



APPLICATION FOR GAS RETAIL LICENCE

JUNE 2014

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

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1.0 Introduction

This gas retail licence application has been prepared in line with the requirements detailed in the Essential Services Commission's "Guidance Notes for Applications for Gas Licences and the Transfer of Existing Gas Licences – October 2006."

Appendix 1 contains a CovaU officer's declaration that the information contained in this application and the accompanying attachments is true and correct.

2.0 Section 1 – Information on the Applicant and the Nature of the Application

The following information, provided in accordance with the Essential Services Commission of Victoria's (ESCV) Guidance Notes, contains the general business particulars of CovaU.

2.1 Name of the applicant

The legal name of the applicant is **CovaU Proprietary Limited** (CovaU). It is a fully-owned subsidiary of Tel.Pacific Limited.

CovaU's legal name is also its trading name.

2.2 ABN or ACN

CovaU's ACN is 090 117 730.

2.3 Registered address

The principal address for CovaU's business operations and service of documents is located at:

CovaU Pty Ltd
Level 10 Tower B
821 Pacific Highway
Chatswood NSW 2067

2.4 CovaU contact person

CovaU's contact person for this application is:

Steven Goodarzi
Chief Strategy Officer
Email: steven.goodarzi@covau.com.au
Tel: 1300 731 574

2.5 Corporate structure

2.5.1 Background

CovaU is a recently registered business with the specific purpose of retailing electricity and gas in the Australian contestable energy markets. It is a wholly-owned subsidiary of Tel.Pacific Ltd (Tel.Pacific), which is a publicly listed company based in New South Wales.

CovaU was granted its electricity and gas retail licence authorisations on 21 February 2014 by the Australian Energy Regulator (AER) and has been trading actively in those jurisdictions since March 2014.

2.5.2 About Tel.Pacific

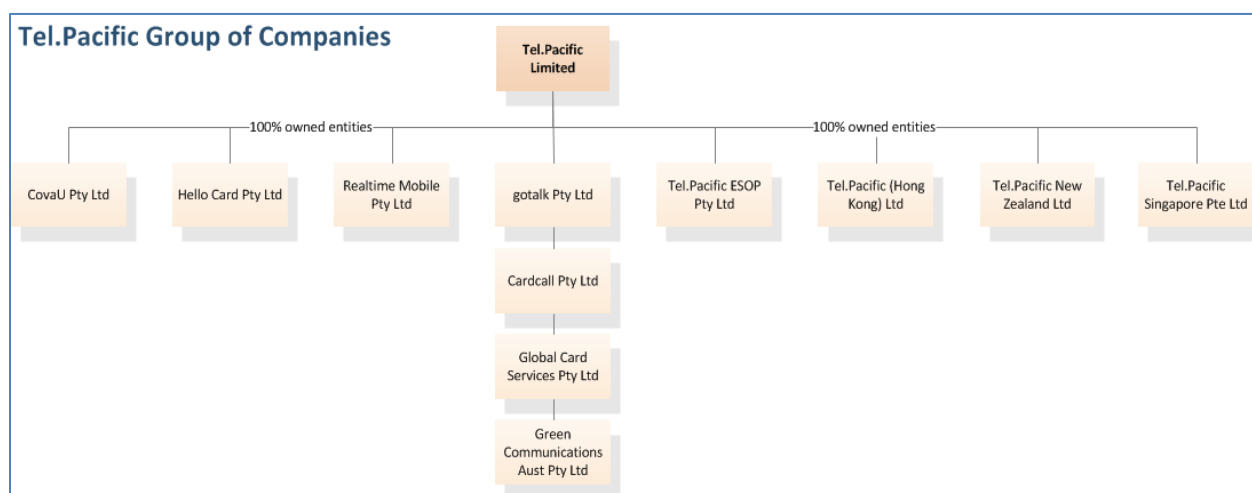
Tel.Pacific, established in 1996, is a successful participant in the Australian telecommunications industry.

Tel.Pacific's core retail offering is prepaid telephony products and services. It operates four lines of businesses through its extensive distribution networks covering:

- Prepaid calling cards;
- Subscription direct dial;
- Internet Connectivity; and
- Voice over Internet Protocol (VoIP).

Since its establishment, Tel.Pacific has experienced strong and sustained revenue growth over time. Its product line comprises more than 30 different brands of low cost pre-paid calling cards mainly used for international telephone calls to over 230 countries and regions. Tel.Pacific portfolio includes popular brands such as Hello, Joy and GPS, which provide excellent value-for-money for international calls.

The following diagram shows the ownership structure of controlled entities under the Tel.Pacific group of companies. All entities listed are fully-owned by the parent company, Tel.Pacific Limited.



Tel.Pacific now has operational footprint in Australia (head office), New Zealand and Singapore, with multilingual customer service centres located in Australia, the Philippines and China.

It became a listed company in the Australian Stock Exchange (ASX) on 16 July 2007, under the listing code of TPC in the ASX.

2.6 Executive team experience

All the Tel.Pacific directors and senior executives are highly skilled business personnel and have vast experience in the telecommunications utility sector and retail services.

Telecommunication retail and energy retail have similar industry profile and characteristics, particularly on business processes and procedures, and industry developments and regulatory requirements. Operationally, all members of the executive team have considerable hands on operational and customer contact experience in the capacity of management, sales support and service provision, and customer information management. Collectively, they possess sound knowledge for and application of, governance, risk management and compliance.

In addition, the directors and executives have proven success in building and operating a compliant utility retail business having transformed Tel.Pacific from a start-up to a substantial business that it is today.

CovaU will directly access and leverage the internal skills, knowledge and experience of its executive team and that of recently recruited energy industry personnel and contracted external service providers and consultants to drive and support the growth and success of its energy retail business.

The CovaU team structure, background and experience are discussed in more detail in *Section 4 Information on Technical Capacity*.

