



Report PE06.240
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Committee Rural Services and Wairarapa Committee
Policy, Finance and Strategy Committee
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Parks and Forests

Stoney Creek possible wind farm development: commercial issues

1. Purpose

To advise the Committee about the process of selecting a wind energy developer for the Stoney Creek site. This report should be read in conjunction with report 06.239, Stoney Creek: possible wind energy development.

2. Significance of the decision

The matters for decision in this report **do not** trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

3. Exclusion of the public

Grounds for exclusion of the public under section 48(1) of the *Local Government Official Information and Meetings Act 1987* are:

That the public conduct of the whole or relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist, i.e. commercial negotiations.

4. Background

There are a number of energy companies in New Zealand and Australia who are experienced in either developing and owning wind farms, or in developing and owning other forms of electricity generation.

The Council has recently been through a process to select companies to tender for the Council's Puketiro wind farm site near Wellington.

5. Wind farm developer selection

One of the usual ways for a Council to select an organisation to carry out certain works is to go through a public expression of interest or a tender process. This ensures that the net is cast widely and the process is transparent.

Because an Expressions of Interest process was undertaken for the Puketiro site two months ago, it is possible to use this information and only invite proposals from selected wind energy companies.

With Puketiro, it was indicated in the Expressions of Interest documentation that a maximum of seven companies would be invited to proceed to the tender stage. It was also indicated that any company that did not score at least 35 on any one of the attributes would be excluded from further consideration. This is similar to the process used by Transit New Zealand in selecting a contractor. Ten Expressions of Interests were received and evaluated. Three companies were inferior to the other seven and although they would have been excluded because they were ranked 8th, 9th and 10th, all three companies had at least one attribute where they scored less than 35.

The Puketiro wind farm site is potentially slightly larger than the Stoney Creek site but there is a reasonable degree of commonality, for example, both are forestry areas.

Rather than go to a full public Expressions of Interest process, the Council could invite the seven tenderers who have been selected for Puketiro to also make an Expression of Interest for the Stoney Creek site.

Preparing documents, inviting Expressions of Interest and evaluating the response is likely to take about 3-4 months.

6. Financial

Currently, the Council could expect to obtain annual royalties from a wind energy developer of about \$3,000 for every megawatt of installed capacity. For the Stoney Creek site, this would represent \$150,000 - \$180,000 a year. In addition, a small one-off non-refundable payment could be expected when a development licence is signed. This would cover the Council's costs in getting the project to the Expressions of Interest stage. It may also be possible to obtain a larger one-off payment at the time a wind farm is commissioned, a better idea of whether or not this is realistic will be known once the Puketiro tenders are received.

Based on an annual payment of \$150,000 and a 7% discount rate, the nett present value of a Stoney Creek wind farm is \$2.14M. Because it would be four years before the cash flow starts, the amount is worth \$1.63M now.

Lower value domestic, export and pulp logs expected from this area are worth \$5.60 per tonne nett or \$83,000 nett from 40 ha when mature and harvested in about 16 years time. This amount discounts to \$28,000 in today's dollars.

On this basis, using the site for a wind energy development offers a much better financial return than pulp logs.

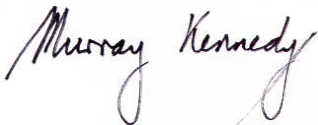
A further benefit is the upgrading of the ridge track into a roadway by a wind farm developer. This upgrading work would be needed at the time the logging starts.

7. Recommendations

That the Committee:

1. ***Receives the report.***
2. ***Notes the content of the report.***
3. ***Approves the seven selected tenderers for the Puketiro site being invited to submit an Expression of Interest for development of the Stoney Creek site.***

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Public excluded