

ATTACHMENT TO AGENDA ITEM

Ordinary Meeting

17 September 2013

Agenda Item 6.1 AGL Electricity Contract

Attachment 2	Large Sites Discounted Rates.....	140
Attachment 3	Evaluation WAS Large Sites.....	141
Attachment 4	Evaluation WAS Small Sites.....	142
Attachment 5	Evaluation WAS GreenPower.....	143
Attachment 6	Evaluation Report.....	144
Attachment 7	Green Power Costings.....	170

Large Sites for: GREATER SHEPPARTON CITY COUNCIL

2012 Billing Data

All Sites Total:

\$560,023	-3.6% Change
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NMI:	62030026055	62030085911	62036852748	62036943349	62037865641	VCCCSB00145	VCCCS000409	0	0	0	0	0
Billing Days:	243	243	243	243	243	243	243	1	1	1	1	1
New Energy:	\$ 6,382	\$ 7,878	\$ 10,036	\$ 19,234	\$ 5,089	\$ 71,158	\$ 74,639	\$ -	\$ -	\$ -	\$ -	\$ -
New ERET:	\$ 1,086	\$ 1,261	\$ 1,675	\$ 3,281	\$ 811	\$ 12,273	\$ 12,315	\$ -	\$ -	\$ -	\$ -	\$ -
Supply Charges:	\$ 8,017	\$ 11,426	\$ 13,367	\$ 24,631	\$ 4,008	\$ 42,368	\$ 41,902	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal	\$ 15,486	\$ 20,564	\$ 25,077	\$ 47,146	\$ 9,908	\$ 125,799	\$ 128,856	\$ -	\$ -	\$ -	\$ -	\$ -
Old Cost	\$ 15,635	\$ 21,026	\$ 25,585	\$ 48,170	\$ 10,092	\$ 130,635	\$ 135,581	\$ -	\$ -	\$ -	\$ -	\$ -

Future Provisions:

New Period Expenditures (PA):	\$ 23,261	\$ 30,889	\$ 37,667	\$ 70,816	\$ 14,882	\$ 188,958	\$ 193,549	\$ -	\$ -	\$ -	\$ -	\$ -
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Existing Period Expenditures (PA):	\$ 23,485	\$ 31,582	\$ 38,431	\$ 72,354	\$ 15,159	\$ 196,222	\$ 203,650	\$ -	\$ -	\$ -	\$ -	\$ -
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Change in Cost (PA):	-\$ 224	-\$ 693	-\$ 763	-\$ 1,538	-\$ 276	-\$ 7,264	-\$ 10,101	\$ -	\$ -	\$ -	\$ -	\$ -
Variation %	-1.0%	-2.2%	-2.0%	-2.1%	-1.8%	-3.7%	-5.0%					

Name GREATER SHEPPARTON CITY COUNCIL

	NMI_CODES						
Data	62030026055	62030085911	62036852748	62036943349	62037865641	VCCCSB00145	VCCCS000409
Peak kWh.	44,153	73,304	82,305	152,587	44,322	569,453	713,064
Off Peak kWh.	47,916	33,558	59,602	125,467	24,439	478,655	338,620
Total kWh.	92,069	106,862	141,906	278,053	68,760	1,048,108	1,051,684
Number of Days	243	243	243	243	243	243	243
Peak Energy Charges	\$2,944.79	\$4,888.99	\$5,489.41	\$10,176.77	\$2,956.09	\$37,685.80	\$47,189.70
OffPeak Energy Charges	\$1,451.14	\$1,016.31	\$1,805.09	\$3,799.73	\$740.14	\$14,384.19	\$10,175.87
Carbon Charges	\$2,011.70	\$2,334.93	\$3,100.65	\$6,075.47	\$1,502.42	\$22,901.16	\$22,979.29
MRET Charges	\$1,210.46	\$1,359.78	\$1,823.25	\$3,487.03	\$885.53	\$13,296.14	\$13,333.95
Ancillary Charges	\$42.39	\$49.17	\$65.31	\$127.95	\$31.64	\$478.17	\$479.79
Pool Charges	\$38.67	\$44.88	\$59.64	\$116.77	\$28.90	\$437.20	\$438.66
Other Charges	\$1,779.00	\$1,812.00	\$2,048.82	\$2,968.37	\$1,621.57	\$8,115.32	\$8,139.20
Network Peak Charges	\$5,334.00	\$8,969.86	\$10,201.86	\$19,417.69	\$1,776.35	\$22,559.91	\$25,886.52
Network OffPeak Charges	\$823.22	\$549.92	\$991.31	\$2,000.01	\$549.34	\$10,777.42	\$6,958.00
Total Period Cost, ex-Green, ex-GST	\$15,635.37	\$21,025.84	\$25,585.34	\$48,169.79	\$10,091.98	\$130,635.31	\$135,580.98
Net Loss Factor	1.1325	1.1325	1.1325	1.1325	1.1325	1.1238	1.1238
Old Rate c/kWh (Calculated)	4.2161	4.8797	4.5391	4.4386	4.7467	4.4207	4.8537
New Energy Cost	\$6,382.42	\$7,877.53	\$10,035.73	\$19,233.86	\$5,088.83	\$71,157.81	\$74,638.82
Sum of New ERET	\$ 1,086.44	\$ 1,261.00	\$ 1,674.54	\$ 3,281.12	\$ 811.40	\$ 12,273.36	\$ 12,315.23

Large Metered Sites

Evaluation Criteria (See Scoring Guide Below)	Weighting	AGL	ERM	Momentum	Orignl Energy	Pacific Hydro	Simply Energy	TruEnergy
1.0 Compliance		Exceptional	Exceptional	Exceptional	Exceptional	Exceptional	Exceptional	Exceptional
Compliance, suitability and effectiveness of the goods/services offered	5.0	3	2	2	3	2	2	2
Compliance with QA	2.5	3	2	2	2	2	2	2
Insurances Provided	2.5	3	3	2	3	3	2	2
Terms and condition of the tender & contract accepted	10.0	3	2	2	2	2	2	2
Sub Total Compliance	20	53	41	40	39	40	35	40
2.0 Customer Focus								
Value Added Services	5.0	3	2	2	3	2	2	2
Customer Service Initiatives/Monitoring Customer Satisfaction	10.0	3	3	2	2	2	2	2
Ability to service all members	10.0	3	2	2	3	1	2	3
Product and Service diversity	5.0	2	3	2	2	2	2	2
Sub Total Customer Focus	30	75	68	60	68	43	53	65
3.0 Corporate Responsibility								
Corporate Governance	1.0	3	3	3	3	3	2	2
Environmental Impact/Responsibilities	1.0	3	3	3	2	3	2	3
Social/Community Impact	1.0	2	2	2	3	2	1	2
Workplace Practices	2.0	3	3	3	3	3	2	3
Sub Total Corporate Responsibility	5	14	14	13	13	13	9	13
4.0 Contractors Performance								
Trade History/Relevant Experience	5.0	3	3	2	3	2	2	2
Responsiveness & reliability of products/services	5.0	2	3	2	3	3	2	2
Resources/Specialists Allocated to Contract	10.0	3	2	2	3	2	3	3
Personnell Undertaking Work	10.0	3	3	2	3	3	2	3
Contract Mangement & Reporting	10.0	3	3	2	3	2	2	2
Continuous Improvement	5.0	2	3	2	3	2	2	2
Sub Total Contractors Performance	45	105	113	90	113	90	95	100
Subtotal for Non Price Related Criteria (Base)	100	247	236	203	228	186	192	218
Total for Non Price Related Criteria	300	Exceptional	Exceptional	Acceptable	Exceptional	Marginal	Marginal	Exceptional
5.0 Price								
Overall Best Value	100	98	100	99	96	100	99	91
Sub Total Price	100	98	100	99	96	100	99	91
Total for Price Related Criteria	300	294	300	297	288	300	297	273
		Exceptional	Exceptional	Exceptional	Exceptional	Exceptional	Exceptional	Exceptional
Combined Criteria								
Non Price Related Criteria	50	124	118	102	114	93	96	109
Price Related Criteria	50	147	150	149	144	150	149	137
Sub Total All Criteria	100							
TOTAL WEIGHTED AGGREGATE SCORE	300	270	267	249	258	242	244	246
		Exceptional	Exceptional	Exceptional	Exceptional	Exceptional	Exceptional	Exceptional

W.A.S.

