



"The Waratah Main Beach Apartments"

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

General Information Requirements:

Legal Name:	The Body Corporate of The Waratah Main Beach CTS 16570
Trading Name (if applicable):	Not applicable
ABN/ACN:	95 165 737 845
Registered Postal Address:	22 Montgomery Avenue, Main Beach QLD 4217
Nominated Contact Person:	James Hall
Position:	Resident Building Manager
Phone:	07 5527 1344
Fax:	07 5527 1366
Email:	thewaratah@bigpond.com

Reason for Individual Exemption:

The Waratah Body Corporate (**Body Corporate**) aims to establish a more appropriate electricity supply arrangement for the residents of The Waratah Main Beach Apartments that delivers significant savings over traditional individual electricity supply arrangements for all residents, as well as providing the structure to facilitate further energy savings in the future for the community.

Address of Site in the Application:

22 Montgomery Avenue, Main Beach QLD 4217





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Primary Activity:

The Waratah Main Beach Apartments is a Residential Body Corporate building complex.

Form of Utility for which Individual exemption is sought:

Electricity supply will 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 is aiming 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 to deliver significantly lower electricity charges for residents than otherwise achievable through any traditional electricity retailer. Currently, individual retailers (and the local network company) are using privately owned infrastructure to supply electricity to all residents at this site.

Date of which you intend to commence selling of utility:

As soon as possible, subject to:

- the approval of the AER and,
- the subsequent approval of the conversion to an embedded network, in accordance with the AER's conditions of approval, by the Body Corporate at its next Annual General Meeting to be held on or before 28 February 2017.

The Body Corporate acknowledges there is a process that the AER needs to undertake to address all relevant issues and that, that process can take up to 12 weeks.

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/- Challenge Strata Management
PO Box 8021
Gold Coast MC QLD 9726

Details of any experience in selling energy:

The Body Corporate itself has not had experience in the on-selling of electricity but, it has engaged and, will continue to engage appropriate professional parties with relevant experience to properly advise the Body Corporate and to assist with the implementation and ongoing billing arrangements.

In particular, the Body Corporate has engaged METER2CASH Solutions (**METER2CASH**) as its nominated billing agent. METER2CASH currently operates over 300 similar building complexes and has the professional capabilities, experience, policies, procedures and systems in place to ensure that the services delivered to the residents are managed properly and, in accordance with the AER guidelines.

METER2CASH will manage all aspects of the meter reading, billing, debt management, customer management services and, complaints handling and/or dispute resolution processes that may arise, from time to time.

The Body Corporate will be the on-seller and METER2CASH will act only as the billing agent. The energy contract will be with the Body Corporate and it will bear the total financial risk associated with the on-



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selling of energy to the residents. The Body Corporate committee will also oversee the on-selling process and, make specific responsible/commercial decisions, as and where 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 to this application.

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 Body Corporate has 94 residential apartments in its building complex. The Body Corporate has obtained 93 signed informed consents, in writing, from resident users in the building, agreeing to the conversion of the existing infrastructure to facilitate an embedded network. The one resident user, who has decided not to convert to an embedded network, will be wired out at the time of conversion, at no cost to the user but, subject to Body Corporate approval at its next Annual General Meeting to be held on or before 28 February 2017. An individual NMI will be installed for that one residential user outside the embedded network.

The Body Corporate will ensure that all existing infrastructure can facilitate the "unbundling" of the embedded network and create individual NMIs for each resident user, if required. This will require no additional infrastructure work and could be established at relatively low cost for each resident, no different to establishing a new connection for an individual residence.

A further contingency (as a last resort), and in the event the Body Corporate can no longer continue supplying energy, the Body Corporate would approach an existing retailer providing these services, such as Origin Energy to take over the operation and management of the embedded network.

The Body Corporate is currently supplied by Origin Energy for its community supply and, it sees no change to the supply for the proposed embedded network, at this stage.

