

RETAIL LICENCE EXEMPTION

APPLICATION FOR UPX PTY LTD TO HOLD A RETAIL LICENCE
EXEMPTION IN WESTERN AUSTRALIA

DIRECTORS

Nathan Begley – Managing Director

Mark Reilly

COMPANY SECRETARY

Nathan Begley

REGISTERED OFFICE

Level 26

1 Bligh St

Sydney NSW 2031

Ph 02 8226 8616

hello@upstreamenergy.com.au

ACCOUNTANT

Watkins Coffey Martin

65 Hill St, Roseville NSW 2069

LEGAL ADVISORS

Mark Gardiner

TEDDINGTON LEGAL

513/55 Holt St, Surry Hills NSW 2010

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Business Model Executive Summary

UPX is part of a transformation of Australia's national electricity market; taking the capital expense out of transitioning to renewable energy. UPX is a sub-entity of Upstream Energy Group; run by the same Directors being Nathan Begley and Mark Reilly. Upstream is the owner-operator of solar power stations across the east coast of Australia. We are facilitating the next phase of renewable energy production and usage through behind the meter, on-site generation to lower network loads and associated carbon emissions.

UPX will design, procure and commission bespoke systems to supply solar electricity to commercial entities. The solar electricity – supplied at a lower cost – replaces what was originally taken from the grid, providing immediate cost benefits to the end user.

While sunlight as a form of energy is essentially a free commodity, the initial costs to capture it remain a deterrent to many electricity consumers. Small and medium enterprises, schools, and clubs often lack capital to cover the start-up equipment expenses. Additional to this are the inherent logistic and legal barriers in making structural alterations to leased commercial properties.

By purchasing the systems on behalf of the client, facilitating their installation and contracting the sale of produced electricity at an equal or lower price, UPX delivers a cash-flow-neutral or cash-flow-positive position. We also deliver a legal framework that allows a tenant to enjoy the benefits of solar electricity, while providing protection to both lessee and proprietor for their respective interests both during and post-tenancy.

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Our business model is simple in principle; the purchase of assets which produce electricity and the contracted sale of that electricity to our clients. These assets (solar systems) have a manufacturer-guaranteed operational life of 25 years and our contracts are completely bespoke, from six to twenty years. UPX uses only Tier 1 components, giving a guaranteed long-term revenue stream with limited downside exposure to servicing and warranty replacement.

Crucially, solar assets are only purchased after energy contracts have been signed, giving UPX considerable control over risk. We have developed a long-term relationship with our supplier/installer *Beacon Solar*, a division of *Beacon Lighting* who provide us with reliable service and products as well as creating the majority of our lead generation.

Production is monitored by either of two partners; *COzero* and *Carbonetix*, who provide monthly reporting and billing.

UPX enjoys largely streamlined operations, automated processes and low overheads.

The key metrics of our model are contracted revenue, stable and predictably long-term clientele, low-risk supply-on-demand, physical asset equity, recurring business processes and scalable cash flow. Within three years we aim to service several hundred sites across Australia, with between 50 and 100 of those in Western Australia. This will coincide with our expansion into other commercial sectors.

Electricity Industry Experience

The Directors of UPX have experience in selling solar energy via Power Purchase Agreements since 2014. Nathan has been directly involved in appropriately sizing solar systems, monitoring assets and billing clients. Mark oversees the fire safety components of the systems.

Nathan and Mark have been Directors of Voltaic Energy since 2014. In June 2014 Voltaic Energy (now Upstream Energy) was awarded a retail electricity exemption from the Australian Energy Regulator. This exemption allows for Upstream to deliver electricity from on-site solar systems to compliment existing grid supplies.

Electricity is sold through Power Purchase Agreements (PPAs) formulated as a customised energy contract, covering all relevant AER conditions.

Since then Upstream Energy Group has been supplying solar power to varying industries including schools within the AIS-NSW, Bowls Australia and working with major national property groups and retailers in designing and delivering solar-driven sustainability solutions.

Our core product has been rooftop PV solar, designed by *Beacon Solar's* internal engineers and made up of Tier 1 components.

In creating a solution, UPX takes into account:

- a) aggregated daytime grid costs inclusive of kVa demand charges, sustainability levies and weighted network and retail kilowatt hour prices,
- b) solar generation forecasts - accurate down to the month - derived from over two decades of data from the Bureau of Meteorology,
- c) lost production from module cell degradation,
- d) consumption load reductions through sub-metering, and
- e) consumption load reductions through heating, ventilation and air conditioning treatments.

