



Balance Commodities & Energy

APPLICATION FOR A LICENSE TO SELL ELECTRICITY IN VICTORIA

Balance Commodities & Energy Pty Ltd (“**BCE**”) applies to the Essential Services Commission (ESC) under section 18(1) of the Electricity Industry Act 2001 (Vic) (Act) for the issue of a license authorising BCE to sell electricity to Large Customers.

1. Introduction

1.1 Balance Commodities & Energy

Balance Commodities & Energy Pty Ltd (“**BCE**”) intends to establish an energy retail business.

1.2 Nature and scope of BCE’s proposed operations in Victoria

BCE intends to commence carrying on its energy retail business in Victoria and will sell electricity to large end use customers only.

See also **confidential attachment 1**.

2. Applicant and application

2.1 Applicant

2.1.1 Name:

Balance Commodities & Energy Pty Ltd.

2.1.2 ACN:

623 247 003

Level 26, 459 Collins Street Melbourne Vic 3000

2.1.3 Business address:

Level 26, 459 Collins Street Melbourne Vic 3000

2.1.4 Contact: Stuart Pearce

Mob: [REDACTED]

Office: [REDACTED]
[REDACTED]

2.1.5 Corporate structure

Balance Commodities & Energy is a proprietary company limited by shares.

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- 2.1.6 Incorporation details
 - 2.1.6.1 Certificate of registration
See **public attachment 1.**
 - 2.1.6.2 Constitution
See **public attachment 2.**
 - 2.1.7 Shareholder details
See **confidential attachment 2.**
 - 2.2 Application
 - 2.2.1 Type of license sought
Balance Commodities & Energy is applying for a license to sell electricity to large end use customers only.
 - 2.2.2 Date of application:
22 January 2019
 - 2.2.3 Date from when license sought:
30 March 2019
 - 2.2.4 Non-standard license conditions sought: Nil.

3. ESC's objectives

Section 8 of the Essential Services Commission Act 2001 (VIC) sets out the objectives of the Commission to promote the long-term interests of Victorian consumers, and in seeking to achieve this objective have regard to the price, quality and reliability of essential services.

Granting Balance Commodities & Energy a retail license is consistent with the Commission's objectives. Balance Commodities & Energy will retail electricity (and eventually gas) to large end use customers only, with the intent that these users will become direct market participants and provide an innovative way to separately manage their electricity and environmental price risk according to their individual risk appetite.

Balance Commodities & Energy will offer customers an alternative to the incumbent electricity retailers, with a customer value proposition driven by Balance Commodities & Energy's ability to provide customers with direct market access to wholesale energy markets, Renewable PPA, hedging instruments and risk management strategies through its relationship with RM Hedge; the aim of which is to reduce the energy costs for these businesses and in turn reduce their operational costs and become more competitive in their own markets.

The customer will settle with the market counter-parties such as AEMO, Local Network Services Providers and wholesale market participants either directly, facilitated by

Balance Commodities & Energy Retail, or through Balance Commodities & Energy.

4. Financial viability

4.1 Statement of financial viability

Balance Commodities & Energy 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 license to sell electricity.

4.2 Financial position

See confidential attachments 3.

4.3 Statutory declaration as to any likely changes in Balance Commodities & Energy's structure, operation or financing that could materially affect Balance Commodities & Energy's financial viability

See confidential attachment 4.

4.4 5-year business plan for Balance Commodities & Energy's proposed operations in the NEM

See confidential attachment 5.

4.5 Australian financial services license (AFSL)

Balance Commodities & Energy has an AFSL by way of an agency agreement with RPDW Pty Ltd trading as RM Hedge for use of their AFSL.

See confidential attachment 6.

4.6 Credit support obligations

4.6.1 National Electricity Rules (Rules)

Balance Commodities & Energy 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 purchases in the wholesale exchange operated by AEMO for on-sale to its customers. However, in most instances, the customer will be a direct market participant and hence be themselves responsible for meeting the obligations it will have under the Rules in respect of the electricity it purchases in the wholesale exchange

Balance Commodities & Energy will, where requested to by its customers, enter into reallocation transactions so as to reduce the amount of credit support it and they must provide to AEMO. Balance Commodities & Energy has negotiated the terms of reallocation transactions with a counterparty.

4.6.2 Use of system agreements

Balance Commodities & Energy 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 Balance Commodities & Energy will share with that distributor.

