



Blue NRG Pty Ltd

ABN: 30 151 014 658

Prepared for:
Essential Services Commission
Level 2, 35 Spring Street
Melbourne 3000

Application for Victorian Retail Electricity Licence

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SECTION 1 – INFORMATION ON THE APPLICANT AND NATURE OF THE APPLICATION

1.1 Information on the Applicant

The applicant is Blue NRG Pty Ltd ACN 151 014 658 of Suite 15, 333 Canterbury Road, Canterbury Victoria 3216 (“Company” or “Blue NRG”). Blue NRG is a company registered under the Corporations Act 2001 and was registered in Victoria on 20 May 2011. The Company is a fully controlled subsidiary of Green Generation Pty Ltd ACN 113 031 486 a company registered in Victoria on 21 February 2005.

The Company's Certificate of Registration and Constitution are **Attachment A and B**.

Other information:

Registered address

Suite 15, 333 Canterbury Road
Canterbury VIC 31260

T: 03 9006 9094

F: 1300 881 903

Who to Contact:

Name: Stewart Jackson

Tel: 03 9006 9094

1.2 Blue NRG

Blue NRG is a privately owned Australian company and was incorporated to retail electricity, initially in Victoria and potentially New South Wales and Queensland. Blue NRG is a newly incorporated entity which was set up for the sole purpose of obtaining a retail electricity licence in Victoria. It does not presently carry on any business within the electricity industry or outside the electricity industry.

1.3 Nature of the Application

Blue NRG Pty Ltd seeks an electricity retail licence.

Blue NRG has been established with the sole purpose of selling retail electricity. It plans to sell electricity to select small to medium size businesses. It seeks a licence to sell electricity as from 1 January 2012 or from the date when it has fulfilled all applicable regulatory obligations to conduct a retail electricity business whichever is the earlier.

Blue NRG has not made any previous unsuccessful licence applications in Victoria or any other jurisdictions. Blue NRG and its associate entities do not hold and have not held any retail electricity licences in Victoria or elsewhere.

Blue NRG is not seeking any non-standard licence conditions.

Blue NRG is not conducting any activities either within or external to the electricity industry.

Blue NRG's proposed participation in the Victorian electricity industry is to market retail electricity principally to small to medium size enterprises (chiefly below 160MWh consumption per annum) and secondly to a very small number of closely associated residential customers.

1.4 Accurate and Complete

Statutory Declaration attached from a Director, Stewart William Jackson as **Attachment C** confirms that the accuracy and completeness of all information provided in the application.

1.5 Corporate Structure

A diagram of Blue NRG's corporate structure is attached as **Attachment D** (including details of its parent company Green Generation Pty Ltd and related company GG Micro Gen Pty Ltd ACN 147 712 794). Blue NRG is not the trustee or a beneficiary of a trust.

A chart showing Blue NRG's organisational structure (including the composition of its Board and other key personnel) is attached as **Attachment E**.

1.6 Summary of Experience of Key Personnel

Blue NRG Pty Ltd has engaged a very strong and highly qualified management team comprising people who have broad experience in the Australian retail electricity industry.

Management and key personnel's experience is set out in our Business Plan as **Attachment L**.

1.7 Primary Directors

Michael Norster, BSc, LLB – Managing Director

Michael Norster holds degrees in science and law from Monash University and has over 20 years' experience as a commercial lawyer specialising in the information technology, telecommunications and utilities/infrastructure sectors. Until mid-2005 he held a full Victorian legal practising certificate which he voluntarily relinquished as unnecessary to the furtherance of any of his business interests.

In 1997 Michael founded the Australian Energy group of companies that traded under the name Powerdirect. Mr Norster's corporate group were the major shareholder in the Australian Energy group of companies from the ASX listing of Australian Energy Limited in 2001 until its completed sale under scheme of arrangement to Ergon Energy in 2006. He was an executive director from foundation till 2004 and a non-executive director from that time until the sale to Ergon.

