

Prepared for:

Essential Services Commission

Level 37, 2 Lonsdale Street, Melbourne 3000, Australia

Onsite Energy Solutions Pty Ltd

ACN 164 385 693

Application for Victorian Electricity Retail Licence

Public Component

December 2013

This document is the public component of the electricity retail licence application.

All of the attachments referred to in this document have been provided as commercial-in-confidence.

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1. Information on the applicant and nature of the application

Legal Name	Onsite Energy Solutions Pty Ltd
ACN	164 385 693
Registered Address	Unit 7, 25 Claremont Street, South Yarra Vic 3141
Postal Address	same as above
Contact Person	Bryn Dellar Managing Director Phone: 03 9972 6493 Email: bryn@energymakeovers.com.au

A statutory declaration confirming the accuracy and completeness of all information provided in this application and executed by the Managing Director is provided in **Attachment 1**.

Onsite Energy Solutions Pty Ltd (OES) is a fully owned subsidiary of Energy Makeovers (EM) and was established 20th June 2013 to carry out energy retailing operations.

A copy of the Certificate of Registration and Corporation's Constitution is attached as **Attachment 2**.

Ownership structure of the group including OES is given in **Attachment 3** which shows the relationship between all of the entities.

The group company overview and background together with the current organisation structure is given in **Attachment 4**.

As part of this application a general undertaking is provided in **Attachment 5** which outlines the financial support arrangement between OES and its parent entities. Furthermore additional arrangements have been put in place between EM and OES with respect to funding requirements under this licence application. These are provided in **Attachment 6**.

Nature of this application

OES is seeking a restricted Victorian Electricity Licence for a term of 16 months for up to 20 customers to participate in a pilot project with a Victorian DNSP. Details of the project are provided in **Attachment 7**. Under this project OES intends to engage with the pilot customers from February 2014.

In parallel to the restricted licence operation OES plans to apply for a full electricity retail licence in 2014 by submitting a separate application.

There are no prosecutions or regulatory complaints commenced against OES or its parent company EM or its associated entities. OES has no previous unsuccessful licence applications in Victoria or other jurisdictions in Australia.

Background of Energy Makeovers

In this application, information pertaining to EM will also be provided as this is the main operating company of the group and it owns 100% of OES.

EM is a growing and integrated energy services company established to assist households and businesses to achieve a sustainable future. Since its establishment in 2008 the company has installed accredited energy efficiency products to over 190,000 Victorian residents and businesses under the Victorian Energy Efficiency Target (VEET) scheme.

EM has also been an accredited agent of the Clean Energy Regulator (CER) for creation of Small-scale Technology Certificates (STC) since 2009.

Since its establishment in 2008, EM has successfully partnered with a number of organisations to establish and implement the delivery of residential energy efficiency projects. A summary list of partners and projects is provided in **Attachment 4**.

Retail business organisation structure and key personnel

As given in **Attachment 3**, OES retail business is a wholly owned subsidiary of its parent company, Energy Makeovers Pty Ltd which in turn is the main operating entity of the parent company, Energy Renovations Pty Ltd. OES integrates with EM's existing businesses, systems and staff – a functional view of the organisation structure for the purposes of this restricted licence application for up to 20 pilot customers is presented in **Figure 1** below.

