



**Business Renewables  
Buying Group**

**Project closure report**  
1 December 2023

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ELECTRICITY  
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YOUR ENERGY MANAGER

## Summary

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The Melbourne Business Renewable Buying Group conducted during 2022 and first half of 2023 was judged by participants as a success and also received external validation as demonstrating leading collaboration between local government and business in driving a reduction in greenhouse gas emissions.

This report details observations and recommendations for subsequent buying groups. A summary of recommendations includes:

- |                             |   |
|-----------------------------|---|
| <b>ACQUISITION</b>          | <ul style="list-style-type: none"> <li>• Pre-qualification/self-assessment process</li> <li>• BRBG pilot outcomes</li> <li>• High load 'anchor' customer</li> <li>• Consolidation of briefing sessions</li> <li>• Education/guidance sessions for councils</li> </ul> |
| <b>SIGN-UP (MoU)</b>        | <ul style="list-style-type: none"> <li>• Internal legal evaluation requirements</li> <li>• Legal team involvement during initial qualification</li> <li>• Load scaled energy and Legal advisor cost estimates</li> </ul>  |
| <b>ACCC APPROVAL</b>        | <ul style="list-style-type: none"> <li>• Early interim approval</li> <li>• Application timing</li> <li>• Communicate purpose during recruitment</li> </ul>  |
| <b>CONTRACT DATES</b>       | <ul style="list-style-type: none"> <li>• Contract start dates in pre-qualification</li> <li>• Flatter annual group load forecast</li> </ul>   |
| <b>CONSUMPTION</b>          | <ul style="list-style-type: none"> <li>• Maximise total group load</li> <li>• Price/offer expectation management</li> </ul>   |
| <b>RISK PROFILE</b>         | <ul style="list-style-type: none"> <li>• Current contracting position during pre-qualification</li> <li>• Offer expectations</li> <li>• Continue with legal advisor services</li> </ul>   |
| <b>RENEWABLE COMMITMENT</b> | <ul style="list-style-type: none"> <li>• Assess organisational commitment on pre-qualification</li> </ul>   |
| <b>COMPETITIVENESS</b>      | <ul style="list-style-type: none"> <li>• Group expectation management</li> <li>• Retailer self-assessment</li> </ul>  |
| <b>EDUCATION</b>            | <ul style="list-style-type: none"> <li>• Continue with existing materials</li> </ul>  |

## Feedback

An online survey was completed for participants and organisations that engaged through the acquisition phase.

The participant group contracted during the procurement process to #4 members, the broader number of organisations directly contacted by Council and/or 1Circle was over 30. Relatively speaking the population for a survey is small, nevertheless two surveys were issued, one for each group.

The results for the surveys was positive and recommended the continuation of the buying group. More specific points include:

Participants (#2 responses from population of #4)

- Recommend repeat the BRBG without change
- Improve by providing price comparison with other buying groups (if possible)
- Satisfied with value for money from all parties
- Participation in the BRBG made it easier to transition to renewable electricity
- All aspects of the process were considered a strength with exception of ACCC exemption and MoU
- Increased participation was suggested to include presentations at sustainability conferences, networking event, further interaction with business groups e.g. trade groups

Example quotes provided:

*Makes meeting you renewable goals that much easier*

*Great to work with in the move to renewable energy*

*Without [1Circle's lead representative] oversight, experience, and lovely manner the outcomes we have managed to achieve would still be on the horizon and I am grateful for the knowledge and input [he] has and continues to provide to this process. I am – without hesitation – putting 1Circle forward to those that enquire on information in this sector. - MMPL*

The broader network of organisations that were engaged during the acquisition phase offered the following feedback (#7 responses – note these exclude participants):

- 70% of the group were better informed in their transition to renewable
- Council contact and communications drove over 80% of initial awareness
- Transition to renewable is predominantly for sustainability reasons (70%), ethical reasons (55%), and market differentiation (30%)
- 40% have taken steps to secure renewables, 30% have not and 30% can not disclose
- All but one plans to be 100% renewable by 2030
- 55% consider participating in the next buying group, 45% do not
- The strongest reasons for not participating were: load uncertainty, timing of procurement, misalignment of existing contract dates
- Other feedback and comments included: *We learned a lot in the process, would be interested to hear of the results, positive project, too small to join but wish information to assist in the journey*

## Procurement outcomes

### Retailer engagement

A wide variety of retailers (#15 in total) were initially approached to test the market's appetite for the group buy prior to the BRBG tender.

