

# Origin Energy Solar Power Purchase Retail Licence Exemption Application

Origin Proposal to WA Department of Finance - Public  
Utilities Office - 9 September 2016



# Origin Licence Exemption Application - Solar PPA

## Contents

1	Background and Executive Summary	3
1.1	Confidential Information	3
2	Corporate Information	4
2.1	Corporate Structure Overview	4
2.2	Identity Information	4
2.3	Origin Contact Details	4
2.4	Contact Person	4
2.5	Company Profile / Main Business Activities	4
2.6	Company Type	4
2.7	Associated Entities	4
2.8	Business Model	5
3	Financial Information	6
4	Product Disclosure Statement	9
5	Relevant experience	10
6	Other equivalent licences, exemptions or authorisations to operate	11
6.1	Existing Licences	11
6.2	Breaches	11
6.3	Ongoing Investigations	11
7	Public interest information	12
8	Appendix A - Application Form	13
8.1	Applicant Details	13
8.2	Contact Details	13
8.3	Company Structure	13
8.4	Business requirements	14
9	Appendix B - Product Disclosure Statement (Draft)	15
10	Appendix C - Agreement Terms and Conditions (Draft)	16
11	Appendix D - Origin Energy Retail No. 2 Pty Limited Corporate Structure	17

# Origin Licence Exemption Application - Solar PPA

## **1 Background and Executive Summary**

Origin Energy has been a leader in installing solar energy systems across Australia for more than 10 years. Origin launched our Power Purchase Agreement, also called Solar as a Service, in 2015 and has sold and installed 4.5 MW of PPAs.

### **1.1 Confidential Information**

Confidential information included in this submission relates to Origin's historical and forecasted installations of Solar PPAs and the Agreement Terms for the Origin Solar as a Service - Generation Power Purchase Agreement.

# Origin Licence Exemption Application - Solar PPA

## 2 Corporate Information

### 2.1 Corporate Structure Overview

An overview of Origin Energy Retail No. 2 Pty Limited's corporate structure is provided in Appendix D.

### 2.2 Identity Information

Origin Energy is applying for this exemption under the following identity:

Name: Origin Energy Retail No. 2 Pty Limited

ABN: 49 601 182 790

### 2.3 Origin Contact Details

The address of Origin's registered office is Level 45, Australia Square, 264-278 George St, Sydney NSW 2000.

### 2.4 Contact Person

Origin's primary contact relating to this exemption is:

JP Ross

Group Manager, Development, Origin Solar & Emerging Businesses

Telephone: 03 9652 5177

Mobile: 0475 941 684

e-mail: [JP.Ross@originenergy.com.au](mailto:JP.Ross@originenergy.com.au)

### 2.5 Company Profile / Main Business Activities

Origin Energy is the leading Australian integrated energy company focused on exploration and production, power generation and energy retailing. Origin comprises an Energy Markets operating segment which provides energy retailing, power generation and LPG operations (predominantly in Australia) and an Integrated Gas operating segment which provides oil and gas exploration and production in Australia and New Zealand. Origin's detailed operating segments are detailed on page 9 of Origin's 2015/16 Financial Statements.<sup>1</sup>

### 2.6 Company Type

Origin Energy Retail No. 2 Pty Limited, as a wholly owned subsidiary of Origin Energy Limited, is a for-profit company domiciled in Australia.

### 2.7 Associated Entities

An overview of Origin Energy Retail No. 2 Pty Limited's corporate structure is provided in Appendix D.

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<sup>1</sup> Available at: <https://www.originenergy.com.au/content/dam/origin/about/investors-media/full-year-results-appendix-4e-financial-statements-2016.pdf>.

# Origin Licence Exemption Application - Solar PPA

## 2.8 Business Model

Origin's business model is to develop solar at customer sites through solar power purchase agreements.

Under this model Origin offers customers a Solar Power Purchase Agreement (PPA) where Origin installs, owns and operates the solar plant at low or no up-front cost to the customer, with the customer purchasing the electricity from the Solar plant over the term of the agreement.

