



Energize Energy Pty Ltd

ACN 606 117 784

Application for Retail Individual Exemption

Part A – Public Submission

Submitted to Australian Energy Regulator on 22nd June 2016.
Draft 1.0

This submission by Energize Energy Pty Ltd to the Australian Energy Regulator for Retail Individual Exemption consists of two separate parts namely:

Part A: Public Submission

Part B: Confidential Submission

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PART A: INFORMATION ON APPLICANT-Public Submission

Energize Energy is a company registered and proposing to operate in Australia. The shareholders and management team consist of individuals with significant energy industry experience in Australia having worked in energy retail, energy trading and network distribution as well as renewable and fossil fuel generation.

Energize Energy will present transparent and fair contractual agreements to potential customers, typically Power Purchase Agreements, with the objective of providing energy at a price that is lower than a customer would otherwise be able to access from the normal grid supply. We will strive to provide our residential customers the opportunity to experience a “smart home” experience. For our business customers, we will pursue all opportunities to reduce their electricity consumption and to match their business operations profile with their electricity supply as well as exploring innovative energy management techniques best suited to their business needs.

Additionally, Energize Energy will utilise a variety of potential on-site generation and storage technologies, together with demand-side management techniques to give our customers the tools they need to reduce their energy bills. Our customers will continue to enjoy access to normal grid supply.

Energize Energy has studied and understands the various compliance requirements of a company holding an individual retail exemption and will ensure that the company complies.

In support of our application, please find information below as required by Version 4 Appendix C of the AER (Retail) Exempt Selling Guideline, 2016.

1: Legal name

Energize Energy Pty Ltd

2: Trading name, if different from legal name

Same as the legal name above.

3: Australian business number or Australian company number

ACN: 606 117 784

4: Registered postal address for correspondence

30 Bimbil Road, Somersby, New South Wales, 2250.

5: Nominated contact person.

For any questions relating to this application, please contact Wal Shepherd.

Phone: 0419 721112.

Email: shepherds30@bigpond.com

6: Reasons that an individual exemption is appropriate.

An individual exemption is appropriate for the proposed business activities of Energize Energy because they are restricted in scope and would not require a full retail authorisation.

Energize Energy intends to supply electricity to a full range of consumers, namely industrial and commercial users, and small business and residential users defined as “large customers” and “small customers” respectively by the National Energy Retail Law (NERL).

The on-site energy produced by solar PV or other forms of generation located on customer’s premises would be supplied to the customer under a Power Purchase Agreement (‘PPA’). In most cases, an upfront payment towards the cost of the generation source will be required from the customer. The upfront payment will reduce the capital investment required and allow Energize Energy to offer a competitive price for supplied energy. However, we will be flexible regarding any up-front payment requirement and would consider a zero cost plan structure if requested by the customer.

The focus of Energize Energy's PPA will be transparency, savings for our customers and the supply of energy for our customers at a rate that is more competitive than they could obtain from the normal grid supply. However, the PPA’s do not guarantee electricity supply to the customer’s network connection point and any PPA contract between the consumer and Energize Energy would be in addition to a normal supply arrangement that the consumer would have with an authorised market retailer.

Energize Energy will use energy storage techniques where appropriate for an individual

customer supply arrangement, or when so requested.

As previously mentioned, all Energize Energy customers will have access to grid supply, whether or not electricity is being produced at the particular time via on-site generation. As such, our customers will continue to enjoy access to grid energy even when energy is not being produced by on-site generation. Despite the incidental nature of the energy supplied, Energize Energy recognises that it will have responsibilities to its customers in ensuring a positive customer experience and in complying with applicable obligations under Energy Law and the Australian Consumer Law.

Energize Energy customers will continue to enjoy the ability to choose a retailer and Energize Energy will not do anything to discourage or prevent our customers from exercising that choice, as our objective is to provide an enhancement to their normal grid supply arrangement.

Energize Energy will comply with the requirements under Rule 153 of the Retail Rules, where applicable.