Michael is also the co-founder of internet company Hotkey Internet Services Pty Ltd telecommunications company Miracom Telecommunications Pty Ltd and the information technology recruitment company Primex Solutions Pty Ltd.

In 2006, Mr Norster was asked to rescue an ailing listed gas production and exploration company called Sydney Gas. That company had been left with no directors, CEO or CFO. Mr Norster as acting chairman reconstituted the board and management of the company, refinanced it and defended a hostile takeover.

Currently Mr Norster is the managing director of his own private investment group, Energy Direct Investments. The investment group specialises in energy and telecommunication sector investment and has general business and share investment ranging from seed capital through to investments in listed

stocks. Apart from energy and telecommunications the group has a diverse range of private company investments consisting of retail and wholesale specialist clothing and footwear, information technology recruitment, online general recruitment, telecommunications value adding software and industrial intellectual property.

Stewart Jackson LLB – Director and Legal Counsel

Stewart Jackson is a senior legal practitioner and holds a law degree from Melbourne University. He has broad experience in the retail electricity sector and has worked in various ‘In-House Counsel’ roles in the electricity industry since 1995, in Victoria, NSW, Queensland, SA and Tasmania.

These roles have included legal, regulatory and compliance positions with Powercor Australia, Hydro Tasmania, Yallourn Energy, Powerdirect, Neighbourhood Energy, JackGreen, Momentum Energy, Qenergy, NEMMCO (now re-badged as AEMO) and Diamond Energy.

Before moving into the electricity industry, he successfully conducted his own commercial and general legal practice in suburban Melbourne and later in the Melbourne central business district. This included property, planning issues, subdivisions, litigation, court appearance work, commercial contracts, businesses and franchising.

He possesses a keen ability to recognise legal issues and risk, and the experience required to assess the associated commercial risk within a business environment.

SECTION 2 - ESSENTIAL SERVICES COMMISSION'S OBJECTIVES

Blue NRG is of the reasonable view that the granting of an electricity licence to Blue NRG would be consistent with the objectives of the Commission under section 10 of the Electricity Industry Act 2000 and section 8 of the Essential Services Commission Act 2011.

Blue NRG's reasons are outlined below:

2.1 Section 10 Electricity Industry Act 2000

a. To promote a consistent regulatory approach within the electricity industry:

The granting of a retail electricity licence to Blue NRG will have no impact either adverse or favourable in relation to this objective.

b. To promote the development of full retail competition:

The entry by Blue NRG as an electricity retailer into the Victorian electricity market will increase consumer choice and strengthen retail competition. Blue NRG understands that the key drivers in a competitive retail market, where the product being offered - electricity - is identical regardless of who sells it, are price and service. These are the factors that are crucial to Blue NRG's Business Plan (see **Attachment L**).

2.2 Section 8 Essential Services Commission Act 2001

a. To protect the long-term interests of Victorian consumers with regard to the price, quality and reliability of essential services:

The granting of a retail licence to Blue NRG will increase the number of licensed electricity retailers in Victoria. Given our proposed approach this will increase competition in the market, which can only benefit consumers. Blue NRG's commitment to strict compliance with regulatory with applicable laws, codes and regulations, will assist in building consumer confidence in the industry. Blue NRG has the necessary retail electricity experience and resources to operate a successful retail business.

