

APPENDIX B :

NATIONAL ENERGY RETAIL LAW

INDIVIDUAL EXEMPTION APPLICATION

(OTHER THAN PPA PROVIDERS)

TANGALOOMA RESORT ELECTRICITY SUPPLY

Appendix B: Applying for an individual exemption application (other than PPA providers)

PART 1 : GENERAL INFORMATION REQUIREMENTS

1. **LEGAL NAME:-** Tangalooma Island Resort Pty Ltd
2. **TRADING NAME:-** Tangalooma Island Resort
3. **ACN / ABN :-** 010170902 / 13010170902
4. **REGISTERED POSTAL ADDRESS FOR CORRESPONDENCE:-**
Tangalooma Island Resort
P.O Box 1102,
Eagle Farm Qld. 4009
5. **NOMINATED CONTACT PERSON:-** Jeff Osborne
POSITION:- CEO Tangalooma Island Resort
CONTACT DETAILS:- P.O Box 1102,
Eagle Farm, Qld., 4009.
6. **WHY YOU ARE SEEKING AN EXEMPTION, AND WHY YOU BELIEVE THAT AN EXEMPTION (RATHER THAN A RETAIL AUTHORISATION) IS APPROPRIATE TO YOUR CIRCUMSTANCES.**

Tangalooma Island Resort is situated on a Perpetual Country Lease on Moreton Island approximately 25 km from Mainland Australia. Around 95% of Moreton Island is National Park.

It is an "Off - Grid" Tourism Resort that does not have access to a retail energy provider. It provides energy to Tourism and tourism service facilities within the boundaries of its' land.

Circa 1993/4 ; Energex investigated the costs if they were to run a 'simple' power line via Redland Bay and Other Islands and under the Bay. At this time- it was estimated that the cost to complete this was approximately \$9 million. As the population is not able to increase substantially due to National Park boundaries; it is doubted that any such retailer would exist any time in the near future.

The provision and remuneration for energy costs is determined by a State Lease which has Ministerial Approval. The Sublease as authorised by the Minister specifies provision of electricity in Schedule Item 6.1. (See Sample Sublease: Appendix 1)

7. THE ADDRESS OF THE SITE AT WHICH YOU INTEND TO SELL ENERGY, INCLUDING A MAP OF

Tangalooma Island Resort

PCL Lease 06/2593 : LOT 8 on SP8209

:LOT 18 on SL11788

: LOT 19 on SP106585

See attached Plan of Resort. Appendix 2.

See attached Map of Moreton Island. Appendix 3.

THE SITE AND A BRIEF DESCRIPTION OF THIS SITE AND ITS CURRENT AND FUTURE USE/S.

Tangalooma Resort

Tourism and Tourism Services.

8. THE PRIMARY ACTIVITY OF THIS BUSINESS :-

Tourism and Tourism Services.

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.

Individual exemption for Electricity and Gas is proposed.

It is an off- grid network run by Tangalooma Island resort.

10. ARE YOU ESTABLISHING, OR HAVE YOU ESTABLISHED, ENERGY SUPPLY IN AN AREA WHERE THERE ARE NO OTHER VIABLE ENERGY SUPPLY ARRANGEMENTS AVAILABLE?

There are no other viable energy supply arrangements available.

11. THE DATE FROM WHICH YOU INTEND TO COMMENCE SELLING ENERGY.

The resort has been claiming remuneration at cost of production and provision since Circa 1994.

This involves meter reading of individual properties.

Calculation of Diesel costs (Less ATO fuel Tax credits -Queensland), Gas costs, Equipment maintenance and Management expenses; which is then divided mathematically according to usage. The price per KW varies annually depending on costs incurred to produce& provide the Energy.

12. MAILING ADDRESS 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.

As Tangalooma is remote –it performs the Australia Post duties.

Owners names and Addresses are not for publication.

13. DETAILS OF ANY EXPERIENCE IN SELLING ENERGY, FOR EXAMPLE:-

**DATE/S AND LOCATION/S OF PREVIOUS OPERATIONS*

Tangalooma Island Resort, Moreton Island Resort, Qld.

Circa 1994 until current date.

**FORM/S OF ENERGY SOLD*

Electricity (Excluding Hot Water- **not** charged for)

Gas

**SCALE OF OPERATIONS (THAT IS, THE NUMBER, SIZE AND TYPE OF CUSTOMERS)*

Villas -56

Units - 25

Houses – 43

Shop-2

Tours Office- 2

****** There is potential for some increase as some Land only subleases are not currently developed.

**AN EXPLANATION OF WHICH ACTIVITIES WILL BE CONDUCTED IN-HOUSE AND WHICH WILL BE CONTRACTED OUT TO THIRD PARTIES.*

All activities are conducted in house.

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.

