Application for Electricity Retailer Authorisation

21 Sept 2012

Energy on-selling

Purpose of Document

WINenergy is making an application to the Essential Services Commission of Victoria for a licence to retail electricity. To the best of our ability we have attempted to follow the "Guidance Notes for Applications for Electricity Licenses and the Transfer of Existing Electricity Licences" (November 2006).

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1 INFORMATION ON THE APPLICANT

1.1 Applicant

WINenergy Pty Ltd ACN 112 175 710

201/12 Cato St

East Hawthorn

3123

1.2 Contact

Mr Tim Norton
Director

Tim.Norton@WINenergy.com.au

0418170562

1.3 Corporate Structure

Board
Dr Daniel Norton
Ms Kerry Adby
Mr Tim Norton
Mr Tom Patsakos
Mr Russell Neil

Management
Mr Tim Norton
Mr Tom Patsakos
Mr Russell Neil
Mr Attila Marton
Mr Phil Baxter

An organisation chart is attached as appendix 1

1.4 Experience of the Personnel

Provided in appendix 2

1.5 Contracts for outsourced services

The company leases office accommodation from Mr Tim Norton on commercial terms.

From time-to-time the company engages electrical contractors to undertake switchboard works related to the implementation of embedded networks.

Accredited Meter Providers
Energy Australia Technical Services
Metering Dynamics – subsidiary of Energex Ltd
Skilltech

Meter Reading
Skilltech
AMRS – subsidiary of Service Stream Ltd
Electricians
Neilson
O'Donnell Griffen
Stowe
KLM

The following major activities are INTERNAL competencies

- Customer acquisition
- Customer service
- Billing
- Accounts receivable

1.6 Ownership

The company is predominantly owned by the management team. The ASIC database is up-to-date with respect to the share register.

1.7 Outstanding legal proceedings or compliance issues

Nil

1.8 Type of License

Retail electricity license

We seek to operate under the license from 1 Jan 2013

1.9 Nature and Scope of Operations

WINenergy Pty Ltd currently operates as an agent for organisations who on-sell electricity within an embedded network under the AER guidelines for on excempt selling. In this capacity we comply with the retail electricity codes and rules. We have a robust business in this particular market niche. We now seek to use this as a platform to retail electricity. We believe that our existing experience, whilst being outside the market, gives us a proven track record in many of the facets demanded of authorised retailers.

WINenergy intends to retail electricity to large customers such as shopping centres, large commercial building or high rise towers. In some instance we wil retail to buildings in which WINenergy operates an embedded electricity network. As we take on more embedded network sites, we can pursue a phased entry into the market without heavy investment in customer acquisition.

We also intend to retail electricity to franchised chain stores. In our embedded network operations, we bill such stores and we would like to be able to deliver a complete solution by billing stores that are in localities where there is no embedded network.

A retailer authorisation will enable us to register as market participants. It is our hope that we can use this to better manage the meter data pertaining to our end-user customers across our entire business.

The decision to enter this market is a logical extension of our current operations. To better equip ourselves we have bolstered our board with directors experienced in the governance of energy retailing. Although an entry-level retailer, WINenergy already has 7 years experience in retail-like functions.

1.10 Other Licenses

WINenergy Pty Ltd holds a retail electricity license in NSW

We have an application under consideration with the AER for operation under the NECF.

1.11 Existing Activities

Since its inception in 2005, WINenergy has specialized exclusively in the establishment and operation of Embedded Networks for electricity. Typically we undertake this activity as an agent of the property owner or the owner's corporation.
At a few sites we bill for water and gas, but only as a billing agent. With regards to electricity we operate over 100 sites and we have a further 18 contracted sites in implementation. We have about 80 sites in our forward sales book that are likely to be contracted in the next 24 months. All of our sites are "grid connected". We operate sites in Qld and NSW, but the majority of our sites are in Victoria.
Our clients are large funds and property trusts who own shopping centres. We also service property developers who either build and "run" properties, or hand them over to owners' corporations.
Our fundamental business is the supply of metering and the management of data and billing in privately owned embedded networks. Electricity is resold at a rate that is substantially lower than a conventional supply arrangement.

