**Power Generation**

**Application for an individual retailer exemption by**

**Aquion Energy Pty Ltd.**

**November 2014**

**Aquion Energy Pty. Ltd. ACN - 168 053 665**

**Registered Address, 26 Rutherford road Seaford Victoria 3198.**

**Aquion Energy Pty. Ltd. Was formed to act as the asset manager and all installations will be undertaken by a duly licensed and insured solar installation company.**

**Aquion Energy Pty. Ltd. ACN - 168 053 665 is seeking an individual retail exemption to cover the sale of energy to each of its Customers under a Power purchase Agreement (PPA).**

**Aquion Energy Pty. Ltd. A company that has been established to own and operate high quality renewable energy portfolio, based primarily on solar power through the use of PPA’s.**

**The energy sold under the PPA is sold at a fixed price and provides both certainty in relation to energy costs in the future and savings for the Customer additional energy that is required by the Customer to that which is generated on site will be purchased from the Customer’s retailer of choice. Aquion also has in place technology to minimise the export of electricity as certain networks have now amended their solar PV connection process to limit or in some cases no allow export of electricity to the grid.**

**Australian Energy Regulator**

**Application for individual exemption**

**Aquion Energy Pty. Ltd.**

**ACN - 168 053 665.**

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

**Aquion Energy Pty Limited is a proprietary limited company established under the**

**Corporations Act 2001.**

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

**Aquion Energy Pty Limited does not trade under a trading name different to its legal name**

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

**Aquion Energy Pty Limited ACN is 168 053 665.**

**4. Registered postal address for correspondence. We may verify this information with the**

**Australian Securities and Investments Commission (ASIC) or other relevant agency.**

**The address of the registered office of Aquion Energy Pty Limited is:**

**26 Rutherford road**

**Seaford 3198,**

**Victoria.**

**Australia.**

**The principal office and postal address of Aquion Energy Pty Limited is:**

**26 Rutherford road**

**Seaford 3198,**

**Victoria.**

**Australia.**

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

**Rob Grainger**

**Director**

**26 Rutherford Road**

**Seaford 3198.**

**Victoria,**

**Australia.**

**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.**

**Aquion Energy Pty ltd. is seeking an individual exemption as it is not a traditional retailer and adopts a business model that offers a non-traditional approach to the selling of energy. More specifically Aquion Energy Pty ltd. believes as a seller of energy to Customers ,Aquion Energy Pty ltd. aligns with the principle set forth in the AER Statement of Approach (June 2014) that Aquion Energy Pty ltd. is providing an “add-on” or supplementary service to a customer who also buys energy from an authorised retailer. Aquion Energy Pty ltd. has developed a proposal pursuant to which any Customer that chooses to participate will receive, with no upfront cost, a solar panel system installed on either the roof or the ground at their premises. Aquion Energy Pty ltd. is granted a licence to install, maintain and operate the solar panel system on the property (PPA). If the Customer does not own the property itself, the owner of the property is requested to provide formal consent. The solar panel system provided by Aquion Energy Pty ltd. is designed in consultation with the Customer, utilising software modelling, climate data for the applicable area and with reference to the Customer’s historical energy utilisation via interval data to be supplied by the Customer’s energy retailer of choice. This ensures both that the solar panel system is suitable for the climate and the size of the solar panel system is commensurate to the needs of the Customer’s business. Designing the solar panel system by reference to previous energy usage has the added advantage of ensuring that the Customer is never exposed to costs or liabilities in connection with the solar panel system which are not consistent with its own energy needs whether during the term of the agreement or when it is over. It also ensures that Aquion Energy Pty ltd. does not seek to charge a higher price for energy to cover the cost of an unnecessarily large solar panel system for its own benefit. The solar panel system includes meters that satisfy applicable Australian Standards ensuring accurate measurement and invoicing of energy. The equipment installed also includes a modem to enable remote monitoring of the performance of the equipment. Aquion Energy Pty ltd. will remotely monitor the solar panel system throughout the term of the agreement. As such Aquion Energy Pty ltd. will maintain the system to its optimal operating capacity. Customers are invited to participate in the PPA agreement and maintain the option to buy the solar panel system outright at any time in accordance with an agreed schedule. In consideration for the provision of the solar panel system, the Customer grants access to all relevant areas of the property to Aquion Energy Pty ltd. and agrees to enter into the PPA. Under the