

AGM Minutes

1:45 pm Saturday, November 11, 2023

Victoria Park Pavillion

3021 Ballan-Daylesford Road, Daylesford 3460.

Meeting opened - 1.45 pm

Formal Proceedings

(GRAHAM WHITE)

- Acknowledgement of traditional owners:
"We would like to acknowledge are meeting on the lands of the Dja Dja Wurrung people, and pay our respect to elders both past and present."
- Announced late cancellation of our guest speaker - Trent Nelson, the chairperson of DJAARA
- Acknowledgement of Hepburn Energy team - Directors Linda Hancock, Paul Houghton, David Perry, Micheal Sneddon and, apologies from Mark Fogarty. Management team: members Taryn Lane (GM), Carlena D'Arma (Community Officer) and Marie Lakey (Project and Communications Officer), Accountants Phillip Brown and Daryl Tauschke, and our committee members John Franklin and Turlough Guerin. In particular, we'd like to welcome Taryn back from 3 months maternity leave and that is why she has reduced responsibilities at today's AGM.
- Acknowledged special guests invited to join the meeting
 - Prior directors: Stuart Reed, Kathy Richardson, Norm McMurray and Candy Broad
- Members welcomed to the AGM for the 2022/23 Financial Year
- Declared a quorum was achieved (quorum is 50 voting members)
 - *"Carlena, please let us know how many members are present"*
Carlena stated there were 63 voting members present
- Agenda/timing of the meeting was outlined - Apologies, minutes of the previous AGM, board presentation & financial year reports, questions from members, housekeeping and closing remarks
"Standing Orders as outlined in the rules apply to this meeting"
- Detailed that questions to directors would occur after the presentation of the board and financial reports and asked that all questions be made via the roaming microphone for recording.

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- Stated that no vote for directors would occur as there were no external nominations. Invited members who were interested in joining the board to reach out to the board.
 - Announced that Independent Director Micheal Sneddon nominated and automatically replaced an existing board vacancy. Thanked Micheal for his efforts in working groups and the board over the year.
 - Extended gratitude to retired director Justine Watson who left the co-operative during the year and wished her all the best in her future endeavours.

(MICHEAL SNEDDON)

- Provided brief personal introduction

(GRAHAM WHITE)

- Graham thanks Michael

Apologies

(GRAHAM WHITE)

- Board apologies received: 49
- Members were asked for further apologies: 0
- Also noted Mark Fogarty as an apology
- Note to audience:
"Please speak up with your name when moving/seconding motions"
- Call for a mover for the following motion:
"That the apologies be received."

Moved: Stuart Reed,

Seconded: Angus Hughs

- Motion put to the vote
- Motion carried

Minutes of the Previous Meeting

(GRAHAM WHITE)

- Ask members if there are any corrections needed to the minutes
- Called for a mover for the following motion:
"That the minutes of the annual general meeting held on 23 November 2022 be confirmed as a true and correct record of the meeting and be duly signed by the Chairperson."

Moved: Stuart Reed

Seconded: Chris Watson

- Motion put to the vote
- Motion carried

Board Presentation & Financial Reports

(GRAHAM WHITE)

- Members were reminded that their questions would be answered at the end of the presentation and that Countpro Accountants, Phillip & Daryl were available for questions.
- Reminded members that the reports are for the year ended 30 June 2023
- **Presentation: Annual Report Summary**

(DAVID PERRY)

- **Presentation: Financial & Cooperative Reports**

GRAHAM WHITE)

- **Presentation: Current outlook 2023/2024**

Graham called for a mover of the following motion:

"That the reports from the board on the affairs of the co-operative for the year ended 30 June 2023 be received."

