

10.1 Confidential – Water Proofing the South - Trade Waste Scheme - project delivery and procurement strategy

This report presents the delivery approach for the trade waste element of Water Proofing the South and its procurement strategy. It seeks Council's approval for an exemption from the purchasing policy to allow for direct negotiations with sole suppliers of components of the trade waste element.

This is information seeking Council direction/approval

General Manager: Bruce Williams, General Manager – Projects and Services
Report Author: [Benjamin Hall, Project Leader](mailto:benhal@onkaparinga.sa.gov.au) (benhal@onkaparinga.sa.gov.au)
Contact Number: 8384 0595
Attachments: 1. Trade waste scheme concept schematic

1 Executive Summary

1.1 Topic

This report presents the delivery approach for the trade waste element of Water Proofing the South and its procurement strategy. It seeks Council's approval for an exemption from the purchasing policy to allow for direct negotiations with sole suppliers of components of the trade waste element.

1.2 Context

Council's procurement policy requires contracts with a value greater than \$50,000 to be let by open tender.

Council's endorsement is required to exempt the trade waste scheme from the procurement policy on the basis of there being a sole supplier for certain elements of the scheme.

1.3 Suggested Outcome

It is suggested that Council consider this item in confidence. Section 90(3)(b)(i) 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 presents information the disclosure of which 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 tenders for the supply of goods, the provision of services or the carrying out of works. Our procurement policy and process focuses on ensuring that the confidentiality of all information in the course of tendering is preserved.

The possible implications of not considering this item in confidence could reasonably be expected to prejudice the commercial position of Council or confer a commercial advantage on another party.

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) (i) information the disclosure of which 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 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. The Council note the proposed extent of modifications to the City of Onkaparinga's Community Waste Management System (CWMS) as presented in attachment 1 of this report that is required to facilitate the receipt and treatment of trade waste.
 3. The Council endorse an exemption to the purchasing policy to allow direct negotiations to take place with the producers of trade waste and the sole provider of the service to treat trade waste as presented in section 3.1.5 of this report.
 4. That Council note that a further report with a detailed business case will be submitted for Council's consideration on the completion of the negotiations and procurements/options.
 5. That an order be made under the provisions of Section 91(7) and (9) of the Local Government Act 1999 that the abovementioned document (or part of such document) including the minutes and the report of the Council relating to discussion of the subject matter of that document, having been dealt with on a confidential basis under Section 90 of the Act, should be kept confidential on the grounds of information contained in 90(3)(k) until the business case and purchase orders have been endorsed.

3 Key Factors

3.1 Discussion

3.1.1 Water Proofing the South

Water Proofing the South is a localised integrated water resource management strategy based in the City of Onkaparinga. It seeks to provide 'fit-for-purpose' alternative water sources such as recycled water and stormwater for traditional sources such as mains water and groundwater so that overall water use in the region is sustainable; economically, environmentally and socially.

3.1.2 Trade waste element of Water Proofing the South

Trade waste is any liquid, and any substances contained in it, produced by an industrial or commercial activity at a business premises.

The production and consequent ability to dispose of trade waste by wineries and, to a lesser extent, food producers in the McLaren Vale area has been raised as a potential constraint on economic growth.

The main environmental impacts associated with wineries waste disposal practices of relevance to a trade waste scheme, are the pollution of water and degradation of soil and damage to vegetation.

The Trade Waste element of Water Proofing the South was intended to modify council's Community Waste Management Scheme (CWMS – formerly STEDS) in the Willunga Basin enabling the receipt of predominantly winery trade waste.

The water resulting from treated trade waste will ultimately integrate with the water produced from the CWMS and be distributed for reuse by the Willunga Basin Water Company back to wineries for their irrigation purposes. This process will achieve a closed loop with the wineries.

In accordance with the Water Proofing the South funding deed, the primary objective of this project is the capacity to 'save' 73ML of water from unsustainable disposal and provide an effective closed loop of wastewater reuse within the Willunga basin.

