

lightsource bp

## Retail Exemption – Public Version

Subtitle: Individual Exemption - Class R8

May 2018

Lightsource BP, advancing solar



## **Appendix C: Applying for an individual exemption for power purchase providers only**

### **General information requirements**

Please provide the following information in your application for the grant of an individual exemption:

- 1. Your legal name. If you are a body corporate or community corporation, please indicate this.**

Lightsource Labs Australia Pty Ltd.

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

Lightsource Labs

- 3. Australian Business Number (ABN) or Australian Company Number (ACN).**

ACN: 625 305 295

- 4. Registered postal address for correspondence. We may verify this information with the Australian Securities and Investments Commission (ASIC) or other relevant agency.**

'CBW'

Level 19, 181 William Street  
Melbourne, Victoria 3000

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

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**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.**

**Overview of LS Lab's proposed business activity**

Lightsource Labs Australia Pty Ltd (**LS Labs**) is seeking to launch a business in Australia which will involve the supply, installation, operation and maintenance of a solar PV, battery and a smart metering system (the **System**) to residential customers at no upfront cost.

LS Labs will sell energy supplied behind the meter by the System to the customer for a fixed price and in accordance with the terms of a Power Purchase Agreement (**PPA**).

LS Labs will install a private metering device between the retailer utility meter and the customers' main distribution box. This private meter will be bidirectional and show how much the customer has imported or exported from the grid. LS Labs will have another metering device installed to measure the generation from the System. From a combination of these meters, LS Labs will calculate energy consumed by the customer in real time (generation - export).

LS Labs will also utilise its Home Energy Management System (**HEMS**) application which allows the customer to view the performance of their system in real time. The HEMS application also optimises the charging and discharging of the battery and controls specific loads on the premises.

LS Labs will enter into a PPA with the customer. Under the terms of the PPA, LS Labs will monitor and maintain the System throughout the contract term at no extra cost to the customer. The customer will be allowed to purchase the System at any time after the second year of the PPA at an agreed price, to be set out in the PPA, which is based on the number of years that the System has been in operation. If the customer purchases the system they will no longer be required to pay for the output from the system and they will own the System outright. The customer will also have an option to transfer the PPA to a new property owner at no extra cost in the event they decide to sell the property.

More details regarding LS Labs' proposed product offering are detailed in this application. Please also see below a diagram of the LS Labs proposed System:

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### **Why we believe an individual AER exemption is appropriate**

An individual exemption is appropriate rather than a retail licence because:

- **Additional sale:** the sale of solar electricity to the customer is for supplemental purposes only, with the customer still having a retail contract with an authorised retailer which will be subject to consumer protections. Accordingly, the customer will continue to have security of electricity supply;
- **No applicable exemptions** - LS Labs' product offering as summarised above does not fit within any of the existing classes of exemptions (deemed or registrable) in the AER (Retail) Exempt Selling Guideline - Version 5 (March 2018). The proposed model would meet the R8 exemption, except that the term of the PPA may exceed 10 years;

- **Undue burden:** given the PPA is additional to the customers' existing electricity contract, a retail authorisation is not practical or warranted as it would place an undue administrative and financial burden on LS Labs;
- **Inappropriateness of retail authorisation:** Several of the obligations imposed on authorised retailers are not applicable to LS Labs as a supplier of solar and battery systems and seller of supplementary energy, such as: customer transfers and requirements to participate in the Retailer of Last Resort scheme (amongst others); and
- **Appropriateness of an Individual Exemption:** the individual exemption can be tailored to suit the specifics of the energy sale and are therefore a better regulatory fit in the context of LS Lab's proposed business model.

**7. The primary activity of your business (for example, managing a shopping centre).**

The primary activity will be the supply, installation and maintenance of Systems and supply of supplementary energy generated from the system behind a meter to residential customers, as described in this application.

**8. Whether you intend to sell electricity to customers connected to the grid or who are offgrid.**

LS Labs will offer to sell electricity to customers connected to the grid.

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

LS is intending to launch the product offering as described in this application in June 2018, subject to a retail exemption being granted by the AER.

Customers will be afforded the usual “cooling off” periods under the applicable consumer protection legislation before LS Labs can commence selling energy under the PPA. Otherwise, as soon as PPAs are signed and LS Labs has installed

the System in accordance with the terms of the PPA, LS will then begin selling electricity to the customer supplied from the System.

