

Application for Retail Individual Exemption

Part A – Public Submission

Countrywide Energy Pty Ltd

ACN 160 562 121

P O Box 6245 WEST GOSFORD NSW 2250.



Submitted to Australian Energy Regulator on 31st July 2014 (Final)

The submission by Countrywide Energy Pty Ltd to the Australian Energy Regulator for Retail Individual Exemption consists of two separate sections namely:

Part A: Public Submission section

Part B: Confidential Submission section.

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Part A Public Submission

1. An introduction to Countrywide Energy Pty Ltd.

Countrywide Energy Pty Ltd (CWE) is an Australian registered company comprising of a group of shareholders and management who are energy industry professionals with a wealth of experience and expertise suitable to manage a business of an electrical retailer. As such, the Board and Executive Group of CWE are capable of meeting the business aims of the company by providing an extensive range of energy related products and services to its customers that is relatively unique in the present marketplace today.

CWE seeks to support electricity consumers (as its customers) with a “one-stop shop” suite of solutions to the various needs of the customers, whether this requirement be in the form of power generation to support the normal supply from existing market authorised retailers, or to help with demand-side management in its many forms, or to supply and manage various energy efficiency programs to enable customers to be more efficient in their energy demands and consumption profiles.

To assist in achieving these objectives, the CWE business model includes the supply of electricity by means of on-site generation facilities. These facilities may be installed on the premises of the consumer (CWE customer) to enable the occupier to more effectively and efficiently utilise the normal grid supply from an authorised retailer.

The arrangement for electricity supply by non-renewable fuels would be embodied in an “Embedded Generation Power Purchase Agreement” (EGPPA) with a term in the order of five years.

Where renewable energy fuel source (solar or wind) is utilised for the on-site generation, the supply would be available to the premises when generation is possible. Many of the flexible techniques available for demand-side management are not available with these fuel sources. Electricity supplied by these sources would be covered by either a

“Solar Power Purchase Agreement” (SPPA), or “Wind Power Purchase Agreement (WPPA) and unless noted otherwise, are referred to as PPA.

CWE will predominately focus on supporting its customer needs by deployment of low carbon or renewable energy solutions. As such CWE will take a flexible approach to the selection of fuel sources to achieve the desired outcomes for its customers.

Under the conditions of an individual retailer exemption, CWE will limit supply activities to host sites or locations and will not retail electricity into the electricity marketplace as is normal practice of authorised market retailers. The solutions utilised by CWE will be on the customer or load side of any incoming network (or grid) supply connection point.

CWE may also supply “off-grid” customers if and when such opportunities arise. It is not anticipated such supply arrangements to be available in many circumstances.

The following information is provided to support the application for an individual exemption for retailing electricity to customers and follows the template provided by AER.

Please provide the following information in your application for the grant of an individual exemption:

2. Legal name of Applicant

Countrywide Energy Pty Ltd

3. Trading name if different to your legal name

N/A

4. Australian Company Number (ACN)

ACN 160 562 121

5. Registered postal address for correspondence

Registered Address: 30 Bimbil Road, Somersby NSW 2250.
Postal Address: P O Box 6245, West Gosford NSW 2250.

6. Nominated contact person

Contact Person: Wal Shepherd, Director
Mobile Contact: 0419 721 112
Email: shepherds30@bigpond.com

During the period 10 September 2014 to 6 October 2014 the contact person will be:

Contact Person: Robert Petersen, Director
Mobile Contact: 0458 762 174
Email: rpetersen@optusnet.com.au

Please note that CWE will install telephone contact via a 1300 number and a dedicated web site and email address before commencing retail energy business operations.

7. Reasons for seeking an individual exemption

CWE is seeking an individual exemption as the proposed business operations outlined in the preamble does not fall into the traditional “market” retailer authorisation or retailer exemption categories.

In the context of this submission, CWE is proposing to supply electricity to “large” commercial and industrial customers (as classified by the National Energy Retail Law) in ways only available to on-site generation of electricity as supplied to support the customer load demands. The types of generation technology will vary from site to site being dependant on the type of fuel source availability and relevant demand-side conditions. In cases other than peak demand supply, CWE will favour supply from renewable sources these being predominately on-site solar PV installations. At all times where and when available, the customers’ primary electricity supply arrangements will be retained by an authorised market retailer of the customer’s choosing.

