



1st Energy Pty Ltd

APPLICATION FOR GAS RETAIL LICENCE

June 2018

1st ENERGY PTY LTD
ACN 604 999 706



This gas retailer licence application is submitted for the attention of:

Ms Cara O'Shanassy
Manager, Licensing
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne VIC 3000

An electronic copy of this application has been emailed to:

TABLE OF CONTENTS

1. INTRODUCTION	5
2. INFORMATION ON THE APPLICANT AND NATURE OF THE APPLICATION	5
2.1. The applicant	5
2.2. Registered address	5
2.3. Address of business activities	5
2.4. Key contacts	5
2.5. About 1st Energy	5
2.6. Details of all contracts and agreements for outsourced services that are either under negotiation or to be entered into by the applicant to facilitate the conduct and operation of the gas business	6
2.7. Details of parties having an interest in 1st Energy	6
2.8. Details of prosecutions or regulatory complaint commenced against the applicant or related or associated persons or key personnel	6
2.9. Details of licence	6
2.10. Corporate and organisation structure	7
2.11. Statutory declaration	9
3. THE COMMISSION'S OBJECTIVES	10
3.1. General	10
3.2. Promoting the long-term interests of Victorian consumers	10
3.3. Promoting the development of full retail competition	10
The price of essential services	10
3.4. Promoting a consistent regulatory approach within the gas industry	10
3.5. The reliability of essential services	10
3.6. Promoting consistency in regulation between states	10
4. FINANCIAL VIABILITY	11
4.1. Business plan/model	11
4.2. Financial capacity	11
4.3. Written declaration from accountant	11
4.4. External consultant's review	11
4.5. Australian Financial Services Licence	11
4.6. AEMO credit support	12
4.7. Credit rating	12

4.8. Distribution arrangements	12
5. TECHNICAL CAPACITY	13
5.1. Compliance	13
5.2. Risk management	13
5.3. Dispute resolution	13
5.4. Training and development	13
5.5. Retail CRM	13
5.6. Other support tools	14
5.7. Terms and Conditions	14
6. ADDITIONAL INFORMATION SUPPORTING THE GAS RETAIL APPLICATION	15
6.1. AEMO registration	15
6.2. Department of Human Services	15
6.3. ASX Austraclear membership	15
6.4. Ombudsman scheme	15
6.5. Community Services Agreements	15
6.6. Metering Arrangements	15
7. ATTACHMENTS	16
7.1 Commercial-in-confidence Attachments	16

1st Energy

APPLICATION FOR A VICTORIAN RETAIL GAS LICENCE

1 INTRODUCTION

1st Energy Pty Ltd is a privately-owned company, proposing to establish a gas retail business in Victoria, and other states of Australia to supplement its existing electricity business. The following details will make up the application for a retail gas licence in Victoria. This application has been put together in accordance with the "Guidance Notes for Applications for Gas Licences and the Transfer of Existing Gas Licences" issued by the Essential Services Commission of Victoria (the Commission) in October 2006.

2 INFORMATION ON THE APPLICANT AND NATURE OF THE APPLICATION

2.1 The Applicant

Name: 1st Energy
ACN: 604 999 706
ABN: 71 604 999 706

A copy of the 1st Energy certificate of company registration is submitted as Attachment 1.
A copy of the company constitution is submitted as Attachment 2.

2.2 Registered address

Level 4, 459 Little Collins Street
Melbourne VIC 3000

2.3 Address of business activities

Level 4, 459 Little Collins Street
Melbourne VIC 3000

2.4 Key Contacts

Mr Liam Foden
Managing Director

2.5 About 1st Energy

The shareholders and management team of 1st Energy are experienced energy professionals, with the shareholders having previously successfully established and operated a licenced electricity and gas retailer in Victoria. 1st Energy has been retailing electricity since October 2015 and has approximately 25,000 electricity customers across Victoria, New South Wales and Queensland. The experience of having previously operated a licenced gas and electricity retail business provides assurance that 1st Energy is well placed to participate as a new licenced gas retailer in Victoria, and operate within the regulatory framework and manage the risks incurred by a gas retailer. The management team each

have over 15 years' experience in the energy sector, and this is set out in more detail below in section 2.10.