Balance Commodities & Energy's customers may wish to sign a Use of System Agreement directly with the network distributor and hence payment and credit support obligations would rest directly with that customer. In such situations Balance Commodities & Energy will facilitate the signing of Use of System Agreements.

4.7 Credit rating

Balance Commodities & Energy 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

Balance Commodities & Energy has the expertise, knowledge and skill base to operate a viable business selling electricity to large end use customers as direct market participants.

5.1 Human resources

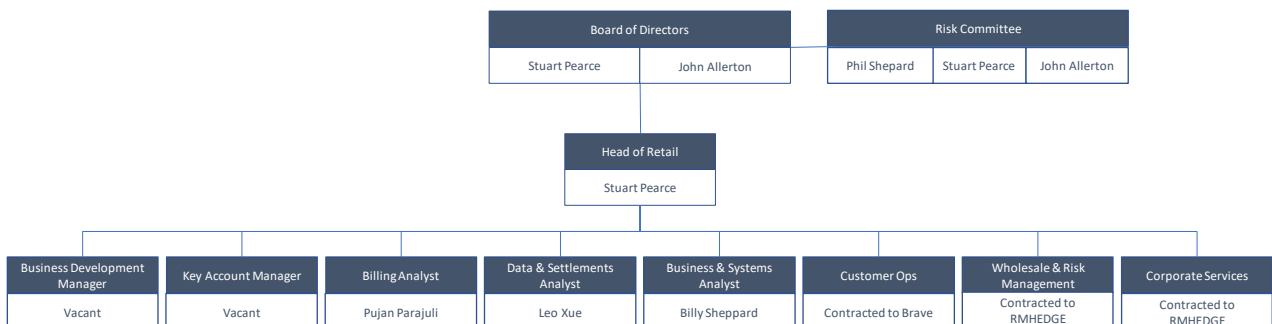
5.1.1 Expertise, knowledge and skill of key personnel

Balance Commodities & Energy 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.

Personnel names and curriculum vitae are contained in **confidential attachment 7**.

5.1.2 Organisation chart

BCE Organisation Chart



5.2 Approvals

5.2.1 Licenses under the Act and corresponding interstate legislation

Balance Commodities & Energy does not have any current or former licenses under the Act nor under any corresponding interstate legislation nor do any associates of Balance Commodities & Energy.

5.2.2 Registration with AEMO

Balance Commodities & Energy has engaged with AEMO, and after it is granted a license 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.

Direct Market Participant customers will be registered as a Market Customer with AEMO as a Customer under section 11(4) of the National Electricity Law and clause 2.3.4 of the Rules

5.2.3 Austraclear

Balance Commodities & Energy has organised its application to ASX for membership of Austraclear through which Balance Commodities & Energy's purchases of electricity from AEMO will settle. Once AEMO registers Balance Commodities & Energy as a Customer, this application will be completed.

5.2.4 Quality assurance accreditations: Nil.

5.3 Suppliers

5.3.1 AEMO

Balance Commodities & Energy 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 Balance Commodities & Energy to purchase electricity in the wholesale exchange, on behalf of its customers, operated by AEMO for on-sale to customers.

5.3.2 OTC electricity derivatives

Balance Commodities & Energy will assist its large end use customers to structure a portfolio of instruments including OTC/ETF derivatives and PPA arrangements, as part of an effective energy hedging strategy.

5.3.3 Victorian electricity distributors

Balance Commodities & Energy will enter into a use of system agreement with each Victorian electricity distributor once the ESC grants Balance Commodities & Energy its license to sell electricity. Negotiations are well advanced.

Balance Commodities & Energy will also assist its customers to enter into a use of system agreement with the relevant Victorian electricity distributor.

5.3.4 Metering

Under the new Power of Choice Rules, Balance Commodities & Energy is in the process of engaging an authorised Metering Co-ordinator to

arrange the provision, installation and maintenance of meters, and metering data its customers

5.3.5 Service providers

Balance Commodities & Energy proposes to enter into agreements with a number of service providers (refer below). 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 Balance Commodities & Energy is required to provide to the ESC.

5.3.5.1 Sales channel

Balance Commodities & Energy has current relationships with large industrial end users. All sales will be conducted by Balance Commodities & Energy directors and staff leveraging off existing relationships.