As well as historical data, the following table contains a forecast of the number of solar systems and installed capacity in Megawatts (MW) expected to be serviced under a solar PPA across Australia over the next three (3) years:

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# Origin Licence Exemption Application - Solar PPA

## 3 Financial Information

The following declarations by the Directors of Origin as well as its auditor, KPMG, attest to the financial status of Origin and its entities. This statement is included in the full year results of Origin Energy Limited<sup>2</sup>, current as of 18 Aug 2016:

### Directors' Declaration

- 1 In the opinion of the Directors of Origin Energy Limited (the Company):
- (a) the consolidated financial statements and notes are in accordance with the Corporations Act 2001 (Cth), including:
    - (i) giving a true and fair view of the financial position of the Group as at 30 June 2016 and of its performance, for the year ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001* (Cth).
  - (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in the Overview of the consolidated financial statements.
  - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 There are reasonable grounds to believe that the Company and the controlled entities identified in note E3 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.
- 3 The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* (Cth) from the Managing Director and the Acting Chief Financial Officer for the financial year ended 30 June 2016.

Signed in accordance with a resolution of the Directors:



Gordon M Cairns, Chairman  
Director

Sydney, 18 August 2016

<sup>2</sup> Available at: <http://www.asx.com.au/asxpdf/20160818/pdf/439dpg8bs32htq.pdf>



## **Independent auditor's report to the members of Origin Energy Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Origin Energy Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, the notes to the financial statements Overview and A to F12 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In the notes to the financial statements Overview, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the consolidated entity comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the consolidated entity's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*(continued overleaf)*

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KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



**Independent auditor's report to the members of Origin Energy Limited (continued)**

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion:

- (a) the financial report of the consolidated entity is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements Overview.

**Report on the remuneration report**

We have audited the remuneration report included in the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

*Auditor's opinion*

In our opinion, the remuneration report of Origin Energy Limited for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Duncan McLennan  
*Partner*

Sydney

18 August 2016

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## **4** Product Disclosure Statement

A draft copy of Origin's proposed solar PPA Product Disclosure Statement is included in Appendix B.

# Origin Licence Exemption Application - Solar PPA

## 5 Relevant experience

As Australia's leading integrated energy company, we power over 3.8 million households and businesses across the country. We have been installing solar for over 10 years, and we've delivered more than 80,000 systems across Australia.

Origin is an established provider of solar PPAs in Australia, our historical installed capacity is detailed in Section 2.8.

# Origin Licence Exemption Application - Solar PPA

## 6 Other equivalent licences, exemptions or authorisations to operate

### 6.1 Existing Licences

Origin Energy Retail No. 2 Pty Limited has held a Retail Electricity Exemption under the National Energy Customer Framework since 14 January 2015. As one of Australia's leading energy firms Origin also holds energy selling retail licences and exemptions in multiple states through other entities. For completeness, these are listed in the following table:

