

9.5 MWRC Solar Array - Update and Request for Exemption from Tender

REPORT BY THE CHIEF FINANCIAL OFFICER
TO 20 JULY 2022 ORDINARY MEETING
GOV400087, ENE100032

RECOMMENDATION

That Council:

1. receive the report by the Chief Financial Officer on the MWRC Solar Array - Stage 2;
 2. note that the contracted construction manager Engie Electrical and Communications Pty Ltd (Engie) are undergoing a corporate restructure and have chosen to exercise their option to exit the contract at the completion of Stage 2;
 3. note that Council have approved an early exit of the contract, resulting in Council changing the method of project and construction management as recommended in the report;
 4. approve an exemption from tender, in accordance with Section 55(3)(I) of the Local Government Act 1993, for the provision of project management and construction management services;
 5. note the reason why a satisfactory outcome would not be achieved by inviting tenders is that:
 - 5.1 the project is part way through stage 2 – design and tender package development and it would be difficult to get a new construction manager to pick up mid-project; and
 - 5.2 the existing project managers have already been contracted to oversee the entire solar array project, amending their contract to also include construction management is the most cost effective solution for the project, saving on rework and familiarisation for a new construction manager;
 6. authorise the General Manager to engage Constructive Energy Pty Ltd (CE) to provide the project and construction management services for an estimated contract sum of \$xxx excluding GST; and
 7. authorise the General Manager to approve contract variations within the approved budget for the Solar Array project.
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Executive summary

At the 21 October 2020 Council Meeting, Council provided endorsement of Stage 2 of a 5 MW (battery ready) solar array.

Stage 1 included completion of a concept design, community consultation, capital expenditure reporting, Development Application, and engineering and grid connection approval.

Stage 2 includes a detailed design, and completion of the construction trade package tender process.

This report will expand on Council's progress with Stage 1 & 2, and request an exemption from tender for the construction and project management of the Solar Array.

Disclosure of Interest

Nil

Detailed report

PROJECT SCOPE

The project has been broken into 4 stages:

- **Stage 1:** Concept design, connection approval and feasibility confirmation
- **Stage 2:** Detailed design and construction trade package tender process
- **Stage 3:** Onsite construction, commissioning and energisation
- **Stage 4:** System operation, tuning and maintenance

STAGE 1 PROGRESS

- ✓ PROJECT TEAM ESTABLISHMENT
- ✓ CONCEPT DESIGN & FEASIBILITY CONFIRMATION

➤ CONNECTION INVESTIGATION SERVICES AGREEMENT (CISA)

The CISA application is progressing, with the following summarised outcomes:

1. Delays to the timing of a granted CISA – approval is still pending, so construction timing has been pushed to 2022/2023
2. Essential Energy network enquiry confirmed there is still capacity available on the network
3. Essential Energy augmentation route is currently being finalised. The anticipated costs of the route are within the initial estimates.

➤ CONFIRM COMMERCIAL & INDUSTRIAL (C&I) CUSTOMER UPTAKE LEVELS AND PRICING

1. Survey of local C&I businesses confirmed respondents are interested in purchasing local energy from a Council owned array and about 3/4 would be okay with the bill coming from Council.
2. Further C&I customer interest is on hold until the project progresses to construction.

➤ DEVELOPMENT APPLICATION

MWRC has called upon a third-party town planner to complete the development application process. Development Application is progressing, and is in the final evaluation stage by the Regional Assessment Panel. Completion anticipated in the next month.

STAGE 2 PROGRESS

Given the positive modelling results from Stage 1, Stage 2 was endorsed by Council on 20 October 2020:

➤ DETAILED DESIGN

The detailed design is progressing with delays based on finalisation of the connection path to the grid. A third party contractor has been working on the design (through Engie), and finalisation will now occur with Council contracting directly with that contractor – Clean Technology Partners. Design is 95% complete.

