



SEL Absolute Return Fund SA Pty Limited
"Solar Wholesalers"

Application for Individual Retail Exemption

December 2013

I. Introduction

Solar Wholesalers is an Australian owned solar power system retailer who has sold more than 1500 solar power systems to residential and commercial customers since 2008.

To date most systems have been sold to customers on a cash settled basis where the ownership of the solar system passes to the customer

We are now seeking to add an additional business model to our retail solar business where we sell electricity to **commercial customers and residential customers** that is generated by solar power systems installed at their premises but which remain owned by us. This relationship will be governed by our Solar Power Purchase Agreement (“SPPA”).

We are seeking an exemption to allow us to carry on this business model without us needing to be a licensed “Authorised Retailer” under the National Energy Retail Law.

II. General Particulars

1. Legal Name

SEL Absolute Return Fund SA Pty
Ltd

2. Trading name

Solar Wholesalers

3. ACN

090 593 310

4. Address of registered office

53 Wattlebury Road
Lower Mitcham
SA 5062

5. Nominated Contact

Andrew Sendy
Chief Executive Officer
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0418 898 084

Why We are Seeking an Exemption

We are seeking an exemption because we wish to sell to electricity that is generated at customers premises from solar power systems to which we retain ownership, and so this would, prima facie, be activity that would require licensing.

However, we appear to fit well within the scope of an alternative energy seller within the scope of what is described in the issues paper “Regulation of alternative energy sellers under the National Energy Retail Law”.

The reason we think we fit perfectly within the guidelines for an individual exemption is:

- We will be supplying energy only from solar power;
- We are not capable and do not wish to be any customers primary supplier of electricity and we will only be supplying electricity as a supplementary source;
- It is a condition of our SPPA that the customer retain a relationship with an “authorised retailer” under the National Energy Retail Law and the customer retains the ability to change authorised retailers without consequence during the term of the SPPA;
- Our SPPA affords customers much of the same protections that are afforded to customers of authorised retailers in terms of a 14 day cooling off procedure, a dispute resolution procedure etc.

Details and Experience in Selling Energy

We have had no prior experience selling energy but we have sold more than 1500 individual solar power systems across South Australia, Queensland and Victoria since 2008.

Given that each of these system produce energy daily and we have been involved in the installation, maintenance and monitoring of these systems we have robust experience in this type of energy generation. It is only the model of “selling the energy” rather than “selling the system” that is new to us.

Our head office is in South Australia and we are opening an office in New South Wales at the beginning of 2014.

We will continue to sell cash systems but wish to add the SPPA as another division within the company.

Current Energy Selling Exemption

We are not currently subject, or have not previously been subject to any energy selling exemption.

Other Services to Customers

Customers to whom we sell energy under an SPPA will usually be customers with which we have no other commercial relationship.

9. What Type of Meters will be Used

We charge SPPA customers two different prices for solar electricity we generate on their property.

One price for solar electricity generated and consumed in the premises (“solar electricity consumed”) and another price for solar power generated that is not used within the premises but instead exported back to the grid (“solar electricity exported”).

As such, to produce a bill we need to know how many kilowatt hours the solar system has produced in total (“Gross Solar Generation”) and how many of these kwh’s have been exported to the grid.

Gross Solar Generation is read from the inverter.

All inverters supplied by us to SPPA customers are Clean Energy Council “CEC” approved and to be CEC approved an inverter must comply with AS 4777.

AS4777 requires that as a minimum standard that each inverter has an energy meter compliant with Australian standards. Therefore the energy meter within the inverter is compliant with Australian electricity metering standards.

The second piece of information we require to bill is the amount of the solar power that has been exported to the grid. As part of the installation process of the solar power system we organise through the customer's Authorised Retailer and/or Network Provider for a bi-directional solar meter to be installed. These meters obviously will comply with the National Measurement Act as from the date of installation onwards it is also the meter the customer's Authorised Retailer will use for their billing. The reading of the solar power exported will be taken from the relevant reading on this meter.

As such all relevant readings of kWh generation, usage and export will be from metering equipment compliant with Australian standards.

10. What Accuracy Standards Apply to the Meters

Both the inverter's energy meter, and the bi-directional solar meters that will be installed by the licensed network operator will comply with the National Measurement Act.

14. Dispute Resolution

We have a two-step dispute resolution process enshrined into the contractual terms of the SPPA

The process sets out a timeframe in which we are required to respond to complaints or disputes, an escalation procedure to escalate them within the company if the complainant is still not satisfied with our response and a timeframe for stating a final position in writing to the complainant.

ADDITIONAL INFORMATION

1. Strategic Direction and Objectives

Our strategic direction is to build a business selling power generated from small embedded solar generators installed at clients' premises.

We intend to sell the SPPA to clients around Australia.

