

October 9, 2006

Mr. Richard Bunting

Manager Licensing

The Essential Services Commission

Level 2, 35 Spring Street

MELBOURNE VIC 3000

Dear Richard,

Retail Gas Licence Application

Further to your recent discussions with Timothy Szakacs from Serviceworks Management Pty Ltd, and subsequent to our recent application (and approval) for a Retail Electricity Licence, please find an application from **Australian Power and Gas Pty Ltd** (APG) ABN 26 118 609 813 for a Retail Gas Licence.

APG acknowledges that certain parts of this application will be made public as part of the application process, and provides the attached public document for the Commissions consideration.

APG has also provided, by way of additional documents, more detailed and specific information relating to APG's financial viability and technical capacities. These documents are commercial in confidence and we understand will not be disclosed to any other party without the prior written consent of APG.

Should you have any questions regarding this application please do not hesitate to contact me directly on (02) 9959 0299 or jmyatt@auspg.com.au

Any correspondence may be forwarded to:

Mr. James Myatt

Australian Power & Gas Pty Ltd

Locked Bag 1505

Milsons Point NSW 1565

Yours sincerely



James Myatt

Chief Executive Officer

Australian Power & Gas Pty Limited



Australian Power & Gas

Retail Gas License Application

Public Document

October 2006

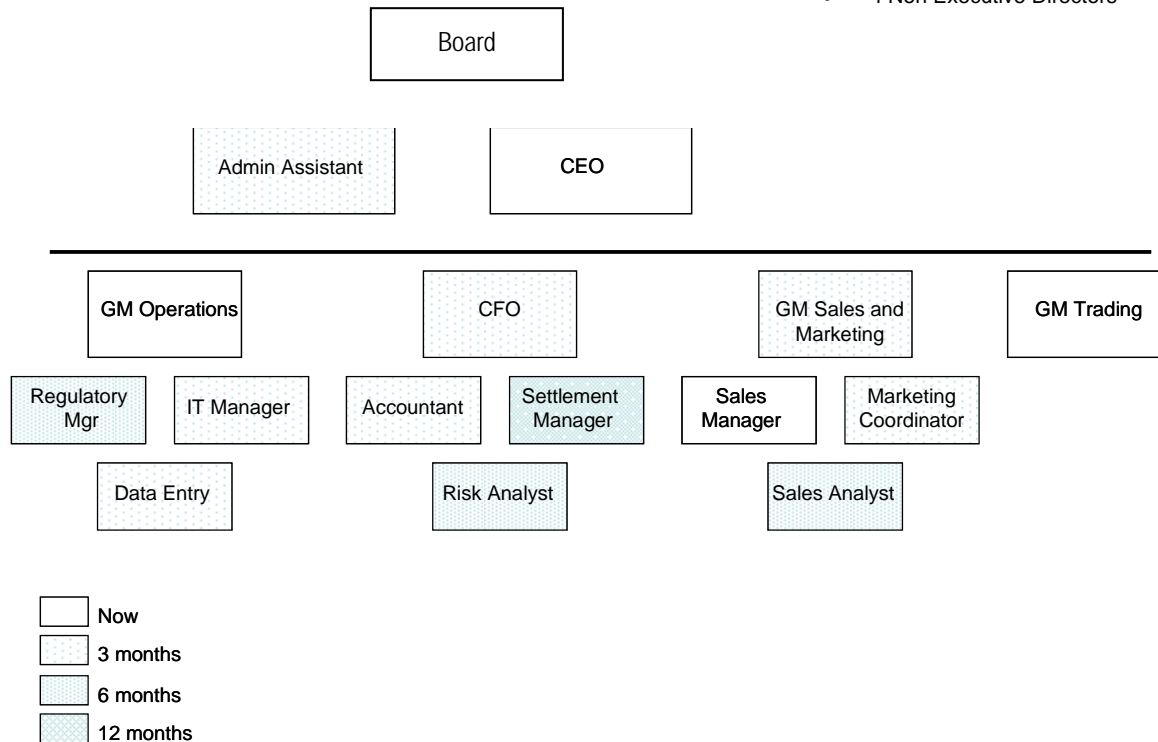
The Applicant

Australian Power and Gas Pty Ltd (APG) ABN 26 118 609 813 is a registered company under the Corporations Act 2001 and is registered in **New South Wales**. APG has its Registered Office at **Level 2 (2.04) 6a Glen St Milsons Point NSW 2061**. APG was incorporated on **8th March 2006** specifically to retail energy in Australia.

