

# **Application for Gas Retailer Licence**

**March 2019**

Energy Locals Pty Ltd

# 1. Introduction

This application contains, in accordance with the *Guidance Notes For Applications For Gas Licences And The Transfer Of Existing Gas Licences*, information relating to:

- The applicant and the nature of the application;
- Financial viability;
- Organisational and Technical Capacity;
- Suitability; and
- Attached Annexures.

The annexures are set out below:

## Organizational and Technical Capacity

- Annexure A1: AEMO Confirmation
- Annexure A2: Austraclear Confirmation
- Annexure A3: Centrelink Confirmation
- Annexure A4: Clean Energy Regulatory Confirmation
- Annexure A5: Complaint and Dispute resolution procedure
- Annexure A6: Compliance Policy and Framework
- Annexure A7: Energy Locals Compliance Reporting Procedure
- Annexure A8: Energy Locals Performance Reporting Procedure
- Annexure A9: Energy Locals Third Party Management Policy
- Annexure A10: Energy Locals Payments and Collections Policy
- Annexure A11: Energy Locals Disconnection for Debt Procedure
- Annexure A12: Energy Locals Customer Hardship Policy
- Annexure A14: Energy Locals Market Terms and Conditions
- Annexure A15: Energy Locals Privacy Policy
- Annexure A16: Code of Conduct
- Annexure A17: Energy Locals HR Policy
- Annexure A18: Energy Locals Audit Policy
- Annexure A19: Energy Locals Energy Reporting Policy
- Annexure A20: EWON Membership Confirmation
- Annexure A21: EWOQ Membership Confirmation
- Annexure A22: Greenpower Confirmation
- Annexure A23: Energy Risk Policy
- Annexure A24: Obligations Register Spam
- Annexure A25: Operational Risk Management Policy
- Annexure A26:Recruitment and Selections Policy
- Annexure A27: Training and Development Policy
- Annexure A28: Training Register
- Annexure A29: Organisation Chart
- Annexure A30: Obligations Register Energy
- Annexure A31: Outsourced Functions
- Annexure A32: Stat Dec CEO
- Annexure A33: Compliance Assurance Letter
- Annexure A34: Suitability Declaration CEO
- Annexure A35: Delegation of Authority Policy
- Annexure A36: ASIC Registration
- Annexure A37: ASIC Change of Name
- Annexure A41: EWOV Membership Confirmation
- Annexure A42: VIC Gas Safety Case
- Annexure A49: Key Personnel
- Annexure A52: Master Services Agreement

## Financial Capacity

- Annexure A1: AEMO Confirmation
- Annexure A2: Austraclear Confirmation
- Annexure A3: Centrelink Confirmation
- Annexure A4: Clean Energy Regulatory Confirmation
- Annexure A10: Energy Locals Payments and Collections Policy
- Annexure A11: Energy Locals Disconnection for Debt Procedure
- Annexure A12: Energy Locals Customer Hardship Policy
- Annexure A23: Energy Risk Policy
- Annexure A32: Stat Dec CEO
- Annexure A38: Executed ISDA
- Annexure A39: Executed Commodity Contract
- Annexure A40: Banking Service Deed
- Annexure A43: bank Statement
- Annexure A44: P&L
- Annexure A45: Cash Flow
- Annexure A46: Balance Sheet
- Annexure A47: Business Plan
- Annexure A48: Financial Forecast
- Annexure A50: Security Deposit and Guarantee Info
- Annexure A51: Auditor statement

## Suitability

- Annexure A16: Code of Conduct
- Annexure A17: Energy Locals HR Policy
- Annexure A26:Recruitment and Selections Policy
- Annexure A34: Suitability Declaration CEO
- Annexure A35: Delegation of Authority Policy

Please note that all of the annexures to this application are confidential and are not for publication. They contain commercially sensitive information or are proprietary.

## 2. General Particulars

Energy Locals Pty Ltd applies to the Essential Services Commission (**ESC**) for a gas retailer licence.

### 2.1. Legal Name

The applicant is Energy Locals Pty Ltd (Energy Locals).

### 2.2. Trading Name

Energy Locals

### 2.3. ABN or ACN

ABN is 23 606 408 879

### 2.4. Registered Business Address

132 Cremorne Street, Richmond, Victoria 3121

### 2.5. Postal Address

132 Cremorne Street, Richmond, Victoria 3121

### 2.6. Nominated Contact Person

Adrian Merrick  
Director

### 2.7. Group Structure

Energy Locals Pty Ltd is privately owned. Details of the shareholders are contained in the annexures. Please refer to annexure B11.