Blue NRG believes in leading by example. Only the highest standards of marketing conduct and customer service are regarded by its Management Team as good enough.

b. To facilitate efficiency in regulated industries and the incentive for efficient long term investment:

Being a new entrant with experienced operators the Company has a cost efficient philosophy. The use of robustly tested and efficient new technology to ensure the highest levels of customer service at an efficient cost to serve will be a major factor in the long term viability of the Blue NRG business. This coupled with its parent company's stated objective of generating efficient renewable energy to supply consumers, provides a clear example of a new and exciting vertically integrated energy investment proposition for the marketplace in Australia.

c. To facilitate the financial viability of regulated industries

The Board of Blue NRG believes that the Company's entry into the Victorian retail electricity market will benefit customers, with its strong focus on competitive pricing and superior customer service. The Company's pricing will be backed by professionally risk managed wholesale derivative positions in which its founders have been pioneers over the last decade. This will provide appropriately priced and risk balanced returns that will ensure a strong and viable retailer into the future.

d. To ensure that the misuse of monopoly or non-transitory market power is prevented:

Another entity such as Blue NRG participating in energy retailing in Victoria will tend to lead to increased competition and will help prevent misuse of market power. Recent public statements made by a substantial new entrant to the NEM suggest that there is a real need for more effective competition in that market due to an implied concentration of influence over substantial aggregated customer bases.

e. To facilitate effective competition and promote competitive market conduct:

The granting of a retail licence to Blue NRG will send a message to the Victorian retail electricity and to Victorian energy consumers that price and service competition in retail electricity is alive and well in a time of economic uncertainty and rising electricity prices. It will also bring to the Victorian market the considerable knowledge and operational experience of Blue NRG's Management Team and its financial and management skills.

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

Blue NRG's Small to Medium Size business customers consuming less than 40 MWh of electricity per year are provided with a very competitive energy rate and are offered solutions relating to energy efficiency. In addition Blue NRG's parent company can offer a range of distributed renewable micro generation energy consumption reduction strategies to its customer base.

h. To promote consistency in regulation between states and on a National basis:

Blue NRG is well advanced with its plans for the transition to the National Energy Customer Framework in 2012. The Company is constantly monitoring the transition to the nationally regulated market.

SECTION 3 – FINANCIAL VIABILITY

3.1 Financials

The Statutory Declaration (**Attachment C**) from Managing Director, Michael Norster confirms that Blue NRG is in a position to meet and address the financial viability requirement of section 19(2) (a) of the Electricity Industry Act and that he is not aware of any factor which would affect the ability of Blue NRG to securely finance the activities to be performed under the licence.

The following commercial-in-confidence documents and information provide the evidence and support for Blue NRG's case that it has sufficient financial resources or access to such resources to sustain a viable business in the electricity industry.

- Current balance sheet and profit and loss - attached as **Attachment F**;
- Shareholder Register - attached as **Attachment G**;
- Certificate of Registration - attached as **Attachment A**;
- Breakeven analysis and cash flow projections - attached as **Attachment H**;

3.2 AEMO Prudentials

Blue NRG gives an unequivocal assurance that it will have sufficient financial resources to sustain its operations including all prudential requirements set by AEMO. Blue NRG 's Board is aware of the requirements of the Credit Limits Methodology under the NERs and the changes in the Methodology that ensure that Swap and Cap Reallocations are not applied in conjunction with Reduced Maximum Credit Limits and to include reallocation profile adjustments to manage load profile risk.

3.3 Distributor Credit Support

Preliminary discussions have taken place between Blue NRG's Legal Counsel and all five Victorian distributors about the credit support requirements set out in clause 7.10 of the default Use of System Agreement. This will not be a concern in the early stages of operation, and will be covered by the Dun & Bradstreet credit rating (**Attachment I**) in accordance with the terms of clause 7.10 of the UoS Agreement.

3.4 Australian Financial Services Licence

As Blue NRG will be dealing in financial products, an AFSL will be required. External lawyers (Norton Gledhill) have been engaged to prepare the Company's application for its AFSL. This will be obtained before Blue NRG starts dealing in hedge products.

3.5 Business Plan (**Attachment L**)

This covers the initial five years of operation and provides the grounds for Blue NRG's claim that it has sufficient financial resources and/or access to such resources to sustain its operations.

3.5 Credit Rating

As indicated above, a Dynamic Risk Score credit rating has been obtained from Dun & Bradstreet and is attached as **Attachment I**.