2.7 External service providers

CovaU has contracted a number of external service providers and consultants from the energy industry to provide guidance and support in key areas such as customer management and billing system, financial risk system, retail and wholesale compliance, back-office and market interface systems, processes and procedures, licensing requirements, wholesale trading and risk management and training.

These service providers are reputable energy industry experts in their respective fields and will ensure that CovaU is capable of meeting its retail licence obligations and reporting requirements to various regulatory bodies such as the ESCV and AEMO. CovaU will leverage the service providers' support over time and proceed to develop and retain internal capability for energy retailing and compliance.

Section 5.3 Outsourced service provider provides further information on the providers and their services.

2.8 Incorporation details

CovaU was initially registered as Rivernet Pty Ltd on 26 October 1999 under the Corporations Act 2001. Rivernet Pty Ltd subsequently changed its name to CovaU Proprietary Ltd on 25 July 2013. CovaU was registered as an incorporated body on 15 August 2013 under Section 33(8) of the Business Registration Act 2011.

CovaU's Certificate of Registration is provided in *Appendix 2*.

2.9 Details of any prosecutions and regulatory complaints

2.9.1 Offences and prosecutions

CovaU confirms that none of its directors, nor any other person that exerts control over its business activities and persons responsible for significant operating decisions of the business, have been the subject of any offences or successful prosecutions under any territory, state, Commonwealth or foreign legislation that are relevant to our capacity as an energy retailer.

Please refer to *Appendix 3* on Director and Officer's Declarations which state that such events, past and present, have not occurred.

2.9.2 Materials failures, revocation of authorisations and legal actions

CovaU confirms that none of its officers nor associates, other businesses where its officers have held an officer position and other entity that exerts control over its business activities, have been the subject of:

- any material failure to comply with regulatory requirements, laws or other obligations over the previous 10 years, including all circumstances that resulted in an infringement notice or other enforcement action (including undertakings) being taken by a regulatory body;
- any previously revoked authorisations, authorities or licences held in any industry;
- any failed authorisation, authority or licence applications in any industry; and
- any past or present administrative or legal actions in relation to an authorisation, authority or licence in any industry.

Appendix 3 contains declarations from CovaU's CEO and Director confirming that such events, past and present, have not occurred.

2.9.3 Criminal history checks

Whereupon criminal history checks are requested on CovaU officers by the ESCV, CovaU will duly comply with such requests.

2.9.4 Director disqualifications

Please refer to *Appendix 3* containing a written declaration from our CEO that no directors, officers or managers have been disqualified from the management of corporations.

2.9.5 Declaration from CEO on bankruptcy

Please refer to *Appendix 3*, which includes a written declaration from our CEO that no Tel.Pacific businesses, subsidiaries or related entities have been involved in any past or present bankruptcy proceedings in Australia or in any overseas jurisdiction.

2.9.6 Full names and residential addresses of all officers

Please refer to *Appendix 4*, which provides the contact details of CovaU officers responsible for significant operating decisions of the business.

2.9.7 Probity policies and procedures

All CovaU and Tel.Pacific senior officers are reputable personnel, carefully selected and vetted for competence and probity.

CovaU is committed to establishing a successful and enduring energy retail business with operational integrity. We are confident that our policies and procedures covering recruitment, training, compliance, risk management and wholesale trading and risk control (please see *Section 5.5 Internal controls, policies and procedures*) will provide a solid foundation for a business governance framework that should work effectively in the Australian energy retail sector.

CovaU business operations is well-supported by appropriately qualified key personnel with relevant professional memberships and by reputable and experienced external service and system providers that will provide critical guidance and oversight.

2.9.8 Other information

Tel.Pacific is a publicly listed company and is subjected to stringent regulations in Australia. The main sources of regulation for public companies in Australia are the Corporations Act 2001 and the ASX Listing Rules, which are supplemented by the Australian Securities and Investments Commission Policy and the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Tel.Pacific and its subsidiaries are required to display competence and compliance and are subjected to regulatory and legislative probity and procedures in the following areas:

- Corporate governance;
- Continuous disclosure;
- Financial reporting;
- Shareholders' meetings;
- Major acquisitions and disposals;
- Substantial shareholders and tracing ownership;
- Related party transactions;
- Capital raisings;
- Takeovers; and
- Insider trading.

CovaU will look to leverage and adopt aspects of the structure and processes to manage its governance and assurance framework for energy retailing.

2.9.9 Major shareholders and experience

Appendix 5 provides details of the top 20 shareholders of Tel.Pacific, the full owner of CovaU.

A number of the key shareholders on this list are also current Tel.Pacific and CovaU directors and senior executives.

Section 5.2 below details the qualifications, skills and experience of these directors and executives.

2.10 Form of retail licence authorisation sought

2.10.1 Type of licence

CovaU seeks a general retailer authorisation for gas in this application.

We will also seek a general retailer authorisation for electricity in a separate application.

CovaU is not seeking non-standard licence conditions for this application.

2.10.2 Commencement of retail operations

We intend to commence our gas retail operation in Victoria by 15 September 2014.

2.10.3 Nature and scope of operations

CovaU has long-term aspirations of being a successful and profitable energy (electricity and gas) retailer in key contestable energy markets in Australia.

In the state of Victoria, we intend to retail to all gas customer segments covering small gas customers with annual consumption of up to 1 TJ and large gas customers with annual consumption of above 1 TJ.

We will retail electricity and gas to Victorian small customers initially before expanding into the large customer segments.

2.10.4 Current energy retail licences

CovaU is an authorised electricity and gas retailer in the AER jurisdictions and is currently active in New South Wales. We are a registered market participant with AEMO and proficient with market transaction procedures and processes through the AEMO market systems and interfaces. We will obtain gas market certification with AEMO prior to retailing gas in Victoria.

We have also commenced discussions with:

- Victorian gas network service providers on the default use-of-system agreements;
- Energy and Water Ombudsman of Victoria (EWOV) on the requirements of becoming a member; and
- Energy Safe Victoria on gas safety case and requirements.

CovaU will finalise these arrangements upon the granting of its Victorian retail licence by the ESCV.