Furthermore, CWE believes it qualifies for individual retailer exemption because:

- a) CWE is not taking over, influencing, affecting or interfering with the customer’s choice of retailer, and are not creating a network.
- b) CWE is not operating as a retailer for the customer’s primary supply requirements.
- c) Unless network supply is not available (i.e. off-grid supply situations) CWE and its customers know that the ancillary support generation system only provides part of their overall energy supply needs.
- d) CWE is not guaranteeing electricity supply and any PPA contract with us is in addition to a normal supply arrangement with a authorised retailer and a loss of supply from CWE does not remove the customer’s access to grid supplied electricity (except in the case of “off-grid” customers).
- e) CWE intends to only supply industrial and commercial customers i.e. defined as “large customers” by the National Energy Retail Law.
- f) CWE will be supplying only a very small fraction of the electricity market demand.

On the basis of the information provided in this submission, CWE proposes that an individual exemption is more appropriate than a market retailer authorisation with respect to the proposed CWE business operations.

8. The address of the site at which you intend to sell energy

CWE will initially focus on sites within New South Wales and ACT. If during this period other sites in then national electricity grid network, namely Victoria, Queensland and South Australia,

become available, then CWE will seek to secure those business opportunities within the terms of each state's retail energy legislation requirements.

9. The primary activity of the business

It is proposed that the primary activity of CWE is the production of electricity for on-site locations where the electricity produced on site is sold to the host customer.

Where the consumption of the on-site generation is less than the production at any time the excess will be sold to the local retailer in a net metered arrangement.

10. The form of energy for which you are seeking the individual exemption

CWE is seeking individual exemption for electricity produced on-site i.e. on the load side of the customer's normal supply meter. This electricity is then sold to the customer via the terms and conditions contained in a PPA. The parties to the PPA are the customer consuming the electricity and the supplier, CWE. The customer will always maintain the existing metered connection with the Local Network Service Provider (LNSP) and continue to have the ability to purchase electricity through their existing authorised market retailer. This type of role by CWE may vary if the customer is not grid connected (via the LNSP) and chooses or is unable to obtain such a connection with the LNSP.

11. Are you establishing Off-Grid Supply

As noted earlier, CWE anticipates almost all of its customers to be grid connected, but would consider providing supply to "off-grid" customers when the opportunity arises. CWE will not be involved in the construction or operation of any extensive electricity networks involved in supplying "off grid" customers.

12. Commencement date

CWE will commence marketing its products and services as soon as possible following the successful application for an individual retailer exemption.

13. Mailing addresses for premises at the site (where applicable)

Not applicable. Our business activities as described in this application applies to multiple sites across various state jurisdictions so we are not in a position to provide such details at this time.

14. Previous experience in Retailing Energy

The Board and Executive Team of CWE have extensive experience in all facets of the electricity industry and its market operations. Please refer to Part B Appendix A (**Confidential**) for such details.

a) Utilisation of CWE Resources

In the initial phase of our business operations and hence with a small number of customers, CWE will manage and operate the whole of the processes involved in customer interface and electricity production. These activities are typically associated with suitable site selection, customer negotiations, generation equipment installation and ongoing management, metering and billing systems and other customer service management requirements. If the business grows to a level beyond in-house capability, then CWE would consider out-sourcing some operations. This not anticipated in the first five years of operations.

Dedicated meter installations for the generation systems will be contracted to accredited metering installation and data providers. Meter reading will be predominately carried out remotely by CWE personnel.

Depending on the type and scale of the generation equipment installed CWE will either own outright or enter into long term leasing arrangements with equipment suppliers. The customer will not be required to have a financial interest in any generation system installation, however if the customers seeks to have a financial stake, CWE would treat this on a case by case basis and any such arrangement would be reflected in the individual PPA for each customer.

At all times we would aim to be as flexible as possible in satisfying the electricity supply needs of our customers.

b) Intended Scale of Activities

The proposed growth in our business activities is outlined in Part B Appendix B (**Confidential**).