Whilst WINenergy's activities are considered niche in nature, they are predicated on:

- Increased competition,
- End-user cost reduction,
- More comprehensive energy management and
- Excellence in service delivery.

In delivery of its services, WINenergy complies with all relevant state legislation, distribution codes and pricing policies as appropriate and operates under contract to blue chip organisations.

In producing monthly electricity bills for about 13000 customers we have adopted and adapted the following procedures:

- All consumption is metered
- Type 4 or Type 5 interval meters (complaint with metrology code) are used exclusively
- Meters are read monthly and bills are based on actual not estimated consumption

- Where requested, we probe meters and supply customers with interval data for a modest fee.
- Customers are presented with an industry compliant bill that details tariffs, consumption, greenhouse gas emission and graphical usage comparisons.
- Customers are offered a broad range of payment options
- With the exception of our client sites in Qld, customers are always offered choice and given the ability opt out of the EN.
- Our internal customer service centre adheres to complaint handling procedures.
- We comply with industry disputation procedures and our customers have access to and use VCAT for more complex cases.
- Payment plans are provided for genuine hardship cases including small business owners
- There is a formal disconnection procedure for non-payment.
- We offer customers a discount to the published tariffs of the local default retailer and endeavor to beat the best genuine offer that the customer can get from a retailer.

1.12 Organisational Competence

Whilst being a small organisation relative to energy retailers, WINenergy a divisional structure and demonstrated expertise to service business and consumer customers.

Operations

- Contractor Management
- Energy Purchasing
- Energy Efficiency
- Project Management
- Technical Support
- Effective communications with Market Authorities: AER, AEMO, IPART, ESCV, LNSPs

Finance

- Accounts Receivable
- Accounts Payable
- Management Accounting

Billing

- Actual monthly meter reads (not estimated unless equipment is faulty)
- Consumption analysis
- Move in move out
- New Account details
- Monthly Bill Run
- Problem Resolution
- Network Billing (NUoS tariffs only)

Information Technology

- Billing System
- ERP
- Case Management System
- Interactive Voice Response & Telephone PABX
- Payment Gateways
- Customer Relationship Management System
- Account Receivable email/sms reminders

Customer Service

- Telephone Response Centre
- Customer Acquisition
- Marketing

Management

- Business Development
- Contract Management
- HR
- Compliance
- Risk Management

2 OBJECTIVE OF THE COMMISSION

2.1 In performing its functions and exercising its powers, the objective of the Commission is to promote the long term interests of Victorian consumers with regard to the price, quality and reliability of essential services

WINenergy certainly complies with the objective of delivering consumers cheaper electricity. The exempt on-selling world is not transparent to the industry with respect to quality and reliability. Our desire to operate within the framework of a retail license should give greater comfort to regulators.

2.2 To facilitate efficiency in regulated industries and the incentive for efficient long-term investment:

Property owners and developers invest in the electricity infrastructure within their building. They also have the option to invest in transformers and to buy electricity at high voltage. Embedded Networks better reflects the physical world by allowing the on-selling of power in the context of this building infrastructure. Having retail licence will assist us in dealing with DNSP's and as a market participant, we hope to be able to sort out metering issues more effectively.

2.3 To facilitate the financial viability of regulated industries:

WINenergy's participation as an electricity retailer within Victoria will reinforce our current activities and take some administrative burden from DNSP's.

We will continue to offer end-user consumers discounted electricity

2.4 To facilitate effective competition and promote competitive market conduct:

The establishment of an embedded network enables building owners to utilise the internal electrical infrastructure for a return rather than turning over their main switchboard and meter panel for the exclusive use of DNSP. In this manner, it subjects monopolistic distributors to an element of competition.