The goal for market consultation was to gain broad market participation, competition and ensure retailers with sufficient capacity prioritised the group buy. Based on direct consultation and retailer feedback (i.e. retailer request to participate), eleven retailers were invited to respond to the RFP:

1. Origin
2. Shell
3. AGL
4. Iberdrola
5. Flow Power
6. Alinta
7. Red Energy
8. Energy Australia
9. Tango
10. Engie
11. Momentum

### Market conditions and retailer feedback

There was significant volatility and uncertainty in the wholesale electricity market during the group buy project. October 2022 was a period of record high pricing in VIC, where peak futures reached ~28 c/kWh. While the market had lowered by April'23 when the procurement commenced, the key drivers that caused the high price events were expected to persist, keeping futures high for the next two years.

The market demonstrated limited competitiveness compared to pre-COVID rates. Five (#5) retailers submitted with compliant proposals, the remaining 6 withdrew and elected not to submit proposals and cited the following reasons:

- **Volatile market conditions:**
  - Retailers, particularly tier 2, had limited competitive capacity given high and volatile wholesale prices – further evidenced by the very short 2-3 day expiry on the received proposals
- **Staggered load start dates:**
  - The group load profile had significant load entering after 2 years, with lower initial load
  - The group load profile did not align with some retailer's forward purchasing nor provide sufficient margin in the early years to offer competitive rates
- **Load scale:**
  - The availability of long-term offers has changed significantly, retailers are much more selective when considering total load.
  - While previously 5-20 GWh loads were sufficient to access long term PPA style offers, majority of retailers now seek minimum loads of ~50GWh per annum to access their lowest rates, Retail PPA's and structured products.

Offer availability and competitiveness was disappointing with only 2-3 retailers being competitive, despite the significant transactional benefit that group power purchasing provides retailers.

## Average retail rates

The table below shows the range of retail offers achieved during the procurement process.

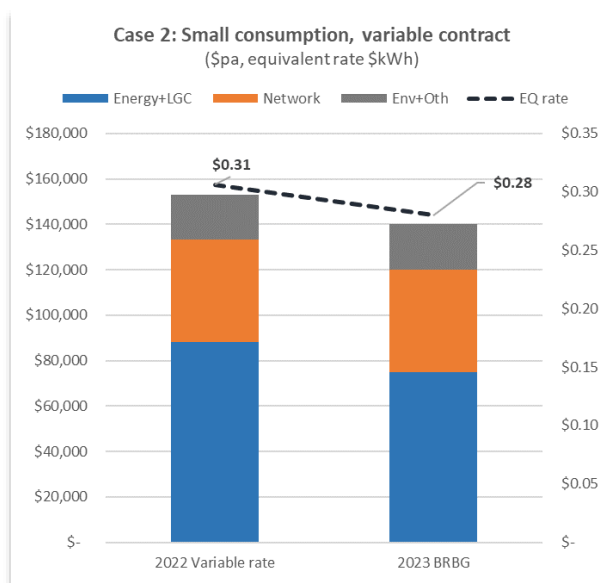
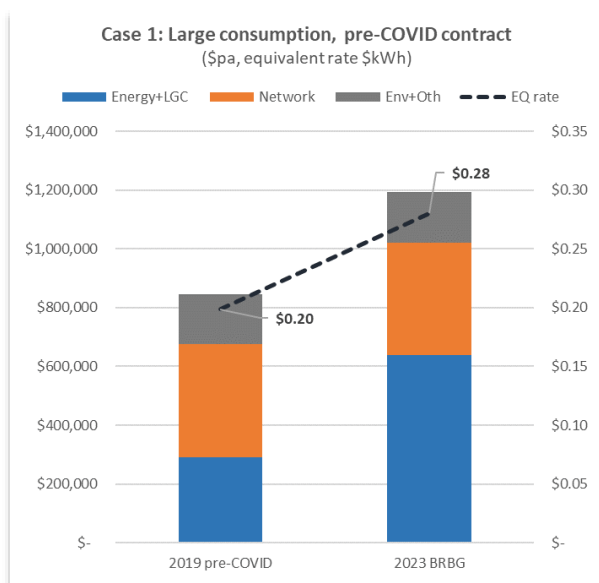
RETAILER	PEAK (c/kWh)	OFF PEAK (c/kWh)	LGC (c/kWh)	EFFECTIVE (c/kWh) <i>excl network &amp; other</i>
Tier 1: A	~10	~7.5	~3.5	~12.5
Tier 1: B	~11	~7.7	~3.5	~13.2
Tier 1: C	~12	~8	~3.5	~13.9
Tier 2: A	~12.5	~7.8	~3.5	~14.1
Tier 2: B	~12.5	~7.8	~3.8	~14.1

There was minimal variance between Tier 1 retailers, as retail rates were within ~1.5 c/kWh for peak usage. Tier 2 offers were similar and offered various qualitative benefits, however had very limited capacity to offer further discounts or fee waivers at the group’s expected load.