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 or tenants and all are solely residential in nature. There are no commercial/retail arrangements in the building. All tenants, with or without an appropriate lease, are governed under the Residential Tenancy Act (Qld), in matters relating to the lease or rental arrangements. Both resident owners and tenants are also bound by the Body Corporate by-laws for the property, under the Body Corporate and Community Management Act (Qld).

- 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 intention of the Body Corporate is to supply and on-sell electricity only, as a service.



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The Body Corporate does not have any other commercial arrangements or relationships. Any lease arrangements (i.e. for residential tenancies) are through property/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).

The Waratah building complex comprises 94 residential apartments and, the community or common area supply. All apartments 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 itself under the proposed embedded network arrangement.

Of the total number of apartments (94), 93 explicit signed informed consents, in writing, have been received by the Body Corporate. One (1) only owner has opted not to participate in the proposed embedded network and as such, will not be included in the embedded network. That owner will retain a direct connection to the network of choice, in accordance with the local network requirements.

In carrying out the electrical works to exclude this one apartment only from the embedded network, the Body Corporate will have to spend a significantly higher conversion cost for the electrical infrastructure works (some additional \$25,000 + GST) to facilitate the wiring out of this apartment.

A positive outcome of the additional electrical infrastructure works may be that should any other resident want to opt out in the future then, there will be a provision in place that may reduce the costs of the electrical works required to wire out another apartment. After conversion to the embedded network, the cost of any works would need to be primarily the responsibility of the apartment owner opting out, although it could be expected that the Body Corporate will ensure the cost to do so, is not deemed as excessive, where possible.

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 only be on-selling energy 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

Subject to AER approval and, Body Corporate approval of the proposed conversion to an embedded network (at its next Annual General Meeting to be held on or before 28 February 2017), the intention of the Body Corporate will be to enter into a market contract with an appropriate authorised retailer to take effect, as soon as reasonably practical, after the date of the creation of the embedded network.

Initially, the Body Corporate will enter into a 12 month agreement with Origin Energy, being the existing retailer to the site. After that time, the Body Corporate will conduct a competitive tender process to source the most efficient and cost effective supply from a suitable retailer operating in



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QLD. The term of any new supply contract will be for at least 12 months and, any longer term contracts that may be entered into will be subject to the market rates and conditions at that time.

Typically, the Body Corporate will endeavour to enter into a three year contract, where appropriate. Also, in most cases, the Body Corporate will engage a professional consultant or broker to assist with the process and, provide the necessary due diligence and advice required under the Body Corporate and Community Management Act (QLD).

- 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 current estimated aggregate consumption is approximately 805 MWh per annum.

The current usage is broken into 410 MWh for the community areas and, approximately 395 MWh for the residential apartments.

The average residential apartment is expected to use approximately 4,200 kWh per annum. This information was based on independent meter reads and sample accounts provided through the assessment, due diligence and feasibility process conducted by the Body Corporate.

- 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 complex.

- 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.**

Yes. All residential apartments are currently metered individually and the proposal is to retain the existing network owned meters for this purpose. The meters will either be purchased or leased by the Body Corporate. The preference may be to lease from the network company (via Metering Dynamics, a subsidiary of Energex) to ensure the meters are kept to an appropriate standard and accuracy.

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

All meters are currently owned by the distributor Energex. As part of the conversion process, the Body Corporate will enter into an agreement to either purchase or lease the meters from Energex.



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This decision was made by the Body Corporate 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.

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

Until such time as the relevant jurisdiction agrees to some other means by which to allow embedded customers 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 that a future customer does not want to be a customer of the embedded network, and until such time as the jurisdiction introduces an appropriate process, the Body Corporate would need to facilitate that resident to "wire out" the apartment from the embedded network arrangement.

As part of the conversion works, the Body Corporate will have to spend a significantly higher cost for the electrical infrastructure works (some additional \$25,000 + GST) to facilitate the wiring out of one apartment. The investment in this infrastructure may also facilitate the "wiring out" of other apartments at any stage, in the future.

