

Ms Susan Faulbaum
Director, Consumers and Markets
Australian Energy Regulator

Dear Ms Faulbaum

I write in reference to application from “South Stradbroke Utilities Pty Ltd” (SSU) applications for individual retail exemption

We are concerned that the proposed change could have a detrimental impact on the affordability of Electricity (and gas) and may also impact the security of supply at Couran Cove.

On the face of it, a retail exemption would seem logical for the arrangements on the island, only if there was stable inter-company / Body Corporate relationships and financial environment on the island which there is not, otherwise it would most likely be supported by all.

Couran Cove is controlled by a complex arrangement of body corporates, The rules of how costs are distributed between these entities and then from the body corporate (BC) entities to individual owners were initially established when the resort started in the late 90’s and have in most part stayed the same since. To further complicate the situation certain individuals have multiple companies that have significant or controlling interests in multiple of the body corporates. It is impossible to keep up with who owns what as the company shareholdings and structures keeps changing!

Separate to this application Couran Cove is currently struggling with a range of issues where significant debt is owed between these BCs due to long term non-payment of BC levies by certain parties that may be linked or associated with this applicant. It borders on ridiculous with certain individuals ultimately having one company they own being part of a BC defaulting on payments to another BC that they are part of and are pursuing legal avenues to get payment (in part from themselves). Complex agreements have been agreed and executed between parties and BCs about how money that is coming in is to be used, trying to ensure prudent use of available funds. Unfortunately things are getting worse and we find ourselves in a litigious environment with a number of Supreme Court applications (past and future) adding further strain to scarce funding.

We see that any changes associated with this application and reducing possible regulatory oversight and may allow certain parties to argue that existing body corp rules on how costs are distributed for energy use can be ignored. We see this as a large risk on fair and equitable costs for energy supply.

We note that the application comes from a company that is currently not supplying anything to Couran Cove. We assume that the company will at some point take over the role that currently Island Resort Infrastructure Pty Ltd has which is to run the utilities on the island including the Power and Gas arrangements. It may also take over the role for Water and sewerage.

The change would definitely increase costs of supply. The resort does not have suitable existing infrastructure to allow for individual customer electricity metering for all consumers and the application talks about electronic meter reading by a metering agent. This infrastructure does not exist and would be expensive to be installed causing an immediate increase in energy costs. For the metering that is in place, what is connected to an individual meter varies significantly, some apartments/ cabins have one meter that measures their usage as well as the adjacent one. In some cases street lighting comes off certain meters that also have apartments on them. The application proposes apportionment of costs, and while this could result in an equitable outcome it will be important that an independent body scrutinises any proposals and takes input from all stakeholders and can have any decision binding.

Also presumably a price structure will be established for energy supply by SSU (the application is currently proposing this only for electricity supply) and we are concerned this structure will not be equitable. A

potential conflict of interest exists where the owners of SSU also own some components of the resort and that conflict may reflect into the pricing structures. Not understanding exactly what SSU will actually be providing, but given its title, it may be going to run the water and sewerage for Courant Cove and clearly metering their own usage would be a significant cost which they would avoid, but this would require estimation of this very high load and make it very difficult to appropriately apportion energy usage, noting that the water and Sewerage was not mentioned in the application as a customer.

We see that less regulatory oversight could impact the security of supply. The existing infrastructure provider "Island Resort Infrastructure Pty Ltd", recently sent the attached letter threatening the "restriction" of supply due to money's owed between body corporates. This is a situation where as an individual owner you have always paid your levies on time, but others haven't and you are then collectively threatened.

We would welcome a complete review from the AER on power supply arrangements for Courant Cove, in its application SSU have stated that there are no other viable arrangements in place for energy and yet within a few kilometres COURAN POINT SERVICES PTY LTD ABN 85089110672, also generate and distribute electricity. Possibly generation could be made a competitive arrangement on the island and network provision handled by a distribution company that could be scrutinised by the AER.

As stated at the beginning a retail exemption would seem to make sense but given the situation that we are in, we feel that any decision on this should be much more thoroughly investigated with pricing structure for energy published by SSU, the extra costs of metering that are to be imposed to be made available to all, apportionment to cover deficiencies in metering published and any other impact on the complex body corporate rules that are present to be understood. As such we would request a significant deferment of any decision and potentially an investigation into energy arrangements.

