

# ONLINE POWER AND GAS PTY LTD

## APPLICATION FOR ELECTRICITY RETAIL LICENCE

### INTRODUCTION

Online Power and Gas Pty Ltd (**Online Power and Gas**) is a privately owned company, proposing to establish an electricity retail business in Victoria. The following details will make up the application for a retail energy licence in Victoria. This application has been put together in accordance with the "Guidance Notes for Applications for Electricity Licences and the Transfer of Existing Electricity Licences" issued by the Essential Services Commission of Victoria (the **Commission**) in November 2006.

### 1 INFORMATION ON THE APPLICANT AND NATURE OF THE APPLICATION

#### 1.1 The Applicant

Name: Online Power and Gas Pty Ltd (formerly Local Energy Pty Ltd)

ACN: 164 285 634

ABN: 95 164 285 634

A copy of the Online Power and Gas certificate of registration is attached as Attachment 1.

A copy of the constitution of Online Power and Gas is submitted on a Commercial-In-Confidence basis under Attachment 2.

A copy of the shareholders' agreement is submitted on a Commercial-In-Confidence basis under Attachment 3.

#### 1.2 Registered address

6/61 Robinson Street, Dandenong, Victoria 3175

#### 1.3 Address of business activities

366 - 370 Spencer Street, West Melbourne, 3003

#### 1.4 Key Contacts

Mr Levent Shevki  
Corporate Counsel  
Level 10, 114 William Street, Melbourne VIC, 3000  
Ph: +61 3 9608 2278

#### 1.5 Corporate Structure

Online Power and Gas is a privately owned company. The shareholder registry is attached as Attachment 4.

#### 1.6 Organisational Structure & Experience of Key Personnel

The organisational structure is set out in Attachment 5, which also outlines the experience of the key personnel and advisory firms involved in and with Online Power and Gas.

**1.7 Details of all contracts and agreements for outsourced services that are either under negotiation or to be entered into by the applicant to facilitate the conduct and operation of the electricity business.**

Copies of the contracts and agreements for outsourced services are submitted on a Commercial-In-Confidence basis under Attachments 6 – 8 (both inclusive).

**1.8 Details of parties having an interest in Online Power and Gas**

Details of the shareholders of Online Power and Gas is submitted on a Commercial-In-Confidence basis under Attachment 5.

**1.9 Details of prosecutions or regulatory complaint commenced against the application or related or associated persons or key personnel**

There have not been any prosecutions or regulatory complaints commenced against Online Power and Gas, its related or associated person or its key personnel.

**1.10 Details of licence**

*1.10.1 Type of licence sought*

Online Power and Gas seeks an electricity retail licence.

*1.10.2 Date from which licence is sought*

15 May 2014.

*1.10.3 Nature and scope of activities for which the licence is sought*

Online Power and Gas intends to retail electricity to both residential (primarily) and small business customers. Online Power and Gas is anticipating the commencement of this service from May 2014.

*1.10.4 Details of current or former licences held in this and/or other jurisdictions*

Online Power and Gas has no current or former licences held in Victoria or any other jurisdiction.

*1.10.5 Previous unsuccessful licence applications sought in this and/or other jurisdictions*

Online Power and Gas has no unsuccessful licence applications in Victoria or any other jurisdiction.

*1.10.6 Licences held by associates of the applicant. The term “associates” includes subsidiaries, parent and other related parties of the applicant as defined in the “Corporations Act 2001” (Cth)*

The associates of Online Power and Gas do not hold any licences in Victoria or any other jurisdiction.

*1.10.7 Licence conditions*

Online Power and Gas does not seek any non-standard licensing conditions.

