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28 June 2017

Licence Exemptions
Markets and Regulation Division
Public Utilities Office
Department of Finance
Locked Bag 11
Cloisters Square WA 6850

By email: licence-exemptions@finance.wa.gov.au

Dear Sir/Madam

RE: Lester Energy Pty Ltd - Solar Power Purchase Agreement retail licence exemption

Lester Energy Pty Ltd (LE) is a Western Australian company that is part of the Lester Group. LE is seeking an exemption from the requirement to hold a retail licence, under section 8 of the *Electricity Industry Act 2004 (WA)*, to sell electricity to customers under a solar power purchase agreement (PPA) in Western Australia.

LE's business involves installing, operating and maintaining solar PV systems on the rooftop of commercial premises, and selling electricity generated by those systems to the owners or operators of those premises, under the terms of a solar PPA.

LE's application for the retail licence exemption is enclosed, and is made in accordance with the licence exemption framework for solar PPA providers approved by the Minister for Energy in August 2016 and updated in March 2017.

Please contact Adrian Lester on 9423 5100, or 0419 937 037, if you wish to discuss this application.

Yours sincerely,
LESTER ENERGY PTY LTD


Adrian J Lester
Director

1. Corporate information

Applicant details	
Legal name	Lester Energy Pty Ltd
Trading name	Lester Energy
Registered office	Level 2, 47 Stirling Hwy, Nedlands WA 6009
Principal place of business	Level 2, 47 Stirling Hwy, Nedlands WA 6009
Contact details	
Name of primary contact	Adrian Lester, Director
Postal address	PO Box 1110, Nedlands WA 6909
Telephone number	Business: 08 9423 5105 Mobile: 0419 937 037
Email	ajlester@lestergroup.com.au
Company structure	
ACN	616 411 360
Legal structure	Corporation
Company directors	Adrian John Lester
Description of primary business activities	LE's business involves installing, operating and maintaining solar PV systems on the rooftop of commercial premises, and selling electricity generated by those systems to the owners or operators of those premises, under the terms of a solar PPA.
Associated entities	Lester Group of companies. Balwyn Holdings Pty Ltd, the Lester Group holding company, owns 15% of the shares in LE.
Business requirements	
Brief description of the business model, including forecasted type (commercial and residential) and number of customers	LE's associated entity, Lester Group (LG), owns or manages a portfolio of commercial and industrial property. LE intends to install and operate solar generation systems on LG properties initially, and then offer the same service to 150 - 200 third party commercial and industrial property owners and investors over the first 3 years.
Details of experience in selling energy products and services	LE's associated entity, LG, has extensive experience in negotiating energy supply contracts with various suppliers for its property portfolio as a contestable customer. LE has established a team of structural and electrical engineers, installation contractors and electrical consultants for the assessment, design, installation, on going maintenance and administration of commercial solar energy generation systems.

2. Product Disclosure Statement

A copy of LE's product disclosure statement is in Annexure B to this document.

3. Relevant experience

LE is a newly incorporated company that is associated with Lester Group (LG). LG is a commercial and industrial property manager and investor of a portfolio of properties Australia wide. LG has commercial experience with negotiating the supply of energy contracts for its property portfolio.

LE is a newly incorporated entity which will supply renewable energy to LG properties initially and then to third party commercial and industrial property investors and occupiers. As part of LE's proposed business model, it intends to engage suitably qualified structural and electrical engineers, who will provide consultation services, and experienced contractors, who will install, commission and maintain the solar PV system in accordance with good industry practice.

4. Other equivalent licences, exemptions or authorisations to operate

LE does not hold, and has never held or been subject to, any other energy licences, licence exemptions or retailer authorisations in any Australian state or territory, including Western Australia.