Small Metered Sites

Evaluation Criteria (See Scoring Guide Below)	Weighting	AGL	Alinta	ERM	Origni Energy	Simply Energy	TruEnergy
1.0 Compliance		Exceptional	Exceptional	Exceptional	Exceptional	Exceptional	Exceptional
Compliance, suitability and effectiveness of the goods/services offered	5.0	2.5	2	2	2.5	2	2
Compliance with QA	5.0	3	2	2	2	2	2
Insurances Provided	5.0	3	2.5	2.5	2.5	2	2
Terms and condition of the tender & contract accepted	5.0	2.25	2	2	1.5	1.5	2
Sub Total Compliance	20	54	43	43	43	38	40
2.0 Customer Focus							
Value Added Services	5.0	3	2	2	2.5	1.5	2
Customer Service Initiatives/Monitoring Customer Satisfaction	10.0	2.5	2	2.5	2	2	2
Ability to service all members	10.0	2.5	1.5	2	2.5	1.5	2.5
Product and Service diversity	5.0	2	1.5	2.5	2	2	2
Sub Total Customer Focus	30	75	53	68	68	53	65
3.0 Corporate Responsibility							
Corporate Governance	1.0	3	2	3	3	2	2
Environmental Impact/Responsibilities	1.0	3	1	2.5	2	2	2.5
Social/Community Impact	1.0	2	1	2	2.5	1	2
Workplace Practices	2.0	3	1	3	2.5	2	3
Sub Total Corporate Responsibility	5	14	6	14	13	9	13
4.0 Contractors Performance							
Trade History/Relevant Experience	5.0	2.5	1.5	2.5	2.5	2	2
Responsiveness & reliability of products/services	5.0	1.5	2	3	2.5	2	2
Resources/Specialists Allocated to Contract	10.0	2.5	2	2	2.5	2.5	2.5
Personnell Undertaking Work	10.0	2.5	2	2.5	2	2	2.5
Contract Mangement & Reporting	10.0	2.5	2	2.5	2.5	2	2
Continuous Improvement	5.0	2	2	3	2.5	2	2
Sub Total Contractors Performance	45	105	88	113	108	95	100
Subtotal for Non Price Related Criteria (Base)	100	248	190	238	232	195	218
Total for Non Price Related Criteria	300	Exceptional	Marginal	Exceptional	Exceptional	Acceptable	Exceptional
5.0 Price							
Overall Best Value	100	95	85	92	100	84	77
Sub Total Price	100	95	85	92	100	84	77
Total for Price Related Criteria	300	285	255	276	300	252	231
		Exceptional	Exceptional	Exceptional	Exceptional	Exceptional	Exceptional
Combined Criteria							
Non Price Related Criteria	50	124	95	119	116	98	109
Price Related Criteria	50	143	128	138	150	126	116
Sub Total All Criteria	100						
TOTAL WEIGHTED AGGREGATE SCORE	300	267	223	257	266	224	225
		Exceptional	Exceptional	Exceptional	Exceptional	Exceptional	Exceptional

W.A.S.

GreenPower

Evaluation Criteria (See Scoring Guide Below)	Weighting	AGL	COZero	ERM	Momentum	Origni Energy	Pacific Hydro	Simply Energy
1.0 Compliance		Exceptional	Exceptional	Exceptional	Exceptional	Exceptional	Exceptional	Exceptional
Compliance, suitability and effectiveness of the goods/services offered	5.0	2	2	2	2	2	2	2
Compliance with QA	2.5	3	2	2	2	2	2	2
Insurances Provided	2.5	3	2	2.5	2	2.5	3	2
Terms and condition of the tender & contract accepted	10.0	2.5	2	2	2	1.5	2	1.5
Sub Total Compliance	20	50	40	41	40	36	43	35
2.0 Customer Focus								
Value Added Services	5.0	2	2	2	2	2	2	2
Customer Service Initiatives/Monitoring Customer Satisfaction	10.0	2	2	2	2	2	2	2
Ability to service all members	10.0	2	2	2	2	2	2	2
Product and Service diversity	5.0	2	2	2	2	2	2	2
Sub Total Customer Focus	30	60	60	60	60	60	60	60
3.0 Corporate Responsibility								
Corporate Governance	1.0	3	2	3	3	3	3	2
Environmental Impact/Responsibilities	1.0	3	2.5	2.5	3	2	3	2
Social/Community Impact	1.0	2	2	2	2	2.5	2	1
Workplace Practices	2.0	3	3	3	2.5	2.5	2.5	2
Sub Total Corporate Responsibility	5	14	13	14	13	13	13	9
4.0 Contractors Performance								
Trade History/Relevant Experience	5.0	2.5	2	2.5	2	2.5	1.5	2
Responsiveness & reliability of products/services	5.0	1.5	2	3	2	2.5	2.5	2
Resources/Specialists Allocated to Contract	10.0	2.5	2	2	2	2.5	1.5	2.5
Personnell Undertaking Work	10.0	2.5	2	2.5	2	2.5	2.5	2
Contract Mangement & Reporting	10.0	2.5	2	2.5	2	2.5	2	2
Continuous Improvement	5.0	2	2	3	2	2.5	2	2
Sub Total Contractors Performance	45	105	90	113	90	113	90	95
Subtotal for Non Price Related Criteria (Base)	100	229	203	227	203	221	206	199
Total for Non Price Related Criteria	300	Exceptional	Acceptable	Exceptional	Acceptable	Exceptional	Acceptable	Acceptable
5.0 Price								
Overall Best Value	100	92	81	84	84	83	95	85
Sub Total Price	100	92	81	84	84	83	95	85
Total for Price Related Criteria	300	276	243	252	252	249	285	255
		Exceptional	Exceptional	Exceptional	Exceptional	Exceptional	Exceptional	Exceptional
Combined Criteria								
Non Price Related Criteria	50	115	101	114	102	111	103	100
Price Related Criteria	50	138	122	126	126	125	143	128
Sub Total All Criteria	100							
TOTAL WEIGHTED AGGREGATE SCORE	300	253	223	240	228	235	245	227
		Exceptional	Exceptional	Exceptional	Exceptional	Exceptional	Exceptional	Exceptional

W.A.S.



Tender Evaluation Report

1606/0104

Retail Supply of Electricity and Associated Services

Report Prepared by:

**Blair Coull
Category Manager - Energy**

Tender Evaluation Report Contract No 1606/0104 – Retail Electricity and Associate Services

EXECUTIVE SUMMARY

Contract No: 1606/0104

Contract Title: Retail Electricity and Associated Services

Term of Contract: 36 Months from 1st July 2013 plus Two (2) 12- Month options available, exercisable at Procurements Australia's discretion.

Estimated Aggregated Value: \$132,000,000 Per Annum

NATURE OF CONTRACT: Retail supply of electricity to Large Market metered sites, Small Market metered sites, Metering and Data Services

Procurement Australia acting as the tendering agents for Members as listed in Appendix 6, sought public tenders for the Retail supply of electricity to metered sites from licensed Victorian electricity retailers. Additional services for data provision, online analysis tools and associated services were sought from suitably licensed market participants. GreenPower pricing has been sought from Retail suppliers and specialist financial institutions as a subsection of Retail Supply.