APG is a fully owned subsidiary of Microview Limited (MVL) www.microview.com.au – an Australian publicly listed company which presently holds a Licence to retail electricity in the States of Victoria and New South Wales. The organisational structure is as follows:

Proposed Board Composition

- 1 Non-Executive Chairperson
- 1 Executive Director
- 4 Non Executive Directors



Subsequent to the registration of APG, the company has made a number of announcements to the Australian Stock exchange. These announcements are publicly available and are published on the Australian Stock Exchange website www.asx.com.au and can be found using the Company Code MVL.

Executive Management Team

The company has been formed by a core team of experienced professionals who have engaged in and around the development of the national energy market and understand the opportunities, risks and functional requirements in operating a successful Retail business. This combined with a Board of Directors experienced in both Energy and Telecommunications markets both locally and internationally, establishes a unique and formidable team able to deliver the business plan with appropriate risk and optimal returns. A summary of the appointed executive team is detailed below.

James Myatt: CEO

James has more than 20 years experience in the Australian Energy industry across a diverse set of roles and organisations. His technical capabilities span wholesale and retail operations coupled with a number of strategic Executive Management positions.

In recent times James held the position of Strategic Sales Director for Energy Australia; a company with over 1.5M customers and \$2.4B p.a. in revenues coupled with outsourced business operations for its Victorian and South Australian businesses.

James holds a Masters Degree in Marketing and has engaged a number of Directorships in addition to the Chairmanship of the SEAGas joint venture pipeline during construction.

Andrew Butler: General Manager - Sales and Marketing

Andrew Butler, an experienced services marketing professional has more than 10 years senior marketing experience with some of Australia's largest infrastructure organisations. Andrew has held a number of senior management positions including most recently Marketing & Public Relations Manager – Lane Cove Tunnel Company, Marketing Manager – Transurban Citylink, Manager Residential & Small Business Marketing – CitiPower and Manager Product Marketing – Australian Gas Light Company (AGL)

This experience combined with a Graduate Diploma in Marketing Management from MGSM provides Andrew with a demonstrated Marketing & Public Relations capability to the executive management team.

Thomas Gilpin – General Manager Commercial

BB (Marketing), MBA (AGSM)

Tom Gilpin has been appointed to the position of General Manager – Commercial, responsible for commercial negotiations & regulatory compliance. Tom brings over 8 years of commercial operations management experience in a top 100 ASX listed company. With budget responsibility for \$600M in sales and a broad exposure to business development and operational management. Prior to this Tom worked with one of the world's largest FMCG companies responsible for European pricing

Warren Kember – Chief Financial Officer

CA, BCom, Grad Dip App Fin, MBA (AGSM)

Warren joined APG in September 2006 and has over 25 years of experience in financial management and corporate systems. Prior to joining APG Warren was engaged in senior financial roles with Transfield Telecommunications, AGL, ADT Security. More recently Warren has been the Chief Financial Officer for a number of listed companies and has been involved in new listings, management buyouts and other corporate restructurings.

Executive Positions

The Executive and Board of APG are in the process of undertaking recruitment to finalise the APG executive team. The appointed members of the executive team have significant experience and established relationships in the executive market today to ensure appropriate individuals hold these significant positions.

Members of the Board

Subject to shareholder approval at its AGM MVL will make the following critical appointments to the Board

Anne Harley Non Executive Chairperson

Anne was Head of Tax at Atanaskovic Hartnell. Her role extended to general corporate law and governance issues as well as strategy. Anne was also the Australian Director of Coca Cola Holdings (Overseas) Limited, The Coca Cola Company Limited's major Australian holding company.

