

11.3 Futurtec Project Update

This report provides an update on negotiations currently in progress with the Southern Adelaide Renewables Consortium regarding the Futurtec project.

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

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Attachments: Nil

1 Executive summary

1.1 Topic

This report provides an update on negotiations currently in progress with the Southern Adelaide Renewables Consortium regarding the Futurtec project.

1.2 Context

At its meeting on 19 May 2011 Council approved the Southern Adelaide Renewables Consortium (SARC) as the preferred respondent as a result of the request for proposal process. Approval was also provided to progress non binding commercial negotiations for a staged approach of the biomass and solar components of the Renewable Energy Precinct (REP) land.

A further report was to be presented back to Council by September 2011 to detail the progress of the SARC proposal and negotiation outcomes. This report provides an early update to Council on negotiations in response to SARC's decision to remove the biomass facility from development on the Futurtec land.

1.3 Suggested outcome

It is suggested that Council consider this item in Confidence. Section (ii) 90(3)(k) 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 because it details the subject matter of an ongoing tender process including the development of the Futurtec project. The possible implications of not considering this item in Confidence could reasonably be expected to compromise an ongoing tender process.

That Council note SARC's advice that they will exclude the biomass facility from their Futurtec proposal for the REP land and consider the likely implications to Council.

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 information at the meeting on the following grounds:**

Section 90(3)(k) tenders for the supply of goods, the provision of services or the carrying out of works;
- 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 is received and noted.

3. That the exclusion of a biomass facility from the Futurtec proposal presented by SARC be noted and non binding commercial negotiations continue based on solar power generation for the REP land.

4. That a further report be presented to Council that details the progress of the SARC proposal and negotiation outcomes in September 2011.

5. That the matter of the Futurtec Project having been considered in confidence under Section 90(3)(k) of the *Local Government Act 1999* an order be made under the provisions of Section 91(7) and (9) of the *Local Government Act 1999* that the agenda Item 11.3 Confidential - Futurtec Project report and minutes of the council, including any attached documents, relating to discussion of the subject matter be kept confidential until the procurement process is complete and legal documents executed.

Key factors

3 Discussion

3.1 Negotiation process

A negotiation team has been established comprising key staff and specialist advisors to facilitate the commercial negotiation process. A series of internal workshops were held to develop a commercial alignment plan. The plan provides a framework that includes parameters to guide negotiations with SARC by outlining the aims and objectives to ensure that the project provides an overall positive economic benefit to the city.

An initial negotiation workshop with SARC was held on 23 June 2011. At the workshop SARC were advised that the risks associated with a biomass facility on the REP site raises concerns relating to:

- emissions from the combustion process

- residual waste component
- the production of the process engineered fuel
- transportation of the fuel to Lonsdale
- timeframes for licensing/approvals/public consultation
- overall project risk.

The SARC consortium advised that they are committed to delivering the project. However, they understood the risks associated with the biomass facility and have advised that it would no longer form part of its proposal for the REP site.

ResourceCo will investigate other sites in the future to establish a biomass facility and other environmentally sustainable initiatives for the REP site. Details of any such initiatives will be presented to Council for consideration.

3.2 Impacts of excluding biomass

The exclusion of biomass from the REP site and Futurtec project removes major risks such as project delays, statutory approvals and potential community concerns.

The proposal will retain its focus on a 2MW solar electricity generation plant which will be the largest solar PV installation in Australia. This caters for our 'peak' electricity demands achieving a key objective of the project. The remaining 'off peak' electricity demand is likely to continue to be provided by our existing electricity contract. However, as SARC have indicated that they are looking at alternative sites for the biomass facility, Council may still have an opportunity to purchase 'off peak' power should it choose to pursue this in the future.

SARC's proposal without the biomass facility will still meet the State Government Renewable Energy funding criteria and should expedite their ability to finalise an application prior to submissions closing on 30 September 2011.

SARC have indicated that other project objectives such as land purchase, risk transfer and electricity costs are unlikely to be affected by the exclusion of the biomass facility. In addition, the proposal still remains the most sophisticated and comprehensive proposal received through the nation-wide procurement process.

3.3 Next steps

SARC's Futurtec proposal requires a number of elements to be further developed prior to forming a heads of agreement covering a suitable project scope for Council approval. This represents an extensive body of work and significant level of analysis and negotiations to be progressed on a number of elements concurrently.

A further report will be presented to Council by September 2011 detailing the outcomes of the negotiations. Subject to Council approval, a formal funding application for approximately \$5 million will be submitted by the SARC consortium in support of their overall project proposal. The success of this application will form the basis for finalising the negotiations for a power purchase agreement for the green energy being generated from the Futurtec site.