It is imperative that customers within Embedded Networks have the freedom to select retailer and availability to a dispute resolution process that ensures continuity of supply.

2.5 To ensure that regulatory decision making has regard to the relevant health, safety, environmental and social legislation applying to the regulated industry:

WINenergy will comply with all health, safety, environment and social legislation applying to the electricity industry.

To comply with the Intermediary Distribution and Intermediary On-sell of Electricity in Victoria the following Acts, codes and policies need to be complied with:

1 National Electricity (VIC) Act;

2 Electricity Industry Act;

3 Retail Electricity Act;

4 Electricity Distribution Code;

5 Metering Policy;

6 Pricing Policy; and

   a. Billing Format;

   b. Rates (tariffs).

2.6 To ensure that users and consumers (including low-income or vulnerable consumers) benefit from the gains from competition and efficiency:

Our consumers are offered electricity at a discount to the market, as a best practice activity we also provide payment plans.

Whilst we operate in an exempt capacity, we adopt industry standard practises for consumer protections and we adhere to the proposed AER guidelines for energy on-selling.

2.7 To promote consistency in regulation between States and on a national basis.

We have been actively engaged with the AER in their review of on-selling and we applaud the move towards national consistency. Our embedded network operational skills have been honed in Vic and applied to NSW. However we attained a retail license in NSW first.

3 INFORMATION ON FINANCIAL VIABILITY

WINenergy Pty Ltd is capable of paying its debts as and when they fall due. The company finances are robust and profitable and are backed by the financial resources of WINaton Pty Ltd which is a major shareholder.

The company is fully up to date with taxes including GST, PAYG.

Annual audited accounts are prepared by Pitcher Partners and are included in the appendicies. WINenergy does not produce an annual report.

The company is up to date with all employee entitlements including superannuation contributions.

The company financial systems process electricity bills of the order of $40m a year. These systems are robust, auditable and scalable.

Embedded network sites are typically contracted for 5 years. When contracts have matured we have experienced extremely high rates of renewal.

4 INFORMATION ON TECHNICAL CAPACITY

An organisational chart and details of key personnel are included in the appendices.

A copy of our end-user agreement form is given in appendix 6

4.1 Internal Controls Policies and Procedures

Meter Data

As part of WINenergy's turn-key solution to establishing and managing the on-going operation of an Embedded Network, WINenergy manages all meter data collection and dissemination.

This encompasses the following elements;

(i) All installed meters (Tier 1 and Tier 2) are at least type 5 smart interval meters; same type of meters that are installed by Local Network Providers (LNSPs). Depending on the requirements of the customers, either single phase, whole current three phase or three phase CT meters are to be installed.

(ii) Data is sent to WINenergy from various parties in various formats including CSV, NEM12 and NEM13. Where the data fails validation (e.g. too high, too low, etc.) WINenergy estimates the reading based on market rules to avoid any delays in issuing bills. Once valid data becomes available, adjustments are accordingly made on the subsequent bill.

(iii) The collected meter data can be made available to any required stakeholder. It must be noted that Tier 1 customers' data are not required to be sent to any market participants (e.g. AEMO, retailers, LNSPS and or MP/MDA's).

In relation to Tier 1:

(i) WINenergy's preference is to have these meters read manually on a monthly basis and perform special reads when either the customer moves in or out of their premises. WINenergy uses accredited meter reading companies such as UXC Metering and AMRS to read meters. These companies are utilised by the LNSP to read Tier 2 and market meters.

(ii) All meters installed will be programmed to record 'time of use' consumption which provides WINenergy the flexibility of providing peak/off-peak rates and flat tariff rates without having to re-program the meters. When required, WINenergy can also download interval data from the Tier 1 meters to perform any consumption analysis that may be required.

