

## CONFIDENTIAL MEMORANDUM

**TO:** Council

**MEETING DATE:** 26 August 2019

**TITLE:** Tranche 12 Electricity Recommendation Report

**PRESENTED BY:** Paul Compton, Manager - Logistics and Support

**APPROVED BY:** Tom Williams, Chief Infrastructure Officer

---

It is recommended that this report be considered with the public excluded, as permitted by the Local Government Official Information and Meetings Act 1987 under clause:

**s7(2)(h) Commercial Activities**

### REASON FOR CONFIDENTIALITY

The reason for this report to be confidential is

### RECOMMENDATION FOR PUBLIC RELEASE

---

### RECOMMENDATION(S) TO COUNCIL

1. That Council sign the recommended All of Government (AoG) Tranche 12 Agreement for electricity supply by Meridian Energy.
- 

### 1. ISSUE

Palmerston North City Council's (PNCC) current electricity supply contract expires on 30 September 2019. PNCC's current agreement was achieved through All of Government (AoG) tranche 7, in which an agreement was completed with Meridian Energy to supply all of PNCC's electricity requirements for a 3-year term.

### 2. BACKGROUND

Electricity is one of PNCC's highest annual operating costs. With usage in excess of 14 million kilowatt hours (kWh) annually, PNCC is considered a Large Energy User. As shown in attachment 1, PNCC has made steady reductions in usage and is working hard to become

more energy efficient. The total annual cost was reduced by \$142,000, or 5.5% between 2017 and 2019.

Ministry of Business, Innovation & Employment (MBIE) were provided with all usage data (in April) for PNCC to enable us to be assessed in Tranche 12 for the AoG contract. The recommendation report was received on Monday 12 August 2019 (Attachment 2). As part of this, it was requested that PNCC supply our intention for supplier no later than Friday 16 August 2019. However, PNCC officers have advised MBIE of our process and Meridian Energy have agreed to hold their pricing offer until 27 August 2019 at which point a decision will be required. The tranche 12 Recommendation Report is attached.

The sum budgeted in FY2018-19 was \$2.1M and for FY2018-19 an increase of 19% was budgeted, raising this to \$2.5M. Meridian Energy is the lowest AoG price of both Time of Use and Non Time of Use from the suppliers who tendered as part of AoG Tranche 12.

Meridian Energy’s tender represents a total annual cost of \$2.9M in FY2019-20, of which \$0.4m is recovered from a 3<sup>rd</sup> party which brings it line with our budget provision.

Upon receipt of MBIE’s recommendation report, external advice was sought from both the Energy Efficiency and Conservation Authority (EECA) and Smart Power (external independent consultant). Both support the recommendation to enter a 3 year contract with Meridian Energy. This makes the most financial sense and fits within our goals as part of the Eco City Strategy - as per their Climate Action Plan attached.

**3. RECOMMENDATION**

That Council agree to the new AoG recommendation for Tranche 12 to contract Meridian Energy to supply all PNCC’s electricity for the duration 1 October 2019 to 30 September 2022.

**4. COMPLIANCE AND ADMINISTRATION**

Does the Committee have delegated authority to decide?	<b>Yes</b>
Are the decisions significant?	<b>Yes</b>
If they are significant do they affect land or a body of water?	<b>No</b>
Can this decision only be made through a 10 Year Plan?	<b>No</b>
Does this decision require consultation through the Special Consultative procedure?	<b>No</b>
Is there funding in the current Annual Plan for these actions?	<b>No</b>
Are the recommendations inconsistent with any of Council’s policies or plans?	<b>No</b>
The recommendations contribute to Goal 4: An Eco City	

The recommendations contribute to the outcomes of the Eco City Strategy
---

The recommendations contribute to the achievement of action/actions in the Energy Plan
--

### **ATTACHMENTS**

1. Cost and Consumption of Electricity over past 3 financial years
2. Tranche 12 Recommendation Report
3. Meridian Climate Action Plan