



Application for Electricity Retailer Authorisation

Revised May 2018


Energy Locals Pty Ltd

Contents

1.	<i>General Particulars</i>	4
1.1.	Legal Name	4
1.2.	Trading Name	4
1.3.	ABN or ACN	4
1.4.	Registered Business Address	4
1.5.	Postal Address	4
1.6.	Nominated Contact Person	4
1.7.	Group Structure	4
1.8.	Qualifications, Skills and Experience of Officers	4
1.9.	Incorporation Details	5
1.10.	Type of Licence Sought	5
1.11.	Date from Which Licence Sought	5
1.12.	Current or Former Licences	5
1.13.	Licence Conditions	5
1.14.	Nature of Participation in Victorian Electricity Industry	5
2.	<i>Organisation and technical capacity</i>	5
2.1.	General	5
2.2.	Long term interests of Victorian consumers	6
2.3.	Price, quality and reliability of essential services	6
2.4.	Efficiency in the industry and incentives for long term investment	7
2.5.	Competition within in the industry	7
2.6.	Promoting a consistent regulatory approach within the electricity industry	7
2.7.	Promoting consistency in regulation between states	7
3.	<i>Financial Viability</i>	8
3.1.	Current Balance Sheet and Financial Data	8
3.2.	Annual Reports	8
3.3.	Credit Rating	8
3.4.	Auditor's Declaration	8
3.5.	Statement of Assets and Liabilities	8
3.6.	Shareholder Register	8
3.7.	Certificate of Registration	8
3.8.	Guarantees in Place	8
3.9.	Australian Financial Services Licence	9
3.10.	Assurance of Financial Resources	9
3.11.	Distribution Use of System Agreements	9
3.12.	Business Plan	9
4.	<i>Technical Capability</i>	9
4.1.	Organisation chart	9
4.2.	Experience of Key Personnel	9
4.3.	Contracts with External Service Providers	9
4.4.	Industry Bodies	10
4.5.	Internal Controls, Policies and Procedures	11
4.6.	Risk Management	12
4.7.	Governance Policies	12
4.8.	Demonstrations of Billing and Management Systems	13
4.9.	Complaints Procedure	13
4.10.	Capacity to Comply with Licence Conditions	13
5.	<i>Suitability</i>	13
5.1.	Material Failures, Revoked or Failed Authorisations/Licences, Legal Proceedings, Offences or Successful Prosecutions	14
5.2.	Criminal History Check	14
5.3.	Disqualification and Bankruptcy Declaration	14
5.4.	Officers Details	14

6.	<i>Confidential Appendices</i>	16
Appendix A.	Shareholding Structure	17
Appendix B.	Energy Market Experience	18
Appendix C.	Outsourced Service Providers.....	20
Appendix D.	Capacity to comply with licence conditions	21
Appendix E.	Director and Officer Declaration.....	24
Appendix F.	Details of Officers.....	26

1. General Particulars

Energy Locals Pty Ltd applies to the Essential Services Commission (ESC) under Section 18(1) of the Electricity Industry Act 2000 for the issue of a licence authorising the sale of electricity in Victoria.

A copy of this application has been provided in both electronic and paper form.

1.1. Legal Name

The applicant is Energy Locals Pty Ltd (Energy Locals).

1.2. Trading Name

Energy Locals

1.3. ABN or ACN

ABN is 23606408879.

1.4. Registered Business Address

132 Cremorne Street, Richmond, Victoria 3121

1.5. Postal Address

132 Cremorne Street, Richmond, Victoria 3121

1.6. Nominated Contact Person

Adrian Merrick
Director

1.7. Group Structure

Energy Locals Pty Ltd is privately owned. Details of the shareholders are contained in the appendices.

1.8. Qualifications, Skills and Experience of Officers

A founding team has been established with highly relevant experience. Details can be found in the confidential attachments.

1.9. Incorporation Details

Energy Locals Pty Ltd is a company incorporated in Victoria, Australia. The Certificate of Registration, Constitution and Shareholders' Agreement are attached.

1.10. Type of Licence Sought

Electricity Retail

1.11. Date from Which Licence Sought

July 2018. Energy Locals began trading in NSW and Qld in January 2017 and is operationally ready to begin trading in Victoria.

1.12. Current or Former Licences

Energy Locals holds a full retail authorisation from the AER. The company does not have any other current or former licences under the Act in any jurisdiction.

1.13. Licence Conditions

No non-standard licence conditions are requested.

1.14. Nature of Participation in Victorian Electricity Industry

Energy Locals will be retailing electricity using standard and market retail contracts.

