ZEROCOSTSOLAR

Application for an individual retailer exemption by Zero Cost Solar Pty Ltd

Submitted to the Australian Energy Regulator on 31/03/2014

Zero Cost Solar Pty Ltd (ZCS) was founded in March 2014 when I retired directorship from a traditional sales and installation solar PV company after gaining several years of experience. Our goal is to make saving money through solar generation as attainable as possible. This will be achieved through a unique leasing model where systems suitable for both residential and commercial applications will be provided at zero cost. Energy that is generated and consumed on the premise will be purchased at a lower than retail rate, with excess being sold to their retailer at market prices.

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.

1. **Your legal name.**

   Zero Cost Solar Pty Ltd

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

   Same as legal name.

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

   ACN: 168 764 118

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

   50 Hooper Street, Randwick 2031, NSW

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

   James Stocker, Director
   Mobile: 0434 199 256
   Email: jamesbstocker@gmail.com
   Address: 50 Hooper Street, Randwick 2031, NSW

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.

   The Zero Cost Solar business model is to provide a solar generator to suitable energy consumers at no cost. These consumers will always be grid connected with either rooftop or ground mounted area suitable for solar generation on their premise. The model will work for both residential and commercial properties and only requires very low daytime consumption to be profitable for us and produce savings for the customer. The generator will be retained by an asset holding company who will lease the equipment to ZCS, although the customer will always have the option of purchasing the asset from us at any stage.

   Every customer will be required to enter into a Power Purchase Agreement (PPA). This PPA specifies that the energy generated and consumed on site will be sold directly to the customer at a nominated flat rate for the entire duration of the PPA. Any energy that isn't

consumed on the property will be exported and sold to the customer's energy retailer. As detailed within the PPA, ZCS will invoice the customer for the sum of the consumed energy and the exported energy calculated at the highest export market rate currently available to them during that entire billing period. We bill our customers at the end of each complete calendar month.

As part of the PPA, we provide full solar generator monitoring to ensure that the system has high utilisation. Should any fault occur, we would be notified through an alert and have the problem inspected by our service team. If the cause of the fault was found to be a system issue, we would cover all the associated costs with replacing and servicing. If the fault was caused by vandalism, theft, or damage, the customer will be expected to pay for the repair at wholesale rates.

The customer may choose to purchase the asset at any time for the RRP of the system. This value will be discounted by 5% each full year with no limits; such that after 20 years it would be handed over to the customer at no cost. At the time of either handover or purchase, the full service agreement would terminate. Any manufactures warranties that are valid would still apply. This would include warranties that commenced late in the agreement due to a component replacement.

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 leased and 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.**

   Our business will first focus on NSW installations. We will quickly expand to all other states of Australia. The PPA must be entered into by the title holder of the premise.

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

   Zero Cost Solar will be selling electricity that is generated on their own property through an embedded solar generator to residential and commercial customers through a PPA. We will also be selling solar systems should the customer wish to exit the PPA and accept ownership of the asset. Each of our customers will have a dual energy supply source.

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.**

   Zero Cost Solar 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), ie an embedded generator. Every generator will also have a net export meter installed that is provided by the NSP and complies with all relevant authorities.

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.**

June 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.**

    We do not have prior experience in selling energy. The director and all employees will have extensive knowledge and experience within the solar PV industry. Everyone involved with the design and installation of the PV asset will have electrical and CEC licencing.

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

       Zero Cost Solar will perform the initial customer site assessment, customer procurement, PPA development, financing, meter reading, billing and customer service and interaction. Based on location, installation size and type we will either provide the solar design and install, maintenance and final site assessment processes in-house or to contractors.

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.**

    N/A

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).**

    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.

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

    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. During the period of the PPA, we will ensure that the embedded solar generator remains functional through remote monitoring and servicing when a notification is received. Every customer will also have the opportunity to purchase the embedded generator.

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 residential and 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)?

If we reach our 2014/15 target, we would sell approximately 550MWh of electricity by the end of this period, which is comprised of both consumed and exported power.

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, our customers will either own each individual title or be under a body corporate.

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 will be at least class 2 or better and will be a utility meter. All meters that we intend to use meet the National Measurement Institute's *NMI M 6-1 Electricity Meters* publication requirements.

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 monthly. Zero Cost Solar will conduct the online meter reading and billing. Physical meter inspections will be conducted annually by Zero Cost Solar 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 states that the solar generation will be billed at different rates depending on whether it is consumed or exported. Based on consultation with the customer, a

forecast is made as to the export percentage which would be applied until the next meter reading. When the total embedded generation and export meters have been read, these figures will correct the data. The actual export/consumption ratio data will be used on subsequent billing periods.

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

There are no early exit, or transfer fees. Should the customer wish to exit, they may purchase the solar system for a discounted price or if they are selling their property, have the PPA transferred to the new owner.

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

We will provide in house billing, issued monthly.

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 Zero Cost Solar:

- The customer may raise a complaint with Zero Cost Solar. Zero Cost Solar will respond to the dispute within a set timeframe, detailing 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.

Zero Cost Solar 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 Zero Cost Solar.

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?

Our business won't provide energy efficiency products.

Solar is at the core of our model.

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

<u>Additional questions</u>

What kind of marketing do you intend to undertake?

We will utilise similar channels as the typical solar sales; purchasing solar leads, Google search ad words, Google SEO, a referral program and many more.

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 pay for the connection of the solar system to the grid, including the cost of the net meter and installation charges. As we only charge the customer for energy that is generated by the embedded generator, billing will only commence from the end of the first complete month of usage.

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

Every installation has remote monitoring which alerts our technicians to any faults in our solar systems. Once an alert is received, our qualified technicians will repair/replace the faulty components at our cost providing the customer has an active PPA.

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, 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?

Zero Cost Solar doesn't have any fixed contract period and can purchase the solar asset at any time. We apply a system purchase discount option of 5% per year, such that after 20 years of operation, they will be given the system for zero cost.

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)?

All installed assets are owned by a separate company and leased to Zero Cost Solar. Should ZCS fall into financial difficulty, the asset division will retain the assets. The company owning the asset may choose to establish a new lease arrangement with a new retail entity or make an offer of purchase to the customer on whom they are installed at or below the current discounted value that ZCS has applied or to have them removed from the property not at the customers expense.

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

Zero Cost Solar is excited to enable everyday people who may not otherwise have the ability to purchase a solar system to take part in zero emissions energy generation. While solar has been shown to reduce peoples energy bills, the people who need it most are often unable to make the initial purchase or are concerned about the long return on investment period. Zero Cost Solar eliminates these concerns as we guarantee savings with no payment on capital and we even give our customers a free solar system after years of worry fee operation.

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.