



Special Resolution

Proposed Amendment to the Rules

To be considered at the Annual General Meeting, Wednesday 23 November 2022.

Context

The Hepburn Energy board is seeking several changes to the Rules to enable the co-operative to participate in the Federal Government's *Community Battery* and *Community Solar Banks* programs which form part of their *Powering Australia Plan*.

- **The Community Battery** program will provide up to 400 community batteries with grant funding, covering the full capital cost of these batteries. Up to \$224.3 million has been allocated in the 2022 October budget.
- **The Community Solar Banks** program is designed to help households who are unable to install solar, either due to renting or the upfront expense, benefit by leasing or owning part of a large solar installation. In the October budget, \$102.2 million has been allocated.

Hepburn Energy has been developing solar since 2017, when the co-operative installed a monitoring device at Leonards Hill to demonstrate the feasibility of solar. After years of work developing the project, in September 2022 we received our planning permit for 5MW AC of solar and up to 10MWh of battery storage at the wind farm. We recently passed due diligence with Powercor to add these technologies to our grid connection without needing additional upgrades.

Alongside this, the co-operative has been working on a project called 'Community Sparks' to analyse the feasibility of additional street-level off-site community batteries. The rule changes proposed would also enable us to deploy this smaller scale of battery, should it be in the interests of the co-operative.

In May 2022, the co-operative received a pre-election commitment from Federal Labor to support our battery at the wind farm through their Community Battery program. Both this and the Solar Bank program could subsidise our solar and battery project in order to meet financial viability thresholds.

As both programs will be deployed this fiscal year (October-September) by the Federal Government, the co-operative wants to ensure we are 'shovel-ready' to improve our chances of success. Participating in these programs will require some changes to our co-operative rules which are explained in this document.

In order to develop these rule changes which are a first-of-a-kind, we have worked with the following stakeholders and thank them for their discounted and/or pro bono support:

- The University of Newcastle Legal Centre
- Co-operative Bonds
- The Business Council of Co-operatives and Mutuals (BCCM)
- BAL Legal

On 31 October 2022, our regulatory body Consumer Affairs Victoria passed pre-approval to these proposed rule changes.

Effect of rule changes

The proposed rule changes would enable Hepburn Energy to participate in the *Community Battery* and *Community Solar Banks* programs. These rule changes would make new shareholder types that would meet program requirements and co-operative obligations.

These new member types will be 'Community Solar' and 'Community Battery' memberships and our 'basic' membership has been redefined as 'Ordinary Membership'.

Making these changes now will ensure that our co-operative is ready to take advantage of these programs once they are released. This means we will not have to wait for our next AGM to execute these rule changes and could start implementing these projects promptly if successful.

Importantly, we do want to reassure members that any new development for the co-operative will only be deployed if it *improves* the long-term financial outlook for existing members of the co-operative. Any new membership base to support these new projects will be designed with regard to the existing membership base and expectations around financial returns.

These new classes of shares will not be eligible for dividends from the existing wind farm, but rather as subscriptions to battery and solar facility services, with the benefit being passed through electricity bills.

We are concurrently seeking more detailed legal, taxation and expert co-operative advice on how these new membership types will work and how we will operationalise these new assets in our portfolio. In the meantime, these rule changes would enable these projects in a flexible manner with specifics to be added in our Disclosure Statement.

Questions and further information

Time will be allocated to discuss reasons for the rule change at the Annual General Meeting. A full copy of the existing rules can be found at: <https://www.hepburnenergy.coop/membership/>. We encourage members to submit questions on this rule change early so that we can cover key themes in our presentation at the AGM. Please submit questions to info@hepburnenergy.coop before 21 November.

Special resolution

Notice is hereby given that the following special resolution to amend the rules will be put to members at the Annual General Meeting on 23 November 2022. Please note the proposed amendments are in **red**.

That the rules of the co-operative be amended as follows:

2.1 MEMBER QUALIFICATIONS, MEMBERSHIP TYPES, AND RIGHTS AND OBLIGATIONS

1. *Ordinary Membership*. In accordance with these rules and any conditions established by the board of the co-operative, a person qualifies for **Ordinary Membership** of the co-operative if they are able to use or contribute to the services of the co-operative.

2. *Associate Membership*. Supporters can make financial contributions and become an 'Associate of Hepburn Wind (non-shareholding)' but without qualifying for voting rights or a return on their financial contribution.

3. *Community Solar Membership*. A person qualifies for Community Solar Membership if they are able to use or contribute to the solar farm services of the co-operative subject to any conditions established by the board of the co-operative from time to time as set out in the disclosure statement of the co-operative.

4. *Community Battery Membership*. A person qualifies for Community Battery Membership if they are able to use or contribute to the community battery services of the co-operative subject to any conditions established by the board of the co-operative from time to time and as set out in the disclosure statement of the co-operative.

5. A person may qualify for, and be appointed to, multiple classes of membership. Where a person holds more than one type of membership, they must meet the active membership provisions of each class of membership but they are still considered to be one member of the co-operative and so are entitled to one vote only in general meetings in accordance with the rules of the co-operative and the Law.

6. The board may vary qualification requirements and prospective entry and subscription fees due to socio-economic, geographic, or other circumstances that pertain to members in accordance with these rules and the Law.

Note: Community Solar members or Community Battery members residing in different geographic locations may be required to meet different qualifications for membership (and/or due to personal or regional economic circumstances may be levied different entry and/or subscription fees).