15. Details of any previously held energy retail licence

Countrywide Energy Pty Ltd has not held any retail authorisation or exemption in any state or territory in Australia.

16. Arrangements for non-supply from CWE

CWE does not replace the role of the customer's authorised market retailer. If for some reason it is no longer able to supply electricity under the terms and conditions of the PPA, then the customer would revert back to supply from their existing market retailer.

17. Particulars relating to the nature and scope of the proposed operations

To determine whether it is appropriate to exempt you from the requirement to hold a retailer authorisation, we need information on the nature and scope of the operations you propose to conduct. Please answer the following questions and answers supplied:

17.1 Will your customers be your tenants? If so, are they residential or commercial/retail? Are they covered by residential or retail tenancy, or other legislation governing accommodation that is a person's principal place of residence (for example, retirement village legislation, residential parks or manufactured home estates legislation) in your state or territory?

In most cases our customers will also be the property owner. In cases where our customers are tenants, they will generally be commercial tenants. CWE will only proceed with a tenant when the terms of the PPA are permitted within the property lease agreement and any other legislation governing the building including landlord approval. CWE will not be selling electricity to tenants whose primary electricity supply is sourced through 'on-sold' electricity from an entity with retail exemption (i.e. to tenants within a residential park or retirement village).

17.2 Are you providing other services (for example, accommodation/leasing of property) to persons on the site who you intend to sell energy to? Or will your only commercial relationship to persons on the site be the sale of energy? If you are providing other services, please specify what these services are, and the contractual or leasing arrangements under which these services are being provided.

During the period of the PPA, CWE will ensure that the embedded generator remains functional through remote monitoring and servicing when a notification is received. Every customer will also have the opportunity to purchase the embedded generator. A range of other services would be available to the customers and these would include efficiency upgrades and a range of consultation services regarding potential options available to the customer for implementation of demand side management techniques. These services would be delivered on a fee for service basis and would not be conditional on any supply arrangements provided by CWE. CWE will not be providing any form of property management.

17.3 What is the total number of dwellings/premises at the site? Please provide a breakdown between residential and business customers (and whether they are small or large as defined for the jurisdiction in which you intend to operate).

This is not applicable as CWE plans to work across commercial and industrial business sites only. Please refer to Part B Appendix B (**Confidential**) for details of likely customer number breakdown.

17.4 Will you be on-selling energy (that is, selling energy purchased from an authorised retailer) or purchasing it directly from the wholesale market?

No, CWE only sell electricity generated from assets that we manage and as defined in the PPA with each customer.

17.5 If purchasing from an authorised retailer, have you formed, or do you intend to form, a bulk purchase contract with the energy retailer, and how far into the future does this, or will this, contract apply? If you have formed, or intend to form, a contract, please provide a brief summary of this arrangement.

This is not applicable with our PPA arrangement as CWE will not be on-selling electricity purchased from an authorised market retailer.

17.6 What is the estimated aggregate annual amount of energy you are likely to sell (kilowatt hours or megawatt hours for electricity and mega joules or gigajoules for gas) and the average expected consumption of customers for each type of customer you service (that is, residential customers and retail or commercial customers)?

If CWE reaches its target by the end of the initial year, it would sell approximately 215MWh pa of electricity via a PPA structure to customers. Please refer to Part B Appendix B (confidential) for further details.

17.7 Will your customers be wholly contained within a site owned, controlled or operated by you? (For the purposes of this question, a body corporate may be taken to 'operate' premises it oversees).

The customers of CWE will either own or lease each individual connection site or be occupying the premises under a body corporate arrangement.

17.8 Will each premises/dwelling be separately metered? If the application is for a new development or a redevelopment and customers will not be separately metered, please explain why not.

Each site must have its own existing network connected meter. In the case of a renewable generation system such as solar PV generation, a net meter will be installed which will monitor solar electricity generation that is exported to the grid. For other generation that is only required to support existing supply to the site, export to the grid would not normally take place. Metering will be installed to record generation into the customer load as provided by our individual PPA agreement with each of our customers.

