

Individual Retail Exemption Application for Bateau Bay Square Shopping Centre (retrofit)

General information

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

Charter Hall Holdings Pty Ltd

2 Your trading name if different to your legal name.

Bateau Bay Square

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

ABN 15 051 363 547

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

Level 20, No. 1 Martin Place,
Sydney,
NSW 2000

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

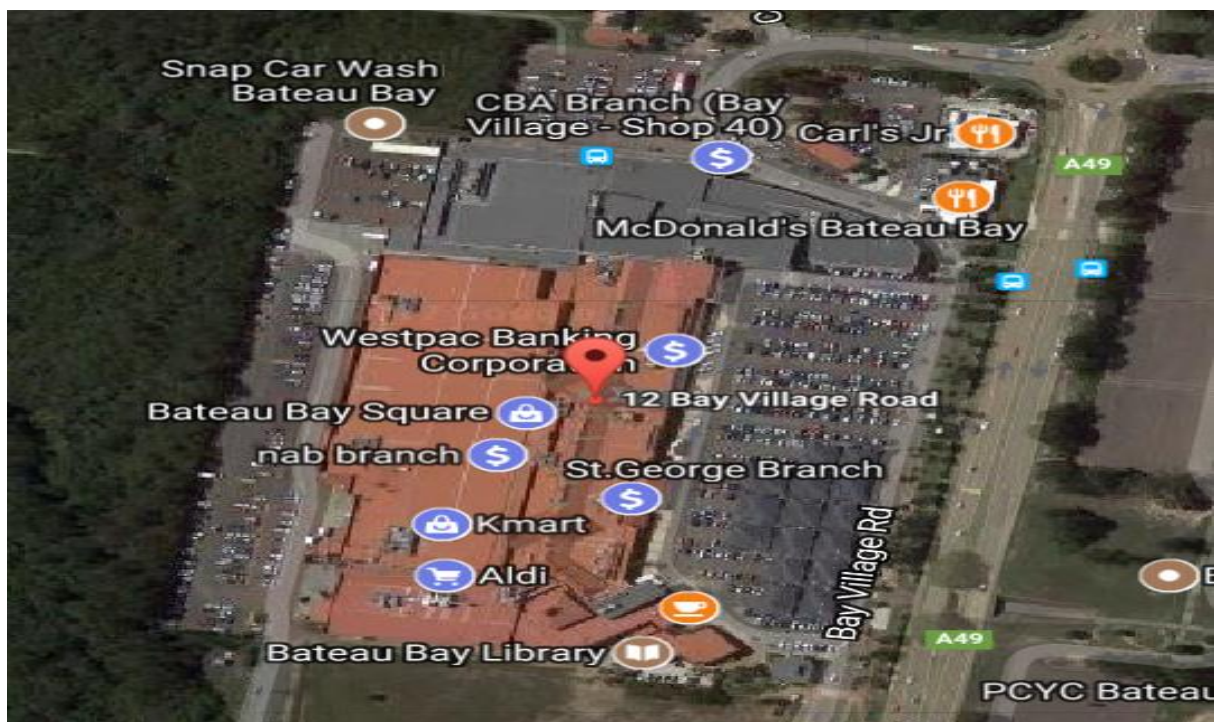
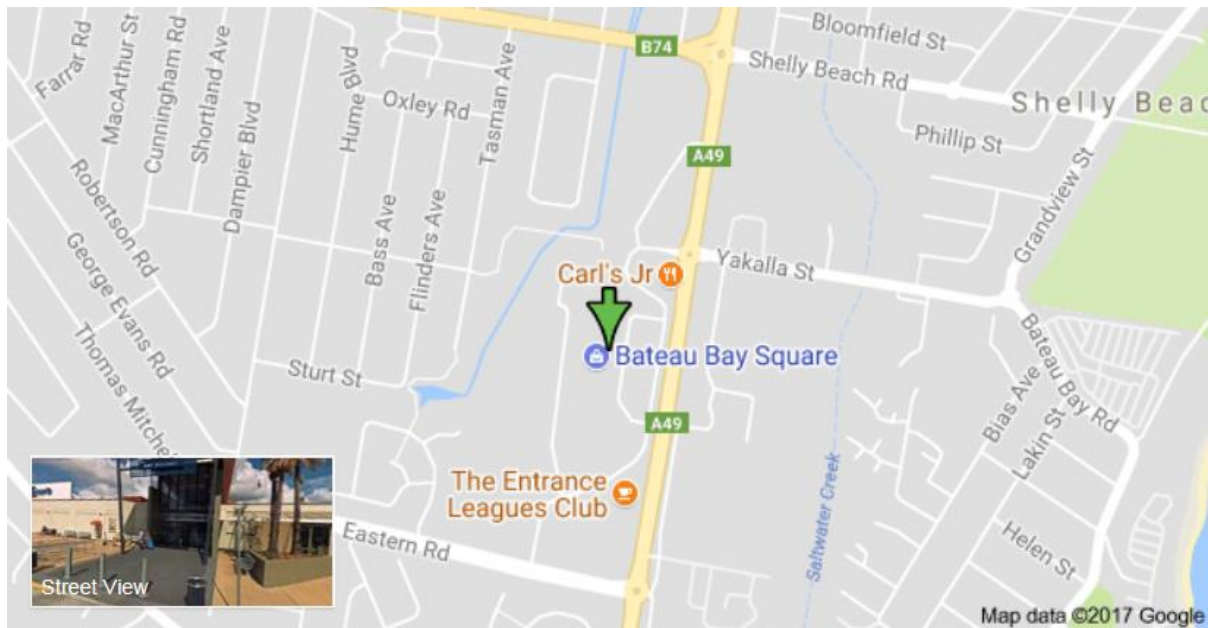
Chris Luscombe
Head of Operations and Sustainability
02 8651 9315
Chris.luscombe@charterhall.com.au