SECTION 4 – TECHNICAL CAPACITY

4.1 Key Personnel

As indicated by the **Summary of Experience of Key Personnel**, refer Business Plan **Attachment L**, Blue NRG's Management Team demonstrably has the expertise, knowledge, experience and skill base to operate a viable retail electricity business.

4.2 Do Not Call Register Act 2006

Blue NRG notes that it is unlawful to make telemarketing calls to telephone numbers listed on the Do Not Call Register. The Do Not Call Register Act 2006 expressly requires businesses or individuals initiating telemarketing calls to remove numbers listed on the Do Not Call Register prior to telemarketing calls being made.

Blue NRG's billing system and sales interface system have the capabilities included for identifying telephone numbers listed on the Do Not Call Register. Both systems have a reporting facility. Blue NRG will also keep records of consumers who have requested directly with Blue NRG, not to be contacted for marketing purposes; Blue NRG has included and will continue to include and provide an outline of its compliance obligations to its sales team through its training and internal procedural structure.

4.3 Management and Compliance Systems

As a retail business engaged in a competitive retail industry, and marketing to consumers, Blue NRG is subject to the Competition and Consumer Act, the Australian Consumer Law and the Victorian Fair Trading Act. In addition, it is subject to the legislation and regulation that specifically govern the energy industry, and the raft of regulations, codes and guidelines that regulate the retail sector of the industry.

Blue NRG's Legal Counsel and Regulatory and Compliance Manager are intimately familiar with the operation and structure of the Victorian electricity supply industry, and the Energy Retail Code, Customer Transfer Code, Marketing Code of Conduct and all relevant Guidelines.

4.4 Intellectual Property

Blue NRG is a registered corporation under that name and has applied for trademark protection of its name and logo. Domain name registration has been obtained.

All Blue NRG's employment contracts and agreements with external service providers include irrevocable assignments of any relevant IP to Blue NRG. All dealings with external parties where confidential commercial information is or may be exchanged are covered by confidentiality agreements.

4.5 Compliance Framework

Blue NRG is committed to promoting a culture of compliance throughout its Business.

A compliance policy has been prepared in accordance with AS 3806 - 2006 and has been submitted to the Board of Blue NRG for approval. It is included with this Application as **Attachment J**. The purpose of the Compliance Policy is firstly to define the culture required to ensure compliance by Blue

NRG with all applicable legislation, regulations, licence conditions, codes, guidelines, rules and standards, and secondly, to describe the operational framework for achieving this.

The Compliance Policy is intended as an over-arching statement of Blue NRG's compliance philosophy and is not intended to exist separately or in isolation. It is intended to be read with the Company's operational policies, programs and processes ("Operational Tools") which, taken together with the Compliance Policy, demonstrate Blue NRG's commitment to comply with all relevant legal and regulatory instruments.

Blue NRG's Compliance Policy has the active support and commitment of the Board and all levels of management.

4.6 Legal Services / Regulatory and Compliance

The basic roles of the Legal & Compliance Group include legal risk management, and legal and regulatory compliance. The two areas overlap and cannot be viewed separately.

Regular reinforcement of the processes mandated in the process manual is necessary to mitigate against compliance breaches in contractual arrangements.

4.7 Compliance Policy

As noted above, Blue NRG's Compliance Policy is based on the principles enumerated in AS 3806 – 2006 and is intended as an over-arching statement of the Company's commitment to full compliance.

This commitment to compliance is also evidenced by the level of resources allocated to compliance by the Company, particularly in training resources. The focus on compliance contained in Blue NRG's internal sales processes and training, and the performance standards contained in agreements with external sales agents are further assurance of the level of commitment.

Blue NRG's Board is ultimately responsible and accountable for the business's compliance system. Under the Board's instruction the risk management committee is active and escalates risk related issues to the board directly.

Compliance Policy has been prepared by Legal Counsel and is attached as **Attachment J**.