PPA, the Customer agrees to purchase, at a pre-determined rate per kWh, the energy produced from the solar panel system. As noted above the energy produced from the solar panel system is in full consultation with the Customer and by reference to previous usage. The Customer is required to use any energy it purchases on the site on which that energy is generated. Aquion Energy Pty ltd. only sells energy which is generated at the Customer’s site and never on-sells energy generated elsewhere or by another person. Aquion Energy Pty ltd. does not attempt to replace the Customer’s retailer of choice but only to provide a proportion of the Customer’s current energy needs. If additional energy is required, for example, if the Customer’s business expands, or the energy actually generated on site is less than the total requirements of the Customer, that additional energy will be acquired from the Customer’s retailer of choice in the normal course. Under the PPA the Customer also assigns to Aquion Energy Pty ltd. rights to any small scale technology certificates (STCs) which may be available with respect to the solar panel system at the Customer’s site. For the Customer this has the advantage of not being exposed to market fluctuations in the price of STCs and not being required to familiarise itself with the way in which STCs are sold and traded. For Aquion Energy Pty ltd. it has the benefit of the value of the STCs which it can use to meet some of the cost of installing the solar panel system and allow it to offer a lower price for the energy than it might if it did not receive the benefit of the STCs. On the basis of the elements described above, it is clear that Aquion Energy Pty ltd. offers a bespoke energy selling agreement which is tailored for each individual Customer, is designed to be a private agreement and does not exclude the Customer’s access to its retailer of choice. Aquion Energy Pty ltd. only sells to a single Customer in any one agreement. It does not establish a distribution network. As a consequence, the approach of Aquion Energy Pty ltd. is not suited to a retailer authorisation of the kind normally granted to sellers of energy which sell to a range of customers across a range of sites. Nevertheless, Aquion Energy Pty ltd. does sell energy so an individual exemption is appropriate.**

**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.**

**Not relevant to this exemption application.**

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

**Aquion Energy Pty ltd. primary business is the supply and installation of a solar panel system on the property where a customer residential or business resides, for the generation of energy at that property and the sale of the energy to that Customer for use on that property. Aquion Energy Pty ltd. will enter into a number of such agreements with a number of Customers on different sites. Each agreement will be separate and independent of each other agreement.**

**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.**

**Main grid only (on grid).**

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

**Not relevant to this exemption application.**

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

**Aquion Energy Pty ltd. wishes to commence selling energy as soon as possible. As the business concept was conceived prior to the commencement of the current authorisation regime.**

**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.**

**Aquion Energy Pty ltd. intends to sell energy to a range of Customers at a variety of sites, most of which remain unknown at this time.**

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

**(a) date/s and location/s of previous operations**

**(b) form/s of energy sold**

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

**(d) an explanation of which activities will be conducted in-house and which will be contracted out to third parties. Aquion Energy Pty ltd. through its association with Standard Solar pty ltd collectively has extensive experience in the solar photovoltaic industry, primarily in connection with design, installation, sales, monitoring, maintenance and repairs. In the retail environment both commercial and residential Standard Solar has installed in excess of 5000 Solar PV systems Australia wide.Aquion Energy Pty ltd. will also engage a third party to carry out the billing function. A modem will be installed at each property which will feed data to the billing company. After calculating the amount due for each time period for each Customer by multiplying the data captured from the meter by the agreed fixed rate per kWh, the billing company will issue an invoice directly to the Customer. The billing company will also update the accounting records of Aquion Energy Pty ltd. with details of each invoice. Customers will have a direct debit agreement to facilitate accurate and timely payment of invoices. If there are problems with payment, the matter will be referred to Aquion Energy Pty ltd. to allow it to deal directly with the Customer within the terms of the PPA. In order to optimise the billing process, meters will be installed that meet applicable Australian standards as well as international standards. Each meter will be supplied with an individual NATA endorsed test report confirming its independent calibration.**