John Marshall Executive Director

John has substantial experience of the Australian energy and utility markets. He was the inaugural MD of Solaris Power which was one of the five electricity utilities created at the time of privatization in Victoria; it was later acquired by AGL. He went on to be the MD of CitiPower which became a national retailer of electricity and gas which was later acquired by Origin Energy.

Michael Hogg Non Executive Director

Michael is Global Chief Executive Officer of The Cobra Group Pty Ltd a Direct Sales organisation with over 10,000 sales representatives in 20 countries worldwide. Michael is also an Executive Director of financial services company, Affiance Group Limited.

Wayne Bellman Non Executive Director

More than 25 years experience in technology and related areas of banking and finance. Managed technology operations in a retail banking environment and have held senior executive roles with technology vendors covering solutions in retail, wholesale and funds management market sectors

Ian McGregor Non Executive Director

Ian has 29 years of experience in finance sector and has held senior roles as Director of public companies and as financial officer. These include the role of Chief Financial Officer for Ozemail, overseeing the growth, listing and sale and eventual integration into UUnet. He is currently a director of MVL.

Richard Poole Non Executive Director

Richard has a background in commercial law. He is a specialist in corporate activities including ASX listings, funding, strategy and business development. Richard is a co-founder of boutique investment bank, Arthur Phillip Pty Ltd and is a Non Executive Director of a number of ASX listed companies. He is the current Chairman of MVL.

External Resources

Wholesale Supply Contracts

APG will secure fixed price contracts for supply of gas. APG will not undertake Retail Gas Sales until its License has been approved.

Energy Safe Victoria

APG has made considerable progress towards the completion of its Gas Safety Case further to section 37 of the Gas Safety (Safety Case) Regulations 1999.

Vencorp

APG has entered into discussions with Vencorp. APG is familiar with the terms of operation in the Victorian Gas Market and has made significant progress towards its application to participate in the Victorian Gas Market.

Upon receipt of its License APG will finalise Vencorp arrangements. APG will not undertake Retail Gas Sales until its License has been approved.

Back Office

At the heart of the business is the process of transferring customers to APG, measuring energy use, billing in accordance with contracted terms and ensuring timely collection of revenues. The business model proposed is based on a variable cost structure, where back office services are provided through outsourcing arrangements.

APG has selected Serviceworks Management Pty Ltd (www.serviceworks.com.au) as its service provider for these critical services.

Serviceworks has been operating successfully delivering services to retail energy clients since 1999 and has a dedicated team to ensure effective, compliant business services and solutions.

Serviceworks will deliver to APG a complete service combining best of breed specialist providers and its own expertise to provide a seamless service for APG and its customers.

In addition, the Serviceworks outsourcing function will be supported through the use of an established Customer Information System that has proven capability both within the domestic and overseas utilities markets.

Energy Water Ombudsman of Victoria

APG have commenced discussions with the Energy and Water Ombudsman Victoria (EWOV) with the view towards becoming a registered participant. Further the constitution has also been reviewed accordingly.

Department of Human Services

APG is aware of the various concession arrangements (Winter Energy, Life Support, MS, URGS, Group Homes Winter Energy etc) in place through the Department of Human Services (DHS) and intends to be fully compliant with all of these schemes.

Codes, Guidelines and License Obligations

APG is aware of the various obligations with regards to Codes and Guidelines within the industry and intends to fully comply with them. These include but are not limited to:

- Energy Retail Code
- Gas Industry Act 2001
- Code of Conduct for Marketing Retail Energy in Victoria
- Essential Services Commission Act 2001 (VIC)
- Trade Practices Act 1974 (Commonwealth)
- Fair Trading Act 1999 (Commonwealth)
- Privacy Act 1988 (Commonwealth)
- Corporations Act 2001 (Commonwealth)
- Financial Services Reform Act 2001 (Commonwealth)

This will be supported by a dedicated Regulatory business unit and personnel as outlined in the Organisational structure section of this document.

Customer Charter

A Customer Charter will be developed and provided to the customers of APG.

Relevant Company Information

APG has provided Commercial in Confidence information to the Commission regarding its Incorporation details.

