

INFOPAGE

Date: 6 November 2023

**Subject: WALGA Sustainable Energy Project
Beyond 2025 Strategy**

IN BRIEF:

Operational Area:	<ul style="list-style-type: none"> • Sustainability and Energy • Procurement Governance
Key Issues:	<p>WALGA has set a strategy for the next phase of its Sustainable Energy procurement process.</p> <p>A procurement process will be undertaken during 2024 and an MOU will be provided to Members wishing to be represented into the procurement process, without contractual obligation to proceed.</p> <p>Where there is a need to resolve participation in the procurement process through a Council resolution, WALGA will extend a deadline to accommodate Council meetings in February 2024.</p>
Action Required:	<ul style="list-style-type: none"> • Advance notification of process • Preparation to participate in the next phase of the project

The WALGA Sustainable Energy project was established to:

- Aggregate Member’s buying power and lock in preferential pricing
- Support Members Climate Change Declaration commitments and renewable energy transition

The project has been a very successful initiative, with the initial three year Contract, now mid-term. There are 48 WALGA Members participating in the project. Following six completed quarters of the project the total estimated cost savings against rolling market rates are approximately \$16 million and Carbon Offsets total approximately 49,900 tonnes.

Future options need to be explored to continue to optimise the significant benefits that project participants have obtained and contain the impact of substantial energy market cost increases that have occurred since initial pricing was locked into the contract.

WALGA has drafted a “beyond 2025” strategy paper for the Sustainable Energy Project, which incorporates Member feedback, technical consultancy, and supplier/market feedback. The draft document has been distributed and presented to project participants for feedback and comment and will remain open for consultation until 24 November 2023.

For more information, or to join the communications list for the WALGA Sustainable Energy Project please contact: commercial@walga.asn.au

Executive Summary of Energy Project Development Strategy:

- A 15 year ACCC buying group authorisation was obtained for the project. The phase two development will be evolved within the framework of the buying group approval.
- The first three-year term of the project ends in March 2025. Prices have escalated substantially since the project rates were secured. There have also been policy and capacity changes to the WA Energy market that place further pressure on renewal options.
- WALGA will seek a Request for Quotation (RFQ) for a carbon accounting and reporting tool to enhance analytics for the project. This is being undertaken in consultation with the Carbon Reporting Group and WALGA Environmental policy team. The RFQ outcomes will also be available for WALGA Members to directly utilise for their own procurement if desired.
- It is expected that a rollover of the current contract structure of the project will be more expensive than the current agreement, but likely to still remain more cost-effective than the discontinuation of the project.
- Alternative options may be available that may assist to mitigate expenditure over the next term of Contract. These options involve the evolution of a PPA (Power Purchase Agreement) that is linked to existing or newly commissioned renewable energy infrastructure.
- WALGA considers it prudent to test the market for alternative options through a Request for Proposal (RFP). If an alternative option is selected there may be a bridging and transition process required for negotiation. Similar to the initial project phase, WALGA will provide or extend MOU documentation obtaining verifiable consent to represent Members activity to the market for aggregate pricing. The MOU will not entail an obligation to proceed to Contract. The MOU will be distributed in time for consideration by Council, where required with agreements requested by the end of February 2024.
- The selection of a PPA option may entail a greater degree of risk, commensurate with the prospect of reward. These risks include the likelihood of a longer-term lock in period which could be adversely impacted by market changes and emerging technologies. Load profile management of consumption will also be critical to optimising the benefits of PPA model. WALGA may opt to mitigate this risk by layering managed service activity for billing and demand management into a future contract term, funded through project cost savings whilst still maintaining market preferential pricing through the project offer.
- An opportunity will be extended for non-current Sustainable Energy Project participants to join the project where eligible. At this stage the project is limited to the South West Interconnected System (SWIS).
- At this stage the strategic option of Local Government commissioning, owning and operating its own asset is not included in the phase two strategy due to current market dynamics and economic viability. However, consideration for the sector to evolve its own asset or utility through further evolution of this project may emerge into the future.
- The viability of a future WALGA Sustainable Energy Project term remains contingent upon the aggregate purchasing strength and collective expertise of the energy group. The current project has been successful in meeting objectives and our challenge is to further build on this success and harness the collective purchasing power of the sector.

WALGA Energy Project - Beyond Initial Strategy Timeline

	OCT-DEC 2023	JAN-MAR 2024	APR-JUN 2024	JUL-SEP 2024	OCT-DEC 2024	JAN-MAR 2025
	Planning	Procurement	Contracting	Execution	Achievement	Transition
Carbon Reporting and Carbon Reporting Tool	<input type="checkbox"/> Member Engagement <input type="checkbox"/> WALGA Specification <input type="checkbox"/> Member Specification <input type="checkbox"/> Procurement Planning	<input type="checkbox"/> Procurement Process (RFP) <input type="checkbox"/> Evaluation Process	<input type="checkbox"/> RFP Award <input type="checkbox"/> Successful Supplier Contracting	<input type="checkbox"/> New Reporting Process	<input type="checkbox"/> New Quarterly Report Designed	<input type="checkbox"/> New Quarterly Report Delivered
Energy Project Stage 2 Strategy Paper	<input type="checkbox"/> External Consultation <input type="checkbox"/> Member Consultation <input type="checkbox"/> Business Planning	<input type="checkbox"/> Adoption and Implementation				
Energy Project Stage 2 RFP	<input type="checkbox"/> Member Engagement <input type="checkbox"/> Specifications <input type="checkbox"/> Procurement Planning <input type="checkbox"/> Strategy	<input type="checkbox"/> Procurement Process (RFP OPEN)	<input type="checkbox"/> Procurement Process (RFP CLOSED)	<input type="checkbox"/> Evaluation Process	<input type="checkbox"/> RFP Award <input type="checkbox"/> Successful Supplier Contracting	
Energy Project Stage 2 Member Commitment	<input type="checkbox"/> Member Commitments (MOU)				<input type="checkbox"/> Presentation of Offer	<input type="checkbox"/> Member Contracting