

CONFIDENTIAL



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| REPORT FOR: | Special Council | | |
| MEETING DATE: | 11 April 2016 | | |
| REPORT FROM: | Chief Executive Officer | | |
| REPORT TITLE: | Reach Solar Energy Request for In-principle Support for a Long Term Ground Lease of a portion of CT Volume 6154 Folio 24 | | |
| FILE NAME: | F15/924 & F16/222 | RECORD NO: | AR16/14206 |

COMMUNITY VISION & STRATEGIC PLAN OUTCOMES

1 We Thrive

- 1.1 Identify and support new opportunities for our city to change and grow through bold and innovative projects including alternative energy and infrastructure.
- 1.3 Develop partnerships to attract investors in business proposals and new developments that contribute to a diversified and robust economy.
- 1.5 Develop and maintain effective infrastructure connections that support economic and social development.

6 We Achieve

- 6.1 Strong leadership and a committed and focused workforce to effectively manage and progress the City.
- 6.3 We aim to provide good governance practices and compliance with all legislative requirements in delivery of services.

PURPOSE

To consider a request that Council affords 'in principle' support to it granting a long-term ground lease over portion of CT Volume 6154 Folio 24 (**Site**) to Reach Solar Energy Management Company Pty Ltd (or affiliate) (**Reach Solar**) for the construction of a large-scale solar photovoltaic production facility (**Facility**), subject to described qualifications.

RECOMMENDATION

That Council affords 'in principle' support to it granting a long-term ground lease over portion of CT Volume 6154 Folio 24 (**Site**) to Reach Solar Energy Management Company Pty Ltd (or affiliate) (**Reach Solar**) for the construction of a large-scale solar photovoltaic production facility (**Facility**), subject to the following qualifications:

- 1. this indication of support:
 - 1.1 is by the Council as landowner, and not in any other capacity – the support does not fetter or evidence the exercise of any regulatory function or power the Council has now or in the future;
 - 1.2 does not give rise to any obligation on Council under general law or legislation;
 - 1.3 is commercial-in-confidence until such time as Council chooses otherwise;
 - 1.4 terminates:

- 1.4.1 if Reach Solar advises the Council or allows public announcement of it preferring an alternate location, or intention to suspend / abandon plans for the Facility on the Site; or
 - 1.4.2 if the Council acting reasonably is of the opinion that negotiations for a lease are likely to be fruitless; or
 - 1.4.3 on 30 September 2016;
2. it is acknowledged the grant of a lease would be conditional upon various matters, including:
- 2.1 consensus on the boundaries of the Site, by reference to a professional survey;
 - 2.2 the Council affording Mr Patrick Cheetham opportunity to purchase at fair market value the freehold of the Site;
 - 2.3 revocation of the aerodrome dedication over portion of the Site;
 - 2.4 Section 270 Crown land being declared a public road reserve as to extend Shirley Street into the parcel bounding the Site;
 - 2.5 at least preliminary design of the Facility upon the Site;
 - 2.6 satisfactory outcomes from the Council's community consultation process under the *Local Government Act 1999*;
 - 2.7 subdivision of the Site from the balance of the parcel;
 - 2.8 re-zoning of the Site to suit the Facility in the Port Augusta Development Plan under the *Development Act 1993*;
 - 2.9 Reach Energy obtaining building rules consent for the Facility under the *Development Act 1993*;
 - 2.10 Reach Energy obtaining any environmental authorisation required for the Facility under the *Environment Protection Act 1993*;
 - 2.11 Reach Energy having secured firm commitment of sufficient funds to construct the Facility, with substantial commencement of construction immediately after commencement of the lease;
 - 2.12 no adverse change in the State's planning regime in the meantime;
 - 2.13 consensus on financial contribution to be made by Reach Energy to maintain / repair public roads used by heavy construction vehicles to access the Site during construction works;
 - 2.14 financial contribution to be made by Reach Energy to the Council's transaction costs,

and that the Chief Executive Officer advise Reach Solar Energy Management Company Pty Ltd accordingly.

BACKGROUND

On 15 February Council received a presentation from David Webster of Reach Solar Energy in respect to a proposed solar PV development on land near the Port Augusta Airport (ATTACHMENT 1 - AR16/6346).

A further meeting was held between Tony Concannon, CEO, Reach Solar Energy, David Webster Reach Solar Energy, Mayor Sam Johnson and Chief Executive Officer John Banks on 5 April to discuss the proposed development.

At the meeting Reach Solar confirmed their request that Council provide in principle support for the grant over a portion of land (CT Volume 6154 Folio 24).

