



APPLICATION FOR ELECTRICITY RETAIL LICENCE

JUNE 2014

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1 INTRODUCTION

Next Business Energy is a privately owned, recently incorporated company proposing to establish an electricity retail business, initially in Victoria and New South Wales.

Next Business Energy has been established by, and incorporates executives from, Next Telecom, a leading provider of IP Telephony, data and business solutions. Relevantly, Next Telecom was awarded the 'Gold Award' in the 2011, 2012 and 2013 Australian Customer Service Awards.

Next Business Energy is seeking an electricity retail licence to sell electricity under market contracts to small and large business and commercial customers, as well as a lesser number of residential customers.

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

Next Business Energy is seeking a full electricity retail licence and wishes to commence retailing activities by 1 September 2014.

2 THE APPLICANT AND NATURE OF THE APPLICATION

2.1 APPLICANT DETAILS

The applicant is Next Business Energy Pty Ltd [Next Business Energy] ACN 167 937 555.

The company was registered in New South Wales in February 2014, under the *Corporations Act 2001*.

The Company Certificate of Registration and the Company Constitution is included as **Attachment A4**.

2.2 REGISTERED ADDRESS

Level 12, 100 Miller Street
North Sydney NSW 2060

2.3 PRINCIPAL PLACE OF BUSINESS

Level 12, 100 Miller Street
North Sydney, NSW 2060

2.4 ADDRESS OF BUSINESS ACTIVITIES

Level 5, 454 Collins Street
Tel: 03 9981 0060
Fax: 03 9981 0061

2.5 CONTACT PERSON

David Hayes
Chief Operating Officer
Next Business Energy Pty Ltd

Email: david@nextbusinessenergy.com.au
Tel: 03 9981 0060

2.6 ABOUT NEXT BUSINESS ENERGY

Next Business Energy will enter into electricity retail contracts with small to medium business (and a lesser number of residential customers) in the eastern states of Australia.

Next Business Energy will offer competitive pricing and excellent customer service in a bid to win customers in the small to large business segment of the market. This is a segment which is often served poorly. With a proportion of this market classified as small and others large, these customers may not have the buying power needed to demand competitive pricing. As a result customer service is also not available. Next Business Energy will focus its efforts on ensuring the needs of these customers are met.

Sustainable growth will be achieved by Next Business Energy by sensible customer acquisition and accurate, on-time billing. Next Business Energy will avoid, indeed will not need, using door to door sales practices and ensure that each customer transferred has provided explicit informed consent.

Next Business Energy will seek to add clarity to electricity invoicing. Next Business Energy invoices will be easily readable and informative; and, with the assistance of technology, savings will be obvious. We will give our customers the option of payments processed via direct debit on a monthly basis. Monthly billing will be important not only to Next Business Energy from a cash flow perspective, but also to our customers in introducing certainty and consistency.

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

In addition, the group has been providing energy procurement services to many large customers throughout Australia.

With a large team of experienced resources in the utilities sector, the group is now expanding its activities in the electricity retail area to offer similar levels of competitive, innovative products and exemplary levels of customer service, which have been recognised and rewarded in energy service programs for the last few years.

2.7 NATURE OF THIS APPLICATION

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

Next Business Energy will begin retailing to small business customers initially and is anticipating commencement of retailing activities in Victoria in September 2014 or from a date when all applicable regulatory obligations have been fulfilled. Next Business Energy will also retail to residential customers to a limited extent.

Next Business Energy has also made application to the Australian Energy Regulator for an electricity Retail Authority. Next Business Energy has not been prevented from or refused an electricity licence in any jurisdiction. There are no outstanding legal proceedings or compliance issues.

2.8 CORPORATE STRUCTURE

Next Business Energy is a private company and the shareholding is owned by a number of individuals as outlined in the Register of Shareholders as listed in **Attachment A3**.

The initial Executive Directors are Ryan O'Hare, David Hayes and Karen Jones and a brief summary of their experience is provided below.

EXECUTIVE DIRECTOR & CHIEF EXECUTIVE OFFICER

Ryan O'Hare

Ryan O'Hare's career began in retail distribution before assuming control of the US operations of Eutility, a global energy and telecoms services and consultancy business.

In 1993, as an extension of the services provided by Eutility and to capitalise on the deregulation of the industry, Ryan founded a start up telecommunications service provider in Sydney, Australia called corpTEL Communications Pty Ltd.

corpTEL Communications Pty Ltd became one of the largest privately owned telecommunication service companies in Australia, recording revenues in 1998 of over \$150 million for telecom services across Australia. Mr O'Hare was its major shareholder, Chief Executive and Chairman until its eventual sale to Australia's 3rd largest carrier, AAPT Limited in 1998.