The LGC rates showed minimal variance and it is evident that retailers are not competing on renewables, opting to passthrough certificate prices with fixed margins. We expect this might shift as more renewables enter the grid and baseline generation costs come down, but the retail market currently does not demonstrate this trend. Moreover, the demand for LGC remains unpredictable with business demand largely untested (after removing ASX 200 from consideration).

## Cost outcome examples

The charts below show the estimated cost outcome of two buying group participants who were quite different in their consumption and previous retails rates. Note Energy cost includes LGC and retail energy.



Case 1 demonstrates a large user who contracted a renewable electricity PPA in 2019 during exceptionally low pre-COVID rates. For this organisation, the cost of electricity increased from 20 to 28 c/kWh (40% increase).

Case 2 was an organisation who has lower consumption and case 1, but was on a standard power variable rate arrangement that caused their cost to elevate with market conditions. The group buy outcome achieved a favourable reduction in cost as well as switch to renewable power.

The prevailing market conditions at the time of procurement resulted in businesses either achieving a higher or lower cost position as compared to their previous spend on electricity.

## DETAILED REVIEW: Lessons learned

#	CATEGORY	OBSERVATIONS	RECOMMENDATIONS
1	<p><b>Acquisition (recruitment)</b></p> <p>The process to engage, inform and recruit potential businesses to join the Business Renewables Buying Group.</p>	<ul style="list-style-type: none"> <li>• Significant effort expended in meetings and presentations outside of webinars</li> <li>• Analysis work required for some to give 'back of envelope' view on load and cost</li> <li>• Council representatives and intermediaries required significant education and support</li> <li>• Some organisations had incumbent advisors with alternative views and/or were threatened given potential loss of business</li> <li>• Organisations wanted detailed information in advance of MoU e.g. prices, member composition, buying scale</li> <li>• 2022 dramatic change in market conditions (pricing) made providing advice and making decisions to participate very hard given market uncertainty and volatility. Market conditions have significantly changed from the past 5 years, and are beginning to normalise to a new structure and cost base.</li> <li>• Yarra/MCC Facilitator had to complete a significant amount of briefing</li> <li>• Given the large scale of Council business networks the volume of leads was limited suggesting lack of confidence and support to identify and solicit leads and potential participants</li> <li>• Many individual organisation briefing sessions, calls and meetings</li> <li>• Expression of interest process required significant work to quality</li> </ul>	<ol style="list-style-type: none"> <li>1. Introduce a BRBG pre-qualification process so members can self assess their suitability for the buying group</li> <li>2. Use the BRBG outcomes (from first round) to help inform and quantify potential benefits</li> <li>3. Enlist an 'anchor' customer e.g. Deakin University, to provide confidence that the bulk of the load is not likely to exit</li> <li>4. Seek to consolidate briefing sessions with prospective organisations</li> <li>5. Run Councils education session and guidance on qualification process – support with central information resource</li> <li>6. Consider targeting industry groups e.g. Health, Aged Care, etc.</li> </ol>

