

10.3 Local Government Association Pilot Project

This report proposes that we formally commit to participate in the Local Government Association's Community Solar Panels Pilot Project.

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

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Attachments: Correspondence from the LGA (10 pages)

1 Executive summary

1.1 Topic

This report proposes that we formally commit to participate in the Local Government Association's Community Solar Panels Pilot Project.

1.2 Context

At its meeting on 2 February 2010 Council resolved to submit an expression of interest to the Local Government Association (LGA) to participate in its Community Solar Panels Pilot Project. This project will offer ZEN Home Energy Systems (ZEN) photovoltaic (PV) panels to householders at a reduced price. It was noted that further updates would be provided to Council as more details emerged including the outcomes of due diligence investigations. This information has now been received and a summary is provided in this report.

The LGA are planning to launch the pilot at the end of May 2010 and are seeking formal commitments from councils who wish to participate before the public announcement. Participating councils will be announced at the time at the launch.

This report proposes that Council commit to participate in the pilot.

At its meeting on 20 April 2010 Council resolved to proceed with the establishment of a community bulk purchase scheme for PV systems as part of the Community Owned Renewable Energy Project (CORE). Our participation in the LGA pilot is consistent with this direction.

1.3 Suggested outcome

It is suggested that Council consider this matter in confidence. Section (ii) 90(3)(d) of the Local Government Act 1999 is suggested as the most appropriate use for this purpose.

The item is presented as a confidential item at the request of the LGA, who do not wish their negotiations with ZEN to be prejudiced.

That Council confirms our involvement in the pilot 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)(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;**

- 2. 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.**
- 3. That Council, having previously submitted an expression of interest, advises the Local Government Association of its intention to participate in the Community Solar Panels Pilot Project.**
- 4. That our involvement in Community Solar Panels Pilot Project be promoted within the city as an element of the Community Owned Renewable Energy Project implementation.**
- 5. That an order be made under the provisions of Section 91(7) and (9) of the Local Government Act 1999 that the report to Council titled 'Local Government Association Pilot Project' dated 18 May 2010 and any associated minutes and other documents, having been dealt with on a confidential basis under Section 90(3)(d) of the Act, be kept confidential the project is announced publicly by the Local Government Association.**

3 Discussion

In July 2009 the City of Victor Harbor appointed ZEN for its community solar program. The program sought to reduce the price of PV systems to householders through economies of scale. A further nine councils (primarily rural councils including the adjacent Fleurieu councils) joined the program. To date over 2000 units have been installed within these councils. The City of Victor Harbor has identified local economic benefits arising from the program, primarily through the training and engagement of local contractors for the installations.

In December 2009 ZEN approached the LGA with a proposal to extend this model across the local government sector. Since the launch of the City of Victor Harbor program federal government incentives for the installation of the PV cells have changed. The LGA are proposing a 12 month pilot project to test the level of interest in this type of initiative under the current incentive arrangements. This approach was endorsed by the LGA State Executive in January 2010, with the pilot to be managed by Local Government Corporate Services (LGCS).

The LGA have approached a selection of councils to participate in the pilot, including the City of Onkaparinga. It is understood that to date the Cities of West Torrens, Marion, Holdfast Bay, Port Adelaide Enfield and Port Augusta have confirmed their participation.

The LGA have indicated that after 12 months the effectiveness of the pilot will be evaluated.

Council's role

The role of participating councils is to support the roll out of the pilot in their local community. We are proposing that within the City of Onkaparinga this involve the following:

- hosting an information session on the pilot as an integral part of CORE
- promotion in Onka News and on our website
- mails outs to residents who have already registered an interest in bulk purchase through CORE.

Participating councils are not required to enter into a formal agreement with ZEN. The LGA will engage participating councils. Participating councils are not undertaking a procurement process, as the pilot involves a direct sale arrangement between the customer and ZEN.

Involvement in the pilot does not preclude participating councils from entering into other bulk purchase arrangements in the future. Nor does it prevent residents from utilising other providers.

The LGA have indicated that customers wishing to purchase through the pilot scheme will be required to sign a disclaimer to the effect that they understand:

- LGA endorsement is of the pilot project only
- LGCS is monitoring the effectiveness of the pilot project to determine if the mechanism is sufficiently robust and effective to support action on a sector wide basis
- the LGA, LGCS and Council are not endorsing, recommending, guaranteeing, or warranting the ZEN product in any way
- that in the purchase of any system from ZEN that the purchase is governed solely by the commercial terms of the contract signed with ZEN and
- that they have conducted their own investigations with respect to alternative systems available in the marketplace prior to making the decision to purchase from ZEN.

Due diligence investigations

Local Government Corporate Services has undertaken investigations into the proposal and ZEN for the LGA. In addition, an independent consultant, Dr Tim

Moore, was appointed by the LGA to review the proposal. The key findings of these investigations are:

- ZEN have substantial experience in the delivery of community programs in SA and Victoria and the products offered are of high quality, well engineered and installed
- no complaints from customers were identified in over 2,000 installations in South Australia
- the company has established management, quality and other systems to support purchasing, procurement, customer service, installation and planning applications (where required)
- ZEN have the necessary financial resources to fund the pilot
- ZEN have a secure supply chain for both solar panels and inverters and the quality of these principal components is of the highest order and are covered by extensive manufacturers warranties
- considerable effort has been made to ensure the highest quality installation through its selection of installation materials (such as specialised fasteners, wiring and panel stands) and training of installers (ZEN undertake this training for Regency Park and Sunraysia TAFEs)
- installers receive a complete installation kit that includes everything they require plus all fasteners and cabling and these are compiled specifically for each individual installation
- data management systems are in place which track the installation from quotation through to final inspection with capacity for centrally monitoring energy consumption.

The investigations noted that ZEN provide a premium product and that even with the discounts being offered through the pilot it may not be the cheapest product on the market.

Community Owned Renewable Energy Project

The recent community engagement on CORE has identified that in relation to bulk purchase schemes:

- where possible householders would like to have more than one preferred provider to select from
- there are a number of local businesses who would be interested in participating in such a scheme.

In addition and as stated above, ZEN appear to offer a premium product that may not suit all households.

Our promotion of Community Solar Panels Pilot Project within the city will make clear:

- that our participation forms an element of the implementation of CORE
- our intention to establish a bulk purchase arrangement for PV panels that includes our involvement in the LGA pilot (with ZEN as a provider) and other providers will be selected through a tender process that will commence shortly.

The LGA have advised that they anticipate the pilot to be launched later this month. However, the timing of information sessions within each participating council are still to be confirmed.

