

ATONRAY PTY. LTD.

ABN: 85 606 505 462

APPLICATION FOR INDIVIDUAL RETAIL EXEMPTION

Submission to the AUSTRALIAN ENERGY REGULATOR, 30th June 2015.

Background

Atonray Pty. Ltd. (the Company) is a proprietary limited company newly established in South Australia under the Corporations Act 2001 (Cth). The company is focused on helping the small businesses in the jurisdiction of South Australia benefit from solar energy without the upfront capital investment traditionally required for solar systems.

Atonray intends to own, manage and operate a number of small scale solar generating assets under the following business concept: a small size business customer (the Customer) will be provided with a fully installed, monitored and maintained solar system, at their premises, at zero upfront cost. In exchange, the Customer will commit to purchase the energy generated by the solar system and consumed on site, under a Solar Power Purchase Agreement (SPPA) signed by the parties, prior to installation of the solar system.

The energy is sold at a fixed price per kWh of consumption on site, at a competitive price below the standing offer price that would be charged by the relevant local area retailer on the date of the agreement. By entering a SPPA with Atonray, the Customer will benefit from savings on a proportion of their power consumption, as well as the predictability of a stable long term price for the power purchased over the term of the agreement.

Atonray is an integrator of competencies, expertise and resources, involving:

- Local SA Clean Energy Council Accredited Installers for both installation and maintenance of the solar system, providing an ongoing source of revenue for such professionals.
- Local SA wholesale solar systems suppliers.
- In-house billing management.
- In-house customer and location suitability assessment.
- In-house generation and consumption modelling to provide suitable matching of systems.

As the Customer will retain their primary electricity retailer of choice and will still be connected to the grid, the Company will only act as an add-on supplementary energy service provider, focused on generating savings via clean energy for the Customer, on site.

Atonray does not seek to acquire energy from the wholesale market and engage in energy retail activities, other than directly selling the energy produced by the solar system owned by Atonray and installed on the premises of the Customer directly to the Customer.

Given the fact that the business model is relatively new to the Australian market and that Atonray intends to operate only within the Jurisdiction of South Australia with a limited number of small commercial customers, the Company is seeking an individual exemption for the sale of energy to its customers under individual Solar Power Purchase Agreements.

General information requirements for Individual exemption

1 *Your legal name.*

Atonray Pty. Ltd.

2 *Your trading name if different to your legal name.*

Atonray Pty. Ltd. does not have a trading name different to its legal name.

3 *Australian Business Number (ABN).*

ABN: 85 606 505 462

4 *Registered postal address for correspondence.*

Registered Office
Atonray Pty. Ltd.
5 Hauteville Terrace, Eastwood SA 5063

5 *Nominated contact person, including their position in the organisation and contact details.*

Brenton Ramsay
Director
Atonray Marleston Office
8 Moss Avenue, Marleston SA 5033
E-mail: brenton@atonray.com
Phone: 08 8297 8962

6 *Why you are seeking an individual exemption, and why you believe that an exemption (rather than a retailer authorisation) is appropriate to your circumstances.*

Atonray Pty. Ltd. is seeking an individual exemption because the Company is not a traditional energy retailer and it will not set-up a retail energy distribution network. Atonray Pty. Ltd. intends to employ an innovative energy sale vehicle – Solar Power Purchase Agreement – with the ability to bill a Customer for the solar energy produced and consumed on their premises.

Atonray Pty. Ltd. believes that the grant of an individual exemption for selling energy under a SPPA would be more appropriate given The Company's plan to operate in the limited jurisdiction of South Australia with a small number of customers. A retailer authorisation would be burdensome in this situation.

Atonray Pty. Ltd. will only sell energy generated onsite to the benefit of the Customer. The Company does not seek to on-sell energy generated elsewhere or to a Customer located anywhere else other than the premises covered by the SPPA. Atonray does not seek to purchase energy from the wholesale market nor replace the Customer's primary energy retailer of choice, nor does it prevent them from retaining or changing their primary energy retailer. Atonray aims to provide only a proportion of the Customer's energy needs, under an individual Solar Power Purchase Agreement.

7 *The address of the site at which you intend to sell energy, including a map of the site and a brief description of this site and its current and future use/s*

N/A

8 *The primary activity of your business.*

The primary activity of the Company is to own, manage and operate Small Scale Solar Systems on the property from which the Customer conducts their business. Atonray will generate and sell solar energy at that property for the on-site benefit of the Customer. The Company will enter a number of Solar Power Purchase Agreements with Customers on different locations. Each SPPA will be treated individually.