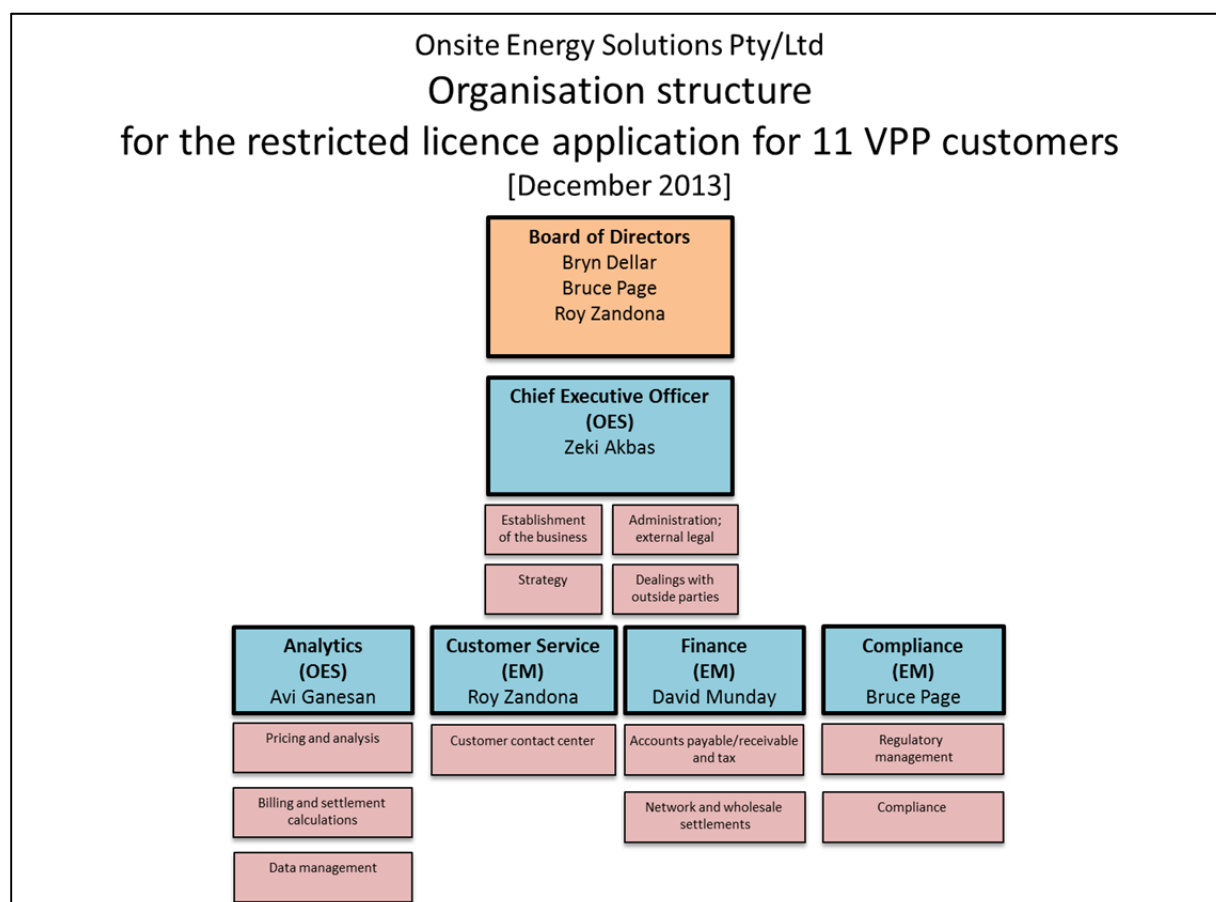


Figure 1 – OES Organisation Structure – functional view

The management team has the relevant skills, experience and knowledge of the energy sector to operate the business compliant with the applicable regulations, codes, and guidelines. Details of OES directors are given below. Details of OES and EM employees and their roles to carry out the necessary retail functions are given in **Attachment 8**.

All direct retail functions have been allocated to existing OES and EM employees and further assistance will be made available by EM should the need arise. Funds have been allowed for any external work such as legal services to carry out retail activities for the limited number of pilot customers for the duration of the restricted licence (as provided in **Attachment 6**).

Bryn Dellar – Managing Director

Bryn has over 30 years of experience in the energy industry with the last 10 being in the energy efficiency field.

Bryn co-founded Energy Makeovers Pty Ltd in 2008 with the vision to become Australia's leading "one-stop-shop" provider of energy efficiency and distributed micro generation products and services for residential and commercial customers. Bryn has had bottom line responsibility for a range of marketing/trading businesses both in Australia and internationally including ExxonMobil, PwC Consulting and IBM Consulting.

Bryn's formal qualifications include BE (Civil) and MBA from University of Western Australia.

Bruce Page – Director

Bruce has 30 years of experience in senior management positions in energy markets in Australia in the electricity and gas retail and distribution sectors. He assisted the government of the day to corporatise and then privatise the retail and distribution sectors of the SECV in the early to mid-1990s before taking up an executive role at Eastern Energy.

At TRUenergy (assets A\$5billion) Bruce was the Regulatory Manager where he was responsible for preparing the company for the introduction of full retail contestability and for securing electricity and gas retail licenses in NEM markets outside of Victoria. He was elected by his industry contemporaries as a founding member of the peak national energy market Executive Committees and has been recognized for his work in the establishment of the Energy Retailers Association of Australia (ERAA).