It is asserted that many of the requirements of the NERL in respect of authorised retailers would not apply to the PPA supply model e.g. Retailer of Last Resort, customer transfers and interactions with DNSP entities and publication of energy fact sheets. Additionally, many of the social policies relating to customer support and protection of “small customers” via a typical authorised retail hardship policy would not be applicable or suitable as the PPA supply is a supplement only to normal grid supply of an essential service. Therefore, a requirement for full compliance with the requirements of the NERL is considered excessive and not justified as such in these circumstances.

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

7: Primary activity of the business

It is proposed that the primary business activity of Energize Energy is the production and deployment of electricity at on-site locations where the electricity produced on site is sold to the host customer. On-site generation would usually be produced by a solar PV system and could be integrated with a storage system (typically battery technology) to enable the deployment regime for the customer’s use.

By implementing such a regime on site, we would be able to integrate renewable energy and

other forms of embedded generation with a range of energy efficiency measures in order to assist our customers achieve significant energy savings and so be less reliance on grid supplied electricity.

As a business entity, Energize Energy is wholly focused on ensuring positive customer outcomes and as such takes customer service and our reputation amongst our customers very seriously.

8: Form of energy sold

Energize Energy will produce and sell electricity. Our customers will remain connected via the existing metered connection with their Distribution Network Service Provider (DNSP), however our objective will be to reduce their reliance on this grid connection supply. Our customers will always maintain a grid connection and so continue to have the ability to purchase electricity through their existing authorised market retailer of choice.

9: Commencement date

Energize Energy will commence marketing its products and services as soon as possible following the issue of an individual retailer exemption licence.

10: Details of any experience in selling energy.

The directors/ shareholders and executives of Energize Energy have significant experience in the Australian energy industry. Whilst Energize Energy is a new company, this experience will ensure that Energize Energy is able to comply with the applicable regulations and offer potential customers a suitably attractive supply arrangement to ensure that is a successful business operation. Further details relating to the experience of the company officers, please refer to Part B (Confidential Section) of this application.

Those operations which cannot be managed in-house will be outsourced to reputable third-parties. For example, on-site generation (e.g. solar PV systems) and metering equipment will be installed by qualified electricians who hold required authorisations and operate an established business. Energize Energy will conduct due diligence into each proposed supplier and will ensure that any suppliers have the same level of commitment to compliance as does Energize Energy.

11: Current or previously held retail license or energy selling exemption

Energize Energy does not hold (and has not held) a retail license or exemption in any State or territory. Energize Energy is a new business.

ADDITIONAL INFORMATION

1: Other services

All services supplied to our customers will be focused on energy and energy efficiency. Energize Energy does not propose to supply services which are unrelated to energy or energy efficiency. During the term of a PPA, Energize Energy will ensure that the installed generating system remains functional through remote monitoring and routine maintenance servicing through other party service agreements. These services would be provided from us for servicing our customers as well as directly dealing with them. These would include metering installation and reading, installation and maintenance of equipment supplied under the PPA, efficiency upgrades and a range of consultation services regarding potential options available for implementation of demand side management techniques. Those services outside the structure of the PPA would be delivered on a fee for service basis and would not be conditional on any supply arrangements provided. Energize Energy will not be providing any form of property management service.

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

Energize Energy customers will be billed on a monthly or if agreed, quarterly basis. Bills will be issued directly by Energize Energy and sent via email, or on request, by post to customers. The billing preparation and issuing function will be out-sourced to an appropriately accredited contractor at a later time as customer numbers grow.

With regards to customer invoicing requirements, Energize Energy will comply with applicable conditions of Appendix A2 of the AER (Retail) Exempt Selling Guideline, Version 4, 2016.

3: Dispute resolution procedures

Energize Energy will adopt an approach consistent with Australian Standard AS ISO 10002:2004 in the management and resolution of customer complaints.

In managing complaints, Energize Energy will:

- a. Treat all customers with respect;
- b. Respond to any customer complaints with confirmation of receipt within 24 hours of receipt;
- c. Commence an investigation into any complaint within 24 hours of acknowledgement;
- d. Communicate any proposed resolution as soon as possible; and
- e. Provide our customers with the option of internal review if they are not satisfied with the original resolution or resolution proposed.

All complaints will be recorded in a complaints register and a report will be prepared for the Board of Energize Energy on each complaint received. All complaints will be reviewed for signs of a systemic issue and any underlying causes of complaints will be resolved as soon as possible.