9 *The form of energy for which you are seeking the individual exemption (electricity or gas). For electricity, please state whether the network you propose to sell is directly or indirectly connected to the main grid or is (or will be) an off-grid network.*

Atonray Pty. Ltd. is seeking an individual exemption to sell Electricity generated on the Customers site, with the Customer connected to the main grid through the Customer's retailer of choice.

10 *Are you establishing, or have you established, energy supply in an area where there are no other viable energy supply arrangements available*

N/A

11 *The date from which you intend to commence selling energy.*

The Company would like to start selling energy as soon as possible following the grant of an individual exemption and installation of the first system.

12 *Mailing addresses for premises at the site (where applicable). We may use this information to ensure that potential customers are able to participate in our consultation process.*

N/A

13 *Details of any experience in selling energy*

Atonray Pty. Ltd. is a new entity and as such has no previous experience selling energy.

14 *Whether you currently hold, or have previously held or been subject to, an energy selling exemption or a retail licence (retailer authorisation) in any state or territory. If so, please provide details.*

Atonray Pty. Ltd. is a newly established entity and it does not, nor has it previously held a retail license/authorisation or been subject to an energy selling exemption in any state or territory.

15 *What arrangements you have made in the event that you can no longer continue supplying energy (e.g., has the retailer that sells to you agreed that they will service the customers).*

N/A

Particulars relating to the nature and scope of the proposed operations

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?*

N/A

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.*

The commercial relationship between Atonray Pty. Ltd. and the Customer will be the sale of energy under a Solar Power Purchase Agreement (SPPA).

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).*

N/A

4 *Will you be onselling energy (that is, selling energy purchased from an authorised retailer) or purchasing it directly from the wholesale market?*

N/A

- 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.*

N/A

- 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)?*

N/A

- 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).*

N/A

- 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.*

N/A

- 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)?*

Each site covered by a SPPA will be individually metered, reading solar energy consumption on-site and excess solar energy exported to the grid.

Atonray Pty. Ltd. will use remotely read interval meters that meet all applicable Australian standards to Class 1 or better accuracy to measure energy consumed on site and energy exported to the grid.

The meters do not prevent in any way the Customer from choosing or changing their primary energy retailer.

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 meters are Class 1 or greater accuracy standard. The meters comply with Australian Standards including AS62053.21

The meters comply with National Measurement Act 1960 (Cth) requirements for electricity meters installed from 1st of January 2013.

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

N/A

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

N/A

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

The Customer can elect to be billed via mail or via electronic transmission such as email.

The Customer can choose either a monthly or quarterly billing period, as best suits the needs of the Customer.

Bills will be issued by Atonray Pty. Ltd. The bill will be issued between the 1st and 5th day of the month immediately following the billing period. Payment terms are 14 days.

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

Should there be any disputes between the parties of the SPPA, reasonable endeavours will be made to solve the dispute directly in the first instance. The business strategy of Atonray Pty. Ltd. is to have only a small number of customers with a co-operative approach towards achieving positive outcomes for both the Customer and Atonray. To this end, the Company offers a number of options to the Customer including;

- The Customer has the option to terminate the SPPA, at any given point throughout the duration of the agreement, observing the mutually agreed costs for doing so.

- The Customer has the option to transfer the SPPA upon sale of property.
- The Customer has the option to acquire the solar system at any given point, at an agreed price reflecting the solar system acquisition price depreciated over the schedule as shown within the SPPA.

Should the Customer have complaints and issues they may contact Atonray by email, letter or phone. The Company will seek to resolve any such issues as quickly as possible. Atonray's goal is to resolve any such complaint or issue within 28 days.

Nevertheless, if despite all efforts made in good faith, a satisfactory resolution is not achieved, the Customer is protected by Australian Consumer Law. In South Australia the Customer may contact the Energy Industry Ombudsman SA to review any concerns and also review Atonray's attempted resolution.

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

N/A

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?*

At this stage Atonray does not intend to make additional energy efficiency options available outside of the SPPA..

17 Please provide any further information that you consider would assist us to assess your application.

Answers to Additional Questions are provided as further information on the following pages.

Additional Questions

1 *Do you have any experience in the energy industry? Please provide a brief description.*

Atonray Pty. Ltd. is a newly established entity, therefore it does not have experience as a legal entity in the energy industry. Nevertheless, each contractor, associate, and director have extensive experience covering local and international solar projects, engineering design and maintenance, renewable energy project management, asset management, client relations, marketing, finance, budget management and business administration.

- 2 *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.*

The Company's strategic direction is to sell energy via SPPA exclusively within the jurisdiction of South Australia. Atonray will work together with small size businesses that do not have access to the additional capital investment required to purchase a solar generating system. These are also the small size business customers who would benefit from a lower overall energy bill. Atonray will offer increased predictability of budgeted energy costs for these companies, together with an overall saving on yearly electricity costs. By generating clean energy on the site of consumption, transmission losses in supplying energy to the customer will also be reduced.