Please refer to *sections 4.10, 5.4.1, 5.4.2 and 5.4.3* for further information on network use-of-system agreements, AEMO, EWOV and gas safety case.

As stated in *section 2.9.2* and *Appendix 3*, CovaU and Tel.Pacific and its subsidiaries have not been the subject of any unsuccessful, failed or revoked licence application or authorisation.

3.0 Section 2 - The Commission's Objectives

The granting of a gas retail licence to CovaU would be consistent with the objectives of the Commission under *Section 18 of the Gas Industry Act 2001* and *Section 8 of the Essential Services Commission Act 2001*. The reasons are described below:

3.1 Developing and promoting the industries and retail competition

3.1.1 Promoting a consistent regulatory approach between the electricity industry and the gas industry

CovaU is already an energy retailer in other jurisdictions and its entry and future participation in Victoria's key energy industry stakeholder groups and committees as a dual-fuel retailer will directly contribute to the development and promotion of a consistent regulatory approach between the electricity and gas industries.

3.1.2 Promoting the development of full retail competition

As a result of CovaU's entry into Victoria, this will deliver greater choice for Victorian customers. Our bundled utility services will boost competition in the industry and provide flow-on benefits to customers.

3.2 Protecting and facilitating industry competition, efficiency and viability

3.2.1 Protecting the long-term interests of Victorian consumers with regard to the price, quality and reliability of essential services

CovaU will utilise its parent and related companies' internal capabilities and service infrastructure to deliver compelling offers and dependable customer service. This will allow us to streamline our operating costs and provide service innovations in the form of competitive pricing, quality and reliability of service for Victorian customers.

As a Victorian energy retailer, CovaU will safeguard the long-term interests of Victorian energy customers by complying with all relevant state and national regulations.

3.2.2 Facilitating efficiency in regulated industries and the incentive for long-term investment

Our participation and range of bundled service offers will promote greater competition and cultivate increased market activities, innovations and efficiencies in the energy and telecommunication industries in Victoria. This will in turn provide for a favourable industry environment for efficient long-term investment.

3.2.3 Facilitating the financial viability of regulated industries

As an energy retailer, CovaU will be focused on critical factors such as governance and financial risk management, to ensure that we have a viable, enduring and compliant business capable of competing effectively and grow in the Victorian energy industry.

We will utilise external service providers and technical experts where required, to support and assist in delivering on our business objectives.

3.2.4 Ensuring that the misuse of monopoly or non-transitory market power is prevented

CovaU's participation in Victoria will provide customers with a greater choice of differentiated energy retailers and energy supply offers to select from, which will drive increased competition and prevent monopolistic behaviour and abuse of non-transitory market power.

3.2.5 Facilitating effective competition and promote competitive market conduct

The participation of another energy retailer such as CovaU will be consistent with the Commission's objective, and commitment to encourage greater competition in the energy industry for the benefit of Victorian customers.

3.2.6 Ensuring that regulatory decision making has regard to the relevant health, safety, environmental and social legislation applying to the regulated industry

CovaU is committed to ensuring a safe and healthy work environment for our employees, service providers, consultants and contractors, as well as public safety, and will comply with all applicable health, safety, environmental and social legislation.

3.2.7 Ensuring that users and consumers including low-income or vulnerable consumers benefit from the gains from competition and efficiency

CovaU, through its existing energy retailing activities, has developed a range of energy supply plans and offers that will appeal to different customer segments.

We have developed a customer hardship policy that incorporates available programs and options to support vulnerable and low-income customers.

3.2.8 Promoting consistency in regulation between States and on a national basis

CovaU is an AER-authorised energy retailer and is already actively retailing to customers in those jurisdictions. The granting of a retail licence in Victoria will allow CovaU to actively participate and contribute to industry forums and groups to drive and promote consistency in regulation between the states and on a national basis.

4.0 Section 3 - Information on Financial Viability

4.1 Financial data

CovaU is a recently incorporated body and has commenced energy retailing activities for a few months. Therefore, it does not have any audited historical financial statement or business performance data at this stage.

Tel.Pacific, the parent company of CovaU, has been a listed company since 2007, with formal reporting and submissions of independently audited financial information to ASIC.

4.1.1 Audited financial statements and annual reports

Appendix 6 comprises the past three years of our parent company's Annual Reports. All Tel.Pacific consolidated financials are contained in each of the reports.

Also in the Annual Reports are director's report, independent auditor's report and related declarations from the director and independent auditor in compliance with the relevant sections of the Corporations Act 2001 and Australian Accounting Standards.

Appendix 3 contains a director's declaration that the financial statements comply with relevant accounting standards, provide a true and fair view and have been made in accordance with the Corporations Act 2001.

4.2 Business plan

Appendix 7 details CovaU's Business Plan and Financial Forecast consisting of a Board-endorsed plan, a 5-year financial forecast, and a snapshot of our financial model and assumptions.

4.3 Credit rating

CovaU or Tel.Pacific does not possess an official credit rating.

4.4 Declaration from Independent Auditor

A copy of the external auditor's independence declaration by BDO Australia, as required under section 307c of the Corporations Act 2001, has been provided to the Tel.Pacific directors in each of the three Annual Reports included in *Appendix 5*.

4.5 Declaration from Chief Executive Officer

Appendix 3 contains our Chief Executive Officer's written declaration that CovaU is a going concern with no known impediments to its ability to operate as an energy retailer.

4.6 Declaration from external consultants

Appendix 8 contains a written statement from an independent energy consulting firm confirming that it has provided technical support to CovaU in the preparation of policy, plan and procedural documents in line

with Australian and International Standards and the principles applied for energy retailing in Australia where appropriate. This included evaluating and reviewing CovaU's business plan and financial forecast to ensure consistency with industry-relevant factors and considerations.

4.7 Related companies structure and major shareholders

Section 2.5.2 About Tel.Pacific provides a diagram of the ownership structure of the group.

