



# Melbourne Renewable Energy Project 2.0

## Renewable PPA transaction advisor

July 2020

The City of Melbourne (CoM) has an ambitious climate action plan that is focused on leading by example and sharing solutions to climate change.<sup>1</sup> Building on the success and insights gained from the inaugural Melbourne Renewable Energy Project (MREP 1.0), the CoM facilitated a second renewable energy buyers group to help like-minded organisations come together to reduce emissions and secure increased long term electricity price certainty – two complementary goals that can be realised through renewable corporate power purchase agreements (PPAs).

The buyers group consists of seven participating organisations that committed a contract volume of 110 GWh per annum. The participants include:

- Cbus Property
- Citywide Asphalt
- Deakin University
- Fulton Hogan
- ISPT
- Mondelēz International
- RMIT University

Energetics provided technical and commercial advice from the beginning through to the due diligence and negotiation stages of the transaction.

### Approach

The CoM, whilst not a member of the Melbourne Renewable Energy Project 2.0 (MREP 2.0) Buyers Group, leveraged the expertise it gathered from MREP 1.0 to provide member organisations with practical guidance on the optimal transaction governance model for a buyers group, as well as hands on transaction facilitation and decision making support.

Critical to decision making across the MREP 2.0 group has been the upfront investment in interactive work sessions. Through these sessions, key representatives gained insights and understanding of energy markets and corporate PPAs, prior to the development of feasibility studies.

Once the buying group members committed to the approach, the specifications for a two-stage procurement process were designed with input from individual organisations, ensuring alignment with strategic and operational requirements. The Request for Proposal (RFP) closed in mid-December 2019, with Best and Final Offers (BAFO) closing at the end of February 2020. Prior to finalising a shortlist of offers, interviews were conducted to clearly communicate the critical aspects that needed to be addressed in submissions if the offers were to meet the risk tolerance levels of the different group members.

*“The MREP 1.0 experience of the City of Melbourne and RMIT University has been instrumental in delivering a complex transaction in a relatively short period of time.” - Anita Stadler, Energetics’ engagement lead*

The assessment of offers, whilst seeking to secure the best financial outcome also considered the level of flexibility to support the group’s dynamic energy portfolio, and the commitment to service and wider community co-benefits.

Notable benefits from coming together as a buyers’ group have been:

- the sharing of upfront transaction and ongoing operational costs
- the successful negotiation of a group volume management mechanism, similar to MRP 1.0, where an individual member is shielded from exceedance charges if the group as a whole is able to remain within the negotiated volume flex.

### Outcome

The MREP 2.0 member organisations executed a supply-linked PPA with Tango Energy in June 2020. MREP 2.0 will power fourteen shopping centres, nine office buildings, seven education campuses and four manufacturing facilities across Greater Melbourne with renewable energy until 2030. It will reduce the equivalent of 2.7% of the city’s emissions every year, which is over 1 million tonnes of emissions over the life of the project.

Electricity supply in the contract is underpinned by Pacific Hydro’s Yaloak South wind farm and a portfolio of other Victorian wind generation assets. Supply to four of the member organisations commenced from 1 July 2020. The remainder will begin supply 1 January 2021.

The agreement demonstrates public and corporate leadership in reducing emissions and is estimated to deliver a reduction in electricity costs over the life of the agreement when compared to alternative green power contracting strategies. It will also provide members with greater electricity and environmental budget certainty as 40% of the costs of electricity, and Large-scale Generation Certificate prices for 100% of consumption, are fixed until 2030.

*“Energetics’ knowledge and professionalism have been invaluable to our purchasing group. Your combination of energy market expertise and commercial and technical capability helped the group make informed decisions and facilitate a joint purchasing agreement. Thank you all for your enormous efforts.” - Deputy Lord Mayor Arron Wood, City of Melbourne*

### Energetics’ role

Energetics was engaged in 2019 to advise on electricity contracting options. We also supported the end to end PPA transaction process from engaging the market, drafting RFP documentation, providing technical and financial assessments of the diverse range of product offers from retailers, and supporting negotiations. The work to drive negotiations was undertaken with Norton Rose Fulbright to secure a shortlist of preferred suppliers to reduce the buying group’s risk exposure.

### References

[1] [Climate Change Mitigation Strategy To 2050: Melbourne Together For 1.5°C](#)