

6. AGREEMENT FOR ELECTRICITY SUPPLY

Officer responsible Corporate Services Manager	Author Roger Lancaster
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The purpose of this report is to seek approval to extend the existing agreement with Meridian Energy Limited or to call new tenders for the purchase of the Council's electricity requirements.

The advent of deregulation in the electricity industry made it possible to arrange for the supply of electricity from suppliers other than the local area network owner.

The Council at its July 1999 meeting authorised the Corporate Services Manager to enter a contract for 12 months with a right of renewal at the sole discretion of the Council for a further two periods of 12 months with Meridian Energy Ltd, the lowest complying tenderer at that time.

The agreement commenced in August 1999 and has maximum prices fixed for a 12 month period for most categories of supply. This agreement requires Meridian Energy Limited to submit their pricing for the extended term at least four months prior to the expiry date to allow the Council time to consider renewing the agreement for a further period or to call for tenders.

The proposed prices received from Meridian Energy Limited for the coming year are very favourable with a reduction in price across all pricing groups. These reductions combined with a loyalty payment for renewing the agreement, costs savings associated with tendering and legal advice will result in further savings in excess of \$100,000 for the extended one year term.

Meridian Energy, which is 100% New Zealand owned, has stated that its commitment to Christchurch City is long term. It has its registered office in Christchurch and will be opening a new retail operations centre in Gloucester Street in early April. Between these two offices, Meridian Energy provides jobs for about 100 people. Almost all Meridian Energy electricity generation is based in the South Island and is produced from renewable sources. With its local office and commitment to Christchurch Meridian qualifies as a local supplier in line with the Council's Local Purchase Policy.

Recommendation: That the Council authorise the Corporate Services Manager to renew the existing agreement with Meridian Energy Limited for the supply and delivery of electricity for a further term of one year commencing August 2000 with a right of renewal for a further 12 months at the sole discretion of the Council.