State	Entity	ABN	Licence, Authorisation or Exemption Type	Effective Date
QLD, NSW, ACT, SA, TAS	Origin Energy Retail No. 2 Pty Limited	49 601 182 790	Retail Electricity Exemption	14-Jan-15
VIC	Origin Energy Electricity Limited	22 071 052 287	Electricity Retail Licence	07-Apr-05
QLD, NSW, ACT, SA, TAS	Origin Energy Electricity Limited	22 071 052 287	Authorised Electricity Retailer	01-Jul-12
QLD, NSW, ACT, SA	Origin Energy Retail Limited	22 078 868 425	Authorised Gas Retailer	01-Jul-12
SA	Origin Energy Retail Limited	22 078 868 425	LPG Retail Licence	03-Sep-13
TAS	Origin Energy Retail Limited	22 078 868 425	LPG Retail Licence	01-Jun-08
VIC	Origin Energy Retail Limited	22 078 868 425	Varied Gas Retail Licence	01-Oct-02
VIC	Origin Energy (VIC) Pty Ltd	11 086 013 283	Gas Retail Licence	01-Oct-02
QLD, NSW, ACT, SA	Origin Energy (VIC) Pty Ltd	11 086 013 283	Authorised Gas Retailer	01-Jul-12
QLD, NSW, ACT, SA	Origin Energy LPG Limited	77 000 508 369	Authorised Gas Retailer	01-Jul-12
NSW	Origin Energy LPG Limited	77 000 508 369	Gas Distributors Licence	
SA	Origin Energy LPG Limited	77 000 508 369	LPG Distribution Licence	03-Sep-13
TAS	Origin Energy Tasmania Pty Ltd	39 009 539 753	LPG Distribution System Licence (Operations)	01-Jun-08
QLD, NSW, ACT, SA, TAS	Cogent Energy Pty Ltd	65 121 324 249	Authorised Electricity Retailer	01-Jul-12
VIC	Cogent Energy Pty Ltd	65 121 324 249	200 Victoria Street Network Electricity Exemption	01-May-12
VIC	Cogent Energy Pty Ltd	65 121 324 249	321 Exhibition Street Network Electricity Exemption	01-May-12
VIC	Cogent Energy Pty Ltd	65 121 324 249	Electricity Retail Licence	23-Jan-08
NSW	Cogent Energy Pty Ltd	65 121 324 249	101 Miller Street Network Electricity Exemption	01-May-12
VIC	Sun Retail Pty Ltd	97 078 848 549	Electricity Retail Licence	16-Jun-06
QLD, NSW, ACT, SA, TAS	Sun Retail Pty Ltd	97 078 848 549	Authorised Electricity Retailer	01-Jul-12
QLD, NSW, ACT, SA	Sun Retail Pty Ltd	97 078 848 549	Authorised Gas Retailer	01-Jul-12

### 6.2 Breaches

There have been no breaches of the Retail Electricity Exemption resulting in a penalty or enforcement order that we are aware of.

Origin Energy Electricity Limited received penalties in relation to unlawful door-to-door selling practices in 2015 under the Australian Consumer Law.

### 6.3 Ongoing Investigations

There are no current or ongoing investigations about an alleged breach of a licence, exemption or authorisation that we are aware of.

# Origin Licence Exemption Application - Solar PPA

## 7 Public interest information

Allowing Origin to provide residential solar through power purchase agreements provides the following public interest benefits:

1. **Environmental** - Approving this retail licence exemption will provide environmental benefits by increasing the deployment of low carbon and renewable solar electricity in Western Australia.
2. **Social Welfare** - Historically, the benefits of solar energy (including reduced energy bills) have only been available to those with the capital to harness it. Through an Origin Solar PPA, consumers in Western Australia will have an additional zero upfront capital cost solar option through one of Australia's most reputable providers.
3. **Regional Development** - Through Solar PPAs, Origin will be investing its capital in solar systems in Western Australia. Local installers will install Origin's solar systems, providing further employment benefits.
4. **Customer Interests** - Providing this retail exemption provides customers an alternative to grid electricity and that customers have access to a Solar PPA provided by an experienced, reputable and stable leading Australian energy firm.
5. **Licensee Interests** - Solar PPAs are an additional source of energy supply but we expect grid electricity from licenced providers to remain the primary source of electricity.
6. **Competition in the Market** - Providing Origin an exemption will allow Western Australians improved access to Solar PPAs provided by one of Australia's leading energy companies and solar PPA providers.
7. **Policy Objectives** - Approving this licence exemption will encourage the development of alternative energy seller business models (specifically solar PPAs) and increase the choice consumers have to access different sources of energy in Western Australia.

# Origin Licence Exemption Application - Solar PPA

## 8 Appendix A - Application Form

### 8.1 Applicant Details

Legal name	Origin Energy Retail No. 2 Pty Limited
Trading name (if different to legal name)	Origin Energy
Registered office (if a corporation)	Level 45 Australia Square, 264-278 George St, Sydney NSW 2000
Principal place of business (if different to registered office)	Level 17, 321 Exhibition St, Melbourne, VIC 3000

