



JASMIN SOLAR

FREE SOLAR FOR YOUR HOME

Queensland Electrical Contractor's Licence No. 75214

ABN: 62 158 644 225

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31st January, 2013

Mr. Richard Fleming
Acting General Manager
Adjudication Branch
ACCC
GPO Box 3131
Canberra. ACT. 2601.

Dear Richard,

Third line forcing notification N96232 lodged by Jasmin Solar

Thank you for your further advices concerning our Third line forcing notification.

Background

I was able to chat with Tanya from your Department, and she advised me that the ACCC is hoping to gain a thorough understanding of all aspects of the new Jasmin Solar business paradigm in order to ensure that there is no potential loss or detriment to any customer.

To support this requirement, I am happy to provide the following most comprehensive and commercial-in-confidence overview of all aspects of our business, addressing each of the ACCC's issues and concerns with both prima facie and quantitative evidence, and relevant analogistic reference where required.

It may be that I initially failed to properly articulate our business model in our Notification Letter and subsequent Response, and this could well be why the ACCC appears to have issues, and if this is the case I tender my apologies as this was not my intent.

If however, the ACCC believes, once it has reviewed the following information, that I have missed something important, or that further qualification is required, then I shall be pleased to comply.

Timeline

The following is the timeline that relates to the main subject matter ie. the Offer of supplying and installing a retail priced \$11,950 solar system for \$1, in return for the homeowner signing over the STCs and Feed-in-Tariff rebate relating to the install to Jasmin Solar.

1. Late June, 2012 Qld government advises that it is closing applications for the 44c/kWh feed-in-tariff (FIT) rebate scheme at midnight on Monday 9th July, 2012.
2. Jasmin Solar commences advertising on radio, newspaper, facebook, and letterboxing with an Offer to provide up to a 5kW system (ie. 5kW of solar panels and 5kW inverter) for \$1, providing the customer agrees to sign-over the STCs and FIT applicable to their installation to Jasmin Solar for the duration of the 44c/kWh scheme ie. until 30/06/28.
3. Jasmin Solar receives 1,800 expressions of interest
4. 29th July, 2012 Jasmin Solar forwards a 24-page Information Pack to all respondents, so that everyone is on the same page in all aspects of the Offer.
5. August – October, Jasmin Solar has 8-staff conduct site inspections of every respondent's premise as required by AS4777 and later AS5033.
6. Early September, 2012 Jasmin Solar sends out Cover Letter, Customer Agreement, Cooling-Off period Form, Irrevocable Authority re. FIT, and Building Services Authority Information Pack. Jasmin Solar advises respondents to take their time to review, consider and seek external advice re. all the forms before they wish to proceed.
7. Late October, 2012 Diamond Energy sends out Retail Energy Offer to all respondents.
8. Late October, 2012 Jasmin Solar starts to receive signed contracts from respondents.
9. Early December, 2012 Jasmin Solar commences installs.

Jasmin Solar – the company

Jasmin Solar is a small business **(please see attached photos)** that directly and indirectly employs 60 persons and pays \$120,000/week in salaries and installation fees. In addition, Jasmin Solar receives 1-2 x 40' containers of solar panels from China, and 75 Inverters from Italy each week, and if it were to cease operations, Jasmin Solar would have no where to store the containers and we would be in breach of our \$7.5m **Supply Agreement** with the solar panel manufacturer (attached), and also our Supply Agreement with the Inverter Manufacturer. Because of this responsibility, Jasmin Solar doesn't believe it can give the ACCC an undertaking to cease operations.

Jasmin Solar has installed 200 solar systems in the past 6 weeks and 190 of these were \$1 systems that represent a \$1.653m investment at cost by Jasmin Solar, with the only monies that the customers have had to pay out of their own pockets is \$190.

The ACCC can validate the enormity of these arrangements by reference to Jasmin Solar's BAS Statements with the ATO. For instance, Jasmin Solar received an

\$86,000 GST rebate for the past quarter, and now we are on monthly BAS, Jasmin Solar expects a further \$50,000 GST rebate from the ATO just for the month of January. Thus, it isn't a case of Jasmin Solar not wanting to provide an undertaking to the ACCC, but if we stop the business momentum now, we will go out of business within 1 week, with 60 persons out of work, and we will be left with multi-million dollar lawsuits from our main suppliers.

Jasmin Solar is a responsible organisation that wishes to work with the ACCC to neutralise any issues or concerns whilst maintaining its business integrity and viability and to this end, we will abide by any undertaking that won't destroy or adversely affect our business, our staff, installers, and suppliers. In the following response, we hope to properly articulate that our customers are not negatively impacted by our Offer, and that the customers understand what is being offered and want the solution that Jasmin Solar supplies because it will help them for 25 years or more.