5.3.5.2 Brave Energy Pty Ltd

Balance Commodities & Energy intends 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, IT solutions and general related services.

An agreement has been negotiated between Brave Energy Pty Ltd (Brave) and Balance Commodities & Energy Pty Ltd (BCE) and is considered ready for execution. It does however remain as a draft until such time as the final delivery, service scope and commercial terms are agreed. These will be agreed between the parties once BCE has secured its Victorian retail electricity license and a market entry date is confirmed by BCE.

See **confidential attachment 8**.

5.3.5.3 RPDW Pty Ltd trading as RM Hedge

RMHEDGE provides a holistic risk management, front and middle office service function for organisations operating in the energy and commodity financial markets. Extensive experience of the management team to deliver tailored risk management systems, processes, and procedures, hedging strategies, compliance, and strategic direction for its clients including Balance Commodities & Energy and its customers.

RMHEDGE and its partners have over 60 years of experience in the financial markets including front, middle and risk

management operations in the derivatives and environmental markets.

“Our vision is to provide transparent and comprehensive risk management, energy and commodity hedging solutions.”

RMHEDGE business model is based around providing support for key functions for the front office, middle office, treasury, risk management, compliance, and systems areas.

RMHEDGE provides counterparties, customers, and consultants with education through expert knowledge, experience, and tools to better manage their risks, portfolios, and business. These tools include; market reports (spot and forwards), training modules and seminars, realistic simulation courses. Implementation services and products include; outworking of business plans (economic modelling), portfolio management, hedging and trading strategies, market and risk management systems, policies and processes to enable risk management oversight and portfolio management for new entrant and existing companies.

See **confidential attachment 9**

5.4 Customer

5.4.1 Contracts

Balance Commodities & Energy has prepared contractual documentation for the sale of electricity to large business customers.

See **confidential attachment 10**.

5.4.2 Financial hardship: n/a

5.4.3 Department of Human Services: n/a

5.4.4 Complaints and dispute resolution

Balance Commodities & Energy has adopted a complaints and dispute resolution policy commonly found in large customer and service delivery contracts.

See **confidential attachment 11**.

5.4.5 Energy and Water Ombudsman Victoria (EWOV)

Balance Commodities & Energy will apply to become a member of EWOV’s customer dispute resolution scheme. It is anticipated Balance Commodities & Energy will become a member of that scheme once the ESC grants Balance Commodities & Energy its license to sell electricity.

5.5 Internal controls, policies and procedures

5.5.1 Training and development

Balance Commodities & Energy is developing a training and development program for its sales and marketing personnel covering all aspects of Balance Commodities & Energy's dealings with customers including provision of financial advice, privacy and explicit informed consent.

5.5.2 Compliance

Balance Commodities & Energy has informed itself of all the obligations it will have under the Act and its license to sell electricity and under the ESC's codes and guidelines. Balance Commodities & Energy adopts a rigorous compliance framework to ensure it can meet all of its AFSL and electricity license obligations.

See **confidential attachment 12**.

5.5.3 Risk management

See **confidential attachment 13**.

5.5.4 Privacy

See **confidential attachment 14**.

5.6 Additional information

5.6.1 Capacity to operate a business

Balance Commodities & Energy's directors, senior managers and service providers have deep experience in electricity retailing that underpin its capacity to operate the following aspects of its business, and Balance Commodities & Energy 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 Account management services and web-based information portals/transactions.

5.6.1.5 Billing and collection.

5.6.2 Capacity to comply with regulatory requirements

Balance Commodities & Energy's directors, 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 Balance Commodities & Energy

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 Balance Commodities & Energy or any of its associates nor against any of Balance Commodities & Energy's senior managers.

7. Statutory declaration

see **confidential attachment 15**.

PUBLIC ATTACHMENTS

1. Certificate of registration
2. Constitution
3. RM Hedge capability statement

CONFIDENTIAL ATTACHMENTS

1. Balance Commodities & Energy Overview
2. Balance Commodities & Energy's Corporate & Shareholder Structure
3. BCE financial position
4. Statutory declaration
5. 5-year business plan
6. AFSL Agency Agreement
7. Balance Commodities and Energy director and key staff capabilities
8. Brave Energy services agreement
9. RM Hedge Services Agreement
10. Sample customer contract
11. Complaints & Dispute Resolution
12. Compliance documentation
13. Risk management policy
14. Privacy policy
15. Statutory Declaration