KEY COMMENTS:

The following tenders were received and assessed according to the defined selection criteria:

1	AGL
2	Alinta
3	ERM Power
4	Metering Dynamics
5	Momentum Energy
6	Origin Energy
7	Pacific Hydro
8	Select Solutions
9	Simply Energy
10	TRUenergy
11	COZero

RECOMMENDATION:

That the following Tenderers be awarded the respective categories and states for Contract No: 1606/0104, Retail Supply of Electricity and Associated Services for a period commencing 1st July 2012 and ending 30th June 2015:

Category 1 – Retail Supply of Electricity to Large Market sites

All States
AGL

Category 2 – Retail Supply of Electricity to Small Market sites

All States
AGL

Tender Evaluation Report Contract No Contract 1606/0104 – Retail Electricity and Associate Services

Category 3 – Supply of Data and Associated Services

All States

Recommendation to be communicated subject to further negotiation

In addition; the following recommendation is made for **GreenPower** supply made to *either* Category 1 – Large Market Sites, or, Category 2 – Small Market sites

GreenPower charged “on Energy Bill”
--

AGL

GreenPower charged “via separate Invoice ”

Pacific Hydro

Tender Evaluation Report Contract No Contract 1606/0104 – Retail Electricity and Associate Services

Evaluation Report

BACKGROUND

Your PA Procurement Australia acting as the tendering agent for nominated members sought public tenders for the supply of electricity to various Large and Small metered electricity accounts from licensed electricity retailers. Previously nominated members have been supplied under Contract 1106/0607 which is scheduled to expire on 31st July 2013. The current contract has no opportunity to further extend and a public tender process was thus initiated.

Your PA Procurement Australia ran a member forum on 7th June in Melbourne and 8th June in Daylesford, consulting with all participating members and incorporated these common requirements into the tender documents before proceeding to tender. A follow up consultation with selected interested members was held on 26th July to assist in the refinement of the specifications and development of a wish list.

Your PA Procurement Australia's contracting system involves the creation of an optimum contracting environment for the supplier and members. Part of the process requires each member to sign an Electricity Supply Agreement with the successful tenderer. The Supply Agreement will include a reference to the Master Agreement established between Your PA Procurement Australia and the successful tenderer(s).

Your PA Procurement Australia maintains contract surveillance, supplier management and member assistance throughout the term of the contract. Your PA Procurement Australia will continue to monitor the energy market and provide early notification regarding future contract options to either extend a contract or communicate recommendations for a new tender process, always keeping in mind the best interests of its members

PUBLIC NOTIFICATION

Tenders for 1606/0104 – Retail Supply of Electricity and Associated Services were advertised in the Herald Sun on 14th August 2012 and the Adelaide Advertiser and Sydney Morning Herald newspapers on 15th August 2012, with a closing date of 5th September 2012.

Tenders closed at 3.00pm AEST on Wednesday 22 September 2010, as advertised.

Tender Evaluation Report Contract No Contract 1606/0104 – Retail Electricity and Associate Services

TENDERS RECEIVED

Tenders closed at 3.00 pm on 5th September and the following **11 (eleven)** tenders were received to provide services:

Tenderer		Categories
1	AGL	Small and Large Retail Electricity, Metering and Data Services, GreenPower
2	Alinta	Retail Electricity, GreenPower
3	ERM Power	Small and Large Retail Electricity, Metering and Data Services, GreenPower
4	Metering Dynamics	Metering and Data Services
5	Momentum Energy	Large Retail Electricity, Metering and Data Services, GreenPower
6	Origin Energy	Small and Large Retail Electricity, Metering and Data Services, GreenPower
7	Pacific Hydro	Large Retail Electricity, Metering and Data Services, GreenPower
8	Select Solutions	Metering and Data Services
9	Simply Energy	Small and Large Retail Electricity, Metering and Data Services, GreenPower
10	TRUenergy	Small and Large Retail Electricity, Metering and Data Services, GreenPower
11	COZero	GreenPower Only

Tender Documents were supplied to the following parties; however, Tender Submissions were not received:

Tenderer	
1	Aurora
2	AusGrid (Testing and Certification Australia)

AusGrid contacted Your PA Procurement Australia before tenders closed to advise they would not be participating in the tender. Aurora was contacted after tenders closed and they confirmed that they had not made a submission.

GENERAL COMPLIANCE

Tenders received were initially assessed for their general compliance with the requirements of the tender. Initially, Simply Energy and Origin had failed to sign their submissions and they were contacted to request a signed document. Both provided the appropriate schedules within 24 hours of the request. As a consequence all tender submissions were considered conforming tenders. Further details are provided in Appendix 1 to this report.

Tender Evaluation Report Contract No Contract 1606/0104 – Retail Electricity and Associate Services

EVALUATION CRITERIA

The following evaluation criteria and their associated weightings were applied.

Evaluation Criteria	Weighting
Price	50%
Contractors Performance	22.5%
Customer Focus	15%
Compliance	10%
Corporate Responsibility	2.5%
TOTAL	100%

EVALUATION PROCESS

Tenders for **Retail Supply of Electricity and Associated Services** were evaluated by Blair Coull, Category Manager - Energy. All tenders received were initially assessed for compliance against the requirements of the tender documents

These tender submissions were evaluated in accordance with the evaluation criteria. The National Contracts Manager together with the National Sales and Marketing Manager and relevant Category Manager met to determine the sub-criterion and respective weightings refer to Appendix 2. Raw scores were allocated to each sub-criterion and the final weighted aggregate score was then determined.

A number of factors were considered during the tender evaluation process. These factors are:

- ☐ Assurance that all members within the nominated regions can be serviced by the successful tenderer(s).
- ☐ The benefits to the Members to award this contract to a sole provider or providers.
- ☐ Cost competitiveness of the tenders received against other tenders and contracts.
- ☐ Contract (load) flexibility to meet operational needs of Members
- ☐ The contracting process including acceptance of Letter of Intent, subject to Board or Council approval as appropriate
- ☐ The high level of expertise of the organisation in respect to a particular category or service and product that can only be provided by a small number of tenderers.
- ☐ A willingness to participate with Procurement Australia to ensure that best value is obtained through the relationship.
- ☐ Added value services including a range of customer incentives.
- ☐ Service support to members as an ongoing function of the contract

The Price evaluation has been based on tendered price and benchmarked against the existing price to determine savings compared to the current standard position for franchise sites. Consideration has been made to future years and the price paths that members would be subject to. Tendered rates for all categories, should the vendor recommendation be accepted, are financially favourable.

Tender Evaluation Report Contract No Contract 1606/0104 – Retail Electricity and Associate Services

PRICING - LARGE SITES (CATEGORY 1)

The prices submitted by the tenderers were compared to existing contracts in the Victorian Market. The methodology implemented to undertake the price comparison included a direct price comparison made with the existing market. Market tests used in this exercise include data published via the Australian Financial Markets Association (AFMA) which maintains and manages the futures market for electricity as a commodity in Australia. Challenges associated with the price comparison include:

- Lack of liquidity in forward years
(This is attributed to the potential changing of application of a carbon tax due government change)
- No retail margin is placed on wholesale costs
- No load shape risk premium
- No load volatility risk premium
- No credit costs or risk premium
- No time validity risk premium
- No infrastructure costs associated with direct participation in the wholesale market
- Other value-added services were not given financial consideration
- No costs associated with mandatory environmental programs

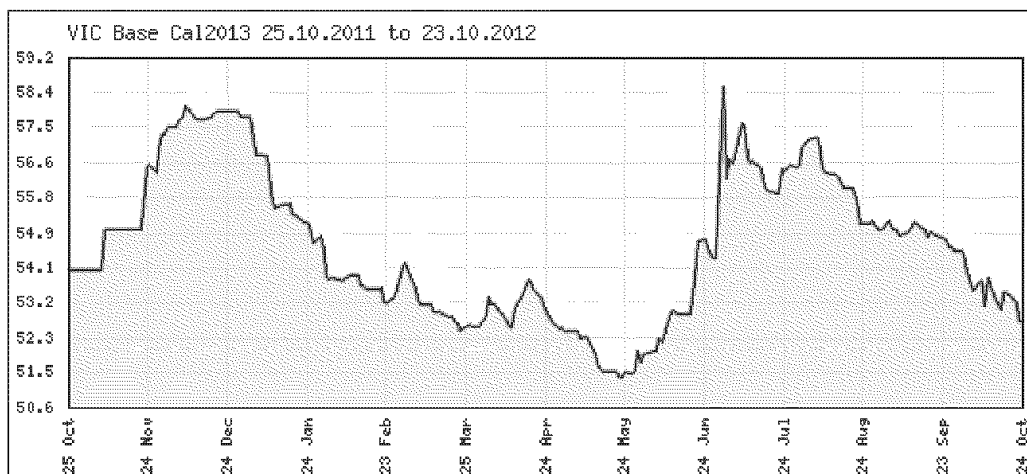
These challenges show a price comparison exercise against a wholesale benchmark cannot be set for Retail offers to be reasonably compared as an index of this price. However, this was used in the evaluation of the successfulness of market timing and trends.