4.8 Role of Compliance Officer

Blue NRG has created the part time role of Compliance Officer, who reports directly to the Managing Director and has the full support of the Managing Director and the Board. This is specifically stated in the Compliance Officer's position description, which is signed off by the Managing Director.

Together, Blue NRG's Legal Counsel, Compliance Officer and their support staff, make up the Legal & Compliance group. The Compliance Officer has full authority to oversee regulatory compliance throughout the business, and full responsibility to ensure that all compliance programs and processes (that involve licence obligations) are strictly followed. Any compliance breach is reported to the Managing Director for immediate action. The Compliance Officer is fully aware of all relevant compliance obligations under licence conditions, legislation, regulations, codes and rules.

The Compliance Officer is charged with overseeing and approving the regulatory compliance aspects of internal processes and systems – pricing, billing and collections – and is responsible for compliance reporting.

The Compliance Officer is also responsible for complaints handling and will manage the Business's

relationship with EWOV.

Compliance Offer position description is attached and marked as **Attachment M**.

4.9 Blue NRG's Risk Assessment

Blue NRG recognises that the most thorough risk management system will not completely eliminate the risk of compliance breaches occurring. Nevertheless, Blue NRG has prepared and adopted a Risk Assessment covering what it sees as the major compliance areas in the Victorian retail electricity market. The assessment provides details of the control mechanisms in place to ensure that staff and sales agents act in accordance with relevant legislation, Codes, Guidelines and Retail Licence conditions. These mechanisms include reporting, monitoring, supervision, training, service agreements, operational procedures and business systems

Compliance systems require regular testing and review. The need for continuous improvement is acknowledged in all internal compliance instruments.

A draft Risk Management policy is attached and marked as **Attachment N**.

4.10 Sales

Blue NRG's retail terms and conditions have been prepared by Legal Counsel (**Attachments P & Q**). Telemarketing scripts and all reviewed and signed off by legal counsel. This will ensure that the Sales and Marketing department and agents adhere to current regulatory Codes and Guidelines.

Members of Blue NRG's sales staff have had broad experience working with other electricity retailers in previous roles. They are professional in their approach and are aware of compliance risks.

Blue NRG ensures that all sales collateral is reviewed by the Legal and Compliance Group. Advertising material is and will continue to be legally reviewed. Blue NRG's sales staff and sales agents receive thorough compliance training. Central to this training is the principle that compliance must never be compromised for the sake of a sale.

4.11 Complaints Management

Blue NRG Pty Ltd is finalising its Complaints Resolution & Disputes Process which is attached as **Attachment O**. It demonstrates Blue NRG's commitment to full legal and regulatory compliance in the area of complaints handling. It will be fully operational before Blue NRG's entry into the Victorian retail market.

Blue NRG Pty Ltd Energy's Complaints Register is attached to the CRM of its energy management and billing system. The inclusion of function such as a customer identification code and a relationship back to the customers billing history, contact numbers which also update and/or are modified against the billing platform, reason codes, date initiated and subsequent footprints of date(s) of action, review, and close out all work to achieve efficient alleviation of a complainants concern and speedy resolution.

This complaint log is part of the trend analysis produced for the Compliance Officer and for reporting to the Managing Director and ultimately to the Board.

4.12 Internal Audits

The Compliance Officer's role includes a requirement for frequent internal compliance audits of sales records, billing operations and complaints management. The results of Blue NRG audits are documented, the findings and outcomes are recorded and the recommendations for process

improvement are published internally and tabled at the Risk Management Committee for discussion and appropriate action.

These audits are carried out on a regular basis and will add a level of control and supervision to compliance risk areas arising out of Blue NRG's market entry.

4.13 Customer Consent

A retail supplier must not initiate or affect the transfer of a small customer without the explicit informed consent of that customer. Blue NRG recognises the potential risk of customers being misled by sales agents and being transferred without their explicit informed consent.

