



Application for a licence to sell gas in Victoria

SparQ Gas Pty Ltd (ABN 67 606 951 713)

6 July 2016

A. Introduction

1. Sumo Power

SparQ Gas Pty Ltd (**Sumo Power**) applies to the Essential Services Commission (**ESC**) under section 25 of the *Gas Industry Act 2001* (Vic) (**Act**) for the issue of a licence authorising it to sell gas.

2. Nature and scope of Sumo Power's proposed operations in Victoria

Sumo Power intends to commence carrying on a gas retail business in Victoria. Initially, it will sell gas to residential and small business customers.

B. Applicant and application

1. Applicant

1.1. Name and ABN

SparQ Gas Pty Ltd (ABN 67 606 951 713) trading as Sumo Power

1.2. Registered address

c/- MPR Group Pty Ltd
Level 19, HWT Tower
40 City Road
Southbank, Victoria 3006

1.3. Business address

Suite 103, 41-61 Cecil Street
South Melbourne, Victoria 3025

1.4. Postal address

South Melbourne Market Street
PO Box 5329
South Melbourne, Victoria 3205

1.5. Contact

Mr Alex Fleming
General Manager, Legal, Regulatory & Compliance
(03) 8678 1403
alex.fleming@sumopower.com.au

1.6. Incorporation details

1.6.1. Certificate of registration

See **Public Attachment 1**.

1.6.2. Constitution

See **Public Attachment 2**.

1.6.3. Corporate structure

SparQ Gas Pty Ltd is a proprietary company limited by shares. It has no subsidiaries.

SparQ Holdings Pty Ltd (ACN 602 964 143) is the sole shareholder of SparQ Gas Pty Ltd. SparQ Holdings Pty Ltd's registered address is:

c/- MPR Group Pty Ltd
Level 19, HWT Tower
40 City Road
Southbank, Victoria 3006

SparQ Pty Ltd is also a member of the corporate group. SparQ Pty Ltd holds a Victorian electricity retail licence and an electricity retailer authorisation in National Energy Customer Framework jurisdictions.

For the full corporate structure, see **Confidential Attachment 1**.

2. Application

2.1. Type of licence sought

Sumo Power is applying for a licence to sell gas.

2.2. Date from when licence sought

1 January 2017

2.3. Non-standard licence conditions sought

Nil

C. ESC's objectives

Sumo Power will compete for residential and small business customers' business.

Sumo Power will offer customers an alternative to the incumbent gas retailers, with a customer value proposition driven by great prices, real service and no surprises. Increasing competition and customer choice of this kind is consistent with the ESC's objective under section 8 of the *Essential Services Commission Act 2001 (Vic)* to promote the long term interests of Victorian

consumers and with the ESC's objective under section 18(b) of the Act to promote the development of full retail competition.

D. Financial viability

1. Statement of financial viability

Sumo Power is financially viable and has financial resources, and access to further resources, sufficient to sustain the business it intends to develop and carry on under its licence to sell gas.

2. Financial position

See **Confidential Attachment 2.**

3. Business plan

See **Confidential Attachment 3.**

4. Australian financial services licence (**AFSL**)

SparQ Gas Pty Ltd will not be carrying on a financial services business and therefore does not require an AFSL.

5. Credit support obligations

5.1. National Gas Rules (**Rules**)

Sumo Power has financial resources, and access to further resources, sufficient to meet the obligations it will have under the Rules to provide credit support to Australian Energy Market Operator Limited (**AEMO**) in respect of the gas it purchases in the Declared Wholesale Gas Market operated by AEMO.

5.2. Access Arrangements

Sumo Power has financial resources, and access to further resources, sufficient to meet the obligations it will have under its Access Arrangements with each Victorian gas distributor to provide credit support to that distributor.

6. Credit rating

See **Confidential Attachment 4.**

E. Technical capacity

Sumo Power has the expertise, knowledge and skill base to operate a viable business selling gas to residential and small business customers.

1. Human resources

1.1. Organisational structure

See **Confidential Attachment 5**.

1.2. Expertise, knowledge and skill of key personnel

A summary of the relevant experience of the management team is set out below. See further **Confidential Attachment 6**.

1.2.1. Domenic Capomolla – Executive Director and Chief Executive Officer

Domenic has been actively involved in the Australian and Singaporean deregulated and contestable power and gas markets in since 1998.

At United Energy Marketing he led the Contestable Sales and Customer Service Team – Power and Gas. In 2001 he joined SembCorp Power as General Manager responsible for establishing a start-up electricity retail and trading company in the Singapore market.

