



Application for Electricity Retail Licence

October 2012

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1 Introduction

People Energy is a privately owned, recently incorporated company proposing to establish an electricity retail business, initially in Victoria.

The business does not currently carry on activities within the electricity retail industry but the management team have significant relevant experience in similar, customer-focussed, entities.

People Energy is seeking a full electricity retail licence and wishes to commence retailing activities in January 2013.

2 The Applicant and Nature of the Application

2.1 Applicant Details

The applicant is Energytime Pty Ltd t/a People Energy Pty Ltd [People Energy] ACN 159 727 401.

The company was registered in Victoria in July 2012 under the Corporations Act 2001.

The Company Certificate of Registration is included as **Attachment A** and the Company Constitution is included as **Attachment B**.

2.2 Registered Address

Level 4, 459 Little Collins Street
Melbourne VIC 3000

2.3 Principal place of business

Level 3, 385 Little Lonsdale Street
Melbourne VIC 3000

2.4 Address of business activities

Level 5, 100 Albert Road
South Melbourne VIC 3205
Tel: 03 8695 9551
Fax: 03 9011 9631

2.5 Contact Person

Russell Mitchell
Chief Operating Officer
People Energy Pty Ltd

Email: russell.m@peopleenergy.com.au
Tel: 03 8695 9551

2.6 About People Energy

The management team of People Energy and many of the senior staff have been part of a successful group of companies in the telecommunications industry offering a wide range of innovative offers to small customers.

In addition, the direct marketing arm of the group has been providing customer acquisition services for a number of well established electricity retailers in Victoria.

With a large team of experienced resources in the utilities sector, the group is now expanding its activities in the electricity retail area to offer similar levels of competitive, innovative products and exemplary levels of customer service.

2.7 Nature of this Application

People Energy is seeking a full Victorian Electricity Licence and is not seeking any non-standard licence conditions.

People Energy will begin retailing to residential and small business customers initially and is anticipating commencement of retailing activities in Victoria in January 2013 or from a date when all applicable regulatory obligations have been fulfilled.

People Energy and its associated entities have not previously made application for retail licences in Victoria or any other jurisdictions in Australia and have not been prevented from or refused an electricity licence in any jurisdiction. There are no outstanding legal proceedings or compliance issues.

2.8 Corporate Structure

A diagram outlining the corporate structure of People Energy is included as **Attachment D** outlining the relationship with its investment groups.

The initial Executive Directors are Sachin Rathie and Russell Mitchell and a brief summary of their experience is provided below.

Executive Director – Sachin Rathie

Sachin Rathie has a wealth of experience at a CEO level across customer acquisition, sales & marketing for utilities, and also telecommunications business models.

Sachin has successfully worked within the telecommunications and marketing industries for in excess of 7 years, having formed a global sales and marketing group which assumed the majority shareholding of Time Telecom. Sachin holds a Bachelor of Business Management and a Masters of Business Systems from Monash University, Melbourne.

Sachin brings an invaluable diversity of skills and experience to the People Energy executive team having worked in vendor and service provider organisations managing indirect and direct sales organisations across both the SME and enterprise segments.

Historically, Sachin has repeatedly demonstrated having the talent of designing a business model that creates strong growth with a formula of responsible, robust operations as a solid platform. This is demonstrated when he acquired Time Telecom and rapidly set up procedures to turn it into a dynamic group of companies with accelerating growth, a robust customer base and strong ROI which was acquired by M2 in 2012.

The Time Telecom business model has been immediately replicated with Sachin forming Smart Business Telecom, which has also grown rapidly.

In 2012, Sachin's companies have been recognised by achieving the BRW Fast Starters 2012 and BRW Fast 100 Companies 2012 Awards. As CEO, Sachin was also a finalist in the Ernst & Young Entrepreneur of the Year Awards 2012, Southern Division.

Sachin's vision and leadership are the inspiration behind the forming of People Energy. His extensive management experience and financial acumen ensure the success of People Energy in the Australian retail electricity market.

Executive Director – Russell Mitchell

Russell Mitchell has 13 years of energy retail experience at a senior level across customer acquisition, sales & marketing and operations.

Russell has recently been appointed COO of People Energy. Russell holds a Bachelor of Business Marketing degree from Chisholm Institute of Technology, Melbourne.

Russell brings great skills and experience to the People Energy executive team having worked in both marketing and energy organisations at various board, management and operational levels.

Prior to joining People Energy, Russell successfully launched the Origin/Powercor Australia mass-market capability for the opening of competition in Victoria and further expanded his capabilities in his role as the Head of Marketing for Western Power / Synergy.