Section 2.9.9 Major Shareholders and Experience provides information on the group shareholders with at least 5% company interest.

For a detailed report of ownership structure and major shareholders, please refer to *Appendix 6* containing the past three Annual Reports. In the 2013 Annual Report, information on Tel.Pacific's controlled entities is provided on page 43 and shareholders with significant interest in the company are provided on page 71 of the Report.

4.8 Parent company support

The Tel.Pacific Board has given approval for CovaU to receive the necessary financial and resource support as and when required from the parent company.

The parent company financial support to CovaU includes:

- business set-up and ongoing working capital;
- credit support required by network companies;
- network settlements;
- wholesale prudential support required by AEMO;
- wholesale energy settlements with AEMO; and
- trading margins and settlements.

For access to administrative, management, personnel, infrastructure and intellectual property support, the parent company support to CovaU includes:

- business governance, compliance, risk management, and policy and procedural development;
- all aspects of business functional support covering strategy, sales, customer service, legal, regulatory, finance and accounting, marketing, risk management, IT and operations; and
- all infrastructure support covering office facilities, rent and utilities, call centre and back-office systems and services.

A copy of the deed of guarantee between Tel.Pacific and CovaU is provided in *Appendix 9*.

4.9 Credit support and bank guarantees

CovaU is aware of this requirement and is in the process of finalising all the required information from the Victorian network distribution companies, AEMO and trading counterparties for credit support and prudential requirements.

Upon licence authorisation and prior to market entry, CovaU will ensure all required financial guarantees are secured for and provided to these trading partners.

Through our parent company support and prudent management of our energy retail operation, CovaU will have sufficient financial resources to cover off all credit support requirements with counterparties including AEMO, network companies, trading partners and service providers.

4.10 Network use-of-system agreements

Our representatives have been in discussions with the relevant Victorian network providers for electricity and gas.

CovaU is in receipt of the default Use-of-System Agreements from the respective network providers and is aware of the network standards and procedures and credit support requirements.

We are currently reviewing the various default agreements and will finalise and sign the agreements upon being granted the retail licence by the ESCV.

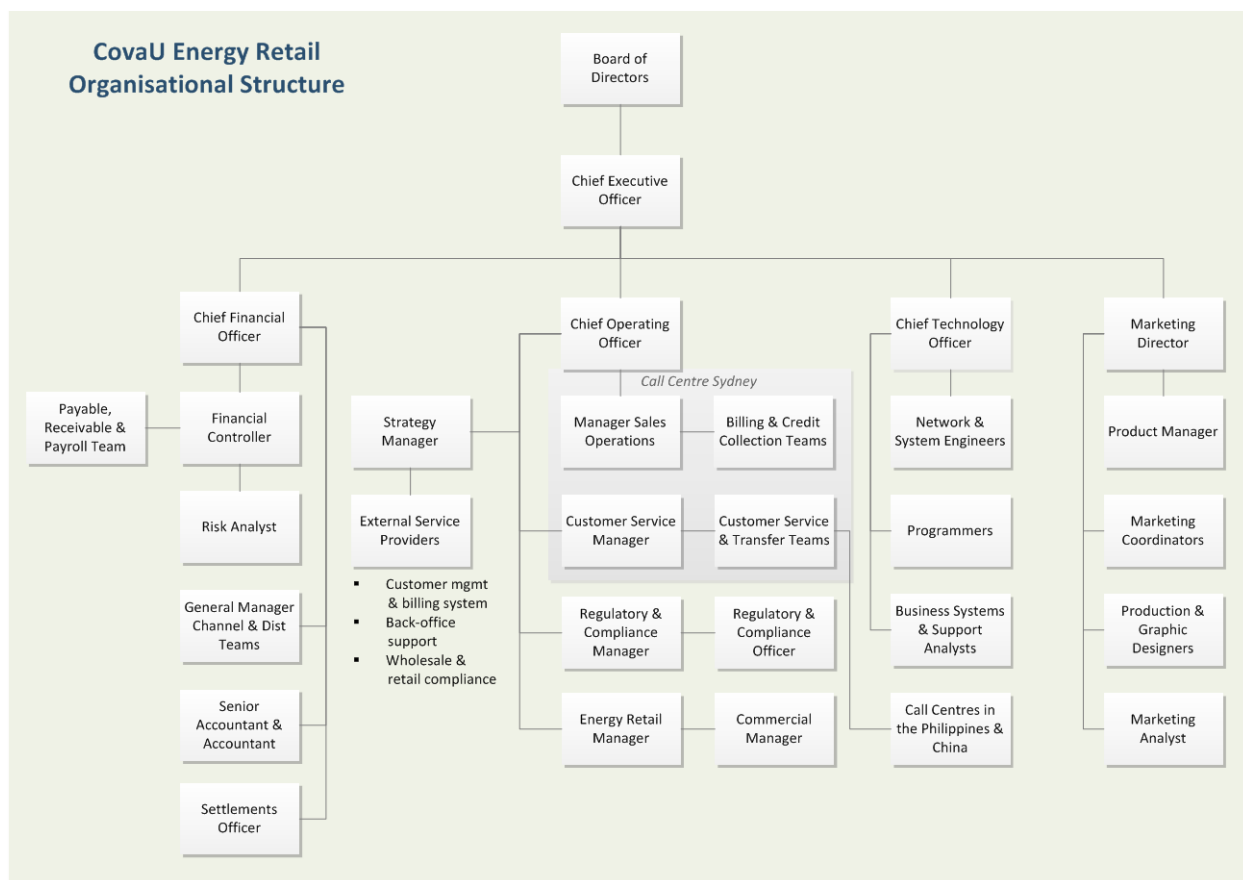
5.0 Section 4 - Information on Technical Capacity

5.1 Organisation chart

The Tel.Pacific group has approximately 200 employees in total, comprising 100 management and operational employees with another 100 customer service employees located in its three multilingual customer service centres.

CovaU will draw on its parent company's infrastructure, personnel, capital and business resources to manage and operate its energy retail business.

