

# **Application for a licence to sell electricity under the *Electricity Industry Act 2000 (Vic)***

This is a joint application by Energy Australia Pty Ltd (ABN 24 070 374 293) (**EA Partner**) and IPower Pty Limited (ACN 111 267 228) (**IPR Partner**) for and on behalf of EA-IPR Retail Partnership (the **Partnership**) for a retail licence to sell electricity to all classes of customers in Victoria under the *Electricity Industry Act 2000 (Vic)* (the **EI Act**).

This application has been made in accordance with the Guidance for Licence Applications published by the Essential Services Commission (the **Commission**) dated January 2003 and the Assessment of Technical Capacity (Retail Licence Applications) published by the Commission dated November 2002.

It is considered that with the resources of EA Partner and IPR Partner, the Partnership has the necessary financial viability and technical capacity to operate a successful electricity retail business in Victoria, and the granting of a licence will be consistent with the Commission's objectives as cited in the EI Act and the *Essential Services Commission Act 2001 (Vic)* (the **ESC Act**).

Subject to meeting all licensing requirements, the completion of Use of System Agreements with licensed distributors, registration with NEMMCO and other requirements, the Partnership proposes to take up the licence immediately after approval by the Commission and to commence trading by 1 July 2005.

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## **1 Introduction**

### **1.1 Formation and ownership**

The Partnership is a partnership between EA Partner and IPR Partner (together the **Partners**). It was formed by a partnership agreement dated 18 April 2005 between EnergyAustralia (ABN 37 505 337 385) (**EA**), International Power (Retail) Pty Ltd (ABN 18 107 548 854) (**IPR**), EA Partner and IPR Partner (the **Partnership Agreement**). A copy of the Partnership Agreement is attached as annexure 1 to this application. The Partnership Agreement is provided on a commercial in confidence basis and is not for public disclosure

EA Partner is a special purpose subsidiary of EA. EA is a state owned corporation established in New South Wales on 1 March 1996 under the *Energy Services Corporations Act 1995 (NSW)*.

IPR Partner is a special purpose subsidiary of IPR. IPR is a company incorporated in Victoria on 7 January 2004 under the *Corporations Act 2001 (Cth)*. IPR is a wholly owned subsidiary of International Power (Australia) Holdings 2 Pty Ltd, which in turn is a wholly owned subsidiary of International Power PLC (**IPP**), a publicly listed company based in the United Kingdom. IPR is a related body corporate of International Power Australia Pty Ltd (**IP**) and International Power (Energy) Pty Ltd (**IPE**).

### **1.2 Operations**

(a) *EA*

EA is one of Australia's largest energy services corporations, with over 100 years experience. EA services a wide span of residential and commercial customers, including Australia's largest central business district, as well as servicing industries which include mining, manufacturing, oil refining, shipping, light to heavy engineering and agriculture. EA supplies electricity to over 1.5 million customers.

The nature and scope of the main business activities undertaken by EA are the purchase and supply of electricity and gas; the management of the electricity network within its licensed area and private network facilities; the connection of customers to the electricity network; and the provision of customer services.

EA currently holds a retail electricity licence in Victoria, South Australia, New South Wales, the Australian Capital Territory and Queensland.

(b) *IPR*

IPP, the ultimate holding company of IPR, is a leading international independent power producer with 12,372 MW of generation capacity in operation and a further 1,609 MW under construction around the world.

IPP has generation facilities in operation or under construction in Australia, the United States, the United Kingdom, the Czech Republic, Portugal, Turkey, Malaysia, Oman, Abu Dhabi, Pakistan and Thailand.

IPP has the resources and skills to play an active role in all phases of the power generation chain, including development, construction, operation, trading and marketing.

IP owns and operates the largest private generation business in Australia, comprising Pelican Point Power Station (487 MW), the Synergen business (360 MW), a 46 MW wind farm in South Australia, 92% of Hazelwood Power Station (1,600 MW) in Victoria and, as the Commission is aware, has recently reached financial closure of a 70% interest in Loy Yang B Power Station (1,000 MW) and a 42% interest in Valley Power Peaking Facility (300 MW), also in Victoria.

Accordingly, IP is a significant investor and player in the National Electricity Market (NEM) in Australia and the related derivative over-the-counter and futures markets, trading for its assets and its proprietary trading business. IP also manages a significant gas position associated with its South Australian generation assets.