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 that 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, 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.



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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 problem or event.

13. 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 at regular cycles on either a quarterly, bi-monthly or monthly intervals. The cycle will be determined by the Body Corporate but, with consideration of the wishes of the majority of residents. If there is any dispute then, the default will be quarterly billing.

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

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 nominated billing agent (METER2CASH Solutions) and will be in accordance with AER requirements, as set out under the AER guidelines and the expected relevant AER approval conditions.

METER2CASH has in place across all of its 300 serviced buildings appropriate Complaints Handling and Dispute Resolution policies, procedures and systems, in accordance with the AER guidelines and requirements.

METER2CASH, the nominated billing agent would normally be the first point of call for any dispute, and where possible, it will work promptly and co-operatively with the customer to resolve the dispute internally.

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

METER2CASH, the nominated billing agent 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).

A copy of the current dispute resolution process from METER2CASH is attached for reference.

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 eligible seniors, pensioners, veteran affairs and other eligible persons, in accordance with QLD Government requirements.

In addition, METER2CASH, the nominated billing agent also will facilitate access to hardship arrangements available from the QLD Government **Home Energy Emergency Assistance Scheme** for eligible persons.



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METER2CASH, the nominated billing agent applies and lodges all rebate applications on behalf of the Body Corporate and liaises with the retailer of 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 via its METER2CASH, nominated billing agent.

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 role is supported by the nominated billing agent (METER2CASH Solutions), who will review accounts and periodically identify potential opportunities for savings.

The Body Corporate sees the benefit of implementing an embedded network and also, potentially installing solar power options for the benefit of the whole community, in the future. Under the current circumstances, it is not possible for any individual to access solar due to the limited roof space. However, under an embedded network, the Body Corporate could implement a large scale solar system that could provide benefits to all residents subject to a cost/benefit analysis and a due diligence process.

The Body Corporate has also undertaken other energy efficiency options such as the 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 objective and purpose of the proposed embedded network is to deliver significantly lower electricity costs to residents in the building. Consideration will always be taken to ensure that no resident is worse off and, that they will always receive electricity at a lower cost than any retailer would be able to supply to an individual customer.

It must also be noted that under the Body Corporate legislation in QLD, a Body Corporate cannot profit from the provision of any service and therefore, the maximum savings will always be passed on to 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 and pricing.

The Body Corporate will proactively ensure that the way it purchases the electricity for the bulk supply, will continue to deliver 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 for the supply of electricity to the residents within the building. The supply authority has only had responsibility for the supply to the connection point at the building and thereafter, the Body Corporate is responsible for all infrastructure within the building, regardless of whether the site has a "retail" embedded network set up or not.



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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 resident's freedom of choice will not see any resident disadvantaged or receive lower electricity prices, regardless of any future competition arrangement, 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 no customer can easily "opt out" other than by rewiring the meter, outside of the gate meter.

While retailers may purport to provide a higher level of consumer protection, their customers have no more of a choice than any Body Corporate that operates an embedded network.

Please note that the Body Corporate's proposed embedded network is not driven by profit. So, it will always deliver better outcomes for residents, of course, subject to all other aspects of supply being well managed.

In addition, the Body Corporate will engage professional billing agents and other consultants as required, to ensure that the embedded network is properly and professionally managed, in an efficient and cost effective way, for the benefit of all customers in the building.

Mitigation of detriment: Retail contestability and competitive offers:

The Body Corporate acknowledges that customer "choice" is an important principle to be protected in the supply of electricity in Queensland. The Body Corporate supports this principle as a basic right of all residents/customers.

The AER requires applicants, such as the Body Corporate, to demonstrate that customer choice has been afforded to residents involved in a building, like the Waratah Apartments, that seeks to apply for an individual exemption to implement an embedded network.

Choice is the act of choosing or deciding between two or more possibilities (Oxford Dictionary).