Our PPAs allow for regular scheduled maintenance and cleaning.

Systems are remotely monitored for production efficiency and billing. UPX enjoys strong relationships with both monitoring partners; sustainability consultants *Carbonetix* and energy retailers *COzero*. Both use national measurement patterns-approved electricity meters relevant under Australian Standards (AS/IEC 62052.11, AS/IEC 62053.21, AS/IEC 62053.22 and AS 1284.1) for electricity billing. Cloud monitoring allows UPX to remotely observe various sites across Australia.

Through excellence in products and service, we are considered a trusted supplier for the *Association of Independent Schools of NSW* and in two years have designed hundreds of kilowatts over solar solutions. In May 2015 Upstream commissioned a 60kWp rooftop PV solar solution for Robinson Community College in Broken Hill, illustrating our commitment to delivering solutions in regional areas.

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UPX is a sub-entity of Upstream Energy Group, which is run by Nathan and Mark.

Declaration of Financial Solvency

2nd May 2018

For the purposes of UPX's application to hold a retail electricity exemption, I state on UPX's behalf that;

- the company has adequate resources to pay all debts as and when they become due,
- at all times the company's total assets exceed total liabilities,
- management regularly reviews company results,
- no administrator, receiver or insolvency official has been appointed to control any part of the business or its property,
- no application or resolution has been passed or steps taken to wind up the company, and that
- the company is not aware of any other factors that may impede its ability to finance and service solar PPA customers under the proposed business model.



Nathan Begley
Managing Director

UPX Pty Ltd

Product Disclosure Statement

Welcome to UPX.

This is a Product Disclosure Statement, it is a document designed to set out and explain the details of your Power Purchase Agreement (PPA) with UPX. Before you decide to enter into the PPA please read this document carefully and understand your rights and obligations.

- Your solar electricity supply is an alternative service to your existing grid connection. You will maintain your grid connection during the PPA; it forms your primary source of electricity. UPX's agreement to supply you with solar electricity is separate to any contract with your grid electricity provider.
- UPX is not a licenced retailer of electricity. We operate with a retail electricity exemption, granted by the West Australian Government's Department of Finance, allowing us to sell solar electricity generated in only this circumstance. UPX is not bound by the obligations under the Electricity Industry Act 2004 or it's subsidiary legislation relevant and applicable to licencees. UPX is not required to be a member of the Electricity Ombudsman Scheme.
- The supply of solar electricity to consumers under this PPA is subject to consumer protections under the Australian Consumer Law. These protections are undertaken and enforced by the Australian Competition and Consumer Commission (ACCC) and the WA Department of Commerce Consumer Protection. More information can be found at:
commerce.wa.gov.au/consumer-protection
accc.gov.au/consumers/health-home-car/solar-power#consumer-rights-for-solar-power
- The term of this Power Purchase Agreement is [] years.
- At the expiry of the Power Purchase Agreement, you may elect to either take ownership of the system, or defer ownership to the building proprietor. There will be no amount payable by either receiving party to take ownership. The party taking possession of the asset will become responsible for its maintenance, cleaning, repair and removal if and when required. You may elect to extend the PPA by five years and forego ownership, if desired.
- If, upon expiry of the PPA you require us to remove the system, you may be required to pay the cost of removal and any costs in making good the property.
- The following fees are applicable to the PPA:
 - Cancellation Fee:* if you cancel the PPA before the installation of the system, a Cancellation Fee will not be payable, however UPX may require you to cover the reasonable costs associated in planning the installation, or any application fees payable to network regulators in submitting the connection.
 - Exit Fee:* referred to in your PPA Terms and Conditions (T&Cs) as the SPPA Remaining Contract minus the Early Purchase Discount, this amount is payable if the PPA is ended before its contractual term.
 - System Removal Fee:* as set out in your PPA T&Cs, you may be responsible for the cost of removing the system. In this instance you will not be charged more than the actual costs incurred in removing the asset, notwithstanding any make good expenses should they be applicable and payable to the proprietor.
 - Payment Fees:* UPX does not charge card payment fees or account processing fees.
 - Late Payment Fees:* UPX may charge you for late payment; this will not exceed the reasonable costs incurred in recovering your late payment.
 - Reactivation Fees:* If UPX is required to reactivate your solar connection, we may charge you for the actual costs incurred in reactivating the system.
 - Other fees:* UPX may not propose any new fees under this PPA, however we reserve the right to recoup costs for any work performed which falls outside the PPA and/or standard maintenance and repair schedule as defined by UPX.
- You will receive a monthly electronic invoice emailed from UPX, displaying the amount of solar electricity consumed.