#	CATEGORY	OBSERVATIONS	RECOMMENDATIONS
2	<p><b>Memorandum of Understanding (MOU)</b></p> <p>A signed MOU signifies a key milestone in the project. It enables visibility of the group's rates to members and demonstrates a clear intent to purchase renewable electricity as part of the group and sets rule for cost sharing.</p>	<ul style="list-style-type: none"> <li>• The MOU was produced and accepted per the project schedule, allowing time for members to effectively communicate within their organisations.</li> <li>• It was learnt that ACCC exemption was required and needed to be linked to MoU and a precursor for some</li> <li>• For members in larger organisations, obtaining approvals and signing the MoU required significant third party legal review. While this ultimately did not cause an issue, it led to delays when seeking pricing from the market.</li> <li>• Cost implications are a primary concern when joining a buying group. In particular, shared group costs which may vary as members roll-in/roll-out which does occur as seen in the pilot.</li> </ul>	<ol style="list-style-type: none"> <li>1. Qualify with members likely degree of legal engagement at time of BRBG qualification process (in recruitment)</li> <li>2. Recommend members refer to their legal team at time of initial BRBG qualification.</li> <li>3. Include Energy and Legal advisor estimates at outset that is scaled to suit the organisation, and costs for small and large market. (Whilst indicative until participants are finalised, it is suitably structured)</li> </ol>
3	<p><b>ACCC approval</b></p> <p>Collective purchasing technically raises the risk of breaching the anti-cartel legislation. Gaining an ACCC exemption confirms the buying group does not breach, or the risk of breaching, is suitably low.</p>	<ul style="list-style-type: none"> <li>• ACCC is a technically a mandatory requirement</li> <li>• ACCC submission can include potential members to get interim approval</li> <li>• Obtaining ACCC approval provides assurance to members and enquiring parties that the process is compliant and seeks an equitable outcome for both the consumer and retailer.</li> <li>• The requirement for ACCC approval can be surprising for small to medium organisations – most were accepting and patient to accommodate the process as larger participants (that required ACCC) were contributing buying scale i.e. give and take.</li> <li>• ACCC approval can take up to 6 months. Typically, an interim approval can be granted within 2-3 months of the submission.</li> </ul>	<ol style="list-style-type: none"> <li>1. Complete early submission for interim approval mitigates project delay and provides adequate time for full approval to be granted prior issuing RFP</li> <li>2. Submit application soon after the initial round of member recruitment is complete. Use an indicative number of organisations (and known) and likely retailers.</li> <li>3. Communicate during recruitment the role of ACCC exemption approval and experience of first BRBG.</li> </ol>



#	CATEGORY	OBSERVATIONS	RECOMMENDATIONS
4	<p><b>Contract start dates</b></p> <p>The date that existing electricity contracts are due to expire and supply under the new contract is to commence.</p>	<ul style="list-style-type: none"> <li>• Retailers typically price based on the wholesale futures market, the contract start date and the group's annual load forecast plays a major role in determining offer competitiveness.</li> <li>• Contract complexity increases significantly when retailers are providing a single price for all members with vastly different start dates; a couple of retailers withdrew as they were unable to service the request</li> <li>• Low consumption in the early years, with the bulk of the load commencing after 2025, meant there wasn't enough margin for some retailers to be competitive</li> </ul>	<ol style="list-style-type: none"> <li>1. In recruitment, use contract start date as a pre-qualification criteria e.g. where possible, seek organisations who have similar end dates of their existing supply agreements (similar start dates)</li> <li>2. If similar start dates cannot be achieved for a group, it is favourable to have some members with significant load in the early years of the contract, which improves pricing potential and increases the availability of offers.</li> </ol>
5	<p><b>Consumption/load profile</b></p> <p>The total consumption of the group, measured annually and over the life of the contract</p>	<ul style="list-style-type: none"> <li>• The market has materially shifted following the volatility in 2022, where low rate long term agreements for renewables are not available for annual consumption below 50 GWh</li> </ul>	<ol style="list-style-type: none"> <li>1. Seek to maximize load size to expand the available offers and retailer participation</li> <li>2. Set clear expectations around pricing/offers, particularly if a member is currently contracted under a longer term agreement pre-2020 <ul style="list-style-type: none"> <li>○ Generally speaking, longer term agreements (over 5 years) are infrequently providing additional savings (unless loads are very large)</li> </ul> </li> </ol>

#	CATEGORY	OBSERVATIONS	RECOMMENDATIONS
6	<b>Risk profile</b>  The appetite to engage with structured products and explore non-standard offers e.g. variable/fixed pricing, spot price exposure, progressive purchasing	<ul style="list-style-type: none"> <li>• Smaller organisations may have a greater capacity to explore a variable style offer, while larger organisations tend towards budget certainty</li> <li>• The Retail market has expanded to include more competitive renewable offers as a simple addition of LGCs (load matched) to a standard power agreement</li> <li>• Use of standard power agreements reduces the perceived and actual risk in contracting – arguably reducing the appetite and effort for legal and commercial review of contracts</li> <li>• The reduction in legal review scope (and cost) to suit the reduced complexity of contracting was accepted without dispute</li> </ul>	<ol style="list-style-type: none"> <li>1. Understand current contracting approach at pre-qualification – this can be used as a general guide to the members position on risk</li> <li>2. Set clear expectations that the type of offer is likely to include standard power contract with LGCs as a renewable premium, rather than a Retail PPA</li> <li>3. Likely continue with Legal Advisor support as it provides professionalism and confidence to participants – but review with advisors on suitable minimum scope.</li> </ol>
7	<b>Renewable commitment</b>  The extent organisations are committed to transition to or continue with renewable electricity supply.	<ul style="list-style-type: none"> <li>• Organisational commitment to renewables varied between organisations.               <ul style="list-style-type: none"> <li>○ Some were adamant that the transition was mandatory</li> <li>○ Some were motivated but awaited cost analysis to confirm they could afford the change</li> <li>○ Some were yet to understand implications and have suitable stakeholder engagement to achieve commitment</li> </ul> </li> <li>• The extended time taken to achieve participant signing of the MoU enabled significant Council and Facilitator support to organisations in explaining and forecasting the impact of transitioning to renewables</li> <li>• Few organisations had considered the marketing impact and competitor position on renewables.</li> <li>• Only one participant had an announced date to achieve the renewable transition</li> </ul>	<ol style="list-style-type: none"> <li>1. Introduce tighter pre-qualification during recruitment to:               <ul style="list-style-type: none"> <li>○ confirm that renewable status is to be retained e.g. ACU</li> <li>○ public/executive commitment is made with a milestone that aligns with buying group schedule</li> </ul> </li> </ol>

