

Individual Retail Exemption Application for Pacific Square Shopping Centre (retrofit)

This application makes reference to the following documents:

Refer to the following attachments:

- Appendix A: Tenant sales campaign tracking spreadsheet [Confidential]
- Appendix B: Letter of intent to implement the embedded network.
- Appendix C: Consent form to join the embedded network.
- Appendix D: Offer to on-sell electricity from Charter Hall [Confidential].
- Appendix E: Terms and Conditions for joining the embedded network and for on-selling from Charter Hall [Confidential].

Part 1: General information Requirements

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.

Pacific 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
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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.

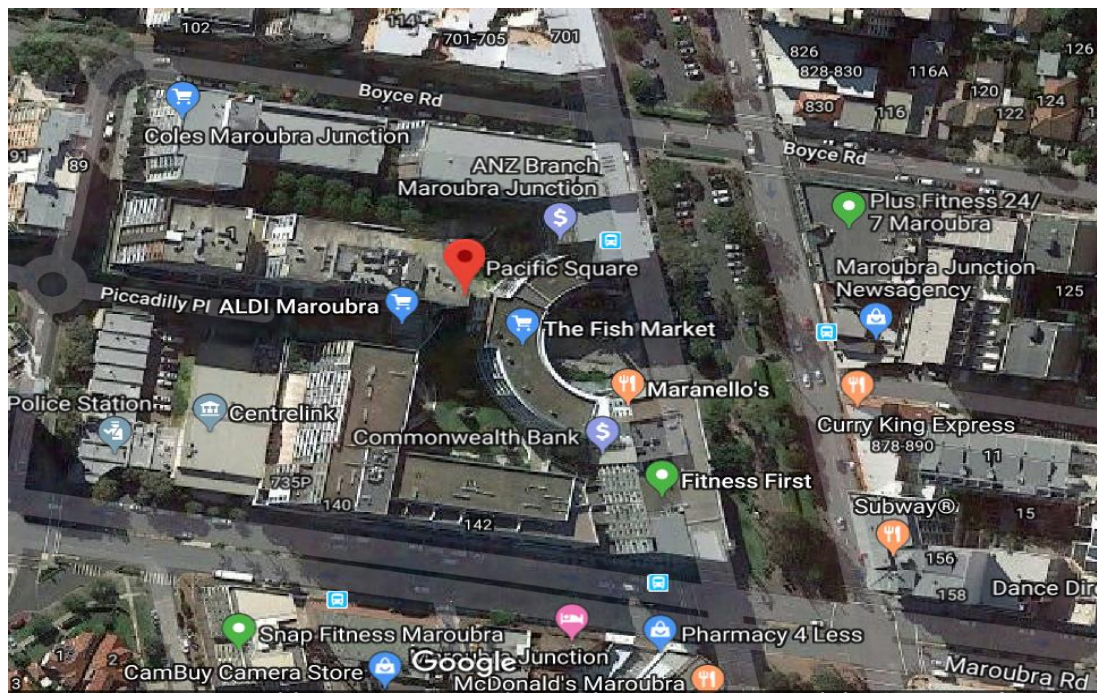
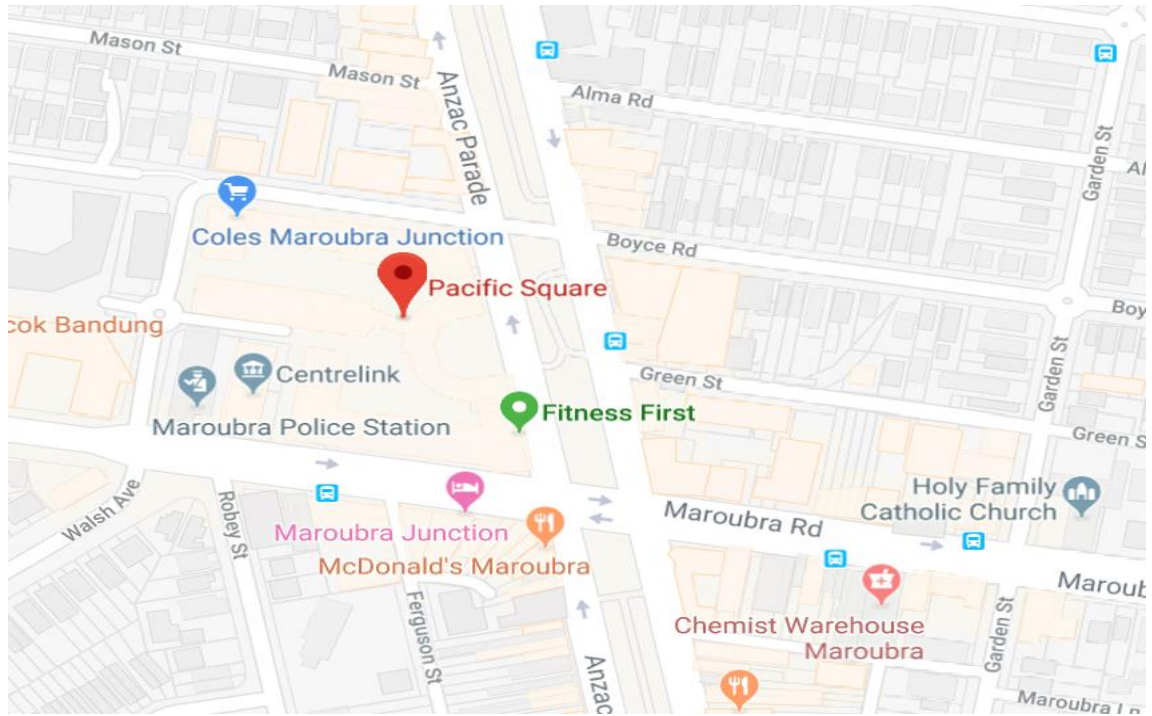
Charter Hall is seeking permission to retrofit an embedded network to an existing site where currently no embedded network exists. The selling of electricity to site tenants is incidental to Charter Hall's principal business of owning and operating commercial sites.