Your PA Procurement Australia provided all Tenderers with an opportunity to review their initial pricing and re-submit best and final offers as is considered standard practice in the Energy industry. Your PA Procurement Australia opted for this after having identified that tenderers had offered various price hold validity terms in their original submissions that varied from nil (indicative pricing where the customer asks for prices to be firmed and with no obligation for the retailer to accept the request) to the full 21 days requested. Pacific Hydro made their price submission contingent on Members accepting a minimum 10% GreenPower with the retail supply.

As shorter validity dates have a pronounced and tangible effect on the risk that a retailer is exposed to, and as such directly affect pricing, as an indication 7 days is generally considered to be worth 1% to 1.5% in a steady market while a raising market can change by more than 10%. Consequently all retailers were asked to re-price on a constant basis being a 7 day price validity period structured around the Procurement Australia results briefing and time frames that are the minimum considered reasonable for members, albeit being longer than the preferred time for retailers.

Notwithstanding this, and despite requests, some retailers did not comply and still provided shorter price validity periods than the required period, with their prices reverting to indicative (default position) at this time. To re-iterate, shorter validity dates provide lower risk for tenderers, and whilst this is reflected as a lower prices, poses a significant risk to members as there is the chance that adverse pricing event during the acceptance process could see an offer withdrawn. Specifically, Origin Energy priced with a 5 day validity period and Simply Energy price based on indicative where they would confirm pricing should a Letter of Intent be issued and accepted.

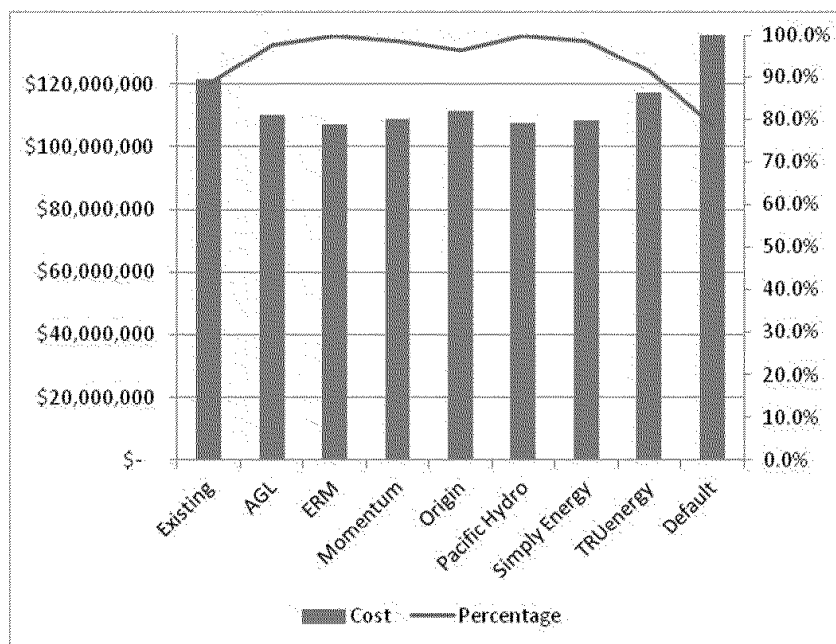
Tender Evaluation Report Contract No Contract 1606/0104 – Retail Electricity and Associate Services



Graph: AFMA 2013 Base Pricing closing price over 12 months

Final pricing was submitted on 24th October, aligning with a falling market trend. It should be noted from the above graph that it covers both pre and post 1 July application of the Clean Energy Future Package (CEFP) at a direct cost of \$23/t-CO₂e.

Tender scoring was assessed with the lowest submitted price being used as a benchmark and other prices judged as a factor (percentage) from this price. For a point of reference the existing contract price was also indexed.



Graph: Tendered Pricing

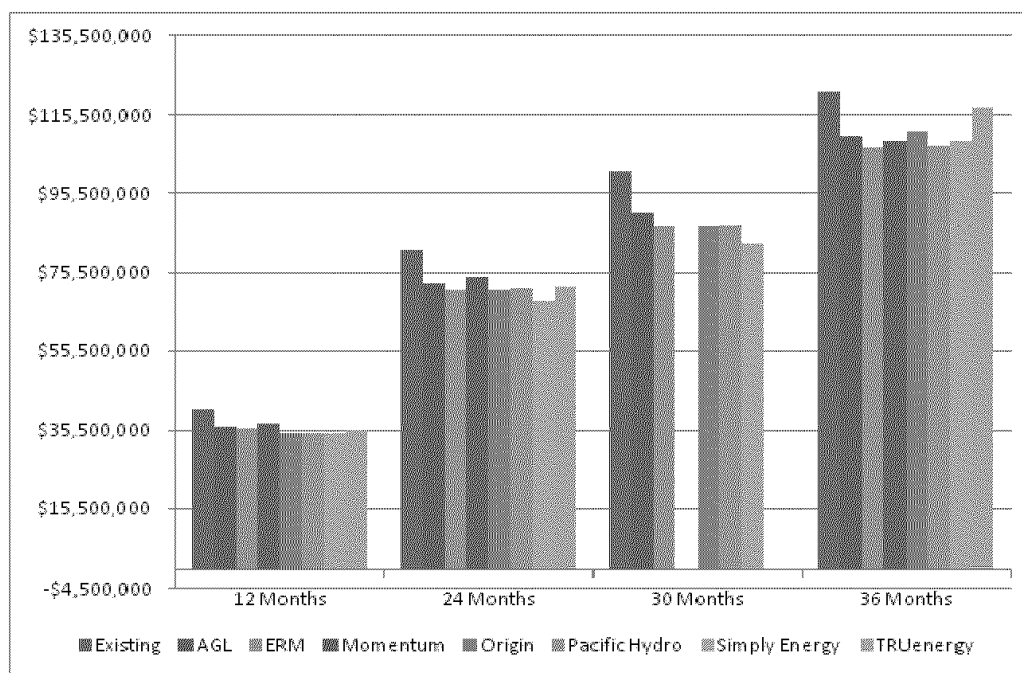
It should be noted that current market conditions show savings when compared to the previous contracted prices, remembering prices tendered include the compliance with the CEFP, commonly referred to as the Carbon Tax.

Tender Evaluation Report Contract No Contract 1606/0104 – Retail Electricity and Associate Services

This is marginally ahead of expectations presented to members at the initial (pre-tender) briefing, however, the increase in non-negotiable components of electricity supply, specifically mandatory environmental costs, network costs and other regulated charges, will realise actual savings for members in the first year and then reducing in years two and three. This amount is variable depending on the individual site's energy consumption patterns and network distribution business.