Specialising in customer & market segmentation alongside a strong retention strategic background, Russell is a passionate leader and brings strategic strengths to the business with his in-depth knowledge of the Australian retail electricity market.

Chief Information Officer – Muralli Sinnadurai

Muralli has many years of experience as a senior executive in the IT industry, specialising in the design and roll out of billing systems interfacing with residential and SME customers.

After successfully setting up one of Australia's first ISPs in 1997, Muralli has been involved at a senior strategic level launching and marketing for large premium IT&T dealerships. Muralli has overseen significant changes and transitions in Billing and CRM Management Systems, and thrives in a dynamic environment.

With senior roles heading up billing, provisioning, hosting and IT developmental divisions, Muralli's experience makes him an integral member of People Energy's senior executive management team.

Having implemented a large range of Customer information systems across numerous sectors, Muralli's experience will be key to the success of People Energy in the Australian Retail Electricity sector.

The Board also comprises a Non-Executive Director [Rustom Irani] as an investor representative.

The existing Board members have identified the need for a non-executive Director and Board member with specific industry experience in finance, risk and compliance to compliment the existing executive.

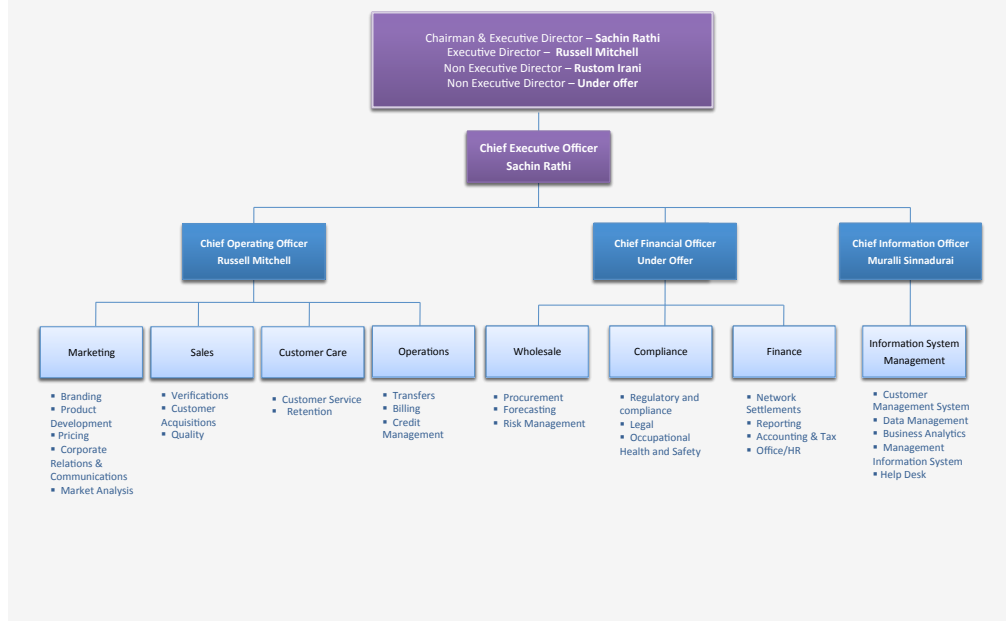
In the short-term the Board will be supported by a select group of experienced energy industry specialists who will form an 'Advisory Panel' to provide support, advice and guidance on risk, compliance and corporate matters.

2.9 Organisation Structure

The proposed organisation structure is shown below and is comprised of existing resources; key appointments will include external industry specialists. Some of those position descriptions and recent recruitment advertisements are included in **Attachment E**.

ORGANISATION STRUCTURE

People Energy – Functional View



A team of energy industry specialist consultants supports the core team as follows:

Retail Strategy – *Energy Revolution*

Wholesale and Risk Management – *M&C Energy Services*

Legal, Regulatory and Compliance – *Norton Gledhill Lawyers*

Recruitment Services – *Fish & Nankivell Ogilvie Watson*

Further information describing the consultants’ energy industry experience can be found in **Attachment F**. The contracts with these providers are included in **Attachment Q**.

2.10 Statutory Declaration

A statutory declaration is included as **Attachment C**, signed by the company Chief Executive Officer, confirming the accuracy and completeness of all information provided.

3 The Commission's Objectives

3.1 General

The granting of an electricity retail licence to People Energy would be consistent with the objectives of the Commission set out ins.10 of the *Electricity Industry Act 2000* and s.8 of the *Essential Services Commission Act 2001*.

3.2 Promoting the long term interests of Victorian Customers

The People Energy management team has been providing cost effective retail solutions to small customers with a focus on compliance and quality of service, for a number of years. The expansion into electricity retail by People Energy will further improve the long-term interests of electricity customers in Victoria – See People Energy Business Plan – **Attachment G**.

