



## APPLICATION FOR A LICENCE TO SELL ELECTRICITY IN VICTORIA

SparQ Pty Ltd (**SparQ**) applies to the Essential Services Commission (**ESC**) under section 18(1) of the *Electricity Industry Act 2001* (Vic) (**Act**) for the issue of a licence authorising SparQ to sell electricity.

### 1. Introduction

#### 1.1 SparQ

SparQ Pty Ltd (**SparQ**) intends to establish an energy retail business.

#### 1.2 Nature and scope of SparQ's proposed operations in Victoria

SparQ intends to commence carrying on its energy retail business in Victoria. Initially it will sell electricity to residential and small business customers.

### 2. Applicant and application

#### 2.1 Applicant

##### 2.1.1 Name

SparQ Pty Ltd.

##### 2.1.2 ACN

601 199 151.

##### 2.1.3 Registered address

21 Moffat Street  
Brighton VIC 3186.

##### 2.1.4 Business address

21 Moffat Street  
Brighton VIC 3186.

##### 2.1.5 Contact

Domenic Capomolla  
0413 264 309  
[Domenic.Capomolla@yahoo.com](mailto:Domenic.Capomolla@yahoo.com)

##### 2.1.6 Corporate structure

SparQ is a proprietary company limited by shares. It has no subsidiaries or related bodies corporate.

##### 2.1.7 Incorporation details

###### 2.1.7.1 Certificate of registration

See public attachment 1.

###### 2.1.7.2 Constitution

See public attachment 2.

##### 2.1.8 Shareholder details

As at the date of this application, Domenic Capomolla is the sole shareholder of SparQ.  
See also confidential attachment 1.

## 2.2 Application

- 2.2.1 Type of licence sought  
SparQ is applying for a licence to sell electricity.
- 2.2.2 Date of application  
22 September 2014.
- 2.2.3 Date from when licence sought  
1 February 2015.
- 2.2.4 Non-standard licence conditions sought  
Nil.

## 3. ESC's objectives

SparQ will compete for residential and small business customers' business.

SparQ will offer customers an alternative to the incumbent electricity retailers, with a customer value proposition driven by simple products that encourage 'no fuss' payments in exchange for greater savings, greater savings for customers that SparQ can deliver because of its lower cost structure and clever tariff design, SMS and e-mail messaging if customer's consumption is likely to exceed forecast so as to avoid bill shock and personalised customer care from a dedicated customer service representative.

Competition of that sort 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 10(b) of the Act to promote the development of full retail competition.

## 4. Financial viability

### 4.1 Statement of financial viability

SparQ 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 electricity.

### 4.2 Financial position

See confidential attachments 2 and 3.

### 4.3 Statutory declaration as to any likely changes in SparQ's structure, operation or financing that could materially affect SparQ's financial viability

See confidential attachment 4.

### 4.4 5 year business plan for SparQ's proposed operations in Victoria

See confidential attachment 5.

### 4.5 Australian financial services licence (AFSL)

SparQ will not be carrying on a financial services business and therefore does not require an AFSL. See confidential attachment 6.

### 4.6 Credit support obligations

#### 4.6.1 National Electricity Rules (**Rules**)

SparQ 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 electricity it purchase in the wholesale exchange operated by AEMO for on-sale to its customers.

SparQ will enter into reallocation transactions so as to reduce the amount of credit support it must provide to AEMO. SparQ is negotiating the terms of reallocation transactions with three potential counterparties. Negotiations are well advanced.

#### 4.6.2 Use of system agreements

SparQ has financial resources, and access to further resources, sufficient to meet the obligations it will have under its use of system agreement with each Victorian electricity distributor to provide credit support to that distributor in respect of the customers SparQ will share with that distributor.

#### 4.7 Credit rating

SparQ is in the process of obtaining a credit rating in the form of a Dun & Bradstreet Dynamic Risk Score, to be used for the purposes of and in connection with the Victorian electricity distributors' use of system agreements.

### 5. Technical capacity

SparQ has the expertise, knowledge and skill base to operate a viable business selling electricity to residential and small business customers.

#### 5.1 Human resources

##### 5.1.1 Expertise, knowledge and skill of key personnel

SparQ directors and senior managers are highly credentialed and experienced energy industry professionals who have a solid track record of successful start-ups in the energy retail market.

##### 5.1.1.1 Domenic Capomolla – Managing Director & Founder of SparQ

The team will be lead by Domenic Capomolla who is SparQ's Managing Director.

Domenic has been actively involved in the Australian and Singaporean deregulated and contestable power and gas markets in since 1998. Joining United Energy Marketing that year Domenic later progressed to lead the organisation's contestable Sales and Customer Service Team, Power and Gas.

In 2001 Domenic joined SembCorp Power where in his role as General Manager, he was responsible for establishing a start-up retail and trading electricity company in the deregulating Singaporean market.

In 2005 Domenic was appointed to the role of 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 power and gas business in the National Electricity Market.

Domenic holds a Bachelor of Education (Mathematics & P.E.), a graduate Diploma in Applied Finance & Investment, is a graduate and a member of the Australian Institute of Company Directors and is a director of The Mirabel Foundation.

See further public attachment 3.