Atonray is a small operation with a very limited number of customers. Atonray plans to install solar systems in the 5kW - 30kW size range.

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- 3 *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?*

Atonray's pricing structure will be a fixed price/kWh for the energy consumed on site.

The fixed price per kWh will be mutually agreed in the SPPA, at a level below the standing offer price charged by the local retailer at the date of signing the SPPA.

The fixed price per kWh will be annually indexed according to the All Groups CPI for Adelaide.

When the Customer enters a SPPA with Atonray, the Customer also agrees to purchase a minimum amount of energy per billing period. The minimum amount is determined before the SPPA is signed, and is calculated with regard to the minimum anticipated level that the system can achieve during the lower production winter months, and the length of the billing period elected by the Customer (monthly/quarterly). The Customer agrees to purchase at least this minimum agreed amount of electricity per billing period as part of the SPPA.

If excess solar energy exported to the grid is eligible for credit from the Customer's retailer of choice (for example via a Minimum Retailer Payment), then the SPPA will define the apportionment of this benefit between The Customer and Atonray. For example the SPPA may specify that Atonray and the Customer will share equally in the benefit of excess energy exported to the grid (50/50 split).

The amount to be billed per billing period will be calculated and shown as two discrete items on the bill as follows;

1. $[agreed\ SPPA\ fixed\ price/kWh] \times [kWh\ consumed\ on\ site]$
2. $[feed\ in\ tariff\ received\ by\ the\ Customer] \times [kWh\ of\ excess\ energy\ exported] \times [\%benefit]$

For the purpose of billing, the [kWh consumed on site] will be the greater of either the actual metered consumption recorded on site, or the minimum agreed consumption per billing period as mutually agreed between the parties in the SPPA.

Atonray may charge a late payment fee of \$10 + GST for any amounts outstanding over 30 days.

Should the Customer elect to cancel the SPPA within the term, there is a mutually agreed fee for removal of the solar system as stated in the SPPA. The fee is proportional to the size of the system.

No other fees will be charged, as Atonray will manage the billing function in-house.

- 4 *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?*

Atonray contracts with Clean Energy Council Accredited Installers to perform system installations.

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

Atonray intends to sell energy exclusively to small size commercial customers. Atonray will not sell energy to residential customers.

Atonray is targeting system sizes between 5kW – 30kW. The size of the system will be matched to the Customer, considering:

- the actual energy demand on site and local site factors
- the estimated consumption profile throughout a calendar year
- the previous 12 months of actual consumption data on site
- the minimisation of exported energy to the grid
- the ability to demonstrate an estimated saving to the Customer through custom modelling

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

Atonray intends to use fixed term contracts. CONFIDENTIAL. END CONFIDENTIAL

7 *Under what circumstances can the customer terminate the agreement and at what cost?*

The Customer can terminate the SPPA at any time with 90 days notice in writing to Atonray as follows;

- If the Customer wishes to purchase the system, they will be required to pay the agreed purchase price of the system less the agreed depreciation as shown in the relevant schedule of the SPPA. Ownership of the system will then transfer to the Customer.
- If the Customer does not wish to purchase the system, they will be required to pay a removal cost proportional to the size of the system installed.

8 *What happens when the contract ends? Who owns the system?*

When the contract ends, Atonray retains ownership of the system. The Customer has the following options:

- Renewing/negotiating a further agreement with Atonray.
- Purchasing the system according to the agreed schedule.
- Requesting removal of the system at the agreed cost.

Further relevant information

Under the SPPA, the Customer assigns the rights to any Small Scale Technology Certificates (STCs) that may be available with respect to the size and geographic location of the solar project to the Company. Assigning the STC's to Atonray partially covers some of the upfront cost of the solar system thereby allowing Atonray to charge the Customer a lower price per kWh.

Under the SPPA, the Customer agrees to grant the Company access to the Customer's premises in order to perform installation and maintenance. Atonray takes full responsibility for the proper management and operation of the solar system in order to deliver the optimum output.

Conclusion

Based on the elements presented above, Atonray's Pty. Ltd. approach to energy sale is not that of a traditional retailer, selling energy from a variety of sources to a variety of customers in multiple locations. Nevertheless, the Company does intend to sell energy – generated and consumed on the site of the Customer. Atonray will operate exclusively within the jurisdiction of South Australia selling only to a very limited number of small size commercial customers, and it is for these reasons we believe an individual exemption would best suit our business model at this time.