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

The People Energy business model of a low cost service provider, utilising industry best practice and proven customer service operations and leveraging off existing experienced resources will ensure continuing efficiency in the Victorian electricity sector.

3.4 Facilitating the financial viability of regulated industries

The focus of People Energy's retail strategy is to leverage its robust, financial management to provide cost effective solutions, with a strong focus on managing risk. The attached business plan and Electricity Trading Risk Policy demonstrate commitment in this area.

3.5 Preventing the misuse of monopoly or non-transitory market power

The addition of People Energy to the electricity retail market in Victoria will ensure that customers have a wider choice of options from an independent, Australian based utilities provider.

3.6 Facilitating effective competition and promoting competitive market conduct

The granting of an electricity retail licence to People Energy will demonstrate an ongoing commitment to supporting the entrance of new retail companies in a competitive market.

3.7 Ensuring that users and consumers [including low income or vulnerable customers] benefit from the gains from competition and efficiency

The People Energy management team has been providing competitive options with tailored plans and flexible payment options to small Australian customers for many

years. Leveraging this experience into electricity retail will further expand the range of options available to prospective retail customers.

3.8 Promoting consistency in regulation between States and on a National basis

Whilst People Energy will commence retailing electricity in Victoria, it intends to expand its range of services on a national basis. As such, most of the governing principles and associated documents will be amended for other jurisdictions, where appropriate. People Energy will play an active role in the development of its business and industry representation, on an ongoing basis.

3.9 Promoting a consistent regulatory approach within the electricity industry

The People Energy management team has for many years been required to comply with obligations within its telecommunications business – this has included responsibilities to Regulators, Ombudsmen and regulatory changes. Consistent practices, outlined in our compliant policies and procedures, will be employed in the electricity retail business to ensure continuing compliance.

3.10 Promoting the development of Full Retail Competition

People Energy will introduce competitive pricing, honest and simple customer interaction and compliant processes and systems to ensure the ongoing development of FRC in Victoria. Adding People Energy as a licensed electricity retailer supports the Commission's objectives.

4 Financial Viability

4.1 Business Plan

People Energy has prepared a detailed Business Plan, which is enclosed as **Attachment G**. The plan contains details of the positioning of People Energy in the Victorian energy market, including strategy, products, growth estimates and funding requirements.

4.2 Financial Capacity

People Energy has recently put in place an investment structure to support the financial requirements of the business and the funds have been committed to the business in accordance with the Financial Model and Business Plan. The company assures the Commission that it will meet the financial viability requirement of S.19[2] (a) of the Electricity Industry Act. A Deed of Guarantee is included with **Attachment H**.

A summary of the financial model is enclosed as **Attachment H** and includes the following:

- Profit and Loss Forecast
- Cash flow forecast
- Model assumptions

4.3 Australian Financial Services Licence

People Energy is fully aware of its obligations to have an AFSL in place before dealing in financial derivatives. External lawyers [Norton Gledhill] and wholesale trading and risk management consultants [M&C Energy] have been engaged to assist People Energy with its wholesale risk requirements. Information regarding People Energy's wholesale strategy is commercially sensitive and is contained in **Attachment H**.

4.4 AEMO Prudential Support

People Energy will need to provide credit support to AEMO for its wholesale market activities. People Energy has analysed the requirements and methodologies for the calculation of credit support and has discussed and agreed the projected figures with AEMO.

People Energy has support from its financial institution for prudential guarantees and will continue to be able to meet the credit support requirements as determined by AEMO.

4.5 Credit Rating

People Energy has obtained a Dynamic Risk Score credit rating and this is attached as **Attachment I**.

4.6 Distribution Arrangements

People Energy is currently in discussion with each Victorian Distribution Network Service Provider and will have agreements in place with each provider prior to undertaking any retail activities in that area.

People Energy will meet its credit support obligations with Distribution Network Service Providers. Evidence of communication with each DNSP is provided in **Attachment P**, together with an indicative UoS Agreement [Powercor], as an example of the default Agreement which People Energy will enter into with each relevant DNSP.

5 Technical and Operational Capacity

5.1 Internal controls, policies and Procedures

People Energy has compiled a detailed set of Policies and Procedures to ensure the business can manage its retail operations and remain compliant with all relevant obligations in the Acts, Regulations, Codes, Guidelines and licence conditions applicable to the business.

In addition, Norton Gledhill has compiled a list of relevant obligations applicable to People Energy. People Energy confirms it will remain compliant with these relevant obligations.

The aforementioned Policy documents are included in **Attachment J**.