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- 5.1.1.2 Senior managers  
See confidential attachment 5, pages 23 and 24.
- 5.1.2 Organisational chart  
See public attachment 4.
- 5.2 Approvals
- 5.2.1 Licences under the Act and corresponding interstate legislation  
SparQ does not have any current or former licences under the Act nor under any corresponding interstate legislation nor do any associates of SparQ.
- 5.2.2 Registration with AEMO  
SparQ has engaged with AEMO, and after it is granted a licence to sell electricity, will be registered with AEMO as a Customer under section 11(4) of the National Electricity Law and clause 2.3.1 of the Rules.
- 5.2.3 Austraclear  
SparQ has organised its application to ASX for membership of Austraclear through which SparQ's purchases of electricity from AEMO will settle. Once AEMO registers SparQ as a Customer, this application will be completed.
- 5.2.4 Quality assurance accreditations  
Nil.
- 5.3 Suppliers
- 5.3.1 AEMO  
As already mentioned, SparQ is to be registered with AEMO as a Customer under section 11(4) of the National Electricity Law and clause 2.3.1 of the Rules. This will allow SparQ to purchase electricity in the wholesale exchange operated by AEMO for on-sale to customers.
- 5.3.2 OTC electricity derivatives  
SparQ will enter into OTC electricity derivatives to hedge the spot price at which it will purchase the electricity in the wholesale exchange operated by AEMO that it will on-sell to customers. SparQ is negotiating the terms of hedge contracts with three potential counterparties. Negotiations are well advanced.
- 5.3.3 Victorian electricity distributors  
SparQ will enter into a use of system agreement with each Victorian electricity distributor once the ESC grants SparQ its licence to sell electricity. Negotiations are well advanced.
- 5.3.4 Metering  
Under the Rules, the Victorian electricity distributors will be the persons responsible for engaging the metering providers that will provide, install and maintain meters at SparQ's customers' premises and for engaging the metering data providers that will provide metering data to SparQ. SparQ is settling with each Victorian electricity distributor the terms and conditions on which it will act as responsible person in respect of SparQ's customers and their meters.

### 5.3.5 Service providers

SparQ proposes to enter into agreements with a number of service providers as follows. Negotiations are well advanced. The agreement with each service provider will require the service provider: (a) to maintain at all times such technical capacity as is required to undertake the relevant services; and (b) to provide on request any information in the service provider's possession, custody or control which SparQ is required to provide to the ESC.

#### 5.3.5.1 Sales channel

SparQ proposes to enter into a non-exclusive sales channel agreement.  
See confidential attachments 7 and 8.

#### 5.3.5.2 Brave Energy Pty Ltd

SparQ proposes to enter into an agreement with Brave Energy Pty Ltd for the provision of management services in respect of customer accounts, billing and payments, products and contracts, standing data and metering data, service orders, settlements, reporting, tasks, collections, GSLs, sales commissions, dispute resolution, IT solutions and general related services.

See public attachment 5 and confidential attachment 9.

#### 5.3.5.3 RMFITS Pty Ltd

SparQ proposes to enter into an agreement with RMFITS Pty Ltd under which Peter Swampillai will provide services in connection with the establishment of a front office and related hedging and risk management framework under which SparQ will purchase wholesale electricity and environmental products.

See public attachment 6 and confidential attachment 10.

## 5.4 Customers

### 5.4.1 Contracts

SparQ has prepared contractual documentation for the sale of electricity to residential and small business customers that complies with the requirements of the Energy Retail Code. See confidential attachment 11.

### 5.4.2 Financial hardship

SparQ has prepared and is proposing to adopt a financial hardship policy. See confidential attachment 12.

### 5.4.3 Department of Human Services

SparQ has settled with the Department of Human Services that the terms of an agreement for the provision of community services are to be negotiated and the agreement entered into once the ESC grants SparQ its licence to sell electricity.

### 5.4.4 Complaints and dispute resolution

SparQ has prepared and is proposing to adopt a complaints and dispute resolution policy. See confidential attachment 13.

### 5.4.5 Energy and Water Ombudsman Victoria (**EWOV**)

SparQ will apply to become a member of EWOV's customer dispute resolution scheme. It is anticipated SparQ will become a member of that scheme once the ESC grants SparQ its licence to sell electricity.

## 5.5 Internal controls, policies and procedures

### 5.5.1 Training and development

SparQ is developing a training and development program for its sales and marketing personnel covering all aspects of SparQ's dealings with customers including explicit informed consent, credit, hardship and complaints.

### 5.5.2 Compliance

SparQ has informed itself of all the obligations it will have under the Act and its licence to sell electricity and under the ESC's codes and guidelines. SparQ has prepared and is proposing to adopt compliance documentation directed towards ensuring that it complies with those obligations. See confidential attachment 14.

### 5.5.3 Risk management

See confidential attachment 15.

### 5.5.4 Privacy

See confidential attachment 16.

## 5.6 Additional information

### 5.6.1 Capacity to operate a business

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

5.6.1.1 Managing supplier contracts including settling electricity purchases in the wholesale exchange operated by AEMO and OTC electricity derivatives through Austraclear

5.6.1.2 Managing customer contracts

5.6.1.3 Customer account establishment and management including creditworthiness checks through credit reporting agencies.

5.6.1.4 Customer service provision including call centre operations and web-based transactions.

5.6.1.5 Billing and collection.

### 5.6.2 Capacity to comply with regulatory requirements

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

5.6.2.1 Provision of information to distributors

5.6.2.2 Meter reading

5.6.2.3 Provision of information to customers

5.6.2.4 Privacy and confidentiality management

5.6.2.5 Customer information management

## 6. Suitability

### 6.1 Previous unsuccessful applications to the ESC and in other jurisdictions

Nil.

6.2 Prosecutions and regulatory complaints

No prosecution or regulatory complaint has been commenced against SparQ or any of its associates nor against any of SparQ's senior managers.

**7. Statutory declaration**

See public attachment 7.