Finally we have found the application from SSU very confusing, we have added comments to the document where we felt the application did not provide enough information for us to understand what was being proposed, or if we felt the answers were incorrect in some manner.

Thank you for considering this objection

Yours sincerely

Phillip and Jenny Allen

Part 1: General information requirements

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

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

South Stradbroke Utilities Pty Ltd

What date was this company registered?

The infrastructure is owned by the Body Corporates (CBC) who leases this infrastructure to them for \$1.00 per year under the services agreement.

Individual property owners pay an infrastructure admin fee (running costs, fuel, transport and barge etc.)

Individual property owners also pay an infrastructure sinking fund levy towards maintenance and replacement of equipment.

What does South Stradbroke Utilities Pty Ltd actually own?

Who is this proposed applicant?

What is their experience and history in providing essential services?

None of the owners have ever heard of them.

Who are the shareholders in this new company, and are they connected to the resort owners?

2 Your trading name if different to your legal name.

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

49 636 726 497

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

PO BOX Q1616 Queen Victoria Building NSW 1230

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

Daryna Sarana, Manager , daryna@edgcapital.com.au (02) 9236 7437

Who is this proposed applicant?

Where have they come from?

What is their experience and history in providing essential services?

This person is totally unknown to any owner of Couran Cove and has never been seen or heard of on Couran Cove Island.

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.

The company seeks an individual exemption due to a unique selling environment in which it operates. South Stradbroke Utilities Pty Ltd has been established to recover the costs of the provision of power (and other services) to various properties within Couran Cove Island Resort on South Stradbroke Island in Queensland.

Is the applicant a Business seeking profit from this arrangement or is it purely on a cost recovery basis only?

Will there be full disclosure on actual costs?

The costs for the infrastructure are already collected in the levies of all owners. All owners pay for the infrastructure in the levies but some of the management companies don't pay all their levies and so there is a short fall. The worry of the private owners is that this application if successful will allow for unfair costs to be imposed.

The arrangement of services provision is unique in this instance

because; The Resort produces its own power via on site generators

The Body Corporates now pay for the all the diesel to run the generators, and all the maintenance and repair labor and parts.

What infrastructure are they proposing on using to supply the proposed services (eg. Generators)?

Who will own the provided infrastructure?

Where will the infrastructure be located?

There is no available power connection to the grid at the Resort

The Resort requires flexibility to exemption conditions to ensure that it can cover its costs of providing services to Resort properties

As the owners of the Management rights of the Resort are also the biggest users of power, and will also benefit from the supply company profits. There will have to be complete transparency as to how much different users pay for power.

It would be a conflict of interest for the Management to be setting power prices on a usage basis.

Will the Body Corporates have access to time sheets and invoices of the applicant to verify the stated expenses?

Properties at the resort are a mix of privately owned and Resort owned properties

Refer to the

South Stradbroke Utilities Pty Ltd has lodged an application for a retail exemption, however, it is noted that compliance with the Core exemption conditions as outlined in the AER (Retail) Exempt Selling Guideline (version 5, March 2018) cannot be achieved due to the nature of the selling environment as outlined above.

It is considered that several conditions cannot be met and these are noted as follows;

Condition 2 - Information provision

7. B. any right of the exempt customer, under state or territory laws, to elect to purchase energy from a retailer of their choice and information on the options for metering that would allow this choice.

Given there is no available connection to the grid nor any other retailer that can provide power to properties at Couran Cove Island Resort, there is no information that can be provided to satisfy this condition.

Private owners are at a disadvantage as they have no choice of competitors for supply. It is best left as is where the Body Corporates pay the actual cost of running and maintaining the infrastructure.

Condition 7 - Pricing

7. An exempt person must not charge the exempt customer tariffs higher than the standing offer price that would be charged by the relevant local area retailer for new connections, if the local area retailer were to supply that quantity, or estimated quantity, of energy directly to the premises of the exempt customer.