The diagram below shows CovaU's energy retail organisational structure for Victoria and NSW. *Sections 5.2 and 5.3* further detail our technical capability.



Appendix 10 shows CovaU's detailed organisational chart, with a number of existing Tel.Pacific's executive, management and operational personnel to provide energy retail business establishment and ongoing support.

CovaU has also conducted internal and external recruitment in the areas of risk analysis, regulatory compliance, retail and commercial management, and back-office operations for customer service, billing

and transfers. We have recently recruited energy industry-experienced personnel with technical capabilities in compliance, sales, customer service and back-office operations.

In addition, we have also engaged the support of highly experienced energy retail consulting and system service providers on long-term business arrangements to assist with our energy retail business establishment, implementation and ongoing operational requirements. This includes training, licensing authorisation, compliance, pricing and product development, customer management system, financial risk system, market interfaces and customer service and operational matters.

Please refer to *Section 5.3 Outsourcing Service Providers* below on outsourcing service providers for more information.

Appendix 11 provides a tabulation of expected CovaU resourcing configuration from initial launch to approximately 6 months of operations.

5.2 Qualifications, technical skills and experience

CovaU has assembled a team of highly skilled and experienced personnel that will be supported by contracted energy service providers and consultants, and recently recruited industry-experienced operational and management personnel.

5.2.1 Key officers - directors and executives

The following are senior CovaU officers that will provide direct day-to-day support to its energy retail business.

Greg McCann B Bus, FCA, FAICD
Non-Executive Chairman
Appointed 2 April 2007

Greg has had 24 years of financial consulting experience with Deloitte Touche Tohmatsu. During this time he has held a variety of senior leadership positions including the roles of Managing Partner for Papua New Guinea (1987 to 1990), Managing Partner for Queensland (1990 to 1995), Managing Partner for New South Wales (1995 to 1997), Managing Director of Deloitte Consulting/ICS Australia (1997 to 2001) and most recently Associate Managing Director of Deloitte Consulting for Australia and New Zealand (1999 to 2004).

Greg has extensive experience with boards and senior executives at CEO level. He is currently the Managing Director of Executive Computing Pty Limited, an independent software and consulting services supplier to the Asia Pacific region. Greg is also Chairman of Moko.mobi Limited, a global provider of mobile social networking services and is on the board of the law firm, Lander & Rogers. Greg is also a Non-Executive Director of NBN Tasmania Limited, a company established to rollout the national broadband network services in Tasmania.

Greg holds a Bachelor of Business (Accounting) degree and is a Fellow of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.

Chiao-Heng (Charles) Huang B Eng
Managing Director and Chief Executive Officer
Appointed 28 February 1996

Charles founded Tel.Pacific in 1996 as an ISP whilst in the third year of his Bachelor of Mechanical Engineering degree at University of Sydney. Following the deregulation of the telecommunications industry, Charles sought the opportunity to resell voice products in Australia and in 1999 he decided to transform the company from a technology-oriented ISP to a marketing and innovation-oriented business in the prepaid calling card sector.

He has successfully steered Tel.Pacific from a start-up company to its current position as a leading player in the calling card market. Charles has developed a robust business model using cost-effective sales channel strategy and unique retailing approaches.

Barry Chan B Eng
Executive Director and Chief Operating Officer
Appointed 29 September 1999

Barry joined Tel.Pacific in 1999 in a customer service trainee role. He moved on to work in different areas within the company, learning every aspect of the business. Appointed Head of Sales and Marketing in June 2004, he has played a key role in creating a very successful sales distribution network covering diverse geographical locations. Prior to that, Barry held positions as Product Manager, Customer Service Manager, Business Development Manager and Sales Executive.

Barry has been a significant contributor in the company delivering impressive growth in prepaid telecommunication products.

Barry holds a degree in Mechanical Engineering from the University of Sydney.

Jeffrey Ma BA, FCA, F Fin
Executive Director, Chief Financial Officer and Company Secretary
Appointed 22 November 2004

Jeffrey joined Tel.Pacific in 2000 with more than 15 years financial services experience. He holds a Bachelor of Arts (Accounting and Financial Management) degree from the University of Sheffield, England and is a Fellow of the Institute of Chartered Accountants in England and Wales. He is also a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Financial Services Institute of Australia.

He has over 11 years of financial services experience gained with Credit Lyonnais Australia Limited, where he held the position of Company Secretary and Head of Finance and Administration for five years and was a member of the management committee. Jeffrey also worked for two years in Westfield Holdings Limited; a listed property management and development company. He has an extensive professional background, having also worked for Coopers and Lybrand (now PricewaterhouseCoopers) in Hong Kong and with a chartered accounting firm in London.

Stephe Wilks B Sc, LLM
Non-Executive Director
Appointed 2 April 2007

Stephe has over 15 years of experience in the telecommunications industry in a variety of senior management roles including Regional Director Regulatory Affairs with BT Asia Pacific (1995 to 1998), Director Regulatory and Public Affairs at Optus, and Managing Director of XYZed Pty Limited (an Optus Company) (1998 to 2002), Chief Operating Officer of Nextgen Networks (2002 to 2003), Chief Operating Officer at Personal Broadband Australia and Consulting Director at NM Rothschild & Sons (2003 to 2005).

Stephe is an active non-executive director with public and private company experience. He is presently a Non-Executive Director of Service Stream Limited, Tel.Pacific Limited and 3 Q Holdings Limited, and an advisory board member of the Network Insight Group.

Stephe holds Bachelor of Science and Law degrees from Macquarie University and a Master of Laws from University of Sydney.

Nick Geddes FCA, FCIS
Company Secretary
Appointed 2 May 2007

Nick is the principal of Australian Company Secretaries, a company secretarial practice that he formed in 1993. Nick is the immediate past President of Chartered Secretaries Australia and a former Chairman of the NSW Council of that institute. His previous experience, as a Chartered Accountant and Company Secretary, includes investment banking and development and venture capital in Europe, Africa, the Middle East and Asia.

