites for PV</i> • proposed size of PV installations (minimum size and maximum size) • <i>how the scheme will be maintained once established (including PV installations and payments to investors)</i> 	10
Development & Research (Secondary objectives)	<p>Provide details of any benefits related to the secondary objectives of the CORE project namely:</p> <ul style="list-style-type: none"> • local economic development • industry skills development • research and development • community education about renewable energy and energy efficiency. 	10

5.4 Shortlisting process

The evaluation panel included:

Maggie Hine, Group Manager Sustainability

Brian Hales, Adviser Economic Development

Alison Hancock, Manager Property and Recreation Services

Jenni McGlennon, Strategic Planner Environment

Ben Calder, Strategic Planner Environment

Julian James, Asset Planner Green Buildings

Specialist advisors were:

John O'Brien, Director, Australian CleanTech (commercial advisor)

Andrew Nance, Director, St Kitts Associates (energy advisor)

The panel assessed the four submissions and the specialist advisors provided input as required. The panel allocated agreed team scores against each of the criteria in accordance with the approved evaluation plan.

The final weighted scores at the conclusion of this process are detailed in the Table 2 below.

The evaluation panel considered that the submissions from ARC Consulting and Zen Commercial Energy Systems were satisfactory submissions but for the panel to make a final selection a further due diligence assessment of the financial and market credentials of each company was warranted. The company Balance Scorecard was engaged to undertake this work. As a result of this process, ARC Consulting were unable to satisfy the due diligence requirements and withdrew from the procurement process. The report on ZEN was satisfactory.

Zen Commercial Energy Systems were then selected by the evaluation panel as the preferred respondent to the ROI to progress to stage two and they were advised of this in correspondence dated 30 May 2011. This correspondence also advised the company that the overall procurement process was being placed on hold pending the outcomes of the State Government's review of the state feed in legislation and the release of the state government's funding guidelines for community owned renewable energy projects. The former was completed in September 2011 and the latter released on 19 October 2011.

Council staff met with Zen's Commercial Business Manager, Mr Marcus Keller on 27 October 2011 to discuss the company's commitment to its original submission. This commitment was confirmed and it was agreed that the next step would be to jointly prepare a submission for funding from Renewable SA. Applications must be submitted by Friday 2 December 2011.

Table 2: Evaluation Criteria, Weightings and Scores

Criteria	Weighting %	Tenderer							
		ARC Consulting		Love Energy		Offshore Energy		Zen Technologies	
		Score (Max 10)	Weighted Score %	Score (Max 10)	Weighted Score %	Score (Max 10)	Weighted Score %	Score (Max 10)	Weighted Score %
Demonstrated Ability	20	5	10	4	8	3	6	7	14
Methodology	30	6	18	0	0	2	6	6	18
Resources (Financial Viability)	30	8	24	0	0	0	0	2	6
Functionality/Operational	10	6	6	2	2	0	0	6	6
Development & Research (Secondary Objectives)	10	4	4	1	1	1	1	4	4
Totals	100		62		11		13		48

Correspondence was sent to Zen Commercial on 4 November 2011 confirming:

- the commitment to prepare a joint funding submission to Renewables SA to implement this project and
- that this commitment by council is not a binding contract but an invitation to work with council to prepare the funding submission, and if successful in securing funding to then negotiate the award of a contract(s) to implement the project.

It was also noted that the final contract will be conditional on:

- the parties reaching agreement on the terms and conditions of the contract(s) and
- upon the above conditions being met, the Council approving the project.

All of the above is contingent on the application for funding being successful.

5.5 Overview of ZEN's ROI submission

The following is a brief summary of ZEN's original submission. It should be noted that this model may change as a result of the requirements of the state government funding guidelines and any subsequent contract negotiations.

Zen has established a strategic partnership with the following interests to deliver the project:

- Future Energy – a key interest in the delivery of the Hepburn Wind Farm project
- Norman Disney Young – a global consulting group specialising in sustainable design.

These partnerships form the basis of a Community Owned Solar Farm Consortium (COSFC) that would be established to support the project.

ZEN's preferred approach to governance of the COSFC incorporated a project board and a community steering committee, which may choose to establish a community association to support the project's delivery and community engagement.

The ZEN submission proposes that a Special Purpose Vehicle (SPV) would be created to develop the project and the SPV may be owned by the association or partners in the project. ZEN has been in confidential discussions with an equity investor who is prepared to take a minority stake in the SPV to encourage community investment.

It is envisaged the SPV would be established as a cooperative governed by the *Co-operatives Act 1997*.

The project would be financed using a combination of the following arrangements: equity investment, debt, community shareholding, state government grant and cash flow from electricity sales.

In keeping with the Renewable SA funding guidelines, ZEN has stated that the scale of a facility would need to be at least 30 KW to achieve the necessary economies of scale.