Jasmin Solar is also an ethical and prudential organisation that strictly follows regulations and industry standards, as evidenced by Jasmin Solar gaining an electrical contractors licence from the Queensland Department of Justice. All installations are performed by licenced electrical contractors who are also fully certified by the Clean Energy Council to perform solar installations to the latest standard AS5033. All installations are audited by our own qualified technical person (QTP) who is a master electrician and CEC certified, and then all installations are checked by Energex (the Queensland Energy Distributor and owner of the transmission lines that the solar system is connected to) when they install the Solar meter prior to connection to the network.

Jasmin Solar hasn't/doesn't employ sales people as we advertised in the newspapers, on the radio and on Facebook and those people who were interested in our Offer responded to us either via our website or the phone. No pressure type tactics were/have ever been applied to any customer at any time. In addition, we forwarded a comprehensive 24-page Information Pack to every respondent to consider for months before we forwarded them their contracts for review, consideration and external input (from their lawyer, advisor, friend etc). Every customer also had months to review their contracts etc. before they made whatever decision they finally decided upon.

Preferred Market Segments

We didn't target low income consumers or old age pensioners, but our aim was to support them if they applied due to their desire to have a solar renewable energy system in order to reduce their quarterly energy bills. Many of our customers just happened to be low income consumers and old age pensioners because they had no opportunity whatsoever to afford a solar system, yet they desired to have one because their energy bills were rising on average 10%pa., and would continue to do so for years, and most advised they were having trouble paying them due to their pension being insufficient. Nearly all have advised us that they wanted solar because they didn't think they would be able to pay their power bills within 5 years time due to forecast energy price increases, and that they would never have been able to afford a solar system if not for Jasmin Solar

Jasmin Solar has discovered that low income consumers and pensioners are extremely house-proud and mostly maintain their homes in immaculate condition. They represented one of the preferred markets for Jasmin Solar because they mostly stay at home during the day when they can obtain the most benefit from their Solar system, and they retire early most evenings so don't use too much expensive 'peak' energy in the evenings.

Most importantly, we have been in ongoing negotiations with further Energy Retailers who also intend to provide the same service to us, as that provided by Diamond Energy. We proceeded with Diamond Energy in the first instance because being a smaller, boutique, solar specialist energy retailer, they were quicker to proceed. One other organisation we are close to finalising agreements with, ORIGIN, is a huge corporation that has taken months to work through the process. For the larger energy retailers, we also have to pay six-figure sums for them to update their billing systems in order to handle the feed-in-tariff payment procedures to Jasmin Solar due to Privacy Issues.

We expect to be able to offer our customers many choices of energy retailer very shortly whereby we would hope the Third line forcing issue evaporates.

An important question for the ACCC? If Jasmin Solar was to become a licenced energy retailer, would having our own company using us as their energy retailer be seen as third-line forcing by the ACCC? We ask this because we are seriously considering applying to become a licenced energy retailer in Queensland. One of the great weaknesses of our business model has proven to be having to deal with third party energy retailers. They are too bureaucratic and move at snail-speed.

Our Response to ACCC's Issues Identified to date:-

1. Jasmin Solar does not prey or target vulnerable consumers. We don't operate in such a manner. Our Offer was open to every Sth East Queensland household that had applied for and been approved by Energex to be a part of the 44c/kWh Queensland Government Feed in Tariff rebate scheme. The opportunity to be a part of this scheme expired on 9th July, 2012. What occurred was that a large number of low income consumers and old age pensioners responded to our Offer and were approved by Energex.

Cognisant of this, Jasmin Solar proceeded very slowly and first mailed a 24-page Information Pack for every respondent to review and consider. Then 2 months after this, we sent the contracts and authorities to the customers for them to review and consider and seek external advices on. Then nearly 2 months after this, Diamond Energy sent out its energy retail offer to the customers for them to review, consider and obtain external advices on.

In total, from the time of first contact with Jasmin Solar by EVERY customer, nearly 5 months had expired before any customer was even in a position to finalise any agreement with us.

In addition, we included a 10-day Cooling-Off period agreement that we were not even required to do so by Fair Trading Queensland because the customer had responded to our advertising.

Ours is not an unregulated industry like the Insulation Scheme fiasco recently experienced. Our industry is highly regulated and we take this responsibility very seriously.

Concerning the ACCCs issue that “may result in those customers suffering loss or detriment due to a fundamental imbalance in bargaining power”, I would now like to quantify the reality:

