

Application to the AER for an Individual Exemption (Embedded Network)

General Information Requirements

Legal Name: The Body Corporate for Freshwater Point CTS 35855
Trading Name (if applicable): n/a
ABN/ACN: 89 433 525 962
Registered Postal Address: C/- Ernst Body Corporate Management
PO Box 10374, Southport QLD 4215
Nominated Contact Person: Mike Hounsell
Position: Body Corporate Representative
Phone: 0423 221 570
Fax: n/a
Email: mhounsell@optusnet.com.au

Reason for Individual Exemption:

The Body Corporate's aim was to establish a more appropriate electricity supply arrangement for the residents of Freshwater Point that delivers significant savings over traditional individual electricity supply arrangements as well as provide the structure to facilitate further energy savings in the future for the community.

Address of Site in the Application:

33 T E Peters Drive, Broadbeach Waters QLD 4218



Primary Activity:

The primary activity for the site is related to residential accommodation - this site is a Body Corporate or Strata Titled property. The site has effectively two buildings or medium rise towers with some villa apartments that operate resort style accommodation together with permanent residents or tenants.

Form of Utility for which Individual exemption is sought:

Electricity - to be sourced from a licenced retailer via a direct connection to the existing electricity network.

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

No, however the Body Corporate aim was to establish a more appropriate electricity supply arrangement to the site that is more reflective of the true cost of supply to the site and deliver significantly lower electricity charges for residents than otherwise achievable through any traditional electricity retailer. Previous to this arrangement, individual retailers (and the local network company) are using privately owned infrastructure to supply to each individual apartment.

Date of which you intend to commence selling of utility:

The site was physically converted on 26/08/15 and has been billing since this date.

The original intention was for the works to be completed prior to 1 July 2015 but delays in arranging a suitable date with Energex and the retailers caused the delay in completion and the requirement for an application for an individual exemption was overlooked.

Mailing address for premises at the site: (The AER may use this information to ensure that potential customers are able to participate in their consultation process)

C/- Ernst Body Corporate Management
PO Box 10374
Southport QLD 4215

Details of any experience in selling energy:

The Body Corporate themselves have not had experience in on selling but have engaged appropriate parties with significantly relevant experience to assist with the implementation and ongoing billing arrangements.

In particular, the Body Corporate have engaged METER2CASH Solutions as their nominated billing agent. METER2CASH currently operate over 300 similar buildings and have both the capability and experience to ensure the service delivered to the residents are manage appropriately in within the guidelines as set by the AER. METER2CASH will manage all aspects of the meter reading, billing, debt management and customer management services.

The Body Corporate will be the on-seller and METER2CASH will only act as a billing agent. The energy contract will be with the Body Corporate and ultimately they bear the total financial risk associated with the on-selling of energy to the residents.

The Body Corporate committee will also oversee the on selling process where specific decisions are required.

Do 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:

Not relevant

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).

While this is not an event that the Body Corporate foresee happening, they will ensure that all existing infrastructure can facilitate the “unbundling” of the embedded network (as a last resort) and create individual NMIs for each resident. This requires no physical work and could be established at relatively low cost for each resident, no different to establishing a new connection for an individual home.

A further contingency would be to approach an existing authorised retailer providing these services such as Origin Energy, Locality Planning Energy or the like.

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?**

All customers will either be resident owners, investor owners or tenants and solely residential in nature.

As it the case with many residential buildings some owners elect to rent out their apartment to permanent tenants or have their apartment in the letting pool for short term (usually holiday or overnight) rental.

In the case of a permanent tenant the tenant pays for the electricity directly.

In the case of the holiday letting, the owner pays for the electricity and we assume they would factor this cost into the daily or weekly room rental charges. Any holiday or short term residents would not pay directly for electricity.

All tenants with an appropriate lease are also governed under the Residential Tenancy Act in matter relating to the lease or rental arrangements. Both resident owners and tenants are also bound under the by-laws for the property as per the Body Corporate and Community Management Act.