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.

Pacific Square

737 Anzac Parade, Maroubra

NSW 2035



Pacific Square is a shopping centre which was opened in January 2004 on the site of the former Stockland Mall, Maroubra, 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. The scope of the project does not extend to either the Major tenants, or the residential tower built on top of the shopping centre, which is a separate title.

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 eastern Sydney.

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 late 2018/ early 2019, post approval from the AER and 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.

Pacific Square
737 Anzac Parade
Maroubra
NSW 2035

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 NSW 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 (CONFIDENTIAL) usually retaining direct connection to the external network, as will be the case for Pacific

Square. 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 Pacific Square. 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.

Part 2: Particulars relating to the nature and scope of the proposed operations

16 Will your customers be your tenants? If so, are they residential or commercial/retail?

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 to be covered by the embedded network.

17 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.

18 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 over which Charter Hall has title is currently configured to house 62 business tenants excluding 4 large tenants that will remain wired out (CONFIDENTIAL).

Of the 58 prospective tenancies 6 are either vacant, closed, in the process of closing or are temporary pop-up shops leaving 52 ongoing tenancies. All current tenants (excluding those wired out) are small commercial customers (<100MWh consumption/year), with the exceptions of (CONFIDENTIAL).

19 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.

20 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 2,294MWh/year dependent upon occupancy levels. Average annual consumption will be around 33MWh/year per tenant although we expect this to vary from as little as 3MWh/year to as much as 99MWh/year for the largest of the small customers. Sales to the two large customers will be approximately 279MWh/year for (CONFIDENTIAL) and 108MWh/year for (CONFIDENTIAL).

21 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.

22 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.

23 Will meters allow your customers to change retailers (i.e. not source their energy from you) as required by the AER Network Guideline?

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.

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

Meter reading will be polled daily via remote access by the accredited MDP to be appointed by Charter Hall. Customers will be billed monthly in arrears. Bills be will be prepared by Energy Action and issued by Charter Hall.

25 What dispute resolution procedures do you intend to put in place to deal with energy related complaints and issues? Confirm whether it is consistent with the Australian Standards AS/NZS/10002: 2014 Customer Satisfaction – Guidelines.

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.

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

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 Pacific Square development are (CONFIDENTIAL). In discussions with Charter Hall these tenants confirmed their wish to remain outside of the embedded network. None of these tenants were part of the marketing campaign.

The marketing campaign commenced in March 2018 and 85% approval for the retrofit was achieved by September 2018.

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

No of Tenants*	52
Approval to join the embedded network received.	45
No decision.	7
Approval Rate**	87%

* Excludes vacant tenancies (6), Major tenants excluded, (4).