➤ CONSTRUCTION TRADE TENDER PACKAGE DEVELOPMENT

Engie have prepared the tender packages, subject to bundling into efficient contracts (anticipated to be 4). Revision of the process into 4 contracts will allow for Council to be the head contractor under the new construction management method. The procurement process will be carried out by CE and Council.

Investigation is underway to add Sewerage Treatment Plant 'behind the meter' for further Council savings, and to determine the case for inclusion of battery storage.

➤ BIODIVERSITY CORRIDOR (TREE PLANTING)

Tree planting is delayed based on finalisation of the DA, and associated planting requirements.

STAGE 3 UPDATE

Due to a corporate takeover and restructure, Engie who has been engaged as the Managing Contractor has elected not to deliver Stage 3. Council has amended its approach and will become the Head Contractor for Stage 3, with Constructive Energy continuing in their role of Project Manager and assisting with some of the requirements of the previous Construction Management contract. Therefore, it is recommended for Council to approve an exemption from tender.

This new solution will allow

- Meets procurement guidelines
- Enables local contractor participation
- Minimises risk and delays

After confirmation of updated design and cost estimates, and a review of the pricing model, council staff will report back to Council to obtain endorsement, or otherwise, for Stage 3.

Community Plan implications

Theme	Looking After Our Community
Goal	Effective and efficient delivery of infrastructure
Strategy	Provide infrastructure and services to cater for the current and future needs of our community

Strategic implications

Council Strategies

Operational Plan and Development Plan

Council Policies

Local Preference Policy

Legislation

In accordance with Section 23A of the Local Government Act 1993, Council is required to undertake a capital expenditure review when it spends money to buy, construct, renovate or acquire an asset.

The NSW Office of Local Government's Capital Expenditure Guidelines apply to capital projects for infrastructure facilities, expected to cost in excess of council's annual ordinary rate revenue or \$1 million whichever is the greater amount (GST exclusive). As the estimated construction price of the solar array is \$8.8 million, a capital expenditure review has been completed and noted by the Office of Local Government.

Financial implications

STAGES 1&2 BUDGET UPDATE

A budget of \$870,000 was approved for Stages 1 & 2, including biodiversity corridor works. So far, \$455,000 has been spent with an additional \$270,000 committed, leaving \$145,000 remaining. Network design rework may result in a variation which will be processed through the QBR if required.

STAGE 3 BUDGET

A further \$8.08 million has been allocated for the completion of Stage 3. Nothing has been committed against this budget, and a report to Council to approve progression to Stage 3 is still required.

It should be noted that prices for components and shipping increased in 2021 but have been stable in 2022. A review of total costs for construction will be included in the Stage 3 progression report.

PROJECT/CONSTRUCTION MANAGEMENT BUDGET ALLOCATIONS

The budget allocation for the previously approved method was about \$1.007 million across all 3 stages of this project.

With the revised recommendation to change to a Council and Constructive Energy led project, the estimated management method is a direct cost estimate of about \$920,000. Indirect costs (use of internal resources to manage e.g. procurement and project oversight) are not included, as they will mostly be absorbed as preapproved operating budgets and are hard to quantify.

No change to the budget is recommended in this report.

Associated Risks

Risks have been identified and actions are being taken to mitigate projects risks, as a part of Stage 1 and continuing. At this stage, the notable risks are:

1. **Failure to obtain Development Application approval** – should the DA not be approved for the proposed location, any capital works for this site will not be utilised and therefore may be considered a waste of funding. The project team is aware of this risk, and will not be completing unnecessary material capital works before the DA is approved.
2. **Estimates for connection and construction are incorrect** - it should be noted that the estimates for network connection and construction are on the conservative/high side, and contingency has been built in. However fluctuations in import pricing over the recent year or so, means this risk remains relevant and is being constantly monitored.

LEONIE JOHNSON
CHIEF FINANCIAL OFFICER

BRAD CAM
GENERAL MANAGER

11 July 2022

Attachments: Nil

APPROVED FOR SUBMISSION:

NEIL BUNGATE
ACTING CHIEF FINANCIAL OFFICER