3.1.3 Community Waste Management Scheme (CWMS)

The CWMS is operated by United Utilities Australia (UUA) under a Build Own Operate Transfer contract arrangement. This contract will expire in 2029, and the responsibility for the care and control of the CWMS will return to Council. Currently, the management of CWMS includes:

- the removal of solids from domestic waste within septic tanks on individual properties
- the transfer of community wastewater from McLaren Flat and McLaren Vale via pipeline to the Willunga Wastewater Treatment Plant. The primary pumping for this transfer occurs at the McLaren Vale pump station adjacent the Coast to Vines trail.
- community wastewater is treated within the Willunga Wastewater Treatment Plan (WWTP). The treated water (Class B) resulting from the treatment process is discharged into the Little Road dam. The Willunga Basin Water Company distributes water from the dam to local growers to meet their irrigation demands.

3.1.4 Delivering the trade waste scheme

Tonkin Consulting has identified a viable methodology for the use of the CWMS to receive and treat trade waste. The methodology considers the outcomes of previous investigations and detailed discussions regarding the production of trade

waste and the operation of the CWMS. It can be summarised as three distinct, yet connected, packages of work. They are:

- Pre-treatment at the winery sites:

Initially, the scheme proposes to service Hardy Tintaras and Boars Rock as the primary producers (approximately 40% combined) of trade waste in the region.

The trade waste producers connected to CMWS will be required to pre-treat trade waste to remove solids prior to its injection into the CWMS network. Specifications identifying the required level of pre-treatment are currently being developed. These specifications will be the foundation of negotiations with potential customers of the trade waste scheme

- Pipe and pump modifications:

Trade waste will be transferred via the CWMS network during off-peak times (12 midnight – 6am) so as not to affect the typical operation of the scheme. In order to facilitate this injection, the following modifications must be carried out;

- transfer lines from Boars Rock and Tintara wineries to transfer trade waste to the McLaren Vale pump station
- two dedicated pumps (duty and emergency) installed at the McLaren Vale pump station including the construction of a temporary storage tank (125kL) for trade waste
- a booster pump station en-route between McLaren Vale and Willunga to maintain pipeline pressure and flow-rates
- 'pigging' (cleaning methodology) of the existing pipeline to remove any collected solids to increase its capacity to receive larger flows plus the installation of permanent 'pigging' points for future cleaning
- replacement of the gravity section of the CWMS transfer line from Gaffney Road, Willunga to the Willunga Wastewater Treatment Plant allowing it to be pressurised
- instrumentation for monitoring, controlling and automation of operation.

- Final treatment at the CMWS treatment plant site

Trade waste has a peak biological loading (BOD) during vintage of 5,700mg/L. The WWTP operates typically at 190mg/L, but has capacity to work at approximately 300mg/L. In order to maintain the effective operation of the plant, a significant reduction of the BOD of trade waste must be achieved through the treatment process.

It is proposed to add a balancing storage tank and dedicated trade waste treatment plant (Uplift Anaerobic Sludge Blanket (UASB)) to the existing

Willunga Wastewater Treatment Plant with capacity to remove 80-90% of the BOD from the trade waste prior to the injection into the CWMS system for further treatment. The existing plant will also be upgraded with an additional aerobic process reducing BOD by a further 80% bringing it in line with the operational parameters of the existing plant.

Options for the construction of the trade waste treatment plant on Council land within McLaren Vale have been considered however are not achievable as the Environment Protection Agency's buffer distances can not be achieved and the construction of the plant would result in the loss of public open space.

In addition to providing for the input of trade waste, these modifications will address the majority of the CWMS forward works plan enhancing the system in a manner that provides for the predicted growth of CWMS with minimal increase in operational costs.

Tonkin's total capital cost estimates for the scheme at this stage are within 10% of the nominated budget of \$4.26M of the trade waste element of WPS. In order to confirm cost estimates negotiations are to be held with producers of trade waste and agencies with appropriate skills in the area of treating trade waste to confirm demand and price for service.