Nick is a Chartered Accountant (Fellow of the Institute of Chartered Accountants in England and Wales) and Fellow of the Institute of Chartered Secretaries (Chartered Secretaries Australia).

Steven Goodarzi BSc
Chief Strategy Officer
Appointed 1 July 2013

Steven has extensive management and operational experience internationally in strategy, business development, sales and marketing across the telecommunications and IT industries. He has been instrumental in leading the successful strategy and business development of the financial markets across the major financial centres of Asia, North America and Europe.

As Chief Strategy Officer, Steven's vision and leadership is the driver behind the forming of CovaU.

Most recently, Steven was based in Tokyo with KVH, a Fidelity Investment company, as Director of Strategy and Business Development.

Steven holds a Bachelor of Computer Science and Psychology degree from the University of New South Wales.

5.3 Outsourced service providers

CovaU has engaged a number of external service providers to assist with the establishment of its energy retail business and ongoing operation.

Support from these service providers includes the following functional areas:

- Industry and functional training;
- Licence authorisation;
- Policy and procedural development;
- Back-office configuration, process review and operational requirements;
- Market interface and transactional requirements;
- Customer management and billing system implementation and integration;
- Marketing and sales including quoting, pricing, product bundling and channel development;
- Wholesale trading and risk management; and
- Compliance for energy retail licence and regulation, and financial services licence.

For more detail, please refer to the service provider contract arrangements provided in *Appendix 12*.

5.4 Memberships and Registrations

5.4.1 Energy and Water Ombudsman (EWOV) scheme

CovaU has made initial approaches to EWOV with a view to obtaining membership of the scheme as soon as its licence authorisation is approved by the Commission for retail market entry in Victoria.

As with all jurisdictional ombudsmen, EWOV is central to the CovaU's Complaint and Dispute Resolution Procedures, providing small customers access to an external dispute resolution scheme for issues relating to service, billing and charging.

CovaU will finalise its EWOV membership arrangement upon being granted the retail licence by the ESCV.

5.4.2 AEMO (and Austraclear) registration

CovaU has achieved retail market participant status with AEMO and has access to all the relevant AEMO market systems and interfaces. We have transferred acquired NSW customers, billed the customers, performed service order requests and conduct market settlements with AEMO.

CovaU is fully aware of and conversant with the rules and conditions governing market participation including settlement and reconciliation of energy purchases, B2B interface and service order processes, Austraclear participation for clearing and settlement services and wholesale prudential requirement.

CovaU will obtain AEMO gas market certification prior to embarking on gas market activities.

5.4.3 Energy Safe Victoria – gas safety case

CovaU has had interim discussions with Energy Safe Victoria's representatives on the gas safety case acceptance process and is fully aware of our obligations under the *Gas Safety Act 1997*.

We will ensure the submission and acceptance of our safety case that is consistent and in alignment with the Victorian gas safety and emergency response framework prior to the commencement of trading.

5.4.4 Community services agreements

CovaU will commence discussions with various governmental and non-governmental community welfare agencies including Department of Human Services with a view to entering into community services arrangements for the provision of concessions to eligible customers.

CovaU is aware of the various concession schemes and arrangements administered by the federal and state governments and will be in full compliance in line with our hardship policy requirements.

5.5 Internal controls, policies and procedures

5.5.1 Business plan

See *Appendix 7* for information on CovaU's board-endorsed Business Plan. The plan contains CovaU's business strategy and market approaches for growth and includes 5-year forecast financial statements.

5.5.2 Compliance management

CovaU understands that electricity supply and gas supply are essential services. Retailing of such services is subject to various and wide-ranging legislative and regulatory instruments, and an industry framework that ensures efficient and effective market operations and management including reliable, open access to all end-users.

CovaU views compliance as a critical business requirement and has established a robust framework for licence and operational compliance in line with AS3806:2006 and ISO31000:2009.

We are aware and well-positioned to comply with applicable legislative instruments including:

- Competition and Consumer Act 2010 (Cth);
- Energy Retail Code;
- Privacy Act 1988 (Cth);
- National Gas Act 2008 covering National Gas Law and National Gas Rules;
- Gas Use of System Agreements;
- Fair Trading Act 1999 (Vic);
- Gas Safety Act 1997 (Vic);
- Gas Safety Regulations 1998 (Vic);
- Code of Conduct for Marketing Retail Energy in Victoria;
- Gas Industry Act 2001 (Vic);
- Gas Distribution System Code;
- Essential Services Commission Act 2001 (Vic); and
- Natural Gas Pipelines Access Agreement.

5.5.3 Risk management

CovaU is committed to promoting a robust risk culture by establishing and adhering to a formal framework for ongoing risk management. This framework includes a common system for day-to-day management of risks across the business, roles and responsibilities for risk ownership and processes for regular review and reporting of business risks.

Appendix 13 contains CovaU's Business Risk Management Policy framework that has been established in accordance with the principles and definitions outlined in the AS/NZS ISO 31000:2009 Risk Management standards.

5.5.3.1 Wholesale trading and risk control policy

In retailing electricity and gas commodities, CovaU assumes significant risks prevailing within the wholesale energy markets that require sound and proper monitoring and management. For most retailers including CovaU, wholesale trading and risk management is a critical success factor.

For CovaU, effective management of these risks can be achieved through a structured internal governance and control approach including segregation of duties, delegation of controls, limits setting and position reporting and monitoring.

The policy, provided in *Appendix 14*, outlines the risk control framework in managing CovaU's exposures to market, credit, operational, regulatory and legal risks in relation to its energy retail activities.

5.5.3.2 Director's declaration on risk management

CovaU's current Risk Management Policy and Wholesale Trading and Risk Control Policy are in controlled draft status pending the convening of a CovaU board meeting for assessment and approval of the policy documents.

These policy documents will be updated and approved by the CovaU Board prior to Victorian retail market entry.

5.5.4 Governance policies

CovaU will leverage the governance framework of its publicly-listed parent company Tel.Pacific. The approach to governance is documented in *Section 2.9.8 Other Information*.