- The length of the contract with Jasmin Solar is solely based upon the term of the 44c/kWh FIT rebate scheme as legislated by the Queensland Government which provides the rebate until 30th June 2028. We are merely applying our Offer to the terms and conditions of the Queensland Government’s scheme. If we were to apply a shorter term, we would have had to charge the customer thousands of dollars for their system upfront instead of \$1.
- The length of the initial Diamond Energy contract is only 2 years, automatically renewable unless otherwise advised. We requested that Diamond Energy not ‘lock-in’ our customers with a tariff for longer than this as it would not be appropriate, and because we knew we would soon be able to offer our customers greater choice of energy retailer.
- We have always advised our customers, but did not guarantee, that they could achieve a 30% reduction in their quarterly electricity bill because once their solar system is installed, the majority of their electricity usage is thereafter FREE because it is being generated by their own solar system. The only Grid electricity (ie. the electricity they use 100% of when they didn’t have a solar system) they need once the solar system is operational, is that which is used at night and sometimes on multiple dark days. Our Information Pack advised customers that once they have solar installed, to minimise their future Grid usage, they needed to change the way they have thought about electricity all their lives, and do as much as possible during the day ie. during PEAK times, when their power is now FREE. By this, I mean they should do the clothes washing and drying, dishwasher, change the hot water system to daytime heating, run the pool pump etc. during the day and not the night which nearly 100% of customers currently do. With a solar system installed, off-peak grid electricity usage primarily relates to the fridge, TV, lights, seasonally an air-conditioner.
- The only way that a customer’s energy bill may increase is if they disregard all the above and go power consumption crazy with continuing to run everything in the evening and add lots more energy-hungry devices to their property. ***Please note, that should this be the case, then the party that will suffer loss or***

other detriment in this case will be Jasmin Solar and NOT the customer, because Jasmin Solar will earn \$0 or minimal rebates from this customer because they are consuming all the FREE energy generated by their Solar system and nothing is being feed back into the Grid for Jasmin Solar to earn its payback for providing the solar system for \$1.

- Surely the ACCC's comment on 'fundamental imbalance in bargaining power' relates more to a scenario where minimising a tariff is paramount because there is no alternative tariff source such as for customers that don't have a solar alternative and must try and bargain to get the lowest possible price for the product they require ie. Grid power? Surely what Jasmin Solar is providing to the customer is the ultimate alternate tariff ie. **\$0** for power used by the household during the day? It is important to note that Queensland has a Net Rebate system, whereby the household uses all the solar energy generated first and only what isn't used during the day gets exported to the Grid for rebates to apply to. We feel that the ACCC's comment here appears to be discounting the core focus of the solar alternative we are providing, and applies more to a Grid-electricity only scenario, and not where a solar alternative is involved. We have all seen the endless segments on A Current Affair where households are grouping together to collectively bargain a better deal via a tariff discount for their Grid power and this is wonderful – but they are being forced to do so because they have no alternative at their disposal ie. solar.
 - We are most concerned also that the ACCC is implying that our agreement potentially raises concerns under Australian Consumer Law because we spent nearly \$50,000 with a large and reputable Law firm in Melbourne to have our agreement drafted to strictly comply with all Australian statutes. We are lay persons and rely on our expensive external experts to provision us with the correct agreements to use.
2. The majority of solar systems chosen by Jasmin Solar's customers have been 5kW systems so that they can maximise their FREE energy creation during the day. Only where the customer's roof could not fit a 5kW system has the customer been advised that a smaller 3kW or 4kW system will need to be installed. No customer to date has complained about this as they understand you can't fit solar panels where there isn't room enough. As stated in our response to Issue #1 of the ACCC, Jasmin Solar advises that it advised all customers that they could possibly achieve a 30% reduction in their existing Grid electricity costs once their solar system was installed and they modified whatever of their discretionary energy consumption to peak daytime usage (when their electricity was FREE from their solar system) and not off-peak usage as they had previously been conditioned to do so for the past 40 years. ***I refer to page 19 of our Information Pack which was mailed to every respondent – “Typically, although not guaranteed, it should be possible to reduce your electricity bill by around 30%, although 75% is achievable.”***

In my original notification letter I advised the ACCC that a saving of up to 80% was achievable (ie. I was merely advising a ‘best-case scenario’) and with the following example I shall detail how this is possible, however I wish to stress that the detail provided in our Information Pack is what we outline to all respondent’s/customers.

To prima facie validate the above comment, I advise that on average, a 5kW system in SE QLD can deliver between 20 - 25kWh of FREE renewable electricity each day.

A normal SE QLD household consumes approx. 15.6kWh (refer to – www.energymadeeasy.gov.au) each day in total, differentiated for each consumer between peak and off-peak usage depending on their individual energy consumption patterns based upon what appliances they have. Thus, a 5kW solar system can produce on average, between 128% to 160% of a household’s average daily usage. It is solely dependent on the energy consumption habits of each individual household as to what level of energy savings they will achieve. Jasmin Solar can’t control a household’s energy consumption habits once a solar system is installed, but should a customer follow Jasmin Solar’s guidelines in modifying their current off-peak energy consumption habits once their solar system is installed, then the opportunity exists for every customer to achieve a 30%+ reduction in their quarterly electricity bill.

In its Information Pack, Jasmin Solar has advised, but not guaranteed, that a household can save 30% (ie 4.68kWh) of Grid usage out of the 20kWh plus that its solar system will generate each day.