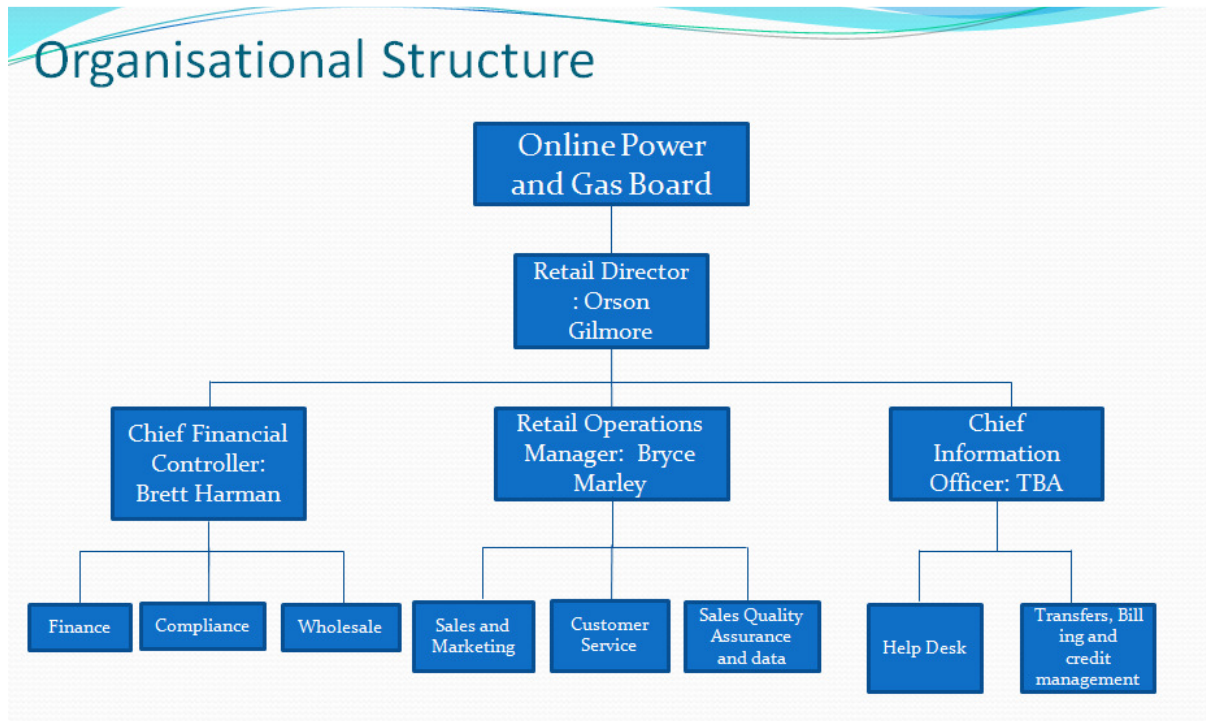
**1.11 Existing activities both within and external to the electricity industry**

*1.11.1 List experience of key personnel, the applicant and related parties within and external to the electricity industry.*

## Corporate Structure

Online Power and Gas is not publicly listed and is privately owned.

## Organisational Structure



### Online Power and Gas Board

The Online Power and Gas Board have appointed the following key members to its board.

#### Roy Adair – Board Member

Mr. Roy Adair has experience in the international energy industry gained from running electricity businesses in merchant risk environments, including previous roles as Managing Director of UK-based PowerGen Renewables, Chief Operating Officer of Pacific Hydro, Chief Executive of Senoko Power, Singapore's largest electricity generator and retailer, and Director and Chief Executive Officer of Hydro Tasmania. In Australia, Mr. Adair was the founding Chairman of the National Generators Forum and a director of the Electricity Supply Association of Australia. Mr. Adair was elected to the IHA Board in 2011 and elected Vice President in 2013.

#### Brent Wallace – Board Member

Brent has more than 20 years in senior finance and operational positions. Brent gained his Chartered Accountant experience via KPMG before diversifying into a large privately owned import and distribution business. He played a pivotal role in growing the business before negotiating the sale to a publicly listed entity. Brent continued his finance experience with an emerging electricity retailer (Chief Financial Officer at Neighbourhood Energy) aligned with a national energy generator and retailer. His current role (Chief Operating Officer) with Directioneering is focused around partnering with the Managing Director and Senior Management team providing financial, governance and operational advice. He has substantial expertise around commercial operations, business start-ups, business planning and forecasting. Brent holds a number of Directorships of private companies and is a graduate member of the Australian Institute of Company Directors. He is an Associate member of the Institute of Chartered Accountants in Australia and holds a Bachelor of Business (Accounting) Degree from Swinburne University.

## Experience of Management

### Orson Gilmore - Retail Director

Orson Gilmore has over 9 years' experience in retail energy across customer service, Credit Management, Billing, Transfers and Sales and Marketing. This experience has been gained working with start-up retailers in the past (Red Energy and Neighbourhood Energy). Of particular note, Orson was heavily involved in the start-up retail business Neighbourhood Energy (Now Alinta East Energy) working across most areas of the backend process (setting up Credit Management and Quality Assurance) in the business as Operations Development Manager before finishing in the role of Sales and Marketing manager for the organisation. Orson is highly experienced in the Victorian retail electricity market and brings significant strategic vision and leadership to the organisation.

### Brett Harman – Chief Financial Officer

Brett Harman is a certified CPA who has extensive experience in both the distribution and retail energy industries. Brett was primarily responsible for the maintenance of Neighbourhood Energy's retail model in its start-up phase while also working across other important financial areas of the business. More recently Brett has been working at Jemena/Zinfra in both their accounts area and in project management.

### Bryce Marley – Operations Manager

Bryce Marley has extensive operational experience in the retail energy market, in particular start up business. Bryce was a key figure in managing key areas such as Sales Operations, Customer Transfers, Service and Retail Billing during Neighbourhood Energy's start up phase. Bryce is experienced in the use of the Agility CRM as well as other utility Billing solutions.