Tangalooma Island Resort has held a Special Approval No. SA04/98 from 5th May 1998 which continues until 4th May,2018.

15. WHAT ARRANGEMENTS YOU HAVE MADE IN THE EVENT THAT YOU CAN NO LONGER CONTINUE SUPPLYING ENERGY (eg. Has the retailer that sells to you agreed that they will service the customers)

As this is a stand alone “off the grid” facility- There is no retailer.

Tangalooma has taken several measures to assist in supply failure issues.

These include but are not limited to:-

a)Back up generators if main Gen Set fails.

b)Separate fire proof room to protect other Generators should a fire occur.

c)Adequate Insurance to reinstate generators rapidly.

d)Use of resort barge to transport loan/hire generators from the mainland.

PART 2: PARTICULARS RELATING TO THE NATURE AND SCOPE OF PROPOSED OPERATIONS.

16. WILL YOUR CUSTOMERS BE YOUR TENANTS?

Almost 100% of our 3rd Party customers are Sublessees.

Electricity is also provided to Telstra, Optus, State Emergency Services, Queensland Ambulances & Queensland Police Services.

Non Sublease Energy users.

There are 4 Concessionaires. These are Aero-power, The Massage and Beauty Therapy, Photoshop, Tanga Tours/ Tangalooma Water sports.

These individuals act under a contractual agreement and are provided energy in the same manner as all sub-leases.

(See attached agreement: Appendix 5)

How do we charge employees for energy use?

Our staff are of a short term transient nature and there is as a result no "lease agreement" signed. It is similar to a hotel/ Short stay accommodation where energy use is an aspect of the room rate. Cost of energy is included in their room rate in the same manner as a hotel room. In many cases the accommodation is shared and division of energy costs could not be differentiated on the basis of the shared occupancy.

All staff accommodation uses standard 10 AMP GPO's for lighting and therefore all staff usage is similar. Staffs do not cook as their food is provided by Staff dining.

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.

As per Schedule Item 16.1 in the sample sublease- The Resort the following services:-

- a) A water supply, an electric supply, a gas supply, and a sewerage service to the Premises.
- b) Telephone and electric cables or wires to the boundary of the Premises.
- c) Arrangements for the weekly or more frequent removal and disposal of household garbage and refuse from the premises and the provision of rubbish receptacles for use in conjunction therewith;
- d) Non-exclusive pedestrian access to and egress from the boundary of the Premises to the jetty on the shoreline and to the Resort headquarters buildings and to the garbage and refuse disposal area on the Land and also the boundary of the Land;
- e) Non-exclusive motor vehicle access to and egress from the Premises to the boundary of the Land;

- f) Fire alarm system and fire fighting services;
- g) Security surveillance in a form frequency and regularity determined by the Sublessor from time to time;
- h) Security personnel with the number, frequency and regularity determined by the Sublessor from time to time.

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)

Tangalooma Resort supplies electricity to 128 Non resort owned subleases.

Of these 124 are Residential/ Tourism rental properties. The remaining 4 are small or very small business operators. These properties in total only occupy a small percentage of the total Resort Land area.

Tangalooma Resort also provides Electricity to its own entities on a much larger scale.

This includes a headquarters building which has Kitchen, Bars, Conference rooms and several Restaurants, Reception; Plus supply to Power House, Laundry, Flensing Deck, Offices, Storerooms, Bulk store, Bulk refrigeration, Jetty, Tours facilities and Workshop areas for various trades.

It also services Resort and Staff accommodation which is comprised of 210 Resort rooms and 237 staff accommodation rooms.

19. WILL YOU BE ON-SELLING ENERGY (THAT IS, SELLING ENERGY PURCHASED FROM AN AUTHORIZED RETAILER) OR PURCHASING IT DIRECTLY FROM THE WHOLESALE MARKET?

There are NO retailers or Wholesalers on Moreton Island where Tangalooma is located.

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)?

As per Tangalooma's Annual report to the Regulator 1 July 2016 to 30 June 2017-

690 Megawatts of energy was delivered to 121 customers in that year.

As per Tangalooma's consumption report see Power, Gas and Hot water spreadsheet- Customers used 8923 m³ of Gas in the year until 30 June 2017.

See attached Appendix 6

21. WILL YOUR CUSTOMER 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 are within the Site owned under Perpetual Country Lease at Tangalooma Resort.

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? FOR UNMETERED SUPPLY, STATE HOW YOU WILL DETERMINE ENERGY CHARGES?

All premises are separately metered.

Do Metres comply with National Measurement Act 1960 and meet the current Australian Standards? How often are meters read and by whom? How often are customers billed?

Tangalooma Energy reading Meters are compliant with the State Building Codes.

Meters servicing Resort facilities are read monthly.

Meters for sub lessees are currently read annually or when a change of ownership occurs.