2. Organisation and technical capacity

2.1. General

Energy Locals has been founded to provide competition in the National Energy Market, including Victoria, bringing customers choice and differentiation. We do not seek to compete on the same terms as other new entrants in the market, as outlined in our full business plan in the confidential attachments.

The company believes that the granting of an electricity retail licence to Energy Locals would be consistent with the objectives of the Commission set out in Section 8 of the Essential Services Commission Act 2001 (Vic) (Amended January 2016) for the following reasons.

2.2. Long term interests of Victorian consumers

Energy Locals will contribute to the Victorian electricity market by providing competition, choice, consumer fairness and improved services.

The Energy Locals' business proposition is clearly differentiated from that of other retailers and the consumer benefit of the Energy Locals business has been demonstrated in NSW and SE Qld.

A report by the Grattan Institute outlined a number of issues facing Victorian energy customers, including:

- High retailer margins (13% net)
- Lack of transparency over retailer costs added to bills
- Misleading discounts

The Energy Locals proposition is already benefiting customers in NSW and SE Qld by addressing each of these points:

- Margins: Our net margins are much smaller than 13%,
- Transparency: We provide customers with total transparency over costs. See the public breakdown on our website: <https://energylocals.com.au/we-help-the-accc-investigate-retail-energy-profits>. We firmly believe that Victorian customers would also appreciate this level of transparency. Transparency is clearly an issue when it comes to consumers understanding the choices that they have and in taking advantage of retail competition.
- Discounts: Our prices are the same for all customers.

The businesses' focus on transparency and fairness aligns to the purpose of much of the consumer regulation that has developed over time in both Victoria and those states that have adopted the National Energy Consumer Framework.

We consider that Victorian customers deserve the same choice that customers in NSW and southern Queensland are benefitting from, and given the ESC Chairman's public remarks (<http://www.abc.net.au/news/2017-04-11/gas-electricity-prices-could-be-reregulated-watchdog-says/8435472>), we are extremely keen to help address the concerns the Commission is publicly sharing.

2.3. Price, quality and reliability of essential services

Energy Locals will improve competition within the Victorian electricity market. Rather than do this simply by creating more customer churn with promises of huge artificial discounts, the company will provide choices that are not currently available to Victorian consumers. The business has been established to run on a lean basis with the benefits of lower internal costs flowing to Victorian consumers.

Reliability and quality in terms of retail and the customer experience will improve for Victorian consumers under Energy Locals. Retailers, being the customer facing entity of the retail market, have a responsibility to ensure quality consumer outcomes. These outcomes

will be achieved by the Energy Locals model in that consumers will not be confused as to the nature of the product they are purchasing and will enjoy the choice of a truly unique retail offer.

2.4. Efficiency in the industry and incentives for long term investment

Energy Locals is building efficiency into its operation from the outset. In doing so it is well placed to offer customers the benefits of this efficiency on an ongoing basis. Investment in Energy Locals has been secured from an ASX-listed organisation that sees its involvement in this venture, and the Victorian electricity market generally, as a long-term commitment.

2.5. Competition within in the industry

Energy Locals will support Victorian electricity consumers with products to suit their needs. It will add much needed differentiation to the current market landscape, as outlined above. The current market, although made up of a large number of participants, is still dominated by a small number of retailers. We believe this lack of choice is a result of a lack of differentiation amongst the existing retail offers. Energy Locals provides differentiation and real customer choice.

2.6. Promoting a consistent regulatory approach within the electricity industry

Key managers in Energy Locals have extensive experience of energy Regulation and Compliance in Victoria. A permanent Regulatory Manager will be appointed when the workload justifies this.

The objective of a consistent regulatory approach is achieved by the application of the same regulatory standards and Energy Locals has significant experience operating in the National Energy Consumer Framework. Energy Locals has mapped out the Victorian specific regulatory obligations and the areas of divergence and has controls in place for all regulatory obligations.

2.7. Promoting consistency in regulation between states

Energy Locals will operate in multiple States within the National Energy Market. The company has therefore been designed to offer a consistent proposition and experience across all jurisdictions. Energy Locals will, however, tailor its approach to account for the local regulatory requirements of each State.

3. Financial Viability

3.1. Current Balance Sheet and Financial Data

The company's balance sheet and financial statements are contained in the confidential attachments.

3.2. Annual Reports

As a relatively new organisation, Energy Locals has not yet filed an annual report.

3.3. Credit Rating

As a relatively new organisation, Energy Locals does not yet have a credit rating.

3.4. Auditor's Declaration

Signed declarations from a director and an independent accountant in the confidential attachments confirm that:

- Energy Locals is a going concern and is solvent;
- Energy Locals is not aware of any factor that would impede the company's ability to finance its energy retail activities under this authorisation for the next 12 months;
- No member of the Energy Locals Pty Ltd team has been declared bankrupt in Australia or in any overseas jurisdiction; and
- No member of the Energy Locals Pty Ltd team has been disqualified from the management of corporations.