### 8.2 Contact Details

Name of primary contact	JP Ross, Group Manager, Development
Postal address	Level 17, 321 Exhibition St, Melbourne VIC 3000
Landline	03 9652 5177
Mobile	0475 941 684
Email	<a href="mailto:JP.Ross@originenergy.com.au">JP.Ross@originenergy.com.au</a>

### 8.3 Company Structure

ABN	ABN 49 601 182 790
Legal structure (corporation, partnership, or sole proprietor)	Corporation
Company directors	<p><b>Origin Energy Retail No. 2 Pty Limited</b></p> <p><b>Grant King</b> - Director  <b>Gary Mallett</b> - Director  <b>Andrew Clarke</b> - Alternate Director</p> <p><b>Origin Energy Limited (Parent Company)</b></p> <p><b>Gordon Cairns</b> - Independent Non-Executive Chairman  <b>Grant King</b> - Managing Director  <b>John Akehurst</b> - Independent Non-Executive Director  <b>Maxine Brenner</b> - Independent Non-Executive Director  <b>Bruce Morgan</b> - Independent Non-Executive Director  <b>Dr Helen Nugent AO</b> - Independent Non-Executive Director  <b>Steve Sargent</b> - Independent Non-Executive Director  <b>Scott Perkins</b> - Independent Non-Executive Director</p> <p>Further details available here:  <a href="https://www.originenergy.com.au/about/investors-media/governance/board-members.html">https://www.originenergy.com.au/about/investors-media/governance/board-members.html</a></p>

## Origin Licence Exemption Application - Solar PPA

Description of primary business activities	Origin Energy is the leading Australian integrated energy company focused on exploration and production, power generation and energy retailing.
Associated entities	Detailed in Section 2.7

### **8.4 Business requirements**

*Brief description of the business model, including forecasted type (commercial and residential) and number of customers. Details of experience in selling energy products and services.*

**Please refer to Section 2.8 and Section 5.**

# Origin Licence Exemption Application - Solar PPA

## 9 Appendix B - Product Disclosure Statement (Draft)

## Origin Solar as a Service Product Disclosure Statement [DRAFT]

Before you sign the Origin Solar as a Service - Generation Power Purchase Agreement (**Agreement**), you should read this Product Disclosure Statement (**PDS**), together with the Agreement, in order to understand important information about Origin Solar as a Service.

### **This is a long term agreement**

This is a long term agreement with potentially significant financial implications for you. Whether and how you benefit (including any financial benefit) from this Agreement depends on your particular circumstances, including your daily consumption levels and patterns.

### **Who owns and maintains the system?**

Origin owns the system. We will maintain and repair it for the duration of the Agreement. Please notify us if you believe that there is a fault or problem with our system as soon as possible (and in any event within 2 Business Days).

### **Solar is an alternative source of electricity and not your primary supply source**

This Agreement is separate to the existing arrangement you have with your existing electricity retailer and Distributor for supply of electricity to your address from the electricity grid. Electricity supply from our system will supplement grid electricity supply from your existing retailer - it does not replace it.

### **What laws apply?**

The retail energy specific consumer protections in the *Electricity Industry Act (Act)* do not apply to this Agreement. Origin is not licensed under the Act and is not bound by the Electricity Ombudsman Scheme.

The Australian Consumer Law (**ACL**) applies to this Agreement. Under these laws, you have a range of rights including to apply for an unfair term to be declared void, to request a refund, repair or replacement for products or services you purchase from us and to seek compensation if you are misled by us or we act unconscionably.

### **Your obligations prior to installation of the system**

Your property must be solar ready before we install our solar system. Our solar ready requirements are set out in our *Installation and Solar Ready Brochure* and may include taking steps at your cost, such as electrical works, cabling or roof repairs. You may also have to pay a meter upgrade or changeover fee.

You can help us obtain approval from your electricity distributor to connect our system to the electricity grid by signing any forms and providing other assistance that we request, within reason.

You grant us a licence to access your address to install the system.

### **Your obligations regarding the system once installed**

Once our system is installed, you must:

- continue to grant us a licence to access your address to repair, maintain, operate, remove and replace our system
- maintain grid electricity supply to your address
- maintain your address (including electrical wiring) in order to support the safe and proper functioning of our system



- maintain appropriate insurance cover
- take reasonable steps to ensure that our system has access to at least the same amount of sunlight as it did at the start of the Agreement
- not damage our system or allow anyone else to do so.