**10. Details of any experience in selling energy, for example:**

- **date/s and location/s of previous operations**
- **scale of operations (that is, the number, size and type of customers)**
- **an explanation of which activities will be conducted in-house and which will be contracted out to third parties.**

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In the UK, the LS Labs equivalent UK company (**LS Labs (UK)**) which is within the Lightsource group, and EDF Energy (one of the UK's largest energy companies) partnered to offer *Sunplug*, an unrivalled solar solution for residential customers that maximises the benefits of solar energy with batteries. Under this partnership, LS Labs (UK) was responsible for installing, managing operating and maintaining the solar and battery system and EDF was responsible for providing the remaining grid electricity needed by the customer.

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Under the *Sunplug* arrangement, the customer signs a PPA with LS Labs (UK) at no upfront cost and only pay for what the customer consumes from the system over the PPA term. The customer also gets access to LS Lab's (UK) HEMS which shows the customer how they are using solar generated energy and provides them control so they can maximise the value of their solar and battery system.

LS Labs (UK) is currently operating a fleet of 359 solar and battery residential PPAs in England, totalling 1.2MW of solar and 2.5MW of batteries. LS Labs will utilise this experience from the UK and apply it when making its Australian product offering. Specifically, LS Labs will be able to use technical data, installation procedures, O&M procedures and battery management techniques developed for the UK and adapt them to the Australian market. Additionally, LS Labs will be able to leverage the proprietary HEMS software which it develops

internally and adapt and apply this to the Australian market and the product offering which will provide consumers with a unique energy management system based on IoT technology. All this coupled with the financial resources that LS Labs has available to it through its parent, Lightsource BP Renewable Energy Investments Limited, provides LS Labs with the ability to offer a unique market leading product which consumers are able to rely upon.

LS Labs will conduct marketing and some sales operations internally, as well as metering between the customer and LS Labs, billing and invoicing. Installation services and sales will be outsourced to subcontractors. With regards to procurement process for subcontractors, whether for installers or sales experts, LS Labs will follow the same approach as LS Labs (UK) by creating a Global Partner Program (**GPP**). The GPP promotes partnerships between LS Labs, installers and sales experts respectively in order to optimise the promotion and installation of our product in Australia. At the heart of the GPP is a Pre-Qualification Questionnaire (**PQQ**) which is applicable to contractors seeking to be established as an approved subcontractor under the GPP. The objectives of the PQQ is to ascertain the subcontractors standing, its accreditation status, its core competencies and its compliance with recognised standards.

### Sales Experts

In order to join the LS Labs GPP, sales experts will need to demonstrate proven sales experience in solar and should have an ability to generate their own leads. LS Labs will carry out reference checks before onboarding sales experts to join the GPP. LS Labs will also provide continuous product training (classroom based and e- learning) to the solar experts and will have quality check measures in place to ensure smooth customer journey.

### Solar Installers and O&M

When consider whether to include a subcontractor as an installer and O&M service provider to the GPP, LS Labs reviews the following elements:



**11. 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. Particulars relating to the nature and scope of the proposed operations.**

No

**To determine whether it is appropriate to exempt you from the requirement to hold a retailer authorisation, we need information on the nature and scope of the operations you propose to conduct. Please answer the following questions:**

- 1. 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. AER (Retail) Exempt**

