

Part 1: General information requirements

Please provide the following information in your application for an individual exemption:

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

South Stradbroke Utilities Pty Ltd

2 Your trading name if different to your legal name.

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

49 636 726 497

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

PO BOX Q1616 Queen Victoria Building NSW 1230

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

Daryna Sarana, Manager, daryna@edgcapital.com.au (02) 9236 7437

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.

The company seeks an individual exemption due to a unique selling environment in which it operates. South Stradbroke Utilities Pty Ltd has been established to recover the costs of the provision of power (and other services) to various properties within Couran Cove Island Resort on South Stradbroke Island in Queensland.

The arrangement of services provision is unique in this instance because;

- The Resort produces its own power via on site generators
- There is no available power connection to the grid at the Resort
- The Resort requires flexibility to exemption conditions to ensure that it can cover its costs of providing services to Resort properties
- Properties at the resort are a mix of privately owned and Resort owned properties

South Stradbroke Utilities Pty Ltd has lodged an application for a retail exemption, however, it is noted that compliance with the Core exemption conditions as outlined in the AER (Retail) Exempt Selling Guideline (version 5, March 2018) cannot be achieved due to the nature of the selling environment as outlined above.

It is considered that several conditions cannot be met and these are noted as follows;

Condition 2 – Information provision

1. *B. any right of the exempt customer, under state or territory laws, to elect to purchase energy from a retailer of their choice and information on the options for metering that would allow this choice.*

Given there is no available connection to the grid nor any other retailer that can provide power to properties at Couran Cove Island Resort, there is no information that can be provided to satisfy this condition.

Condition 7 – Pricing

1. *An exempt person must not charge the exempt customer tariffs higher than the standing offer price that would be charged by the relevant local area retailer for new connections, if the local area retailer were to supply that quantity, or estimated quantity, of energy directly to the premises of the exempt customer.*

This condition cannot be met by South Stradbroke Utilities for the following reasons;

- The scenario 'if the local area retailer were to supply [energy]' does not exist, does not apply to the location and therefore there is no standing offer price
- It is not possible for a local area retailer to supply energy directly to the premises of any exempt customers
- The cost of generating electricity dictates the rate at which power is sold, not at the rate power might be purchased as with a typical on grid arrangement
- The costs associated with generating electricity at the Resort include;
 - o Purchase of diesel
 - o Transportation of diesel to the island by barge, storage and movement to the generating facility
 - o Capital and Operational expenditure
- Couran Point, which is an adjacent development, has an identical arrangement with power production and sale to its constituent properties

3 An exempt person must not impose any charge on an exempt customer that is not charged by the relevant local area retailer for new connections under a standard retail contract. A 'charge' includes, but is not limited to, account establishment fees, late payment fees, debt collection fees, disconnection and reconnection charges and security deposits. The amount of any allowable charge must not be greater than that charged under the relevant local area retailer's standard retail contract.

- As above, there is no standard retail contract that applies to this site as it is not possible to enter into a retail contract; the Resort produces its own power and there is no connection to power on the grid. Therefore there are no comparable charges to be used as a benchmark.

- Charges are determined by the costs of generating and providing power to the subject properties

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.

The address of the site at which the company intends to sell energy is Couran Cove Island Resort at South Stradbroke Island, Queensland, 4216.

Couran Cove Island Resort contains a mix of rooms for holiday rental and privately owned rooms. The proposed extent of metering other than for public and privately owned properties including various facilities and infrastructure including public lighting, pools, restaurants, bars and common rooms such as offices, conference rooms and stores.

Figure 1. Resort Map



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

Resort/Hospitality premises providing accommodation, amenities, facilities, food and beverage, activities

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.

South Stradbroke Utilities is seeking an individual exemption for the sale of both gas and electricity. The power network is an off-grid network.

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

Yes, the energy supply offered is the only energy supply available given there is no connection to grid power.

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

ASAP, ideally 1st January 2020

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.

Reception, Couran Cove Island Resort. Mail to be directed accordingly.

13 Details of any experience in selling energy, for example:

- date/s and location/s of previous operations

Same location, Couran Cove Island Resort.

- form/s of energy sold

Power

- scale of operations (that is, the number, size and type of customers)

354 properties, mix of public and private owned

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

It is expected that the meter reading and issuing of bills will be managed entirely by a billing agent who will have electronic access to meter readings. In the interim; that is, prior to the commencement of a billing contract, it is expected that Resort resources will be able to take meter readings, issue bills and handle any complaints/disputes.

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.

South Stradbroke Utilities Pty Ltd currently holds a retail exemption with the AER for classes R2, R5, R6 and R7.
The reference for the exemption is E-5775

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 Resort produces its own power and therefore it does not rely on any other party for its supply. Any future changes to the nature of the power generation would be implemented so as to not interrupt the supply of power to the customers.

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

Those properties that are tenanted, being the holiday accommodation units and rented properties (by staff who live at the Resort for example) are owned by the Resort and the Resort pays for all services to these lots – the tenants pay a weekly rent only which does not include charges for services. Therefore, the customers are not the tenants. The customers consist of privately-owned properties and Resort owned properties.

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.

Services offered to customers at the site include Body Corporate services. All properties at the Resort fall into one of various Bodies Corporate who pay levies and fees for, for example, upkeep and maintenance of Common areas.

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).