### **Your meter type and accuracy standard**

Our solar systems incorporate a Type 4 meter with Class 1 Accuracy Standard (+/- 1%) to accurately measure the energy (kWh) output from your solar system and can be read remotely through a cellular data connection.

### **Specific details about your Agreement**

- Estimated annual output: [xx kWh]
- Estimated first year payments: [\$ xx]

The Details Section accompanying the Agreement Terms and forming part of your Agreement sets out:

- Your contract term (which may be 7, 10 or 15 years)
- Amounts for the fees and charges described below.

### **Applicable fees and charges**

You pay us for all electricity generated by our solar system at the contract rate (plus any relevant fees and taxes) as adjusted for CPI annually or change of law, regardless of whether you use the solar electricity generated or not.

Other fees that may apply include:

- an exit fee if you terminate the Agreement early (as described below)
- a removal fee for us to remove the system at the end of the Agreement
- a late payment fee if you pay your bill late
- a reactivation fee if we have to reactivate our solar system following deactivation caused by your conduct
- a card payment fee
- a paper bill fee and payment processing fee
- a cancellation fee if you terminate the Agreement before our system is installed.

These charges are subject to CPI adjustment: contract rate, removal fee and exit fee.

These charges may change where our costs change: card payment fee, paper bill fee, reactivation fee, payment processing fee and late payment fee.

All fees and charges may change if there is a change in law which affects the Agreement, to reflect the impact on us to the extent the costs are reasonably incurred.

We may seek to introduce a new fee. If we do we will give you notice and you will have 10 weeks to either accept the new fee or not accept the fee and terminate the Agreement (without penalty).

### **Billing format and frequency**

We will send you a bill via email, and bill you monthly via direct debit (a card payment fee applies). If you want a paper bill, you can request this (a paper bill fee applies).

### **Your cancellation and termination rights**

You can cancel this Agreement without penalty during the cooling off period, which starts when you sign the Agreement and ends at midnight on the 5<sup>th</sup> Business Day after that.

If you want to end the Agreement before its expiry (including if you want to move out of the property), you have a number of options including:

- pay us an exit fee
- make us an offer to buy our solar system (an Indicative Buy-out Price is set out in the Details section of your Agreement or you can call us to discuss) or
- arrange for the new owner of the property to take up the service (provided that they meet our credit requirements and enter into an agreement with us).

You also have rights to terminate the Agreement including if:

- we propose to introduce new charges which you reject
- we breach the Agreement and do not remedy it within 4 weeks of a notice from you to do so.

### **Our termination rights**

We may terminate the Agreement in a range of circumstances including if:

- you sell your property and do not effect on of the options outlined above
- you breach the Agreement and do not remedy it within 4 weeks of a notice from us to do so
- the output of our solar system is significantly reduced, or
- we think that it is no longer commercially viable for us.

### **Your options at the end of the Agreement**

We'll remind you 3 months before the end of the Agreement. At the end of the Agreement, you can elect to:

- offer to buy the system from us (an Indicative Buy-out Price is set out in the Details section of your Agreement or you can call us to discuss)
- request us to remove the system (a removal fee may apply)
- if we offer, enter into a new agreement with us on similar terms to this Agreement.

If you do not take up any of these options, then you must continue to pay us for all the electricity generated by the system.

### **Performance of the system**

We do not warrant a particular level of output of the system, or the reliability, voltage or quality of electricity from our system.

### **Customer service and complaints**

If you have an enquiry, complaint or dispute, including in relation to your bill or any marketing activity, please contact us at <https://www.originenergy.com.au/contact-us.html>. We'll assign a case manager to your complaint and let you know the outcome of it, in accordance with our complaints and dispute resolution procedures.

For the purpose of the Agreement, we or us or Origin means Origin Energy Retail No. 2 Pty Limited (ABN 49 601 182 790) or its authorised assignees, nominees or contractors.

