

Summary of Electricity Retail License Application:

APPLICATION DETAILS:

Applicant Details

Applicant Name: AER Retail Pty Ltd
Registered Office: 88 Tweeddale Rd, Applecross WA 6153
ABN: 50 160 019 983

Contact Details

Primary Contact Name: Luca Castelli
Mail Address: As per registered office (above)
Telephone: (08) 9364 0400

Licence Details

Licence Type: Electricity retail licence
Services Offered: Retail of electricity to large use customers on the SWIS who are consuming in excess of ~200MWh per annum
No. of Customers: <100
Licence Area: South West Interconnected System (SWIS)

SERVICE OFFERING:

AER Retail is part of the Castelli Group of companies and, with Advanced Energy Resources (the Group's power generation division), the group is moving toward establishing itself as a customer focused Gen-tailer providing tailor made energy solutions to large use customers on the SWIS.

Advanced Energy Resources (AER) is the majority owner of the 2.4MW Mt Barker Wind Farm, which is certified by the IMO for the creation of capacity credits and has now been operating successfully for two years. AER is also in the process of developing a number of opportunities in the small to medium scale wind and solar PV sectors; AER Retail's electricity retail licence will be instrumental in managing off-take risk for AER's upcoming generation projects.

AER Retail will supply large use customers on the SWIS. Both capacity and energy will be sourced from its own generators (through AER) as well as the STEM/IMO and under long term off-take agreements with third party generators.

AER Retail is able to offer both conventional and renewable energy solutions for its customers and individualise energy supply and billing services to suit their requirements.

PUBLIC INTEREST:

Environmental considerations

The licence does not relate to infrastructure development and as such does directly impact on the environment.

Social welfare and equity considerations, including community service obligations

Grant of the licence will facilitate:

- a electricity price reductions for end-users via supply taken from the Wholesale Electricity Market. In due course, this supply will be supplemented by generation operated by related parties and 3rd parties;
- b. provision of renewable electricity at competitive prices;
- c. uptake by end-users of distributed behind-the-meter generating and energy efficiency technologies, such as solar PV.

Economic and regional development factors, including employment and investment growth

Grant of the licence will facilitate the development and uptake of new technologies such as solar PV, electric cars and fuel cells. It will also provide funding, through savings, which can be used to finance energy efficiency investment such as LED lighting and Variable Speed Drives.

The interests of customers generally or of a class of customers

Grant of the licence will:

- a especially benefit the relatively small R3 style business / commercial customers with consumptions down to around 200MWh per year (\$50,000). This segment represents around 12,000 customers which consume around 2,200GWh per year; that is, 13% of the total market by energy and 65% by customer number. Customer churn data indicates that between 50% and 75% of these customers have remained with the legacy retailer despite the R3 tariff being approximately 10% above cost reflectivity. This is presumably because of a combination of perceived-risk aversion, lack of education and their relative financial unattractiveness (being small) to the existing retailers;
- b benefit Large Use Customers in the S1 and T1 categories comprising some 2,000 customers consuming 4,300GWh. While these customers are well served by the existing retailers in respect of energy price, these customers can potentially benefit from participation in new generation projects, including renewable energy projects;
- c benefit any style of load that wishes to utilise new technology or the services of any preferred consultant or service provider; for example, carbon footprint specialists renewable energy technology, on-site generation.

The interests of any licensee, or applicant for a licence, in respect of the area or areas to which the order, if made, would apply

Grant of the licence will facilitate the uptake of new generating technologies and thereby reduce energy consumption and dependence on large-scale fossil-fuelled power stations. This would diminish the prospects of new fossil-fuelled developments.

The importance of competition in electricity, gas or water supply markets

Grant of the licence would increase competition in the electricity retail domain and facilitate the uptake of distributed behind-the-meter on-site generating and energy-efficiency technologies, such as solar PV.

The policy objectives of government in relation to the supply of electricity, gas or water services including that which is not limited to providing safe reliable services

Grant of the licence will:

- a have no bearing on the safety and reliability of the power system as it will primarily facilitate the reallocation of existing resources. Insofar as the grant would lead to the take-up of new and emerging technologies, these would be in accordance with the Technical Rules and wholesale Market Rules.
- b support the government policy of reducing end-user electricity prices through increasing customer choice through retail competition,
- c support the government policy of increasing the uptake of renewable energy and energy efficiency technologies.
- d diminish the need for government subsidies to increase the uptake of distributed of renewable energy and energy efficiency technologies.

Any other matters considered appropriate and relevant which may impact on the public interest

Grant of the licence will promote the Wholesale Electricity Market Objectives as follows:

- Market Objective a) “to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the SWIS”. Grant of the licence will support this by:
 - i. increase the uptake of behind-the-meter on-site distributed generation, thereby improving economic efficiency through avoidance of losses and decreasing use of network infrastructure (producing electricity where it is to be consumed).
 - ii. facilitate the uptake of 3rd party electricity related services by giving end-users direct exposure to wholesale market price signals together with the ability to engage any service provider of their choice for whatever reason.
- Market Objective b) “to encourage competition among generators and retailers in the

SWIS, including by facilitating efficient entry of new competitors”. Grant of the licence will support this by:

- i. facilitating behind-the-meter on-site distributed generation;
 - ii. inducing traditional retailers to minimise price offerings in competition with alternatives.
- Market Objective c) “avoid discrimination against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions”. Grant of the licence will support this by:
 - i. promote the development and uptake of behind-the-meter on-site distributed generation enabling the production of energy where it is used. Users are free to adopt their own criteria and utilise the technology of their choice (subject to compliance with the Technical Rules), be it renewable, financially focussed, or utilising production waste.
 - ii. minimise greenhouse gas emissions by producing energy where it is used.
 - iii. promote sustainability by facilitating use of production waste as fuel.
- Market Objective d) “to minimise the long-term cost of electricity supplied to customers from the SWIS”. Grant of the licence will promote this by:
 - i. offering electricity products based on taking supply from the Wholesale Electricity Market;
 - ii. reducing the need for network investment by facilitating the production of energy where it is consumed.
- Market Objective e) “to encourage the taking of measures to manage the amount of electricity used and when it is used.” Grant of the licence will promote this by facilitating end-user direct access to:
 - i. Customer tariffs will be designed with price signals enabling customers to estimate the benefits of shifting of consumption to periods of cheaper pricing.

The public health considerations in relation to the provision of a safe drinking water supply

Not applicable