#	CATEGORY	OBSERVATIONS	RECOMMENDATIONS
8	<p><b>Market competitiveness</b></p> <p>The NEM has over 30 registered and licensed electricity retailers with an increasing participation in the supply of renewables.</p>	<ul style="list-style-type: none"> <li>• 1Circle consulted over 15 Retailers in early 2022, during second half of 2022 and early 2023 as part of an early market sounding on the buying group. The majority of Retailers withdrew from submitting offers given market conditions (and likely knowledge of their inability to compete with the leaders).</li> <li>• Despite appearance of a high level of market competition (given licensed retailers offering renewables), only #5 Retailers submitted an offer</li> <li>• Competitive offers were limited to 2 Retailers, and these are large national Retailers.</li> <li>• [Outside the buying group 1Circle are seeing] PPA providers and renewable developers still seek long-term customer contracts however, the cost of firming power (balance) remains very high and subsequently diminishes many PPA offerings</li> </ul>	<ol style="list-style-type: none"> <li>1. Manage group expectations for the number of responses which are likely given group composition and load</li> <li>2. Continue to issue RFP to a wide retailer list and allow self-qualification (as their risk profiles are constantly changing)</li> </ol>
9	<p><b>Education and communication</b></p> <p>Educational resources and materials to help inform and guide members to have confidence to sign a renewable electricity contract.</p>	<ul style="list-style-type: none"> <li>• Market conditions can change between pricing rounds, and this affects price, offer expiry and availability</li> <li>• Cost assessments provide a key point of reference for members to evaluate and communicate to their stakeholders, especially during the contracting phase</li> </ul>	<ol style="list-style-type: none"> <li>1. Continue with briefing materials as used</li> <li>2. Continue with SharePoint participant sites</li> <li>3. Continue with standard PowerPoint template for participant stakeholder meetings</li> </ol>

## Documentation and templates for re-use

Material	Description
<b>Webinar presentations</b>	<p>Presentation outlining the Buying Group purpose, market position, process, implications for participants.</p> <p>This was also used in in-person briefings</p>
<b>Memorandum of Understanding</b>	<p>Document that signifies a members intent to act as part of a buying group and sign a renewable electricity contract</p>
<b>ACCC Application</b>	<p>Application to be submitted to the ACCC seeking approval to purchase electricity as a group or cartel</p>
<b>BRBG project kick off presentation</b>	<p>Presentation to commence the project and outline timing, process and introduce members</p>
<b>BRBG SharePoint site</b> <ul style="list-style-type: none"> <li>• <b>Renewable options</b></li> <li>• <b>Energy market overview</b></li> <li>• <b>Frequently Asked Questions</b></li> <li>• <b>Group/individual site pages (energy advisor scope)</b></li> </ul>	<p>SharePoint site which acts as a central source of information.</p> <p>The site is continuously updated throughout the process with current progress, energy market information and analysis.</p>
<b>BRBG pricing RFQ for retailers</b>	<p>Document issued to retailers outlining the key procurement requirements.</p>
<b>Procurement summary and retailer background</b>	<p>Outlines the schedule for procurement and gives a description of each retailer invited to the tender.</p>
<b>Procurement results ppt.</b> <ul style="list-style-type: none"> <li>• <b>First round</b></li> <li>• <b>Second round</b></li> <li>• <b>Final round</b></li> </ul>	<p>Presentations for each round of procurement results</p>
<b>Legal advisor scope &amp; RFQ</b>	<p>Recruitment criteria and requirements for a Legal advisor</p>
<b>Legal advisor recommendation</b>	<p>Recommendation for the buying group on preferred advisor</p>