17.9 What types of meters will be used? For example, basic/accumulation meters, manually read interval meters or remotely read interval meters? Will these meters allow your customers to change retailers (i.e. not source their energy from you)?

The installed generation system of each site will be individually metered using a metering arrangement which contains of an electronic meter capable of recording electrical energy consumption in market intervals in accordance with the National Electricity Rules, Chapter

7 (NER). Typically, for small scale commercial premises a Type 4 interval meter would be installed, and a lower accuracy type for domestic premises, again as provided by requirements of the NER. In most cases, CWE will remotely read the meters via a monitoring system that also reads the output of the inverters any of the solar systems installed. As arranged with the customer, the on-site electricity meters will be periodically read manually as well to provide sense checks and back up readings.

Our ongoing relationship with our customer is independent of their market (or primary) retailer maintaining supply to the site, meaning the customer is free to change the authorised market retailer.

17.10 What accuracy standards apply to the meters? Do the meters comply with Australian Standards? If so, specify which Standard or Standards. For electricity meters, will the meters comply with National Measurement Act 1960 (Cth) requirements for electricity meters installed from 1 January 2013?

The meter accuracy will comply with the National Measurement Act 1960 (Cth) requirements for electricity meters installed from 1 January 2013. The meters that CWE intends to use will conform to Australian Standard AS62053.21 and will be a type as required by the NER and any State-based regulatory requirements.

17.11 If customer dwellings/premises are separately metered, how often do you propose the meters to be read and by whom?

The output of each generation system supplying electricity from CWE will be billed monthly. CWE will conduct the online meter reading and billing. Physical meter inspections will be conducted annually by CWE or an accredited meter and data reader arranged by CWE, in conjunction with a representative from the customer, in order to corroborate the ongoing meter readings.

Meter readings will always occur prior to an invoice being presented to our customer, unless the contract allows estimated readings.

17.12 How will you determine energy charges if customers are not separately metered?

Customers will be separately metered and charged for their electricity supplied by CWE.

17.13 In what form and how often will customers be billed? Will you be issuing bills yourself or through a billing agent?

Invoices will be issued monthly unless specifically agreed differently in the individual PPA. It is intended that initially CWE perform the invoicing and issue process. This maybe out-sourced to an appropriately accredited contractor at a later time.

17.14 What dispute resolution procedures do you intend to put in place to deal with energy related complaints and issues?

The PPA outlines the means for a customer to raise a dispute with CWE. This process is:

- (a) When our customer raises a complaint with CWE, it will respond to the dispute within a timeframe no longer than 5 business days, detailing the reasons for its decision in relation to the dispute. If the customer requests, a meeting with an executive of CWE will be arranged within 10 business days, with the aim of resolving the dispute.
- (b) If the customer is still not satisfied with the outcome of the dispute, then they may refer the complaint to the NSW Office of Fair Trading, NSW Energy Ombudsman and/or another appropriate state-based statutory authority.

CWE policy is to be pro-active in quickly and fairly dealing with our customer complaints and our 1300 phone line will be available 7 days per week to receive such an enquiry. CWE will respond to customer queries by telephone, email and/or in person.

- (c) CWE has prepared a Financial Assistance Policy that will form part of the individual PPA and offers customers the opportunity to continue with the payment arrangements of the individual PPA and so maintain the customer's access to the supply agreement with CWE. Further details are found in Part B Appendix E (**confidential**).

17.15 What energy rebates or concessions are available for your customers and, if applicable, how can customers claim these?

CWE intends to sell energy only from its on-site generating systems to its customers. Any other rights or benefits derived from the production or sale of electricity (typically environmental certificates or credits) remains the property of CWE unless negotiated differently with the customer. The individual PPA with our customer will reflect such arrangements.

Additionally, any income derived from sales of exported (or net) electricity into the network will be paid directly to the end customer via their existing authorised retailer.

17.16 Will you make energy efficiency options available to your customers? Will your network incorporate solar or other generation options for sustainability purposes? If so, will you use gross or net metering?

Yes. CWE aims to be a “one-stop shop” for all customer energy related needs. CWE has the capability in-house to provide a range of services supporting energy efficiency and demand side management and may build alliances with companies that specialise in such products and services where our expertise is not appropriately substantial.