** As at [19th October 2018].

Energy Action is continuing to communicate with the 7 tenants who have not yet provided consent.

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 – Tenant Tracking Spreadsheet).

On 15th March 2018 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 – Letter of Intent).

From late 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 E – Terms & Conditions. 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 87% consent rate to join the embedded network was achieved in September. Of 52 occupied tenancies 45 provided their consent, 7 failed to make a decision after repeated communications from Energy Action.

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 15th March 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 C 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 E). 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.

The following section relates to the section, Provision of Information:

27 Confirm that we have evidence that consumers have been provided with information that we are planning to retrofit the site as an embedded network and that this will require metering changes?

We confirm that we have evidence that consumers have been provided with information that Charter Hall is planning to retrofit the site as an embedded network and that this will require metering changes. Refer Appendix B: Letter of Intent

28 Confirm that we have evidence that consumers have been provided with information that consumers retain the right to contract with a retailer of choice even after inclusion in the embedded network?

We confirm that we have evidence that consumers have been provided with information that they retain the right to contract with a retailer of choice even after inclusion in the embedded network. Refer Appendix C: Consent to Join Network.

29 Confirm that we have evidence that consumers have been advised that, in order to exercise their right to a retailer of choice, consumers may need to enter into an energy only contract, which is offered at the retailers discretion and may be difficult to obtain?

We confirm that we have evidence that consumers have been provided with information that in order to exercise their right to a retailer of choice, consumers may need to enter into an energy only contract, which is offered at the retailer's discretion and may be difficult to obtain. Refer Appendix C: Consent to Join Network.

30 Confirm that we have evidence that customers have been advised that, customers in embedded networks may not receive the same protections as those of an authorised retailer under the Retail Law, including access to Ombudsman schemes.

We confirm that we have evidence that customers have been provided with information that customers in embedded networks may not receive the same protections as those of an authorised retailer under the Retail Law, including access to Ombudsman schemes. Refer Appendix C: Consent to Join Network.

31 Confirm that consumers have been provided with our electricity sales agreement which details all fees and tariffs

We confirm that we have evidence that consumers have been provided with the Charter Hall electricity sales agreement, which details all fees and tariffs. Refer Appendix D: Supply Offer and Appendix E: Terms & Conditions.

32 Confirm that consumers have been provided with the contact details of a representative to answer any queries or concerns about the proposed retrofit.

We confirm that we have evidence that consumers have been provided with the contact details of an Energy Action staff member to answer any queries or concerns about the proposed retrofit. Charter Hall electricity sales agreement, which details all fees and tariffs. Refer Appendix B: Letter of Intent.

Explicit Informed Consent

33 Confirm that you have written consent of all customers affected by the retrofit

We have secured the informed, explicit and written consent of 87% of tenants within the centre. As per the Retailer Guideline (appendix A-1, Table 2, Calls R1), we are applying for an individual consent as informed explicit consent cannot be obtained from 100% of tenants. With respect to the requirements of 7.2.1, please refer to the response to question 26 above.

34 Confirm that consent was sought separately from customers and the energy sale agreement

Yes. Please refer to Appendix C: Consent to Join Network and Appendix D: Supply Offer.

35 Confirm that we have evidence of attempts to resolve concerns expressed by customers

Yes. Please refer to the Appendix A, Tenant Tracking Spreadsheet, columns AD – AX of the Comms tracking 2018 tab. Each column tracks the contact made by Charter Hall's representative with tenants in the centre. Contact was made with each tenant on numerous occasions. (CONFIDENTIAL) put a position forward that they maintained a policy against embedded network implementations. In spite of attempts to resolve any specific concerns, no specific concerns were forthcoming.

36 Confirm that we have sought advice from the distributor that non-consenting customers can be wired out of the embedded network.

We have conferred with Ausgrid over the wiring out of a single non-consenting customer.

37 Confirm that we have taken steps to ensure that customers who wish to remain with their retailer, but cannot be wired out, will not be financially disadvantaged by the retrofit.

Yes. Please refer to Appendix C which advises tenants of their options, including the landlord's obligation to match any offer received.

38 Confirm that we have advised customers of our dispute resolution processes and options for external dispute resolution.

Yes. Please refer to Appendix E – Terms & Conditions.

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

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