Accordingly, as part of a regular internal audit, Blue NRG's Compliance Officer will contact a random sample of customers to verify that they have given their explicit informed consent to being transferred to Blue NRG and that they understand that they have entered into a retail supply contract with Blue NRG. The number of customers contacted will be sufficient to ensure a satisfactory confidence level.

Customers who indicate that they did not understand that they had entered into a contract will have their contract cancelled immediately without cost and will be transferred back to their previous retailer. The sales person responsible will be interviewed and, where appropriate, disciplined, and in the case of an external sales channel, will be subject to a financial penalty and possible contract cancellation.

4.14 Retail Terms and Conditions

Small Customer Terms and Conditions and Large Customer Terms and Conditions have been prepared by Legal Counsel and are attached as **Attachments P** and **Q**. It will be seen that they are fully compliant with the Australian Consumer Law and applicable Codes and Guidelines.

4.15 Training

An effective training regime is the only means of hoping to achieve compliance and minimise risk. Blue NRG's training regime extends to all internal sales staff and all external marketing representatives and sales agents who have any customer contact with customers or potential customers.

No staff member or external marketing representative may commence sales activities on behalf of Blue NRG until he or she has been trained by the Compliance Officer or their delegate. Training will take place prior to sales and marketing activity commencing.

Blue NRG Pty Ltd has training protocols including an assessment that must be successfully completed prior to the marketer 'going live'. All sales and marketing personnel (internal and external) must be tested and must demonstrate a thorough knowledge of relevant regulatory provisions as well as laws relating to misleading or deceptive conduct before he or she can commence marketing activities. Refreshers must take place on a regular basis.

Blue NRG Pty Ltd Energy's training register contains record keeps results, staff progress and provides status updates and training gaps. At Blue NRG, training begins with induction and is ongoing through team meetings, mentoring & coaching and staff reviews.

SECTION 5 – PROVISION OF INFORMATION TO CUSTOMERS

5.1 Customer Charter

Information on service offerings to small customers are set out in Blue NRG's Customer Charter (**Attachment R**) and is in line with the Victorian Energy Retail Code. The Charter covers the following:

- Customer obligations
- Retailer obligations
- Pricing information and options
- Contract terms (terms and conditions of contract, termination provisions)
- Meter reading schedule and/or estimation arrangements
- Details of billing (billing period, how bills are issued, contents of bills, basis of bills)
- Bill error handling
- Payment (terms of payment, methods of payment, advance payment, late payment, instalments, concessions)
- Complaint handling and dispute resolution processes (retailer's obligations, customer's rights, procedure, access to the Energy and Water Ombudsman Scheme)
- Termination of supply (procedure)
- Reconnection of supply (supplier and customer obligations, time to reconnect, charges).

5.2 Hardship and Vulnerable Customers

Blue NRG's Hardship Policy (**Attachment S**) sets out the criteria and some of the strategies that Blue NRG will use to evaluate customers in hardship and to provide them with the best possible solution based on their individual situation.

A dedicated trained employee within Blue NRG is empowered to discuss directly with the customer their situation and work through options. Blue NRG will have appropriate escalation procedures in place to deal with customers' complaints regarding hardship issues.

1. Numerous avenues are available for the customer to reach the hardship team, and will ensure that we continue to promote awareness of our hardship team.
2. Customer Service staff will ensure appropriate procedures and work instructions are in place and maintained, to ensure hardship customers are dealt with in a sensitive manner according to the guidelines set out in the Policy.
3. Once a customer has been identified as a hardship customer and has agreed to a payment arrangement, they will not have their electricity supply restricted or disconnected
4. Each hardship customer will be treated with respect and sensitivity on a case-by-case basis, and have their circumstances kept strictly confidential
5. If electrical appliances i.e. electrical heater prove to be faulty, Blue NRG may possibly contribute financially to the installation of more efficient heating.

