

# Application for Individual Retail Exemption from the requirement to hold an electricity retailer authorisation



Applied Environmental Solutions Pty Ltd

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## **1. Preamble**

Applied Environmental Solutions Pty Ltd (AES) is an Australian renewable energy consultancy company that facilitates the installation of solar and other renewable energy systems and related energy controls technology. AES's objective is to become a renewable energy retailer for the Australian domestic market. AES will supply electricity generated from the photovoltaic (PV) systems, installed at the predominately commercial customer's site. The objective is to supply electricity at a lower rate than they can procure from traditional retailers.

## **2. Applicant Details**

<b>2.1.1 Name of Company</b>	Applied Environmental Solutions Pty Ltd
<b>2.1.2 Trading Name</b>	Applied Environmental Solutions
<b>2.1.3 ABN</b>	76 159 552 735
<b>2.1.4 Registered Office</b>	Suite 3 Level 1 101 Ashmore Rd Bundall Qld 4217 Australia
<b>2.1.5 Nominated Contact</b>	Patrick O'Dea Managing Director Mob: 0416188490 pod@appliedenvironmentalsolutions.com.au

### **2.2 Reason for seeking the Individual Exemption**

AES's Power Purchase Agreement (PPA) business model is relatively new to the Australian market. It does not fit with the Retail Energy Legislation or the categories of exemption. AES's customers' interests will be protected as their utility service will be an authorised retailer, and the customer must have an authorised retailer in order to enter into a PPA.

The PPA is cognisant of the Retail Energy Legislation containing a 10-day cooling off period and dispute resolution clauses.

The PPA has been drafted to be compliant with other state and federal consumer/homeowner protections – including the Australian Consumer Law (ACL) and state building legislation. The customer's interests will be protected by statutory guarantees under this legislation.

### **2.3 Address of the Site**

Not Applicable to AES's operations – AES is seeking a multi site exemption.

### **2.4 The Primary Activity of AES in respect of the operation of PPA**

The facilitation of the delivery of embedded renewable energy that is generated by PV owned by AES, and installed on the customer's property and maintained at no charge to the customer.

### **2.5 The Form of Energy**

For PPA: Electricity generated from solar power.

Backup: In order to enter into an agreement with AES, the customer will have to already have a contract with an authorised retailer. This electricity network will be connected to the grid.

The commercial solar power plants will generally not be grid connected, as it increasingly required by the Distributors that commercial customers (over 30kW) have the solar connected in such a way as prevents it feeding back to the grid, under all circumstances.

The customers themselves will remain grid connected due to the intermittent nature of renewable energy.

### **2.6 Energy Supply**

It is not proposed, although technically possible, for AES's business model to operate in areas where there is no grid-connected electricity supply.

### **2.7 Date of Commencing Retail Operations**

It is proposed to commence post exemption grant.

### **2.8 Mailing Address of the Site**

Not applicable.

### **2.9 Previous Experience as an Energy Retailer**

This is the first time that AES has engaged in retail energy operations, and the PPA model is uncommon in the Australian market. AES's business model is based on similar models used offshore in the USA and Europe.

### **2.10 Current Authorisations /Exemptions**

Not applicable.

## **2.11 Arrangements in the Event of Failure to Supply**

As the customer's premises will already be powered by electricity from a non-renewable source, this question is not applicable. If the home / business is not being powered by the PV system, the customer's authorised retailer will power it.

## **3. Particulars Relating to the Scope of the Proposed Operations**

### **3.1 Customers**

Not applicable.

### **3.2 Other Services**

AES will also provide installation and maintenance services. The installation process is regulated by home building legislation applicable in each state.

### **3.3 Total Number of Dwellings/Premises at the Site**

There is no defined "site" but AES's present customer base is comprised of 95% commercial (large) clients, and 5% residential (small).

Ultimately, AES may have a client base made up of an equal amount of small and large customers.

AES intends to operate in the following jurisdictions:

Year 1: South Australia, New South Wales, Victoria

Other States: as business and compliance dictates

### **3.4 Sale of Energy**

The premise of the 'power purchase' model is that the customer agrees to have a Solar PV system installed on their property and to pay for the energy it generates.

This differs from a traditional solar panel arrangement as the system remains the property of AES for the duration of the agreement (15 years). In exchange for the free system, warranty on the system and maintenance, all rebates and credits remain the property of AES and the customer pays for the energy on a monthly basis at a flat rate.

### **3.5 Purchase of Energy**

Not applicable

### **3.6 Estimated Aggregate Annual Amount of Energy likely to be Sold and Average Expected Consumption**

Commercial in Confidence

### **3.7 Customers**

Commercial in Confidence

### **3.8 Metering of Premises**

Based on 30 minute measurement via an eGauge sub-meter for each premise using Accu-CT with C0.6 certificate for revenue grade installations

### **3.9 Types of Meters**

AES will use a remotely read interval meter, which is one of the integrated functions of the inverter. The production record is read from both the inverter and eGauge.

### **3.10 Accuracy Standards Applicable to the Meters**

The type of power meter to be used complies with standards set for sub metering, including: IEEE C57.13 and IEC 60044-1 for accuracy: over full temperature range and down to 1% of rated current

Approvals for safety and electromagnetic compatibility include: UL recognized, CE mark, RCM

### **3.11 Frequency of Reading the Meters**

AES will monitor the meters constantly through the eGauge system. The data is updated every minute. AES will use the data collected by the eGauge to bill the customer on a monthly or quarterly basis.

