

Wholesale Licence Application

1. Application Information

Alinta Energy Retail Sales Pty Ltd (**Alinta**) is applying for a “Wholesale Licence” with the Essential Services Commission for Victoria.

As is common practise within diversified energy companies, Alinta wishes to consolidate responsibility for our Victorian generation plant’s engagement with the NEM in one entity in the Alinta group. That entity is Alinta Energy Retail Services Pty Ltd. This will be effected by appointing AERS as ‘intermediary’ under National Electricity Rule 2.9.3.

Please find attached:

- Proposed Alinta Energy Retail Sales Pty Ltd Structure.
[Doc: Outline of AERS Structure.pdf]

2. Organisational capability

Alinta is an active investor in the energy markets across Australia. We have an owned and contracted generation portfolio of nearly 3000MW, including 1700MW of gas-fired generation facilities and 1070MW of thermal coal generation facilities. Alinta has a strong renewable investment strategy across Australia and is pursuing renewable energy projects at an increasing scale. Alinta currently retails electricity and gas to more than 930,000 customers including more than 420,000 customers in east coast markets.

Alinta Energy operates a flat organisation structure split into four pillars:

- Merchant Energy – power generation and wholesale
- Retail Markets
- Corporate Services (People and Culture, Communications, Safety & Sustainability, Regulatory & Government Affairs and Legal & Company Secretary).
- Finance – Group finance, Treasury, Taxation, payroll, strategy, IT

A description of each of these pillars is outlined in detail below.

Figure 1: Alinta Energy Executive Organisation Structure



Board of Directors:

- Mark Johnson (Chairman)
- Anthony Howarth
- Gary Burg
- Dr Henry Cheng
- Patrick Tsang
- Cliff Zhang
- Jeff Dimery

Board Committees:

- Audit & Risk Committee
- Safety & Sustainability Committee
- Remuneration & Benefits Committee
- Energy Trading Committee

Executive Directorship and Wholesale Trading Management

Chief Executive Officer – Jeff Dimery

Jeff Dimery is responsible for leadership and strategic direction of Alinta Energy's entire business portfolio across Australia and New Zealand.

Jeff joined Alinta Energy in early 2011 charged with leading the company's financial turn-around and sustainable growth strategy following the change of ownership in March 2011. Under Jeff's stewardship Alinta Energy has consistently grown EBITDA and decreased debt, whilst simultaneously expanding its market presence and customer base.

These consistent performance results have been achieved through Jeff's strategic leadership in seeking to modify select generation plant, renegotiation upstream gas and customer contracts, exiting some generation plant and consolidating the company's position in Western Australia, all whilst simultaneously exploring new market opportunities across the National Electricity Market.

Jeff has held numerous energy industry directorships including The National Generator's Forum (NGF), the Australian Wind Energy Association, the Renewable Energy Generators of Australia, the Clean Energy Council and the Australian Energy Market Commission's Reliability Panel. Jeff has also held directorships in a number of investment companies including GEAC (owned in partnership with TEPCO, Mitsui, MTA, Transfield and others minorities) and ActewAGL, in addition to Not For Profits such as the OTIS Foundation (Cancer Care Organisation).

Jeff is also currently the chairman of the Australian Energy Council, a industry body representing 21 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses.

Prior to being CEO at Alinta Energy Jeff was the Group General Manager of Merchant Energy at AGL limited, managing four divisions generating \$500million in EBIT.

While at AGL, Jeff managed:

- Gas and electricity portfolio (\$4.0 billion revenue per annum)
- Power generation operations (\$4.0 billion asset base)
- Power generation development activities (\$1.3 billion under construction)
- Major customer sales (top 700 wholesale customers)
- Extensive mergers & acquisitions experience

Executive Director, Merchant Energy – Ken Woolley

Ken Woolley is responsible for Alinta Energy's Merchant Energy portfolio as well as identifying development opportunities consistent with Alinta Energy's growth strategy. Ken joined Alinta Energy in early 2011.

Ken has more than 20 years of power generation experience, and has played a significant role in developing and delivering significant power projects in Australia and Indonesia.

Prior to Alinta he was previously General Manager of Power Development at AGL (six years). He was responsible for AGL's power development function, including the development, construction and commercialisation of utility-scale wind farms, Southern Hydro, Torrens Island Power Station, Somerton & Cawse Power Stations. This built on his previous experience managing the operation of AGL's (and previously Origin's) power generation fleet.

Chief Financial Officer – Ellen Lambridis

Ellen Lambridis is responsible for financial leadership, strategy, taxation, oversight and planning across Alinta Energy's financial operations.

Ellen has over 10 years' experience with Alinta Energy and over 16 years experience in the energy and resources sectors, previously holding the position of Group Treasurer at Alinta for over 4 years, and executive director of wholesale power for 3 years.