### 2.8. Qualifications, Skills and Experience of Officers

A founding team has been established with highly relevant experience. Details can be found in the confidential attachments. Please refer to annexures A49 and A29.

## 2.9. Incorporation Details

Energy Locals Pty Ltd is a company incorporated in Victoria, Australia. The ASIC registration and ASIC change of name certificates are attached. Please refer to annexures A36 and A37.

## 2.10. Type of Licence Sought

Gas Retail

## 2.11. Date from Which Licence Sought

July 2019. Energy Locals began trading in NSW and Qld in January 2017 and is operationally ready to begin trading in Victoria.

## 2.12. Current or Former Licences

Energy Locals holds a full retail authorisation from the AER and a Victorian electricity retail licence. The company does not have any other current or former licences under the Act in any jurisdiction.

## 2.13. Licence Conditions

No non-standard licence conditions are requested.

## 2.14. Nature of Participation in Victorian Gas Industry

Energy Locals will be retailing gas using standard and market retail contracts.

# 3. Organisation and technical capacity

## 3.1. General

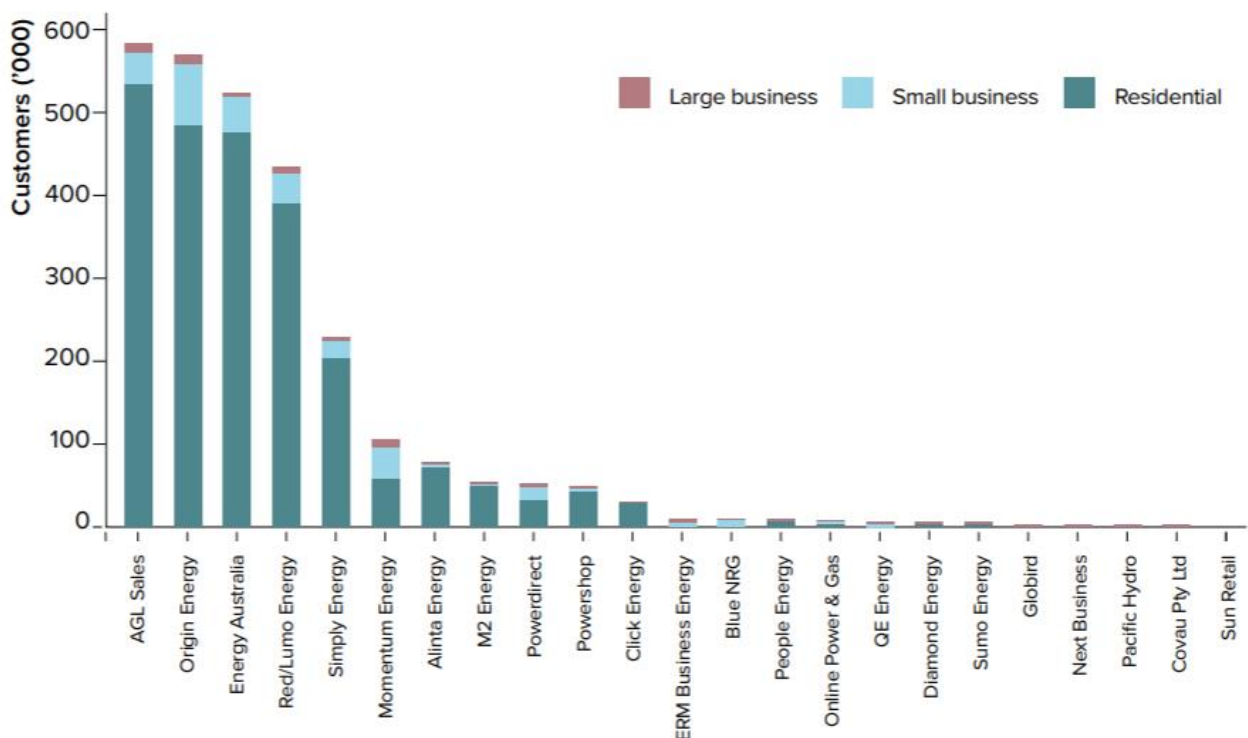
Energy Locals has been founded to provide competition in the electricity and gas markets in National Energy Customer Framework (**NECF**) jurisdictions and Victoria, bringing customers choice and differentiation. We do not seek to compete on the same terms as other participants in the market, as outlined in our full business plan in the confidential attachments. Please refer to annexure A47.

The company believes that the granting of a gas retail licence to Energy Locals would be consistent with the objectives of the Commission set out in Section 8 of the Essential Services Commission Act 2001 (Vic) (Amended January 2016) for the following reasons.