3.5. Statement of Assets and Liabilities

Full financial statements are contained in the confidential attachments.

3.6. Shareholder Register

The shareholding of Energy Locals is outlined in the appendices.

3.7. Certificate of Registration

The Certificate of Registration is contained in the confidential attachments.

3.8. Guarantees in Place

Energy Locals is funded by equity and does not currently require any financial guarantees.

3.9. Australian Financial Services Licence

A third party undertakes wholesale trading on Energy Locals' behalf, in line with the Energy Locals Risk Management Policy. Energy Locals does not intend to carry out any trading activities in house. Therefore Energy Locals will not be applying for an AFSL at this stage.

3.10. Assurance of Financial Resources

Principle assumptions and key outputs from the financial model are contained in the confidential attachments.

Evidence of the company's financial resources is contained in the confidential attachments.

3.11. Distribution Use of System Agreements

Energy Locals has contacted each of the distribution companies in Victoria. Contracts will be finalised as soon as the retail licence is granted. The business plan contains all the appropriate distribution costs, including the cost of providing Network Credit Support. Draft Use of System Agreements from the five Victorian distributors are contained in the confidential attachments.

3.12. Business Plan

A detailed business plan has been created which is supported by a comprehensive financial model. The plan contains full details of the company's strategy, operating model and financial forecasts. The full business plan is contained in the confidential attachments.

4. Technical Capability

4.1. Organisation chart

The Energy Locals organisation chart along with names of key staff is contained in the confidential attachments. Further recruitment has been budgeted to support the business as it grows.

4.2. Experience of Key Personnel

All members of the Energy Locals management team have extensive experience of electricity retailing in Australia and abroad. This is outlined in more detail in Section 1.8.

4.3. Contracts with External Service Providers

Contracts are in place with a number of third parties to provide specialist operational support. Further details are outlined in the appendices.

4.4. Industry Bodies

4.4.1. AEMO

Energy Locals is has been approved as a market participant by AEMO. Evidence is contained in the confidential attachments.

4.4.2. Ombudsman Scheme Participation

Energy Locals is a member of the EWON and EWOQ schemes. Evidence is contained in the confidential attachments.

Energy Locals will apply to EWOV for membership of the Victorian energy ombudsman scheme upon granting of the retail licence. The company has contacted EWOV to ensure the application process is understood.

The financial forecast includes expected Ombudsman costs based on industry average referral levels.

4.4.3. Austraclear

Energy Locals is fully registered with Austraclear. Evidence is contained in the confidential attachments.

4.4.4. Community Services Agreements

Energy Locals is fully registered with Centrelink to support the payment of concession rebates to customers. Evidence is contained in the confidential attachments.

4.4.5. Clean Energy and Renewable Schemes

To enable Energy Locals to surrender small-scale technology certificates, Energy Locals is registered with the Clean Energy Regulator. Evidence is contained in the confidential attachments.

The company will also participate in all relevant energy efficiency schemes in the jurisdictions it operates in.

4.4.6. GreenPower

Energy Locals is an approved member of the GreenPower program. Evidence is contained in the confidential attachments.

4.5. Internal Controls, Policies and Procedures

4.5.1. Compliance Program

Energy Locals is committed to ensuring compliance with all relevant regulatory requirements. A compliance policy & framework has been established which covers the principles of commitment, implementation, monitoring, measuring and continual improvement.

Having operated in the National Energy Consumer Framework, Energy Locals has established systems to ensure compliance, to identify and report on any potential regulatory breaches and to ensure continued development of the compliance framework. These systems and processes are transferable to the Victorian market, as has been the case for other national retailers. Where there is any divergence in state regulatory obligations, Energy Locals complies with the more onerous regulatory standards on a national basis where possible.

The Compliance Policy and Framework and supporting documents can be found in the confidential attachments.

4.5.2. Obligations Register

Energy Locals understands the importance of compliance with the Energy Laws and the licence terms. The compliance framework outlined above, in conjunction with the other company policies listed in this document, will be used to govern this activity internally.

An obligations register has been produced which details the company's obligations under the Electricity Industry Act 2001 (Vic), National Electricity Retail Law (South Australia) Act 2011, National Electricity Retail Rules, National Energy Retail Regulations, AER Retail Guidelines, Australian Consumer Law, Competition and Consumer Act 2010, Telecommunications Act 1997, Privacy Act 1988, Do Not Call Register Act 2006, the Spam Act 2003, each State and Territory Fair Trading Act, and any ESC and AER licence authorisation conditions.

The register is contained in the confidential attachments.