5. Public interest information

LE considers that granting this licence exemption would give rise to the following public benefits:

- (a) **Environmental** - LE's business model has environmental benefits by promoting and encouraging the uptake of renewable solar energy in Western Australia. Customers of LE have an environmental and financial incentive to install a solar PV system on their premises, because the energy generated by the LE system will produce less greenhouse gas emissions at the same or lower cost than energy sourced from grid provided power.
- (b) **Social welfare and equity** - Granting the exemption will improve the ability of small, medium and large businesses to have access to renewable solar energy, where those businesses may not otherwise have the capital to invest in this technology. This is because LE's business model imposes no upfront capital costs on the customer, and offers access to renewable energy at the same or lower energy costs as energy sourced from the grid.
- (c) **Economic and regional development** - LE is a Western Australian company, and will be investing in solar PV systems to be installed on commercial and industrial buildings in metropolitan and regional Western Australia. LE will be engaging local contractors and service providers to consult, install and maintain the solar PV systems, resulting in ongoing employment benefits and investment growth in the renewable energy industry.

The owners of LE have a background in commercial property, and believe they will be able to encourage a range of building owners to consider sourcing part of their electricity requirements from renewable energy.

- (d) **Interests of customers** - Granting the exemption is in the interests of customers, because it provides a clean energy alternative to buying electricity from the grid, at no upfront cost or risk to the customer. Under LE's solar PPA, the customer is only required to purchase the quantity of electricity that it requires (and not any excess electricity

generated by the solar PV system that exceeds its requirements). This removes one of the disadvantages for a customer that is typically considered to be associated with entering into a solar PPA.

- (e) **Interests of other licensees** - Electricity supplied under LE's solar PPA is a secondary source of supply, and grid electricity will remain the customer's primary source of electricity. LE will also retain title to any excess electricity generated by the solar PV system that is not used by the customer. LE intends to offer this electricity for sale into the grid, by agreement with the relevant retailer.
- (f) **Importance of competition in electricity industry markets** - Granting the exemption will facilitate competition in electricity retail and generation markets, by improving access to alternative energy sources. The option of entering into a solar PPA with LE increases the choice for commercial customers who may not otherwise have the capital to invest in alternative technologies.
- (g) **Policy objectives of government in relation to the supply of electricity** - Granting the exemption supports the following policy objectives of government:
 - Increasing competition and consumer choice in the market, by improving access to alternative energy sources and business models. Increasing competition and choice for customers has the ultimate effect of reducing the cost of supplying electricity in the market.
 - Promoting the uptake of sustainable, renewable energy.
 - Encouraging investment in clean and efficient energy technology, without the need for government subsidies.
 - Attracting private-sector participants to the electricity market, by enabling LE, a Western Australian company, to enter the market and sell renewable energy to commercial customers.

Granting the exemption will not impact on the safety or reliability of the grid, as the installation will be in accordance with all legal and regulatory requirements and good industry practice.

**Annexure A
Financial declaration**

I refer to the application by Lester Energy Pty Ltd (LE) for an exemption from the requirement to hold a retail licence under section 8 of the *Electricity Industry Act 2004* (WA), to sell electricity to customers under a solar power purchase agreement in Western Australia.

I declare the following in relation to LE as at the date of this declaration:

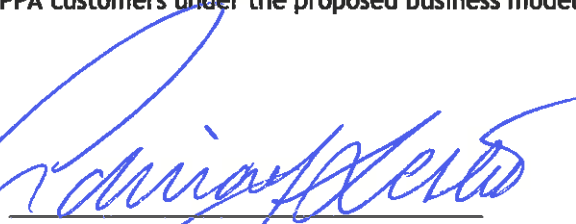
- (a) an administrator, receiver or insolvency official has not been appointed to control any part of the business or its property;
- (b) no application or resolution has been passed or steps taken to wind up LE; and
- (c) I am not aware of any other factors that may impede LE's ability to finance and service solar PPA customers under the proposed business model as set out in LE's application.