### Levent Shevki – Partner at Cornwall Stodart

Levent has extensive Australian and international legal and business experience representing public and private clients in corporate and commercial matters. His clients value his ability to deliver efficient and commercial outcomes.

His experience and expertise create value for major organisations in many different industries, including the extractive industry, construction, energy and resources, and sports and entertainment.

Levent is a director of Astus Edge, and in that capacity he uses his business skills and international networks to assist clients in product development and to break into key overseas markets.

Levent is also a director of Twenty3 Sport and Entertainment Pty Ltd, a sports and entertainment consultancy.

In articles appearing in *The Australian* on 3 September 2010, Levent was named as one of the nation's best lawyers. In the same articles, Cornwall Stodart was acknowledged as walking among the giants of the legal industry and was placed ahead of some top-tier and/or international firms.

Levent's recent experience includes:

- acting for an Australian public company engaged in exploration activities in a "reverse" takeover of a US company (listed on the Over the Counter Bulletin Board), involving cross border issues
- acting for an Australian ASX listed public company engaged in exploration activities in preparing information memoranda for fundraising activities
- forming a public company to acquire Peruvian mining tenements, preparing an information memorandum for sophisticated investors and proceeding to an ASX listing
- acting for management in a buyout of Australia's second largest mortgage originator
- acting for Cement Concrete Aggregates Australia in its submission to the Government on changes to planning laws and the extractive industry approval process
- advising Cement Concrete Aggregates Australia with respect to Native Vegetation
- advising major quarrying companies on owner driver laws in Victoria

- acting for a major quarrying company in all aspects of a major acquisition of a quarry (including due diligence on all planning and environmental matters)
- acting for a client in a major disposition of a landfill
- acting for a construction group in its acquisition of an Australia wide civil construction business, involving due diligence on substantial work in progress (including a range of large civil projects)
- drafting different forms of construction contracts regarding infrastructure projects and multi storey apartment complexes
- advising an Australian Football League club on gaming laws and online betting
- negotiating terms of an introduction agreement for an Australian food manufacturer for the distribution and licensing of its product on a global scale
- negotiating terms of a marketing agreement for an Australian software company for the marketing of its patented software on a global scale.

## **Cornwall and Stodart**

Cornwall Stodart is one of Melbourne's most established legal practices and has a rich history dating back to 1891.

Cornwall Stodart is a full service commercial law firm and will be assisting Online Power and Gas in providing end to end compliance and legal support ensuring that Online Power and Gas meets all its legal and regulatory obligations.

### *1.11.2 Details of the broad nature of proposed participation in the Victorian electricity Industry*

Online Power and Gas is seeking to develop an online proposition for consumers to receive their energy retail service wholly through online communication and management.

## **2 THE COMMISSION'S OBJECTIVES**

### **2.1 General**

The grant of a licence to Online Power and Gas would be consistent with the objectives of the Commission set out in s.8 of the Essential Services Commission Act 2001 (Vic) and s.10 of the Electricity Industry Act 2000 (Vic).

### **2.2 Promoting the long term interests of Victorian consumers**

Online Power and Gas will promote the long term interests of Victorian consumers by providing them with an alternative. The move to full retail contestability within Victoria was intended to give all electricity customers the right to choose a retailer, and more retailers means more choice for consumers. Long term, this benefit will best be achieved through the introduction of retailers with sustainable business models and appropriate financial capability – such as Online Power and Gas. Online Power and Gas aims to provide customers a better quality service by empowering them to have more control over their retail service experience. The use of online technology will facilitate this experience. Online Power and Gas intends to couple this with additional products that will take advantage of the recent Smart meter roll out and provide customers an improved customer experience.

### **2.3 Promoting the development of full retail competition**

Granting a licence to Online Power and Gas promotes the objective of the ESC to provide customers adequate choice. Also, Online Power and Gas aims to provide customers with transparent products and services to provide a clear choice and point of difference. This will ensure the further development of Full Retail Competition in Victoria.

## 2.4 The price of essential services

In a market with the optimal number of retailers, competition will be optimal. Increased competition promotes efficient pricing. Online Power and Gas' desire to enter the electricity retail market is based on analysis that suggests the market environment supports the addition of new entrant retailers. Additionally, the Online Power and Gas model allows for significant discounts on electricity and is centred on savings gained due to operational efficiencies to be passed through to consumers. Online Power and Gas can provide discounted prices to consumers in a sustainable manner.

## 2.5 Promoting a consistent regulatory approach within the electricity industry

The key people of the executive management team at Online Power and Gas have extensive experience in dealing with compliance and regulation within the electricity industry.

## 2.6 The reliability of essential services

Online Power and Gas will utilise its experience in the electricity industry to engage appropriately with distributors to ensure high levels of service are met for its consumers. Online Power and Gas intends to also utilise its online capabilities to provide the customer greater control over its retail service.