It should be noted the contract electricity prices do not include loss factors, regulated charges such as network charges, market charges, or GST. However there is an allowance for CEFPP compliance (bundled in energy costs) and mandatory environmental schemes such as SRES, LRET and VEET under the current regulatory regime.

Some retailers priced a constant (flat) price for the period of supply (36 Months) while others provided stepped pricing, escalating at the 12 month contract anniversary date (12 + 12 + 12 months.) For the purpose of comparison, the costs are represented as per annum averaged over the life of the contract. No time value of money (TVM) discount has been applied although in the current market where future prices rise in the second period and then fall (called contango) through the third period. There is a real TVM benefit to the flat pricing offered by AGL. Additionally, there is a budgeting benefit to members with stability of an energy price. Actual annual pricing and effects over 36 months are demonstrated below.



Graph: Tendered Price, by period

Carbon Exclusive Pricing

Your PA Procurement Australia requested that tenderers provide fixed and firm prices or the term of the contract EXCLUSIVE of the effect of the CEFPP where full risk is taken on by members in the form of pass through pricing. This product was quoted by ERM, Momentum, Pacific Hydro, Simply Energy and TRUenergy (from 1 July 2015 only). AGL and Origin did not provide ex-carbon pricing at all.

On one hand this product provides a level of security to members during the term of the contract, as the effects are visible and manageable.

Tender Evaluation Report Contract No Contract 1606/0104 – Retail Electricity and Associate Services

The discount to energy for Carbon should be equal to the cost of compliance under the scheme, these are published figures for 2012/3, 2013/4 and 2014/5, with Carbon trading starting in July 2015 with a floor price linked to the European Union scheme, expected to be approximately \$12 per ton..

	2013/4	2014/5	2015/6
Carbon Premium	\$19.87	\$14.20	\$10.85
CEFP	\$22.22	\$23.09	\$11.04

Table: Carbon Pricing premium, Emissions Factor 0.92t-CO2-e

Risks of a price that is compliant of the CEFP is that during the term there is a change in policy from a Federal level, which may see the price paid for energy being inflated, however, there may also be a lower price in the emissions trading period, post 1 July 2015. That said, however, the premium being charged for a carbon inclusive price is lower than an exclusive price, significantly so in 2014/5, with policy change only achievable via approval of both federal houses and no indication on the pass through savings that liable parties (specifically generators) may be required to pass to end users.

On this basis Your PA Procurement Australia recommends that a carbon exclusive price not be accepted for this contract at this time.

Summary Result

The recommended tenderers offer (AGL) represents a decrease in contestable energy costs including mandatory environmental costs) of 9.4% for at least the initial 36 month contract period, retaining the right to extend for two (2) 12 month option periods..

PRICING - SMALL SITES (CATEGORY 2)

The prices submitted by the tenderers for this category were compared to existing contracts and the default position for non-contracted sites.

Historically, Small sites have been priced on the basis of a gazetted rate (gazetted via an Act of Parliament) which is then discounted as a fixed percentage by retailers for contracted customers.

Changes to the market nature saw only one retailer take this approach (TRUenergy) while other based their price on a build up of energy rate, environmental and network charges. The energy rate was fixed for the term, while network charges are passed through based on changes to the network distribution businesses Gazetted rates. Environmental charges, such as LRET, SRES and VEET, were dealt with in different ways by different suppliers, either fixed for the term (AGL), 100% variable (Origin, Simply Energy) or a combination where the certificate price was fixed and the compliance percentage was variable (ERM, Alinta)

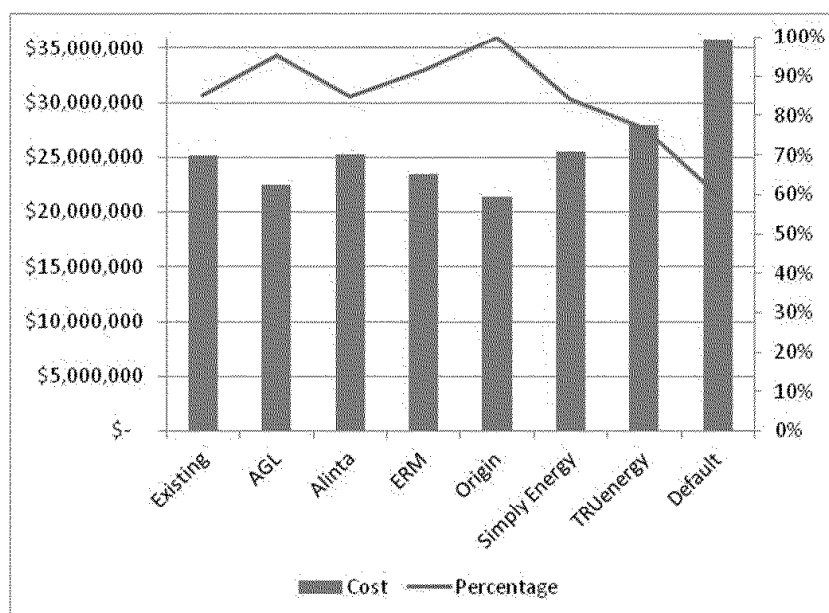
When compared to the historical contract, where all the rates were fixed, and an annual CPI adjustment was applied in January each year. The transfer of the network risk has shown significant price benefits to members. It should be noted that the risk is not unmitigated, as the Australian Energy Regulator (AER) has set the network increases for Victoria until 2015 as follows:

Network	Average Increase (2011-2015)
CitiPower	5.5%
Jemena	7.2%
PowerCor	9.1%
SP-Ausnet	9.5%
United Energy	6.5%

Tender Evaluation Report Contract No Contract 1606/0104 – Retail Electricity and Associate Services

It should be noted that these are average increases and individual tariffs may vary within a defined band, subject to AER approval.

When compared to 3% CPI applied to the entire bill and using the SP-Ausnet 9.5% on Network (50% of bill) as a comparison point over three years the old method would see a compounded increase of 9.27% over the term, while the new method would see an increase of 15.64%, a gap of 6.37%. However, the starting price for the new contract is 10.8% below the existing contract position. Further this comparison is for SP-Ausnet, the “worst case” scenario; the CitiPower “best case” sees a compounded increase of 8.7%. To see optimal results members should undertake a tariff analysis as single rate tariffs show substantially less savings than 2 part tariffs.



Graph: Costs Small sites, per Annum

No adjustment was made to the price evaluation, however, further consideration was given to transfer risk where a site is placed on Default rates for the time from the end of the existing contract until transfer to a new retailer. With an effective discount of 37% this risk can be measured at 3.1% per month. For sites where the scheduled meter read is only scheduled on a quarterly basis the average time to read is 1.5 months or a direct effect of 4.6%. In addition a large number of Procurement Australia member sites have estimated reads with the potential for further delaying transfer.

Summary Result

The recommended tenderers offer represents a decrease in total energy costs, (including fixed energy and mandatory environmental costs) of 10.8%. The tenderers offer represents an average discount of 37.2% from gazetted rates, applicable to members who do not enter a contract arrangement as of 1 July 2013.

Procurement Australia recommends the selection of AGL for an initial 36 month contract period, retaining the right to extend for two (2) 12 month option periods.

SUMMARY OF VALUE-ADDED SERVICES INCLUDED IN CONTRACT

AGL Insight EP

AGL have offered an enhanced Energy Management, Carbon and Environmental reporting Service (AGL Insight) to members. This service is valued at \$40,000 for the first year plus \$20,000 ongoing (per customer, based on 50-100 sites) at commercial rates. System will be set up with historical data for existing sites bill by AGL with an anticipated roll out during Q1 2013.

Tender Evaluation Report Contract No Contract 1606/0104 – Retail Electricity and Associate Services

Members of Procurement Australia's Public Lighting contract (1407/0614) already have access to this service.