Even a 3kW solar system in SE QLD will deliver on average 15kWh of FREE renewable electricity per day, which represents 96% of an average SE QLD household’s daily electricity consumption.

3. Jasmin Solar disagrees that its customer agreement decreases the value and/or saleability of houses upon which its solar systems are mounted. In Queensland, it is a Net Tariff system based upon the electricity account holder and not the property of installation as is the case in Sth Australia. What this means is that the QLD Government scheme mandates that should the electricity account holder of the approved property change once the 44c/kWh scheme is in place, then the home owner loses the 44c/kWh rebate (it is not transferable) and the incoming owner can only apply for whatever existing rebate scheme applies to solar systems at the time of ownership changeover.

Therefore, if a 44c/kWh rebate customer of Jasmin Solar sells their home after say, 2 years, then the new owner can only apply for the existing rebate scheme (currently 8c/kWh for no defined term). Jasmin Solar will not earn its money back on the system it has supplied and installed by this time, and requires to earn the ongoing lower 8c/kWh rebate for the length of the original term just to break even.

Jasmin Solar argues that when a buyer has a choice between two similar homes of similar price, and one has a solar system and the other doesn't, it will be for other reasons why a buyer would not buy the home with the solar system, considering that they merely have to agree to honour the existing homeowners agreement, at no cost or loss to themselves, as they weren't receiving a solar feed-in-tariff rebate in the first place.

We have received no negative feedback from any customer concerning this issue to date. Those that have queried it have all been advised that should the incoming buyer not wish to continue with the Jasmin solar agreement for whatever reason, then Jasmin Solar would merely uninstall the solar system with both parties full prior knowledge and agreement, at no cost to the outgoing owner,. Every customer queried has accepted this as fair to all parties.

4. My understanding of the Diamond Energy application of Tariff 11 is to protect customers from possible rate increases which is what prompted the Queensland Government to legislate Tariff 11 in the first place. The Diamond Energy Offer is discretionary in so much as customers can opt for a time of day Tariff 12 should that be their preference for whatever reason. For instance, if we consider the daily supply charge of Tariff 11, it equates to just \$25.91 in any 90 day billing cycle, whereas for Tariff 12 it is \$77.79, a 300% higher charge per quarter to the customer.

Were Tariff 11 the only Tariff that was to apply to 100% of a customer's electricity consumption in the case of Jasmin Solar, I may agree with the ACCC's assertion that the application of Tariff 11 may have 'the potential to increase the uncertainty of any claimed reduction in cost of electricity by customers who enter into the Customer Agreement with Jasmin Solar and any contract with Diamond Energy'. However, once again, I wish to emphasise to the ACCC in the case of Jasmin Solar, that Tariff 11 only applies to that percentage of a customer's electricity consumption that isn't already covered by the FREE Tariff of the solar energy generated by the Jasmin Solar system. For this reason, we strongly assert that there is no intention or design to mislead any customers in anyway concerning the likely savings they can make from having a solar system installed.

5. Jasmin Solar strongly disagrees that electricity prices set by Tariff 11 may remain higher than the prices available from electricity suppliers through market agreements or under other tariffs therefore resulting in loss and increased costs for those customers as compared to the cost of obtaining electricity in the absence of the notified conduct.
Firstly, how can there be loss when the customer has received a solar system that is generating FREE electricity of up to 160% of the average daily average usage of electricity in SE QLD? Even if the solar system only reduced the customer's existing quarterly electricity bill by 30%, how is this a loss?

Jasmin Solar randomly chose three (3) other electricity retailers in SE QLD and they all had virtually identical tariff pricing. The only retailer providing incentives of note was Australian Power & Gas and this only applied if there was a contractual precondition

of the customer to pay their bill on time, with a greater discount provided if a 3-year contract versus a 1 year contract was signed.

Sample of QLD Electricity Retailer's Tariffs (GST inclusive)

	<u>ORIGIN</u>	<u>Lumo</u>	<u>DIAMOND</u>	<u>Aust. Power & Gas</u>	
<u>Tariff 11</u>					
All consumption	25.3781	25.377	25.378	25.38	c/k
Daily Supply Charge	28.787	28.787	28.787	26.19	c/a
<u>Tariff 12</u>					
Peak consumption (Weekdays 4pm - 8pm)	38.4153	38.412	38.4153	38.42	c/k
Shoulder consumption (Weekdays 7am-4pm, 8pm-10pm, Weekends 7am-10pm)	23.5752	23.573	23.5752	23.58	c/k
Off Peak consumption (Weekdays and Weekends 10pm-7am)	18.8463	18.843	18.8463	18.85	c/k
Daily Supply Charge	86.4358	86.438	86.4358	26.29	c/a

NOTE: the only real anomaly relates to the daily supply charge of Australian Power & Gas

Thus, Jasmin Solar questions how can there be increased costs to the customer under Diamond Energy's Tariffs when they are virtually identical to three decimal places, in relation to three (3) other major QLD energy retailers? I could understand the ACCC's assertion if Diamond Energy was charging the customer a large premium in its tariff, or if only Grid electricity was involved in this equation, but this is not the case with Jasmin Solar because a solar system providing FREE renewable energy is involved.