This condition cannot be met by South Stradbroke Utilities for the following reasons;

The scenario 'if the local area retailer were to supply [energy]' does not exist, does not apply to the location and therefore there is no standing offer price

It is not possible for a local area retailer to supply energy directly to the premises of any exempt customers

The cost of generating electricity dictates the rate at which power is sold, not at the rate power might be purchased as with a typical on grid arrangement

The costs associated with generating electricity at the Resort include;

- o Purchase of diesel
- o Transportation of diesel to the island by barge, storage and movement to the generating facility
- o Capital and Operational expenditure

All these costs can be met by the Body Corporates on a pay for item basis. It does not need to be a money making concern as it is only for the owners of properties at the resort.

Will all residence and businesses be treated the same?

Is the proposal that everyone pays the same?

Are the businesses that currently don't have meters going to be metered?

If so at whose cost?

Will there be proof that everyone is being charged and everyone is paying the same rate ongoing?

Will the marina be charged?

Which origination will be paying for these services?

Couran Point, which is an adjacent development, has an identical arrangement with power production and sale to its constituent properties

Couran Point is not run as a resort and are all individual owners they pay the cost to supply without administration and profit margin as it is only for their own community. As it should be for Couran Cove.

3 An exempt person must not impose any charge on an exempt customer that is not charged by the relevant local area retailer for new connections under a standard retail contract. A 'charge' includes, but is not limited to, account establishment fees, late payment fees, debt collection fees, disconnection and reconnection charges and security deposits . The amount of any allowable charge must not be greater than that charged under the relevant local area retailer's standard retail contract.

As above , there is no standard retail contract that applies to this site as it is not possible to enter into a

- retail contract; the Resort produces its own power and there is no connection to power on the grid.
Therefore there are no comparable charges to be used as a benchmark.

- Charges are determined by the costs of generating and providing power to the subject properties

The power produced is for the Owners of Units at Couran Cove and should not be seen as a potential source of profit. It is an essential service and right for owners that live and holiday at Couran Cove. Costs can easily be recovered by the Body Corporates. This has been the norm for years and the only time that there was an attempt to charge individual owners there were serious overcharges, charges for power that was not consumed, and charges that reflected complete confusion. There also evidence that individual Unit owner power is connected to Communal lighting and other power consumption areas.

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.

The address of the site at which the company intends to sell energy is Couran Cove Island Resort at South Stradbroke Island, Queensland, 4216.

Couran Cove Island Resort contains a mix of rooms for holiday rental and privately owned rooms. The proposed extent of metering other than for public and privately owned properties including various facilities and infrastructure including public lighting, pools, restaurants , bars and common rooms such as offices, conference rooms and stores.

Who would control the supply and make sure that meters were not by passed, and that people with conflict of interest were doing the right thing.

The map shows that many useage areas will be owned/controlled by the supplier of power.

Need a compliant industry approved map of the grid updated to 2020

Figure 1. Resort Map



8 The primary activity of your business (for example, managing a shopping Centre)

Resort/Hospitality premises providing accommodation, amenities, facilities, food and beverage, activities

The company has the responsibility to supply Electricity, power and water. It recovers the cost for doing this through levies in the Body Corporates managed the owners of the properties. Never were independent owners aware that these costs were to be a profit making centre.

Is the applicant a business seeking profit from this arrangement or is it purely on cost recovery basis only?

Will there be full disclosure on actual costs?

When will these figures be provided?

What is the timeframe between the figures being provided and rate adjustments made?

What is the appeal process of disputes?

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.

South Stradbroke Utilities is seeking an individual exemption for the sale of both gas and electricity. The power network is an off-grid network.

It does not need to be sold as the costs for this are contained in the Body Corporate fees.

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

Yes, the energy supply offered is the only energy supply available given there is no connection to grid power.

We need to see the proposed agreement and proposed remuneration for access to the Body Corporate infrastructure.

This is not a business it is an actual cost recovery exercise for the owners of the units.

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

ASAP, ideally 1st January 2020

Illegal to back date charges to 1st January 2020 when the infrastructure and utilities are owned by the Body Corporate (CBC) and a special levy was added to the Body Corporate fees to cover costs.

How can there be a back date when all properties including commercial are not correctly metered especially when some private owners have street-light running off the meters?

This could be seen as a grab for cash.

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.

Reception, Couran Cove Island Resort. Mail to be directed accordingly.