The Commission's Objectives

The Directors and Executive of APG have reviewed and considered the objectives of the Commission under section 18f the Gas industry Act 2001. Specifically APG provide the following information in response

- a. To the extent that it is efficient and practicable to do so, to promote a consistent regulatory approach between the electricity industry and the gas industry;*

Australian Power and Gas is preparing to be a national retailer of Electricity and Gas, with a key plank of its business strategy being the provision of best cost services to the Australian Retail Energy market. In striving towards this goal APG is strategically aligning itself to key competitive operators and service providers in the market as well as positioning itself amongst the various working groups, regulatory forums and review committees that have been established to further support a consistent regulatory approach for both Gas and Electricity

- b. To promote the development of full retail competition.*

APG is of the view that its application demonstrates support for full retail competition, and will provide increased opportunity to small retail customers to participate in the contestable energy market.

The Directors of APG are of the belief that this application satisfies sections 8(1) and 8(2) of the Essential Services Commission Act, in addition to section 18 of the Gas Industry Act 2001 and provide the following in specific responses to the Objectives of the Commission.

- c. In performing its functions and exercising its powers, the primary objective of the Commission is to protect the long term interests of Victorian consumers with regard to the price, quality and reliability of essential services.*

APG's mission is to be a low cost, fast and efficient and primarily outsourced retailer of energy products to the mass market within the States of Australia where full retail competition is in place.

APG believe that further market competition will continue to protect the long term interests of Victorian Customers with respect to Retailer performance. As competitive tension further drives operational and commercial efficiencies within the market place, market dynamics allow Retail businesses to continue to deliver a greater variety of product offerings to the market, improved quality and service capabilities to customers, whilst maintaining, improving and passing through the benefits of Retail Competition. In addition improved retailer strength and capability further drives new opportunities with Distribution businesses to promote improved reliability via metering, asset management, and continuous performance improvement.

- d. To facilitate efficiency in regulated industries and the incentive for efficient long-term investment*

As noted above, Retail license opportunities reduce monopolistic market activity. Further as new entrants commence operations, they are compelled to plan, deliver and maintain competitive and pragmatic market offers to a now well educated and informed market.

Requisite of effective market delivery is appropriate investment strategies that mitigate business risk, whilst suitably assuring planned commercial outcomes. APG's entry to the Australian Retail Energy Market is based on a number of medium to long term plans that will further provide local investment coupled with the introduction of a new competitive dynamic through outsourced services, management and delivery.

- e. To facilitate the financial viability of regulated industries;*

The Directors of APG are of the view that a successful application for a Retail Gas License in Victoria will further promote the financial viability of the Victorian Energy Industry.

APG believe that further competition will enhance returns to customers and offer greater value through a wider variety of product offerings. It will drive the development of improved technologies

and stimulate new service outcomes available to customers. In addition as competitive activity is generated it will continue to further encourage incumbent operators to review, develop and deliver strategies to reduce the risk of reducing market share and customer loyalty, in turn creating further competitive tension and customer choice.

f. To ensure that the misuse of monopoly or non-transitory market Power is prevented;

APG understands and supports the fundamental principles upon which market competition in Victoria has been based, including the intent to reduce and marginalise the opportunity for inappropriate monopolistic market activities and behaviour.

The approval of a Retail License to APG will further reduce the risk of concentrated market control and as noted above, encourage greater opportunity for competitive activity to drive and freely direct market opportunity.

g. To facilitate effective competition and promote competitive market conduct

APG is of the view that its entry to the Victorian Energy market will drive and further enhance competition. APG's strategic partner (The Cobra Group) is well known for its considerable success and capabilities in delivering offers to the market through face to face and telesales channels, coupled with substantial experience and capabilities both internally and externally via its preferred suppliers.

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

The Directors of APG are committed to providing a safe workplace that is committed to the sustainability of the environment and the wellbeing of its employees and customers.

All employees and suppliers will have similar values and operate with a compliance culture and focus.

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

APG have reviewed and paid particular attention to Part 3 Credit Management and Part 4 Disconnection of the Energy Retail Code V2 February 2006.

APG acknowledges the importance of all customers being able to access the benefits of competition and market efficiency through a wider choice of more appropriate product offerings that deliver greater value. Further, APG supports continued regulation and public policy management with respect to Wrongful Disconnection and Retailer specific obligations in providing fair, equitable and reasonable payment arrangements to low-income and vulnerable customer groups.

