

## 9.3 Solar Array - Stage 3 Approval

REPORT BY THE CHIEF FINANCIAL OFFICER  
TO 19 APRIL 2023 ORDINARY MEETING  
GOV400103, ENE100032

### RECOMMENDATION

#### That Council:

1. receive the report by the Chief Financial Officer on the Solar Array - Stage 3 Approval;
2. note the Stage 2 Business Case Update outcomes;
3. approve progression of the MWRC Solar Array to Stage 3 – onsite construction, commissioning and energisation; and
4. amend the following budgets:
  - 4.1 2022/23 – Solar Array Stage 2 – increase by \$65,000 to be funded from unrestricted cash
  - 4.2 2023/24 – Solar Array Stage 3 – increase by \$278,000 to be funded from unrestricted cash

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### Executive summary

At the 21 October 2020 Ordinary Council Meeting, Council provided endorsement of Stage 2 of a 5 MW (battery ready) solar array. Stage 2 included a detailed design and completion of the construction trade package tender process.

This report sets out the progress against Stage 1 and Stage 2 of the Solar Array, and seeks to obtain endorsement to progress to Stage 3: onsite construction, commissioning and energisation.

### 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

- ✓ DEVELOPMENT APPLICATION
- ✓ CONNECTION INVESTIGATION SERVICES AGREEMENT (CISA)
  
- ESSENTIAL ENERGY CONNECTION APPROVAL  
Currently awaiting formal offer to proceed.
  
- CONFIRM COMMERCIAL & INDUSTRIAL (C&I) CUSTOMER UPTAKE LEVELS AND PRICING, AND MARKET PARTICIPANT PROVIDER  
Selective Tender currently being prepared for a Market Participant.

## 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.
  
- CONSTRUCTION TRADE TENDER PACKAGE DEVELOPMENT  
There are three reports to Council making recommendations on the Trade Package tender outcomes included in this business paper.
  
- BIODIVERSITY CORRIDOR (TREE PLANTING)  
The biodiversity corridor is currently included in a procurement package for civil and landscaping works. The biodiversity corridor is required to be planted before solar panel installation can occur, under the construction certificate conditions.

## STAGE 3 RECOMMENDATION

Under the approval provided at the start of Stage 2 for the 5MW MWRC solar array project, it was agreed that prior to the commencement of the Construction phase (Stage 3), that an updated business case showing the project is still viable, based on tendered construction costs would be required.

An Expression of Interest process was conducted to identify the latest commercial models available for the market participation scope, for the sale of energy into the grid. The EOI identified 4 reputable contenders that can enable the sale of energy to the grid and MWRC facilities. Two main approaches have been identified and used to validate the business case. The Power Pass Through and Power Purchase Agreement and linked supply contract.

Based on the updated construction and project costs, both market approaches are capable of delivering an acceptable financial return with simple payback occurring between 8 and 15 years dependent on model configuration and firm pricing.

On this basis, it is recommended to progress with commencement of Stage 3 of the project. Details are in the Stage 2 Business Case Update (Confidential Attachment 1).

## Community Plan implications

Theme	Good Government
Goal	An effective and efficient organisation
Strategy	Pursue efficiencies and ongoing business improvement

