

MEDIA RELEASE

DATE: 1 JULY 2020

11 NSW Councils sign a ground-breaking wholesale gas agreement and leverage the market to cut costs

In an Australian first, the Southern Sydney Regional Organisation of Councils Inc (SSROC) has taken advantage of a 5-year low in wholesale gas pricing and signed a ground-breaking agreement on behalf of 11 NSW councils that allows gas to be purchased at wholesale price from the Sydney hub with a fixed retail margin.

This innovative agreement commencing 1 July 2020, gives participating councils much needed flexibility by enabling them to adjust their forecast volume requirements on a daily basis. The wholesale price is set once per day and the low price and expected stability in the market gives councils the confidence to trade budget certainty for potentially lower average prices and complete volume flexibility.

Under a regular retail contract, councils typically need to commit to purchasing a minimum volume of gas whether they use it or not. This new and highly flexible model will be provided by Weston Energy and allows the councils the freedom to vary their volume, removes any minimum commitment and potentially offers daily savings of 30% or more off current consumption costs.

Low international prices, declining east coast demand and a number of new gas production projects coming online is driving a decline in wholesale gas prices down from around \$12/GJ in early 2017 to below \$5/GJ in early 2020. With the market price likely not subject to any significant upward pressure, the anticipated savings over recent council contracts are likely to be significant. This is reflected in the reduced contract value that is expected to reduce to around \$7 million per annum from over \$10 million under existing contracts.

This pioneering approach also provides a safeguard for councils should the wholesale market experience a sustained increase in pricing: the option of taking a fixed price for a percentage of gas during the contract term.

Mayor of Burwood Council and SSROC President, Councillor John Faker said, "Most councils use more gas in winter to heat their sites, with their gas is price fixed based on the largest consumption day. This new contract is a gamechanger because it gives councils the ability to better manage their gas consumption and identify possible reductions".

Weston Energy General Manager, Chris McPherson said, "Purchasing gas flexibly from the wholesale market is how the very largest gas users manage their energy costs, and until recently it was the case that only they could do it. Weston Energy opens up this option to a much wider range of customers, and we've seen a huge uptake as a result"

SSROC Acting General Manager, Helen Sloan said, "This is the first time in Australia that an agreement of this kind has been reached for local government. SSROC has taken full advantage of the subdued and declining pricing currently being experienced in the natural gas market, and continues SSROC's market leading innovation in purchasing and managing energy for participating councils".

Director of Sourced Energy, David West, adviser to SSROC on the new gas contract said, "This style of contracting shows SSROC's ability to lead in local government procurement innovation, where they negotiate contracts that take advantage of the prevailing market conditions and use their buying power to challenge suppliers and manage risk for councils."

Fast Facts

Weston Energy:

Weston Energy is a specialist gas retailer for industrial, commercial and government customers. We offer a fairer, cheaper, and more transparent gas contract, enabling gas users like SSROC councils to access the wholesale gas markets that were created by the ACCC to enable better customer choices. Weston Energy provides a simple and easy way to buy better priced gas from these new gas markets, with greater flexibility and transparency.

<https://www.westonenergy.com.au/>

SSROC:

The Southern Sydney Regional Organisation of Councils (SSROC) is an association of 11 councils spanning Sydney's southern, eastern and inner west suburbs, as well as the Sydney CBD, covering a third of the Greater Sydney's population, or 1.7m people.

SSROC provides a forum through which our member councils can interact, exchange ideas and work collaboratively to solve regional issues and contribute to the future sustainability of the region. We advocate on behalf of our region to ensure that the major issues are addressed by all levels of government. Our current focus includes the environment, energy, transport, procurement, waste, and planning.

<https://ssroc.nsw.gov.au/>

Sourced Energy:

Sourced Energy is an advisory firm of top energy industry professionals who deliver innovative, market leading energy advice and services to clients. Sourced Energy's services help commercial and government organisations reduce energy costs, management burden and environmental impact.

Sourced Energy works with over 40 councils nationally.

<http://www.sourcedenergy.com.au/>

Agreement details:

The 11 participating councils include Campbelltown City Council, City of Canada Bay, Central Coast Council, City of Sydney, Fairfield City Council, Inner West Council, Ku-ring-gai Council, City of Lake Macquarie, Liverpool City Council, Sutherland Shire Council and Woollahra Municipal Council.

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