Customers are billed by Tax Invoice annually.

Metres are read and photographed by designated Engineering/Utilities department employees

23. WILL METERS ALLOW YOUR CUSTOMERS TO CHANGE RETAILERS (IE. NOT BUY THEIR ENERGY FROM YOU) AS REQUIRED BY THE AER'S NETWORK GUIDELINE?)

There are NO other Retailers.

The sublease does not allow other Retail connections even if they ever existed.

The resort is surrounded by National Park and Several Marine Parks and therefore it is unlikely that cabling could be linked to the Resort from an external location.

24. IN WHAT FORM AND HOW OFTEN WILL CUSTOMERS BE BILLED? WILL YOU BE ISSUING BILLS YOURSELF OR THROUGH A BILLING AGENT?

The Energy bill is provided annually. This is issued for Tangalooma Island Resort by its' sister company Tangalooma Pty Ltd under the Head company Tangalooma Island Resort Holdings Pty Ltd.

Annual Billing.

We have not previously produced energy under the AER banner ; Tangalooma is currently acting under our Exemption Special approval SA 04/98; Department of Energy & Water Supply Queensland Government. This exemption has been in place from May 1998 until May 2018. It did not require 100 day billing.

Our energy provision is likened to “Not for Profit” in its’ billing structure. The administration and bill management cost for each meter read, Invoice provision and payment recording and management is currently \$75.00. It does not occur as an itemized event on the invoice but is an aspect of the overall costing.

If we were to complete 3 additional meter reads per year- this could burden our customers with an additional \$225.00 per year in costs.

The Meter Reading cost is an all encompassing description which is the cost incurred to read the meter, create Invoices, and distribute and manage accounts.

As previously discussed, our energy invoices are created in arrears after the costs have been incurred. For accounting purposes; there are generally two categories of costs. These are:-

- a. The cost of providing the electricity/gas to customers.
- b. The cost of Invoice production and administration.

This is simply an ease of management division, as, where a house/villa or unit is sold during the Billing year- a meter reading is charged at cost. It is not Pro-rated as the cost remains the same no matter whether completed during or at the end of the Billing period.

This is therefore a concern to us in terms of increasing the Energy to Quarterly invoices. Our consumers would suffer an additional cost of 3 X \$75 (\$225) per annum. After investigation of 2017 invoices – the following was determined:-

- As this is a Tourism facility – almost all privately subleased properties are rental properties.
- Of the 56 villas only 3 do not rent their properties. Their 3 invoices were \$636.84, \$429.29 and \$924.97 for the entire year.
- The remaining 53 as rental properties have an agreement with their rental agents regarding payment of electricity bills.
- An example of an invoice regarding a Tangalooma managed villa is attached. The owner ONLY pays a daily rate for any portions where they stay in their villa – and their costs are very low.
- Of the 25 apartments – 23 are rental apartments and have agreements with their agents regarding electricity payments. The two that are not rented have energy invoices of \$525.13 and \$715.32 for the year.
- In the case of the houses on the hill – most are permanently rented. We do not have exact numbers on which are rented as many use Air B and B, Home Away, Local agents and many other formats.
- If we were to offer a quarterly invoice to those who felt they required more regular bills – it would be necessary for us to advise of the additional cost of \$75 per invoice (or \$225 per year if quarterly). I imagine that most would not want or need such additional invoices.
- Tangalooma already offers an “ongoing payment” option to owners; ie monthly payments and a large number of owners take up this option.

As Tangalooma is a small energy provider; the system could not be automated in the manner of a large provider such as within the city; without the infrastructure being a Burden to our consumers.

Calculation of meter reading costs.

Our Meter reading costs consist mostly of wage cost

These wage costs are:-

A. Meter Reading.

This is quite a complex process and is completed by our engineers.

The process is hampered by the very large area of approximately 40 hectares over which the metres are spread throughout the resort in sometimes sandy, hilly terrain and the complex and non-consistent location of energy meters. Some meters are set high up on 2 or 3 story buildings, under low buildings, some behind drawers, locked cupboards and in spaces that require cameras on poles to access the meter.

Information is then collated and forwarded to our Property Accountant.

B. Invoice Cost Establishment.

This task is completed by our Head Property Accountant in an ongoing basis after various accounts for the term of the billing are entered and the total costs for that term are established for items such as Fuel costs, Staff costs, Powerhouse Machinery and Infrastructure, Materials etc are all manually placed into this spreadsheet for calculation along with Data from the meter readings.

C. Accounts Management:-

Our accounts department is responsible for Invoice development and distribution via email and mail.

The accounts monitor and collect all incomings. As many owners are of an older generation- they often even visit our office to pay by cheque or cash.

Most of these invoices are paid within the 30 days as per our invoice requirement although occasionally our department follows up with reminders. We do not have a penalty rate for late payments.