People Telecom Limited was co-founded by Ryan in 2000. Five years later revenue had grown to over \$150 million per annum. (Today it is part of the M2 Communications Group that generates revenues of over \$1billion per annum).

Next Telecom was founded by Ryan in 2006 and has since become a multi award winning IP telecoms specialist for business customers in Australia and now the United Kingdom.

Ryan is a Director of the Australian Stroke Foundation and is active with the Children with Aids Charity in the UK. He was recognised for this work by being nominated as a finalist in the 2006 Ernst & Young Entrepreneur of the Year award.

EXECUTIVE DIRECTOR & CHIEF OPERATING OFFICER

David Hayes

David has more than 30 years senior management experience in utilities in UK, Australia and Asia Pacific.

During the last 18 years in Australia, David has been responsible for the establishment of the electricity retail and energy services business of one of Australia's largest energy companies, the founder of a successful electricity retailer based in Queensland and has assisted with a number of successful retail licence applications in various jurisdictions.

In addition to providing energy industry advice, David has undertaken many consulting projects with the market operators, accounting firms and energy retailing and metering companies based in VIC, TAS, NSW and QLD.

Recently David has been directing the growth of an accredited energy services providing significant additional value to retail customers.

EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER

Karen Jones

Karen Jones is a qualified CPA and CMA, with international experience as a commercial accountant and CFO.

For the last ten years she has worked in the Telecommunications Industry and has a large amount of experience in launching and managing businesses in Europe, Australia and the South Pacific.

Karen joined Next Telecom Pty Ltd in April 2009 and manages all aspects of financial management within the organisation.

MANAGER – LEGAL, REGULATORY AND COMPLIANCE

Connor James

Connor is a qualified solicitor with Science and Law degrees and a current practicing certificate.

He has been involved in all legal and regulatory aspects of energy retail, for a number of leading energy companies.

From licensing to audits and managing relationships with regulators, he has an in-depth understanding of energy retail Regulations, Acts, Codes and Guidelines, including environmental certificate schemes.

**MANAGER – RETAIL OPERATIONS
HEATHER HALL**

Heather is an experienced, disciplined, and highly-motivated Retail Utilities Operational Manager, with over 9 years experience and knowledge in managing projects and programs of work including Business Process Implementation and Systems Analysis leading to ongoing Management and improvement of energy business operational systems and needs.

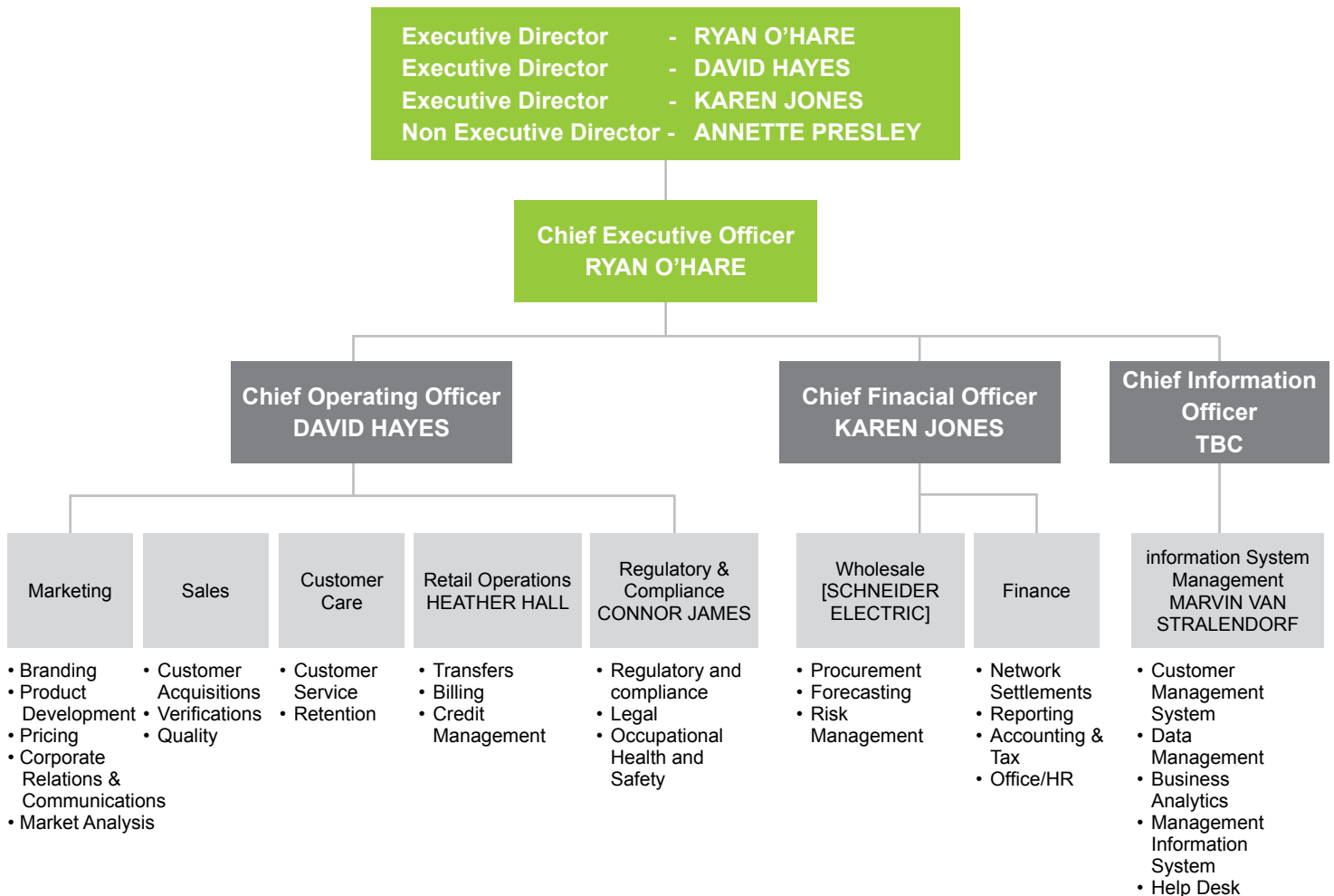
An extensive experience in the majority of business and operational needs has been gained through similar positions at Lumo Energy, Momentum Energy and People Energy.