The PPA between CWE and the customer will only cover the supply of electricity to support the customer's site consumption needs.

18. Other Contractual Information

(a) Connection and on-going operation of a solar PV system:

The connection of this system and on-going operation and maintenance is the sole responsibility of CWE and would be provided by agents/contractors of CWE. The customer does not incur any costs associated with these activities unless specific provisions are made in the SPPA and agreed with the customer.

(b) Electricity Fee structure:

Under the terms of the SPPA or WPPA, the customer will be required to pay for the electricity generated by the installed system (at a fixed rate i.e. c/kWh) as well as an additional fixed fee payable to CWE over the term of the SPPA. Dependant on a range of risk factors, CWE may be able to offer incentives to customers. These details are outlined in Part B.

For non solar PV or wind generation installations, the fee structure will depend on electricity generated at an agreed rate and other fees payable that would be tailored to suit individual customers and defined in the individual PPA.

If any on-site system fails to generate electricity due to faulty equipment or other circumstances defined in the PPA, CWE will not charge the customer any fees or other costs unless it is the result of their actions. The rate charged for the electricity (and fixed fee structure where applicable) is based on a range of factors such as competitive electricity rates from authorised electricity retailers, general return on capital investment, ongoing risk factors over the term of the PPA, installation costs, operation and maintenance costs.

(c) Contract Termination:

It is envisaged that PPA terms would be 5 to 10 years in duration and would be negotiated with the customer.

(i) In the case of electricity supplied from solar PV or wind systems

The customer may exit the contract early by buying out the generating system from CWE at a pre-agreed rate. There are no other exit fees applicable.

The schedule of buyout rates is listed upfront in the agreement document. The buyout rates will vary depending on the circumstances of each customer and the length of the contract. The buyout rate will decrease each year towards the end of the contract. Please note that CWE cannot provide a standard list of buyout prices as they may be different for each customer.

At the end of the contract, the customer takes over full ownership rights.

(ii) In the case of non-solar PV or wind generating systems:

At the completion of the PPA term, the generating system and connection hardware will remain the property of CWE and be removed or a contract extension agreed. It is not envisaged that the customer would want to purchase this type of asset but CWE would be willing to contemplate such requests.

(d) Customer Financial Difficulties:

If a customer experiences financial difficulties and is not in a position to pay any amounts that are outstanding, then CWE will try to establish a payment plan with the customer. If this fails, CWE will retain the right to discontinue delivery of electricity supply as provided by the terms of the PPA, and eventually the right to remove the generation system from the premises. If the customer is in an “off-grid” PPA arrangement, then every reasonable effort will be made by CWE to continue supply until alternative arrangements can be made by the customer.

Whilst CWE is respectful of any of its customers experiencing financial hardship, it is generally viewed by CWE that its customers enter into a PPA arrangement on a voluntary basis and not as part of an essential service provided by authorised electricity retailers. Therefore, the financial commitment by each customer is generally the result of an individual assessment to gain a more efficient and/or cost effective electricity supply system to their premises and as hence is “discretionary” expenditure incurred by the customer.

Under normal circumstances, at no point in time will the customer be without the opportunity for access to electricity from the grid via the authorised market retailer. These arrangements will be detailed in the Financial Assistance Policy contained in Part B Appendix E (confidential).

(e) CWE financial difficulties:

Should CWE fall into financial difficulties, it is envisaged the installations and contract will remain in place with little change for the end user. The ongoing revenue stream from the solar installations will represent an attractive income stream for any administrator and could be sold off to other investors.

The value of second hand solar power system equipment is generally much lower than new equipment and the cost to remove systems may outweigh the value of the equipment, negating the likely-hood of the solar panels being removed from the customer’s premises. If these circumstances arose, then each case would be considered on its merits in determining a final outcome.

For non solar PV generating systems where the costs and difficulties of removal are not the same then it is likely that debtors would have little difficulty selling the assets to cover the costs of removing the system from the customer’s premises.

(f) Marketing Strategy:

An outline of the marketing strategy has been reviewed by the Board and is planned to be implemented in the first few years of business operations. The details of this strategy are found in Part B Appendix D (confidential). This strategic approach is considered to be confidential in nature.