354 Residential customers, most are owned by one of the Resort's entities and in the letting pool for holiday accommodation rental

10 (approximate) Business Customers, most are owned by one of the Resort's entities. For example, food and beverage venues are business customers and owned by the Resort.

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

We are proposing to sell energy, not on-sell it. The Resort produces its own power and will sell it to customers.

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)?

It is expected that each residential premises will use on average 900kwh per quarter.

Therefore, per year, for 354 properties it is expected that a total of 1,274,400 kwh will be billed out.

It is expected that roughly 10 commercial premises will use around 1800kwh per quarter and therefore it is expected that around 72,000 kwh will be billed out to commercial premises.

Gas is proposed to be charged out at a flat fee to cover costs of transporting/storing gas to the island. Gas used at residential premises is only for gas cooktops, hot water heaters and fireplaces.

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. Customers will belong to a body corporate also but will be billed individually for energy consumption.

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?

Yes, each premises will be separately metered. There will be some unmetered energy to Common Property which is owned by the Resort. By deduction after allowing for individual meters, these can be billed accordingly.

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

Yes, although as discussed in this application, there is no other retailer from whom the customers can purchase energy.

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

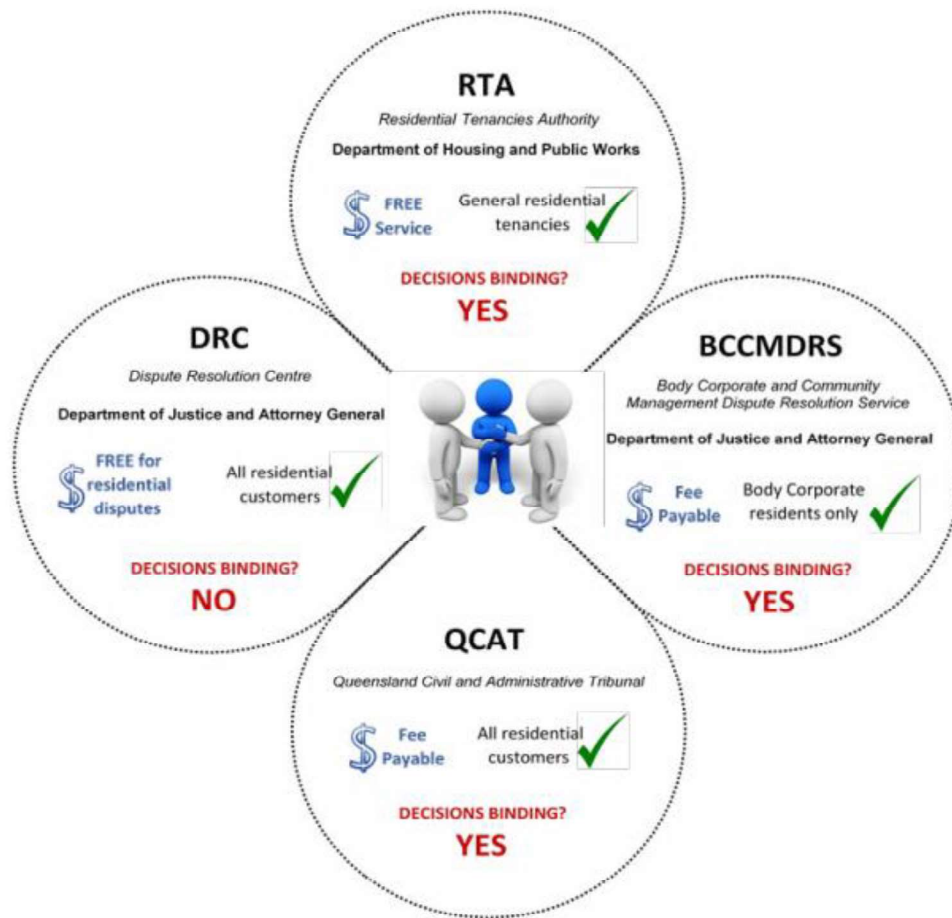
Bills will be issued quarterly to customers. It is proposed that initially, the company may issue bills itself, while in future it is likely that a billing agent will be engaged to provide these services on behalf of the company.

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.

South Stradbroke Utilities Pty Ltd will maintain a contact phone number and e-mail address for customers to use for any account related enquiries.

As per the *Dispute resolution for residential embedded network customers. Regulatory impact statement. October 2019*, the following services are available for customers as part of any matters that are not able to be resolved directly between the customer and South Stradbroke Utilities Pty Ltd.

Figure 1: Current complaint and dispute resolution mechanisms available to embedded network customers



As part of its due diligence process, South Stradbroke Utilities has contacted the Energy & Water Ombudsman Queensland to understand whether its customers are able to potentially make use of the services provided by EWOQ. The advice from EWOQ as at December 2019 was that currently, the services are not available to customers on embedded networks due to legislative restrictions. Further, EWOQ advised that proposed changes to legislation are currently under consultation and it is likely that within the next 18-24 months, these changes may be passed which will provide a wider range of customers access to EWOQ services as with the equivalent schemes in most other States.

It is therefore expected that in the short to medium term, customers will be able to gain access to Ombudsman services in relation to energy related complaints and dispute resolution.

A copy of a letter from EWOQ is attached to this application, setting out the above.

South Stradbroke Utilities Pty Ltd

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