3.1.5 Procurement strategy

The procurement strategies and underlying cost frameworks for the trade waste scheme have been prepared in consultation with:

- Corporate Management Group
- Bruce Williams, General Manager, Projects and Services
- Michelle Gegenhuber, Manager Projects, Projects and Services
- Alison Hancock, Manager Property Services, Projects and Services
- Corna Kotze, Asset Planner, Projects and Services
- Steve Matthewson, Chief Financial Officer, Corporate and Community
- Garry Herdegen, Manager Business Services, Corporate and Community
- Kathryn Kuchel, Contracts Engineer, Corporate and Community
- Mark Booth, Director, BRM Holdich
- Tonkin Consulting

In order to confirm cost estimates identified in the draft business case for the trade waste scheme prior to presenting it to Council for consideration, three major procurement exercises are proposed as follows:

- Pre-treatment at the winery sites

Direct negotiation with producers of trade waste (Hardy Tintara's and Boars Rock) to confirm:

- pre-treatment requirements for trade waste
- viability of the suggested user tariff to the wineries to receive, treat and dispose of their trade waste, which BRM Holdich has currently modelled between \$5 and \$6.00/kL. This tariff is sufficient to cover the costs of running the trade waste treatment plant and to provide a return to Council.

- Pipe and pump modifications:

Open tender to civil contractors to undertake the modifications to the CWMS pipe network to allow for the injection of trade waste. The total value of this work is estimated to be in the order of \$1 - \$1.2M. This procurement approach accords with Council's policy.

However, Macro One will be nominated within the tender documentation as the pipeline pigging contractor for the cleaning phase of the construction. Macro One is the only contractor based in Adelaide with capacity to undertake this sort of work. The South Australian pipeline pigging market makes up approximately 3% of the total industry in the country. The total value for the pigging is estimated to be in the order of \$30-\$40,000 of the total contract value; hence we are very unlikely to attract interstate operators.

- Final treatment at the CMWS treatment plant site

The anticipated value of modifications to the existing CWMS plant to provide for trade waste is in the order of \$2.5M. United Utilities currently operate the CWMS plant and have a lease over the Council land until 2029. The proposed plant will be an adjunct to the existing plant within the leased area. The close proximity of the plant minimises capital cost and design compatibility will minimise any potential increases in operational costs.

It is proposed to undertake direct negotiations with United Utilities to see if they can deliver the trade waste treatment plant and upgrades to the existing CMWS treatment plant within cost constraints for the trade waste element of Water Proofing the South.

Council's procurement policy requires contracts with a value greater than \$50,000 to be let via open tender. For these elements that are proposed to be undertaken by sole suppliers, an exemption to the procurement policy is being sought from Council as their likely value falls outside the delegated authority of the Chief Executive Officer (\$500,000). Council's approval of the exemption fulfils the probity auditing requirements of the Water Proofing the South funding deed.

The successful outcome of each of these procurements will confirm the trade waste business case which will form the subject of a further report to Council.

3.2 Council's Roles

Council's roles for this element of Water Proofing the South (WPS) are:

- Facilitator - delivery of the project in accordance with the terms and conditions of the WPS funding agreement.
- Owner and custodian – the target sites along the CWMS network are in Council's ownership.
- Funding provider – Council will receive funding through WPS for the implementation of this project and will contribute towards the capital expense through its Major Projects Fund and STEDs reserve (subject to Council's future consideration and endorsement of the trade waste business case).
- Regulator – the City of Onkaparinga has responsibility under the Public and Environmental Health Act 1987 for approving and monitoring waste water treatment systems in the Council region.
- Information provider – Council will provide information and engage with key stakeholders as required to implement the project.
- Direct Provider - undertake services, capital works, and projects for environmental management and protection and promote economic development and employment.

The production and ability to dispose of trade waste by wineries and, to a lesser extent, food producers in the McLaren Vale area has been raised as a potential constraint on economic growth.

4 Next steps and major milestones to be achieved

Subject to Council's consideration and endorsement of this report:

- in principle commitments to participate in the trade waste scheme in a manner reflective of the requirements of a viable business case will be sought from producers of trade waste and agencies with capacity for its treatment
- detailed designs of the civil elements will be prepared and costs sought from the open market for their implementation
- costings will be finalised and the business case completed

Should the outcomes of the various procurements identify that the scheme is achievable within the financial constraints of the current business case, a subsequent report will be put to Council in February 2010 seeking its endorsement of the business case and approval for the award of contracts allowing for the delivery of the project by the end of June 2010. The delivery of the element by the end of June 2010 will fulfil the requirements of the Water Proofing the South funding deed.