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.

Charter Hall is seeking permission to retrofit an embedded network to an existing site where currently no embedded network exists. The selling of electricity to site tenants is incidental to Charter Hall's principal business of owning and operating commercial sites.

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.

Bateau Bay Square
12 Village Bay Road
Bateau Bay
NSW 2261



Bateau Bay Square (formerly known as Stockland Bay Village and Bay Village) is a shopping centre which was opened in January 1985 and is operated by Charter Hall. It is mainly tenanted with chain stores and independent retailers. Charter Hall is the owner of the centre and wishes to install an embedded network on site. This is a retrofit application and no embedded network currently exists for the centre. The work to be undertaken will be for the establishment of a parent meter and associated reconfiguration of the internal wiring. Solar panels may be installed at a later date but this is currently not within the project scope.

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

Charter Hall's principal business is the ownership and management of commercial and industrial properties including shopping centres.

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.

This exemption is for the sale of electricity only. The proposed network will be directly connected to the Ausgrid network in NSW central coast.

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

No.

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

We intend to commence selling in 2018 post installation of the embedded network.

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.

Bateau Bay Square
12 Village Bay Road
Bateau Bay
NSW 2261

13 Details of any experience in selling energy, for example: date/s and location/s of previous operations, forms of energy sold, scale of operations (that is, the number, size and type of customers), and explanation of which activities will be conducted in-house and which will be contracted out to third parties

Charter Hall currently owns twenty three registered embedded networks in the NEM all of which are shopping centres and two of which are located in NSE these being Singleton Square and Tamworth Square. The number of tenants at these sites varies from between 10 and 150 with the majority of tenants being small customers with the largest customers (Woolworths, Coles, Kmart etc.) usually retaining direct connection to the external network, as will be the case for Bateau Bay. The majority of tenants purchase electricity from Charter Hall under its registered reseller exemptions for the individual sites although there are some tenants wired into the embedded networks that purchase electricity from authorised retailers. For all of its embedded networks Charter Hall retains direct responsibility for collections and tenant management whilst the activities of enquiry handling, billing and meter reading are outsourced. This will be the model deployed at Bateau Bay. Implementation of the embedded network will also be outsourced.

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.

Charter Hall holds AER network exemptions for multiple sites in NSW, ACT, Victoria, Queensland and South Australia as well as re-seller exemptions for multiple sites in all of these states other than Victoria where the national retailing regime does not apply. Charter Hall is exempted under the Victorian General Exemptions Order from holding distribution and retailing licences for its embedded network sites in that state. Charter Hall does not hold a retailer authorisation.