Moved: Sue Dennet

Seconded: Candy Broad

- Motion put to the vote
- Motion carried

Open for Questions

(Graham White) SLIDE 29

- **Questions** - *"We will now take any questions from the room. Phillip Brown our management accountant will also be on hand to answer queries."*

Name: Richard Whitebrook

Question: *When are we going to fund a buyback with sufficient power to allow members to exit? Many members have partial shareholdings. Will there be one with bigger teeth in the future?*

Response: Taryn Lane

We have historically prioritised members who want to be bought out. Instead of a capital return that affects all members equally, we offer this as an 'opt-in' process so that members who may have special considerations, such as financial hardship or they have moved away, can choose to participate in the last two buy-backs. If members had chosen to participate in

these buybacks they would have had 37% of their holdings bought back. In addition during Covid, we had a higher buyback ratio.

This coming financial year intend to build a strategy around what capital returns look like for the remaining life of the project. We hear that some members would like to get out faster, they want 100% of their shareholding bought out. We need to manage the ratio of local to non-local members because we have policies around those things. We also need to consider when we start paying our members' capital back equally.

We'll be working on this issue over the coming 6 months.

Name: Noal Will

Question: {In response to Coal assets bidding into the NEM at negative prices} Sounds like we're being screwed by the fossil fuel industry which is manipulating the market, how do you take this on at a government level?

Response: Graham White

There is a fundamental problem. In the 1990s east coast governments agreed to introduce a new market design for electricity that was designed to balance supply and demand. Financial drivers of the generators get financial benefits if the supply is not enough and financial decrement if there's oversupply which makes people drop out. All generators, Hepburn Energy excluded because we are not scheduled, have to bid in on half-hour increments and the NEM management predicts the demand and works from the lowest to the highest bid-in price until they get enough supply and then they cut that off and anyone who is above that cannot generate. However, the lowest price where they start can be negative and the highest price can be negative, and the coal generators put very low bids in and quite often the top bid is -50. They can exist because the coal generators in Victoria are owned by AGL, Energy Australia, Origin, and maybe one other, who all have retail - they have happy customers out there who are paying \$200-\$300 per megawatt hour/.20-.30c per kilowatt hour for their electricity. These companies are covered and are not worried about financial loss, they are concerned about keeping their coal power plant online but if they were shut down it would cost them a lot of money to heat them up again. Plus the temperature cycles are very extreme. So they play the game the way it was designed and unfortunately, any generator that doesn't have retail will suffer. It would be very difficult to get four states and the federal government to agree to change the fundamental design of something that has been in operation in Australia and abroad for decades.

We've campaigned for market changes, such as a carve-out and a guaranteed feed-in tariff to support community generators. We had greater support from the Victorian Government last year but this was shelved due to the economic climate

Our strategy is to move towards Power Purchase Agreements (PPAs) and retail products to reduce our exposure to these negative price events. Most independent solar and wind projects have PPAs and cannot be financed without a PPA agreement.

Name: David Holmgren

Question: *Given this broader context, what consideration has been given to biomass energy that could quickly be stored and released as a source of flexible capacity, and could complement Hepburn Energy's existing portfolio?*

Response: Graham White

Biomass is a completely different technology that would require a whole different set of hardware and infrastructure. It is something that we have not completely considered as it is a whole new project.

Response: Taryn Lane

Cost is what has acted as a barrier in the past. I agree that it should be more present in the NEM than it is currently. But we haven't seen a move from the Government to support biomass and as a small-medium scale energy generator, it is more expensive to build projects like this. We thought we would move first with solar, but it ended up that the battery subsidy came first. And the problems around negative pricing have made the battery much more important to deploy at the moment. It has a small footprint and is easy to deploy as we can use existing infrastructure on the grid and very few software and hardware upgrades on-site. However, bioenergy would be much more complex on-site. Not to say that biomass shouldn't happen in the shire, there is an opportunity for that in the future.

Question: Angus Hughes

Vestas, will they go bankrupt too?

Response: Graham White

Vestas is one of the biggest pure-play turbine manufacturers in the world. They have been operating since the early 1970s. We looked at four different possible O&M suppliers, Vestas came in with a competitive bid and they were the best. They have a dedicated group who look after our Senvion turbines. Senvion was the German manufacturer of our turbines that went out of business. This was a key point because they have decided to take on as many of these turbines as possible. They are the largest service provider of Senvion turbines and also have Senvion techs with experience with these turbines.

