

3.2: CONTRACT C12014 – SUPPLY OF GAS (ALAC)

Proponent : City of Albany
Owner : City of Albany
Responsible Officer : Acting Executive Director Community Services (C Woods)

IN BRIEF

- Contract C12014 – Supply of Gas Albany Leisure and Aquatic Centre (ALAC) be AWARDED to Origin Energy for an initial period of five years or until 750 tonne of LPG is consumed.
- Based on an annual gas consumption at ALAC of 6,500,000 mega joules the estimated annual saving from awarding the tender to Origin Energy is \$84,000 per annum at current Alinta gas pricing.
- The Origin Energy pricing represents a saving of 30% over current Alinta pricing.
- ALAC is currently out of contract with Alinta.
- Awarding the contract to Origin Energy will require the installation of 3 x 750kg gas storage vessels on site at ALAC.

ITEM 3.2: RESPONSIBLE OFFICER RECOMMENDATION**VOTING REQUIREMENT: SIMPLE MAJORITY**

THAT Council ACCEPT the Tender from Origin and award contract C12014 for the supply of LPG to the Albany Leisure and Aquatic Centre (ALAC) for a period of 5 years or until a minimum 750 tonnes of LPG have been consumed.

BACKGROUND

1. The ALAC Business Plan identified that energy costs at the Centre were well above industry standards. Electricity tariffs have previously been reviewed and, as a result, ALAC moved from Perth Energy to Synergy to benefit from cheaper supply costs. Annual savings of approximately \$45,000 per annum were achieved from this supplier review.
2. ALAC installed pool blankets in May of 2012 to further reduce its consumption of gas and electricity, based on Energy Audit findings commissioned in February 2011. The pool blankets are estimated to save a further \$55,000 per annum. In July 2012, gas consumption was reduced by \$14,500, compared with July 2011 gas consumption figures as a direct result of the pool blankets.
3. ALAC has budgeted to consume 8,008,000 mega joules of LPG in 2012/13, at a rate of .0340 cents per mega joule. This price was based on December 2011 gas prices. This equates to an annual cost of \$272,272 before factoring in the savings from the pool blankets. Pool blankets are estimated to save 1,588,235 mega joules per annum, or approximately \$55,000 at the budgeted rate of .0340 cents per mega joule..

16/10/2012

REFER DISCLAIMER

4. Alinta Energy's current energy pricing, as at July 1st 2012 (which includes the price impact of the carbon tax), is 0.0421 cents per unit. This pricing is 20% greater than previously budgeted, and effectively negates the benefits of the pool blankets. The projected gas costs for ALAC in 2012/13 are therefore \$270,272.
5. The tender of ALAC Gas requirements was driven by the need to reduce costs by having competition in the market place.
6. As Albany is not supplied by natural gas, and the current town reticulated system (which services ALAC) is owned by Alinta, the only way to achieve competition in the market place is to install LPG storage cylinders on site, and bypass the current Alinta reticulation system.

DISCUSSION

7. Tenderers were asked to provide a price per unit and term of supply that was required to cover the capital costs of installing storage units on site.
8. The tender documents included tender evaluation criteria using the weighted attribute method. This method scores the evaluation criteria and weights their importance to determine an overall point score for each tender. The criteria are tabled below:

Criteria	% Weight
Cost	80%
Continuity of Supply	20%
TOTAL	100%

9. Tenders from two service providers were received, being Elgas and Origin. The Elgas submission was deemed Non-Conforming, as it was not received on the appropriate Tender Response Forms. Summary below:

Tenderer	Local Preference Qualification
Origin Energy WA Pty Limited	Yes
Elgas	Non-Conforming

10. The following table details the evaluation rating as scored, and the resulting overall evaluation weighted score applicable.

Tenderer	Cost	Continuity of Supply	Total Evaluation Score
Origin Energy WA Pty Limited	400.00	180.00	580.00

11. The evaluation panel was made up of Procurement Officer (Corporate Services), Executive Director Corporate Services and Executive Director Community Services, who evaluated and scored the tenderers' submissions, before jointly determining that Elgas was Non-Conforming and the final score for Origin. On the basis of comparison costing to the current provider, Alinta, the most suitable company is considered to be Origin. Their submission provides competitive pricing and they are deemed to be an established and reliable local operator.

GOVERNMENT CONSULTATION

12. Nil.

PUBLIC CONSULTATION / ENGAGEMENT

13. A request for tenders was published in the West Australian on 8 August 2012 and the Great Southern Weekender on 9 August 2012. The Tender was open for two weeks and therefore closed on 22 August 2012.

STATUTORY IMPLICATIONS

14. Regulation 11 of the *Local Government (Functions and General) Regulations 1996 (Regulations)* requires Council to publicly tender if the contract is, or is expected to be, more, or worth more, than \$250,000.
15. Regulation 18 of the Regulations outlines a number of requirements relating to choice of tender. Council is to decide which of the acceptable tenders is the most advantageous to Council. It may also decline to accept any tender.
16. Regulation 19 of the Regulations requires Council to advise each tenderer in writing the result of Council's decision.

STRATEGIC IMPLICATIONS

17. This item relates to the following elements of the City of Albany Strategic Plan (2011-2021):

Key Focus Area

Organisational Performance

Community Priorities

Policy and Procedures

Proposed Strategies

Develop clear processes and policies and ensure consistent, transparent application across the organisation.

City of Albany Mission Statement: “At the City of Albany we are results driven and accountable. We provide best value in applying council and community resources, and we apply Council funds carefully.”

POLICY IMPLICATIONS

18. The City of Albany Tender Policy and Regional Price Preference Policy are applicable to this item.

RISK IDENTIFICATION & MITIGATION

19. The risk identification and categorisation relies on the City’s Risk Management Framework.

Risk	Likelihood	Consequence	Risk Rating	Mitigation
<i>Interruption to continuity of supply, affecting ALAC’s ability to deliver service to customers</i>	<i>Unlikely</i>	<i>Medium</i>	<i>Medium</i>	<i>The tender process has determined that Origin Energy has a large storage capacity located in Albany for servicing and that back up service is available from Perth.</i>

FINANCIAL IMPLICATIONS

20. The value of this tender is in excess of \$250,000 and therefore the approval is referred to Council for consideration and award.

LEGAL IMPLICATIONS

21. Legal implications are addressed in the City of Albany General Conditions of Contract which forms part of the tender documents.

ALTERNATE OPTIONS

22. Council can accept or reject the tenders as submitted.

SUMMARY CONCLUSION

23. On reviewing the submissions, the evaluation team assessed Origin Energy as being the most suitable tenderer across the evaluation criteria in terms of Cost and Continuity of Supply.

Consulted References	Local Government (Functions and General) Regulations 1995 Council Policy – Purchasing (Tenders & Quotes) Council Policy – Buy Local (Regional Price Preference)
File Number (Name of Ward)	C12012 (All Wards)