## 3.2. Long term interests of Victorian consumers

Energy Locals will contribute to the Victorian gas market by providing competition, choice, consumer fairness and improved services.

As with electricity, gas is a highly concentrated market in Victoria with a small number of providers managing the accounts of the majority of Victorians.



Source: Based on Jacobs analysis, Figure 4, p. 14 Data sourced from ESC 2016, *Victorian Energy Market Report 2015-16*, November 2016

The graph above is taken from the 2017 Independent Review of the electricity and gas retail markets in Victoria and in turn from ESC data.

A report by the Grattan Institute outlined a number of issues facing Victorian energy customers, including:

- High retailer margins (13% net)
- Lack of transparency over retailer costs added to bills
- Misleading discounts

The Energy Locals proposition is already benefiting customers in NSW and SE Qld by addressing each of these points:

- Margins: We have never set out to earn the same sort of margins that are being reported by

competitors.

- Transparency: We provide customers with total transparency over costs. We firmly believe that Victorian customers would also appreciate this level of transparency. Transparency is clearly an issue when it comes to consumers understanding the choices that they have and in taking advantage of retail competition.
- Discounts: We do not use misleading discounts that confuse customers.

The business' focus on transparency and fairness aligns to the purpose of much of the consumer regulation that has developed over time in both Victoria and those states that have adopted NECF.

We consider that Victorian customers deserve the same choice that customers in NSW and southern Queensland are benefitting from, and given the ESC Chairman's public remarks (<http://www.abc.net.au/news/2017-04-11/gas-electricity-prices-could-be-reregulated-watchdog-says/8435472>), we are extremely keen to help address the concerns the Commission is publicly sharing.

### 3.3. Price, quality and reliability of essential services

Energy Locals will improve competition within the Victorian gas market. Rather than do this simply by creating more customer churn with promises of huge artificial discounts, the company will provide choices that are not currently available to Victorian consumers. The business has been established to run on a lean basis with the benefits of lower internal costs flowing to Victorian consumers.

Reliability and quality in terms of retail and the customer experience will improve for Victorian consumers under Energy Locals. Retailers, being the customer facing entity of the retail market, have a responsibility to ensure quality consumer outcomes. These outcomes will be achieved by the Energy Locals model in that consumers will not be confused as to the nature of the product they are purchasing and will enjoy the choice of a truly unique retail offer.

### 3.4. Efficiency in the industry and incentives for long term investment

Energy Locals is building efficiency into its operation from the outset. In doing so it is well placed to offer customers the benefits of this efficiency on an ongoing basis. Investment in Energy Locals has been secured and is described further in the confidential attachments. Please refer to the chart in the introduction for a list of supporting annexures.

### 3.5. Competition within in the industry

Energy Locals will support Victorian gas consumers with products to suit their needs. It will add much needed differentiation to the current market landscape, as outlined above. The current market, although made up of a large number of participants, is still dominated by a

small number of retailers. We believe this lack of choice is a result of a lack of differentiation amongst the existing retail offers. Energy Locals provides differentiation and real customer choice.

### 3.6. Promoting a consistent regulatory approach within the gas industry

Key managers in Energy Locals have extensive experience of energy regulation and compliance in Victoria.

The objective of a consistent regulatory approach is achieved by the application of the same regulatory standards and Energy Locals has significant experience operating in NECF. Energy Locals has mapped out the Victorian specific regulatory obligations and the areas of divergence and has controls in place for all regulatory obligations.

### 3.7. Promoting consistency in regulation between states

Energy Locals will operate in multiple jurisdictions. The company has therefore been designed to offer a consistent proposition and experience across all jurisdictions. Energy Locals will, however, tailor its approach to account for the local regulatory requirements of each State.

## 4. Financial Viability

### 4.1. Current Balance Sheet and Financial Data

The company's balance sheet and financial statements are contained in the confidential attachments. Please refer to Annexures A43, A44, A,45, A46, A51, B8, and B9.

### 4.2. Annual Reports

Energy Locals has not yet filed an annual report.

### 4.3. Credit Rating

Energy Locals does not yet have a credit rating.

### 4.4. Auditor's Declaration

Signed declarations from a director and an independent accountant (from our previous application) in the confidential attachments confirm that:

- Energy Locals is a going concern and is solvent;
- Energy Locals is not aware of any factor that would impede the company's ability to finance its energy retail activities under this authorisation for the next 12 months;
- No member of the Energy Locals Pty Ltd team has been declared bankrupt in Australia or in any overseas jurisdiction; and
- No member of the Energy Locals Pty Ltd team has been disqualified from the management of corporations.

