

REPOWER **SHOALHAVEN** **Inc.**

Application for an individual retailer exemption by REpower Shoalhaven Incorporated

Submitted to the Australian Energy Regulator on 14/02/2014

REpower Shoalhaven is a non-for profit community energy association from the NSW South Coast which is still 100% volunteer driven. We formed in May 2013 with the primary goal to develop a community solar model to allow local people to invest in local renewable energy. To deliver our solar projects, we will partner with a leading solar developer (yet to be determined) with many years of commercial solar experience. With this application we are seeking an individual retail exemption so we can legitimately sell solar electricity to our clients via a Purchasing Power Agreement. For more information about our group, please visit our website at www.repower.net.au.

1. Name.

REpower Shoalhaven Incorporated

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

Same as legal name.

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

ABN: 73379383110

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 857, Nowra NSW 2541

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

Chris Cooper, President

Mobile: 0431 010 795

Email: contact@repower.net.au

Location: 96 Douglas St, Nowra, NSW 2541

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.

We are seeking an individual exemption because we do not fall into the traditional retailer or retail exemption categories.

Our model works like this: REpower Shoalhaven, in partnership with a solar developer, installs a solar PV system on the roof of a customer. Each customer will typically be a commercial-scale electricity customer connected to the electricity grid. Each solar PV system is funded and owned by community investors, via a unit trust. REpower Shoalhaven will act either as trustee, or on behalf of the trustee, to sell the solar electricity for the unit trust. The customer commits to purchasing the solar electricity from REpower Shoalhaven through a purchasing power agreement (PPA) for a period of 8 to 15 years (the exact length depends on the project). During the PPA period, REpower Shoalhaven monitors the generation and bills the customer via a private electricity meter for their solar electricity consumption. At the completion of the PPA period, the system will be sold or gifted to the customer. In effect, we are offering the customer an alternative to a solar lease or debt-based solar financing, and at the same time providing community members the opportunity to invest in and profit from local renewable energy development.

We do not replace the customer's primary electricity retailer but merely replace a portion of the customer's current electricity consumption. We do not 'on-sell' any electricity - we only sell electricity generated by solar PV assets managed by our organisation.

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.

We plan to implement our community solar model at multiple sites on the South Coast of NSW. Each site will be on property owned or leased by a commercial scale electricity customer.

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

REpower Shoalhaven has been created by community members with the primary aim being to implement the 'community solar' business model described above.

In terms of our financial resources, we will raise capital from local investors through a secure entity structure such as a unit trust. 'Local investors' do not need to be 'sophisticated investors' and can be anyone who is a member of REpower Shoalhaven.

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.

REpower Shoalhaven, with our commercial solar partner, will install grid-connected solar photovoltaic systems to generate electricity which we will sell.

These systems will be installed 'behind the meter' (i.e. on the customer side of the electricity meter). Our customers are expected to be located within the existing Endeavour Energy and Essential Energy distribution network service area.

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

No. We require customers to have an existing and primary electricity supply to implement our business model.

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

May 2014 onwards.

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.

We propose to have multiple sites, the addresses of which remain unknown.

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

We do not have prior experience in selling energy, however, our commercial solar developers have many years of experience in supplying and installing solar PV systems.

14. date/s and location/s of previous operations

N/A

15. form/s of energy sold

Solar electricity will be sold on a per kWh basis.

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

Each PV system will likely be sized between 10 to 100kW per site/customer. We plan to have up to five separate customers by the end of 2014.

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

The solar site assessment, solar PV system supply, and installation and maintenance will be outsourced to a third party solar developer. PPA development, customer procurement, system financing, meter reading, billing and customer service will be conducted by REpower Shoalhaven.

18. 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.

N/A

19. 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).

We do not replace the customer's primary electricity supplier/retailer. If we can no longer continue supplying energy, the primary retailer will automatically provide the customer with their full energy needs.

20. Particulars relating to the nature and scope of the proposed operations

N/A

21. 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:

- a. 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?

In most cases our customers will also be the property owner. In cases where our customers are tenants, they will, in nearly all cases, be commercial tenants. We will only proceed with a tenant when the terms of the PPA are permitted within the property lease agreement and any other legislation governing the building, including landlord approval. We do not expect to be selling solar electricity to tenants whose primary electricity supply is sourced through 'onsold' electricity from an entity with retail exemption (i.e. to tenants within a residential park or retirement village).

- b. 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.

No. We may in some cases provide services related to energy efficiency measures, however in most cases we will only provide the provision of solar electricity to the customer.

- c. **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).**

This is not applicable as we plan to work across multiple commercial sites

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

No, we only sell electricity generated from Solar PV assets that we manage.

- e. **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.**

This is not applicable with our arrangement as we are not onselling electricity.

- f. **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)?**

We plan to sell between 15MWh and 150MWh per year per site, depending on the size of each installation. If we reach our 2014/15 target, we would sell approximately 300MWh of electricity by the end of the 2014/2015 financial year.

- g. **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).**

No, the customer will own or lease the site, not REpower Shoalhaven.

- h. **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.**

Yes. Each premises must have their own existing network meter. The grid tied solar PV system we install will require a network provisioned net meter which will monitor solar electricity generation exported to the grid. We will install a private meter between the inverter and the load circuits of the building to monitor generation from the solar PV System.

- i. **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)?**

We will install two monitoring systems: a private electricity meter, and the PV inverter with remote web-based monitoring. The private meter will be installed between the inverter and building load circuits.