15 What arrangements you have made in the event that you can no longer continue supplying energy (e.g., has the retailer that sells to you agreed that they will service the customers).

The tenant metering to be installed under the embedded network will be type 4 metering with comms that can be easily modified to allow access to authorised retailers.

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?

The tenants are retail shops and these will be Charter Hall's customers. There are a mix of net lease and gross lease arrangements in place with tenants. In all cases, Charter Hall reserves the right in its tenancy agreements to sell utility services to its tenants, where it complies with the necessary regulations. There are no residential tenants on the site.

- 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 principal commercial arrangement between Charter Hall and its tenants is for the rental of shopping premises by the tenant and which is the subject of a tenancy agreement between the two parties. The sale of electricity is incidental to this activity.

- 3 What is the total number of customers at the site? Please provide a breakdown between residential and business customers (and whether they are small or large as defined for the jurisdiction in which you intend to operate).

The site is currently configured to house 99 business tenants excluding three large tenants that will remain wired out (Coles, Woolworths and Kmart) and two small tenants outside the main building which will also remain wired out (Petrol Plus and McDonalds) which are located adjacent to the car park and cannot be converted into the embedded network at reasonable cost.

Of the 99 prospective tenancies 18 are either vacant, closed, in the process of closing or are temporary pop-up shops leaving 81 ongoing tenancies. All current tenants (excluding those wired out) are small commercial customers (<100MWh consumption/year), with the exceptions of the Aldi supermarket tenancy and the Coffee Club café.

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

Charter Hall will be on-selling energy purchased from an authorised retailer.

- 5 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)?

Total sales to all embedded network customers will be approximately 3,300MWh/year dependent upon occupancy levels. Average annual consumption will be around 330MWh/year

per tenant although we expect this to vary from as little as 3MWh/year to as much as 55MWh/year for the largest of the small customers. Sales to the two large customers will be approximately 1,300MWh/year for the Aldi Supermarket and 122MWh/year for The Coffee Club.

6 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).

Yes.

7 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.

8 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)?

All meters installed as part of the retrofit will be type 4 NEM compliant, interval meters patterned for NEM12 data, and daisy chained to modems to facilitate remote communications for market settlement and additional services. It is the intention of the embedded network owner to use the services of an AEMO accredited Meter Provider and Meter Data Provider to supply, install, commission and read the meters ongoing. For customers electing to take supply from authorised retailers their Metering Coordinator will have the option of retaining the existing meters, or changing these out by an accredited AEMO MDP to easily and cheaply reconfigure the installation for NEM access.

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

Meter reading will be polled daily via remote access by the accredited MDP to be appointed by Charter Hall.

10 How will you determine energy charges if customers are not separately metered?

All customers will be separately metered.

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

Tenants will be billed monthly by Charter Hall's appointed billing agent.

12 What dispute resolution procedures do you intend to put in place to deal with energy related complaints and issues?

Charter Hall has prepared a dispute resolution process that complies with the requirements of the Australian standard for dispute resolution procedures. This process will be the protocol for internal management of disputes that may arise. External dispute resolution will be provided by

reference to either the NSW civil claims tribunal or the NSW ombudsman for electricity, as required by AER regulation at the time.

13 What energy rebates or concessions are available for your customers and, if applicable, how can customers claim these?

There are no concessions available to the embedded network's tenants.

14 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?

Charter Hall is considering proposals to install solar for the benefit of opted in members of the embedded network. The implementation of the embedded network is a precursor to such an investment. In the event that solar energy production capacity is installed, net metering will be used. Additionally, all tenants will receive remote read interval data, which can be made available to tenants to support their energy efficiency investments, upon request at no charge. Additional user interface services that will allow tenants to access data in a more direct way will be made available for a fee.

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

Section 7.2.1 of the AER (Retail) Exempt Selling Guideline and section 4.9 of the ENSP – Registration Exemption Guideline provide requirements placed upon the proponents of retrofit embedded networks when seeking consent from the tenants to join the embedded network and also when applying to the AER for consent to install the embedded network. This section describes the process followed and the actions taken by Charter Hall to satisfy these requirements.