1st Energy's primary target market is residential and small to medium business. 1st Energy will offer targeted products and services to these customer segments, and will grow in a sustainable way that delivers on customer expectations and compliance.

2.6 Details of all contracts and agreements for outsourced services that are either under negotiation or to be entered into by the applicant to facilitate the conduct and operation of the gas business.

Copies of the contracts and agreements for outsourced services are submitted as Attachment 3.

2.7 Details of parties having an interest in 1st Energy

Details of the shareholders of 1st Energy is contained in the shareholders register submitted as Attachment 4.

2.8 Details of prosecutions or regulatory complaint commenced against the application or related or associated persons or key personnel

There have not been any prosecutions or regulatory complaints commenced against 1st Energy, its related or associated person or its key personnel.

1st Energy also confirms that:

- None of its directors have been disqualified from the management of corporations.
- No 1st Energy director has been involved with previously revoked authorisations or licences held in any industry.
- Directors of 1st Energy have not been involved with any past or present bankruptcy proceedings in Australia or overseas.
- 1st Energy has the financial capacity to operate a retail gas business, including meeting payment and credit support requirements with Distributors and the Australian Energy Market Operator, (AEMO).

A director's statement is submitted as Attachment 5 confirming such events have not occurred.

2.9 Details of licence

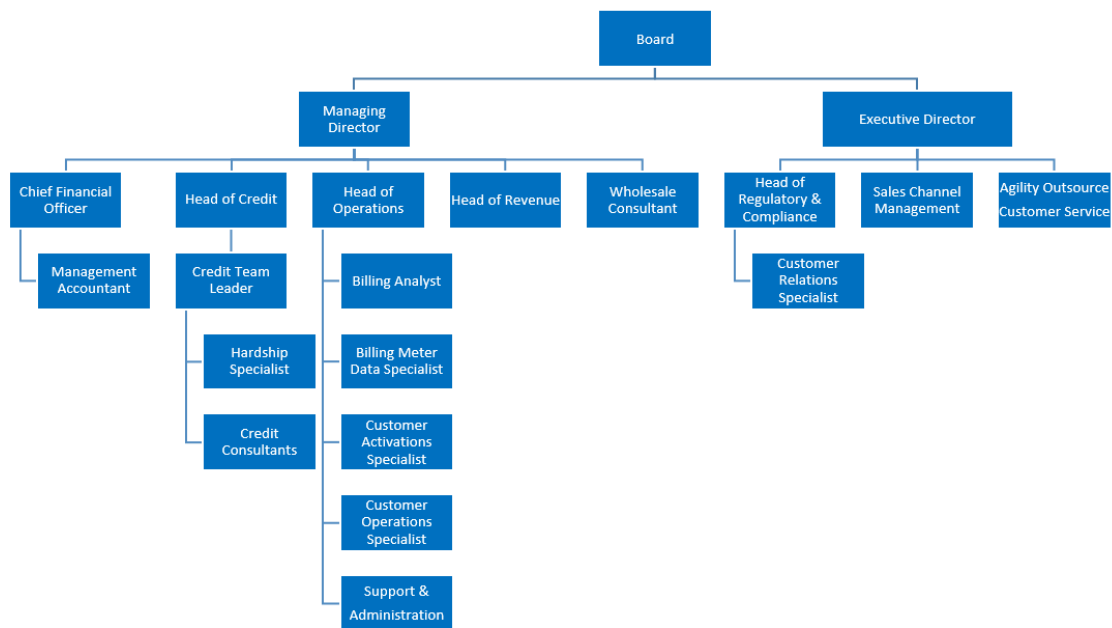
1st Energy is seeking a full Victorian Retail Gas Licence, with no non-standard conditions. 1st Energy will retail to residential and small business customers and is anticipating commencement of retailing activities in Victoria in September 2018 or from a date when all relevant industry obligations including a gas safety case and licence requirements have been met.