## 2.7 Promoting consistency in regulation between states

Online Power and Gas intends in the future to expand its retail service and operations into States other than Victoria. As such, Online Power and Gas has created its documents and processes with this in mind. Online Power and Gas will further amend its documents in line with any transition to retailing in other States.

# 3 FINANCIAL VIABILITY

Online Power and Gas is able to meet and address the financial viability requirements.

## 3.1 Business plan/model

Please see Business Plan prepared by Online Power and Gas submitted on a Commercial-In-Confidence basis at Attachment 9. It outlines the resources, strategic position, acquisition forecast required for this venture.

Attachment 10 contains the Financial Business Model and is submitted on a Commercial-In-Confidence.

## 3.2 Financial capacity

The Business Plan and the Financial Business Model submitted on a Commercial-In-Confidence basis at Attachments 9 and 10, and the current bank statement submitted on a Commercial-In Confidence basis as Attachment 11 illustrates Online Power and Gas' capacity to meet its financial requirements. Online Power and Gas assures the Commission that it will meet the financial viability requirement of S.19(2)(a) of the *Electricity Industry Act 2000* including all prudential and credit support requirements with its distributors.

Online Power and Gas would not consider undertaking an entry into the Victorian electricity market without the necessary funding to support it through to its profitable operation. Accordingly, the company will be capitalised to meet the cash commitments for the build of the company infrastructure and we will be satisfying the prudential security requirements of the distribution companies and the electricity market.

## 3.3 Australian Financial Services License

Online Power and Gas is seeking to be a corporate representative nominee of an AFSL holder, which will be obtained prior to it entering into its proposed wholesale arrangements.

### 3.4 AEMO Support

Online Power and Gas has met with AEMO and analysed relevant credit support requirements including projected figures. Online Power and Gas can confirm that it can meet these ongoing requirements. The attached Financial Business Model has provided scope for these requirements which is covered by Online Power and Gas' financial backing.

### 3.5 Credit Rating

Online Power and Gas has obtained a Dynamic Risk Score credit rating. This is attached as attachment 12.

### 3.6 Distribution Arrangements

Online Power and Gas has met with the relevant distributors in the Victorian electricity market to set up required relationships and processes before commencing retail activity. Online Power and Gas can confirm that it can meet the entire credit obligation with each Distribution Network and enter into all agreements before commencing retailing.

A copy of the distribution agreements are submitted on a Commercial-In-Confidence basis under Attachments 13 - 17. These will be executed after the licence the subject of this application is granted.

Email communication with a distributor is attached as Attachment 18.

### 3.7 Documentary evidence and support for Online Power and Gas' case that it has sufficient financial resources or access to such resources to sustain a viable business in the electricity industry

The documentary evidence required is submitted on a Commercial-In-Confidence basis under Attachments 9, 10 11 and 12.

## 4 TECHNICAL CAPACITY

Online Power and Gas can confirm that it can meet all compliance obligations required and that it has the technical capacity or has contracted required systems and resources to retail electricity in Victoria.

The following attachments (numbered 5, 1, 9, 19, 20, 21, 22, 23, 24, 25 and 26) support Online Power and Gas' expertise, knowledge and skill base to operate a viable electricity business in Victoria:

- Organisational Chart (Attachment 5)
- Details of experience (Attachments 5 and 9)
- Certificate of registration (Attachment 1)
- Compliance Management Plan (Attachment 19)
- Customer Charter (Attachment 20)
- Terms and Conditions (Attachment 21)
- Pricing Fact Sheet – Victoria (Attachment 22)
- Privacy Policy (Attachment 23)
- Financial Hardship Policy (Attachment 24)
- List of communications (welcome pack/credit letters) (Attachment 25)
- Disputes and Complaints Policy (Attachment 26)

This has been developed to meet all compliance and operational requirements to retail electricity in Victoria. All policies have been reviewed by our legal counsel.

#### **4.1 Compliance**

Online Power and Gas has utilised its industry experience to develop the relevant compliance controls and reporting required to retail electricity effectively to consumers. Attachment 19 outlines the processes and systems put in place to meet such requirements.

Online Power and Gas is outsourcing its base platform with Agility which system has been utilised by a number of market entrants since deregulation and is set up to meet regulatory and compliance obligations to retail electricity in the Victorian market. Attachment 31 contains information about the Agility Customer Information System.

All compliance obligations will be reviewed and supported by our legal advisors Cornwall Stodart which has extensive experience in retail energy compliance to ensure that all requirements are met.

#### **4.2 Wholesale**

Online Power and Gas has engaged the services of GFI Pty Ltd to assist with its wholesale strategy. GFI has extensive experience in the negotiation and management of energy wholesale contracts. Online Power and Gas can confirm that it has met with a number of appropriate wholesale operators. Attachment 27 outlines appropriate communication and discussions which have taken place. In line with its financial model Online Power and Gas can confirm that it will enter into the appropriate wholesale arrangement prior to commencing retail operations.