Signed by:

Signature of
director

Name

Date



Adrian J Lester

9 August 2017



Annexure B
Product Disclosure Statement

Product Disclosure Statement and Frequently Asked Questions – Power Purchase Agreement

July 2017

This Product Disclosure Statement (**PDS**) outlines key information about the Power Purchase Agreement (**Agreement**) with Lester Energy Pty Ltd (**LE**) to assist you in making an informed decision about entering into the Agreement. Please read this PDS, together with the Power Purchase Agreement Contract Details and Terms and Conditions, before signing the Agreement.

ABOUT THE AGREEMENT

1. Is the power provided by LE the primary source of power to my building?

No, electricity supplied under the Agreement is an alternative service and is not the primary source of electricity supply to your premises. Your premises will continue to be connected to the grid, which is the primary source of electricity. This Agreement is also separate to the primary supply contract that you have entered into with the retailer who delivers electricity to your premises from the grid (**Retailer**). You will still receive a bill from your Retailer for electricity that you purchase from the grid.

Under the Agreement, you are required to purchase all of your electricity requirements for your premises from us, to the extent they can be met by the system installed by us. If you have additional electricity requirements that cannot be met from the system, then you may purchase that additional electricity from your Retailer.

If there is excess electricity generated from the system that you do not use, then we will retain all rights to that excess electricity.

2. Is LE licensed or a member of the Electricity Ombudsman Scheme?

No, LE is not required to be licenced and is not required to be a member of the Electricity Ombudsman Scheme. LE operates under a retail licence exemption and is not bound by the obligations under the *Electricity Industry Act*

2004 or its subsidiary legislation. This means that the consumer protections that ordinarily apply to the supply of electricity to small use customers under the *Electricity Industry Act 2004* (including matters such as disconnection, financial hardship and billing) do not apply to the Agreement.

3. Does the Australian Consumer Law apply to the Agreement?

Yes, the Australian Consumer Law does apply to the Agreement. If you are a consumer within the meaning of the Australian Consumer Law, then you are entitled to certain guarantees about the System and the supply of electricity under the Agreement. You also have a range of rights in the event that we supply defective goods or services.

ABOUT THE SYSTEM

4. Who will install, operate and maintain the System?

LE will install, operate and maintain a solar PV system (**System**) at your premises. We will own the System, and you will not have any rights to sell or move the System (except as specifically set out in the Agreement).

We will pay any reasonable costs that are imposed by the network operator or your Retailer as a result of installing the System, including meter upgrades required.

The name and contact details of the person responsible for repairs and maintenance of the System are:

Name: Lester Energy Pty Ltd
Phone number: 08 9423 5100 or 0419 937 037

We will carry out repairs and maintenance at our cost. However, you will be required to pay any repair or replacement costs if you have been negligent or breached the Agreement (for example, if you damage the System).

LE will only use Tier 1 components in our systems, and manufacturer's warranties will vary from 5 – 20 years depending on the particular component.

5. What size System will LE install?

The size of the System varies from property to property and is primarily based on your peak consumption and the area suitable to install solar panels. The estimated size of the System will be set out in the Contract Details, but will be subject to us assessing the suitability of your premises.

6. What can I expect from the performance of the System?

The level of output from your System will vary depending on a range of factors, including the weather conditions and level of solar radiance. We cannot guarantee any particular level of output from the System, or that electricity supply will be uninterrupted.

The supply of electricity to you may be interrupted or reduced in certain circumstances, including to undertake planned maintenance to the System (which will be notified to you in advance), where you have defaulted under the Agreement, or if required for an emergency or by law.

The estimated generation output of the System, and estimated cost under the Agreement, for the first 12 months will be set out in the Contract Details.

7. Who is responsible for obtaining approvals?

We are responsible for obtaining all necessary approvals to install, connect, operate and maintain

the System. However, you will need to assist in obtaining these (for example, by signing documents from the network operator or your Retailer to authorise the connection of the System).

