

Application for Individual Retail Exemption

The Solar Professionals Pty Ltd

&

Kenjarhy Pty Ltd

I. Introduction

Background to Solar Professionals

The Solar Professionals Pty Ltd (**Solar Professionals**) is an Australian company whose current operations consist of the sale and installation of solar PV generating units and associated connection assets (**Generating Systems**) to customers. Solar Professionals wishes to expand its business to enter the renewable electricity retail industry in Australia. Solar Professionals will supply electricity to its customers using Generating Systems installed on their properties using a hire purchase model. It is intended that customers will be able to acquire solar electricity and will ultimately own a Generating System at a cheaper rate than they could do both separately. The KWh rate paid by customers for electricity generated by the Generating System is also expected to be cheaper than or equal to the rate customers are likely to be paying for electricity from a licensed retailer.

Kenjarhy Solar Pty Ltd (**Kenjarhy**) is a not for profit company which has partnered with the Solar Professionals. Kenjarhy Solar intends to install commercial solar projects throughout NSW which will increase indigenous employment outcomes and satisfy its social responsibilities. In co-operation with local land councils, Kenjarhy Solar intends to identify dwellings in need of solar power and give back to the community, improving living standards and lowering household income pressures.

To the extent that Kenjarhy may also carry on the business described in this Application, the exemption is also sought on its behalf.

Similar recent solar exemptions

Solar Professionals notes that the AER has recently granted exemptions from the requirement to hold a retailer authorisation under the National Energy Retail Law to several solar electricity retailers including:

- Australian Clean Energy Finance Fund on 21 February 2014;
- SEL Absolute Return Fund SA Pty Ltd (Solar Wholesalers) on 21 February 2014;
- REpower Shoalhaven Incorporated on 14 February 2014;
- Smart Commercial Solar, on 31 January 2014; and
- Express Solar Pty Ltd, on 20 December 2013.

As will become apparent, the business model set out in the applications submitted by the above companies is very similar to the business model proposed by Solar Professionals. Accordingly, Solar Professionals submits that it is appropriate for an retail licence exemption to be granted to it on similar terms.

In line with the conditions imposed on the above companies by the AER, Solar Professionals is prepared to provide each of its customers a written plain English notice explaining that the contract is covered by Australian consumer protection laws and is separate to the customer's contracts with their retailer and distributor which are covered under the National Energy Retail Law. Solar Professionals submits that other conditions that can attach to other categories of exemption are not necessary or appropriate in the circumstances.

Business model

Solar Professionals' business model will be as follows:

- Solar Professionals will enter into an electricity supply agreement (**ESA**), with customers pursuant to which it will install Generating Systems on the customer's premises and sell the electricity generated by the Generating Systems to that customer up to the amount of consumption needed or desired by the Customer.

- The customer will be required to be connected to the grid and will need to have an electricity connection agreement with a licensed electricity distributor and a retail contract with a licensed electricity retailer.
- It is intended that any electricity not used by the customer will be sold by Solar Professionals (or by the customer as agent for Solar Professionals) to the relevant licensed local area retailer.
- Solar Professionals will install the Generating Systems at no up-front cost to customers. Solar Professionals will retain ownership of the Generating Systems throughout the term of the ESA (between 10 and 15 years, depending on the site specifics).
- The Generating System can be bought out by the customer prior to the end of the term of the ESA (if there is a residual/balloon on the hire purchase arrangement) or will automatically pass to the customer (if there is no residual/balloon on the hire purchase arrangement).
- All green energy credits during the term of the ESA will be owned by Solar Professionals. The customer pays for the electricity consumed and a contribution towards the cost of the Generating System on a monthly basis for the term of the ESA. The customer will also be able to choose the residual/balloon on the hire-purchase arrangement subject to certain bounds.

Customers

Solar Professionals anticipates that its customer base will, at least initially, primarily consist of agricultural business customers in the Riverina area of New South Wales. For the most part, it is expected that its customers will be large customers. It is expected that all of the Generating Systems installed and operated under this arrangement will each have a total nameplate rating, as defined in the National Electricity Rules, of less than 5MW.

II. General Particulars

1. **Legal name:** The Solar Professionals Pty Ltd
2. **Trading name:** As above.
3. **ACN:** 142 444 380
4. **Address of registered office:** Bush & Campbell, 30 Blake Street, Wagga Wagga, NSW 2650
5. **Nominated contact:** Andrew Meurant, Director, andrew@solarprofessionals.com.au, 0435 735 789
6. **Reason for seeking an individual exemption**

Exceptional activities

Solar Professionals' activities, as set out in the Introduction, are exceptional. Whilst Solar Professionals operations will be small and limited to embedded generation within embedded networks, its proposed retail arrangement does not fall within any existing National Energy Customer Framework (**NECF**) exemption category.

