

ITEM 10

TENDER ISJO 02/2018 - ILLAWARRA AND SHOALHAVEN JOINT ORGANISATION -
LANDFILL GAS MANAGEMENT SERVICES

Councils Waste and Resource Recovery Strategy 2022 has as its primary focus for Council to become an example of waste and sustainability industry best practise. This tender has been undertaken to address an objective of the strategy, *"to minimise the impact on amenity, public health and the local and global environment by measuring the quantity of landfill gas captured and beneficially treated."*

On the 8 May 2018 the Illawarra & Shoalhaven Joint Organisation (ISJO) invited open tenders for the provision of landfill gas management services for three landfill sites across neighbouring councils, Wollongong, Shellharbour and Shoalhaven.

This report recommends that Council decline to accept any of the tenders submitted for Landfill Gas Management Services in accordance with clause 178(1)(b) of the Local Government (General) Regulation 2005.

The Tender Assessment Panel has concluded that all the submitted tenders are unacceptable due to deficiencies in meeting the terms of the proposed contract specification, and therefore present an unacceptable risk to Council. The tender assessment panels from both Shoalhaven City Council and Shellharbour City Council have also recommended a similar approach.

RECOMMENDATION

- 1 In accordance with clause 178 (1)(b) of the Local Government (General) Regulation 2005, Council decline to accept any of the tenders received for ISJO 02/2018 and resolve to enter into negotiations with one or both tenderers or any other party with a view of entering into a contract in relation to the subject matter of the tender.
- 2 In accordance with clause 178 (4) of the Local Government (General) Regulation 2005, the reason for Council hereby resolving to enter into negotiations with one or both tenders or any other party and not inviting fresh tenders is that it is anticipated that a satisfactory outcome can be achieved with one of those parties who demonstrate a capacity and ability to undertake the works.
- 3 Council delegate to the General Manager the authority to undertake and finalise the negotiations with one or both tenders or any other party, as to satisfy specification and contract requirements.

REPORT AUTHORISATIONS

Report of: Mark Roebuck, Manager City Works and Services
Authorised by: Mike Dowd, Director Infrastructure and Works - Connectivity Assets and Liveable City (Acting)

ATTACHMENTS

There are no attachments for this report.

BACKGROUND

The Wollongong Waste and Resource Recovery Park (Whyte's Gully) is Council's largest single source of greenhouse gas emissions, accounting for approximately 83% of Council's entire carbon footprint.

Council is also a signatory to the Global Covenant of Mayors for Climate and Energy which requires Council to work towards committing to a target reduction in greenhouse gas emissions. To achieve any significant change Council has committed to looking at a beneficial use of the gas produced at Whyte's Gully Resource and Recovery Park Operations.

Ecological Sustainability

Council is a signatory to the Global Covenant of Mayors for Climate and Energy and is working towards meeting the compliance requirements. Council has submitted its community emissions inventory, which is shown below in Figure 1.

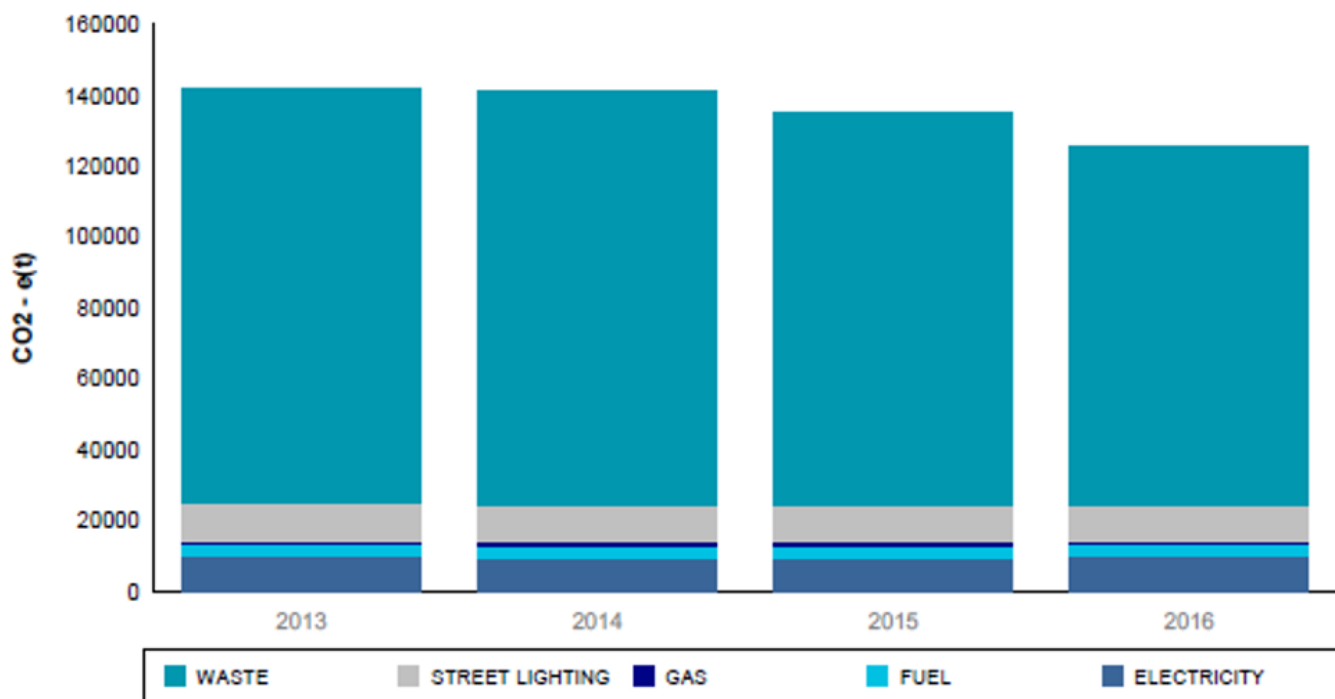
Figure 1 - Wollongong greenhouse gas Community Emissions Profile