#### **4.3 Risk Management**

Please refer to the Online Power and Gas Business Plan at Attachment 9 and Financial Business Model at Attachment 10 to see where Online Power and Gas has created a model and strategy to manage risk in its operations.

#### **4.4 Dispute resolution**

Please see Attachment 26 for Online Power and Gas' Disputes and Complaints Policy. In conjunction with Attachment 28 this outlines the process and reporting procedures that Online Power and Gas has set up to meet industry obligations. The management team at Online Power and Gas have extensive experience in handling customer complaints and although mitigation through sound acquisition process is paramount can confirm it can meet all complaint handling requirements.

#### **4.5 EWOV registration**

Online Power and Gas can confirm that it has met with EWOV and will be entering into an agreement with EWOV after the granting of the energy licence. A template of the application for EWOV membership is attached as attachment 29.

#### **4.6 Training and Development**

Online Power and Gas has created a training program in line with requirements set out of the relevant codes and laws. This training covers regulatory compliance, explicit informed consent procedures, customer complaints handling, credit and hardship procedures, customer life cycle training etc. All training will be mandatory for internal staff and any marketing representative of the Online Power and Gas brand.

#### **4.7 Retail CRM**

Online Power and Gas has engaged the services of Agility Pty Ltd. Agility has been providing energy management software and support to Utilities across Australasia and the UK for over 20



years and currently provides these services for a number of existing participants in the Victorian electricity market. Please see attachment 31 which outlines the functionality of Agility software and services. Please also see Attachment 6 to view a template agreement that has been executed between Online Power and Gas and Agility.

#### **4.8 Other Support tools**

In addition to our retail CRM Online Power and Gas is developing the following in house to support its retail strategy with:

- 4.8.1 website with fully integrated online self-service functionality;
- 4.8.2 internal CRM as a repository for all training, process maps, scripts, regulatory reporting etc; and
- 4.8.3 appropriate storage facilities to house all agent voice recordings and any relevant documentation in accordance with all relevant laws and regulatory guidelines.

### **5 ADDITIONAL INFORMATION IN SUPPORT OF ELECTRICITY RETAIL APPLICATION**

#### **5.1 AEMO registration**

Online Power and Gas has engaged AEMO and will be executing an agreement with AEMO after the granting of an energy licence. A template of Online Power and Gas' application is attached as Attachment 30. Online Power and Gas can confirm that it can meet all its prudential requirements in line with its AEMO agreement.

#### **5.2 Department of Human services**

Online Power and Gas has engaged with the Department of Human services and will execute an agreement with them after the granting of the license.

#### **5.3 ASXAustraclear Membership**

Online Power and Gas has organised its application to the ASX for membership of the Austraclear systems for the settlement of energy purchases. Once granted market participation status by AEMO this application will be completed.

#### **5.4 Details of experience in and knowledge of the electricity industry**

Please see Attachment 5 which details the experience of Online Power and Gas directors, senior managers and key personnel and the extent of their involvement in the electricity industry. The success of Online Power and Gas will rest with their skills and experience.

#### **5.5 Evidence that the applicant has the capacity to comply with the licence conditions, codes and guidelines relevant to its application**

To ensure that Online Power and Gas has the capacity to comply with the Victorian licence conditions, codes and guidelines, Online Power and Gas engaged legal advisors with extensive experience in the electricity retail sector to prepare advice on Online Power and Gas' regulatory obligations. Based on this advice, Online Power and Gas has drafted a Victorian Compliance Management System, a copy of which is Attachment 19 to this application. The regulatory and compliance obligations of Online Power and Gas will be continuously monitored by external legal service providers. In addition to this, Online Power and Gas has significant experience on its board and amongst its shareholders in managing compliance. The internal staff as outlined in Attachment 5 possesses significant experience in managing compliance within an energy retailer. Online Power and Gas can confirm that it has set up internal procedures, scripting and processes to manage its compliance obligations as set out in Attachments 19 and 26. Online Power and Gas is committed to implementing any additional policies and processes required to meet such expectations as well as procuring additional experienced staff to assist it in this capacity.

In addition, Online Power and Gas submits at Attachment 21 in the Commercial-In-Confidence section of this application, a copy of its draft terms and conditions demonstrating its in-depth understanding of the regulatory environment in Victoria and its capacity to comply with all regulatory requirements.

**5.6 If the applicant is to rely on another entity to provide staff and resources, a summary of the relationship between the applicant and this entity, including any formal agreements to provide services, and a summary of this other entity's experience in and knowledge of the electricity industry, and technical capacity to meet the relevant requirements of the licence.**

Details of Online Power and Gas' personnel are set out in Attachment 5. Online Power and Gas is in the process of recruiting to increase the number of staff.