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

APG supports consistency in regulation between States and on a national basis. As noted APG intends to make application to all contestable States of the Australian Energy Market and as such acknowledges to the Commission a vested interest in supporting and assisting where practicable in this endeavor.

Financial viability

APG has provided Commercial in Confidence information to the Commission on its financial viability. APG's business plan and underlying infrastructure ensure that it will have adequate capital at its disposal to fulfill its financial obligations. This submission is further and complimentary to APG's substantial application for a Retail Electricity Licence which was approved by the Essential Services Commission on October 4th 2006. Further details of APG's Electricity Application can be found on www.esc.vic.gov.au

Technical capacity

APG has provided Commercial in Confidence information to the Commission on its technical viability. This submission is further and complimentary to APG's substantial application for a Retail Electricity Licence which was approved by the Essential Services Commission on October 4th 2006. Further details of APG's Electricity Application can be found on www.esc.vic.gov.au

a. Capacity to operate a business

APG confirm that the Company's Directors have the necessary experience to run a Retail Gas Energy Business.

In addition to the Directors significant Commercial, Operational and Regulatory experience, further teams, service providers and suppliers will be engaged to support the APG business.

b. Audit & Risk Management Committee

APG's board and executive recognises the importance of putting in place an appropriate structure of review and authorisation designed to ensure the truthful and factual presentation of the company's position.

The Board has established an Audit & Risk Management Committee, comprising of two non executive directors to support and ensure this key strategic directive.

c. Risk management policy and program

The APG Board and executive is aware of the material risks that affect Retail Energy Companies, as a result APG has established a formal risk program based on Standards Australia's AS/NZS 4360:2004 (Risk Management).

This program is supported by APG's Risk Management Policy, which has been endorsed by the Board on the recommendation of the CEO and the Audit & Risk Management Committee.

Further APG will acquire and develop adequate management systems and infrastructure for its retail operation, and will in the course of the development of its business take due care that the management systems and infrastructure are constantly updated and improved so as to always guarantee diligent management of its operation.

d. Managing customer contracts

The Directors of APG have significant experience in marketing energy products to customers in Victoria and other Australian jurisdictions, in addition to a working knowledge of the laws, guidelines and codes that govern the customer contracts. Further, coupled with the significant sales and marketing experience of The Cobra Group and Customer Service and Back Office capability of Serviceworks Management, APG are well positioned to ensure customer contracts are compliant and equitable.

APG is fully aware and experienced in the detail and requirements of the Code of Conduct for Marketing Retail Energy in Victoria and the Energy Retail Code.

e. Customer account establishment & management

As noted, APG will use the services of Serviceworks to establish and manage customer accounts. Serviceworks will have the relevant systems in place to ensure that APG have the capability to:

- Verification – Audit and Service Control
- Transfer customers
- Perform credit checks where necessary

- Establish and close customer accounts;
- Advise distributors of account establishment and closure;
- Record customer history; and
- Arrange meter reads and billing, including final billing customers.

f. Customer service provision

Serviceworks will provide to APG a range of customer contact services. Its employees will undergo extensive regulatory training to ensure that all appropriate guidelines, codes and obligations are met.

Serviceworks will provide to APG under the terms of its commercial agreement;

- A contact centre to handle inbound contacts from customers across the range of services provided
- Outbound Collection and payment management activities
- A service to handle customer correspondence
- The ability to collect information for performance measurement purposes that are aligned to the services provided; and
- The ability to handle complaints and resolve disputes in line with Compliance requirements (eg. EWOV scheme). APG will fully participate in the Energy & Water Ombudsman Scheme prior to commencing sales.

g. Billing and collection

Serviceworks will provide APG billing and collection services. Services will include;

- Generation of bills from meter readings or estimations where appropriate;
- The delivery of a bill print file to APG's nominated service provider for printing and sending of bills to customers;
- Receipt of payments received and management of late payments;
- Reconnection of supply where applicable;
- The management of payment difficulties; and
- The recovery of unpaid debts.