Limited resources

While Solar Professionals has an established business in the sale and installation of Generating Systems, it is new to the retail electricity market. As such, it does not currently have the resources to meet the onerous requirements of a full retail licence.

Existing consumer protections

Retail customers of Solar Professions will be required to have contracts in place with an authorised retailer and distributor before they can enter into the ESA with Solar

Professionals. As such, customers' interests with regard to the security and reliability of their electricity supply will be adequately protected.

The ESA will be compliant with relevant consumer protection legislation, including the Australian Consumer Law. Also, many of Solar Professionals' customers will be large business customers. Accordingly, the additional protections ordinarily afforded under the NECF are not necessary to protect consumers' interests in this instance.

7. Address of the site

The AER has advised that this question is not applicable to the type of energy selling that is the subject of this application as the business will sell electricity to many sites.

8. Nature of activities to be undertaken

Please refer to the Introduction.

Solar Professionals will sell solar electricity generated by Generating Systems installed by Solar Professionals on customers' premises. The electricity is primarily sold to the customer on whose premises the Generating Systems are located. Where the Generating Systems generate electricity that is excess of the customer's requirements, Solar Professionals intends to sell this electricity back into the grid to a licensed retailer. Where the electricity generated by the Generating Systems is less than the customer's requirements, it is intended that the customer will use all of the electricity produced by the Generating System and will purchase the additional electricity from its licensed electricity retailer under its retail contract.

9. Form of energy for which individual exemption is sought

Electricity generated from embedded solar power generators. Sites at which Generating Systems will be installed will be connected to the main grid.

10. Will energy supply be established in an area where there is no other energy supply

Solar Professionals will not be establishing electricity supply in an area where there is no other energy supply available. Solar Professionals' business model functions only in areas where there is an existing electricity supply. As mentioned above, customers will be required to have a connection agreement with an authorised distributor and a retail contract with an authorised retailer.

That said, the availability of on-premises generation encourages self-sufficiency which is important in rural areas.

11. Date the sale of energy will commence

Solar Professionals will be likely to commence promoting its new arrangement as soon as practicable after the registration of its individual exemption. Once it has signed up a customer and installed the requisite Generating System, Solar Professionals will commence selling electricity.

12. Mailing addresses for residences at the site

Not applicable.

13. Previous experience in selling energy

Solar Professionals does not have experience in the sale of energy. However, it has been selling and installing and maintaining Generating Systems for 5 years. The power purchase model that Solar Professionals' business follows is new to the Australian market.

Solar Professionals' business model is based on similar models which operate in Europe and the United States as well as the similar recent solar exemptions listed above.

14. Current or previous exemptions

Solar Professionals has never held or been subject to any energy selling exemption, class energy selling exemption or retail licence in any State or Territory.

15. Arrangements in the event that Solar Professionals can no longer continue to supply electricity

The customer's premises will be able to be supplied with electricity by their authorised retailer in addition to (or instead of) the electricity supplied by Solar Professionals' Generating System. If Solar Professionals can no longer supply electricity, the customer's electricity needs will be wholly met by their authorised retailer.

The customer can also self-supply from the installed Generating System when it takes ownership of it at the end of the ESA, or as otherwise agreed with Solar Professionals.

III. Particulars relating to the nature and scope of the proposed operation

1. Customers

Customers will not be Solar Professionals' tenants.

2. Other services

Solar Professionals will provide installation and maintenance services in respect of the Generating Systems on its customers' premises in addition to the sale of electricity. The ESA also provides for a hire/purchase arrangement in which the solar panels are effectively leased to the customer for the term of the ESA, with hire costs being included in the customer's monthly fee. Ownership of the Generating System will transfer to the customer after the term of the ESA.

3. Number and type of premises at the site

There is no "site" as such. As mentioned above, Solar Professionals will sell electricity to a number of different premises.

This information is provided in Part IV below.

4. Acquisition of energy

Solar Professionals will not be on-selling electricity purchased from an authorised retailer, nor will it be purchasing electricity from the wholesale market. Solar Professionals may sell excess electricity generated from the Generating Systems that will be installed on customers' premises.

5. Contracts for energy purchase

The AER has advised that this question is not applicable to the type of energy selling that is the subject of this application.

6. Estimated aggregate annual amount of energy to be sold

For the first year of operation, Solar Professionals expects its aggregate energy sales to be approximately 4,105 MWh.

7. Presence of customers on site owned/controlled by Solar Professionals

Solar Professionals' customers will not be within a site owned, controlled or operated by Solar Professionals.

8. Separate metering

Each premises will be separately metered. As part of the installation of the Generating Systems on each customer's premises, Solar Professionals will install a separate meter that will measure the electricity consumed by the customer as well any excess electricity exported to the grid.

9. Types of meters

Solar Professionals will use metering which is appropriate for the purpose of measuring the consumed and exported electricity and which complies with the applicable energy laws. These meters will be in addition to the meter used by the customer's authorised retailer.