There is no mail service delivery to the Island other than via a locked bag with excessive costs to the owners.

None of the owners use this service due to the cost associated with that service.

13 Details of any experience in selling energy, for example:

- date/s and location/s of previous operations

Same location, Couran Cove Island Resort.

- form/s of energy sold

Power

- scale of operations (that is, the number, size and type of customers)

354 properties, mix of public and private owned

We have never had a electricity bill from this company.

- an explanation of which activities will be conducted in-house and which will be contracted out to third parties.

It is expected that the meter reading and issuing of bills will be managed entirely by a billing agent who will have electronic access to meter readings. In the interim; that is, prior to the commencement of a billing contract, it is expected that Resort resources will be able to take meter readings, issue bills and handle any complaints/disputes .

Our experience of this in the past from other companies was a disaster of over charges, incorrect reading, and charges for power that was never used.

What is the suppliers guarantee?

Is there a compensation package?

What is the details of the package?

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.

South Stradbroke Utilities Pty Ltd currently holds a retail exemption with the AER for classes R2, RS, R6 and R7.

The reference for the exemption is E-5775

Statement by the applicant is misleading because the Body Corporate own the infrastructure, pays running costs (admin levies) and the capital costs come from infrastructure sinking fund.

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).

The Resort produces its own power and therefore it does not rely on any other party for its supply. Any future changes to the nature of the power generation would be implemented so as to not interrupt the supply of power to the customers.

This statement is misleading as The Resort does not own any infrastructure as they simply operate the power plant as per Service Agreement and do not produce its own power.

What happens when there are outages?

We are currently being threatened with the cutting off of each individuals the power supply due to a dispute between un-financial Body Corporates. Even though most individual owners have paid their levies in full. This exemption will be used as a big stick against Body Corporates.

Part 2: Particulars relating to the nature and scope of the proposed operations

16 Will your customers be your tenants? If so, are they residential or commercial/retail

Those properties that are tenanted, being the holiday accommodation units and rented properties (by staff who live at the Resort for example) are owned by the Resort and the Resort pays for all services to these lots - the tenants pay a weekly rent only which does not include charges for services. Therefore, the customers are not the tenants. The customers consist of privately-owned properties and Resort owned properties.

Statement by the applicant is misleading because the Body Corporate own the infrastructure, pays running costs (admin levies) and the capital costs come from infrastructure sinking fund.

17 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.

Services offered to customers at the site include Body Corporate services . All properties at the Resort fall into one of various Bodies Corporate who pay levies and fees for, for example , upkeep and maintenance of Common areas.

Including all infrastructure.

Supply of Electricity, water and sewerage are already charged in the levies.

18 What is the total number of customers 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).

354 Residential customers, most are owned by one of the Resort's entities and in the letting pool for holiday

accommodation rental

Of the 354 Units, approximately 200 are privately owned by families that pay their levies on time.

Is there a proposal of initial costs on what the residents will pay for the services?

How is the cost being calculated?

10 (approximate) Business Customers, most are owned by one of the Resort's entities. For example, food and beverage venues are business customers and owned by the Resort.

Are all residences and businesses being treated the same?

Is the proposal that everyone pays the same?

Will there be proof that everyone is being charged and everyone is paying the same rate ongoing?

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

We are proposing to sell energy, not on-sell it. The Resort produces its own power and will sell it to customers.

This is misleading as The Resort doesn't own the infrastructure.

Who is the resort and what do they own?

All of the power lines and other associated electrical components, and current metering equipment are owned by the Body Corporates.,

20 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)?

It is expected that each residential premises will use on average 900kwh per quarter.

Therefore, per year, for 354 properties it is expected that a total of 1,274,400 kwh will be billed out.

There is no guarantee that 354 properties will be permanently occupied. Therefore the above usage can only be estimated. Couran Cove Island has a very poor record of owner occupiers as over 50% use their cabins for holiday purposes only and have done so for the past 20 years.

It is expected that roughly 10 commercial premises will use around 1800kwh per quarter and therefore it is expected that around 72,000 kwh will be billed out to commercial premises.

Gas is proposed to be charged out at a flat fee to cover costs of transporting/storing gas to the island. Gas used at residential premises is only for gas cooktops, hot water heaters and fireplaces.