Prior to joining Alinta, Ellen spent 6 years in various senior finance and treasury roles at Anglo American

Executive Director, Corporate Services – Daniel McClelland

Daniel McClelland is responsible for Alinta Energy's people-related strategies and programs, legal counsel, sustainability and risk portfolio across Alinta Energy.

Daniel has over 5 ½ years' experience with Alinta Energy, previously holding the position of Chief Risk officer, and has over 15 years risk management and governance experience and roles across a variety of industries including consumer foods, aviation and insurance most recently with Goodman Fielder Ltd as the Chief Risk Officer.

General Manager, Spot Trading, Merchant Energy - Chris McDonagh

Chris McDonagh is responsible for Alinta Energy's spot trading and operation functions across both electricity and gas markets. As part of Chris's role he manages a large team whom undertake trading activities on a 7 day 24 hours roster, and participate in physical spot markets on the East and West Coasts.

Starting in 2016, Chris brings over 15 years commercial experience with him to Alinta including as the General Manager of Energy Trading at Bluewaters Power in Western Australia and as the Energy Procurement Manager for Total Gas and Power Ltd.

General Manager, Trading and Portfolio Manager (West Coast) – Chris Campbell

Chris Campbell is responsible for Alinta Energy's wholesale strategy and optimising its portfolio management across the various West Coast Energy markets in both electricity and gas.

Chris has been with Alinta since 2010 and has held various positions including group manager finance.

Chris has over 20 year's commercial experience including as the Chief Financial officer at Newmont Mining Corporation.

General Manager, Trading and Portfolio Manager (East Coast) – Bill Papageorgiou

Bill Papageorgiou is responsible for Alinta Energy's wholesale strategy and optimising its portfolio management across the various East Coast Energy markets in both electricity and gas.

Bill has been with Alinta since 2011 and has held various positions including as general manager of the commercial and industrial retail sales book.

Bill has over 20 year's commercial and energy markets experience including as National Business and Development manager at Origin Energy.

Alinta Energy – Merchant Energy

The Alinta Merchant Energy group is responsible for short-term (spot) and forward-looking (contract) energy trading on Australia's National Energy Market (NEM) and South West Interconnected System (SWIS), as well as gas contracts to support generation in the Pilbara.

Through our common corporate value to act as 'One Alinta,' this pillar is the link between the Merchant Energy and Retail Pillars, by providing competitive, risk-managed energy pricing to Alinta Energy and our customers.

This pillar delivers profitable growth through accurately forecasting market fundamentals – referenced against Alinta Energy's portfolio requirements – and conducting savvy commercial negotiation and vigilant market operations.

Merchant Energy is comprised of Commercial Teams (East and West), a Spot Trading team and an operations team.

The Merchant Energy team is chiefly responsible for:

- Managing and optimising Alinta's extensive wholesale commercial contract book.
- Identifying business development opportunities consistent with Alinta Energy's forward growth strategy.
- Maintaining Alinta Energy's generation plant portfolio of 1957MW, including 1700MW of gas fired generation facilities (please see figure 3 below for a detailed map of Alinta Energy's assets).
- Liaise internally with the spot trading team to manage generation plant outages and communicating this to external stakeholders to manage compliance and contractual requirements
- Ensure effective communication on safety policies with external maintenance contractors and other external stakeholders.
- Contribute to the achievement of overall budget targets for Alinta Energy through the optimal long term running profile in the wholesale market.

The Spot Trading team consists of ten spot traders ('Traders') is headed by Chris McDonagh. The Traders undertake trading activities on a 7 day 24 hours roster, and participant in physical spot markets on the East and West Coasts. Spot Trading activities are undertaken in accordance with relevant legislation, codes, regulations and market rules. The Spot trading team Organisation chart is below.

Spot Trading accountabilities include:

- Monitor relevant short term / spot markets and assess implications for Alinta Energy (AE) Merchant portfolio;
- Manage and optimise power and gas positions for the AE Merchant portfolio within the short term / spot markets by offering AE portfolio into the markets and performing other appropriate trading activities on a 7 day 24 hour roster;
- Effective implementation of short term/spot market trading and commercial strategies and management of commodity market risk exposures, interacting at all times with Senior Traders;

- Liaise with AE assets to manage AE plant outages and short term position optimisation communicating this to AE Merchant and external stakeholders to manage compliance and contractual requirements
- Contribute to the achievement of overall budget targets for the AE Merchant portfolio through the optimal participation in short term and spot markets;
- Comply with relevant legislation, industry codes of practice, delegated authorities, risk policies, AE Code of Conduct and related controls. Develop and continually improve processes and procedures to ensure that the Trading team remain compliant;
- Contribute to the development and implementation of real time/close to real time trading strategies for the AE Merchant Group;
- Provide high quality and timely support to meet the needs of other business functions;
- Effectively manage operational interfaces and communicate with the Generation and Retail groups;
- Ensure effective communication with market operators and other external stakeholders;
- Contribute to the implementation and ongoing management of trading related IT systems; with continual review and improvement of management systems and business processes;
- Maintain awareness of political and regulatory developments in relation to gas and power.