### **3.12 Charges**

Not applicable - customers will be separately metered.

### **3.13 Billing customers**

AES will issue a bill to the customer on the first day of every month, based on the data collected by the eGauge. Payment will be due on the thirteenth day of every month.

Customers have the option to arrange direct debit. The direct debit charges will be processed on the thirteenth day of each month.

### **3.14 Dispute Resolution Procedures**

There is a dispute resolution clause in the customer agreement that provides:

- The customer may raise a complaint with AES, and AES will respond to the dispute within a set timeframe, setting out the reasons for its decision in relation to the dispute; and
- If the customer is not happy with the outcome of the dispute, then it may refer the complaint to the relevant fair trading office or ombudsman in its state or territory.

AES has implemented a Customer Care Team to respond to customer queries over telephone and email, with a structured hierarchy to ensure any complaints are escalated promptly, and issues are resolved within 48 hours if practicable.

There are also provisions in the agreement that provides for any dispute in relation to a statutory warranty relating to any Building Work.

### **3.15 Energy Rebates**

The system installed on the homeowner's property remains the property of AES for the duration of the Agreement (15 years). As such, any and all green energy certificates and rebates created for the System are the property of, and for the benefit of AES. This does not apply to any energy concessions that the customer is eligible for.

The customer receives the benefit of a fully maintained Solar Powered Generating System at no upfront cost

### **3.16 Energy Efficiency/ Renewable Energy Options**

The service provided by AES is a renewable, solar energy service.

### **3.17 Additional Information for Assessment**

An individual exemption is more appropriate than a retailer authorisation with respect to AES's operations for the following reasons:

- The 'power purchase' model is a way of retailing energy that is new to the Australian market. It does not fit with the Retail Energy Legislation or the categories of exemption. The grant of an individual exemption with agreed conditions will enable the power purchase model to develop, at the same time it is assessed to determine its place in the market, and whether an authorisation is required, or new type of authorisation should be implemented.

AES is effectively a 'start up' in the retail energy market. The requirements of an authorisation are onerous and at this stage of its operations, AES does not have the resources to meet these requirements, though it may do so as the business expands.

The purpose of the retail energy customer framework is to regulate the energy market and protect energy consumers. Under the power purchase model, customers are required to have an electricity supply agreement in place with an authorised retailer. The customer's interests are already protected by their agreement with their retailer. Furthermore, the PPA has been drafted with the retail energy legislation in mind, and is compliant with state home building legislation and the Australian Consumer Law.

## **4. Additional Particulars Relevant to AES's Operations**

### **4.1 Implications for other Areas of Law/Consumer Protections**

Given that the power purchase model requires the solar system to be installed on the customer's property by a building contractor arranged by AES, the arrangement is captured by state home building legislation. As such, the customer's interests are protected by legislation in the following general areas, including but not limited to:

- Legislative guarantees in relation to the building work and the performance of the building work
- Dispute resolution
- Cooling off rights and notice periods
- Notices prior to the commencement of the works

The PPA has also been reviewed to ensure it does not contravene Australian Consumer Law, and in particular the unfair terms provisions of the legislation.

### **4.2 Implications for other Agencies**

If the customer is not happy with the outcome of a dispute raised, the customer can refer the dispute to the ombudsman or fair trading office in their state or territory.

### **4.3 Termination of the Agreement**

The PPA outlines termination. The customer can:

- Terminate the agreement without penalty within 10 business days
- Terminate for AES's material breach of the agreement

If the customer sells their property or if commercial, the tenancy is released, there are transfer provisions set out under the agreement. These are:

- a. The customer can transfer the Agreement and the monthly payments to the purchaser/lessee, subject to the Purchaser signing a transfer agreement to assume the customer's rights and Monthly Payment obligations under the Agreement; or
- b. The customer can buy out the System, ending the PPA.

The ownership of the System is transferred from AES to the customer. The customer can add the value of the System to the sale contract. If the purchaser would like to continue to use the eGauge they can enter into a separate agreement with AES to pay an annual fee in the range of \$100.00-\$200.00.

The 'buy out' value of the System will depend on the year it is sold. Customers will be provided with a Value Statement upon entering the Agreement, which sets out the value of the System each year, for the 15-year term of the Agreement as a formulae based option for the customer to purchase the power system earlier than the 15 year mark.

At the end of the 15-year term of the Agreement, ownership of the solar system automatically transfers to the customer. The customer can pay an annual fee to AES to continue to use the eGauge.

Prima facie, the power system will revert to the customer at the expiration of 15 years, but with the proviso of a minimum amount of power purchased during the period.

In the event that the minimum power purchased is not reached, then there will be a formula that will enable transfer of ownership to the customer for a capital payment

#### **4.4 Guarantee of the Solar System and Building Works**

The building works are guaranteed under the state building legislation.

The solar panel is guaranteed pursuant to a limited warranty under the agreement. The system is warranted for the duration of the term, and AES agrees to maintain, repair and/or replace the system at no charge to the customer.

There is also a one (1) year roof warranty for any damage caused to the customer's roof as a result of the installation of the system.



#### **4.5 Multi Site Exemption based on Capacity**

Restricted for commercial confidentiality.

#### **5. Conclusion**

AES's aim is to increase the consumption of green energy in Australia. While a retail authorisation may be a suitable method of regulating AES's operations in the future, AES submits that the grant of an individual exemption is more appropriate at this initial stage, as it will enable the model to mature in the market while ensuring that the consumer's rights are protected.