Annual Tariff Review including Power Factor

Post release of the annual gazetted network tariffs, a desktop tariff analysis identifying opportunities for members to make savings but tariff optimisation, communication of results and options provided to members for endorsement

Billing Services

Large and Small Market reports, consolidated bills for Small market, with Large market pending delivery of system capability. On-line billing for Small sites available immediately with Large sites at contract commencement.

Customer Education program

AGL have proposed a series of education devised to enable Members to get the most from the Energy Contract. There will be a road show that will introduce members to the additional services as well as regular communication via newsletter, trade shows and training days. Process information sheets will be provided to aid interaction with AGL support services to the Procurement Australia contract.

Dedicated Service Channel

Supplier is to provide a priority telephone number for contact, unique Email address and specialised team to service the contract.

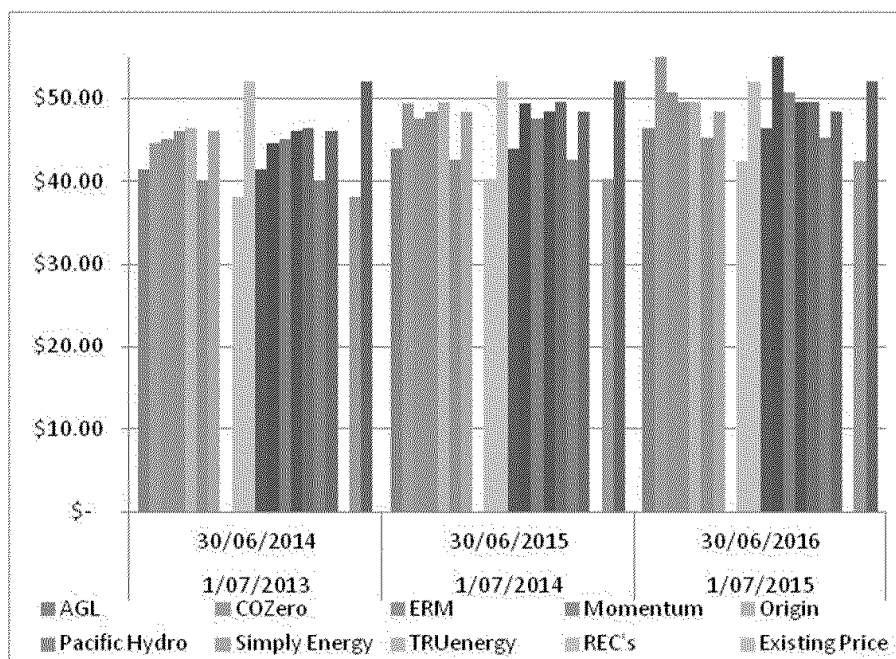
GreenPower

GreenPower was assessed in parallel to offers for Retail Electricity. While most retailers will only sell GreenPower to customers where they are the provider of Retail Energy, the presence of Pacific Hydro being a significant producer/generator in their own right and COZero, a specialist provider of GreenPower, meaning there was the potential for a GreenPower contract to be entered into separately.

The prices tendered were compared to existing contracts in the wholesale Renewable Energy Certificate (REC) market. The methodology implemented to undertake the price comparison included a direct price comparison made with the existing market. Market tests used in this exercise include data published via NextGen, a specialist wholesale Broker which dominates the green futures market Australia.

Unlike electricity, RECs can be stored so there is confirmed visibility of both current and future costs with annual cost increases generally having a direct correlation to the cost of money. It should be noted that REC's are not a valid GreenPower right on their own, they must be attached to a verified GreenPower scheme and as such there is a further premium, however, they provide the index points for GreenPower.

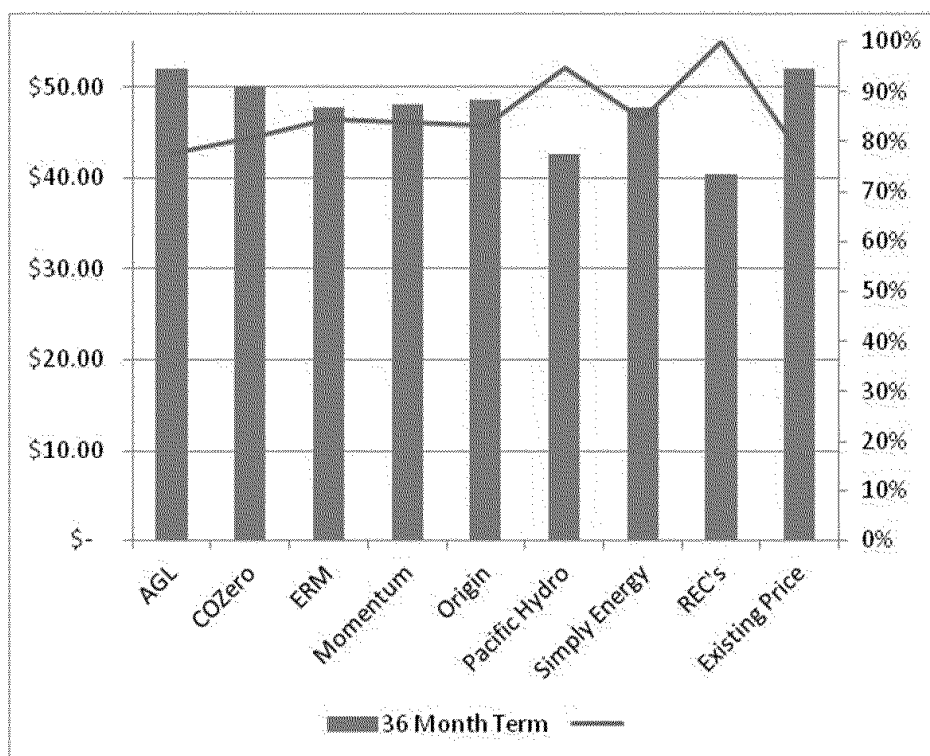
Tender Evaluation Report Contract No Contract 1606/0104 – Retail Electricity and Associate Services



Graph: Green Power Pricing, per Annum

All Suppliers provided stepped pricing, escalating at the 12 month contract anniversary date (12 + 12 + 12 months.)

TRUenergy did not provide pricing



Graph: GreenPower pricing over Term

Tender Evaluation Report Contract No Contract 1606/0104 – Retail Electricity and Associate Services

In this graph and for the purpose of comparison, the costs are represented as per annum averaged over the life of the contract. No TVM discount has been applied. Pacific Hydro clearly demonstrates a benefit over all other suppliers, which may be expected as they are a creator of RECs and GreenPower right in their own right.

There are limitations with the separate provider of GreenPower and Energy, which members should consider when choosing a supplier:

- Members will be required to provide consumption information to the external provider
- Charges do not appear in the site invoice
- Minimum volume constraints apply (limit to be confirmed on a monthly/annual basis)
- Minimum overall volumes to be respected e.g., if total requirement falls below 90% of contracted volume "Take or Pay" provisions apply
- Maximum overall volumes apply, increase above 110% of Contracted Volume the provider reserves the right to charge market pricing to the additional load.

As a consequence Procurement Australia is recommending the appointment of two providers one linked to the Retail contract that provides greater flexibility and lower member requirement for involvement, and one for members who take a more active position in the management of their GreenPower, often with higher volumes, and with the benefit of a lower price.

Key Performance Indicators

KPI's are to be set between Procurement Australia and the selected contractor; metrics may include but are not limited to:

- Allocation of service requests within specific time frames including communication of case numbers
- On time billing
- Billing Accuracy
- Escalated Cases
- Average time to resolve
- First call resolution

Members have been asked to provide assistance with the setting of meaningful KPI to best address their needs

Staff, Family and Friends offer

Offers will be made available via a unique portal, limited to PA Members, their Employees, and Associates. Final details to be confirmed

Solar Feed-in Tariff

Members with existing Premium Feed in Tariffs connected with AGL will continue on the existing terms and conditions of these tariff at the time of connection. Members with new installations during the time of the contract will be eligible for Standard Feed in Tariff (SFIT) of 8c/kWh. This is available to Solar, Wind, Hydro and Biomass installations up to 100kW and of a non-Commercial generation nature

METERING AND DATA SERVICES (CATEGORY 3)

The selection of a preferred provider for the Category of Metering and Data Services is contingent on further negotiation based on both the Retailer for Category 1 and 2, and the supplier of services under Category 3. The nature of a metering agreement requires acceptance by the responsible party in the energy market. (The retailer) A third party supplier, even if suitably licensed, could see an additional account surcharge levied. Further the retailer may enter into the agreement on behalf of the customer, or the customer may enter the agreement directly.