Customer Service collateral such as Customer Charter, electricity invoice & web page has sections within the documentation about our Blue Relief program.

SECTION 6 INFORMATION TECHNOLOGY SYSTEMS

6.1 Customer Management & Billing System

As indicated below in Section 7 (**Contracts and Agreements for Outsourced Services**), a software solution has been sourced for Blue NRG and will interface and integrate with its existing proprietary systems such as MYOB Accounting and its trading and pricing applications.

Blue NRG has completed an IT Systems Requirement Functionality document to fulfilling the IT requirements of the Business.

A systems functionality checklist has been created to cover the major functionality and processes required to operate a retail electricity business. The checklist highlights the key activities to be included in the application and/or processes. Some might be automated whilst others may require manual intervention.

The energy management application suite has the ability to provide the required functionality (as is) or in a different manner and/or is build-able.

6.2 Website

Blue NRG has completed a business website functionality document and includes content in relation to pricing, customer protection advice, metering and other relevant electricity products and services and a suggested “storyboard” layout to facilitate suitable “look and feel”.

A brief has been designed and is currently available for tender to website designer and developer businesses. The brief has been broken into stages -

- Planning: finalisation of site map/layout and any ancillary documentation
- Design: development of suitable designs for the web interface for client review.
- Development: website coding/construction based on approved
- Prototype Testing: testing of prototype website full functionality & debugging
- Delivery: upload of final client-approved website
- Maintenance: whilst not strictly part of this brief, respondents are welcome to include details of possible/suggested arrangements regarding ongoing website maintenance

The fully operational website is required before marketing commences in late 2011.

6.3 Telephony

Blue NRG currently has an ISD telephony service installed via an in-house telecommunications service provider, Miracom Telecommunications Pty Ltd. There are currently multiple telephone lines into the premises, including a 1300 telephone and fax service.

SECTION 7 – OTHERS LICENCES, REGISTRATIONS AND AGREEMENTS

7.1 Contracts and Agreements for Outsourced Services

There are no contracts with related parties. None of the operational aspects of the retail business will be carried out by a service company. However, following are details of all contracts for the provision of outsourced services that are either under negotiation or to be entered into by Blue NRG to facilitate the operation of the retail electricity business:

(a) Sales channel agreement.

Blue NRG's Legal Counsel has prepared a standard agreement for the engagement of external sales agents when the decision is taken to engage such entities to provide marketing services. It imposes strict compliance obligations of the sales agent. A copy is included in **Attachment T**.

Blue NRG's Legal & Compliance group is responsible for ensuring that compliance capabilities and performance are factored into contracts with external suppliers. This includes overseeing outsourcing arrangements to ensure they take account of compliance obligations.

Blue NRG Pty Ltd recognises that it is responsible for the actions of its external sales agents. Service agreements with external sales agents will contain stringent performance criteria in the areas of code compliance and consumer protection laws.

(b) Software Licence and Support Agreement

Blue NRG is currently negotiating a software licence and support agreement with an energy system provider. A specification has been prepared which defines the system functionality and processes required to operate the retail electricity business. Discussions between Blue NRG and the energy management system provider are well advanced.

The energy management system provider will provide a suite of software applications for customer contract management, billing, customer records management, sales and marketing, customer transfer management, MSATs and B2B gateways, meter data management, AEMO settlements, distributor settlements and the like.

An implementation schedule is being negotiated with the provider. Implementation dates will be agreed by the date the retail licence application is submitted.

A proposal document from an energy management system provider is included as **Attachment U**.

(c) Software Hosting Agreement

Blue NRG will initially implement a hosted solution for its software. To facilitate this, Legal Counsel will tender a hosting agreement. Multiple back-ups will be sought.