8. What are my other obligations and liabilities under the Agreement?

Following installation of the System, you have an ongoing obligation to ensure that your electrical infrastructure is in good working order and is sufficiently protected from damage, so that your premises is able to take electricity from the System.

During the term, you must not install any other renewable energy generation systems on your premises, or purchase electricity from another electricity provider except us and your Retailer, without our consent.

You must not damage or tamper with the System (or allow anyone else to do so). If you do cause damage to the System, you must notify us, and pay for any loss or damage incurred as a result.

You may currently be liable to your Retailer, under your electricity supply agreement with your Retailer, for any damage caused to the grid. LE will reimburse you for any damage that is caused by LE in installing or maintaining the System under the Agreement (subject to some limitations on our liability set out in the Agreement).

TERM OF AGREEMENT AND TERMINATION RIGHTS

9. When does the Agreement commence?

You are bound by the Agreement immediately upon signing. However, there is a cooling off period of 10 business days after signing where you can notify us in writing if you do not want to proceed.

There are also a number of conditions that must be satisfied before we are bound to install the System and commence supplying electricity to you. These include that we obtain all required approvals, receive from you all information we need to assess whether your premises are suitable, and that we

are satisfied that your premises are suitable to install the System.

Once these conditions are satisfied, we will notify you. We will then commence to supply electricity within 12 months of signing the Agreement. If any of the conditions are not satisfied within 24 months of signing, then we may terminate the Agreement with no liability to you.

10. How long will LE provide renewable energy to my Premises?

This is a long-term agreement. The initial contract period is 10 years, and this will be automatically extended for a further 10 years, unless we notify you otherwise. The term will also be automatically extended if the term of any other related agreement referred to in the Agreement is extended.

11. What are my options at the end of the term?

At the end of the term, we will disconnect the System and remove it from your premises. We will pay our costs of removal and making good the premises, unless the Agreement has been terminated:

- by us because of your default; or
- because any other related agreement referred to in the Agreement has terminated or expires (unless termination was due to our default).

12. What are my termination rights and obligations?

If we have defaulted and do not rectify that default within the time period set out in the Agreement, then you have a right to refer the matter to dispute resolution, to resolve any differences between us in relation to remedying that default. We may agree with you, or an arbitrator may determine, that we must take certain steps to remedy the default within a certain period of time. You then have a right to terminate the Agreement if:

- we fail to do so by the required time; or
- if we agree, or an arbitrator determines, that the default cannot be remedied.

We have a right to terminate the Agreement if:

- you have defaulted and do not rectify the default within the time period set out in the Agreement (and in this case, you must pay our costs of removing the System and an early termination payment relating to the loss of charges we will suffer);
- your premises is vacant or is not consuming electricity generated from the System;
- we consider that it is not commercially viable to continue to perform the Agreement;
- your premises are fully or substantially damaged or destroyed;
- the System is damaged and we do not consider it to be commercially viable to fix or replace it; or
- any other reasons we consider warrants termination.

The Agreement will also come to an end if any other related agreement referred to in the Agreement is terminated or expires (and in this case, you must pay our costs of removing the System and an early termination payment relating to the loss of charges we will suffer, unless it was terminated for our default). If any other related agreement referred to in the Agreement is suspended (for example, to enable re-development of your premises), then the Agreement will be suspended for the same period.

13. What are my options if I move or sell my premises?

If you are selling the premises, then you must ensure that the purchaser agrees to take on your rights and obligations under the Agreement. The Agreement will then be transferred to the purchaser of the premises.

FEES AND CHARGES

14. What is the per unit rate for renewable electricity?

The rate you will pay for each unit of electricity (in cents/kWh) will be set out in the Contract Details. If the rate that you pay your Retailer changes at any time, then you must inform us of the change, and the rate that you pay us will change accordingly.

15. How much is my bill likely to be in the first year?

Based on the information you provide us we will estimate the amount of money you will be charged in the first year for power generated by the new system and consumed by you. This amount will be provided in the Contract Details.