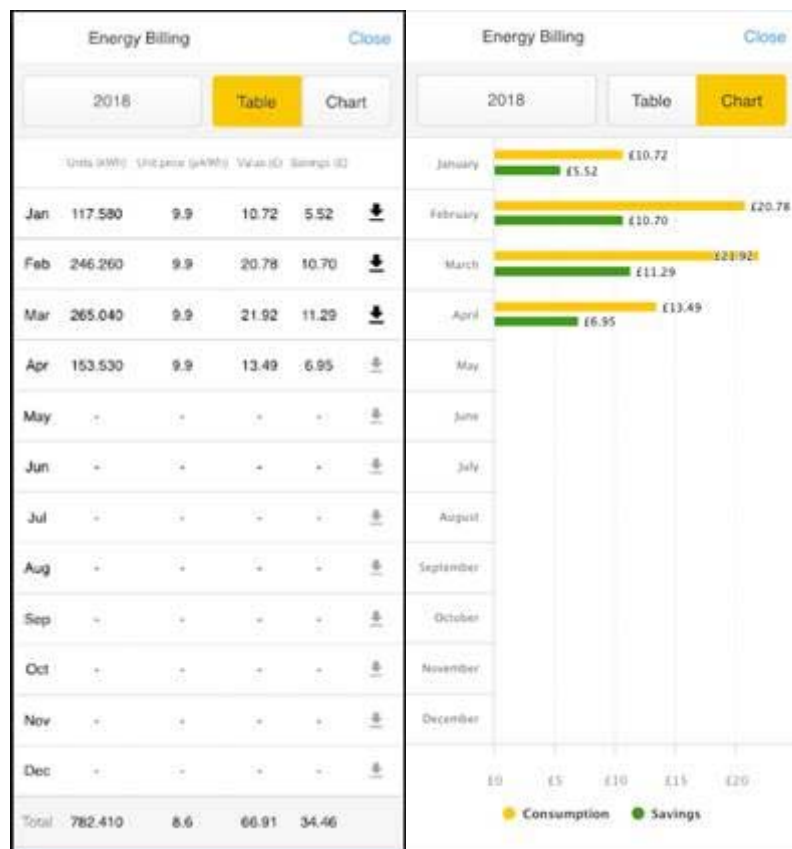
LS Labs will be selling energy (kWh) at a fixed price to the customer with no upfront cost. It will, in addition to the sale of electricity, be responsible for the operation, maintenance and warranty of the installed equipment throughout



the PPA. Pricing will be based on consumption only, and the customer will only pay for solar and battery generated energy that is consumed onsite.

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

On becoming a LS Labs customer, the customer will be provided with secured online access to their HEMS account where the customer will be able to view how they're using energy at all times so they can decide how they get the best out of solar. The customer will have access this platform via the app or web. The customer will receive their bill on monthly basis either via email or statement via post and will have an option to pay via direct debit, BPAY or by direct deposit into our bank account. LS Labs may use an agent to issue bills to the customer. Additionally, the customer can view their monthly bill online at all times and can also download or email a copy if needed. Additionally, LS labs will follow AER exemption guidelines for billing to the customer. Screen shots of the HEMS system and online bills can be seen below:



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

LS Labs has developed a dispute resolution process based on the Australian standard for dispute resolution and will be compliant with ISO10002-2006

(*Customer Satisfaction - Guidelines for complaints handling in organisations*). The PPA will also specify that customers will be able to seek redress with the relevant state based ombudsman (Energy & Water Ombudsman SA, Energy and Water Ombudsman NSW, Energy and Water Ombudsman Vic, Energy and Water Ombudsman Queensland).

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

LS Labs (UK) was established in 2015 and is part of the Lightsource BP Group of companies (please refer to the structure chart above). Lightsource Labs (UK) has successfully launched a consumer proposition in the UK called '*Sunplug*' - a joint venture white label with EDF Energy Blue Labs. LS Labs (UK) was selected by EDF Energy Blue Labs as the preferred solar partner through competitive tender on the project. LS Labs (UK) now services over 300 residential customers in the UK with '*Sunplug*'. LS Labs (UK) is able to leverage the Lightsource BP Group described below.

The *Sunplug* solution combines solar PV with battery storage and a smart monitoring system, giving customers much more control over their home's electricity, and the ability to reduce their bills and carbon footprint.

The *Sunplug* solution is based on a PPA consumption model instead of a generation, the system installed at no upfront cost and being billed only for the solar electricity customer consumes, at a fixed rate per kWh.

Essentially, the *Sunplug* solution offers homeowners greater control over their energy consumption by combining a cutting-edge home battery with an innovative online app, customers can store excess solar electricity for later use, while monitoring how much energy is being generated, used, stored or exported to the grid in real time. *Sunplug* allows customers to understand their energy usage patterns, giving them the chance to make positive behavioural changes to reduce both their electricity consumption and, inevitably, money on their bills.

More information about Lightsource BP

Lightsource BP is a global leader in the funding, development and long-term management of solar PV projects. Established in 2010, Lightsource BP has swiftly become the largest utility scale solar developer and O&M services provider in



Europe with over AUD\$3.8bn of capital invested across 2GW of solar projects globally. Through its integrated platform, ground-breaking structured finance, in-house engineering excellence and dedicated O&M division, Lightsource BP plays a pivotal role in driving the future global energy mix. The company also boasts some of the best talent in the industry, with a team of over 300 specialists in ten offices across four continents.