Entering the agreement directly with the meter service provider has benefits in it may be of a different term to the retail agreements under Categories 1 and 2. This has a benefit in offering stability to the

Tender Evaluation Report Contract No Contract 1606/0104 – Retail Electricity and Associate Services

meter supply if the sites look to churn retailer. Additional data services can be afforded to members that retailers do not provide. However, consideration must be made to ensure no premium is levied on members beyond the worth of the benefits.

The recommended supplier under Categories 1 and 2 has a provision for \$200 per meter surcharge for “Approved” meter service providers. On a prima facie basis it will be beneficial for members to enter a direct metering agreement; however, a definitive recommendation requires the aforementioned tri-partied negotiation.

FINAL WEIGHTED AGGREGATE SCORES (W.A.S)

The following weighted aggregate scores were determined for the Organisations that met the basic criteria for right to supply to members. A comprehensive list of all W.A.S for each tender assessed against the evaluation criteria is attached as Appendix 2 to this report.

Large Market Electricity and Mandatory Environmental Charges

Tenderer	W.A.S.
1 AGL	270
2 Alinta	Not Applicable
3 COZero	Not Applicable
4 ERM Power	267
5 Metering Dynamics	Not Applicable
6 Momentum Energy	249
7 Origin Energy	258
8 Pacific Hydro	242
9 Select Solutions	Not Applicable
10 Simply Energy	244
11 TRUenergy	246

Small Market Electricity and Mandatory Environmental Charges

Tenderer	W.A.S.
1 AGL	267
2 Alinta	223
3 COZero	Not Applicable
4 ERM Power	257
5 Metering Dynamics	Not Applicable
6 Momentum Energy	Not Applicable
7 Origin Energy	266
8 Pacific Hydro	Not Applicable
9 Select Solutions	Not Applicable
10 Simply Energy	224
11 TRUenergy	225

Tender Evaluation Report Contract No Contract 1606/0104 – Retail Electricity and Associate Services

GreenPower

Tenderer		W.A.S.
1	AGL	253
2	Alinta	Not Applicable
3	COZero	223
4	ERM Power	240
5	Metering Dynamics	Not Applicable
6	Momentum Energy	228
7	Origin Energy	235
8	Pacific Hydro	245
9	Select Solutions	Not Applicable
10	Simply Energy	242
11	TRUenergy	Not Applicable

Tender Evaluation Report Contract No Contract 1606/0104 – Retail Electricity and Associate Services

RECOMMENDATION

That the following tenderer be awarded the respective categories and states for Contract No 1606/0104, Retail Supply of Electricity and Associated Services for a period commencing 1st July 2013 and ending 30th June 2016:

Category 1 – Retail Supply of Electricity to Large Market sites

All States
AGL

Category 2 – Retail Supply of Electricity to Small Market sites

All States
AGL

Category 3 – Supply of Data and associated services

All States
Recommendation to be communicated subject to further negotiation

In addition the following recommendation is made for **GreenPower** supply made to *either* Category 1 – Large Market Sites, or, Category 2 – Small Market sites

GreenPower charged “on Energy Bill”
AGL
GreenPower charged “via separate Invoice ”
Pacific Hydro

This recommendation is made based on submissions received from tenderers and assessment according to the criteria. The recommendation is in accordance to the highest W.A.S. achieved demonstrating the greatest value proposition it Procurement Australia Members.

Recommendation Prepared

Blair Coull	<i>Blair Coull</i>	28 October 2012
Category Manager - Energy	Signature	Date

Recommendation Endorsed

Brendan Hoare	<i>Brendan Hoare</i>	28 October 2012
National Contracts Manager	Signature	Date

Report Approved by

Julia Cambage	<i>Julia Cambage</i>	28 October 2012
Chief Executive Officer	Signature	Date

Tender Evaluation Report Contract No Contract 1606/0104 – Retail Electricity and Associate Services

APPENDIX 1 - COMPLIANCE

Tender Evaluation Report Contract No Contract 1606/0104 – Retail Electricity and Associate Services

APPENDIX 2 – WEIGHTED AGGREGATE SCORES

Guides to Scores to be allocated

Score	Description	Score
<i>Unacceptable</i>	<i>Tenderers proposal DOES NOT address the areas required</i>	<i>0</i>
<i>Marginal</i>	<i>Tenderers proposal addresses MOST of the areas required</i>	<i>1</i>
<i>Acceptable</i>	<i>Tenderers proposal addresses ALL of the areas required</i>	<i>2</i>
<i>Exceptional</i>	<i>Tenderers proposal addresses ALL of the areas required AND EXCEEDS the necessary criteria of this contract (adding further value).</i>	<i>3</i>

Tender Evaluation Report Contract No Contract 1606/0104 – Retail Electricity and Associate Services

APPENDIX 3 – PRICE COMPARISON WITH OTHER CONTRACTS

Retail Energy – Large Sites

	Cost
Existing	\$ 121,383,972
AGL	\$ 109,955,473
ERM	\$ 107,246,018
Momentum	\$ 108,778,036
Origin	\$ 111,334,158
Pacific Hydro	\$ 107,457,611
Simply Energy	\$ 108,649,702
TRUenergy	\$ 117,469,164

Notes:

1. Pricing over 36 month term
2. Pricing inclusive of Mandatory Renewable Charges and CEF
3. Where applicable Retail Fee's have been included
4. Pricing Excludes Network and Market Charges

Retail Energy – Small Sites

	Cost
Existing	\$ 25,212,169
AGL	\$ 22,484,746
Alinta	\$ 25,294,899
ERM	\$ 23,424,771
Origin	\$ 21,454,706
Simply Energy	\$ 25,509,590
TRUenergy	\$ 27,919,458
Default	\$ 35,818,838

Notes:

1. Pricing per Annum
2. Pricing bundled, i.e. total delivered cost
3. Pricing is Raw with no allowances made for risk of fixed or variable price paths, transfer risks have been excluded

Tender Evaluation Report Contract No Contract 1606/0104 – Retail Electricity and Associate Services

GreenPower

AGL	\$ 44.00
COZero	\$ 50.00
ERM	\$ 47.80
Momentum	\$ 48.06
Origin	\$ 48.54
Pacific Hydro	\$ 42.60
Simply Energy	\$ 47.67
REC's	\$ 40.33
Existing Price	\$ 51.98

Notes:

1. Pricing based on Average price over contract Term
2. GreenPower is a premium over Retail pricing
3. GreenPower may be purchased at various percentage levels, total cost will be dependent on this percentage
4. Prices are expressed as \$/MWh, for c/kWh move the decimal one place left (i.e. \$50.00/MWh equals 5.00 c/kWh)

Tender Evaluation Report Contract No Contract 1606/0104 – Retail Electricity and Associate Services

APPENDIXES 4 – INDIVIDUAL PRICE CALCULATIONS

Please refer to Member specific Calculation Sheet

Notes:

1. Calculations are based on Oct 2011 to May 2012, pro rata to approximate a Calendar year
2. Current (Fin2013) CEFP costs of \$23/ton are included in the current cost calculations, an average carbon intensity of 0.95t/MWh has been applied
3. Costs are on a per annum basis and exclude GST
4. Actual billing information was taken to determine costs
5. Variations to consumption will have a corresponding effect on costs
6. "Peak Energy Charges", "Off Peak Energy Charges" and "MRET Charges" are the Contestable charges for the existing contract
7. "New Energy Cost" and "Sum of New ERET" are the Contestable Charges, that being those that are negotiable
8. CEFP compliance for future contract is included in the "New Energy Cost"
9. All other charges have been left constant and are listed as "Supply Charges" in the summary
10. All other charges, specifically Network, DO change over the contract period, however, they are passed though by the retailer without escalation and not part of contractual negotiations
11. As a consequence of these external variations the calculations sheets should not be used as budgetary devices, as they are only an accurate indication of contestable costs.
12. GreenPower purchases (existing and future) are excluded from the calculations
13. While reasonable care has been taken by Procurement Australia sites listed are based on supplied contract data, additional sites may have opened, listed sites may have been final billed, or sites may not be attached to the PA contract correctly. As such pricing calculations are intended to provide an overview of the effects on energy spend, and should be adjusted base no your own actual/verified spend.