**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.**

**Not applicable.**

**15. What agreements 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).**

**Not relevant to type of energy selling.**

**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?**

**Not relevant to type of energy selling.**

**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 agreements under which these services are being provided.**

**Aquion Energy Pty ltd. role is limited solely to the supply, installation and maintenance of the solar panel system and the sale of energy. The initial supply, installation and maintenance of each solar panel system is pursuant to a PPA entered into with the Customer and, where the Customer is not the owner of the property, with the consent of the owner. Under the PPA Aquion Energy Pty ltd. is granted the right to access the property to install and operate the solar panel system. It is also required to maintain the solar panel system and remediate the property if it causes damage or if, for any reason, it is required to remove the solar panel system.Under the PPA between Aquion Energy Pty ltd. and the Customer title in the solar panel system can be sold to the Customer at any time during the agreement period and as such ownership will pass to the Customer at the end of the agreement.**

**3. 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).**

**Not relevant to this exemption application.**

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

**Not relevant to this exemption application.**

**5.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 agreement.**

**Not relevant to this exemption application.**

**6.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)?**

**Not relevant to this exemption application.**

**7. 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).**

**Not relevant to this exemption application.**

**8. 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.**

**Not relevant to this exemption application.**

**9. 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)?**

**EDMI meters will be installed at each property. These meters meet ISO and many other standards and accreditations. They are be calibrated and are approved by AEMO. They meet applicable Australian standards as well as international standards. Each meter is supplied with an individual NATA endorsed test report confirming its independent calibration. All EDMI meters are either National Measurements Institute ‘pattern approved’ and/or ‘type tested’. This means that the metrology and method of construction has been proven by the National Measurements laboratory for Australian conditions. Each meter will hold internally at least 400 days of interval data. This means that if there is any problem with the remote monitoring and data retrieval that is to be used, there is a back-up of information which will be utilised on a site visit if necessary. These meters are used by all Australian distributors and by most Australian retailers of energy. There is nothing in the meter which prevents the use by the Customer of energy provided by its retailer of choice, nor which will prevent the Customer changing its retailer of choice from time to time. Aquion Energy Pty ltd. does not seek to replace the Customer’s retailer of choice and under the terms of the PPA, the Customer is expressly permitted and required to maintain its relationship with a retailer of choice in order to ensure access to a supply of energy independent from the supply generated by Aquion Energy Pty ltd. on the Customer’s property.**

**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?**

**Yes, each meter will: (a) comply with Australian Standard AS62053.21; (b) will be a utility meter of at least class 2 or better; and (c) will comply with the National Measurement Ac 1960 (Cth) requirements for meters installed from 1 January 2013.**

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

**Not relevant to this exemption application.**

**12. How will you determine energy charges if customers are not separately metered?**

**Not relevant to this exemption application.**

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

**Customers will be billed based on monthly energy usage. Aquion Energy Pty ltd. will engage a qualified third party billing agent to provide appropriate services for billing customers.**

**14. What dispute resolution procedures do you intend to put in place to deal with energy related complaints and issues.**

**Ultimately, if a dispute cannot be resolved satisfactorily, the PPA provides the right to terminate the property licence or the PPA or both subjects to appropriate remedies. Furthermore, Aquion Energy Pty ltd. acknowledges and remains subject to the specific guidance of the AER set forth in “AER Industry Guidance – solar power purchase agreements” (July 2014) advising that the consumer has access to the broad protections set forth by the Consumer and Competition Act 2010, which deals with misleading, deceptive or unconscionable conduct, the Australian Consumer Law which deals with unfair contract terms, marketing, warranties and guarantees and relevant State and territory fair trading legislation, which provides jurisdictional agencies with a role in dispute resolution and complaints. Such legislation ensures the Customer has the benefit of certain standards of behaviour and performance and will give the Customer access to the dispute resolution procedures designed to facilitate efficient and effective resolution of disputes in relation to such contracts. In addition, parties contracted to undertake services such as the installation of solar panel systems will be required to be accredited by their relevant industry bodies (eg. Clean Energy Council for installers). The contractor will be required to comply with the relevant bodies Member Code of Conduct and each Customer has access to all the benefits and protections that arise as a result of those accreditations, memberships and licences. Relevant insurance is carried as required for contractors, and, as a requirement under the PPA, by Aquion Energy Pty ltd. A Customer will not be precluded from having access to any applicable statutory insurance regime that may apply as a consequence of or in relation to the licences carried and approvals sought and obtained.**