On the 6 April, Tony Concannon provided a further summary of the proposed development as follows:

"Port Augusta solar : 100MWac (125MWdc) 1 axis tracking solar PV

Project cost : estimated total cost \$215m. The project was reviewed by CEFC investment committee on 24 March and have confirmed conditional approval of a term loan for about \$160m. Other potential investors include Colonial First state and Equity Partners.

Solar PV development near Airport – draw from the unique experience within Reach to develop large-scale solar PV system local to the Port Augusta airport (management have recently completed a similar development for Karratha Airport in Western Australia). Land owned by Council (long lease need by Reach, 30 + 10 years ideally)

Electricity output: 250,000 MWh pa (would supply about 50,000 homes in South Australia)

Grid connection: likely to be connected to transmission line (i.e. ElectraNet)

Programme : financial close 31 Dec 2016, build 2017, operation 1 Jan 2018. Life 30 to 40 years.

Contractor: proven turnkey contractor to be used. About 60% of total cost will be spent on resources in Australia. 8 to 12 month build programme. Expect about 150 to 200 man years of resource to build and commission. There is scope to draw from skilled engineering resources available as a result of the announced closure of Flinders and Playford Power stations local to Port Augusta.

Intent of Reach Solar: intends to develop 300MW to 500MW of solar resources in the Upper Spencer Gulf region by 2020/21 attracting **\$500m to \$700m** of new investment." (Email from Tony Concannon 6 April 2016 at 7:55:03 AM ACST)

DISCUSSION

The potential granting of long term lease for facilitate the development of a large scale solar PV development presents both an opportunity and potential opportunity cost to Council.

The recommendations of this report have been formulated in consultation with Wallmans Lawyers in the context of seeking to facilitate the potential project, whilst also protecting Councils interests and ensuring compliance with all legal obligations. (Refer to ATTACHMENT 2 AR16/14210).

CONFIDENTIALITY PROVISIONS

It is recommended that this report be considered under confidential provisions if the Council is satisfied that, pursuant to Section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this Agenda Item is information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is proposing to conduct business, and the information would prejudice the commercial position of the Council, in that the Council is currently engaged in negotiations with Reach Solar Energy Management Company Pty Ltd in relation to securing an 'in principle support' for a right over a portion of Allotment 106 as described within CT 6154/24 for the purposes of constructing a large-scale solar photovoltaic production facility, and the disclosure of which would prejudice the Council's commercial position during the current ongoing negotiations.

In addition, the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in the continued non-disclosure of the information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of Council's commercial position may severely prejudice Council's ability to be able to negotiate a cost-effective proposal for the benefit of the Council and the community in this matter.

Pursuant to Section 91(7) of the Act it is recommended that Council orders that the report, discussions and minutes concerning this agenda item, be retained in confidence until resolution of a potential commercial lease or consultation on proposed land alienation through lease whichever is the sooner.

RISK MANAGEMENT

1: Financial/Budget

The estimated cost to undertake the negotiations and ongoing requirements to enable the land to be alienated through a lease agreement, subdivision, legal and other associated costs is \$75,000.

2: Legal/Policy

Pursuant to Section 36 of the *Local Government Act 1999* Council has the legal capacity of a natural person any may enter into any kind of contract or arrangement.

3: Environment/Planning

Not applicable.

4: Community

4.1 General

The community will be provided an opportunity to comment on the alienation of Council land through a lease agreement during a consultation process.

4.2 Aboriginal Community Consultation

The Port Augusta Aboriginal Advisory Committee will also be able to provide comment on the proposal during the consultation process.

- 4.3 OPAL – Healthy Lifestyle Program
Not applicable.

JOHN BANKS
08/04/2016

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ATTACHMENT 1



An Introduction to the Port Augusta City Council Strategic Management Committee

15 February 2016



ACN 608 853 989
Registered office | level 19, HWT Tower, 40 City Road,
Southbank, Melbourne, Victoria 3006

Reach Solar energy

- Tony Concannon, CEO
 - 30 years in electricity sector, over half in Asia-Pacific period
 - Executive Director in IPR plc Board 2004 to 2011/12
 - CEO Asia-Pacific region GDF SUEZ until Q1 2014
- David Webster, Director Business Development
 - Lendlease and Transurban.
 - 30 years in Infrastructure business development
 - Developed 1MW solar PV at Karratha Airport, WA in 2014/15
- Andy Biffen, Director Operations & Construction
 - 30 years in international energy sector
 - CEO of US\$1.8 billion CCGT in Middle East
- Chris Kendall, Director Project Finance
 - 20 years project finance
 - Infrastructure and electricity sectors

Proven management with Australian and international experience.