Product Disclosure Statement, contd

- The rate for your PPA is [] cents per kilowatt hour (kWh) of energy consumed. There are no annual retail increases in your PPA rate, however it will be indexed each year for inflation at []%.
- The projected energy production of your []kWp system is []kWh.
- Your anticipated PPA cost in the first year will be \$[].
- The meter used is an EDM1 MK10A meter, remotely monitored by UPX partners *COzero* or *Carbonetix*. It is national measurements pattern-approved, compliant with Australian Standards (62052.11, 62053.21, 62053.23) and has Class 1, 2 accuracy standards.
- UPX, or our contracted supplier installer *Beacon Solar*, is responsible for obtaining the necessary approvals for connecting the solar system with the grid.
- UPX and *Beacon Solar* will take all necessary precautions, and include all required electrical engineering protections as stipulated by the network in their approval of the solar system. However, under the terms of your electricity supply contract or other contract with your electricity retailer, you may be liable for any damage the solar power system causes to the grid that you are connected to.
- The PPA can be terminated early by you as per the PPA T&Cs:
 - on the date mutually agreed by us, where you pay the *Exit Fee*, or
 - if a different customer agrees to purchase solar power for the Premises, on the date they enter into a new agreement with them, or
 - if you vacate the Premises and pay the *Exit Fee*. The proprietor of the Premises may require you to remove the solar system and make good the property upon vacancy. If you decide to instead move the system to your new Premises, you may be required to pay the costs of relocating the system.

The parties' rights and obligations accrued before the end of the PPA continue despite the end of the PPA, including any obligations to pay amounts to us.

- UPX's Dispute Resolution Process is prescribed within the PPA T&Cs and is as follows:
 - If you make a complaint, we will respond to your complaint within 7 days and inform you of the outcome, the reason for our decision and that if you are not satisfied with our response, you have the right to refer the complaint to dispute resolution.
 - Any dispute whatsoever arising out of or in connection with this SPPA shall be submitted to mediation in accordance with, and subject to, *The Institute of Arbitrators & Mediators Australia Mediation and Conciliation Rules*.
 - If the dispute or difference is not settled within 30 days of the submission to mediation (unless such period is extended by agreement of the parties), it shall be and is hereby submitted to arbitration in accordance with, and subject to, *The Institute of Arbitrators & Mediators Australia Rules for the Conduct of Commercial Arbitrations*.
 - Notwithstanding the existence of a dispute or difference each party shall continue to comply with their obligations under the agreement.
- UPX is responsible for maintenance and repair of the solar system throughout the term as defined in the PPA T&Cs. This will be performed on your [insert site] address by [contractor name, ABN, contact details].

Existing Retail Licence Exemptions

UPX Pty Ltd holds no existing retail licence exemptions.

However, UPX is owned by Upstream Energy Group, who also control Voltaic Energy t/a Upstream Energy.

Voltaic Energy Pty Ltd (ABN 38 162 893 889) Trading As Upstream Energy has held an Individual Retail Exemption as granted by the Australian Energy Regulator, since June 2014.

This Individual Retail Exemption has allowed Upstream to deliver solar electricity through Power Purchase Agreements as a supplement to consumers' existing grid electricity supplies.

Upstream has never breached the exemption.

There are no current nor past investigations into Upstream regarding breaches of their exemption.

UPX Corporate Structure

Board



Nathan Begley

**Founder,
Managing Director**
B Bus Marketing

Driven, knowledgeable and passionate.

With over a decade's experience in urban firefighting and emergency response with FRNSW, Nathan launched Upstream Energy Group and successfully executed the Business Plan over 5 years. His continued tenacity has seen growth far outstrip expectation, including interstate and overseas operations.