In 2005 Domenic was appointed as Retail Manager, International Power (Retail) Pty Ltd, guiding the company's foray into the contestable power and gas markets in Australia. Following successful negotiations with EnergyAustralia to create the EA-IPR Retail Partnership in 2005, he was appointed to the Management Committee and then seconded to the position of Chief Executive Officer. In 2008, the EA-IPR Retail Partnership was re-branded as Simply Energy and was voted Australian Financial Review Smart Investor "Best Utility Provider" in 2009.

In 2011 Domenic was appointed Executive Director, Retail Markets for Alinta Energy and was responsible for 650,000 domestic gas customers in Perth and oversaw the start-up of Alinta's commercial & industrial and residential electricity and gas business in the NEM.

In 2014 Domenic founded Sumo Power, which launched its Victorian electricity retail business in early 2015.

1.2.2. Nick Koutroumanis – General Manager, Operations

With ten years' experience in the energy retail industry, Nick Koutroumanis has held roles across all key retail functions, including operations, sales, commercial, finance, debt, marketing, commercial and industrial, risk, trading and IT. At Alinta Energy as National C&I Operations Manager, he led the transformation of C&I operations across the NEM (2012 – 2014). At Origin Energy (2010 – 2012) he held roles as Commercial Manager Retail and Retail Strategy Manager. He was the Commercial Manager for Simply Energy (2008 –

2010) with responsibility for pricing, business plans and product business cases, forecasting and wholesale management, market development, reporting and analysis. Nick joined Sumo Power in January 2015.

1.2.3. Mark Murray – General Manager – Finance

Mark Murray is a finance executive with twenty years' experience across the energy, financial services, and transportation industry sectors, including roles at Deloitte, General Electric, UBS and Origin Energy. Prior to commencing with Sumo Power in March 2015, Mark held senior finance roles at Origin Energy (2010 – 2014) where he had shareholder CFO responsibilities during the start-up phase of new international operations within the renewable energy and captive insurance sectors, and then had responsibilities for the planning, design and implementation of the SAP Controlling modules and associated management reporting framework.

1.2.4. Peter Goonan – General Manager – Commercial

Peter Goonan has had over ten years' experience in the retail energy and water utilities industries with roles encompassing commercial management, management accounting, systems and process improvement, project management, business analysis and strategy, market segmentation, data mining and geographic analytics. Prior to commencing with Sumo Power in June 2015, Peter had roles with GDF Suez Australia as Energy Trader (2013 – 2014), Simply Energy as Senior Commercial Analyst (2010 – 2013) and Red Energy as Commercial and Market Analyst (2007 – 2010).

1.2.5. Alex Fleming – General Manager – Legal & Regulatory

Alex Fleming has been a registered legal practitioner in Victoria since 2002, with ten years' experience in the energy sector. After five years at Australian law firm Allens Arthur Robinson (now Allens Linklaters) (2001 – 2006), he entered the energy retail market as in-house lawyer and then Manager – Legal & Regulatory for the EA-IPR Retail Partnership (which later became Simply Energy) (2006 – 2010). Alex then headed up the Retail Compliance team at Origin Energy where he oversaw Origin's retail compliance framework during and following the acquisition of its Country Energy and Integral Energy customers and the implementation of SAP (2010 – 2014). He joined Sumo Power in November 2014.

2. Approvals

2.1. Licences under the Act and corresponding interstate legislation

SparQ Gas Pty Ltd does not have any current or former licences under the Act nor under any corresponding interstate legislation.

SparQ Pty Ltd, a related party to SparQ Gas Pty Ltd, holds an electricity retail licence in Victoria and an electricity retailer authorisation in National Energy Customer Framework jurisdictions.

2.2. Registration with AEMO

Sumo Power has engaged with AEMO and, after it is granted a licence to sell gas, will finalise its registration as a Retailer in the Declared Wholesale Gas Market and as a Market Participant – Retailer in the Retail Gas Market.

2.3. Austraclear

SparQ Pty Ltd is a Special Purpose Participant of Austraclear. SparQ Gas Pty Ltd has prepared its application to ASX for membership of Austraclear through which it will settle transactions on the Declared Wholesale Gas Market. Once AEMO has granted SparQ Gas the relevant registrations, this application will be completed.

2.4. Quality assurance accreditations

As a new company, SparQ Gas Pty Ltd does not have any quality assurance accreditations.

2.5. Gas safety

Sumo Power has engaged with Energy Safe Victoria and, after it is granted a licence to sell gas, will finalise its gas safety case and submit it to Energy Safe Victoria for approval.