### 4.5. Statement of Assets and Liabilities

Full financial statements are contained in the confidential attachments. Please refer to Annexures A43, A44, A,45, A46, A51, B9.

### 4.6. Shareholder Register

The shareholding of Energy Locals is outlined in the appendices. Please refer to annexure B11.

### 4.7. Certificate of Registration

The Certificate of Registration is contained in the confidential attachments. Please refer to annexure A36.

### 4.8. Guarantees in Place

Energy Locals is funded by equity. Please refer to Annexure A50 for details of guarantees in place.



## 4.9. Australian Financial Services Licence

Two shareholders undertake wholesale trading on Energy Locals' behalf, in line with the Energy Locals Risk Management Policy. Energy Locals does not currently hold an AFSL.

## 4.10. Assurance of Financial Resources

Principle assumptions and key outputs from the financial model are contained in the confidential attachments.

Evidence of the company's financial resources is contained in the confidential attachments. Please refer to the chart in the introduction for a list of supporting annexures.

## 4.11. Distribution Use of System Agreements

Energy Locals has contacted each of the distribution companies in Victoria. Contracts will be finalised as soon as the retail licence is granted. The business plan contains all the appropriate distribution costs.

## 4.12. Business Plan

A business plan has been created which is supported by a financial model. The plan contains full details of the company's strategy, operating model and financial forecasts. The full business plan is contained in the confidential attachments. Please refer to annexure A47.

# 5. Technical Capability

## 5.1. Organisation chart

The Energy Locals organisation chart along with names of key staff is contained in the confidential attachments. Further recruitment has been budgeted to support the business as it grows. Please refer to annexures A49, A29, A31, A26, and A27.

## 5.2. Experience of Key Personnel

All members of the Energy Locals management team have extensive experience of energy retailing in Australia and abroad. This is outlined in more detail in Section 1.8.

## 5.3. Contracts with External Service Providers

Contracts are in place with a number of third parties to provide specialist operational support. Further details are outlined in the appendices. Please refer to annexures A1, A2, A3, A4, A9, A38, and B10.

## 5.4. Industry Bodies

### AEMO

Energy Locals has been approved as a market participant by AEMO. Evidence is contained in the confidential attachments. Please refer to annexure A1 and A2.

### Ombudsman Scheme Participation

Energy Locals is a member of the EWOV scheme. Please refer to annexure A41.

The financial forecast includes expected Ombudsman costs based on industry average referral levels.

### Austraclear

Energy Locals is fully registered with Austraclear. Evidence is contained in the confidential attachments. Please refer to annexure A2.

### Community Services Agreements

Energy Locals is fully registered with Centrelink to support the payment of concession rebates to customers. Evidence is contained in the confidential attachments.

### Clean Energy and Renewable Schemes

To enable Energy Locals to surrender small-scale technology certificates, Energy Locals is registered with the Clean Energy Regulator. Evidence is contained in the confidential attachments. Please refer to annexure A4.

The company will also participate in all relevant energy efficiency schemes in the jurisdictions it operates in.

### GreenPower

Energy Locals is an approved member of the GreenPower program. Evidence is contained in the confidential attachments. Please refer to annexure A22.

### Energy Safe Victoria

Energy Locals has attached a copy of our draft gas safety case and will shortly commence discussions with Energy Safe Victoria.

## 5.5. Internal Controls, Policies and Procedures

### Compliance Program

Energy Locals is committed to ensuring compliance with all relevant regulatory requirements. A compliance policy & framework has been established which covers the principles of commitment, implementation, monitoring, measuring and continual improvement.

Having operated in the National Energy Consumer Framework and shortly in Victoria as an electricity retailer, Energy Locals has established systems to ensure compliance, to identify and report on any potential regulatory breaches and to ensure continued development of the compliance framework. These systems and processes are transferable to the Victorian market, as has been the case for other national retailers. Where there is any divergence in state regulatory obligations, Energy Locals complies with the more onerous regulatory standards on a national basis where possible.

The Compliance Policy and Framework and supporting documents can be found in the confidential attachments. Please refer to annexures A5-A19, and A23-A30.

### Obligations Register

Energy Locals understands the importance of compliance with the Energy Laws and the licence terms. The compliance framework outlined above, in conjunction with the other company policies listed in this document, will be used to govern this activity internally.

An obligations register has been produced which is attached.

The register is contained in the confidential attachments. Please refer to annexure A30.

### Disconnection policy

Disconnection is a last resort not only in the processes of Energy Locals but also in that it is not aligned to key objectives of Energy Locals which are to ensure positive customer outcomes. Consequently, Energy Locals has established a range of controls to ensure that debt is managed early and that assistance is provided for any customers who are experiencing difficulty. Any disconnections for debt will be undertaken in line with the Disconnection Policy, which is contained in the confidential attachments. Please refer to annexure A11.