Bruce remained engaged at the forefront of the evolution of the Victorian and national electricity supply markets in his successive roles at TXU and TRUenergy before departing TRUenergy in 2008 to establish a private consulting business where he provided advice to clients including Origin Energy, Energy Australia and Momentum Energy as well as the Australian Energy Market Operator (AEMO).

He co-founded Energy Makeovers in 2008 and is one of the directors of the company.

Bruce has a Master's Degree in Applied Science, Grad Dip in ISM and a Diploma of Financial Services.

Roy Zandona – Director

Roy worked at CSR and BHP Billiton in sales and marketing, logistics and customer service management roles including contractor management, customer support, operational excellence, managing service and back office support teams. This experience culminated into providing consulting to internal clients across the global BHP Billiton group and CSR Bradford Insulation.

Roy established the insulation business Ambisol in May 2008 to supply and install insulation products and consulting services. Ambisol has been the preferred insulation contractor to Energy Makeovers since its inception. Since 2011 Roy has delivered installation of SPCs in more than 190,000 homes in Victoria. Roy is also responsible for developing and implementing company-wide IT systems such as the customer relationship management system (SalesForce) and OH&S policies and procedures.

Roy has a business degree from Edith Cowan University in Western Australia in marketing and information systems.

2. The Commission's objectives

OES believes its application for a retail electricity licence in Victoria is consistent with the objectives of ESC as set out under sub-sections 8(1) and (2) of the ESC Act.

The EM group business model requires that all of its projects must deliver a “social dividend”. In general this objective is met through undertaking projects to deliver low cost greenhouse gas abatement for the community through the identification and installation of energy efficiency, renewable energy and peak demand reduction/improvement projects. OES is an integral part of EM's business model.

Protecting the long term interests of Victorian customers

The EM group business model is designed to reduce the energy consumption and greenhouse gas emissions of Victorian consumers. As part of the EM group, OES will enable EM to offer an integrated service to customers to include electricity retailing when the full licence is granted.

EM is working with a Victorian DNSP to investigate viability of alternative network augmentation solutions that will deliver lower consumer prices compared with business as usual solutions. OES will provide retail functions as part of the pilot project as given in **Attachment 7**.

Facilitating efficiency in regulated industries and the incentive for efficient long term investment

OES aims to assist regulated network businesses to implement innovative augmentation solutions in a financially prudent manner. By facilitating incremental capacity augmentation investments regulated industries would be able to achieve more efficient long term investment outcomes which will flow through to end use customers as reduced energy costs.

Preventing the misuse of monopoly or non-transitory market power

Full retail competition is already well established in Victoria. With the entry of OES customers in Victoria will have greater choice and more access to innovative solutions to meet their energy needs.

Facilitating effective competition and promoting competitive market conduct

OES's entry into electricity retailing will lead to increased retail competition through the introduction of new innovative product offerings.

Ensuring that users and consumers (including low income and vulnerable customers) benefit from the gains from competition and efficiency

OES' parent company EM has assisted over 190,000 Victorians to reduce their energy costs and greenhouse gas emissions with a disproportionate number of these customers considered to be low income families. OES will build on this achievement to deliver innovative product offerings to customers, ensuring that they benefit from our operational efficiencies and our competitive advantages.

Promoting consistency in regulation between states and on a national basis

OES intends to apply for a full retail licence in Victoria during the term of the restricted licence and will continue to monitor developments to ensure AER requirements for nation-wide application are met when appropriate.

3. Financial viability

Business plan

OES has prepared a detailed business plan underpinning its planned full retail licence application in Victoria. The business plan covers market strategy and positioning, target market segments, growth plan and assumptions, different scenarios and funding requirements, and will be provided as part of the full retail licence application in due course.

For the purpose of this restricted licence application, OES will serve a limited number of up to 20 pilot customers, as described in **Attachment 7**.

Financial capacity

Arrangements have been put in place to fund the establishment and operations of OES for the term of the restricted licence. Details are provided in **Attachment 6**.

FY11/12 and FY12/13 financial statements of the Energy Makeovers Group are provided in **Attachment 9**.

4. Technical and operational capacity

EM has operated a complex energy efficiency business across Victoria since 2008. OES will use its parent company EM's existing operational experience to roll out appropriate systems, processes and people to perform energy retail activities compliant with applicable regulations, codes and guidelines.