4.5.3. Disconnection policy

Energy Locals never wishes to need to disconnect a customer's supply for non-payment. Disconnection is a last resort not only in the processes of Energy Locals but also in that it is not aligned to key objectives of Energy Locals which are to ensure positive customer outcomes. Consequently, Energy Locals has established a range of controls to ensure that debt is managed early and that assistance is provided for any customers who are experiencing difficulty. Any disconnections for debt will be undertaken in line with the Disconnection Policy, which is contained in the confidential attachments.

4.6. Risk Management

An Energy Market Risk Management Policy has been approved by the Energy Locals Board and can be found in the confidential attachments.

A Policy has also been approved by the Energy Locals Board to oversee Operational Risk Management. It can be reviewed in the confidential attachments.

The Energy Locals Board has approved a Delegation of Authority Policy and Matrix. It is included in the confidential attachments.

4.7. Governance Policies

4.7.1. Recruitment and Selection Policy

Energy Locals is committed to fairness, equality and diversity in its recruitment and selection and ensuring potential staff have suitable experience, qualifications, capability and attitude to fulfil their roles in accordance with the company's policies and procedures and to the quality required by customers and stakeholders.

A Recruitment and Selection Policy has been established to govern this. It covers the requirements for job design, job benchmarking, sourcing strategy, selection criteria, interview framework, character assessment, qualification evidence, reference checking and contracting. The policy is contained in the confidential attachments.

4.7.2. Training and Development Policy

Energy Locals has developed a Training and Development Policy to ensure that staff are appropriately equipped with the skills to perform their roles successfully and in accordance with the company's policies and procedures. The policy is contained in the confidential attachments.

4.7.3. Hardship Program

Energy Locals has established a Hardship Program with the aim of making clear and consistent the ways in which we will seek to identify and help vulnerable customers. The Hardship Program is contained in the confidential attachments.

4.7.4. Privacy

We understand how vital it is to properly handle all forms of customer information. Our Privacy Policy has been written to articulate the way we will do this and it will be published on our website prior to market entry. The Policy is contained in the confidential attachments.

4.8. Demonstrations of Billing and Management Systems

Energy Locals is using a system proven in the National Energy Market to provide service to customers in NSW and Qld. The system manages the core billing, market interface and customer contact processes.

4.9. Complaints Procedure

While we aim to satisfy all customers, we are conscious that there will be times that customers are not happy with our service or wish to raise a dispute. Energy Locals has a documented procedure for taking these situations from complaint or dispute to resolution. The procedure is designed to help resolve complaints quickly and with sensitivity. It is contained in the confidential attachments.

4.10. Capacity to Comply with Licence Conditions

Details are contained in the appendices.

5. Suitability

Energy Locals is committed to building a business that operates ethically and is the subject of robust governance frameworks and processes. The company plans to achieve these outcomes through the following actions:

- Employment contracts deal with probity expectations and requirements including confidentiality, compliance with laws & regulations and code of conduct.
- Completing Good Fame and Character screening for all Board and management positions, including criminal history and bankruptcy checks for all jurisdictions they have resided in during the past 10 years and extensive reference checks.
- Enforcement of the Energy Locals Compliance Policy & Framework. This requires commitment from every employee and good role modelling from the Board and management team.
- Promotion of ethical conduct through the adoption of the Energy Locals Code of Conduct. Employees are required to sign their commitment to this Code prior to commencing employment, and the Code of Conduct also forms a major part of the mandatory induction training.
- Keeping accurate records from all Board meetings.
- Conducting regular reviews of Board and management activities and decisions.
- Providing management with access to qualified legal advice.

5.1. Material Failures, Revoked or Failed Authorisations/Licences, Legal Proceedings, Offences or Successful Prosecutions

Energy Locals has not been subject to a Retailer of Last Resort (RoLR) event and has not previously transferred or surrendered an authorisation or licence under the Retail Law. In addition no authorisations or licences have been revoked or requests for an authorisation or application been rejected.

Energy Locals confirms that none of its Directors or Officers nor, to the best of its knowledge, its associates, have been the subject of any offences or prosecutions under any territory, state, Commonwealth or foreign legislation.

Further detail is contained in the appendices.

A Statutory Declaration from the Director is contained in the confidential attachments.

5.2. Criminal History Check

We will provide criminal record checks on request.

5.3. Disqualification and Bankruptcy Declaration

The Officers of Energy Locals have not been disqualified from the management of corporations. Neither Energy Locals nor its officers have a bankruptcy record in any Australian or overseas jurisdiction. A declaration to this effect is contained in the confidential attachments.

5.4. Officers Details

Details of officers are contained in the appendices.

----- *End of public section of application* -----