## 5.6. Risk Management

An Energy Market Risk Management Policy has been approved by the Energy Locals Board and can be found in the confidential attachments.

A Policy has also been approved by the Energy Locals Board to oversee Operational Risk Management. It can be reviewed in the confidential attachments.

The Energy Locals Board has approved a Delegation of Authority Policy and Matrix. It is included in the confidential attachments. Please refer to annexures A23, A25, and A35.

## 5.7. Governance Policies

### Recruitment and Selection Policy

Energy Locals is committed to fairness, equality and diversity in its recruitment and selection and ensuring potential staff have suitable experience, qualifications, capability and attitude to fulfil their roles in accordance with the company's policies and procedures and to the quality required by customers and stakeholders.

A Recruitment and Selection Policy has been established to govern this. It covers the requirements for job design, job benchmarking, sourcing strategy, selection criteria, interview framework, character assessment, qualification evidence, reference checking and contracting. The policy is contained in the confidential attachments. Please refer to annexure A26.

### Training and Development Policy

Energy Locals has developed a Training and Development Policy to ensure that staff are appropriately equipped with the skills to perform their roles successfully and in accordance with the company's policies and procedures. The policy is contained in the confidential attachments. Please refer to annexure A27 and A28.

### Hardship Program

Energy Locals has established a Hardship Program with the aim of making clear and consistent the ways in which we will seek to identify and help vulnerable customers. The Hardship Program is contained in the confidential attachments. Please refer to annexure A13.

### Privacy

We understand how vital it is to properly handle all forms of customer information. Our Privacy Policy has been written to articulate the way we will do this, and it will be published on our website prior to market entry. The Policy is contained in the confidential attachments. Please refer to annexure A15.

## 5.8. Demonstrations of Billing and Management Systems

Energy Locals is using a system proven in the National Energy Market to provide service to customers in NSW and Qld. The system manages the core billing, market interface and customer contact processes.

## 5.9. Complaints Procedure

While we aim to satisfy all customers, we are conscious that there will be times that customers are not happy with our service or wish to raise a dispute. Energy Locals has a documented procedure for taking these situations from complaint or dispute to resolution. The procedure is designed to help resolve complaints quickly and with sensitivity. It is contained in the confidential attachments. Please refer to annexure A5.

## 5.10. Capacity to Comply with Licence Conditions

Details are contained in the appendices. Please refer to annexures A5-A19, and A23-A30 and annexure A33.

## 6. Suitability

Energy Locals is committed to building a business that operates ethically and is the subject of robust governance frameworks and processes. The company plans to achieve these outcomes through the following actions:

- Employment contracts deal with probity expectations and requirements including confidentiality, compliance with laws & regulations and code of conduct.
- Completing Good Fame and Character screening for all Board and management positions, including criminal history and bankruptcy checks for all jurisdictions they have resided in during the past 10 years and extensive reference checks.
- Enforcement of the Energy Locals Compliance Policy & Framework. This requires commitment from every employee and good role modelling from the Board and management team.
- Promotion of ethical conduct through the adoption of the Energy Locals Code of Conduct. Employees are required to sign their commitment to this Code prior to commencing employment, and the Code of Conduct also forms a major part of the mandatory induction training.
- Keeping accurate records from all Board meetings.
- Conducting regular reviews of Board and management activities and decisions.
- Providing management with access to qualified legal advice.

## 6.1. Material Failures, Revoked or Failed Authorisations/Licences, Legal Proceedings, Offences or Successful Prosecutions

Energy Locals has not been subject to a Retailer of Last Resort (**RoLR**) event and has not previously transferred or surrendered an authorisation or licence under the Retail Law. In addition, no authorisations or licences have been revoked or requests for an authorisation or application been rejected.

Energy Locals confirms that none of its Directors or Officers nor, to the best of its knowledge, its associates, have been the subject of any offences or prosecutions under any territory, state, Commonwealth or foreign legislation.

Further detail is contained in the annexures.

A Statutory Declaration from the Director is contained in the confidential attachments.

## 6.2. Criminal History Check

We will provide criminal record checks on request.

## 6.3. Disqualification and Bankruptcy Declaration

The Officers of Energy Locals have not been disqualified from the management of corporations. Neither Energy Locals nor its officers have a bankruptcy record in any Australian or overseas jurisdiction. A declaration to this effect is contained in the confidential attachments.

## 6.4. Officers Details

Details of officers are contained in the appendices.

----- *End of public section of application* -----

**Content from this point onward is not for public distribution.**