Once again, Jasmin Solar wishes to stress to the ACCC that it didn't target low income consumers or old age pensioners as what occurred in the Insulation Scheme fiasco, but that it aimed to assist them if they applied, and that hundreds did apply. Jasmin Solar is not a predatory business but a responsible and ethical business that has a unique business model that supports the community at large whilst earning a fair return on its investment over time.

As required by Australian Standard AS5033, all properties must have a physical site inspection carried-out and this has been done in every instance with detailed site photos to prove same. Although it is not always possible to see under the roof surface to ascertain whether a customer's roof is structurally capable of supporting a solar system etc. this issue is addressed when the CEC certified installers attend a property for an install and climb on the roof.

To date, Jasmin Solar has only had two issues where an installer attended to install a system and could not do so. The first was due to asbestos being present in part of the roof surface, and the second was because the roof was improperly constructed and unsuitable for a solar system. In both cases, the customer was advised of this by the installer and nothing proceeded further, with the only party out of pocket being Jasmin Solar.

Concerning mortgages, in the Information Pack that was sent to every respondent, and on the Jasmin Solar website during July, all customers were advised to check with their Bank

concerning whether any mortgage covenant would be breached. On page 5 of the Information Pack, the conditions of the Offer were re-stated for clarity by all parties:-

The Conditions: 1. *This Offer only applies to homes.* 2. *The home must be owner-occupied, not rented.* 3. *The home cannot have an existing solar system installed.* 4. *Your home must NOT be higher than two storeys.* 5. *Your roof cannot be shaded by buildings or trees, etc, as this offer won't benefit you in any way if your roof doesn't have sun exposure.* 6. ***Your mortgage lender (if you have a mortgage) should give consent.***

6. Clause 10 of the customer agreement is there so as to confirm to the customer that it is their responsibility to maintain their own property because when the customer pays their \$1, they legally own the solar system with the only caveat being non-breach of the feed-in-tariff rebate to apply to Jasmin Solar. I wish to stress that Solar systems are virtually maintenance free as long as the Inverter is operating properly. There are no moving parts in the solar panels and they only require a hosing down via a hose from the ground if there has been a particularly long dry spell and therefore insufficient rainfall to flush them clean. This is why it is not practicable to assign a defined dollar figure for maintenance and servicing of the system. However, in an attempt to do so, I would estimate that 2 minutes to look at the lights on the front of the Inverter, and 15-20 minutes hose-down of the solar panels by the owner every 3 to 6 months should suffice. So for the owner, the cost of service and maintenance would be 30 minutes of their time every 3-6 months, and the cost of the water.

It was more important to Jasmin Solar to stress to the customer that they needed to place the solar system under their building insurance policy in case of Acts of God etc. such as hail storms – and in all feedback received from customers and insurance companies to date, we were advised that no further premiums were required to do this.

At further expense to Jasmin Solar, so as to provide our customers peace of mind, Jasmin Solar even paid to have the Inverter manufacturer's warranty increased from the standard 5 years to 10 years. Thus, the customer receives :-

1. Tier 1 Solar panels from the world's second largest panel manufacturer with a 10 year manufacturer's warranty and a 25 year linear efficiency warranty,
2. A Tier 1 Inverter made in Italy from the world's second largest Inverter company with a 10 year manufacturer's warranty
3. The most expensive mounting system available
4. A 1 year Installation warranty

In every instance where a pensioner has requested our assistance, we have 'stepped up to the mark'. In 3 cases, Jasmin Solar has had to upgrade Switchboards that are 40-years old and/or asbestos backed in order to support pensioners who applied for and were approved to have a \$1 system installed. They didn't have the money for such a major upgrade. Most electricians charge between \$1,200 and \$2,000 to do this work – Jasmin Solar did so and charged the customer \$0.

Jasmin Solar absorbed any/all exit fees for customers moving to Diamond Energy, and also absorbed all of Diamond Energy's normal account maintenance and management fees for the life of the customer's contract so that Jasmin Solar's customers were in no way disadvantaged. These costs amount to \$66 per customer pa.

After the 10 year manufacturer's warranty periods end for the Inverter and Solar panels,

should Jasmin Solar receive a call for assistance from a low income consumer or old age pensioner, we most certainly are not going to turn our back on them because if the solar system is not operating to its optimal efficiency or the Inverter is broken, the customer is not benefiting from their system and Jasmin Solar is not earning the FIT that it needs for system payback and small profit.

A symbiotic relationship exists between Jasmin Solar and the every customer for the term of the agreement, not a predatory one.

We want happy customers so that a mutually beneficial relationship exists. Unhappy customers are expensive, disruptive, and counter-productive.