The **Body Corporate has taken pro-active steps to ensure** that all 94 residents (be they owners or tenants) have been afforded the **right of choice** and, have been provided with the relevant information to enable residents to make an informed choice/decision between continuing to receive electricity supply from a retailer of choice or, from the Body Corporate under an embedded network.

Much time, effort and resources have been employed by the Body Corporate to ensure that **all residents** of the Waratah Apartments have been **fully informed** about what bulk electricity supply means, what an embedded network means, what the process of conversion to an embedded network entails, what electricity cost savings can be achieved through an embedded network relevant to the Waratah building complex, what costs will be involved to convert to a bulk electricity supply in the building, on-billing administration and processes, billing cycles, rights to and the eligibility of certain persons to Government Rebates, Frequently Asked Questions/Answers, questions from residents from time to time in the consultation process, **before 93 residents** (of the 94 residents) of the Waratah



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building, **exercised their right of choice and decided to sign individual explicit informed consent documents**, choosing in favour of converting to an embedded network.

Attached are copies of the relevant bulk electricity supply/conversion information and materials that were provided by the Body Corporate to all residents in the Waratah Apartments to enable them to better understand the concept of the embedded network, what it means for them in terms of the advantages/disadvantages and allowing them to make an informed choice/decision between continuing to receive electricity from a retailer of choice or, from the Body Corporate under an embedded network.

This application wholly demonstrates that the residents of the Waratah Apartments have been given ample information and opportunity to make a choice between their current retailer and the Body Corporate's proposed embedded network. There has been no lack of access to competitive offers from retailers.

As mentioned earlier in this application, the Waratah building complex comprises 94 residential apartments and, the community or common area supply.

Of the total number of apartments (94), 93 individual explicit signed informed consents, in writing, have been received by the Body Corporate. One (1) only owner has opted out and has chosen not to participate in the proposed embedded network. Accordingly, that apartment will not be included in the embedded network. That owner will retain a direct connection to the network of choice, in accordance with the local network requirements.

In carrying out the electrical works to exclude that one apartment from the embedded network, the Body Corporate will have to spend a significantly higher cost for the electrical infrastructure works (some additional \$25,000 + GST) to facilitate the wiring out of that apartment.

While the Body Corporate acknowledges the right of choice, it also wishes to also acknowledge the **potential benefits** to customers of a residential body corporate **embedded network** that we submit, far outweigh any perceived lack of access to other competitive offers now, and in the future. These potential benefits, and other considerations, include:

- **Savings** in the order of potentially 25% to 35% (off the total electricity costs) have been identified for the Waratah building complex, compared to the very best costs savings offered from retailers (currently at, approximately 16% off consumption charges only).
- **Deregulation**, in the minds of many people, is all about improving competition and delivering lower electricity prices for consumers. The complete opposite outcome has happened in QLD with deregulation having effectively pushed up electricity prices for consumers. There may be competition within these markets but, most consumers have still seen net increases in their cost of electricity.
- **Embedded networks** are unique in that they have the opportunity to deliver significantly lower electricity costs primarily because of the lower overall network charges to the property, compared with the individual network charges that apply to individual retail residences.
- This, together with the fact that **Bodies Corporates** in Queensland **are prohibited from making a profit** from the delivery of utility services under legislation, will ensure that residents of these



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types of embedded networks will ALWAYS see lower electricity costs compared to what any retailer could offer an individual customer.

- In addition, in the process of implementing the embedded network, **any resident** not wanting to participate in the conversion has the **right of choice** to opt out and be physically wired out to a separate switchboard so that, they retain a direct connection to the network and have access to their retailer of choice, as required under the current legislation in QLD.
- As part of the conversion of any building to a bulk electricity supply in the Energex (QLD) network, **Energex has a strict requirement and process that allows for any resident not wishing to participate in the conversion, to opt out and retain a market connection.** This is managed through their **Energex Form 1430**, a copy of which is attached for reference.
- In this instance, the **Body Corporate will facilitate the wiring out of one apartment**, at its cost. In carrying out the electrical infrastructure works to exclude this one apartment, the Body Corporate will spend a significantly higher cost for the electrical works (some additional \$25,000 + GST) to facilitate the wiring out of that apartment.