Our corporate governance policy statement is published in each of the Tel.Pacific's annual reports provided in *Appendix 6*.

5.5.5 Customer billing and management system

CovaU has entered into a contractual arrangement with a reputable energy outsourcing system provider to handle our customer management and billing requirements.

Our integrated quoting, pricing, customer management and billing system encapsulates processes and procedures covering product information statement, pricing, explicit informed consent, cool-off period to customer activation, transfer, meter data capture, billing, service order, collection and market settlement.

The details of the system service contractual arrangement are provided in *Appendix 12*.

5.5.6 Complaint and dispute resolution procedures

The complaints handling and dispute resolution procedures used by CovaU aligns with the Australian Standard AS ISO 10002:2006 Customer Satisfaction Guidelines for complaints handling in organisations and our requirements as an energy retailer.

Appendix 15 details these procedures with the specific purpose of providing the customer with a point of contact to enable the complaint to be recorded, actioned appropriately, responded to in a timely, efficient manner and resolved to the satisfaction of the customer.

5.5.7 Customer charter and privacy

CovaU's Customer Charter, a formal document that sets out information of our service to customers, details our role as a retailer and that of the customer, including agreement terms, payment options, special needs, disconnection, privacy and many more. The Charter is provided in *Appendix 16*.

CovaU officers have demonstrated ability in maintaining confidentiality of customer data and complying with the privacy laws that apply to the energy and telecommunications industries.

Unless with the explicit informed consent of the customer, no customer information that CovaU holds will be made available or accessible to third parties other than in accordance with the privacy laws.

CovaU's Privacy Policy is provided in *Appendix 17*.

5.5.8 Customer hardship policy

At CovaU, we understand that from time-to-time customers experience financial hardship and may need additional assistance and flexibility. Our Customer Hardship Policy provided in *Appendix 18* identifies and assists vulnerable customers to manage their energy usage and costs.

CovaU's privacy commitment to customers is also included in our Customer Charter in *Appendix 16*.

5.5.9 Insurance arrangements

Appendix 19 contains the Tel.Pacific group's current insurance policies covering public liability, industrial risk liability and workers compensation.

5.5.10 Human resources and recruitment policy

The Recruitment & Selection Policy for Tel.Pacific and its subsidiaries is designed to ensure fairness and transparency in our recruitment processes. Tel.Pacific strives to find the best people to fill a role, and at the same time promotes equal employment and development opportunities for internal and external candidates.

Our recruitment procedures for customer service, operational, management and executive positions are encapsulated in the policy provided in *Appendix 20*.

We adopt the following procedures for selecting key operational, management or executive positions:

- screening candidates using the critical selection criteria and KPIs set out in the position description;
- interviewing candidates with a panel of current managers or executives;

- using psychometric tests as necessary;
- conducting at least 2 reference checks and employment history check on preferred candidates;
- completing background and 'good fame and character' checks including criminal history check, bankruptcy check and searching ASIC various registers (professionals and banned persons) or similar databases if appropriate;
- ensuring the prospective employee is eligible to work in Australia (or the country where the role is domiciled); and
- ensuring shortlisted candidates and preferred candidate have the requisite qualifications and industry licence to perform in the role.

Our policy also details the relevant qualifications, experience and professional industry memberships that are prerequisite for critical roles.

5.5.11 Competence and training

To support personnel development and learning, CovaU is committed to ensuring our employees, contractors and partners are provided with the necessary training to enable them to be competent and effective in the performance of their duties and compliant execution of industry regulatory and legislative obligations.

CovaU has instituted a structured, 5-module training program designed for our personnel to build critical knowledge. At the end of the training, our personnel are expected to have general knowledge about the industry and specific knowledge of their work functions.

Appendix 21 provides a detailed coverage of our Training and Competence Program and the modules, which applies company-wide to all personnel.

Our program structure will prepare us for market launch readiness and internal operational knowledge development and learning that will apply for the next 12 months of retail operation in Victoria.

Training will be undertaken according to the schedule in the Training and Competence Program provided for existing employees and as part of the employee induction process for new employees. A Training Register is used as an internal monitoring and reporting tool to ensure that all required training have been undertaken by the relevant personnel.

Additional training will also be instigated where specific deficiencies in knowledge or skills are identified through internal review and monitoring processes. In particular, supplementary training may be adapted for CovaU's operational staff with AEMO on retail market processes and procedures.

Our Regulatory and Compliance Manager has day-to-day responsibility for keeping abreast of regulatory and legislative changes and communicating those changes across CovaU, and assisting in updating and validating the internal training modules.

CovaU will also leverage and customised training materials from Tel.Pacific's call centre agent training manual and internal call quality assurance and monitoring procedures for energy retailing.

5.6 Information in support of an gas retail licence application

5.6.1 Previous industry experience

CovaU is a recent business start-up established with the specific purpose of retailing electricity and gas. We started actively retailing electricity and gas in NSW a few months ago and our entry into Victoria will allow us to continue to build on our operational capability and business growth objectives.

We have also recruited a number of permanent employees with direct energy industry experience in regulatory compliance, sales and back-office customer service and support.

Our business operational structure and support framework has the required financial capacity and technical capability to undertake energy retailing in Victoria.

5.6.2 Capacity to operate a business

5.6.2.1 Managing supplier contracts

CovaU's service providers are subjected to service level performance with compliance monitoring incorporated into these agreements.

All suppliers will be required to conform and comply with CovaU policies, procedures and processes for functional areas that are specifically outsourced. Our internal training program will be extended to contractors and external service providers where required.

For more information on supplier contracts, please refer to *Section 5.3 Outsourced Service Providers*.

CovaU will also be dealing with trading counterparties for wholesale energy risk management and this activity will be encapsulated under our Wholesale Trading and Risk Control Policy described in *Section 5.5.3.1*.