Online Power and Gas has a Services Agreement with Agility to provide billing and customer information services. Agility is a leading business partner to the utilities industry and has extensive experience in the Australian electricity sector aimed at continually improving the customer experience. A Heads of Agreement with Agility CIS Limited is submitted on a Commercial-In-Confidence basis and included in Attachment 6 to the application.

Online Power and Gas, on account of its expansion, has now entered into agreements with various outsourcing companies, namely Acurus for IT support. An Agreement with Acurus is submitted on a Commercial-In-Confidence basis and included in Attachment 8 to the application.

**5.7 Whether the applicant intends to retail to either:-**

- (1) <160MWh in a year (domestic/small business) or
- (2) >160MWh in a year (large businesses) or
- (3) Both

Online Power and Gas' target customers are small to medium businesses across Australia as well as their affiliate owners and staff members. Online Power and Gas intends to service domestic and small business customers within a National Energy Market framework.

For this reason, Online Power and Gas seeks to retail in Victoria to all small customer types — residential and small business.

**5.8 Details of whether Online Power and Gas has entered into an arrangement with a licensed generator or re-allocation agreement to minimise exposure in the purchase of electricity on the wholesale market.**

Online Power and Gas has entered into arrangements with GFI to minimise exposure in the purchase of electricity in the wholesale market. The minimisation of Online Power and Gas' exposure on the wholesale market is managed by Online Power and Gas' Chief Financial Controller in consultation with Online Power and Gas Retail Director. Online Power and Gas' Chief Financial Officer, details of whom are contained in Attachment 5, has experience within the Australian National Electricity Market (NEM) and has extensive knowledge of trading and risk management systems and solutions to manage Online Power and Gas' retail electricity risk. Online Power and Gas' Retail Director, details of whom are contained in Attachment 5, has experience in the NEM.

In relation to AFSL requirements, please see paragraph 3.3.

**5.9 Preliminary registration and/or discussions with AEMO**

Online Power and Gas is seeking registration with AEMO. A copy of this application is submitted on a Commercial-In-Confidence basis under Attachment 30 of this application.

## 5.10 Online Power and Gas' Capacity to operate a business

Online Power and Gas has the capacity to:

- 5.10.1 manage supplier and customer contracts;
- 5.10.2 maintain customers' accounts accurately and securely;
- 5.10.3 provide customer service at least to the standards specified in the relevant Victorian codes and guidelines;
- 5.10.4 manage and undertake customer billing and collection;
- 5.10.5 maintain appropriate management, governance and reporting systems consistent with codes and guidelines and to any applicable Australian Standards; and
- 5.10.6 maintain appropriate management and records systems.

This capacity is demonstrated in the following ways and manners:

- 5.10.7 Online Power and Gas' Key Management Team has experience in the utilities sector, mainly dealing with electricity.
- 5.10.8 Online Power and Gas will have internal procedures and policies in place to ensure that all regulatory obligations are complied with and provides continuous training to staff on these obligations.
- 5.10.9 Online Power and Gas will have internal procedures and policies in place to ensure compliance around settlement of Online Power and Gas' COGS obligations (AEMO, network payments and environmental payments).
- 5.10.10 Online Power and Gas, as a registered company, has reporting and compliance obligations under the *Corporations Act 2001* (Cth) as well as general business compliance obligations such as payroll tax, superannuation and GST. Online Power and Gas has internal policies and procedures in place to ensure compliance with these obligations.
- 5.10.11 The Online Power and Gas Board, Managing Director, Directors and Company Secretary are fit and proper people and are not, or would not be, disqualified under the *Corporations Act 2001* (Cth) from the management of corporations.

Online Power and Gas has documented procedures, processes and practices in place to achieve the outcomes of the Commission and to facilitate the training of personnel of the relevant industry standards in Victoria and the Commission's codes and guidelines. These procedures are set out in the Online Power and Gas Compliance Management System (Refer Attachment 19).

## 5.11 Manage supplier contracts and customer contracts

- 5.11.1 *Online Power and Gas' capability to enter supply contracts for the purchase of electricity or financial arrangements to hedge exposure to the wholesale electricity market*

Online Power and Gas will enter into supply contracts in Victoria for the purchase of electricity. Online Power and Gas also has had discussions with wholesale entities and has confirmed they will enter into agreements prior to commencing retail operations to have financial arrangements in place to hedge its exposure to the wholesale electricity market.

- 5.11.2 *Online Power and Gas' capability to account for and settle energy purchases and/or network charges*

Online Power and Gas has requisite experience in settlement of AEMO outstandings through the ASX's Exigo (Austraclear) system.

- 5.11.3 *Online Power and Gas' capability to manage risk by having contingency arrangements and to establish processes to minimise any financial exposure.*

See Attachment 9 Business Plan which details Online Power and Gas' procedures to manage risk and minimise its financial exposure.

- 5.11.4 *Customer contracts*

The terms and conditions of the proposed contracts with customers and potential customers will be in accordance with all the relevant codes and guidelines and clearly and accurately set out the customer's and Online Power and Gas' rights and obligations.