All of the above clearly demonstrates that the Waratah Body Corporate has provided ample informed choice to all residents, to enable them to decide whether or not to participate in and, to give their informed consent, in writing, to an embedded network conversion process in a competitive market environment.

If any future resident wishes to opt out of the embedded network after conversion, there will always be some electrical costs associated with the wiring out requirements. However, the Body Corporate is confident that, with its investment in the additional electrical infrastructure works, it hopes to mitigate any unreasonable expense for a resident, who wishes to opt out after the conversion has been completed.

Should legislative changes occur in QLD in the future, to allow for the easy access to other retailer arrangements for residents, the Body Corporate billing agent (METER2CASH), will work with the network and other retailers to ensure compliance with any such legislative changes.

The Body Corporate is also aware of the "The Power of Choice" and, the possible requirement of an Embedded Network Manager at some stage in the future.

Mitigation of detriment: Customer dispute resolution services:

The Body Corporate will rely upon the dispute resolution process in place with its nominated billing agent (METER2CASH), which will be managed by METER2CASH in accordance with AER guidelines and requirements and, the relevant AER core approval conditions.

As the nominated billing agent, METER2CASH would normally be the first point of call for any dispute arising. Where possible, METER2CASH will work promptly and co-operatively with the customer to resolve the dispute internally.

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



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METER2CASH, 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).

Please also refer to the attached dispute resolution process from METER2CASH.

Mitigation of detriment: state or territory legislation:

Notwithstanding the above, the Body Corporate acknowledges that one of the main issues for consideration, when seeking to implement an embedded network, was the potential cost of wiring out residents, who chose to opt out and not participate in the conversion to an embedded network. This choice by one or more persons could put the whole conversion option at risk of proceeding at all.

While it can be strongly argued that the **conversion to an embedded network could benefit ALL residents** in the building, the decision of one or more residents to **opt out** of the conversion process could mean that for the majority of residents, who want to proceed with the conversion, their right of choice to **opt in**, could be at a much greater risk and individual cost (both in terms of the initial Body Corporate cost of conversion but also, the potential loss of savings to their on-going electricity charges) compared to those residents, who chose to opt out. This outcome could be significantly detrimental to the majority of residents in the building. Their rights of choice are potentially adversely impacted by the rights of choice of but a few or, in this instance, one resident.

During the consultation process, the **Body Corporate has provided balanced and relevant information to all residents** to inform them of their right of choice including, among other things, that if any resident chose to opt out, there may be a cost borne by the resident and/or by the Body Corporate to facilitate this outcome.

The Body Corporate will meet all the cost of wiring out the one resident, who has chosen to opt out and not participate in the proposed conversion to an embedded network. The opting out of any resident at that time will be managed through the **Energex conversion process (Form 1430)**, a copy of which is attached.

The **Body Corporate has respected the rights of that one resident** notwithstanding, that the decision of one resident, has potentially cost the Body Corporate substantially. Whether or not that decision was reasonable and/or fair is completely irrelevant to and, not for consideration in this application.

The **Body Corporate will** always use its best endeavours to **comply with its legal and regulatory obligations** in relation to the supply of electricity to residents under an embedded network, the AER guidelines and requirements, the expected AER approved individual exemption and its core exemption conditions and, the Body Corporate and Community Management Act (QLD).

In this regard, the **Body Corporate will engage appropriate professional advisers, consultants, brokers and service providers to ensure that the embedded network is properly managed** in accordance with the AER guidelines and requirements, the expected AER approved individual exemption and its core exemption conditions and, its obligations under the Body Corporate and Community Management Act (QLD).