- 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 Body Corporate will only be supplying electricity (as a utility) to the residents at the site.

The Body Corporate do not have any other commercial arrangements or relationships. Any lease arrangements (i.e. for tenancies) are through leasing agents.

- 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).**

There are 255 residential apartments, the manager’s lot, and the community or common area supply. All apartments and the manager’s lot are classified as small market customers.

The Body Corporate community supply is currently a large customer although the Body Corporate would not be selling to themselves under this arrangement.

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

The Body Corporate will be on selling energy only that is purchased from an authorised retailer.

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

The Body Corporate originally entered into a market contract with Origin Energy that took effect from the date of the creation of the embedded network and have recently renewed their supply contract with Origin Energy for a period up to 31 December 2019.

The process adopted by the Body Corporate is to conduct a competitive tender process to source the most cost effective supply from retailers operating QLD. The term of any new contract will be at least 12 months and longer term contracts may be entered into subject to the market rates at that time. Typically though the Body Corporate will endeavour to enter into a three year contract where appropriate.

The Body Corporate currently use Watt Utilities (consultant/broker) to assist with the process and provide the necessary due diligence required under the Body Corporate Act.

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)?

The estimated aggregate consumption for the total site is approximately 3,379 MWh per annum.

The usage is broken into 2,131 MWh for the community or common areas and 1,248 MWh for total of all apartments.

The average apartment is expected to use approximately 4,874 kWh per annum. This information was based on the last 12 months of actual billing records provided by METER2CASH Solutions.

Current billing records to date have been used to support this.

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).

All customers reside within the boundaries of the property that forms the Body Corporate – i.e. a multi-storey high rise residential building (effectively two medium rise buildings or towers plus a number of villa style apartments)

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.

All apartments are metered individually with the Body Corporate purchasing the existing network owned (NMI approved) meters to maintain continuity for all residents.

The existing community meter currently has a market meter and this was replaced with a privately owned check meter to enable the reconciliation of all electricity used in the property.

This meter is also NMI approved.

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 current meters are basic accumulation type meters that are manually read. Specifically the meters are a combination of –

- EDMI Mk10 three phase (for larger apartments – 25 off)
- Iskra ME240 single phase (for the majority of apartments – 219 off)
- Landis+Gyr EM1000 single phase (where original meters were replaced – 12 off)

All meters were previously owned by the distributor Energex. As part of the conversion Energex agreed to the purchase of the meters by the Body Corporate. This decision was made to provide continuity of the meter readings for all residents (rather than replacing with new meters and starting from “0”) and confidence that the existing meters owned by Energex were reliable and of an approved type.

These meters will not allow a customer to change retailer under the current jurisdictional rules.

Until such time that the relevant jurisdiction agrees to some other means to allow embedded customer easier access to market offers (i.e. parent child NMI arrangements as exists in VIC and NSW) these meters will remain. In the event of future changes to the rules, the Body Corporate would then consider replacement of the existing meters to facilitate access to all residents.

In the event a future customer does not want to be a customer of the embedded network, and until such time the jurisdiction introduces an appropriate process, the Body Corporate would need to facilitate that resident to “wire out” the apartment from the arrangement.

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?

All meters currently comply with the National Measurement Act.

To our knowledge all meters are or were NMI Pattern approved and comply with the following standards:

- Class 1 & Class 2 (MID Class B & Class A)
- Compliance with IEC 62052-11, 62053-21, 62053-23
- Compliance with AS 62052.11, 62053.21, 62053.23

For any meter that requires replacement in the future, the Body Corporate will ensure the meter used will comply with the requirements of the National Measurement Act and relevant Australian Standards at that time.

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

The meters will be read in line with cycle billing (monthly, bi-monthly or quarterly) as determined by the Body Corporate or in agreement with the majority wishes of the residents.

Meter reads will be performed by the nominated billing agent (in this case METER2CASH Solutions) or a nominated party as approved by the billing agent (e.g. the resident manager).