(g) Financial Statement:

The company financial statement ending June 2014 is available in Part B Appendix C and is consisted as **Confidential**.

Please note that CWE has no current debt. It may consider debt financing for suitable projects.

(h) Financial Assistance Policy:

For CWE customers, a Financial Assistance policy will be applied as detailed in Part B Appendix E (confidential).

(i) Summary of Countrywide Energy Pty Ltd Submission

It is understood that an individual retail exemption is more appropriate than a normal retailer authorisation with respect to CWE's business operations for the following reasons:

- (i) The 'power purchase' model with its associated Power Purchase Agreement is a relatively new and novel way of retailing energy in the Australian energy market. It is suggested that it does not fit with the National Energy Retail Legislation for authorised retailers or for the categories of retailer exemption. The granting of an individual exemption to CWE with appropriate conditions will enable the power purchase model to be fully developed to the benefit of consumers who wish to have more control over their present electricity costs and associated charges that have seen unprecedented increases over recent years.
- (ii) CWE will be only targeting "large" commercial/industrial markets with its products and services, thus it is considered an appropriate high level of sophistication amongst most of CWE customers is inherent in the negotiating of PPA arrangements.
- (iii) For supply to each of the customer sites, the existing electricity supply arrangements will continue and as such obtain the majority of the electricity from an authorised market based retailer with all the protections offered under those contractual arrangements. Under the power purchase model, customers are required to have an electricity supply agreement in place with a market based authorised retailer and thus have access to an electricity supply, with their supply interests already protected by their ongoing supply agreement with their authorised retailer.

In addition, applicants selling electricity using the SPPA structure are requested to address the following specific questions.

Please note that the requested information is in the body of this document, but is summarised below in response to each question.

- 1. What is your strategic direction and what are your objectives? Please describe your business model in some detail, noting jurisdictions where you will be operating and customer number forecasts for the first 3 years.**

CWE is a start-up company made up of shareholders most of whom have energy industry experience. CWE wishes to establish a business that would populate a “one stop shop” for large consumers of electricity by offering a broad range of products and services that are aimed to reduce consumption costs of electricity as well as providing the opportunity for alternative forms of energy e.g. renewable. This strategy is further outlined in Section 1 of this document as well as Part B Appendix D. The projected target for customer numbers is identified in Part B Appendix B. Initial customers are expected to be in the jurisdiction of NSW and ACT and CWE plans to expand this later into other states.

- 2. What is your pricing structure - will you charge for energy only or are there other fees? Will you charge only for energy consumed or all energy generated?**

CWE’s pricing structure for electricity supply is as follows:

- a) For renewable energy supplies (solar PV and wind) a small fixed fee is periodically payable plus a fixed rate for electricity generated and supplied to the customer over the term of the individual PPA.
- b) For non renewable energy the pricing structure would be individually tailored to suit each customer business operations and would most likely entail substantial flexibility.

As CWE customers are business operators bilateral negotiations would be undertaken to achieve desired outcomes for both parties and embodied in the individual PPA.

- 3. Are there related companies and what is their function? Do you intend to transfer any functions to any other related companies and, if so, what are they?**

CWE will undertake all management functions to its customers.

- 4. Do you intend to sell to commercial or residential customers, and what size systems will you install?**

CWE customers will be “large consumers” only (as classified by the National Energy Retail Law). The aim would be to install renewable energy system of 10kW capacity and non renewable energy systems up to 500kW capacity at each customer site.

- 5. Do you intend to use fixed term contracts and, if so, how long will they be?**

CWE proposes to structure each PPA over a fixed term of 5 to 10 years but build into the arrangement some flexibility that would allow early buyout by the customer

6. Under what circumstances can the customer terminate the agreement and at what cost?

Early termination by the customer is possible within the terms and conditions of each individual PPA and the buyout costs would also be identified in the individual PPA.

7. What happens when the contract ends? Who owns the system?

For renewable energy type installations (Solar PV and wind) the customer would take over full ownership writes if all the conditions of the PPA are met. For non renewable energy installations CWE would either renegotiate a new PPA term or remove the installation.