2.9 ORGANISATION STRUCTURE

The proposed organisation structure is shown below and the key roles are complemented by experienced industry resources and existing, experienced staff.



ORGANISATION STRUCTURE
Functional View



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

- Wholesale and Risk Management – *Schneider Electric*

Further information describing the consultants' energy industry experience can be found in Attachment E8.

2.10 STATUTORY DECLARATION

A statutory declaration is included as **Attachment A6**, signed by the company Chief Executive Officer, confirming the accuracy and completeness of all information provided.

3 THE COMMISSION'S OBJECTIVES

3.1 GENERAL

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

3.2 PROMOTING THE LONG TERM INTERESTS OF VICTORIAN CUSTOMERS

The Next Business Energy management team has been providing cost effective utility solutions to business customers with a focus on compliance and quality of service, for a number of years. The expansion into electricity retail by Next Business Energy will further improve the long-term interests of electricity customers in Victoria – See Next Business Energy Business Plan – **Attachment A1**.

3.3 FACILITATING EFFICIENCY IN REGULATED INDUSTRIES AND THE INCENTIVE FOR EFFICIENT LONG TERM INVESTMENT

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

3.4 FACILITATING THE FINANCIAL VIABILITY OF REGULATED INDUSTRIES

The focus of Next Business Energy's retail strategy is to leverage the Groups robust, financial management and award winning customer service to provide cost effective solutions, with a strong focus on managing risk. The attached business plan and Electricity Trading Risk Policy – **Attachment B8** - demonstrate commitment in this area.

3.5 PREVENTING OF THE MISUSE OF MONOPOLY OR NON-TRANSITORY MARKET POWER

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

3.6 FACILITATING EFFECTIVE COMPETITION AND PROMOTING COMPETITIVE MARKET CONDUCT

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

3.7 ENSURING THAT USERS AND CONSUMERS [INCLUDING LOW INCOME OR VULNERABLE CUSTOMERS] BENEFIT FROM THE GAINS FROM COMPETITION AND EFFICIENCY

The Next Business Energy management team has been providing competitive options with tailored plans and flexible payment options to small Australian customers for over 20 years in its telecommunications business. Leveraging this experience into electricity retail will further expand the range of options available to prospective retail customers.

3.8 PROMOTING CONSISTENCY IN REGULATION BETWEEN STATES AND ON A NATIONAL BASIS

Whilst Next Business Energy will commence retailing electricity in New South Wales, it intends to expand its range of services to Victoria in September/October 2014. As such, most of the governing principles and associated documents have been amended and supplemented for other jurisdictions, where appropriate. Next Business Energy will play an active role in the development of its business and industry representation, on an ongoing basis.

3.9 PROMOTING A CONSISTENT REGULATORY APPROACH WITHIN THE ELECTRICITY INDUSTRY

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

3.10 PROMOTING THE DEVELOPMENT OF FULL RETAIL COMPETITION

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

4 FINANCIAL VIABILITY

4.1 BUSINESS PLAN

Next Business Energy has prepared a detailed Business Plan, which is enclosed as **Attachment A1**. The plan contains details of the positioning of Next Business Energy in the Victorian energy market, including strategy, products, growth estimates and funding requirements.