Our regular billing readings will come from the inverter and be read remotely via a web-based monitoring tool. We will conduct a physical reading of the private meter on an annual basis and reconcile the billing if there are any discrepancies between the remote read inverter reading and the private meter. If there are discrepancies, the private meter reading will prevail.

Real time and historical inverter data will be made available to the customer on request via an online portal.

Our relationship with the customer is independent of their primary retailer, meaning the customer is free to change primary retailer as they please.

- j. What accuracy standards apply to the meters? Do the meters comply with Australian Standards? If so, specify which Standard or Standards. For electricity meters, will the meters comply with National Measurement Act 1960 (Cth) requirements for electricity meters installed from 1 January 2013?**

The private meter will conform to Australian Standards AS62053.21 and the National Measurement Institute's *NMI M 6-1 Electricity Meters* publication

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

The output of each PV systems will be billed either monthly or quarterly based on customer preference. REpower Shoalhaven employees will conduct the online meter reading and billing. Physical meter inspections will be conducted annually by REpower Shoalhaven in conjunction with a representative from the customer, in order to corroborate the meter reading.

- l. How will you determine energy charges if customers are not separately metered?**

The PPA clearly outlines the price per kWh that the customer will pay for utilising the solar electricity during the contract term. This price is negotiable by the customer prior to signing the contract.

The PPA also states that all solar generation must be purchased by the customer, irrespective of how much solar electricity the customer utilises or feeds back in to the grid. Each system will be designed to ensure that the customer gains maximum value from the solar PV system and therefore feeds little, if any, of the purchased solar power back into the grid.

Beyond the \$/kWh charges for utilising the solar electricity, the customer will face no additional charges.

Charges will exist if the customer wishes to terminate the PPA before the end of its term. These charges are clear from the outset, being written into the PPA.

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

We will bill monthly or quarterly depending on customer preference.

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

There is a dispute resolution clause in the purchasing power agreement which outlines the process for raising a dispute with REpower Shoalhaven:

- The customer may raise a complaint with REpower Shoalhaven, and REpower Shoalhaven will respond to the dispute within a set timeframe, setting out the reasons for its decision in relation to the dispute.
- If the customer is not happy with the outcome of the dispute, then it may refer the complaint to the NSW Office of Fair Trading.

REpower Shoalhaven will respond to customer queries over telephone, email or in person and follow our internal Dispute Resolution Plan to ensure any complaints are resolved appropriately and as quick as practically possible.

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

Any upfront rebates or concessions, such as small scale renewable energy certificates (STC's), will be the property of REpower Shoalhaven. Any concessions associated with the feeding in of electricity to the grid, such as a feed-in-tariff, will be available to the customer to pursue; however it is not expected that any feed-in-tariffs will be available to the customer in our jurisdiction.

- p. 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?**

Energy efficiency options will be available to our customers.

Solar is at the core of our model.

We will install a regular net solar meter supplied and administered by the network.

Additional questions

What kind of marketing do you intend to undertake?

We intend to market by word-of-mouth, local information sessions, print and social media and working with local energy auditors, business networks and so on to find both customers and investor-members.

Who will arrange the connection of the solar panels to the network through the retailer/distributor (the customer or you)? If there is a delay in connection does the customer pay any charges prior to connection?

We will, in conjunction with the solar developer, ensure that the system is grid connected and that charges only accrue to the customer once the system is generating electricity for the customer to use.

Who is responsible for maintenance and repair of the solar system once it is installed?

We have a maintenance and repair contract with our solar developer for the duration of the PPA term. We will monitor the output of the solar panels monthly to ensure they are producing close to the expected output.

Under what circumstances can the customer contract be terminated (for example, what happens if the customer moves house)?

If the customer moves premises, the new tenant or landlord has the opportunity to take over the PPA for the remainder of the contract term, or buy the system outright. Otherwise, the customer must purchase the system outright based on its depreciated value which is known before the PPA is signed.

The customer can also purchase the system outright at any time during the contract term at a price outlined in the PPA contract.

What happens to the solar panels at the end of the contract? Who owns them?

Ownership of the solar PV system will revert to the customer at the end of the contract period. This will most likely be 'gifted' to the customer at no charge.

What are the likely consequences for your customers if your business falls into financial difficulties (for example, are the customer's solar panels likely to be removed)?

If our not-for-profit business falls into financial difficulties and is dissolved, the management of the solar PV assets will fall back to the unit trust which has been set up for raising the capital for each project. These details will be clearly outlined in the trust deed which stipulates the relationship between the unit trust and the trustee (REPOWER Shoalhaven will be either act as the trustee or perform all services for the trustee; we are currently seeking legal advice to determine the most appropriate relationship between the different entities).

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

Community energy promises to offer an opportunity for everyday people to invest in ethical and sustainable investment projects in their own communities. REpower Shoalhaven hopes, through the delivery of our Community Solar PPA model, that we can offer a win-win solution for both our customers and community investors, and in the process proliferate the uptake of solar PV in our region.

Importantly, our business model does not displace the need for a primary electricity retailer, or network service provider. As a result we do not need to guarantee supply, nor offer many of the essential services that is required of a traditional electricity retailer or network business. Nor do we impede on the customer's right to choose their electricity retailer freely in the marketplace.

We are, in simple terms, presenting a relatively new method (in Australia) of financing a solar PV system. Our offer diversifies the options available to organisations and business seeking to lower their electricity spend and become more sustainable, whilst yielding a community dividend at the same time.