Response: Taryn Lane

Another point is that the technicians come from Lal Lal Wind Farm which is only 20 minutes away. Because we are small and quite remote time and distance play an important part. Spare parts are kept at Lal Lal which is great. Repowering is also possible, to keep the turbines operating into the future via retrofitting. Vestas is the only company in the world that is doing that cross-brand retrofitting of turbine stock.

Question: Dean Harris

Question: There seem to be a lot of projects, and we seem to rely on subsidies. Should we open up to more shares? We've seen lots of new people come to the community, maybe they would be interested?

Response: Taryn Lane

As a trading co-operative it means we are always open to new shareholders unless the board decide not to stay open for any particular reason. For people who are new to the area, and would like to get involved, we encourage them first to purchase from sellers but we can sell them new shares. We have approximately 10-20 new members each year. With the solar and battery projects there has been a lot of work around the idea of new shareholding classes to support these projects. The rule change for the new class of Community Solar members was passed at last year's AGM. In the future, we can bring in a new cohort but keep them separate, to ensure the original members are the members of the co-op, whereas new members are more linked to energy subscriptions.

Question: David Hooke

What happens when the co-op buys shares back? Are the shares extinguished so the value of the shares goes up or are they sold to other people?

Response: Taryn Lane

Essentially they get extinguished and reduce the overall capital burden of the co-operative.

Question: Noel Will

What are the retail opportunities going forward for non-local members?

Response: Taryn Lane

For our retail electricity product, beta testing is currently provided to the Powercor/Citipower network. We want to broaden it out to the varying network operators in Victoria and have it available for all of our members. Our co-operative rules and contract with Flow Power stipulate the product must be available to all our members.

Another pathway is through programs like Electric Vehicle bulk buys and Heat Pump Hot Water Bulk buys etc. These have historically been Hepburn Shire-focused or included

neighbouring shires. Our member survey had a clear message that our border membership cohort would like us to be doing member services and community benefit programs that include them. We will be looking at this in this coming year. Carlena D'Arma has done a great job of providing those programs to members over the past year in the local and regional areas.

Question: Graham White

Question: We don't always surrender all our LGCs at the end of the month, why? And how do we report on the value that is held back from surrender?

Response: Taryn Lane

We strategically trade our LGCs based on pricing, when prices are high we trade. Historically this is in the first half of the financial year at a particular point after the financial year when consumers have to prove their emissions reductions. We have a number of larger customers that buy our LGCs like Chargefox, the EV charging network, who pay a premium. Last year we received about \$59 for our LGCs, which was higher than the average spot price of \$54. So we generally see an increase in our income by strategically trading throughout the year.

Response: Phillip Brown (Countpro)

The co-operative becomes entitled to receive LGCs based on the electricity that has been generated over the month. We apply for those certificates to be generated then we can hold and stockpile them and we can choose when to sell them in order to generate the actual cash from them. At any point in time, we are holding LGCs and the way that we value them is we look at the spot price, the mid-point index, and we value the LGCs we are holding at that balance date, at that price. Which is in effect the price the price we could have sold them for on that date.

Question: Martin Chlupac

Question: Are LGCs sold on the general open market or to customers ethically aligned to carbon reduction?

Response: Taryn Lane

LGCs is an acronym that means Large Generation Certificates - a Renewable Energy Certificate (REC). It's a virtual certificate which is our second largest stream of income. A virtual product that is government subsidised.

We do direct trades with ethically aligned providers. Chargefox, for instance, has been a constant over the years. There have been a few green architecture firms and councils that have offset through us over the years. Our energy products are 100% Green Power we are surrendering LGCs through those products. If we need to trade, we trade through

'clearinghouses' - Green Energy Trading. We've historically had no way to see where they go from 'clearinghouses' but there is new legislation coming that will track where LGCs are made and where they are going and there will be high obligations around that.

Response: Graham White

All the big carbon dioxide emitters are mandated to provide so many LGCs depending on their emission for the year, which goes up over time. The program started around 2000, and it runs until 2030. All large companies that emit CO2 have to submit LGCs to federal agencies and then they are extinguished. The buyers are the big, and maybe, medium, industry mandated by the government to get these certificates. It ends in 2030 and that will be the end of any value for LGCs most likely.