4.2 FINANCIAL CAPACITY

Next Business Energy has recently put in place an investment structure to support the financial requirements of the business and the funds have been committed to the business in accordance with the Financial Model and Business Plan. The company assures the Commission that it will meet the financial viability requirement of S.19[2] (a) of the Electricity Industry Act 2000.

A summary of the financial model is enclosed as **Attachment A2** and includes the following:

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

A related Accountant's Declaration is included as **Attachment A5**.

4.3 AUSTRALIAN FINANCIAL SERVICES LICENCE

Next Business Energy is fully aware of its obligations to have an AFSL in place before dealing in financial derivatives. External wholesale trading and risk management consultants [Schneider Electric] have been engaged to assist Next Business Energy with its wholesale risk requirements. Information regarding Next Business Energy's electricity wholesale strategy is commercially sensitive and is contained in **Attachment B9**.

4.4 AEMO PRUDENTIAL SUPPORT

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

Next Business Energy has Board support for prudential guarantees and will continue to be able to meet the credit support requirements as determined by AEMO.

4.5 CREDIT RATING

Next Business Energy is a newly registered company and currently does not have a credit rating in place.

4.6 DISTRIBUTION ARRANGEMENTS

Next Business Energy has had initial discussions with each Victorian Distribution Network Service Provider and will have agreements in place with each provider prior to undertaking any retail activities in that area.

Next Business Energy has been in contact with each Distribution business in Victoria and discussed credit support and Use of System Agreement requirements and obligations. Next Business Energy will meet its credit support obligations with Distribution Network Service Providers.

5 TECHNICAL AND OPERATIONAL CAPACITY

5.1 INTERNAL CONTROLS, POLICIES AND PROCEDURES

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

We have identified all of the proposed compliance requirements under various Acts, Codes and Guidelines and incorporated these into our Policies and Procedures and have an undertaking from the Executive that they will be implemented within the business.

The aforementioned Policy documents are included in **Attachments B1 to B7**.

5.2 COMPLIANCE MANAGEMENT

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

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

The collection of Procedures for Next Business Energy is included as **Attachments C1 to C3**.

5.3 RISK MANAGEMENT

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

5.4 COMPLAINTS MANAGEMENT

The management team of Next Business Energy has been dealing with customers for many years in a similar industry and has developed a policy and procedures for the handling of customer complaints that will be implemented in its electricity retail business. All complaints are taken seriously, handled swiftly and with sensitivity – all details relating to customer complaints are captured in the Customer Management Systems and can be tracked and reported to meet industry obligations.

5.5 PRIVACY

Next Business Energy has considered the importance of maintaining the confidentiality of customer information in all interactions – voice, written and web based. Accordingly, a Privacy Policy has been developed and is included in **Attachment B7**. This policy will also be available on the Next Business Energy website.

5.6 CUSTOMER MANAGEMENT

All customers are required to provide Explicit Informed Consent before entering into a contract with Next Business Energy. A comprehensive process involving sales calls, verification and quality assurance will be applied. All documentation relating to retail customers will be retained in a secure environment for a period of at least 7 years.

5.7 TERMS AND CONDITIONS

Customer Agreements together with Terms and Conditions for prospective business customers have been prepared and are included as **Attachment E9**. These are and will continue to be compliant with the applicable Codes and Guidelines

5.8 TRAINING

Next Business Energy has developed a detailed training program, which will be mandatory for all staff involved in customer interaction. The training program covers the important topics of compliance, customer hardship, complaints and privacy. This mandatory training will be part of induction processes and will be updated and refreshed from time to time. There are knowledge-based tests within the training and minimum levels must be achieved to demonstrate understanding. All training records are kept with the individual personnel records. The Compliance Training Manual is **Attachment E1**.

6 RETAIL SYSTEMS AND SERVICES

6.1 RETAIL SYSTEMS

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

The signed Agreement with Agility CIS is also included in **Attachment D1**.

6.2 MANAGEMENT SYSTEMS

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

6.3 WEBSITE

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

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

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

7 ADDITIONAL BUSINESS REQUIREMENTS

7.1 AEMO REGISTRATION

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

The approval of this application will not be completed until after the granting of an electricity licence. The AEMO application is enclosed as **Attachment E10**.

7.2 ASX AUSTRACLEAR MEMBERSHIP

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

7.3 OMBUDSMAN SCHEME

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

7.4 COMMUNITY SERVICES AGREEMENTS

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

7.5 METERING ARRANGEMENTS

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