1st Energy has not been prevented from or refused a gas licence in any jurisdiction. There are no outstanding legal proceedings or compliance issues.

2.10 Corporate and Organisational Structure

1st Energy is a privately-owned company, and the shareholding is owned by a number of individuals and entities. Details of the shareholding are outlined in Attachment 4.

1st Energy Organisational Structure



1st Energy Board

The 1st Energy Board have appointed the following key members:

Liam Foden – Managing Director

Mr Liam Foden has over 15 years' experience in the Australian energy industry, with senior management roles at EnergyAustralia, Lumo Energy and Powerdirect. Liam is experienced in retail pricing, customer billing, wholesale trading and settlements, network bill validation and customer transfers and administration. As Head of Retail Pricing, Liam was responsible for mass market pricing, revenue and gross margin for EnergyAustralia's 2.6m mass market electricity and gas customers. Prior to that Liam was General Manager Business Performance at Lumo Energy, which covered pricing, billing and business intelligence for Lumo Energy's 400,000+ customers.

Liam also successfully established Lumo Telecommunications in 2008, a telco providing fixed line and broadband internet services to Lumo Energy's existing energy customer base. Over 12,000 customers were serviced by Lumo Telecommunications, which was subsequently sold to Bendigo Bank Telco. Customers are still serviced today by Bendigo Bank Telco.

Adam Landry – Executive Director, Retail

Mr Adam Landry has close to 15 years' experience in the Energy sector both in Australia and the UK. His first foray into energy was at Economy Power, a start-up SME based Retailer in the UK, where he was responsible for managing in house sales and retention activity. Economy Power sold its 40,000 strong SME customer base to European giant E.ON in 2005. Adam then took up an opportunity with Invensys to successfully set up their competitive metering and data aggregation vertical concentrating on blue chip organisations (customers included RBS, Tesco, The Co-Op and ASDA).

Following that he was lured back to E.ON initially to run their North West direct sales business before moving into a more operational end to end role in New Connections with responsibility for sales through Major Building companies, meter installation, billing of both customer and builder and credit management.

In 2012 Adam negotiated a return to Australia to take up a position with EnergyAustralia as National Sales Manager responsible for >250,000 annual sales, both Residential and SME, through external vendors. In that time, he rebuilt EnergyAustralia's sales strategy with emphasis on delivering volume whilst working under a robust compliance framework and incentivising partners to deliver quality high value sales.

Donald Cheesman – Non-Executive Director

Mr Donald Cheesman is currently a director of Kiwi Energy, a US based energy retailer. Kiwi Energy has over 100,000 customers primarily in New York. Donald was a founder and Managing Director of Victoria Electricity (now trading as Lumo Energy) from 2002-2007. Lumo Energy now has over 500,000 customers. Donald was also a founder and Managing Director of Energy Online, a start-up independent electricity retailer in New Zealand. Energy Online was formed in 1999 and now has 20,000 customers and annualised revenues exceeding \$25M.

Prior to founding Energy Online, Donald Cheesman had 12 years' experience in the electricity industry, which included senior management roles at Power New Zealand where he was responsible for the non-domestic customer base of 25,000 and Power New Zealand's wholesale energy purchases of approximately \$170 million per annum.

Steve Eskrigge – Non-Executive director

Mr Steve Eskrigge is currently a director of Kiwi Energy, a US based energy retailer. Kiwi Energy has over 100,000 customers primarily in New York. Steve was a founder and Executive Director of Victoria Electricity (now trading as Lumo Energy) from 2002-2008. Steve Eskrigge was also a founder of Energy Online and was the company's General Manager Marketing and Operations.

Prior to founding Energy Online, Steve Eskrigge had 10 years' experience in the energy industry, with roles at Enerco NZ, Integral EnergyAustralia and Power New Zealand. Preceding his involvement with Energy Online, Steve was Sales and Marketing Manager for Power New Zealand.