Name: John Curtis

Question: For the charging stations do we have a standard market price, or are we a little bit cheaper to create an incentive for people to use those chargers?

Response: Taryn

Currently, we are aligned with the average market price coming out of the Chargefox and Evie networks, which are the two biggest electric vehicle charging networks in Australia. Fast chargers are at .45c and that's pretty standard (ultra rapids are at about .60c), and our smallest charger in Daylesford is at .40c which is pretty standard although some locations offer these chargers for free. Flow Power sells us our electricity which we pay for then we take a small profit via the charge to the customers.

Response: Paul Houghton

*My understanding is that the competitors for charging are Chargefox and we run through those EV chargers. The other main competitor is Evie, they have stations in Woodend and Kyneton. And then there is Telsa
Daylesford is less than the chargers at Creswick and Hepburn Springs are .45c but I believe that Evie's minimum is .50c and then up to .60c or .65c. Tesla charges .60c or .59c. We are below market competitors. Our closest competitors are at a minimum of 50c.*

Name: Zdena Schwangmeier

Question: For the retail product with Flow Power, if the trial goes until the end of the year will it then be open to general membership? And do you have feedback on how it is progressing now?

Response: Taryn Lane

It will be open to general membership. Currently, it's only being piloted with members. It has been clunky from a customer perspective and quite a learning perspective from Flow Power. And the volatility of the energy market means that it is a changing space and needs to negotiate pricing because of this. There is a decision point in December to determine the next steps for next year. Under our member rules, to be an active member one of the ways is to purchase our electricity and another way is to participate in our energy efficiency opportunities. We have a range of ways for members to be active, but from a cooperative perspective we are absolutely obliged to have a community retail offer and that is what we are working towards.

Question from Graham to the audience

How many would be interested in getting on the retail product?

{About two-thirds show hands}

{Comment from audience: depends on the price}

Response: Graham White

That is an important point. As we are a boutique generator we are not going to be able to compete well with AGL, Energy Australia, Origin Energy and other big retailers. We're not going to be cheaper than them but we will try not to exceed the Victorian Default Offer. If you shop around there will be cheaper options but that reflects the nature of being a boutique offering. One of the reasons for this is that we have a legacy of a price for wind turbines from 2010 when the contract was signed. The current price for wind turbines and solar has dropped to about 50% of the price that we paid (\$3000/KW, today around \$1500/KW) which means that newer energy parks can exist at half the price of electricity that we can exist on. It's a legacy issue and no one could foresee that the price was going to drop so much so quickly.

3:05 Housekeeping – 5 minutes

(Graham White)

Remuneration of Directors

- The board recommends that directors may receive remuneration for their services as a director for the coming year to be used for expenses such as travel
- Call for a mover for the following motion:

“That directors may receive up to \$500 per director for remuneration for their expenses as a director for the coming year.”

Moved: Noel Will

Seconded: Angus Hughes

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- Invite questions from the floor
 - Motion put to vote
 - Motion carried

3:10 Closing remarks - 5 minutes

(Graham White)

- Thank you to:
 - Directors, Taryn, Carlana, Marie. In particular, we want to wish Marie all the best with her future endeavours as she will stop working for the co-operative this month. She has been an invaluable part of the team over the past 6 years and I know Taryn and Carlana in particular will miss having her as part of the team.
 - Wind farm owners Ron and Nathalie Liversidge
 - Flow Power
 - Vestas
 - DNV GL
 - O'Briens
 - Hepburn Shire Council
 - CountPro - in particular Phillip Brown and Daryl Tauschke who have provided us with fantastic and robust management accounting support for many years.
 - Latitude
 - Our additional subcommittee members: John Franklin and Turlough Guerin
 - and of course our members
- Acknowledgement of Remembrance Day
- Sent well wishes and reminded guests to help themselves to the remaining afternoon tea
- Declared no further business. Meeting closed.

3:15 Formal Close