Category	Emissions (t CO ₂ e)	Percentage (%)
Stationary Energy	2,406,496	78%
Transportation	584,545	19%
Waste	75,558	2%
Wastewater	24,747	1%
Total	3,091,346	100%

Council's own emissions form part of that Community Emissions Profile, however Council's emissions only form a small percentage of the total. Council's total emissions are approximately 125,000 t CO₂e⁻ which equates to 4% of community wide emissions. Council will have an advocacy role in ensuring that the community, businesses and industry reduce their own emissions.

It is imperative that Council leads by example and reduces the emissions from its own operations. The Wollongong Waste and Resource Recovery Park (Whytes Gully) generates methane-containing landfill gas from the biological degradation of landfilled waste. It is Council's largest single source of greenhouse gas emissions, accounting for approximately 80% of Council's entire carbon footprint.

Figure 2 - Council greenhouse gas emissions profile



Council will be setting a science based emissions reduction target for Community wide emissions by August 2019 and will also set an emissions reduction target from Council operations. Reducing emissions from landfill is essential if Council is to achieve any significant reductions in emissions. It is feasible to achieve reductions of 50% by 2030 by implementing landfill gas management systems.

PLANNING AND POLICY IMPACT

Policy Context

This report contributes to the delivery of Wollongong 2028 goal “We practice sustainable living and reduce our ecological footprint”. It specifically delivers on the following:

Community Strategic Plan	Delivery Program 2018-2021	Operational Plan 2018-19
Strategy	3 Year Action	Operational Plan Actions
1.2.1 Reduce our ecological footprint, working together to minimise the impacts of climate change and reduce waste going to landfill	1.2.1.3 Methods to reduce emissions are investigated and utilized.	1.2.1.3.1 Continue to deploy Council’s Waste and Resource Recovery Strategy
		1.2.1.3.2 Implement landfill gas management system at Whytes Gully
		1.2.1.3.3 Participate in the Global Covenant of Mayors and set emissions reduction targets for the LGA
		1.2.1.3.4 Monitor and report of organisational water, energy and greenhouse gas emissions trends
1.2.2 Government and community work together to mitigate the impacts of climate change on our environment and future generations	1.2.2.1 Our community is proactively engaged in a range of initiatives that improve the sustainability of our environments	1.2.2.1.2 Implement resourced priority actions from the Environmental Sustainability Strategy 2014-22

Reducing greenhouse emissions is also a priority in the Environmental Sustainability Strategy 2014-2022:

- Focus Area 2 - Reducing our ecological footprint – reducing emissions from Council operations.
- Focus Area 5 – demonstrating Sustainable Leadership and Governance – complying with Global Covenant of Mayors requirements, which includes setting emissions reduction targets and developing an action plan to achieve the target.

The ISJO 02/2018 Procurement Process

In 2015, Golder Associates were procured to complete a Marketplace Review to assess the feasibility of implementing a site-wide landfill gas extraction and treatment system at Whytes Gully. It was determined that such a system was technically feasible, there were multiple organisations that could provide such services, the system could abate approximately 50% of Council’s entire greenhouse gas emissions, and an annual revenue of approximately \$180,000 per annum may be achieved (Golder Associates, September 2015).