5.6.2.2 Customer energy supply contracts and managing customer contracts

The CovaU management team has considerable experience in retailing consumer services in Victoria and other Australian jurisdictions and is fully aware of their legislative obligations in managing customer contracts, including those covered under the state Fair Trading laws and Competition and Consumer Act.

We have a sound working knowledge of specific legislations that affect gas customer contracts and retailer obligations including the Energy Retail Code. Our customer supply terms and conditions and customer charter accordingly reflect the Code requirements, as well as the fair trading and trade practices laws.

All CovaU customers are subjected to the explicit informed consent procedure prior to the customer being contracted. All calls to customers are voice-recorded for verification and quality assurance and assigned to the customer account for relationship management purposes in our customer management and billing system. All customer and contract documents are kept for a minimum period of 7 years as required by legislation.

Appendix 22(a) and 22(b) contains the CovaU Market Retail Contract Agreement and Standard Retail Contract Agreement. The Agreements are made up of the commodity supply terms and conditions, the explanation of available and relevant benefits, offer features and conditions and all other relevant terms and conditions.

Appendix 16 refers to CovaU's Customer Charter.

5.6.2.3 Customer account establishment and management

Through our outsourced customer management and billing system, procedures undertaken for customer account establishment and management include verification, credit checking, cool-off period, transfer, energisation/de-energisation, service order management, capture and storage of customer and contract details, and audit trail capability.

All CovaU customer information handling and management will comply with the requirements of the *Privacy Act 1988 (Cth)* and the National Information Privacy Principles.

5.6.2.4 Customer service provision

CovaU will be leveraging its parent company's customer service infrastructure to handle inbound and outbound customer calls for activities such as general account enquiries, change of account details, requests for energisation/de-energisation, overdue payment and payment difficulties, complaints, account closure and a range of related activities including ombudsman complaints and resolution.

Section 2.5.2 *About Tel.Pacific* and Section 5.1 *Organisation Chart* provide additional details of our customer service infrastructure and resourcing.

5.6.2.5 Billing and collection

CovaU will leverage its parent company Tel.Pacific's existing service arrangements for bill printing and mailing, and mercantile service functions as and when required.

5.6.2.6 Appropriate management systems

CovaU's internal systems, reporting and processes will be integrated with the outsourced service providers' billing and financial risk systems to ensure reliability and accuracy of general ledger, accounts payable and accounts receivable, and management and regulatory reporting purposes.

5.6.3 Capacity to comply with regulatory requirements

5.6.3.1 Provision of information to a distributor

Under the terms and conditions of the network Use-of-System agreements and in accordance with the Distribution Code, CovaU will comply with relevant network providers' requests and provide all the necessary information and reporting to the network **companies**.

5.6.3.2 Meter Reading

Through the network use-of-system arrangements, CovaU will use metering provision and data services offered by the various gas distribution companies.

CovaU will ensure that each customer's meter is read at least once every 12 months.

5.6.3.3 Provision of Information to Customers

Our executive management team has long-standing utility retail experience and is attentive to the requirement of ensuring sound and effective management of customer information. This will ensure the provision of correct and accurate information to customers and reporting to the regulatory bodies, in line with the Energy Retail Code and other relevant legislative instruments such as the Competition and Consumer Act, Fair Trading Act, Code of Conduct for Marketing Retail Energy, Confidentiality and Informed Consent and Energy Product Disclosure.

Our employees and contractors will be trained in the conduct of sales and marketing activities to ensure that customers are fully informed at all times.

5.6.3.4 Privacy and confidentiality management

CovaU's Privacy Policy is provided in *Appendix 17* and describes our commitment to preserving and respecting our customers' privacy by complying with the provisions contained in the Privacy Act 1988 (Cth).

The policy outlines the way personal information is collected and used, in compliance with legislative requirements.

5.6.3.5 Customer Information Management System

CovaU's outsourced customer management and billing system captures customer account details and energy supply information and provides reporting to the Commission, network providers and other regulatory bodies.

As a minimum, the system provides information covering customer contact details, price and payment terms, payment history, consumption history, complaints or enquiries history, billing history and other related information.

5.6.3.6 Management and compliance systems

Our Corporate Governance framework, Risk Management Policy and Wholesale Trading and Risk Control Policy described above provide the basis for CovaU to implement and maintain a structured and robust management and compliance approach critical to the business and the industry as a whole.

Our compliance systems will enable CovaU to undertake compliance testing, reviews and audits required by the Commission.

5.6.3.7 Website

CovaU's website provides all the relevant information to customers and prospects on its energy retail offers, customer charter, standard supply terms and conditions and product information statement. Customers can also sign up online to offers and conduct self-service activities.

6.0 Appendices 1-22 (commercial-in-confidence)

All appendices provided below are commercial-in-confidence.

Appendix 1 – CovaU CEO's Statutory Declaration

Appendix 2 – CovaU Certificate of Registration

Appendix 3 – Director and Officer's Statutory Declarations

Appendix 4 – Officers' Names and Residential Addresses

Appendix 5 – Top 20 Shareholders

Appendix 6 – Tel.Pacific Annual Reports 2011, 2012 and 2013

Appendix 7 – CovaU Business Plan

Appendix 8 – External Consultant's Assurance

Appendix 9 – Deed of Guarantee between Tel.Pacific and CovaU

Appendix 10 – Organisational Chart

Appendix 11 – CovaU Market Launch Resourcing

Appendix 12 – Service Provider Contract Agreements

Appendix 13 – Business Risk Management Policy

Appendix 14 – Wholesale Trading and Risk Control Policy/ Code of Ethics/ Acknowledgement

Appendix 15 – Complaints Handling and Dispute Resolution Procedures

Appendix 16 – CovaU Customer Charter

Appendix 17 – CovaU Privacy Policy

Appendix 18 – Customer Hardship Policy

Appendix 19 – Group Insurance Arrangements

Appendix 20 – Recruitment and Selection Policy

Appendix 21 – Training Policy

Appendix 22 – (a) Market Retail Agreement; (b) Standard Retail Agreement