(d) Source Code Escrow Agreement

Security of customer records is a high priority. Blue NRG is negotiating an escrow agreement with Software Escrow & Copyright Agents Pty Ltd for the depositing of the relevant source code and a verification strategy. In addition, Legal Counsel has made contact with Iron Mountain Intellectual Property Management with a view to negotiating a similar agreement, lest the Software Escrow Agents option does not come to fruition.

(e) AEMO Registration

Blue NRG is currently finalising documentation required for an application to AEMO for registration as a Market Participant. The processing and subsequent approval of the registration application will not be completed until AEMO has evidence of the granting of the retail licence.

Blue NRG is familiar and attentive to the rules and conditions governing market participation including settlement and reconciliation of electricity purchases and network service charges, prudential requirements, processes and interfaces.

Refer documentation marked as **Attachment W**.

(f) Financial Markets

Blue NRG is about to enter into ISDAs with a number of generators, and negotiations with one or more generators for associated appropriate commercial hedges will be completed after the retail licence has been granted.

(g) Distribution Use of System Agreements

Blue NRG's Legal Counsel is familiar with the Victorian default Use of System Agreements offered by the five distribution companies and has provided a review for the Board. As indicated above in Section 3, contact has been made with each distribution business and each distributor's default UoS Agreement has been requested and received. Discussions have taken place in relation to credit support. The UoS Agreements will be negotiated and signed as soon as the retail licence is granted.

Agreements marked as **Attachment V**

(h) Energy and Water Ombudsman (Victoria) Scheme Membership

Blue NRG will enter into an agreement with the Energy & Water Ombudsman of Victoria and will apply for membership with EWOV as soon as the retail licence is issued and before marketing operations commence.

(i) Community Services Agreements

Blue NRG will enter into discussions with the Department of Human Services with a view to entering into Community Services Agreements for the provision of concessions to eligible Victorian customers.

(j) Meter Reading

A metering agreement has been negotiated with an accredited meter provider for Blue NRG's large customers and a formal agreement will be signed as soon as the retail licence is granted.

SECTION 8 – TRANSITION TO THE NATIONAL ENERGY CUSTOMER FRAMEWORK

Early in 2012, Blue NRG will commence preparing its application to the Australian Energy Regulator for a national retailer authorisation. The Company will be required to apply for and obtain a national retailer authorisation before the implementation date of 1 July 2012. Blue NRG will also need to have in place all compliant retail sale agreements, compliant terms and conditions, customer policies and regulatory approvals.

The National Energy Customer Framework (the NECF) establishes a largely uniform set of regulatory obligations governing the sale and supply of energy to retail customers, particularly small customers. Importantly, though, there is scope for each participating jurisdiction to apply different service standards, compensation levels and other specific regulatory obligations.

It seems that the target implementation date is 1 July 2012, but transitional measures will extend beyond that date and full implementation will not be achieved for some years.

Before the implementation date, Blue NRG will have in place all applicable NECF compliant retail sale agreements, compliant terms and conditions, customer policies and regulatory approvals. Blue NRG will be required to apply for and obtain a national retailer authorisation.

Blue NRG is well advanced with planning for the transition to the national regime and has made contact with key personnel at the Australian Energy Regulator's office. It is envisaged that Blue NRG's application for its national retailer authorisation will be lodged early in 2012.

SCHEDULE 1

STATUTORY DECLARATION

Statutory Declaration

I, *Michael Gregory Norster of Suite 15, 333 Canterbury Road Canterbury VIC 3126* being the *Managing Director* of the Applicant, *Blue NRG Pty Ltd* **Hereby DECLARE** that the information contained in this application, and attachments thereto, for the grant of a retail electricity licence under the Electricity Industry Act 2001 is true and correct and that I make this declaration conscientiously believing the same to be true and in the belief that a person making a false declaration is liable to the penalties of perjury

Declared at in the State of Victoria

.....

Signature of Declarant

This day of day of 2011

.....

.....

Before me

(A person authorised by section 107A of the Evidence Act 1958 (Vic))

6 Refer to section 107 of the Evidence Act