James Spence – Non-Executive Director

Mr James Spence is currently the Chief Financial Officer, (CFO), at ERM Power and has held this position since September 2015. James has international experience in energy retailing businesses in Australia, the United Kingdom and US markets. From 2012 to 2015 James was the CFO of EnergyAustralia, a subsidiary of China Light and Power, and a significant electricity retailer and generator in the Australian market.

James also held a variety of senior financial roles from 2002 to 2012 with Centrica plc operating companies, among them British Gas, Direct Energy and Centrica Energy. During his tenure with Centrica, James was the CFO of Direct Energy, Centrica's North American subsidiary that operates across Canada and the US in retail energy and related services, from 2010 to 2012. James is a chartered Accountant. He is a dual British and New Zealand citizen and a permanent resident of Australia.

Steve Rogers – Non-Executive Director

Mr Steve Rogers is currently the Executive General Manager, Business Energy (Australia) for ERM Power. Steve leads ERM Power's retailing business in Australia which is responsible for the acquisition, retention and growth of the SME and commercial and industrial customer base. Steve is a founding member of ERM Power's retail business, initially responsible for running the operations of the company.

Prior to joining ERM Power, Steve held a variety of commercial roles in the utilities sector at Ergon Energy, Worldcom (now Verizon) and British Telecom. Steve started his career as an accountant at Coopers & Lybrand (now PWC) and has a Bachelor of Commerce.

Aneta Graham – Regulatory and Compliance

Ms Aneta Graham has over 13 years' experience in the Australian energy industry and was previously with Lumo Energy, (a founding member since its inception in 2004), as the General Manager of Regulatory Affairs and Compliance and a member of the Senior Executive Team.

Aneta has extensive industry knowledge of Regulatory, Compliance and Corporate Affairs matters and a track record of building and driving customer-focused teams with a shared commitment to compliance as a key driver of organisational strategies. Aneta has a thorough understanding of key business requirements to establish a new entrant retailer and has a comprehensive understanding of national and state legislation and energy regulations.

Aneta has held key industry Board positions on both Energy Assured Ltd (Deputy Chair) and Energy Retailers Association Australia (Alternate Director) and has authored multiple business policies in the areas of Customer Service, Compliance, Enterprise Risk, Complaints Management and Hardship.

2.11 Statutory Declaration

A statutory declaration is included as Attachment 6, signed by the company Managing Director.

3 THE COMMISSION'S OBJECTIVES

3.1 General

The grant of a gas retail licence to 1st Energy would be consistent with the objectives of the Commission set out in s.8 of the Essential Services Commission Act 2001 (Vic) and s.18 of the Gas Industry Act 2001 (Vic).

3.2 Promoting the long-term interests of Victorian consumers

The entry of 1st Energy into the Victorian gas market will benefit consumers in Victoria long term, by providing greater competition, choice and improved services.

3.3 Promoting the development of full retail competition

Granting a licence to 1st Energy promotes the objective of the ESC to provide customers a choice of gas providers. 1st Energy aims to provide customers with tailored products and services to that offer a clear choice and point of difference. This will further develop competition in Victoria and provide consumers with a long-term benefit.

3.4 The price of essential services

In a market with an optimal number of retailers, competition will be beneficial. Increased competition promotes efficient pricing. 1st Energy's intention to enter the gas retail market is based on analysis that suggests the market environment supports the addition of new entrant retailers. Additionally, the 1st Energy business model allows for competitive prices on gas and is centred on operational efficiencies with benefits that can be passed through to consumers. 1st Energy can provide competitive prices to consumers in a sustainable manner.

3.5 Promoting a consistent regulatory approach within the gas industry

The key people of the executive management team at 1st Energy have extensive experience in dealing with compliance and regulation within the gas industry.

3.6 The reliability of essential services

1st Energy will utilise its experience in the gas industry to engage with AEMO and distributors to ensure high levels of service are met for its consumers. 1st Energy intends to provide tailored billing solutions to its customers to provide customers greater options over their service of gas.