## Strategic implications

### Council Strategies

Operational Plan and Development Plan

### Council Policies

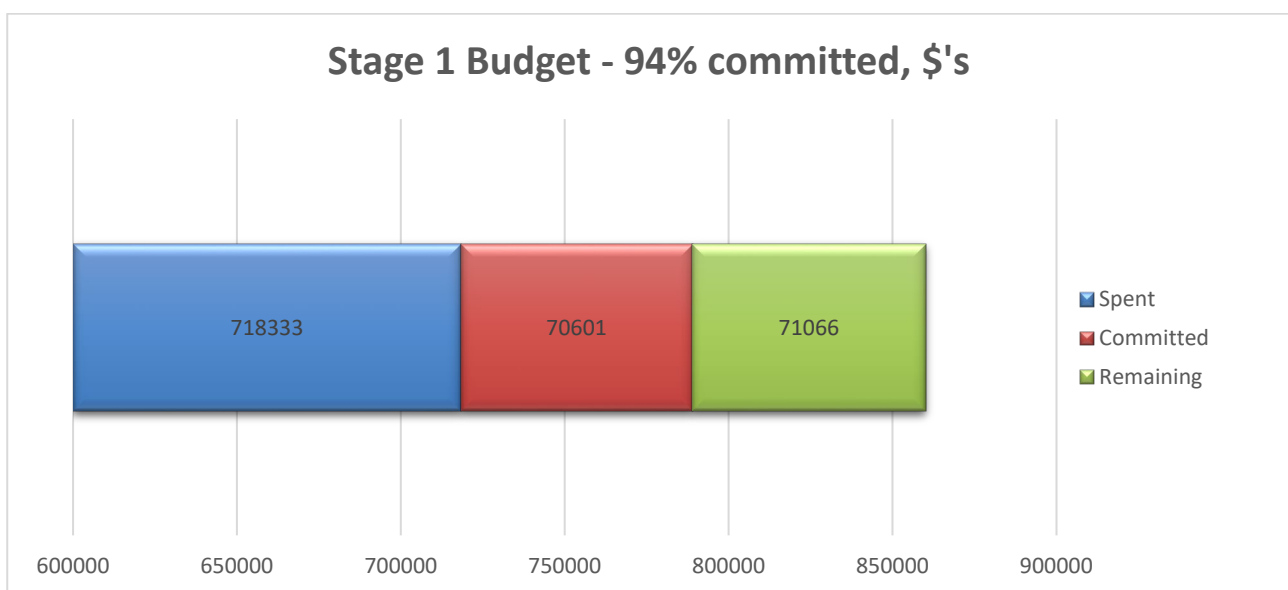
Not Applicable

### Legislation

Not Applicable

## Financial implications

### Stages 1 & 2 Budget update



A budget of \$860,000 has been approved for Stages 1 & 2, including biodiversity corridor works (now included in Stage 3). So far, \$718,333 has been spent with an additional \$70,601 committed, leaving \$71,066 remaining.

Network design rework and additional planning reports required under conditions of DA approval have resulted in additional budget of \$45,000 required to complete Stages 1&2, with a breakdown of total costs estimated below:

Stage 1/2 - DA, designs, approvals	\$370,000
Internal project management and DA consultants, design	\$205,000
Network Approvals	\$130,000
Consulting	\$200,000
Contingency	\$20,000
<b>Total estimated stage 1 &amp; 2</b>	<b>\$925,000</b>

### Stage 3 Budget

A further \$8.08 million has been allocated for the completion of Stage 3. Nothing has been committed against this budget, as all works are contingent on progression to Stage 3 being resolved by Council.

A review of the construction costs of the Solar Array has been completed and details are in the Stage 2 Business Case Update (Confidential Attachment 1), with a breakdown of total costs estimated below:

Construction	\$7,095,795
Network Upgrades	\$600,000
Consulting Stage 3	\$217,000
Project contingency	\$300,000
Business oncosts and insurance	\$147,205
<b>Total estimated Stage 3</b>	<b>\$8,360,000</b>

Current budget for Stage 3 is \$8,081,696 Pricing updates have resulted in additional budget of \$128,000 required to complete Stage 3, internal business oncosts which were not previously allowed for will require an additional \$90,000 and will bring the total project to \$8,300,000.

Budget Year	Operating Performance Ratio	Own Source Revenue	Building & Infrastructure Renewal
2022/23	-	-	-
Future Years	-	-	X

## Associated Risks

Risks have been identified and actions are being taken to mitigate projects risks, with an active Risk Register in place. At this stage, the notable risks are:

1. Procurement/contract risk – Council officers are working through the process of entering into multiple contracts to complete the construction work;
2. Network connection delays – Council has engaged qualified consultants to continue to monitor and manage the network connection requirements;
3. Construction time delays - Council officers and consultants are working to an achievable project schedule to minimise delays; and
4. Exposure to wholesale energy pricing fluctuations – this is dependent on the model Council takes up, and mitigating controls are being addressed as a part of the retail market engagement process.

LEONIE JOHNSON  
CHIEF FINANCIAL OFFICER

31 March 2023

*Attachments:* 1. Stage 2 Business Case Update. (Confidential – separately attached)

APPROVED FOR SUBMISSION:

BRAD CAM  
GENERAL MANAGER