With approximately 2GW under management, of which 1.3GW was developed in-house, Lightsource BP has established a significant global pipeline across its four divisions:

- UK & Europe Large Scale Solar (est. 2010)
- India, Middle East and Asia (IMEA) Large-Scale Solar (est. 2016)
- North America Large-Scale Solar (est. 2017)
- Australia (est. 2017)
- LS Labs Smart Home & Distributed Energy Software (est. 2015)

For further information visit [www.lightsourcebp.com/au](http://www.lightsourcebp.com/au)

LS Labs therefore has available to it a global network of proven solar expertise through its parent, Lightsource BP Renewable Energy Investments Limited, and its group companies. LS Labs can leverage technical skills, staff, finance and procurement from its global network of group companies in order to provide this unique market leading product to the Australian where consumers can take comfort from the fact that it is backed by an international company with a proven track record.

**5. Please describe your business model in some detail, noting jurisdictions where you will be operating, and customer number forecasts for the first 3 years.**

LS Labs will be offering PPAs in NSW, SA, QLD and Victoria. LS Labs will market solar and battery PPAs to customers and develop pricing for the PPAs based on system size, site conditions and the term of the agreement. LS Labs will install, manage, maintain and repair the installation with our installation sub-contractors and be responsible for customer on-boarding.

LS Labs will utilise its HEMS application to allow the customer to view the



performance of their system. The HEMS application also optimises the charging and discharging of the battery and controls specific loads on the premises. The HEMS application and associated appliance control increases the amount of solar electricity that is consumed on-site.

LS Labs expects to sell the following numbers of systems in the next three years:

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**6. What is your pricing structure - will you charge for energy only or are there other fees? Will you charge only for energy consumed or for all energy generated?**

Provided that the customer does not exercise the Buyout Option (defined below), the only charges will be for energy consumed by the customer on site. LS Labs will not charge the customer any other fees.

LS Labs believes the consumption PPA is the preferred pricing option for the customer over a generation PPA, as the customer then only pays for solar energy that is used on the premises to offset their retail electricity bill.

LS Labs has the right to retain revenue earned from excess electricity generated from the solar system and exported into the distribution network as well as the right to use the system to provide FCAS services to the local grid.

**7. 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?**

Lightsource BP also develops and operates utility scale solar projects in Australia. We do not currently have plans to transfer functions to any other companies.

Please also refer above in the response to question 10 with regards to LS Labs strategy for procurement of subcontractors and the GPP.

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



We intend to offer fixed term contracts which will vary in length depending on customers' requirements (for example the customer can elect to enter into a PPA for 10, 15 or 20 years). The PPA price/kWh will be dependent on the length of the term. For example, longer-term agreements will result in a lower PPA price and vice versa.

Please note that the customer is entitled to exercise an option to buy the system and exit the PPA after the 2<sup>nd</sup> year of the PPA with the applicable price to be specified in the Schedule to the PPA (**Buyout Option**).

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

The customer can terminate the PPA at their discretion in accordance with their statutory cooling off rights, after the second contract year of the term of the PPA, or upon notice of a breach by LS Labs that has been un-remedied for 30 days.

**10. What happens when the contract ends? Who owns the system?**

Upon termination of the PPA, the customer can:

1. elect to extend the term of the PPA, in which case the customer will continue to benefit from the operation and maintenance of the System at no additional cost;
2. exercise the Buyout Option; or
3. request that the System be removed from their premises, at no cost to the customer.

If the agreement is terminated for the customer's un-remedied breach, LS Labs can elect to either require the customer to pay the buy-out price for the System or remove the System from the customer's premises.

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**11. Who will own any green energy certificates or rebates, including feed-in tariffs, which apply to the generation system?**

LS Labs will own any Green Energy Certificates or rebates which are attributed to the relevant system.

Under some PPAs LS Labs will also retain the rights to feed-in-tariffs attributed to the System. For the others, the customer will have the right to such feed-in-tariff. Which structure LS Labs chooses will generally depend on the jurisdiction in which the customer lives. This information will be communicated to the customer upfront to the customer and contained within the PPA so that the customer is fully aware of the product which is being offered and their rights.