Submitted on a Commercial-In-Confidence basis and included under Attachment 21 is a draft of Online Power and Gas' terms and conditions.

Online Power and Gas notes that it has an obligation to maintain accurate data on the Online Power and Gas website (once operational), including the terms and conditions of contracts, exit arrangements and other relevant consumer information. Online Power and Gas will have the required information placed on the website on the issue of the Victorian retail electricity licence.

## **5.12 Customer account establishment and management**

Online Power and Gas has policies and clear internal processes established to manage customer accounts including:

- 5.12.1 Online Power and Gas will have capacity to legally perform creditworthiness checks with the required consent obtained from potential customers through credit organisations. However, Online Power and Gas will not require security deposits from customers, hence the need to perform creditworthiness checks is limited.
- 5.12.2 Online Power and Gas has established internal policies and procedures for new and existing customer accounts to ensure that the request for and holding of personal information is in accordance with the *Privacy Act 1988 (Cth)* and the *National Information Privacy Principles*. Online Power and Gas is aware of the amendments to the *Privacy Act 1988* made by the Privacy Amendment (Enhancing Privacy Protection) Bill 2012 due to come into effect in March, 2014. In light of this amendment, Online Power and Gas is has updated its privacy policy and statements to ensure compliance with the new requirements.
- 5.12.3 In relation to the maintenance of accurate and up to date records of customers' account histories Online Power and Gas has customer information systems provided under its Services Agreement through the Agility CIS Limited Orion system. The Orion system ensures that customer's account histories are continuously updated to ensure accurate customer records. See Attachment 31 for information about the Orion System.
- 5.12.4 Online Power and Gas has precise internal processes and procedures in place for the closure of customer accounts and the issuing of a final bill. These precise protocols have been established to ensure compliance under Online Power and Gas' retail electricity licences.

## **5.13 Customer service provision**

Associates of Online Power and Gas have demonstrated their ability to operate and sustain a business by its success in similar start up retail electricity ventures.

Online Power and Gas will operate an in-bound call centre to handle telephone calls from customers (and potential customers) about matters involving, amongst other things, account and billing issues and inquiries. Online Power and Gas has access to technology that will allow for the accurate recording of all interaction and exchanges with customers or potential customers. Online Power and Gas prides itself on personalised service for customers and potential customers and a large part of this personalised service is Online Power and Gas' promise to customers that their telephone call will be answered by a real person located in Australia.

In light of this promise to its customers Online Power and Gas does not intend to contract out the services of a call centre to handle customers' issues but intends to deal with all customer issues in its in-house inbound call centre.

Online Power and Gas' inbound call centre will record all inquiries and issues regarding customers (either by live recording or file notes in the Orion system). The inbound call centre will have procedures in place nominating employees to monitor customer correspondence by letter, fax or email and ensure that the strict time limits for the reply to and resolution of any customer issues is compliant.

On issue of the Victorian licence Online Power and Gas will apply to become a member and participate in the Energy and Water Ombudsman Scheme (EWOV).

Online Power and Gas has the capacity to handle complaints and resolve disputes (i.e. Australian Standard AS 4269) and has a written Complaints Handling and Dispute Resolution Procedure. This Procedure is set out in the Online Power and Gas Customer Charter, in the Online Power and Gas Terms and Conditions and will also be set out on the Online Power and Gas website (once operational). This procedure handles the escalation of a dispute to the Ombudsman. This policy will be extended to include the Energy and Water Ombudsman of Victoria on the issue of retail electricity licence in Victoria with the necessary amendments made to the Customer Charter and the Online Power and Gas website.

#### **5.14 Billing and collection**

Online Power and Gas is able to manage all aspects of the customer billing and collection processes and has demonstrated capacity in relation to the following:

- 5.14.1 The provision of billing options for customers including direct debit, smooth monthly payments, postal payments and payments by cheque or credit card through the Orion System, information on which is attached at Attachment 31. Online Power and Gas' core smoothed product is a payment plan to smooth billing amounts and allow customers to better manage billing liability, thereby reducing the incidence of non-payment and increasing the level of customer protection.
- 5.14.2 The generation of cyclical bills from meter readings or estimations through Orion with valid meter readings billed between one and five business days of the agreed billing cycle.
- 5.14.3 Online Power and Gas will have capacity to comply with the provisions of the Energy Retail Code in the printing and dispatch of bills to customers through Orion and Online Power and Gas' Customer Experience Team which will run Online Power and Gas' back office functions including billing and transfer operations.
- 5.14.4 Online Power and Gas will have capacity to receipt payments received from customers as well as manage late payments (as part of the Orion system). Online Power and Gas has dedicated employees to manage late payments who are trained and compliant in our regulatory obligations for late payment collection.
- 5.14.5 All Online Power and Gas staff, particularly staff in the inbound customer service centre, will be trained and compliant in the payment difficulties management process set out in Online Power and Gas' Hardship Policy. Online Power and Gas'

Hardship Policy will be available to customers on Online Power and Gas' website. All staff will be trained, and monitored, in Online Power and Gas' obligations in respect of disconnection and reconnection of supply including time to reconnect and any charges that may be applied under the regulatory framework.