Appendix A

Information Request to Jasmin Solar

1. Jasmin Solar didn't/doesn't target low income households, seniors and pensioners in the manner that ACCC is implying. We are not a predatory company as we don't need to be. As outlined earlier in this response, Jasmin Solar has detailed that it was this market group was a preferred market segment and they represented the majority of respondents to the Offer made by Jasmin Solar in July 2012, and as a result, Jasmin Solar was aiming to focus on their needs and requirements. Feedback from this group was one of the reasons why Jasmin Solar, it further expense to itself, increased the Inverter manufacturer's warranty from 5 years to 10 years.

Jasmin Solar doesn't have salespeople and there are no pressure tactics of any kind applied to anyone. Target market is merely a marketing term, not a term to imply that we are focusing solely on a specific market so as to rip-them-off or any such nonsense. In reality, many customers have attempted to take advantage of us rather than the other way around. We have caught-out many customers attempting to get a \$1 solar system when they are in fact not approved for the QLD government's 44c/kWh feed-in-tariff rebate, plus many customers attempting to get \$1 solar systems on their rental properties when the electricity account is not in their name.

2. To date we are not aware of any impediment or impact on any customer that has a system installed, to either mortgage, sell or transfer their property. Any customer that had any concerns on this matter either decided not to proceed with our Offer, or purchased a system from us outright whereby they retained the feed-in-tariff rebate. Should there be any issues for a \$1 customer in this area, Jasmin Solar has advised that we would simply remove the system at no expense to the customer. This caveat exists so that Jasmin Solar can reclaim the \$8,700 cost price of the system because the Feed-in-Tariff authority would be breached, and because the customer can't transfer their 44c/kWh rebate to another property regardless, under QLD government guidelines.

In addition, the customer can always negotiate to purchase their installed system at a price lower than the agreement breach amounts detailed in the customer agreement, depending on the length of time the system has been installed. For instance, if after 4 years the customer wished to negotiate to purchase the system, then the price we would negotiate would be a figure less than \$5,500. Please remember that the cost price to Jasmin Solar to install its 5kW system is \$8,700, retail price is \$11,950, so once again we wish to point-out that we are in no way attempting to prey on any customer as proven by these figures.

3. As per Australian Standard AS5033, Jasmin Solar undertakes physical site inspections of all approved customer's properties. This does not mean that our staff climb on the customer's roof however as our staff are not certified or authorised to do this. Photos however, are taken of all aspects of the roof, the switchboard and major energy consumption devices such as air conditioners, pool pumps etc. In addition, Jasmin Solar uses a very expensive, powerful and current mapping application that updates photos of properties on a monthly basis. This provides us with a birds-eye-view of a property from the top down. I have attached Jasmin Solar's entire install portfolio to date on a file so that ACCC can see the complexity and enormity of each task.

a. With this information, we can validate the orientation of a customer's premises in order to design the most appropriate and beneficial placing of the solar panels on the roof. We can clearly see the type and size of roof, any shading issues, obstructions such as vents and solar hot water systems etc. on the roof.


b. The benefits of the solar system to the owner are generic to all our customers as they are being provided with a Mercedes Benz quality \$11,950 product, with very long manufacturer's warranties, installed by certified industry professionals for \$1. The system is installed with the customers' agreement re. placement and design so as to negate any aesthetic concerns the customer may have re. too many panels on one roof facing. Here again, Jasmin Solar spent more of its own funds so as to ensure customer satisfaction, by purchasing more expensive Dual-tracking Inverters which enable Jasmin Solar to place solar panels on two faces of a roof rather than the cheaper single-tracking Inverter that requires all the solar panels to be installed on only one roof face. In many customer consultations they have asked us to spread the panels out over two roof faces so as to not make their home look ugly and panel-overloaded. All industry experts we have consulted in the real estate market have advised us that where a solar hot water system doesn't add much value or cache to a property for sale, a large quality solar system most certainly does. Further benefit to the customer is the opportunity to significantly reduce their quarterly electricity bill. With energy prices slated to increase by up to 10% p.a for the next decade, having a large solar system producing FREE electricity during the day is a major benefit to the customer.

Forecast Cost of Electricity in QLD based on analysts estimated 10%pa minimum increase in Tariffs

(GST inclusive)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	
Tariff 11 <i>(shoulder & peak)</i>	25.378	27.9158	30.7074	33.7781	37.1559	40.8715	44.9586	49.4545	c/
Tariff 12	23.5752	25.9327	28.526	31.3786	34.5165	37.9681	41.7649	45.9414	c/

(shoulder)



Solar	FREE	FREE	FREE	FREE	FREE	FREE	FREE	FREE	FREE
(shoulder & part peak)									

The above may seem a large increase, but we should all remember what the price of petrol and LPG is today.

Few people would have believed just 3 years ago that petrol and LPG would reach the high prices they are today.