All persons carrying out meter reading services will be appropriately trained.

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

All customers have individually meters at this site. If any meters fail (and or require replacement) or there are difficulties in reading the meters, accounts to residents will be issued in accordance with the estimation requirements under AER and NERR.

The Body Corporate will also assure that the billing agent will not allow the estimation of any account on two consecutive occasions unless access is withheld from any resident. All meters are located in community areas so this is an unlikely event.

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

Currently bills are issued on a monthly basis.

The Body Corporate however has the flexibility to bill at regular cycles on either a quarterly, bi-monthly or monthly intervals.

The maximum billing period regardless will be quarterly or approximately 90 days.

The cycle will was determined by the Body Corporate with consideration of the wishes of the majority of residents. If there is any dispute in the billing cycle, then the default will be quarterly billing.

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

The dispute resolution process will be managed by the billing agent and will be in accordance with AER requirements as set out under the relevant condition.

The billing agent would normally be the first point of call for any dispute and where possible they will work with the customer to resolve the dispute internally.

Where a dispute cannot be resolved, provision exists for dispute resolution by independent mediators.

The nominated billing provider provides flexible payment options, applies rebates to applicable customers, and facilitates access to hardship arrangements, Home Energy Emergency Assistance Scheme (HEEAS) and QLD Ombudsman (if and where applicable).

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

All residents will have access to the **QLD Electricity Rebate** applicable to seniors, pensioners, veteran affairs and other eligible persons in accordance with QLD Government requirements.

In addition the billing agent also will facilitate access to hardship arrangements available from the QLD Government **Home Energy Emergency Assistance Scheme** for eligible persons.

The nominated billing agent applies and lodges all rebate applications on behalf of the Body Corporate and liaises with the retailer to the embedded network for the relevant rebates.

In all cases the Body Corporate will apply the rebate to the approved residents and then recover the bulk rebates via their retailer.

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?

The Body Corporate may look at energy audits to deliver energy efficiency benefits to residents however this is based on being able to deliver cost effective solutions where opportunities for energy savings are identified.

This roll is supported by the Body Corporate consultant (Watt Utilities) and the billing agent (METER2CASH Solutions) to review accounts periodically to identify potential opportunities for savings

The Body Corporate also sees the benefit of implementing an embedded network for the potential to install future solar for the benefit of the whole community.

Typically under a Body Corporate arrangement with a high rise building, it is not possible for the majority of, or any, individuals to access solar as the roof is generally part of the common property. Also with limited roof space it is not possible to allocate a portion to each apartment owner.

However, under an embedded network the Body Corporate is able to implement a large scale system that provides benefits to all residents equally. This is a consideration for the Body Corporate in the near future.

The Body Corporate also undertakes other energy efficiency opportunities such as installation of LED lamps, time clocks, or sensors to assist in reducing occupant's power usage for common areas, tenants and owners alike.

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

As previously mentioned the primary purpose for the Body Corporate to create the embedded network was to deliver significantly lower electricity cost to all residents in the building.

Consideration was (and will always be) taken to ensure no resident was worse off, that they provided their consent voluntarily, and they will always receive electricity at a lower cost than any retailer would be able to supply to an individual customer.

This is supported by the last 12 months of actual data where the nett savings (over the combined consumption and service fee charges) were in the order of **31 to 36%**.

This compares with the best savings in the current market of approximately 9% off the total consumption and service fee charges (based on Energy Made Easy website using the same average consumption).

Current charges for residents under the embedded network –

- All consumption – 19 c/kWh + GST
- Service Fee - \$143 + GST per annum or approximately 39.195 c/day + GST

This clearly demonstrates the benefit delivered to the community through the creation of the embedded network.

The creation of embedded networks for Bodies Corporate in Queensland has always been to promote efficient investment in, and efficient operation and use of, energy services for the long term interests of residents with respect to price, quality, safety, reliability and security of supply of energy.