2.2 MEMBER APPLICATIONS, FEES AND SUBSCRIPTIONS

1. Applications for membership must be lodged at the address listed on the application form using the application form approved by the board, and should be accompanied by payment of:

- a. any **entry** fee as determined by the board from time to time and published at the registered office;
- b. payment for the allotment of the minimum number of shares in the co-operative required under rule 3.1; and
- c. payment of the annual subscription under rule 3.1A **and/or any other subscription fees for Community Solar Farm members and Community Battery members as set out in the disclosure statement**, if any.

2. Every application for membership must be considered by the board.

3. If the board approves the application, the applicant's name and any other information required under the Law must be entered in the register of members within 28 days of the board's approval.

4. The applicant must be notified in writing of the entry in the register and the applicant is then entitled to the privileges attaching to membership.

5. The board may, at its discretion, refuse an application for membership.

6. The board need not provide reasons for the refusal. On refusal, any amounts accompanying the application for membership, other than the application fee referred to in paragraph 1a of this rule, must be refunded within 28 days without interest.

7. The board may establish different entry and subscription fees for different classes of members from time to time, as set out in the disclosure statement.

3.1 SHARE CAPITAL AND MINIMUM SHAREHOLDING FOR MEMBERSHIP

1. The initial capital of the co-operative must be raised by the issue of **ordinary** member shares at the fixed price of \$1 each.
2. An **ordinary** member must hold a minimum number of paid **ordinary** member shares in the co-operative as approved by the board from time-to-time and must not hold or have a relevant interest in more than 20% of the nominal value of issued share capital of the co-operative unless permitted to do so under the Law.
3. A share in the co-operative does not carry a vote.
4. The right to vote in the co-operative is attached to membership.
5. Community Solar members must hold a minimum of one paid Community Solar share (of nominal value of \$250 each) in the co-operative as approved by the board from time-to-time and must not hold or have a relevant interest in more than 20% of the nominal value of issued share capital of the co-operative unless permitted to do so under the Law.
6. Community Battery members must hold a minimum of one paid Community Battery share (of nominal value of \$250 each) in the co-operative as approved by the board from time-to-time and must not hold or have a relevant interest in more than 20% of the nominal value of issued share capital of the co-operative unless permitted to do so under the Law.
7. The board of the co-operative may require that new Community Solar members or Community Battery members hold more than the minimum of one share (as set out in rules 3.1(5) and (6) respectively) in order to raise sufficient funds to establish community-based solar or battery facilities within a particular region or for some other reason in accordance with the Law and the disclosure statement. If the board of the co-operative requires a new minimum number of shares be subscribed for, existing Community Solar members or Community Battery members are not obliged (but may) subscribe for those additional shares.
8. To allow for equitable access for members to purchase or consume energy generated directly or indirectly by the Co-operative the board may decide to allot Solar Farm shares or Community Battery shares where at least 10% of the nominal value of the share has been paid in accordance with the Law and as set out in the disclosure statement.

3.2 ADDITIONAL MEMBER SHARES

1. A member may subscribe for additional shares (**applicable to their class of membership**) above the minimum required under rule 3.1, provided that the member does not hold or have a relevant interest in more than 20% of the nominal value of **all** issued share capital of the co-operative.
2. Additional shares may be fully or partly paid.

3.5 REPURCHASE OF SHARES

1. A co-operative may, if requested by a member, purchase the member's shares and repay some or all of the capital subject to any restrictions under the Law or the terms of issue of the shares.
2. The co-operative must cancel any shares that have been repurchased.
3. The board may determine to allot or issue debentures or CCUs of the co-operative to the member in satisfaction of part or all of the purchase price of the member's shares in accordance with the Law or the terms of issue of the shares.

3.6 SHARE TRANSFERS

1. A member may not be sold or transferred except:
 - a. with the consent of the board, and to a person who is qualified to be admitted to the **same class of membership of the co-operative as the transferor**; or
 - b. as otherwise provided by these rules or the Law.
 3. The board may decline to register a transfer of shares if the transfer is:
 - a. contrary to the terms of issue of the shares;
 - b. to a person not qualified to be a member (**either at all or in the same class of membership of the co-operative as the transferor**); or
 - c. in respect of shares on which the co-operative has a lien or charge.
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1.3A ACTIVE MEMBERSHIP

1. In order to establish and maintain active membership of the co-operative, an **Ordinary** member must:
 - a. purchase or consume energy generated directly or indirectly by the Co-operative; or,
 - b. subscribe to the Co-operative's information advisory service relating to energy usage and efficiency; or,
 - c. subscribe to the Co-operative's newsletter.
 2. In order to establish and maintain active membership of the co-operative, **Community Solar members and Community Battery members must purchase or consume energy generated directly or indirectly by the Co-operative.**
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6.5A Distribution of surplus or reserves to different types of members

1. The co-operative may determine that the distribution of surplus or reserves of the co-operative by way of rebates and/or trade discounts and/or issue of bonus shares and/or limited dividends may be applied or paid to different membership types in different ways in accordance with the Law, or any terms of issue of shares (as set out in the disclosure statement of the co-operative).
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6.10 WINDING UP

1. The winding up of the co-operative must be in accordance with the Law.
2. If on the winding up or dissolution there remains any property after the satisfaction of all the co-operative's debts and liabilities this must be distributed in the following manner:
 - a. first, repayment of amounts paid up on shares or other securities issued by the co-operative in accordance with their terms of issue; then
 - b. any remaining surplus must be distributed **equally to all** members of the co-operative in proportion to their shareholding, subject to the terms of issue of any other securities issued by the co-operative.