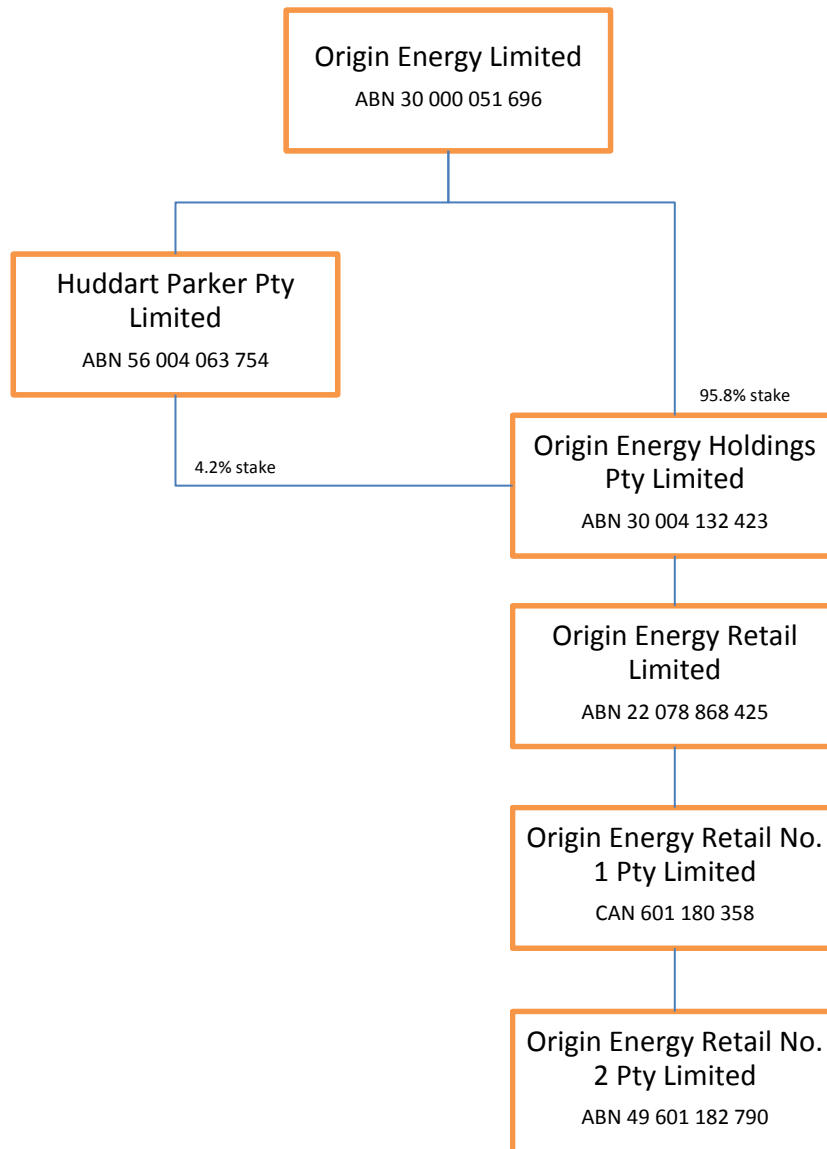
# Origin Licence Exemption Application - Solar PPA

## 10 Appendix C - Agreement Terms and Conditions (Draft)

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# Origin Licence Exemption Application - Solar PPA

## 11 Appendix D - Origin Energy Retail No. 2 Pty Limited Corporate Structure



# Energy made fresh daily ...locally.

**Origin Energy Retail No. 2 Pty Limited**  
ABN: 49 601 182 790

<p><b>Melbourne</b> Level 17, 321 Exhibition Street Melbourne VIC 3000 T: 03 9652 5025 F: 03 9652 5089</p>	<p><b>Adelaide</b> 100 Waymouth Street Adelaide SA 5000 T: 08 8217 5211 F: 08 8217 5768</p>	<p><b>Sydney</b> Level 7, 20 Bond Street Sydney NSW 2000 T: 02 9503 5034 F: 02 9503 5904</p>
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