Under the Body Corporate law in QLD, a Body Corporate cannot profit from the provision of a service and therefore the maximum savings will always be passed on the residents. This is in stark contrast to licenced retailers who provide similar services in these circumstances where they will always have some additional profit margin built into their offers, hence lower savings passed on to residents.

The Body Corporate proactively will ensure the way they purchase the electricity for the bulk supply will continue to deliver the savings to the residents.

In terms of safety, as the owner of the property, the Body Corporate has always had responsibility for the safety, reliability and security of the supply of electricity to the residents within the building. The supply authority has only had responsibility for the supply to the connection point to the building and the Body Corporate is then responsible for all infrastructure within the building, regardless of whether the site has a "retail" embedded network set up or not.

An embedded network owned and operated by a Body Corporate under the current rules in Queensland provides the greatest benefit to any resident in terms of price and all other conditions apart from the freedom of choice. The freedom of choice will not see any resident receive lower electricity prices regardless of any future competition simply by the way the savings are derived under an embedded network.

The Body Corporate would also like the AER to consider that licensed retailers who implement embedded networks do not need to apply for an individual exemption. They are however still constrained in the same way as the Body Corporate in that the physical nature of the embedded network means that no customer can easily opt out other than rewiring the meter outside of the gate meter.

While retailers provide a higher level of consumer protections, their customers have no more of a choice than any Body Corporate operated embedded network, however the Body Corporate embedded network is not driven by profit so will always deliver better outcomes for residents, of course with the consideration that all other aspects are well managed.

Mitigation of detriment: Retail contestability and competitive offers

While we acknowledge the lack of access to retail competition for customers within embedded networks in QLD, we also wish to reinforce the benefits delivered to customers of residential Body Corporate embedded networks far outweigh the lack of access to other competitive offers.

Savings in the order of 31 -36% have been demonstrated for this property (as discussed previously) compared to the very best available from other retailers.

Deregulation in the minds of many people is all about improving competition and delivering lower electricity prices. The complete opposite has happened in QLD with deregulation effectively pushing up electricity prices. There may be competition within these markets but most consumers have still seen net increases in the cost of electricity.

Embedded networks are unique in that they have the opportunity to deliver significantly lower electricity prices primarily as a result of lower overall network charges to the property compared with the individual network charges that apply to individual accounts.

This together with the fact that Bodies Corporate in QLD cannot profit from delivering any services will ensure residents of embedded networks will ALWAYS see lower electricity prices compared to what any retailer could offer an individual customer.

In addition to this, in implementing the embedded network, any resident not wanting to participate would have been physically excluded such that they retain a direct connection to the network as required under the current rules in QLD. In this instance however the Body Corporate received 100% consent as a result of clear information presented by the Body corporate and the offer of significant savings.

For any future resident who wishes to opt out of the embedded network there will always be some costs but the Body Corporate hopes to mitigate any unreasonable expense for a resident who wishes to opt out after the conversion has been completed.

Should changes occur in the future in QLD to allow the easy access to other retailer arrangements for residents, the Body Corporate billing agent will work with the network and other retailers to ensure compliance to any change.

The Body Corporate is also aware of the “The Power of Choice” and possible requirements of an Embedded Network Manager at some stage in the future.

Mitigation of detriment: Customer dispute resolution services

The Body Corporate will rely on the dispute resolution process to be managed by the billing agent and will be in accordance with AER requirements as set out under the relevant condition.

The billing agent would normally be the first point of call for any dispute and where possible they will work with the customer to resolve the dispute internally.

Where a dispute cannot be resolved, provision exists for dispute resolution by independent mediators.

The nominated billing agent also provides flexible payment options, applies rebates to applicable customers, and facilitates access to hardship arrangements, Home Energy Emergency Assistance Scheme (HEEAS) and QLD Ombudsman (if and where applicable).

The billing agent and the Body Corporate have had no disputes in the 12 months to date.