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The **Body Corporate Committee will be responsible for overseeing the management** of the embedded network, the supply of electricity at cost effective and competitive charges and the on-supply of electricity to residents at reasonable prices and on reasonable terms and conditions.

The **Body Corporate Committee will establish regular reporting, monitoring and systems reviews of the embedded network, the supply of electricity at cost effective and competitive charges and the performance of the nominated billing agent (METER2CASH) to ensure compliance** with the Body Corporate's obligations under the embedded network, the AER guidelines and requirements, the expected AER approved individual exemption and its core exemption conditions and, its obligations under the Body Corporate and Community Management Act (QLD).

Please refer to the attached sample information and documents including, Frequently Asked Questions/Answers and other relevant Q&A documents, provided to all residents.

The Body Corporate requests that the AER to consider that licensed retailers, who implement embedded networks, do not need to apply for an individual exemption. However, retailers 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, by rewiring the meter outside of the gate meter.

While retailers may potentially 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, the Body Corporate operated embedded network will always deliver better and more cost effective outcomes for residents. Of course, these outcomes will be subject to all other aspects of the embedded network being well managed.

Efforts to obtain explicit informed consent:

The Body Corporate began the process of converting to an embedded network in 2015. A consultative approach was undertaken by the Body Corporate Committee, the Body Corporate Managers (Challenge Strata Management), their resident building managers, their consultant (Energy Options Australia), and their nominated billing agent (METER2CASH Solutions).

The Body Corporate provided a number of information notices, updates and materials to inform the residents about bulk electricity supply and the embedded network, the conversion process, the benefits and savings associated with bulk electricity supply, eligible Queensland Rebates under an embedded network, and relevant background information, such as Frequently Asked Questions/Answers.

Please refer to the Body Corporate submissions under the sections headed: **Mitigation of detriment: Retail contestability and competitive offers** and **Mitigation of detriment: state or territory legislation and other sections (above)**, for more detail, together with the relevant documents attached.

In summary, the Body Corporate initially sought the interest of the residents through an expression of interest. Where a resident wished to proceed with the conversion to bulk electricity supply then, an informed consent application together with the terms and conditions and, the energy charges (consumption and service fee) were provided.



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The Body Corporate Committee provided an Information Night, together with some open sessions and presentations for residents to attend and, to ask questions about the conversion to bulk electricity supply. Where a one-on-one approach was required, select Committee members and the Body Corporate consultants provided their time to discuss and address any questions or concerns raised by residents.

A sample copy of the original application form (the informed consent) and the terms and conditions provided to residents are attached for reference.

Throughout this entire information sharing and consultation process, ANY resident not wishing to participate was provided with the option to be "wired out" and, retain a separate connection that allowed them to continue with the existing arrangements, with their retailer of choice.

Through this collaborative and very open approach, 93 explicit informed consents were signed and provided to the Body Corporate by residents to participate in the embedded network.

One (1) only resident decided to opt out and, not participate in the conversion to an embedded network. That resident will be "wired out" of the embedded network, at the Body Corporate's cost.

Following regulatory changes to the AER Exempt Selling Requirements in July 2016, appropriate forms, terms and conditions and other documents for use by the nominated billing agent (METER2CASH) with residents, have been modified to accommodate any required changes (i.e. removal of reference to security deposits).

Other supporting documents including informative updates, conversion notices during the AER public comment process and other follow up letters in the lead up to the conversion date will be provided to residents in due course. A sample conversion notice is attached for reference.

Consultation Process:

The Body Corporate acknowledges the public consultation process that is required by the AER.

The Body Corporate will inform residents that this application for individual exemption will be open to public comment on the AER website.

Following advice from the AER, when the application has been accepted and subsequently published for consultation, the Body Corporate will advise all residents (owners or tenants), that the application has been published for consultation and, when the consultation period ends.

Sample public consultation and conversion notices are attached for reference.