To own, operate and maintain utility PV solar and energy storage

Port Augusta PV Solar Project

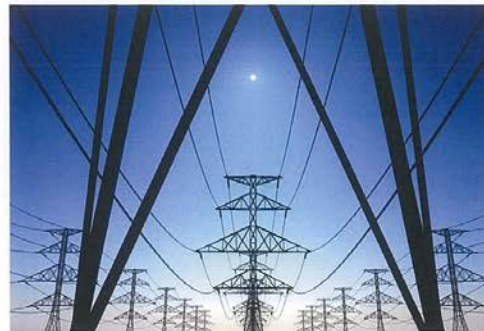


- Port Augusta a key asset to expanding SA renewable energy
- Develop under utilised local resources
 - Vast undeveloped land
 - Existing grid network
 - Skilled resources

Land, Sun, HV Network

Key Development Criteria

- Solar Yield
 - Port Augusta – 5.3 kWh m⁻²
 - Adelaide – 4.9 kWh m⁻²
 - Hobart – 3.7 kWh m⁻²
- Land
 - Suitable Geography & Geology
 - Access
 - Suitable consents
- High Voltage Network
 - Proximate to site
 - 132kV, 66kV, 33kV
 - Capacity to export new generation



Preferred Site Option

Development Criteria

- Solar Yield
 - Port Augusta – 5.3 kWh m⁻² ✓
- Land
 - Suitable Geography & Geology ✓
 - Access ✓
 - Suitable consents ✓
- HV Network
 - Proximate to site ✓
 - 132kV, 66kV, 33kV ✓
 - Capacity ✓



Note:

Areas A and B indicative only.

Area A for 30MWac.

Areas A + B for 170MWac.



Customers

All electricity and renewable certificates produced by the solar project are sold to a customer

Reach Solar energy is not a retailer

Ongoing discussions with customers (a) Government of South Australia, and
(b) 3 x Tier 1 retailers

Other sites will be needed if all deals come through

It is possible to supply the airport (behind the meter) but electrical demand is very modest. Bulk of the energy will be sold to the customer

Airport(s) and Solar PV



Energy Storage



- Benefits of energy storage
 - Mitigates against increasing peak demand charges
 - Provides 'firm' power on cloudy days
 - System modularity
- Technology is evolving fast, and is modular but is expensive
- Reach has arrangements in place with a number of suppliers including Tesla

Port Augusta Benefits

- Leased land rental income
- Site remains under Council control
(near Port Augusta Airport)
- Investment local to airport \$75m to \$320m
(project size dependent)
- Potential employment for skilled resources
from the closure of Flinders & Playford Power stations
 - ❖ 30MWac – Approx. 50 man years
 - ❖ 170MWac – Approx. 250 – 300 man years. (phased build)





Our Ref: MAS:SXE:161546

8 April 2016

Mr John Banks
Chief Executive Officer
Port Augusta City Council

BY EMAIL: John.Banks@portaugusta.sa.gov.au

Dear John

LEASE TO REACH SOLAR ENERGY

1. Thank you for your 7 April 2016 email, with attached information, and our telephone calls before and since.
2. My understanding is Reach Solar Energy hopes for Council (the elected members) to soon indicate 'in principle' support of the proposal for a long-term ground lease of a significant portion of CT 6154/24, as the site for a large-scale solar photovoltaic facility.
3. Accordingly, I drafted and now **enclose** a draft resolution for consideration of the elected members.
4. I expressed the draft in some detail as to set expectations at realistic levels, noting several regulatory and commercial matters to be resolved before any lease could be granted.
5. And, as to regulatory matters, most are within the purview of the State Government and its instrumentalities, and not Council.
6. One commercial matter is the 'deal points' of the lease itself (the need for consensus on which is flagged in clause 1.4.2). At this time, one expects those deal points to be:
 - (a) the exact location and size of the area to be leased;
 - (a) the term - and Reach Solar Energy posit a 30-year term, with a 10-year right of extension;
 - (a) a commitment by Reach Solar Energy to in fact construct and commission a large-scale facility promptly after grant of the lease;
 - (a) the rent, initially and over time.
7. No doubt the deal points would be addressed and evolve over time.

Expert advice,
human approach.

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general@wallmans.com.au
www.wallmans.com.au

ABN 98 802 494 422

8. If I can be of any further assistance, please let me know.

Yours faithfully
WALLMANS LAWYERS



MARK SALLIS
Special Counsel
Direct Line: 08 8235 3006
Email: mark.sallis@wallmans.com.au

Encl:

That the Council affords 'in principle' support to it granting a long-term ground lease over portion of CT Volume 6154 Folio 24 (**Site**) to Reach Solar Energy Management Company Pty Ltd (or affiliate) (**Reach Solar**) for the construction of a large-scale solar photovoltaic production facility (**Facility**), subject to the following qualifications:

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