Our detailed hardship policy document is to be found in Part B (Confidential Section) of this application.

4: Other relevant information

Energize Energy will target commercial and retail small business customers. These will be a mixture of “small” and “large” customers (as defined in the National Energy Law/Rules). We will also seek to engage with residential consumers by offering our range of supply and deployment products at their residence.

Our business aims are strategically targeted to enable electricity consumers to reduce their consumption and so reduce their cost of electricity usage. As such, the outcome of this approach is for our customers to take more control of their electricity “spend” and encourage them to implement demand-side management techniques to benefit both the consumer and network supply demands.

We believe that our business model and marketing plan positions Energize Energy to be well placed to provide exceptional service and creative products to customers. The key executive and management roles in the business are filled by experienced personal with wide-ranging industry experience and well qualified to deliver the company business plan. We aim develop a range of innovative products and services that support the primary PPA product and so help to differentiate us in the marketplace.

In conjunction with offering our PPA product, Energize Energy will review each customer's consumption and assist the customer in obtaining appropriate energy efficiency, such as the installation of energy efficient lighting, power factor correction, and other appliances which reduce energy consumption. Energize Energy will be strongly focused on the integration of solar PV and other on-site generation with normal grid supply with the objective of giving our customers access to supply arrangements that are "purpose built" to meet their overall supply needs.

Energize Energy will not be on-selling energy sourced from an authorised retailer or purchasing it from the wholesale market.

Finally, Energize Energy will not seek to supply or offer our services to retirement villages, residential parks or manufactured home estates under this application.

5: Business Model details

A detailed business and marketing plan has been prepared and is to be found in Part B (Confidential Section) of this application.

In summary, Energize Energy is seeking to supply up to 100 sites in the first year of operation made up of residential and commercial customers. The typical solar PV system to be installed will range from 3kW (residential customers) to 30kW (business customers). Other forms of embedded generation (typically gas or diesel generation) will typically range from 250kVA to 500kVA in nameplate rating.

Based on the business plan forecasts, it is anticipated total electricity production to be in the order of 2980MWh pa of electricity at end of the first 3 years across the National Electricity Market as it is formed to date and that is presently under the jurisdiction of AER.

6: Electricity Pricing Structure:

Under the terms of the PPA, the customer will be required to pay for all of the electricity generated by the installed system (at a fixed rate i.e. c/kWh) as well as any additional fixed fee payable as/if required by the terms of the individual PPA, typically if an up-front payment of the system is required. Additionally, Energize Energy may be able to offer a range of innovative services to its customers, and these details are outlined in Part B of this submission.

For non-renewable generation systems (typically diesel or gas fired generation), the fee structure will be based on electricity generated at an agreed rate payable to the customer, and possibly other financial considerations 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, we 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. Notwithstanding the above comments relating to PPA structures, we are willing to consider alternatives if requested by the customer.

7. Related Entities

Energize Energy is a stand-alone business entity established to undertake the type of business activities outlined in this application. We envisage that we will be engaging the services of specialist providers as outlined in response to question 1 above.

8: PPA Term

It is envisaged that PPA terms would be up-to 20 years in duration for business customers but shorter (up-to 15 years), for residential customers. This term would be negotiable. Specifically, in regards to residential customers, we would generally aim to reduce the term of the PPA to below 12 years duration.

With regards to customer exit arrangements:

- a. In the case of electricity supplied from solar PV or other renewable systems:

The customer may exit the contract early by buying out the generating system from Energize Energy 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 negotiation with each customer's requirements and the length of the contract, with the buyout rate decreasing each year of the contract. Please note that Energize Energy 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.

b. In the case of non-renewable systems:

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

9: Early Termination of PPA

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.

10: PPA Termination ownership

For renewable energy type installations (typically Solar PV generation) the customer would take over full ownership writes if all the conditions of the PPA are met. For non-renewable energy installations, Energize Energy would either renegotiate a new PPA term or remove the installation.

11. Ownership of Green Certificates and Feed in energy

Energize Energy will own all rights to any green certificates/rebates and dependent on the terms of the PPA, any net generation fed into the network would be owned by either Energize Energy or the customer. If not owned by Energize Energy, net feed-in payment would be subject to agreement between the authorised market retailer and the owner of the site.