Instead of potential customer costs and losses, in reality as the years go by, the solar system will deliver greater savings to the customer as detailed in the chart above, providing of course that the customers doesn't drastically change their energy consumption habits.

c. Jasmin Solar has a long-term view to obtaining its return on investment because we have made a commitment to become a specialist solar system supply and installation company in Australia. We believe that our business model is commercially viable, but only under the mandates that we have pre-set concerning length of rebate term etc. Jasmin Solar only earns its income from the Federal Government Small scale Technology Certificate (STCs) rebate, the QLD government's 44c/kWh feed-in-tariff rebate scheme that closed on 9/7/12, but pays until 28/6/28; and a small 4c/kWh rebate paid by Diamond Energy which it pays to any solar customer that has applied for and been approved for any solar rebate – this is not a special rebate solely created for Jasmin Solar. Apart from the \$1 customers, we also sell solar systems outright to those customers that prefer to pay in that manner as they wish to retain the feed-in-tariff rebate for themselves. These customers represent only approx. 2% of our business. The vast majority of our customers all desire to forgo any feed-in-tariff revenue so as to secure a top quality system for the lowest possible price as the economic trade-off.

4. The ACCC has been supplied with copies of Jasmin Solar's Customer Agreement, Irrevocable Authority, and Diamond Energy's Offer document. After these are completed and returned to Jasmin Solar our mapping and scheduling department works on system design and then the installation is scheduled with the Installers. An appointment is made with the customer for a convenient day for installation. Once the installation is complete, which takes 5-7 hours depending on system size, the installer spends one or more hours instructing the owner on the proper operation of the system. The customer signs an Installation Complete document and is provided with a Customer Pack that includes all the warranty information etc. as required under AS5033. The customer pays the Installer the \$1 for the system.

5. I am pleased to attach, strictly commercial in confidence, a copy of the **Business Plan that I wrote in May, 2012** concerning the new Jasmin Solar business paradigm. Unfortunately the financials in it have become redundant due to all the cost, government, Australian standards changes, and not meeting sales volume targets yet, since the document was written so please don't rely on these numbers now.

6. As previously advised, Jasmin Solar doesn't earn any rate of tariff from Diamond Energy for any customer and never intends to. If Jasmin Solar earned a rate of tariff from

Diamond Energy then the Tariff Sheet detailed earlier would show that our customers would be paying a higher rate than the other QLD energy retailers – which they are not. The only rebate that Jasmin Solar receives and anticipates to receive from Diamond Energy is 4c/kWh on energy exported to the Grid on behalf of additional customers identified as signing up to the Customer Agreement in the coming 12 months. Diamond Energy passes onto Jasmin Solar the QLD government’s 44c/kWh feed-in-tariff rebate. Energex advises that there are still thousands of customers that applied for and have been approved for the 44c/kWh rebate scheme, but have not yet installed a system, most probably because they can’t afford to. Jasmin Solar is trying to raise its brand recognition in order to attract these customers to its \$1 Offer.

Jasmin Solar also intends to expand to Sth Australia and make a similar Offer to Adelaide Householders, but not for \$1 as the Sth Australian government rebate is much lower than the former QLD one, and only has a tenure of 4 years. In the Sth Australian market, the current Government solar feed-in-tariff rebate is 16c/kWh Diamond legislated to pay Jasmin Solar 9.8c/kWh increasing slightly each year for the next 4 years.

7.

	<u>FiT offer inc.GST</u>	<u>Availability</u>	<u>Cash or Credit?</u>	<u>Payment frequency and method</u>	<u>Additional fees</u>
AGL	8c	All premises	Cash	Payment can be received annually via EFT	\$10 admin fee
Origin	8c	Primary residence and eligible business and community organisations	Cash	Once annually when in credit for more than \$50 via cheque	None
Country Energy	8c	All premises	Cash	Payment can be made every billing period via cheque	None
Energy Australia	8c	Primary residence and eligible business and community organisations	Credit only	NA	None
TRU Energy	8c	Primary residence and eligible business and community organisations	Cash	Case by case basis (generally when over \$100 credit) via cheque	None
Red	8c	Primary	Cash	1 free refund per	\$10 admin fee

Energy	residence and eligible business and community organisations	year via EFT / cheque	after annual refund
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*As at December 9 2009. Information obtained through sales consultants and data from official company websites

8. Jasmin Solar had originally expected payback to occur within 2-3 years for systems installed, however following further site inspections after the first notification, it became evident that there were more 3kW and 4kW systems required in place of 5kW systems due to a number of factors such as existing solar hot water systems in the middle of roof faces, multiple small roof faces etc. In addition, installation charges increased by hundreds of dollars per install due to new changes to Australian Standards (AS4777 to AS5033) that had to be complied with. That's why, by the time of sending our Information Response, the time to payback had blown-out to approx. 5 years for Jasmin Solar to achieve payback before it starts earning profit on its installs. Since then, prior to receipt of your letter of 23/01/13, the Federal Government removed the 2 x multiplier from STC calculations reducing STC income for a 5kW system by approx. \$1,000 per install, thus creating a further negative impact on payback time. This recent major change has now increased payback time to between 5 to 6 years.