3.7 Promoting consistency in regulation between states

1st Energy currently operates an electricity business in Victoria, New South Wales and Queensland and where the regulation allows has designed a consistent business process and will continue this business model for our gas market entry in all jurisdictions.

4 FINANCIAL VIABILITY

4.1 Business plan/model

1st Energy has submitted a detailed business plan as Attachment 7. The business plan details the resources, strategic position, product offering and growth forecast requirements.

4.2 Financial capacity

1st Energy is an established business with 3 years of prior financial history. Audited financials from prior years and externally prepared YTD accounts are submitted as Attachment 8.

The Financial Model submitted as Attachment 9, the funding arrangements utilised in the shareholders agreement submitted as Attachment 10 and supporting bank statements included in Attachment 8 illustrate 1st Energy's capacity to meet its financial requirements. 1st Energy assures the Commission that it has the financial capacity to operate a licenced retail gas business including meeting all prudential and credit support requirements.

The financial model submitted as Attachment 9 includes:

- Profit and Loss forecast
- Cash flow forecast
- Modelling assumptions

4.3 Written declaration from accountants

An accountant's statement is submitted as Attachment 11 and confirms:

- a) No insolvency or bankruptcy
- b) No winding up
- c) No other impeding factors

4.4 External consultant's statement

Attachment 12 contains a written statement from an independent energy consulting firm, including an evaluation and review of 1st Energy's business plan and financial model to ensure consistency with industry-relevant factors and considerations.

4.5 Australian Financial Services License

1st Energy holds an Australian Financial Services Licence that was issued by ASIC in May 2016. A copy of our AFSL is submitted as Attachment 13. Information regarding 1st Energy's electricity and gas wholesale strategy is commercially sensitive and is contained within the business plan submitted as Attachment 7 and Energy Risk Management Policy submitted as Attachment 14.

4.6 AEMO Credit Support

1st Energy has reviewed the relevant credit support requirements and we will be required to provide credit support to AEMO. The attached Financial Model has provided for these requirements.

4.7 Credit Rating

A Dunn & Bradstreet risk score is attached as Attachment 15.

4.8 Distribution Arrangements

1st Energy has had initial discussions with each Victorian Distribution Network Service Provider and will have agreements in place with each provider prior to undertaking any retail activities in the relevant distribution zone. 1st Energy has discussed credit support and Haulage Agreement requirements and obligations with each distribution business. 1st Energy will meet its credit support obligations with Distribution Network Service Providers.

5 TECHNICAL CAPACITY

1st Energy has systems, policies and procedures to ensure the business remains compliant with all retailer obligations specified in the Acts, Codes, Guidelines, Regulations and licence conditions.

5.1 Compliance

1st Energy has utilised its industry experience to develop relevant compliance controls and reporting required to operate a retail gas business. This includes compliance with applicable codes and guidelines, as well as obligations and requirements in the Australian Consumer Law, Consumer and Competition Act, and Victorian Fair Trading Act. Documents submitted as Attachment 16 outline the processes and systems put in place to meet such requirements. 1st Energy will be using the Engage customer management system which is utilised by multiple energy retailers and has appropriate functionality to meet regulatory and compliance obligations to retail gas in Victoria.

5.2 Risk Management

1st Energy has developed wholesale and risk management policies, which include wholesale energy trading risk management and key operational risk management, such as disaster recovery processes. The Executive Management team have significant experience with managing wholesale and business risk. The Risk Policy documents are submitted as Attachment 14.

5.3 Dispute resolution

Complaints will be managed as per 1st Energy's Complaint and Dispute Resolution Policy with an objective to embed an effective and efficient complaints management process that is aligned to our business values, core vision and strategic objectives.

1st Energy's customer management system is designed to capture customer interactions and can be reported on as required. As an existing licenced electricity retailer, 1st Energy has an established relationship with EWOV, and we will work proactively to resolve customer complaints within industry timelines. 1st Energy's internal Complaint and Dispute Resolution Policy is submitted as Attachment 17.