16. What other fees and charges are applicable under the Agreement?

The other fees and charges that you may be required to pay us are:

- a late payment fee (or interest charged at 10% per annum, at our election) if you do not pay your bill by the required time;
- a paper bill fee if you request a bill to be sent to you via post, rather than via email;
- costs of removing the System and making good the premises, and an early termination payment relating to the loss of charges we will suffer, if the Agreement is terminated by us because of your default, or because any other related agreement referred to in the Agreement has terminated or expires (unless termination is due to our default); and
- costs of reconnecting the System, if it is disconnected at your request (for example, for planned maintenance to your premises), or because of your default, negligence or breach of the Agreement.

We may also adjust the per unit rate of electricity, or introduce a new fee or charge, if our costs under the Agreement increase because of a change in law or tax after the Agreement commences.

17. How often and in what format will I be billed?

After the end of each month, we will send you a tax invoice via email for the electricity consumption in that month. You must pay that amount by the end of the month in which the invoice was issued, by electronic funds transfer.

18. What type of meter will be installed?

The System will include a Class 1 pattern approved "revenue grade" meter that is accurate and

compliant with Australian Standards (62052.11, 62053.21, 62053.23) and will monitor energy generation and consumption. You will be charged for the quantity of electricity generated from the System that you consume. This meter is separate to the grid-connected meter.

DISPUTE RESOLUTION**19. What happens if I have a dispute with LE?**

If you have a dispute with us under the Agreement, you must give us a dispute notice setting out details of the dispute. We must then seek to resolve the dispute through negotiation within thirty days.

If we cannot resolve the dispute within this time, then it may be referred to mediation, and then if still unresolved, to arbitration.

**Annexure C
Exemption application check list**

Application summary
Guideline reference 2.2.1

Information required	Information provided	Application reference
A version of the application suitable for publication on the Department of Finance website	Yes	Yes

Corporate information
Guideline reference 2.2.2

Information required	Information provided	Application reference
An overview of the applicant's corporate structure	Yes	Page 2
Identity information, including legal and trading name (if relevant) and ABN or ACN	Yes	Page 2
Registered postal address and contact details of the applicant	Yes	Page 2
Name and contact details of the applicant's main contact person	Yes	Page 2
An overview of the applicant company's profile and a description of the company's main business activities	Yes	Page 2
Description of the company type (public, private, joint venture, other body corporate, partnership, sole trader or other entity)	Yes	Page 2
A list of associated or controlled entities, including the degree of control exercised	Yes	Page 2
A description of the applicant's business model, including forecasts for the number of customers expected to be serviced under a solar PPA over the next three (3) years	Yes	Page 2

Financial information
Guideline reference 2.2.3

Information required	Information provided	Application reference
A written declaration from the applicant attesting to the applicant's financial solvency	Yes	Annexure A, page 5

Product disclosure statement

Guideline reference 2.2.4

Information required	Information provided	Application reference
A copy of the applicant's proposed solar PPA Product Disclosure Statement	Yes	Annexure B, page 6

Relevant experience

Guideline reference 2.2.5

Information required	Information provided	Application reference
A description of the applicant's previous experience selling energy or solar PPA products	Yes	Page 3

Other equivalent licences, exemptions or authorisations to operate

Guideline reference 2.2.6

Information required	Information provided	Application reference
Details of whether the applicant holds, or has previously held or been subject to, an energy selling retail licence, licence exemption or retailer authorisation in any Australian state or territory, including Western Australia	Yes	Page 3
Details about any breaches of those licences, exemptions or authorisations, where a penalty or enforcement order was applied	Yes	Page 3
Details of any current or ongoing investigations about an alleged breach of a licence, exemption or authorisation	Yes	Page 3

Public interest information

Guideline reference 2.2.7

Information required	Information provided	Application reference
Statements and evidence to enable the Governor to consider whether granting a licence exemption would be contrary to the public interest	Yes	Page 3