(iii) Automatic meter reading systems (AMR) are also available and can be utilised. However, WINenergy's preference is to minimise the use of such systems as it is not the most cost effective and reliable method of reading the majority of the tenants' consumption.

In relation to Tier 2:

(i) During the establishment of the Embedded Network, the LNSP will install at least type 5 metering for these customers. WINenergy has established a number of Embedded Networks in the area and has formed closed working relationships with the LNSP to ensure that the smooth establishment and on-going scheduling of monthly meter reading will occur.

(ii) WINenergy works closely with all LNSPs to ensure access to their meters is not hindered in any way. WINenergy ensures appropriate documentation is provided to the LNSP to clearly identify the location and access points to their meters.

(iii) LNSP will be responsible for reading the meters and supplying the data to the market participants. WINenergy will utilise this data to bill the Tier 2 customers for their network charges.

Network Reconciliation

To validate the integral operation of the Embedded Network, WINenergy as a matter of course, undertakes the following processes:

(i) Network reconciliation is carried out monthly. This process analysis the total amount of energy billed at the gate meter and the total amount of energy that was billed out to the tenants (both Tier 1 and Tier 2). As part of this analysis, reconciliation is carried out on the retail, network and statutory components of the gate meter. This ensures charges have been applied correctly and the consumption of the Tier 2 customers has been subtracted correctly. This reconciliation report is available as part of WINenergy's monthly reporting package.

(ii) As part of the service, WINenergy liaise with both the gate meter FRMP and the LNSP to address any identified issues and ensure any adjustments are followed through.

MARKETING AND SALES MANAGEMENT

WINenergy has a tried and tested process for successfully marketing to tenants the benefits of becoming part of your Embedded Network; as can be attested to by our clients. As a high level outline, WINenergy follows the following processes:

- Initial letter is sent to all tenants as an awareness campaign informing them of the benefits of electricity Embedded Network. The content of the letter is reviewed and approved by the shopping centre before it is distributed;
- Each tenant is individually contacted by a dedicated in-house energy consultant as a follow up of the initial letter. For all intents and purposes, the same energy consultant is available for contact for the duration of the operation of the Embedded Network;
- Each tenants' current electricity bills are reviewed and a price comparison report is provided to the tenant as part of the offer, illustrating their electricity savings;
- The energy consultant highlights the benefits of becoming a stake holder within the established Embedded Network through demonstrating the following key points;
    - personalised service – always talk to a person based in Victoria;
    - accurate billing – meters are read monthly, not estimated;
    - regular billing – bills are issued monthly in the first fortnight of the month;
    - competitive price – due to the buying power of the Embedded Network, retailers find it difficult to compete with these rates;
    - flexibility in service provision – prompt connection and disconnection (normally one business day notification) and flexible pricing tariffs that customer can select from even after the initial sign up; and
    - No fixed contract – customers can choose to become a Tier 2 customer as they wish.

MANAGEMENT CONNECTIONS / DISCONNECTIONS

WINenergy flexibility in managing all connections and disconnections within the Embedded Network are demonstrated in the following points;

Customers have the option to either sign-up online (online form is available on the WINenergy's website http://www.winenergy.com.au) or complete a single page agreement form and fax through the details. The same options are also available for moving-out/disconnecting.

(i) For all connection or disconnection requests, WINenergy's meter readers attend the site on the scheduled date to ensure the power is switched on for a move-in and disconnected for a move-out. During each visit, a meter reading is recorded to ensure tenants are only billed for the power they consumed.

- Please Note: In most shopping centres, when a customer moves out of a tenancy the centre usually request WINenergy not to disconnect the power. All power consumed after the tenant has vacated is billed directly to the centre until a new tenant moves in. WINenergy can manage either of the processes.

(ii) For move-ins/connections WINenergy has a "same day" or "next business day" connection option available for the tenants. To avoid a same-day connection fee, customers are asked to send in the connection request by 2pm on the previous business day.