Marketing Campaign

Charter Hall commissioned Energy Action to undertake a marketing campaign with the objectives of:

- Providing all tenants with the information required under the Guidelines.
- Ensuring that all tenants properly understood the impact of joining the embedded network including loss of the ability to choose their own retailer.
- Handling tenant questions regarding the retrofit.
- Where necessary offering declining tenants the alternatives prescribed under the ENSP – Registration Exemption Guideline.
- Demonstrating adherence with the requirements of the Guidelines for the retrofitting of embedded networks including obtaining explicit informed consent from tenants.
- Obtaining explicit informed consent to the embedded network from the required minimum number of ongoing tenants;

Charter Hall's shopping centres commonly include a number of large tenants that are not part of any existing embedded network and are usually directly connected to the external grid. These

are the large foundation tenants and for the Bateau Bay development are Woolworths, Coles and Kmart. In discussions with Charter Hall these tenants confirmed their wish to remain outside of the embedded network. In addition, McDonalds and Petrol Plus, with premises located adjacent to the car park of the development could not be economically connected to the embedded network and will remain outside of the network. None of these tenants were part of the marketing campaign.

The marketing campaign commenced in February 2017 and 85% approval for the retrofit was achieved by October 2017.

A breakdown of the tenants' responses to the embedded network proposal is provided in the table below:

No of Tenants*	81
Approval to join the embedded network received.	69
Approval to join the embedded network declined.	1
No response.	11
Approval Rate**	85%

* Excludes vacant tenancies (14), tenancies closed or closing (3) and temporary "pop up" tenancies (1).

** As at [20th October 2017].

Energy Action is continuing to communicate with the 11 tenants who have not yet responded.

Under the marketing campaign the following actions were undertaken.

At the outset Energy Action established a register of current tenants. This was used to track implementation of the marketing campaign and record responses of individual tenants. (Refer to Appendix A for the register complete with tracking for each tenant through the marketing campaign).

On 17th February Charter Hall advised all tenants of its intention to establish an EN. This was undertaken by email from Charter Hall Centre Management directly to tenants and by letterbox drops. This material included the information required to be provided to tenants of a prospective retrofit application as mandated by Cls 4.9.1 of the ENSP – Registration Exemption Guideline (refer to Appendix B for this communication).

From early March Energy Action conducted a communications campaign with the objective of ensuring that all tenants were properly appraised of Charter Hall's proposal to install the embedded network and were aware of the effect on them. This was undertaken using a combination of site visits, follow up telephone calls and emails. This approach was taken to ensure full coverage of all tenants.

During the communications campaign described above Energy Action evaluated the current retail electricity contracts of the tenants through reference to the individual tenants' bills and prepared offers to supply electricity to the tenants.

All tenants were sent a consent to join the embedded network and an offer of supply form. Both of these forms were used to record explicit informed consent on behalf of the customer to signing up to the embedded network and signing up to supply from Charter Hall. (Refer to Appendixes C and D). The offer for supply was for a guaranteed discount from the relevant standing offer tariff for a period of two years. Where a tenant had provided us with details of their current bills a line by line cost comparison was provided. All tenants were also sent Terms and Conditions for joining the embedded network and taking supply from Charter Hall (refer to Appendix H, note that these Terms & Conditions refer only to small customers but were provided to and apply to both small customers and large customers).

The marketing campaign resulted in a number of questions raised by individual tenants many of which were resolved verbally and some by email. (Copies of email communications in response to tenant queries are available on request).

The most common questions raised by the tenants were:

- Clarification of how prices may vary over time.
- Clarification as to the start date for the embedded network.
- Queries from clients wishing to join the network but not be supplied by Charter Hall as to what the metering arrangements would then be.

Following this campaign an 85% consent rate to join the embedded network was achieved in October. Of 81 occupied tenancies 69 provided their consent, 11 failed to respond after repeated communications from Energy Action and a single tenant dissented to join the network.