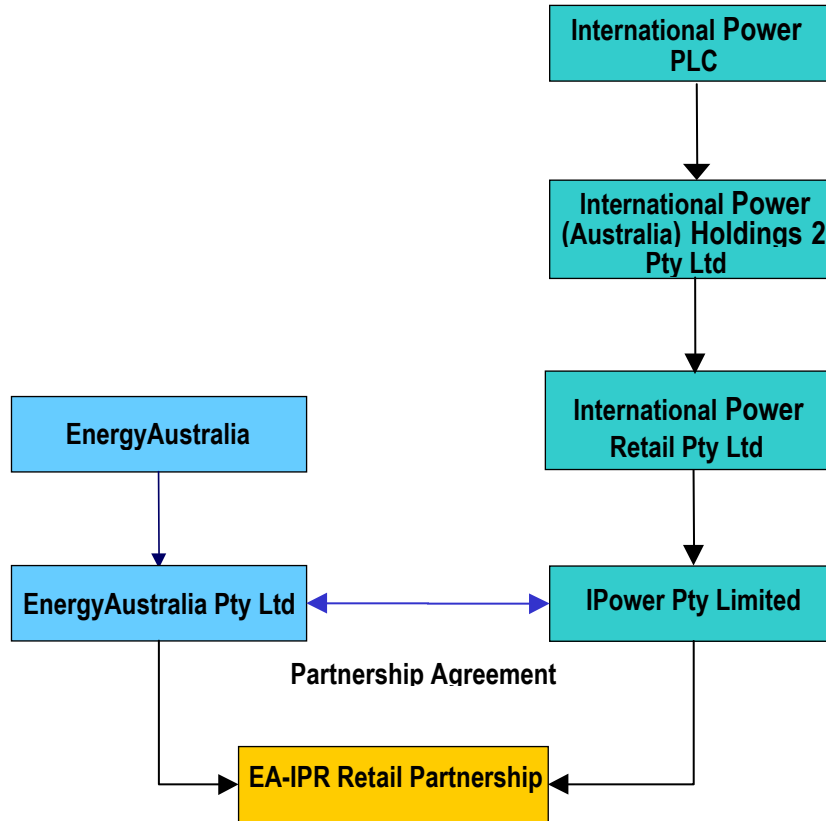
IPR has also been retailing electricity since 1 July 2004 and currently holds a retail electricity licence in Victoria and South Australia.

### 1.3 Partnership

As stated above, EA and IPR, through their special purpose subsidiaries, have formed a partnership with the intention of operating a retail electricity business in

Victoria and South Australia. EA and IPR have structured the joint venture as a partnership to meet the commercial and tax considerations of both businesses.

The Partnership has the following structure, with IPR and EA (through their subsidiaries) each holding a 50% share in the partnership:



In addition to the Partnership Agreement (referred to above), the Partnership is supported by a Transitional and Support Services Agreement (TSSA) and a Trading and Commodity Services Agreement (TCSA). Further, the existing retail businesses of EA and IPR in Victoria and South Australia are (subject to certain conditions being met) to be transferred to the Partnership pursuant to two Sale of Business Agreements dated 18 April 2005 between EA and IPR and the Partnership respectively.

The Sale of Business Agreements provide for the transfer of certain employees from EA and IPR to the Partnership, bringing continuity and knowledge of the businesses. The Partnership Agreement provides for a Management Committee, consisting of senior representatives from the Partners, to manage the business, capital injections from the Partners and further support by way of secondment of employees to the Partnership where required.

The TSSA provides for transitional assistance where EA provides various services applicable to running a retail business for the period during which the Partnership is developing its expertise as a retailer.

Finally, the TCSA is an agreement between IPE and the Partnership. This is an arm's length arrangement whereby IPE supplies services in relation to

procurement of electricity and gas, environmental products and other commodities and support services relating to these commodities.

The Partnership has its head office at Suite 2, Level 12, Como Office Tower, 644 Chapel Street, South Yarra, Victoria, 3141.

More information about the Partnership, including the Partnership's proposed organisational structure, is contained in the Extract of Business Plan (edited to remove sensitive commercial information) attached in annexure 2 to this application. The Extract of Business Plan is provided on a commercial in confidence basis and is not for public disclosure. Note that references to "Energy Star" in the Extract of Business Plan are references to the Partnership.

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## 2 The Commission's objectives

The Partnership believes that the granting of a licence as requested would be consistent with the Commission's objectives as set out in the EI Act and the ESC Act, as set out below.

### 2.1 Section 10 of the *Electricity Industry Act 2000 (Vic)*

- (a) *To promote the development of full retail competition*

Both EA and IPR currently have retail electricity businesses in Victoria. However, the size of their individual businesses in Victoria has limited their competitiveness against the larger players, particularly TXU, AGL and Origin.