5.2 Compliance Management

People Energy has evolved from the management team of a successful customer focussed business that has a culture of compliance and demonstrated compliance processes and procedures from its involvement in the increasingly regulated telco sector.

The processes and systems required for compliance are part of the group management systems, which will be replicated in the energy business and will ensure continued compliance with not only the applicable codes and guidelines but also additional obligations contained in the Australian Consumer Law, Victorian Fair Trading Act and the Competition and Consumer Act.

The internal compliance team, together with assistance from Norton Gledhill will ensure identification and compliance of relevant obligations on an ongoing basis.

The collection of Procedures for People Energy is included as **Attachment J2**.

5.3 Risk Management

People Energy has compiled a detailed policy covering Risk Management – incorporating wholesale electricity trading risk management. Although the business plan confirms a controlled and cautious initial growth plan, the key risks associated with operating a retail business have been identified and the Board has endorsed a detailed Risk Management Policy. This policy will continue to be relevant, through regular reviews and updates, where appropriate.

5.4 Complaints Management

The management team of People Energy has been dealing with customers for many years in a similar industry and has developed a policy and procedures for the handling of customer complaints that will be implemented in its electricity retail business. All complaints are taken seriously, handled swiftly and with sensitivity – all

details relating to customer complaints are captured in the Customer Management Systems and can be tracked and reported to meet industry obligations.

5.5 Privacy

People Energy has considered the importance of maintaining the confidentiality of customer information in all interactions – voice, written and web based. Accordingly, a Privacy Policy has been developed and is included in **Attachment J**. This policy will also be available on the People Energy website.

5.6 Customer Management

All customers are required to provide Explicit Informed Consent before entering into a contract with People Energy. A comprehensive process involving sales calls, third party verification and quality assurance will be applied. All TPV and QA calls to each customer are voice recorded and attached to the customer file in the CRM system. All documentation relating to retail customers will be retained in a secure environment for a period of at least 7 years.

5.7 Terms and Conditions

Terms and Conditions for small customers are in the process of being prepared and will be included as **Attachment L**. These are and will continue to be compliant with the applicable Codes and Guidelines.

5.8 Training

People Energy has developed a training program, which will be mandatory for all staff involved in customer interaction. The training program covers the important topics of compliance, customer hardship, complaints and privacy. This mandatory training will be part of induction processes and will be updated and refreshed from time to time. There are knowledge-based tests within the training and minimum levels must be achieved to demonstrate understanding. All training records are kept with the individual personnel records.

6 Retail Systems and Services

6.1 Retail Systems

People Energy will carry out all necessary retail functions internally. The business will manage the interaction with market participants and counterparts, with a proven suite of retail systems from Agility CIS - which are used successfully by over 10 energy retailers in Australia and regularly billing in excess of 1 million energy customers annually.

Attachment O contains a summary of the functionality included in the Orion suite of retail systems from Agility CIS. The Agreement with Agility CIS is also included in **Attachment Q**.

6.2 Management Systems

To supplement the implementation and integration of the Orion retail systems from Agility CIS, People Energy may utilise existing, proven in-house systems for third party verification, quality assurance, customer records management and data management. All of these systems have been developed over a period of time and tailored to the requirements for dealing with existing customers.

6.3 Website

People Energy is developing a comprehensive website which will demonstrate its range of products and services and allow current and prospective customers to access relevant documents including:

- Terms and conditions
- Pricing information
- Customer Charter
- Terms of Use

The website will also have an online self-service portal to facilitate bill enquiries, payments, change of details etc in order to streamline and improve our product offering and customer experience.

7 Additional Business Requirements

7.1 AEMO Registration

People Energy has engaged with AEMO and has lodged its application for Market Participant. The interaction has included the calculation of prudential requirements related to MCL and PM – both of which will be met by People Energy.

The approval of this application will not be completed until after the granting of an electricity licence. The AEMO application is enclosed as **Attachment M**.

7.2 ASX Austraclear Membership

People Energy has made application to ASX for membership of the Austraclear systems for the settlement of energy purchases. The participation will be completed on the granting of market participation by AEMO.

7.3 Ombudsman Scheme

People Energy has made contact with EWOV and is familiar with the requirements of the scheme. An agreement with EWOV will be entered into after the granting of an electricity licence and before any retail activities in Victoria.

7.4 Community Services Agreements

People Energy is in discussion with the Victorian Department of Human Services and will enter into Community Services Agreements for the provision of concessions to eligible customers.

7.5 Metering Arrangements

People Energy will initially be marketing to small customers in Victoria and will use the deemed arrangements with the Distribution businesses for metering. When the business prepares to retail electricity to large customers, arrangements will be made to secure commercial terms with appropriate metering providers.