5.4 Training and Development

1st Energy has created a training program in line with requirements set out of the relevant codes and laws. This training covers regulatory compliance, explicit informed consent, complaints handling, credit and hardship procedures and privacy. The training will be mandatory for staff with customer interactions, and records of training will be kept with individual staff records. 1st Energy's training documents are submitted as Attachment 18.

5.5 Retail CRM

1st Energy will be using the Engage Customer Management System which is managed by Agility Pty Ltd. Agility have been providing energy management software and support to Utilities across Australia, NZ, Fiji and the US for over 20 years. Agility currently provides these services for a number of retailers in the Australian electricity market, including Victoria. The system includes CRM and billing functionality, as well as regulatory and compliance reporting, complaints management and data repository. The system has been designed to comply with the regulatory and compliance framework

of the energy industry across the different jurisdictions. 1st Energy has been utilising Engage for the previous 3 years.

Please see Attachment 19 which outlines the functionality of Agility software and services, and an online overview can be seen at <https://www.agilitycis.com/engage>.

A copy of the executed agreement between 1st Energy and Agility is submitted as Attachment 3.

5.6 Other Support tools

To supplement the Engage CRM platform, 1st Energy has developed the following tools to support its retail activities:

- A website with online self-service functionality, pricing information, terms and conditions and customer information;
- Appropriate document storage facilities to store agent voice recordings and any relevant documentation in accordance with applicable laws and regulatory guidelines.

5.7 Terms and Conditions

1st Energy's market and standing terms and conditions for prospective customers are submitted as Attachment 20. These will be maintained to ensure ongoing compliance with relevant codes and guidelines.

6 ADDITIONAL INFORMATION SUPPORTING THE GAS RETAIL APPLICATION

6.1 AEMO registration

1st Energy has existing arrangements in place with AEMO, and these will be expanded to include gas after the granting of a retail gas licence. 1st Energy's draft application to AEMO for market registration is attached as Attachment 21. 1st Energy can confirm that it can meet prudential requirements in accordance with its AEMO agreement.

6.2 Department of Health and Human Services

1st Energy has an existing contract in place with the Department of Health and Human Services, (DHHS), and this will be expanded to include gas. 1st Energy is aware of the various concession schemes administered by both the state government and federal government, and our policies around hardship are in-line with requirements.

6.3 ASX Austraclear Membership

1st Energy is a member of Austraclear for electricity, and this arrangement is suitable for all gas market financial transactions.

6.4 OMBUDSMAN Scheme

1st Energy is an existing member of EWOV and is familiar with the requirements of the scheme. We have notified EWOV of our intention to obtain a gas licence, and we will inform them when we commence retail gas activities.

6.5 Community Services Agreements

1st Energy has existing arrangements in place with DHHS for the provision of concessions to eligible customers.

6.6 Metering Arrangements

1st Energy will utilise deemed metering arrangements with the distribution business for metering to small customers. Should 1st Energy seek to retail to large businesses, appropriate arrangements will be made with authorised metering providers.

7 ATTACHMENTS

7.1 Attachments 1-23 listed below are provided on a commercial-in-confidence basis.

Attachment 1	Certificate of company registration
Attachment 2	1st Energy Constitution
Attachment 3	Agility CIS Agreements
Attachment 4	Shareholder's Register
Attachment 5	Director's Statement
Attachment 6	Statutory Declaration
Attachment 7	Business Plan
Attachment 8	Financial Information
Attachment 9	Financial Model
Attachment 10	Shareholder's Agreement
Attachment 11	Accountant's Statement
Attachment 12	External Consultant's Statement
Attachment 13	AFS Licence
Attachment 14	1st Energy - Energy Risk Policies
Attachment 15	D&B Credit Risk Score
Attachment 16	Compliance Policies and Documents
Attachment 17	Complaint and Dispute Resolution Policy
Attachment 18	Training Documents
Attachment 19	Agility CIS Software Overview
Attachment 20	Market and Standing Offer Terms and Conditions
Attachment 21	AEMO Application
Attachment 22	Customer Charter
Attachment 23	Sample Gas Invoice