The Partnership will acquire the Victorian retail electricity business of EA and IPR. Consequently, the granting of a retail licence to the Partnership will result in a larger electricity retail business in Victoria. It is anticipated that this larger electricity retail business will be a more effective competitor against the larger players, offering a 'fourth force' in the Victorian electricity retail market. This will further promote the development of full retail competition in Victoria.

### 2.2 Section 8 of the *Essential Services Commission Act 2001 (Vic)*

- (a) *To protect the long term interests of Victorian consumers with regard to the price, quality and reliability of essential services*

EA and IPR have been significant players in the Australian electricity market since 1996 and this is expected to continue into the future.

To ensure that the long term interests of Victorian consumers are protected, EA has recently conducted a comprehensive review of its sales, marketing, and complaints handling processes. As a result of this review, substantial improvements have been made within EA, including the introduction of additional compliance programs and product training for all EnergyAustralia staff and representatives. More detail about this review and the improvements made is contained in annexure 3. The

information contained in this annexure is provided on a commercial in confidence basis and is not for public disclosure.

The increased competitiveness of EA and IPR against the larger players in the Victorian electricity retail market, combined with the synergies and cost savings associated with combining the retail electricity businesses of EA and IPR, will further enhance the price, quality and reliability of retail electricity services offered by EA and IPR in Victoria.

- (b) *To facilitate efficiency in regulated industries and the incentive for efficient long term investment*

It is expected that combining the retail electricity businesses of EA and IPR will result in significant synergies and cost savings for both Partners, thereby increasing the efficiency of their existing retail electricity businesses.

The enhanced competitive environment in Victoria that will result from granting the Partnership a retail licence will also drive increased efficiencies from existing larger market players, particularly TXU, AGL and Origin.

Both EA and IPR are growth businesses, which are continually seeking investment opportunities in the energy sector. Specific provision has been made in the Partnership Agreement for the funding of new opportunities pursued by the Partnership. The development of a more effective retail business for both Partners will develop a customer base capable of underpinning future investment in the energy sector in Victoria.

- (c) *To facilitate the financial viability of regulated industries*

EA and IPR consider that the Partnership will not only increase contestability and efficiency in the Victorian electricity retail market, but that it will also provide a more sustainable competitor against the larger players in Victoria, to the ultimate benefit of the Partners and end users.

- (d) *To ensure that the misuse of monopoly or non-transitory market power is prevented*

The addition of a more effective competitor against the larger retailers should serve to further reduce the prospect of any monopoly or non-transitory market power occurring in the Victorian retail electricity market.

- (e) *To facilitate effective competition and promote competitive market conduct*

The addition of a more effective competitor against the larger retailers will also facilitate effective competition and promote competitive market conduct.

- (f) *To ensure that regulatory decision making has regard to the relevant health, safety, environmental and social legislation applying to the regulated industry*

EA and IPR are committed to conducting business in a responsible manner, placing a strong emphasis on environmental matters and health and safety, and on valuing our shareholders, customers, employees, neighbours and suppliers.

The strong commitment of EA and IPR to risk management and corporate governance will be mirrored by the Partnership. Both companies will ensure that the Partnership complies with all relevant health, safety, environmental and social legislation.

- (g) *To ensure that users and consumers (including low-income or vulnerable customers) benefit from the gains from competition and efficiency*

The enhanced competitive environment in Victoria resulting from the granting of a retail licence to the Partnership will provide benefits to all consumers, including low income and vulnerable customers.

- (h) *To promote consistency in regulation between States and on a national basis*

We believe that the granting of a licence to the Partnership is neutral with respect to this objective of the Commission.

### 3 Technical capacity

#### 3.1 General

- (a) *Experience and knowledge*

The Partnership will have access to the significant technical capacity of EA and IPR. See section 1.3 for information regarding the extent of this assistance.

Information regarding the technical capacity of EA and IPR is discussed above in section 1.2.

- (b) *Skills and experience of directors and senior management*

The Partnership is managed by a CEO that reports to a Management Committee of two representatives from each of EA and IPR:

George Maltabarow (Chair), EA;

Tim O'Grady, EA;

Tony Concannon, IP; and

Domenic Capomolla, IP.

#### **George Maltabarow (Chair), EA**

George is currently A/Managing Director of EA and a Director of EA Partner. Prior to assuming the role of A/Managing Director he was

General Manager-Network at EA, responsible for the distribution and sub-transmission system, including asset investment, strategic planning, system control, and the procurement of construction, maintenance and customer related services. He has also held the position of General Manager-Finance & Corporate Secretary at EA, encompassing being Chief Financial Officer together with responsibilities for the corporate secretariat, regulatory affairs, energy trading-middle office, and corporate shared services. George has extensive senior management experience of the retail market through his role as a member of EA's executive management team and latterly as A/Managing Director at EA.