Key Merchant Energy and Spot Trading interactions include:

Internal (Alinta Energy):

- Risk team
- Finance (Corporate and accounting, treasury transaction, settlement)
- Commercial Managers
- Regulatory and Compliance
- Retail team
- Corporate Legal and Company Secretary
- Investor Relations

External:

- Alinta Energy corporate auditors (control reviews, not transactional)
- Australian Energy Market Operator (AEMO)
- Australian Energy Regulator (AER)
- Australian Energy Market Commission (AEMC)
- Economic Regulation Authority (ERA)
- AEMO in its function as Western Australia System Management (SM)
- NEM/WEM counterparties
- Gas and transportation counterparties
- Outsourced internal auditors

- Alinta Energy has long-established communication protocols and operational arrangements for managing complex external bi-lateral commercial arrangements, including as an intermediary.

Alinta Energy – NEM Related Policies and Procedures

Alinta Energy advises it has a number of internal NEM Policies and Procedures in place. These are as follows:

- Delegation of Authority
- NEM bidding guidelines
- No advice policy
- Braemar remote operation
- AFSL Compliance
- Compliance and obligations under the National Electricity Law and Rules
- Various Routine and ongoing Spot Trading Training and Compliance Training Programmes for existing and new staff.

The Spot Traders have each signed-off acknowledgment of these internal compliance Policies and Procedures, with all documents contained within the 'Spot Trader Compliance Manual'.

Alinta Energy – Risk

Alinta Energy achieves compliance with its legislated and licence obligations through the application of policies, frameworks, processes and procedures.

The Board Audit and Risk Committee oversees:

- Financial Reporting Processes – including preparation of financial statements and reports
- Financial controls and systems
- Implementation and supervision of the risk management framework
- Relationships with internal and external auditors, and internal and external functions generally.

Alinta Energy's Compliance and Risk Management system is underpinned by board – approved Risk Management and Compliance Policies. These policies were developed as per the framework provided with Australian Risk Management Standard AS31000 (2004 version AS 4360) and Australian Standard 3806 – Compliance Programs

Policies and Frameworks include:

- Enterprise Risk Management Framework and Policy
- Compliance Policy
- Credit Risk Policy

Alinta IT

The Alinta IT Team is part of the Corporate Services business function and has a physical presence in Adelaide, Sydney, Perth and Melbourne. Alinta IT performs several functions including:

- Supporting the technology environment encompassing communications (voice, data and mobile), infrastructure, Service Desk, security and external interfaces
- Governance and Security over the Alinta environment; specifically protecting information and managing change
- Provision and development of core applications such as Trading Systems, ERP, Billing, email and all other core business applications
- Advocacy & consultation; assisting with business process re-engineering to best practice
- Analysis; including, but not limited to, evaluation of new products within the business incorporating appropriate methodology and documentation

3. Regulatory compliance

Alinta Energy confirms compliance with the following:

- Obligations under the National Electricity Laws
- Environmental laws
- Australian Financial Services licenses and AML/CTF legislation
- Generation and Retail licences (and all of the associated regulatory obligations these licences themselves entail).

Copies of electricity licences held in related markets

Please find attached the following generation licences (non-exhaustive) which are associated with the broader Alinta Energy Corporate Group:

- Alinta Energy Retail Licence
[Doc: AERS Electricity Licence.pdf]
- Alinta Energy Generation Licence
[Doc: Alinta Debo Pty Ltd Electricity Generation Licence.pdf]
- Alinta Energy Generation Licence 2
[Doc: Braemar Power Project Pty Ltd Generation Authority.pdf]
- Detailed list of other regulatory licences held Australia wide
[Doc: Alinta Energy Regulatory Licence List at Aug 2017.pdf]

4. Financial viability (Private and Confidential)

Please find attached the following:

- Financial and Corporate Structure Memo

[Doc: Financial and corporate structure of Alinta Energy Retail Sales Pty Ltd (Attachment to A).pdf]

- Alinta Energy 2017 Financial Statements

[Doc: Alinta Energy Pty Limited - 30 June 2017 financial statements - Signed.pdf]

- Alinta Holdings 2017 Consolidated Financial Report

[Doc: Alinta Holdings - 30 June 2017 financial statements - Signed.pdf]

- Explanation of Financial links with Parent Organisation

[Doc: Explanation of Parent Organisation.pdf]

Office and Asset Locations

Figure 3: Alinta Energy Office and Asset Locations (accurate as of Jul 2017, LYB is yet to be added)