OES senior managers bring together a critical mass of industry experience and capability needed to operate the retail business (including strategic management, sales and marketing, trading and risk management, operations and logistics, regulatory affairs, analytics, retail customer service, renewable markets, energy efficiency and compliance fields). Together with support from EM, OES will perform required regulatory functions to serve the up to 20 pilot customers under this restricted licence application. **Attachment 8** contains the background information on key OES and EM employees.

EM has offices in South Yarra and a Customer Service Center and warehouse facility in Sunshine West. The Customer Service Center has extensive experience in assisting customers to achieve their energy efficiency goals and supports an expanding customer base of 190,000 accounts, with scalable capacity to handle 1,000 contacts per day. Customer care management skills are transferable to provide energy retail customer services with training and support provided by senior managers with deep and long standing experience in electricity retailing in Victoria. When a full retail licence is secured, OES' customer service and delivery capability will grow in line with increased customer numbers.

Compliance culture

EM has provided energy efficiency products and services to residential and business customers since 2008. The company has invested significantly to establish strong compliance systems and a culture of compliance, and a customer care ethic with comprehensive management systems and procedures to support this culture and regulatory compliance activities. The company is subject to regular audits by ESC in accordance with VEET regulations.

OES' Regulatory and Compliance Manager is responsible to ensure all business activities are in compliance with applicable regulations, codes, and guidelines. This role is also responsible for keeping abreast of regulatory changes and submitting regulatory reports within required timeframes. Position description of this role is given in **Attachment 10**. During the term of the restricted licence OES will use the services of EM' Regulatory and Compliance Manager, Bruce Page, who has extensive experience in managing energy retail regulatory matters and has provided regulatory compliance consulting services to large and small scale energy retailers.

After obtaining a full retail licence, and when customer account numbers reach a certain level, OES intends to establish a new Compliance Officer position to assist the Regulatory and Compliance Manager. Position description of the Compliance Officer is also given in **Attachment 10**.

Document management system

EM has developed a system to capture and retain customer agreements for a period of not less than 7 years. The system includes various levels of security to protect customer details. It is planned that this system will be used for customer document management for OES' retail operations.

List of policies and customer instruments

OES has developed a range of policies to comply with the relevant acts, regulations, codes and guidelines as part of its intended full retail licence application. OES will use the same policies during

the term of the restricted licence. Draft policies have been provided in **Attachment 11**. These policies will be made available on the company website.

- Privacy policy
- Complaints and dispute resolution policy
- Hardship policy

Similarly, OES has established the following customer instruments as part of its intended full retail licence application. OES will use the same customer instruments during the term of the restricted licence, which will also be made available on the company website. Drafts of the instruments have been provided in **Attachment 12**.

- Customer charter
- Standard Customer Terms and Conditions

OES will establish a community services agreement with the Victorian Department of Human Services following receipt of its restricted retail license.

Key personnel

OES has access to a pool of senior management expertise with technical and managerial backgrounds as outlined in **Attachment 8**.

Standing offer

OES will publish standing offers in compliance with the obligations of the restricted licence.

AEMO registration

OES' application has been approved and an account established in Austraclear on 30th October 2013. A copy of the approval letter from ASX is provided in **Attachment 13**.

OES has contacted AEMO and will provide the required credit support instruments to comply with the market registration process. OES will execute the agreement with AEMO after its restricted retail license is granted.

Use of System Agreements

OES has initiated discussions with all Victorian DNSPs to execute Use of System agreements. OES will execute the required Use of System agreement(s) after its retail license is granted.

Australian Financial Services License (AFSL)

The company is aware of its obligation to hold an AFSL to undertake certain energy market functions and will acquire an appropriate AFSL before commencing those functions when a full retail licence is secured.

To support the restricted licence, OES will not be required to obtain an AFSL.

Risk management

OES is well aware of energy market risks and have the necessary technical background to successfully manage key business risks that may arise during the term of the restricted licence.

Ombudsman Scheme

OES will enter into an agreement with the Energy and Water Ombudsman Scheme (EWOV) after its retail license is granted.

Meter reading

OES intends to use the services of the incumbent DNSPs to provide meter reading services.

Billing system

EM currently uses Salesforce as the Customer Relationship Management system. This system is scalable and currently manages over 190,000 accounts.

OES will develop a compliant billing capability to service the limited number of up to 20 pilot customers during the term of the restricted licence.