On the 17 May 2017 Councils Executive Management Committee endorsed a competitive tender to implement a Build, Own, Operate, and Transfer (BOOT) arrangement for landfill gas capture and energy generation at Whytes Gully Landfill (EMC, 4 April 2017).

The endorsement to proceed with this tender aligned with the needs of neighbouring councils (Shellharbour and Shoalhaven) for landfill gas management. This resulted in a joint regional tender being undertaken. The tender was administrated by the Illawarra and Shoalhaven Joint Organisation (ISJO).

The tender was released on 8 May 2018, and submissions closed on 5 June 2018.

The services for Wollongong City Council (Council) include the installation and operation of landfill gas capture infrastructure across the Whytes Gully site, as well as electricity generation plant and equipment, which would utilise the captured landfill gas. This engagement would significantly reduce Council's greenhouse gas emissions, abate carbon, reduce environmental risk associated with subsurface gas migration as well as provide a revenue to the successful tenderer and Council.

Two (2) submissions were received and assessed in accordance with the approved Tender Assessment Plan. The following nominated criteria and weightings were assessable:

- Relevant experience and satisfactory performance in undertaking projects of similar size, scope, and risk profile – 25%.
- Methodology, capability and capacity – 30%.
- Environmental and Work Health and Safety Management – 20%.
- Revenue to councils – 20%.
- Strengthening local economic capacity - 5%.

The submissions were assessed separately by each council. All three councils scored the submission by LGI highly, with the submission from iGas Operations achieving a significantly lower score. There was a significant difference in the quality of submissions, with the higher scoring tenderer LGI providing a substantially more thorough and detailed submission. LGI addressed all mandatory and assessable criteria beyond satisfaction and demonstrated a strong understanding of the service requirements and objectives, as well as the requirements of Council.

The submission by iGas Operations was significantly deficient in terms of meeting the needs of Council.

The offer from LGI was of a high standard however it did contain some significant contract departures (17) that require further commercial and legal investigation. The tender assessment panel has concluded that all the submitted tenders are unacceptable due to deficiencies in meeting the terms of the proposed contract specification, and therefore present an unacceptable risk to Council. The tender assessment panels from both Shoalhaven City Council and Shellharbour City Council have also recommended a similar approach.

On the 11 July 2018 a meeting was held between members of Councils tender evaluation panel (from Finance and Waste Services) and both members of Council's internal legal team to go through the 17 contract departures presented by LGI. This review reaffirmed that there are multiple departures that will require significant negotiation and clarification prior to Council truly being able to assess the merit of LGI's offer and to properly assess the risk to Council.

PROPOSAL

This report proposes that Council pass resolution to accept the recommendations of this report, and delegate authority to General Manager to conduct negotiations with one or both tenders or any other party, as to satisfy Council requirements.

Shellharbour and Shoalhaven have advised that their ISJO 02/2018 tender Council Reports will be recommending the above and will be presented at their council meetings being held on Monday 23 July 2018.

CONSULTATION AND COMMUNICATION

- 1 Members of the Tender Evaluation Committee from ISJO, Wollongong City Council, Shellharbour City Council and Shoalhaven City Council;
- 2 External Legal Consultants (Maddocks);
- 3 Councils internal Legal Counsel.

RISK ASSESSMENT

The risks associated with the departures from the proposed contract detailed by LGI were deemed substantial and significant by both Council's Legal Counsel and Maddocks. The Tender Evaluation Committee consisting of member from 3 councils and ISJO came to the consensus that to mitigate such risks it would be prudent to adhere to the professional legal advice provided. To this end tenders should be rejected and negotiations subsequently undertaken with tenderers or any other party, as per the recommendation of this report.

FINANCIAL IMPLICATIONS

The project will likely generate revenue, from carbon abatement and the generation of electricity, payable to Council each calendar month under a revenue sharing arrangement with the contractor. The exact magnitude of the revenue is not able to be detailed until a contract is negotiated.

CONCLUSION

This report recommends that Council decline to accept any of the tenders received for ISJO 02/2018 Landfill Gas Management Services and resolve to enter into negotiations with one or both tenderers or any other party with a view of entering into a contract in relation to the subject matter of the tender. Council will need to delegate to the General Manager the authority to undertake and finalise the negotiations with one or both tenders or any other party, as to satisfy specification and contract requirements.