(iii) Where a Tier 2 customer would like to become a Tier 1 customer, WINenergy organises the meter replacement, market notification (e.g. LNSP and gate meter FRMP), customer and shopping centre notification, together with all related paper work to ensure the transition is as smooth as possible. In most cases, WINenergy can organise the transition to take place within five working days from receiving the request. Furthermore, the actual replacement of the LNPS meter with an Embedded Network meter is arranged to take place outside of normal business operating hours on weekdays.

Collections

WINenergy has a dedicated team of professionals whose sole focus is the management of the collections and overdue payment procedures. WINenergy's procedures are closely in-line with the Energy Retail Code as reflected in the following high level processes:

(i) WINenergy's trading terms are 14 days from date of invoicing. Any outstanding accounts within the 15 – 20 days period are followed up by a phone call.

(ii) Where non-payment continues for a further 7 days, a Disconnection Notice is issued indicating that disconnection may occur should they not pay the outstanding account within further 7 days. By this time the next invoice will be issued highlighting any overdue amount and that the account is in arrears.

(iii) If non-payment continues Westfield is contacted by WINenergy regarding our intentions to confirm that disconnection may be undertaken for a particular tenancy, or alternative measures taken in conjunction with the Centre Management against the tenant.

(iv) Tenants who move to the stage of having a Disconnection Notice issued may be requested to provide Direct Debit details for settlement of all future accounts.

(v) All effort is made to negotiate a suitable arrangement with the tenant. It is WINenergy's intention to closely adhere to provisions pursuant to the Victorian Electricity Retail Code for Credit control matters.

If at any time tenants are having financial difficulties paying their accounts, payment plans are arranged and the collection team ensures is strictly followed by the customer.

Where there are any account disputes, the above process is halted until the query is resolved. WINenergy's intentions are to have any disputes resolved expediently an amicably to ensure payment of accounts is resumed promptly.

4.2 Business Model

Our business plan is provided in the appendices.

Our clients are large funds and property trusts who own shopping centres. We also service property developers who either build and "run" properties, or hand them over to owners' corporations.

Our fundamental business is the supply of metering and the management of data and billing in privately owned embedded networks. Electricity is resold at a rate that is substantially lower than a conventional supply arrangement.

With the availability of a retailer authorisation, we would gradually move some of our source of electricity that is on-sold from electricity retailers to the market. The following ramp up is proposed.

	FY 2016	**FY 2015**	**FY 2014**	**FY 2013**
% Retail	35%	20%	15%	5%

WINenergy hopes to become the pre-immanent operator of embedded networks in Vic and NSW. We believe that participation in the NEM via a retail licences will assist us in the goal.

4.3 Risk Management & Governance

Our risk management framework is given in appendix 5.

Our operations are over seen by a board of directors consisting of 3 executive directors and 2 independent directors.

4.4 References for Key Personnel

Included in the appendicies.

4.5 AFSL

Not applicable

4.6 Billing System

WINenergy's in-house proprietary robust, yet flexible billing engine is used to issue electricity, water and gas accounts to more than 9000 customers every month. The functionality of the billing system encompasses the following key functionalities;

(i) WINenergy issues bills monthly to all Tier 1 and Tier 2 customers within the Embedded Network. The flexibility of WINenergy's in-house billing system enables the issue of both bundled and un-bundled bills to Tier 1 customers while also billing Tier 2 customers for their network charges.

(ii) The generated bills are printed and posted. Customers are also given the option to have their bills emailed to nominated email addresses.

(iii) WINenergy provides numerous payment options to all customers such as B-PAY, POSTbillpay (internet, phone and in person options are available), automatic payment (bank account or credit card), cheque, over the phone credit card and EFT.

(iv) All received payments are recorded daily against the respective tenant's debtor account and the bank account is reconciled weekly. This ensures all accounts details are always up to date to address any customer enquiries.

4.7 Complaints Register & Procedures

We propose to leverage the customer service capabilities of the parent company.