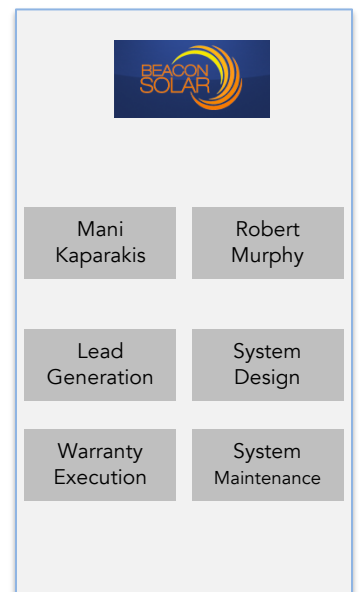
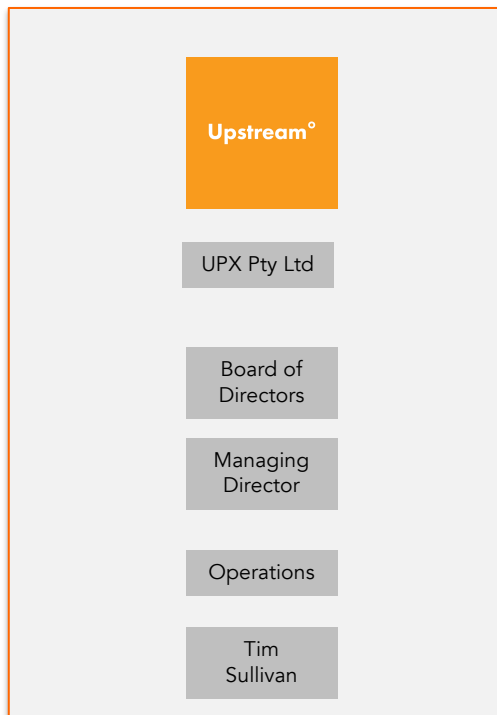
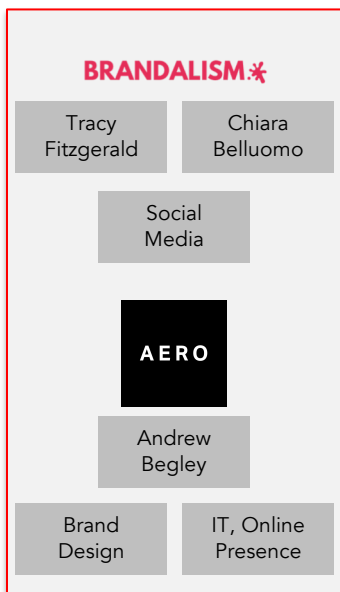


Mark Reilly

Director
GradCert Emerg Mgt

Experienced, powerful and direct.

Mark's impressive history spans over three decades of emergency management, strategic response, logistics and administration. His experience is evident in the broad application of skills in various Directorships, Chairs and Presidencies of national institutions.



Public Interest Statement

UPX Pty Ltd – A Subsidiary of Upstream Energy Group

For the benefit of Western Australia Governor, the Honourable Kim Beazley

Since inception, Upstream Energy Group has installed over **CONFIDENTIAL** hours of clean electricity across the Australian community. The systems have been installed on schools, small businesses, community education facilities, hospitality venues and social clubs. The common element in this group is that capital has not been readily available.

A considerable appeal of UPX's Power Purchase Agreements (PPAs) is that there are no upfront costs. Small businesses and schools – who might not otherwise be able to afford solar – can easily make the transition to sustainability with zero outlay and minimal risk, if any. UPX removes any burden from the end user by procuring the asset, then commissioning and maintaining it for the term.

Beyond these consumer benefits, we are also delivering power at a cheaper rate than the market grid retail price. Peak retail electricity rates in Western Australia* range between 16 – 43 cents per kWh.

UPX's range of delivered solar electricity across all its sites is **CONFIDENTIAL** average of **CONFIDENTIAL**

UPX allows customers to effectively determine their own electricity rate. With entirely customisable PPAs, a given price per kilowatt hour will decide the term of the agreement;

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Rooftop solar power is a mature product within Australia. It is a clean, reliable, cost-effective source of energy. Small businesses, commercial tenants and schools require an opportunity to access the technology. By providing solar under a Power Purchase Agreement, these and other commercial electricity users can benefit from increased competition, lower costs, more stable prices and sustainability within the energy market.

Power Purchase Agreements are also a unique solution – if not the only solution – to the issue of accessing solar within a commercial tenancy where neither tenant nor proprietor can reasonably commit to funding the system.

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UPX strongly believes that as an existing provider of solar electricity in this format in all other Australian states, it is within the public interest to allow us to deliver the same products and services that would greatly benefit West Australian schools, businesses and energy users.

* as taken from finance.wa.gov.au