3. Suppliers

3.1. Wholesale gas suppliers

Sumo Power intends to enter into a gas sale agreement with a wholesale gas counterparty. Negotiations with wholesale gas counterparties are underway.

3.2. Victorian gas distributors

Sumo Power has engaged with each Victorian gas distributor and will enter into regulated access arrangements with each of them once the ESC grants Sumo Power its licence to sell gas.

Sumo Power will only sell gas in areas where it has an agreement with the corresponding gas distributor.

3.3. Metering

Under the Rules, the Victorian gas distributors will be the persons responsible for engaging the metering providers that will provide, install and maintain meters at Sumo Power's customers' premises and for engaging the metering data providers that will provide metering data to Sumo Power.

3.4. Customer technology platform and back office services

Sumo Power will enter into a services agreement with a third party for the provision of a technology platform for customer on-boarding, billing and payments, and customer service and enquiries, and for the provision of back office services, including transfers and billing. See **Confidential Attachment 7**.

3.5. Sales channels

Sumo Power has entered into marketing agreements with a number of third party sales and marketing providers to facilitate the sale of electricity. These providers will continue to support Sumo Power's entry into the Victorian gas market.

See **Confidential Attachment 8** for a copy of Sumo Power's standard marketing agreement for the sale of electricity and gas.

4. Customers

4.1. Contracts

Sumo Power has prepared contractual documentation for the sale of gas to residential and small business customers that complies with the requirements of the Energy Retail Code.

See **Confidential Attachment 9**.

4.2. Financial hardship

SparQ Gas Pty Ltd will adopt the customer financial hardship policy which has already been approved by the ESC for SparQ Pty Ltd for the sale of electricity, as varied from time to time.

See **Confidential Attachment 10**.

4.3. Department of Human Services

Sumo Power will enter into an agreement with the Victorian Government for the provision of community services once the ESC grants Sumo Power its licence to sell gas.

4.4. Complaints and dispute resolution

Sumo Power will adopt the complaints and dispute resolution policy already in place for SparQ Pty Ltd for the sale of electricity.

See **Public Attachment 3**.

4.5. Energy and Water Ombudsman Victoria (**EWOV**)

SparQ Pty Ltd is an electricity member of EWOV. SparQ Gas Pty Ltd has engaged with EWOV and will apply to become a member of EWOV's customer dispute resolution scheme once the ESC grants Sumo Power its licence to sell gas.

See **Confidential Attachment 11**.

5. Internal controls, policies and procedures

5.1. Training and development

Sumo Power has developed training for its sales and marketing personnel. It also trains its customer-facing staff on all aspects of dealing with customers, including explicit informed consent, credit, hardship and complaints, as well as B2B, CATS and metrology procedures.

5.2. Compliance

Sumo Power has developed a Compliance Program to ensure compliance with regulatory obligations. The compliance framework is overseen by the GM – Legal & Regulatory. Sumo Power's senior management team has significant experience in energy retail, and is familiar with applicable laws and rules.

See **Confidential Attachment 12** for a copy of Sumo Power's board-approved Compliance Program and Plan.

See **Confidential Attachment 13** for a copy of Sumo Power's Compliance Plan – Sales.

5.3. Risk management

See **Confidential Attachment 14** for a copy of Sumo Power's Risk Management Policy and its Compliance & Risk Management Committee Charter.

5.4. Privacy

See **Public Attachment 4**.

6. Additional information

6.1. Capacity to operate a business

Sumo Power's senior managers and service providers have deep experience in gas retailing that underpin its capacity to operate the following aspects of its business, and Sumo Power has adopted and will implement relevant operational policies and procedures, including those provided in the attachments, towards that end:

- Managing supplier contracts including gas supply contracts
- Managing customer contracts

- Customer account establishment and management including creditworthiness checks through credit reporting agencies
- Customer service provision including call centre operations and web-based transactions
- Billing and collections

6.2. Capacity to comply with regulatory requirements

Sumo Power's senior managers and service providers have deep experience in gas retailing that underpin its capacity to comply with regulatory requirements in the following aspects of its business, and Sumo Power has adopted and will implement relevant compliance policies and procedures, including those provided in the attachments, towards that end:

- Gas safety
- Provision of information to distributors
- Meter reading
- Provision of information to customers
- Privacy and confidentiality management
- Customer information management

F. Suitability

1. Previous unsuccessful applications to the ESC and in other jurisdictions

Nil.

2. Prosecutions and regulatory complaints

No prosecution or regulatory complaint has been commenced against SparQ Gas Pty Ltd or any person related to or associated with it.

G. Statutory declaration

See **Public Attachment 5**.