These figures are an incorrect approximation.

Private owner's responsibility.

I would suggest the average private holiday cabin would use a max of 200kwh per quarter.

Resort Management responsibility

Cabins supplied to staff and permanent residents would use XXXXXXXXX.

Commercial premises with large freezers and fridges running 24 hours a day, commercial lighting, large marina light 24 hours a day, 25mtr swimming pool, shop with fridges, large administration building, and a fleet of electric golf buggies.

They are suggesting that all these premises are going to use twice that of have a clue. a 2 bed room unit occupied only every now and then.

I would suggest that their assumptions 1. Either suit their argument. 2. Are a very bad mistake. 3. Show that they don't have a clue.

21 If 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).

Yes. Customers will belong to a body corporate also but will be billed individually for energy consumption .

How can this be allowed (double dipping) The customers are the Body Corporate, paying levies for infrastructure services.

The Body Corporates will be paying extras such as Administration, account keeping, replacement meters {as the Body Corporates own the meters} and profits.

22 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. For unmetered supply, state how you will determine energy charges?

Yes, each premises will be separately metered. There will be some unmetered energy to Common Property which is owned by the Resort. By deduction after allowing for individual meters, these can be billed accordingly.

The Common Property is Body Corporate property and not owned by The Resort.

Are the businesses that currently don't have meters going to be metered?

If so at whose expense?

Will the street-lights connected to individual private cabins be disconnected and common lighting metered separately?

Will the newly titled shops be fitted with meters?

Will the administration building, workshop and commercial laundry be fitted with meters?

Will the marina be fitted with meters and charged for usage?

If so to which organization?

This cannot work. It would leave a lot of room for error. Unless all meters were read on the one day it would be impossible to work out the variance.

23 Will meters allow your customers to change retailers (i.e. not buy their energy from you) as required by the AER's Network Guideline?

Yes, although as discussed in this application, there is no other retailer from whom the customers can purchase energy.

Statement by the applicant re alternative supplier not being available is misleading.

Currently both services are being provided to the Community Body Corporate via a service agreement by a different supplier.

No notice has been given by current supplier that they plan to stop supplying.

Unless this service is charges in the Body Corporate levies as a cost for service basis the Monopoly created will lead to Owners being gouged at every opportunity.

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

Bills will be issued quarterly to customers. It is proposed that initially, the company may issue bills itself, while in future it is likely that a billing agent will be engaged to provide these services on behalf of the company.

Is there a proposal of initial costs on what the residents will pay for the services?

How is this cost being calculated?

25 What dispute resolution procedures do you intend to put in place to deal with energy related complaints and issues? Confirm whether it is consistent with the Australian Standards: AS/NZS 10002:2014 Customer Satisfaction - Guidelines.

South Stradbroke Utilities Pty Ltd will maintain a contact phone number and e-mail address for customers to use for any account related enquiries.

As per the *Dispute resolution for residential embedded network customers. Regulatory impact statement. October 2019*, the following services are available for customers as part of any matters that are not able to be resolved directly between the customer and South Stradbroke Utilities Pty Ltd.