The single dissenting tenant was Liquorland which declined based on a corporate policy of not joining embedded networks. Energy Action's estimate of the cost of maintaining the direct connection for this customer was approximately \$110,000 which was considered to be uneconomic (refer to Appendix I). After discussions with the tenant over this matter the tenant was offered both alternatives for a small customer under clause 4.9.4 of the ENSP Registration Exemption Guideline, these being:

- Facilitate within the embedded network the continuation of the tenant's electricity contract with their current retailer – Charter Hall offered to establish Liquorland as a child NMI.
- Fulfil a request made by the tenant that the exempt network service provider match any genuine electricity offer that would be available to the particular tenant if they were still a grid connected customer – The offer of price matching was made by Charter Hall and Liquorland declined to provide a market offer for Charter Hall to match.

Liquorland ultimately elected to accept Charter Hall's offer to supply network services at the relevant Ausgrid tariff whilst continuing to register its disinterest in the embedded network.

Correspondence with Liquorland is provided in Appendix E.

Energy Action will continue to respond to any further requests from tenants and will also continue to seek consent to the join the network from those tenants that have as yet failed to respond.

The information provided to tenants at commencement of this process on 17th February included a notification that establishment of the embedded network would require AER approval and that this would involve a public consultation. Charter Hall will advise its tenants of when and how they may provide a submission to this consultation upon advice from the AER as to the consultation's timing.

AER Requirements for Embedded Network Conversions

In addition to the requirements of clause 4.9 of the ENSP Registration Exemption Guideline, clause 7.2.1 of the Exempt Selling Guideline contains the following criteria that the AER will use in assessing the application:

1. Mitigation of detriment: Retail contestability and competitive offers.

The Statement of information provided to tenants as part of the consent process and provided under Appendix B included:

- A statement that access to retailer of choice will not be prevented once the tenant joins the embedded network.
- A statement that Charter Hall will price match any genuine offer to small customers.
- A statement that Charter Hall will seek to preserve access to existing contractual arrangements for large customers.

During the communications campaign described above Energy Action evaluated the current retail electricity contracts of the tenants through reference to the individual tenants' bills and prepared offers to supply electricity to the tenants.

2. Mitigation of detriment: Customer dispute resolution services.

Charter Hall applies a dispute resolution policy that is compliant with the relevant Australian standard (refer to Appendix F). The Terms & Conditions provided to the tenant includes a statement that should the tenant raise a dispute then Charter Hall will endeavour to resolve the dispute and if this is not satisfactory the tenant may refer the dispute to either the NCAT or EWON as required by the AER.

3. Mitigation of detriment: State or Territory legislation.

The NSW jurisdiction is covered by the national regimes for exempt networking and exempt selling. Charter Hall is unaware of any NSW requirements that may be of detriment to its tenants or which its tenants should be aware of.

4. Efforts to obtain explicit informed consent.

Refer to description of the marketing campaign provided further above. Consent forms for all consenting customers are contained in Appendix G.

Sections 4.4 and 7.2.1 of the guideline set out our approach to assessing individual applications involving brownfield embedded networks. As part of your application to sell energy through a planned brownfield embedded network, you should clearly address the four criteria described in Section 7.2.1 and provide supporting documentation as necessary.

In addition, please confirm that:

a) You have advised tenants /customers that you are planning to retrofit the site as an embedded network.

Yes.

b) You have informed tenants / customers that the AER consults on individual exemption applications and provided them with information about how to make a submission to the AER's consultation process (this information can be found on the AER website <https://www.aer.gov.au/retail-markets/retail-exemptions/making-a-submission-to-an-individual-retail-exemption-application>).

Yes.

c) You will advise tenants / customers when the application is published for consultation and when the consultation period ends.

Yes. Refer to Appendix B which advises tenants that Energy Action will notify them when the AER initiates the public consultation process on this application.

16 You must include a copy of the advice you gave tenants / customers about the proposed retrofit in your application. This advice must include details about how the conversion will affect the tenants' / customers' ability to access a retailer of choice. We may also require you to provide evidence of tenants' / customers' explicit informed consent to the proposed retrofit.

Refer to the following attachments:

- Appendix B: Letter of intent to implement the embedded network.
- Appendix G: Completed Consent forms to join the embedded network.
- Appendix D: Offer to on-sell electricity from Charter Hall.
- Appendix H: Terms and Conditions for joining the embedded network and for on-selling from Charter Hall.
- Appendix E: Correspondence with Liquorland.