Mitigation of detriment: state or territory legislation

During the initial consultation process the Body Corporate acknowledge that one of the main implication of implementing the embedded network was the removal of the customer choice of retailer until such time the relevant authorities in QLD were able to provide an alternative arrangement to physically “wiring out” a customer.

The Body Corporate provided this information to residents to inform them that while they could opt out, there may be significant cost borne by the resident and or the Body Corporate to facilitate this. Please refer to the attached the sample Q & A document provided to residents.

The Body Corporate would also like the AER to consider that licensed retailers who implement embedded networks do not need to apply for an individual exemption, however they are still constrained in the same way as the Body Corporate in that the physical nature of the embedded

network means that no customer can easily opt out other than rewiring the meter outside of the gate meter.

While retailers provide a higher level of consumer protections, their customers have no more of a choice than any Body Corporate operated embedded network, however the Body Corporate embedded network is not driven by profit so will always deliver better outcomes for residents, of course with the consideration that all other aspects are well managed.

Efforts to obtain explicit informed consent

The Body Corporate began the process of converting to an embedded network in 2014. A consultative approach was undertaken by the Body Corporate committee, the Body Corporate Managers (Ernst Body Corporate), the resident managers (Ultiqua), their consultants (Energy Options Australia and Watt Utilities), and their nominated billing agent METER2CASH Solutions.

A number of documents were produced to provide information to the residents on the process and to provide background information such as commonly asked questions.

The Body Corporate initially sought the interest of the residents through an expression of interest (see Energy Flyer attached). Where a resident wished to be signed up then a formal application together with the terms and conditions and energy charges (consumption and serve fee) was provided.

The Body Corporate committee provided some open sessions for residents to attend to ask further questions and where a one-on-one approach was required, select committee members and the Body corporate consultants provided their time to discuss any questions or concerns raised by residents.

Two larger resort or holiday letting companies (Ultiqua and the Mantra Group) were also involved where they manage the letting of a number of apartments of behalf of the owners or where they themselves own a number of apartments and are responsible for the payment of electricity. Both of these companies also provided assistance to explain the benefits to the owners where appropriate.

Through this collaborative and very open approach, 100% explicit informed consent was provided from all residents to participate in the embedded network.

A sample copy of the original application form (the consent) and the terms and conditions is provided for reference.

Following updates in the AER Exempt Selling Requirements, these forms and terms and conditions have been modified to accommodate any changes (i.e. removal of reference to security deposits).

Other supporting documents in the form of updates, follow up letters and notices on the day of the conversion were also provide and are attached for reference.

Consultation Process

The Body Corporate acknowledges the consultation process being undertaken by the AER.

The Body Corporate will inform customers that the AER consults on individual exemption applications and they will be provided information about how to make a submission to the AER's consultation process.

Following advice from the AER in regards when the application will be accepted and subsequently published for consultation, the Body Corporate will advise all residents, owners, or tenants, when the application is published for consultation and when the consultation period ends.

Attachments

A number of sample documents are attached for reference to provide evidence of the endeavours the Body Corporate has gone to provide information to the residents throughout this process, as well as

- **Energy Flyer** – one of the first documents used as an expression of interest from residents to participate in this scheme. This was supported with a number of question and answer documents.
- **Q&As** – copy of question and answer document provided to residents
- **Update** – copy of an update document on the progress of the conversion
- **Follow UP Letter** – copy of further letter from the Body Corporate to residents
- **Sample T&Cs (original)** – copy of the original terms and conditions which have now been modified to comply with AER changes
- **Sample Application Form (signed)** – copy of an original typical application signed by a resident now replaced with current document to comply with AER changes
- **Application Form and T&Cs (current)** – copy of the current application form with terms and conditions provided to new residents
- **Conversion Notice** – copy of notice provided to residents advising them about details on the day of the conversion
- **Sample Performance Report** – this is a sample of the report provided by the billing agent each cycle to the Body Corporate in terms of energy billed to the residents, estimated “simple” savings and other information relating to the billing process