Attachments:

The following sample information and documents have been provided to all resident "users" of electricity in the Waratah Apartments building.

Please Note: All attachments to this AER Application are provided on a strictly commercial in confidence - not for public distribution basis without the prior written consent from the Waratah Body Corporate.



"The Waratah Main Beach Apartments"

Many attachments contain confidential commercial information and, intellectual property prepared by professional advisers in connection with the Waratah Body Corporate's proposed conversion to an embedded network.

Competitors could use this confidential commercial information and, intellectual property for their own benefit, gain and commercial advantage but, to the detriment of the Waratah Body Corporate and its professional advisers.

Commercial in confidence – Not for public distribution

- **Committee Letter to Residents - May 2016** – inviting residents to participate in an electricity scheme.
- **Energy Flyer** – information sheet explaining “What is Bulk Supply?”, “What are the benefits?” “What’s involved in an Application for the supply of electricity” and “Fact Sheet from Energy Options Australia” and, a question and answer document.
- **Committee Update Letter - June 2016** – comprising:
 - **Conversion Pack** including a sample Informed Consent document acknowledging the resident’s understanding of the key elements of bulk electricity supply and, the AER guidelines and requirements associated with the conversion to an embedded network
 - **Sample Application Form** – copy of a typical application, terms and conditions to be signed by a resident, which complies with the AER guidelines and requirements and the Body Corporate and Community Management Act (QLD)
 - **Invitation to an Information Night** including FAQs - frequently asked questions/detailed answers and explanatory information
- **Details of the estimated Savings for residents** under a bulk electricity supply embedded network scheme. This includes a matrix showing the savings for various levels of consumption.
- **Details of the estimated Bulk Electricity Supply Charges** under a bulk electricity supply embedded network scheme. This provides an estimate of the average cost of electricity to the Body Corporate under the bulk supply arrangement that forms the basis of any offer to residents.
- **Information Night Presentation materials and information** – a complete copy of the presentation slides and materials used at the Information Night convened for , provided to and discussed with residents. Covers frequently asked questions and answers flyers.
- **Occupant Pack** that was provided to all residents and includes:
 - **Sample Application for electricity supply** for residents



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- **Sample Terms & Conditions (original)** – copy of the original terms and conditions, which have been modified to comply with the AER guidelines and requirements
- **Application Form for Queensland Government Rebate** for eligible residents
- **Examples of Queensland Rebate Cards** and process for eligible residents
- **Information for residents about "Moving in" and "Moving out"** to ensure electricity supply.
- **Dispute Resolution Process** – this is a copy of the METER2CASH dispute resolution process on how the nominated billing agent will manage any complaint or dispute, until such time as there is a State appointed Ombudsman, who is accessible to on-suppliers such as the Body Corporate
- **AER Application - Submission Notice** – this is a copy of a notice that has been provided to residents informing them of the AER application process.
- **Waratah Bulk Electricity Supply - AER Public Consultation** – this is a copy of the follow up notice that will be provided to residents informing them of the acceptance of the application and the publishing of same on the AER website, that the application is open for comment, and the date that any submission must be received by the AER.
- **Conversion Notice to Residents** – if the application is successful and the conversion proceeds, this is a copy of a typical letter that would be sent to residents informing them of the physical changeover and the subsequent power outage.
- **The Waratah Bulk Supply Conversion Request** – this is a copy (partly completed) of the Energex Form 1430 that is used for all bulk conversions. It provides a mechanism by which any resident wishing to opt out of the embedded network can be wired out in the conversion process.

Conclusion:

The Body Corporate seeks the AER's approval of this Application for an individual exemption to convert the electricity supply to the building complex to an embedded network, on reasonable exemption conditions, for the benefit of the residents of the Waratah Apartments.

Please advise if the AER requires any further information in support of this Application.

Applicant: The Body Corporate of The Waratah Main Beach CTS 16570

Date: January 2017