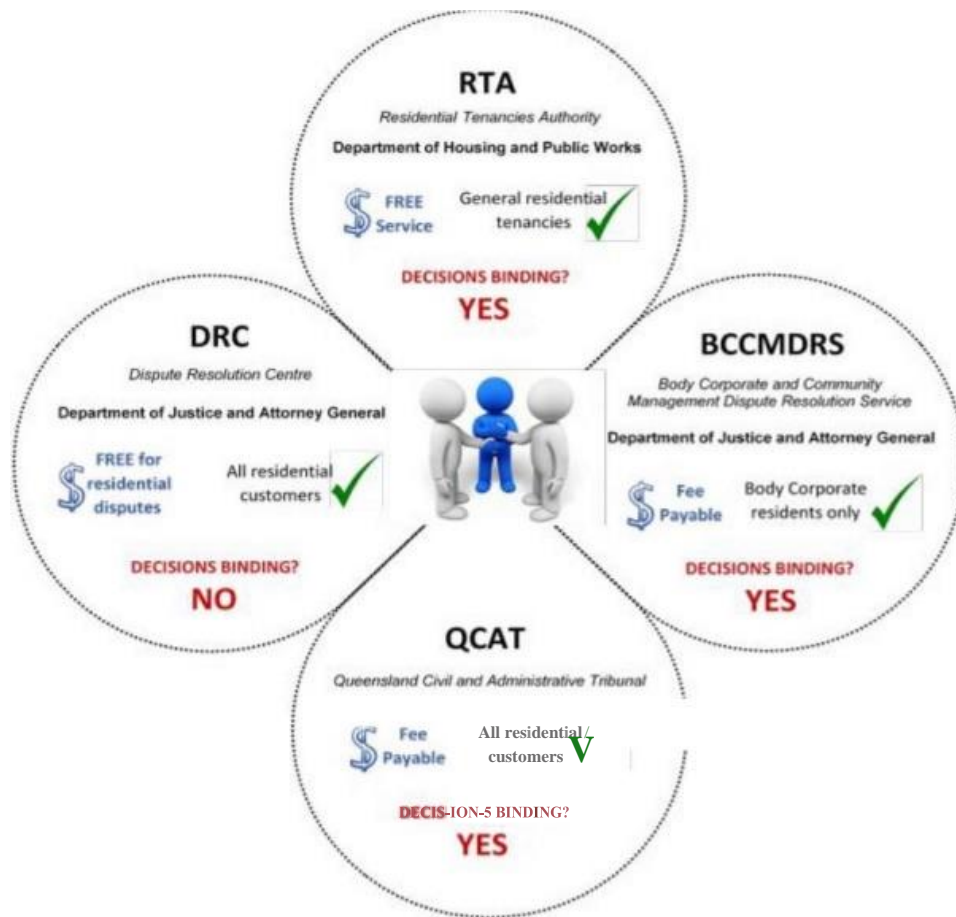
What is the supply guarantee?

What happens when there is an outage?

Is there a compensation package?

Outline what the package is?

Figure 1: Current complaint and dispute resolution mechanisms available to embedded network customers



As part of its due diligence process, South Stradbroke Utilities has contacted the Energy & Water Ombudsman Queensland to understand whether its customers are able to potentially make use of the services provided by EWOQ. The advice from EWOQ as at December 2019 was that currently, the services are not available to customers on embedded networks due to legislative restrictions. Further, EWOQ advised that proposed changes to legislation are currently under consultation and it is likely that within the next 18-24 months, these changes may be passed which will provide a wider range of customers access to EWOQ services as with the equivalent schemes in most other States.

It is therefore expected that in the short to medium term, customers will be able to gain access to Ombudsman services in relation to energy related complaints and dispute resolution.

A copy of a letter from EWOQ is attached to this application, setting out the above. South

Stradbroke Utilities Pty Ltd

There will be no recourse to dispute resolution in the short term, and power could be disconnected. We are already being threatened with reduction of services.

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

We appose the said applicant's (South Stradbroke Utilities Pty. Ltd.) due to the following reasons.

The Body Corporate owns the existing infrastructure. There has been no notification if the new supplier is proposing to run new infrastructure to each property or using existing owned by the Body Corporates.

The CBC has no arrangements with the applicant currently for land and access to the Body Corporate owned infrastructure (being cable, pipeline, meters, regulators etc).

Also the Body Corporate pay the infrastructure admin levy (fuel, transport, barge etc.) along with the sinking fund levy for replacement and repairs.

We need to see the proposed agreements and proposed remuneration for access to the Body Corporate owned infrastructure.

There has been no advise to the Body Corporate if the applicant is intending to purchase a new power plant to produce electricity and what land are they intending to put it on.

Are they going to build new power plant or are they intending to purchase from the Body Corporate the existing transmission lines and cables to deliver this power?

We need to have proof that the street-lights will be disconnected from the individual private cabins and common lights metered separately.

There has to be a guarantee that the newly titled shops will be fitted with meters.

There will have to be an agreement that the Marina will be fitted with meters and to whom / origination the charges will be billed too.

Currently there is no meters on the Administration building, Workshop, Commercial Laundry and Spa Island an explanation as to when they are going to have meters fitted should be advised to the Body Corporate before the Applicant is allowed to sell electricity