10. Accuracy standards for meters

The meters will comply with applicable standard accuracy measures under the energy law and Australian Standards, and will comply with National Measurement Act 1960 (Cth) requirements for electricity meters installed from 1 January 2013.

11. Meter reading

Meters will be read periodically (monthly or quarterly depending on the site specifics) at regular maintenance checks by Solar Professionals staff. Meters will also be monitored remotely using Allsolus & Schneider equipment.

12. Energy charges

The AER has advised that this question is not applicable to the type of energy selling that is the subject of this application.

13. Billing

Consistent with small customer billing timeframes under NECF, Solar Professionals will issue a written invoice to the customer on the first day of each month. The customer will be required to pay the invoice by the fifteenth day of the month.

Solar Professionals will issue invoices itself.

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

Electricity related complaints and issues will be dealt with under the dispute resolution clause of the ESA. This clause will provide that a customer can raise a complaint or issue with Solar Professionals and Solar Professionals is required to respond to the complaint within a set timeframe setting out its decision in relation to the dispute and the reasons behind it. Either party may choose to escalate the dispute to mediation. The customer may also refer the complaint to the relevant fair trading office or energy ombudsman if it is not happy with the outcome.

15. Availability of energy rebates or concessions

Most of Solar Professionals' customers are likely to be large customers that do not qualify for concessions or rebates. To the extent that they do qualify, or are facing hardship, Solar

Professionals will endeavour to accommodate this and honour the relevant Government scheme.

The customer can be expected to receive the ultimate benefit of cost savings and the availability of renewable power over time. The bundled price the customer pays for both the Generating System and the electricity consumed over the term of the ESA are expected to be significantly cheaper than the cost of acquiring each item separately. At the expiry of the term, the customer will own valuable renewable electricity assets which will enable it to generate its own power from that time on.

16. Will you make energy efficiency options available to your customers?

The electricity that Solar Professionals sells to its customers will be renewable solar generated electricity. Solar Professionals can direct customers to demand-side management consultants if they require it.

17. Further information

If the AER has any further questions or requires any additional information to assist it to process this Application, please contact Andrew Meurant on 0435 735 789 or by email at andrew@solarprofessionals.com.au.

IV. Additional information requirements

1. What is your strategic direction and what are your objectives?

Solar Professionals' objective is to build a sustainable business which simultaneously provides its customers with affordable renewable electricity and assists customers to purchase infrastructure that will allow them to continue using renewable electricity even after the expiry of the ESA.

Please refer to Part 1 – Introduction which sets out additional detail of both Solar Professionals' and Kenjarhy's strategic directions and objectives.

2. What are your projected customer number forecasts?

Solar Professionals anticipates entering into ESAs with 25 customers in New South Wales within 12 months. If its business model is successful, Solar Professionals then plans to expand into the Australian Capital Territory, Victoria and Queensland, with the goal of having 100 ESA customers by 2016. Accordingly, the project is not of the scale that would justify the imposition of retail licence conditions.

3. What are your projected annual aggregate energy sales (in kilowatt hours or megawatt hours)?

For the first year of operation, Solar Professionals expects its aggregate energy sales to be approximately 4,105 MWh.

4. What financial resources do you have to support your business?

As Solar Professionals already has an existing business in the sale and installation of solar PV generating units it already has a level of liquidity to support the business. It also has access to additional loan finance if need be.

5. Are you intending to sell to business customers, residential customers, or both?

The vast majority of Solar Professionals' customers will be business customers. Solar Professionals anticipates that the split of its customer base will be 95% business customers and 5% residential customers.

6. How will your pricing structure work – is the customer charged only for their consumption or are there other fees?

Customers will be charged on case-by-case basis according to site specifics. This will be calculated on an internal cash-flow analysis, incorporating:

- costs;
- risk factors;
- operation and maintenance;
- insurance;
- lending costs; and
- general return on investment.

7. In which jurisdictions do you intend to sell energy?

Solar Professionals anticipates that its customer base will initially consist of customers in New South Wales. If its business model is successful, Solar Professionals plans to later expand into the Australian Capital Territory, Victoria and Queensland.

8. Under what circumstances can the customer contract be terminated (for example, what happens if the customer moves house)?

Circumstances in which Solar Professionals may terminate the ESA include:

- where a customer defaults on payment and does not rectify that default within a reasonable timeframe;
- where the building or area where the Generating System is installed is sold; and/or
- if serious unforeseen damage to the Generating System occurs.

However, termination will only be considered after all attempts to negotiate a fair and reasonable resolution have been exhausted. For example, if the customer moves house, a negotiation process will commence which will consider all options, including:

- buy-out of the Generating System by the customer;
- the removal of Generating System by Solar Professionals; and
- the transfer of the Generating System to the new tenant.

9. What happens to the solar panels at the end of the contract? Who owns them?

At the expiry of the term, the Generating System will normally become the property of the customer.