Total Meter Reading Cost: \$9900 (for 132 customers)

Or \$75.03 per 'meter read'.

Summary of Energy Invoices

Invoices for electricity are well below mainland (Brisbane) costs due to their intermittent occupancy. They are mostly rental properties or owner holiday use facilities.

Tangalooma's \$/KW charge is comparable and in most case BETTER than mainland Brisbane charges.

In 2017, Tangalooma charged a rate of 30.56 cents per KW (Incl. GST). We do NOT charge an additional daily rate on top of that. Given that our fuel source is barged for 3 hours from the

mainland and we do not have the bulk buy capacity of the large mainland retailers- our rates are VERY fair and reasonable.

In the Brisbane area (on the mainland) Click Energy charges 39.306 cents/KW plus a daily rate of \$1.64 (\$598.60 annually). The daily rate alone is more than some of our customers Invoices for the year.

Tangalooma believes that it would be unfair to charge daily rates and quarterly administration rates to many users that have Yearly Invoices under \$1000. For 52 of the 56 Villa owners –this could equate to as much as a 100% increase or an Invoice which could be as much as double the current charge. Our current Sublease Schedules do not include a daily rate in their electricity charging clauses. See included **“Reference Schedule”** below regarding Energy invoicing.

Also -See attached Invoice example: **Appendix 7**

For this invoice the Current Charge is \$98.21 for the 2016/17 year. If this was invoiced 4 x per annum- the cost would be \$323.21.

Additionally- as our Rate of charge is based on cost recovery (as per Sublease)- there is one single KW usage rate charged for the whole year. We do not change our charge rates quarterly or more frequently in the manner that Mainland retailers do.

Any changes to the current system of charge might also require adjustment of Sublease clauses and yet another cost to the property holders due to legal and government fees.

Concessions or rebates?

Tangalooma does not offer Energy use customers concessions or rebates as the Invoice is already at “Cost of production” price.

Reference of Schedule.(From Sublease)

Please see relevant **Sublease** Points regarding energy usage. Important wording has been highlighted in bold for ease of explanation:-

METERS

6.1 The Sublessor may from time to time install meters or measuring devices to measure use of electricity, water, gas, the method and frequency of household garbage removal or any other service **and charge for the use thereof at tariff or tariffs nominated by the Sublessor from time to time on the actual usage calculated in accordance with meter reading.**

7.16 The Sublessee shall pay all charges for electricity which may from time to time during the term be charged to the Sublessor in respect of the **electric current consumed** on the Premises according to the schedule in tariffs from time to time issued by the Sublessor to which charge shall be added a service charge of ten per centum (10%) and any **expense incurred by the Sublessor for the reading of the meter.** Such amount shall be payable by the Sublessor **within fourteen (14) days** of being billed **therefor by** the Sublessor.

How this is applied.

1. Tangalooma calculates the costs of provision of electricity and gas infrastructure including but not limited to fuel less rebate, operating costs , repairs and maintenance.
2. The Total KW used are calculated and divided by the total cost to determine cost per KW.
3. The electric current consumed by an individual customer is determined as a percentage of the Grand Meterage used.
4. A ten percent service charge is added as per sublease.
5. The KW tariff is determined and indicated on the Invoice.
Please see example of attached invoice showing Tariff/Rate.
The Tariff shown is inclusive of GST.
6. The word **THERFOR** is **not a typo**- it is a legal term indicating “for or in exchange for that or this; for it: a refund therfor.
The customer refunds Tangalooma for the costs incurred in providing their energy needs.

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.

Aspects of the energy supply are addressed within the Individual Subleases of each customer.(See sample copy)

Tangalooma is compliant with The Australian/New Zealand Standard 10002: 2014 and has a Resort Complaints and Issues Policy and procedure in place.

Tangalooma has a Customer Focus Team which includes Department Heads, Managers and Directors across all aspects of Resort Services.

This team has a Policy in regards to management of Complaints and our processes for dispute management which is based on the Australian and New Zealand Guidelines for complaint management. As an aspect of this- The reverse of our Customer Invoices will include directions regarding customer disputes or difficulties regarding Invoices or their ability to make payment.

26.SUMMARY

Tangalooma Island Resort is located on Moreton Island which is 98% National Park. It is located 25 km over water from Mainland Australia. For this reason it unlikely that there will be an Energy retail provider any time in the foreseeable future. It supplies Energy f to a relatively small number of users after calculating costs and Invoicing in arrears. Alternate energy sources have been investigated rigorously; however they are not as yet sufficiently economical to consider.

PART 3 CONVERTING EMBEDDED NETWORKS (RETROFITTING)

This section does apply to the site.

Tangalooma is not converting an embedded network.

Metered Facilities were established in 1994.