We run a dedicated customer service desk that is assisted by an interactive voice response PABX so that customers can get account information directly from the computer system. All inquiries fielded by customer service are recorded in the issues system.

We are not currently members of EWOV scheme. In the history of the organisation, two complaints have been escalated to VCAT but the complaints could not be substantiated and were withdrawn.

4.8 Privacy Statements

This is accessible via our web site

http://www.winenergy.com.au/privacy.html

4.9 Document Retention Policy

We retain hard copies of all customer agreement. It is our intention to introduce a scanning storage system within the next 12 months.

4.10 Industry Submissions

Our submission to the AER review into on selling is on their web site. We have made a submisstion to NSW Department of Industry regarding the alignment of NSW electricity rules with NECF.

5 ELECTRICITY RETAIL LICENSE APPLICATION

5.1 Experience and Knowledge

The company has many years of intimate experience in the "exempt" area of the electricity industry. We are fully versed in the following areas without ever having been market participants:

- Long term pricing trend analysis
- Energy Procurement
- Energy Efficiency & Sustainablitliy
- Australian energy regulatory regime
- Service installation rules
- Metrology codes

5.2 Summary of Skills

Directors and senior managers are well credentialed in running a successful enterprise. They hold assorted technical and managerial qualifications.

Dr Dan Norton is a past Chairman of NEMMCO having been intimately involved in the regulation of the Tasmanian electricity industry. He currently serves on the board of Aurora Energy.

Mr Tom Patsakos was involved in the early days de-regulation in Victoria at Powercor and is a highly respected spokesman on energy matters including pricing trends. Tom holds an MBA.

Mr Tim Norton (also MBA) focuses on legal, compliance and finance issues. He is a Fellow of the Australian Institute of Company Directors and has served in the past on the boards of 3 successful listed companies (OKN,FAC,IWL).

Ms Kerry Adby is a lawyer and merchant banker who has served on numberous boards including Transgrid.

5.3 Ability to Comply

We believe that our procedures to support exempt selling activities provide a stable platform by which we can comply with the requirements of ESCV. In particular we address:

- Distributor relationships
- Meter reading
- Billing system
- Payment gateways
- Provision of Information to customers
- Privacy
- Customer infomation system

5.4 Retail to large or small customers

We will continue to retail to small customers in our exempt on-selling capacity. It is our intent to use a retail license to sell electricity to the gate meter of an embedded network and this will always be over 160 MWh p.a.

5.5 Licenced Generator Agreements

We have no pending agreements with generators, but we have held preliminary conversations with one generator that was predicated on a re-allocation approach. In the first instance we will continue our existing practise of purchasing electricity from large retailers.

5.6 Preliminary Registration with AEMO

We are in current discussions with AEMO ans AustraClear in term of attaining registration under the umbrella of our NSW retail licence.

We have had on-going discussions with AEMO over many years in the context of our exempt on selling operations.

5.7 Mitigation of Price Risks – Hedging and re-allocation

This load will be procured under a *Load Following Wholesale Agreement* from retailer/generators with whom we have advanced discussions. This strategy will alleviate the risk of trading overs & overs through the spot market. Thus WINenergy will have no exposure for at least three years.

5.8 Ability to obtain credit checks for customers

WINenergy currently uses the Dun and Bradstreet service on an ad-hoc basis for company credit risk reports. We are able to join their subscription service when we have the volume of business. It is our intention to mitigate risk for large commercial and industrial retail electricity contracts via such reports. However, we have not in the past done consumer credit risk research. We mitigate our exposure to consumer risk by direct debit and monthly billing. Our customer agreement form includes the legal provisions enabling us to undertake credit checks and this has been reviewed by Dun and Bradstreet (see attached correspondence).

5.9 Participation in EWOV scheme

In the event of attaining a retailer authorisation WINenergy will be able to join the ombudsman scheme. Correspondence with EWOV attached.