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

**Not relevant to this exemption application**

**16. 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?**

**Not relevant to this exemption application.**

**Further clarification required answers below**

1. **The application includes two entities. As we can only issue exemptions to an individual legal entity, would you like to apply for two exemptions – one for each firm? Please let me know and I’ll take the application to be for the two exemptions. Please remember that an exemption is only required by the legal entity that will bear the financial responsibility for the SPPA contracts such that a failure to pay by the customer will be borne by the responsible legal entity. It sounds like Aquion Energy will be the responsible legal entity and Standard Solar will be performing the installation and possibly  the ongoing maintenance, in which case it would effectively be a third party contractor. In this case only Aquion Energy would need an SPPA. Please clarify these arrangements and confirm which entity is applying for an exemption.**

**Aquion Energy Pty Ltd is the entity applying for the exemption.**

1. **Please also provide more detail about the history and role of Aquion Energy – for example, is it a newly formed company and does it operate in Australia. Are Aquion Energy and Stardard Solar associated companies and if so how – do they have the same parent company for example.**

**Aquion Energy Pty Ltd is a newly formed company incorporated in Australia the only association between Aquion Energy and Standard Solar is a shared directorship. They do not share the same parent company and operate independently of one another.**

1. **Please specify which roles will be performed by Aquion directly, and which by third parties.**

**Aquion Energy Pty Ltd will manage the asset and will contract the billing metering and maintenance to third parties experienced and familiar with this area of expertise.**

**4.Give us an idea of the scope of your business, you need to estimate the number of customers you intend to acquire in the first year, as well as the number of customers you intend to acquire within 3-5 years. Also, please estimate the amount of energy you intend to sell under SPPAs in the first year and within 3-5 years. Please specify according to customer type (i.e. residential/business).**

**Aquion Energy Pty ltd. intends to install 250 solar systems in 2015 rising to 450 in 2016**

**We would envisage total clients to be between 1500 to 2500 within a 3 to 5 year period from 2015.**

**Aquion Energy Pty ltd. business model is not entirely dependent on the availability of STCs, however utilisation of STCs makes the long term pricing of energy much more attractive than it would be if STCs were not available. It is envisaged that a ratio of 90%residential customers and 10% business customers .**

1. **Will customers be able to access feed-in tariffs for excess energy fed to the grid?**

**Customers will be able to access any relevant feed in tariffs applicable to their own retailer contract that may apply at the time.**

1. **How long will the contracts be for each customer type?**

**The PPA will be for a 15 year term after which ownership of the solar system will pass to the property owner.**

1. **What happens to the panels after the end of the contract? Are they transferred to the customer automatically or is a residual payment required?**

**Ownership of the solar system will pass to the property owner. There will be no further charges or fees.**

1. **If the customer wishes to terminate, is there any fee payable? And do they have to buy out the system or can they opt to have the panels removed? What is the associated cost?**

**The client may terminate the agreement at any time by giving 30 days written notice the only charge applicable will be the labour cost to uninstall the system this is approximately $300 per Kilowatt. The option will also be available where the client may buy out the system at an agreed figure this would be calculated by the purchase price (this will be stated on the contract for the PPA ) minus depreciation of 5% per annum.**

1. **Can the contract be transferred to a new owner of the property?**

**The contract can be transferred to any subsequent owners of the property during the contract period.**

1. **How will customers be made aware of the buyout cost – will a schedule of prices for each year of the contract be included upfront in the contract for example?**

**The option will also be available where the client may buy out the system at an agreed figure this would be calculated by the purchase price (this will be stated on the contract for the PPA ) minus depreciation of 5% per annum.**