Tender Evaluation Report Contract No Contract 1606/0104 – Retail Electricity and Associate Services

APPENDIX 5 – LETTER OF INTENT

Please refer to the Attachment "Recommendation Acknowledgement.doc"

Tender Evaluation Report Contract No Contract 1606/0104 – Retail Electricity and Associate Services

APPENDIX 6 – LIST OF PARTICIPATING MEMEBERS

YOUR PA Procurement Australia acted as nominated tendering Agents for:

APPENDIX 7 – PRODUCT FEATURES OF AGL INSIGHT

AGL Insight – your Carbon and Energy Intelligence solution

In today's climate, companies are being challenged to provide thorough measurement and reporting of energy, carbon and environmental performance.

Whether imposed via legislation, good corporate citizenship or market pressures, the increased obligations can be onerous and costly.

AGL Insight is a technology solution to efficiently measure, manage and monitor energy consumption and carbon emissions from every corner of your business. It is delivered in conjunction with CarbonSystems, a global provider of energy and carbon accounting software.

Put simply, the AGL Insight platform reduces the costs and time associated with your energy use and emissions data capture, and increases the accuracy and effectiveness of your business' reporting.

How does AGL Insight work?

- **Meters:** AGL Insight integrates with your suppliers of smart metering services to ensure regular and automated collection of the meter data.
- **Suppliers Reports:** AGL Insight can automatically upload electronic billing or summary report data from your key suppliers.
- **Business Systems:** AGL Insight can automatically upload electronic billing or summary report data from your key suppliers.
- **Spreadsheet or Manual Entry:** Clients can quickly and easily enter data manually into AGL Insight via the web interface. This interface has been customised for "quick entry" of bill data or via pre-populated Excel spreadsheet templates and emailed directly to AGL Insight.

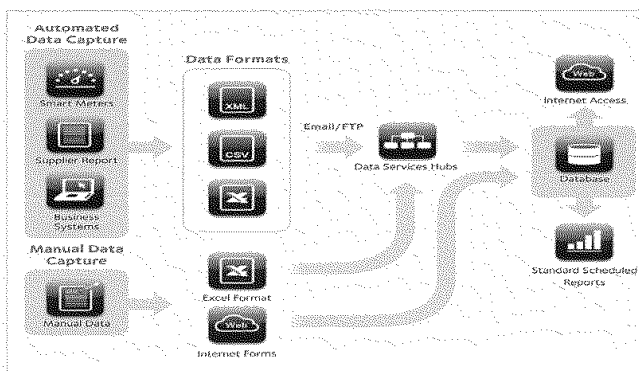
Automated Data Capture:

CarbonSystems works with you and your suppliers to capture copies of electronic data files from smart meters, supplier reports, electronic invoices and your internal IT systems for automated upload to a secure database.

Manual Data Capture: Quickly and accurately enter data manually via customised web forms or preconfigured spreadsheet templates.

Data Services Hubs: Files in various electronic formats can be emailed to the services hubs for secure data extraction, verification and integrity testing.

Global Database: The secure SQL server manages your data and a database of global data formats, metrics and carbon emission factors for all major reporting regions around the world.



Tender Evaluation Report Contract No Contract 1606/0104 – Retail Electricity and Associate Services

Key features of AGL Insight

The AGL Insight solution has been designed to deliver a range of features that help you keep pace with a rapidly changing environmental landscape.

These include:

Data Collection and Management

- Capture electronic data directly from suppliers and business systems.
- Flexible data hierarchy to match company reporting structure e.g. by geography and/or division.
- Track and manage data collection tasks using the activity centre – automatically notifies users of missing data.
- Exception reporting identifies missing data or unusual trends outside of preset thresholds.
- Data estimation can be activated to identify gaps in data and estimate the missing values using intelligent algorithms.

Performance Management Framework

- Ability to set targets from organisation to departmental and site level.
- Capture of KPI and intensity metrics (eg square meters, headcount) for benchmarking.
- Track Return on Investment and payback periods for investments in energy and carbon reduction initiatives, providing accountability for business decisions.

Flexible Reporting Suite

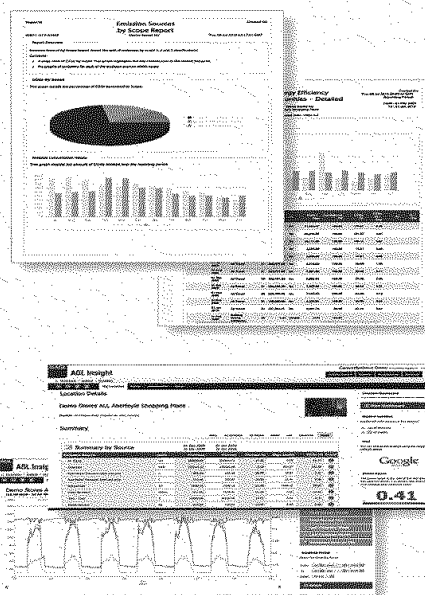
- AGL Insight provides a broad range of standard and customised reports, which can be accessed via web reports, dashboards or emailed directly to users.
- Reports can be pre-scheduled and automatically distributed via email to stakeholders.
- The AGL Insight Reporting suite includes:
 - Actual vs. Target
 - Benchmarking and Ranking
 - Emissions Measurement
 - Compliance reporting
 - Performance and Return on Investment

Assurance and Audit

Designed to deliver robust, financial grade data that will meet the growing need for audit based assurance.

Features include:

- Automatic error checking.
- Reports that describe the completeness of data.
- Data accuracy reports that identify irregularities based on "high and low" preset thresholds.
- Audit trail reports that identify who has loaded and changed data, and when.
- Emission factor reports that reference the sources of factors in industry or customised standards.



Greater Shepparton City Council Estimated Green Power Costing

Current NMI	Address	Estimated Total Annual Consumption	Green Energy Rate
62036852748	9 MORRELL STREET MOORoopNA VIC 3629	193	44
VCCCSC00409	MARUNGI STREET LIBRARY SHEPPARTON VIC 3630	1518	44
62037865641	COMMUNITY CENTRE 10-14 PARKSIDE DR, SHEPPARTON 3630 VIC	50	44
62036943349	315 DOYLES ROAD SHEPPARTON VIC 3630	221	44
62030085911	NUMURKAH ROAD SHEPPARTON VIC 3630	152	44
62030026055	TOM COLLINS DRIVE SHEPPARTON VIC 3630	125	44
VCCCSB00145	TOM COLLINS DRIVE SHEPPARTON VIC 3630	1285	44
Small Market Accounts		588	52

The above rates are a estimated cost and exclusive of energy losses and GST.

Green Energy Rate	Total Green Power
10%	\$ 849.20
10%	\$ 6,679.20
10%	\$ 220.00
10%	\$ 972.40
10%	\$ 668.80
10%	\$ 550.00
10%	\$ 5,654.00
10%	\$ 3,057.60
Total	\$ 18,651.20