- 5.14.6 Online Power and Gas, through the Orion System, will have internal processes in place for the recovery of unpaid debts. Online Power and Gas intends to minimise unpaid debts by customers through its smoothed product as well as instalment arrangements with customers.

## **5.15 Appropriate management systems**

Online Power and Gas has established appropriate financial, operational and administrative systems for the successful operation of the business. Online Power and Gas' Chief Financial Controller has experience in running electricity accounting and risk management functions for electricity companies.

Online Power and Gas operates in accordance with the Australian Accounting Standards.

## **5.16 Capacity to comply with regulatory requirements Meter reading**

Online Power and Gas has service agreements with its metering service providers which include requirements to comply with the relevant licence conditions and obligations. Online Power and Gas will arrange for service agreements with its metering service providers to comply with its Victorian regulatory obligations on issue of the licence.

## **5.17 Provision of information to customers**

Online Power and Gas will provide information on service offerings to relevant customers and will include information on the following:

- 5.17.1 Customer obligations;
- 5.17.2 Retailer obligations;
- 5.17.3 Pricing information and options;
- 5.17.4 Online Power and Gas Customer Charter (containing minimum service standards);
- 5.17.5 Contract terms (terms and conditions of contract, termination provisions);
- 5.17.6 Meter reading schedule and/or estimation arrangements;
- 5.17.7 Details of billing (billing period, how bills are issued, contents of bills, basis of bills);
- 5.17.8 Bill error handling;
- 5.17.9 Payment (terms of payment, methods of payment, advance payment, late payment, instalments, concessions);
- 5.17.10 Complaint handling and dispute resolution processes (retailer's obligations, customer's rights, procedure, access to the Energy and Water Ombudsman Scheme);
- 5.17.11 Termination of supply (procedure); and
- 5.17.12 Reconnection of supply (supplier and customer obligations, time to reconnect, charges).

The above information has already been collated and will be integrated into the existing Online Power and Gas information on service offerings on issue of the Victorian licence. Online Power and Gas envisages no issues arising in ensuring that the above information is provided to Victorian consumers and relies on its history of regulatory compliance in its other Australian retail electricity jurisdictions.

#### **5.18 Privacy and confidentiality management**

Online Power and Gas will maintain the confidentiality of customer data and comply with relevant Commonwealth and State privacy legislation. Online Power and Gas is aware of and will ensure compliance with, the relevant provisions of the Energy Retail Code, the Electricity Distribution Code, the Electricity Retail Market Rules, the Code of Conduct for Marketing Retail Energy in Victoria and all applicable guidelines issued by the Commission.

Online Power and Gas takes the protection of customers private and confidential information extremely seriously.

#### **5.19 Customer information management system**

Online Power and Gas will have the appropriate customer information system in place to be in a position to report to the Commission and licensed distributors. This system will include the following information:

- 5.19.1 Customer contact details including name, supply address, billing address and phone number;
- 5.19.2 Contract terms — prices and payment terms;
- 5.19.3 Payment history (12 months);
- 5.19.4 Record of complaints;
- 5.19.5 Consumption history;
- 5.19.6 Billing history;
- 5.19.7 Previous suppliers;
- 5.19.8 Contact notes (record of each customer call);
- 5.19.9 Requests for no marketing information; and
- 5.19.10 Management and compliance systems.

Online Power and Gas has a high commitment toward the overarching management of risk, governance and compliance. Evidence of the systems relating to corporate governance, risk management and compliance with the relevant Australian Standards is set out in the Compliance Management System attached at Attachment 19. This Compliance System, as well as internal policies and procedures, will facilitate compliance testing, reviews and audits as required by the Commission and as specified in Victorian retail electricity market.

## **STATUTORY DECLARATION**

See Attachment 32 for the Statutory Declaration.

**STATUTORY DECLARATION**

I, Orson Gilmore of 22 Marlow Street, Mooroolbark 3138 being the Chief Retail Manager of the Applicant, ONLINE POWER AND GAS PTY LTD **Hereby DECLARE** that the information contained in this application, and attachments thereto upon which I have placed my signature, for the grant of an Electricity Retail Licence under the *Electricity Industry Act 2001* is true and correct and that I make this declaration conscientiously believing the same to be true and in the belief that a person making a false declaration is liable to the penalties of perjury<sup>1</sup>

Declared at ..... in the State of Victoria

*Signature of Declarant*

This day of ..... day of ..... 20

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.....  
**Before me**

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

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<sup>1</sup> Refer to section 107 of the Evidence Act