A unique feature of our proposed SPPA is that we will charge one rate for solar power generated and consumed and another for solar power generated and exported (likely to be around 8 cents to mirror what the authorised retailer pays the customer for solar electricity fed into the grid at those premises).

2. Projected Customer Numbers and Forecast

Removed for commercial considerations

3. Projected Annual Aggregate Energy Sales

Removed for commercial considerations

4. Market Analysis

Removed for commercial confidence

5. Financial Resources

Removed for commercial confidence

6. Customers

We will be selling to commercial and residential customers. We will have a slightly different SPPA agreement for residential and commercial customers.

The notable difference will be that for commercial customers they will get a lower rate but be locked into a take or pay contract for 8 years.

The residential customers will only be locked into a take or pay contract for 5 years but because of this, and also the fact that they will typically require smaller systems, they will pay a slightly higher usage charge.

There are clauses in each SPPA that deal with a sale of business for commercial customers and the situation of someone moving house for a residential customer. In both cases the customer is able to assign the agreement to a new occupier of the premises but would be liable for termination and removal fees for the minimum lock in period if they cannot effect an assignment.

It was this potential harshness (a residential customer moving house and not be able to get an assignment) that caused us to reduce the minimum take or pay period for residential from 8 years down to 5 years.

We believe both of these SPPA versions are fair given many other similar agreements in the US have 15 year take or pay terms. Indeed, many of the proposed models we have seen in Australia also have long lock in terms.

7. Marketing

Marketing will be mainly internet based but will also be supplemented by in-house sales staff who will contact businesses who are likely to fit within the profile of our target customers for the SPPA.

8. Jurisdictions

Sales will be in South Australia, northern Victoria, New South Wales and Queensland.

9. Connection to the Public Network

We will arrange connection of the solar panels to the public network through the network provider and/or the customers Authorised Retailer (just as we do for a cash sale solar system) as the case may be. As part of this connection a bio-directional meter capable of separately recording solar exports will be installed.

The solar power system will generally be left turned off until the bio-directional meter is installed.

As charges are only for power generated there will be no charges prior to connection.

10. Maintenance and Repairs

We are responsible for all maintenance and repairs to the solar power system under the terms of the SPPA.

11. Billing

Billing is done quarterly and is in the form of an electronic bill sent to the customers contact email.

A direct debit is processed to the customers nominated bank account no less than 10 days after the sending of the email copy of the bill.

The bill is based on an exact reading of power produced from the inverter.

We intend to install web based monitoring on all of the SPPA solar systems and so our bills will be based on an exact reading of power produced. We will get the exact number for the amount of kwh exported by reading the meter quarterly.

We will not use estimates for billing unless we are unable, after making reasonable attempts, to arrange a meter reading.

12. Customer Payment Default.

If a customer does not pay their bill, or more accurately their direct debit is declined, then after 14 days we can issue a Reminder Notice under the SPPA. Such reminder notice will advise the customer of their ability to apply to use for a payment plan if they are suffering financial hardship. If the amount remains unpaid and there is no dispute notified to the dispute resolution system, or application made for a payment plan to be agreed under our financial hardship policy, then within a further 28 days we have a right to terminate the agreement. In the event of termination we will first tag off the solar power system for a further 28 days to give the client further time to either pay the amount owing, notify a dispute or apply for a payment plan.

Only after this further period, elapses without action from the Customer do we have a right to remove the solar power system from the premises and the customer is liable to pay the removal fee.

We will do everything possible to avoid a termination and a removal of the system from the Premises, however in some cases it may be necessary to do so, and so we need to retain a contractual right to do so.

However, we do not believe there are any issues here with harshness around the removal of the system because:

- It is only a supplementary power supply and so the customer will still have access to electricity through their Authorised Retailer

13. Customer Termination

The Customer can terminate the agreement at any time by paying the removal fee to have the system removed. However, if they terminate within their lock in term (8 years for commercial and 5

years for residential) they also have to pay a reasonable estimate of the likely Power Purchase Fees that would have been payable between the date of termination and the end of the lock in period.

Given we make a large capital investment upfront it is not possible to do this without a guarantee of income for at least this period as the market for second hand solar equipment is not strong.

The Customer can terminate after their lock in period simply by paying the removal fee. The removal fee is a reasonable estimate of the actual cost of removing the system.

The Customer can also buy out the system if they wish in which case they keep it. The Buy Out fees are listed in the SPPA.

14. What happens to the system at the end of the term

There is no fixed end date to the contract so what happens after the term of the SPPA depends on how it ends.

We have no right to terminate the contract after installation other than if the client breaches the agreement. If an SPPA is terminated by us because of a client breach then we retain ownership of the system.

The customer can terminate the agreement at any time but there are two ways they can do this. They can either hand the system back or they can buy the system out. This determines the outcome of the ownership of the system.

15. STC's

As part of the SPPA we retain ownership of the system while it is operating and so we retain ownership and the right to sell the STC's to which the system is entitled under the MRET legislation