This is why we are reliant on receipt of the FIT for each install we do because without this income, we will lose between \$4,000 to \$5,000 for every solar system we supply and install.

As you can see from the above, the Solar Industry is very fluid and dynamic. This is why we are taking a long-term approach to the industry because we believe that renewable energy is the future.

9. As previously advised and proven via copy of our Information Pack sent to every customer on 29th July, 2012, Jasmin Solar advised customers that they could achieve (but with no guarantee) a 30% saving in their electricity bill once their solar system is installed, but that 75% is achievable. In my original letter I was advising the ACCC of a 'best-case scenario' percentage of 80%, however this figure or anything close to it has NEVER been advised to our customers.

To prima facie support the detail provided in our Information Pack, I am pleased to provide the ACCC with an **empirical example** of an electricity account pre and post solar installation that clearly details an approx. 70% reduction in quarterly electricity bill post solar system installation, and this was with a small 2.2kW system which is much smaller than anything Jasmin Solar provides.

I would argue that if the above example was analysed in detail, we would be 'best-case scenario' able to increase the savings from approx. 70% to 80% if we were to ascertain whether the homeowner had:-

- a. An electric hot water system that was heating during the off-peak night time
- b. A clothes dryer that may be used during off-peak night time
- c. A dishwasher that may be used during off-peak night time

- d. A pool pump that filtered the pool during off-peak night time
- e. TVs or computers that were on stand-by during off peak night time

If the homeowner had one or more of these devices operating in this manner, to switch their operation to daytime use when the electricity is FREE due to the solar system, would more than likely deliver a further 10% saving in electricity costs.

With a 5kW solar system installed, I would expect the homeowner in the above example to have a much better opportunity to achieve an 80% savings based on their savings delivered via a 2.2kW system.

Jasmin Solar should be able to empirically quantify our customers savings following their solar system installations, by March 2012 because electricity bills cycle quarterly.

10. Please see attached our **Customer List**. This is strictly commercial in confidence. The list shows 'green to go' which means that we have all the required Jasmin Solar agreements and authorities checked and in-hand, and those that are also coloured 'pink' means that they have been both installed and all the Diamond Energy paperwork is with Diamond Energy.

A dark purple colour represents a customer that purchased the system outright and there is no Diamond Energy involvement.

In addition, we have a 'white list' of more than 850 customers which represents customers that have been approved by Energex, and who have so far submitted some, but not all, our paperwork yet. These are customers that we are still liaising with to move them to 'green to go' for scheduling and mapping for an installation.

11. Please see attached the **Channel Sales Agreement** between Jasmin Solar and Diamond Energy. This is a Diamond Energy authored document and the only form of document they would allow us to use in order to document the relationship between our two entities.

12. Please see attached the **Customer Installation & Warranty Pack** that is provided to each customer on the day of their Installation as part of the handover process of their new solar system. In it you will note that the owner of the system, the customer, is responsible for the maintenance of the system, as it is their property. Minimal maintenance is required for a Solar system as it is solid-state with no moving parts, with the only ongoing requirement to check the lights on the Inverter to ensure it is working properly, and to hose down the panels every 3-6 months (if required due to dry, dusty conditions, or bird droppings).

However any repairs required will be covered under the manufacturer's and installer's warranties, and/or the customer's building insurance policy, as Jasmin Solar advised every respondent in its Information Pack to advise their Insurance company to include their new solar system in their Building insurance policy.

We have not heard of one customer having to pay any extra premiums when advising their insurance company that they now have a solar system and to have it covered under

their policy.

As previously stated, the cost of maintenance is minimal and can be performed personally or by a family member with no payments required to a third party.

If a low income consumer or pensioner has any issues outside the 10-year warranty periods, Jasmin Solar will most certainly provide whatever help and assistance it can because as previously advised, Jasmin Solar and its customers are in a mutually beneficial symbiotic relationship. It would be economically damaging to us to not support our customers.

13. I am not aware of any complaints concerning any Jasmin Solar customers that have already purchased a solar system from us. I personally have received none to date, and I have asked my staff and they are not aware of any either. We are a customer service focused company and work hard to ensure that our customers are happy with their system, even though they have only paid \$1 out of their own pocket for it.

We have been installing between 50 – 75 systems a week until last week, and every day we receive query emails and calls from customers angry that we are not installing their system quickly enough for their liking. I have **attached a small sample of these emails** to prove that our business model is wanted, understood, and fully supported by our customers.

Thus, if the ACCC has further concerns, please contact me immediately so that we can work together in a pro-active manner to neutralise them.

I hope that the ACCC can see that we are not trying to disadvantage anyone, and that all customers benefit significantly from the Offer.

I welcome your further advices.

Yours faithfully,
Dr. Matthew Starr
Managing Director