George has degrees in electrical engineering and economics.

### **Tim O'Grady, EA**

Tim O'Grady is the General Manager of EA's Retail & Marketing division. Prior to his current position, Tim was General Manager of EA's wholesale energy division for a period of 5 1/2 years. Tim has over 22 years experience in the energy industry, predominantly in the areas of energy retailing, energy trading and corporate strategy.

Tim was heavily involved in the establishment of the NEM and EA's entry into electricity and gas retail markets across the deregulated states. Tim holds degrees in engineering, mathematics and business. Tim is on the Board of the Energy Retailers Association of Australia, the Board of the Australian Financial Markets Association and the National Electricity Market Management Company Board Advisory Committee. He was a founding Director of the NSW Energy and Water Ombudsman Scheme.

### **Tony Concannon, IP**

Tony Concannon is a Chartered Engineer with a Bachelor of Science (Hons) degree and is a member of both the Institute of Mechanical and Institute of Electrical Engineers. He joined the industry in 1982 and has worked for National Power plc and International Power (since the NP demerger in 2000) in a number of its business areas including operations, asset management, trading, and international business development (based in Asia). Tony headed up the IPR UK business from 2000 until 2003 (1,500MW coal and gas-fired CCGT plant). He is the Regional Managing Director of the IPR Australian business and was appointed onto the Board of IPR plc on 1 January 2004.

Tony has extensive experience in the longest-active electricity market in the world, including experience of the emergence of retail contestability and corresponding trends to vertical integration. This equips him with the level of understanding of the dynamics of regulated markets necessary to manage IPR-A's Australian business, including an emerging retail arm.

### **Domenic Capomolla, IP**

Domenic has been actively involved in the deregulated and contestable power and gas markets in Australia and Singapore since 1997. Initially

joining United Energy Marketing (UEMPL) as a Corporate Account Manager, Domenic progressed to lead the contestable Sales and Customer Service Team, Power and Gas. Domenic was also actively involved in the purchase and subsequent merger of the Ikon/Multinet gas business, specifically concentrating on the emerging contestable gas markets.

Joining SembCorp Power in 2001, Domenic was responsible for establishing a start up retail electricity company in the deregulating Singapore Electricity market. This involved understanding and negotiating all regulatory agreements, application for a retail license, customer billing and data management and full P & L responsibility.

Domenic holds a Bachelor of Education (Mathematics & P.E.) and a graduate Diploma in Applied Finance & Investment.

### **Amanda Jones**

Amanda joined EA in 1998 and is currently General Manager of EA's Victorian and South Australian retail and marketing business. Prior to undertaking this role, Amanda's responsibilities within EA included Business Strategy and Planning, Human Resources, IT&T, Media, Communications and Marketing as well as Incident Management and Compliance.

One of Amanda's major achievements at EA is the management of a significant business change project to prepare EA for the fully contestable energy market, including the replacement of the customer care system at EA's call centre, and billing through to the general ledger. Amanda attended Sydney University where she attained a Bachelor of Social Science. She has also completed the Senior Executive Program at Stanford University Business School and is a Graduate of the Australian Institute of Company Directors.

(c) *Capacity to comply with licence conditions, codes and guidelines*

See section 3.3 for further information on the capacity of the Partnership to comply with licence conditions and regulatory requirements.

(d) *Technical support from related parties*

As noted above, the core capability to operate the business will be transferred to the Partnership from EA and IPR's existing retail businesses. Under the TSSA, EA will provide additional technical support to the Partnership.

IPR will also provide commodity services to the Partnership on an ongoing basis under the TCSA.

EA and IPR have also agreed to second employees to the Partnership under the Partnership Agreement, if required by the Management Committee.



As noted above, information regarding the technical capacity of EA and IPR is discussed in section 1.2.

The Partnership will also be provided with services by two key third party suppliers (Stellar Call Centres Pty Ltd and Hansen Corporation Pty Limited) who will provide contact centre services and software and billing services respectively. These arrangements and a description of the services are discussed in section 3.2.

(e) *Compliance with the National Electricity Code*

The Partnership intends to register as a Market Customer with NEMMCO and as such will be required to comply with the National Electricity Code (NEC). Both the Partners are currently Market Customers and therefore understand and have demonstrated the capacity to comply with the relevant provisions of the NEC. This knowledge and experience will be available to the Partnership through the arrangements discussed above and in particular the support provisions of the Partnership Agreement.

### 3.2 Capacity to operate a retail business

Both collectively and individually, the Partners (through EA and IPR) have considerable experience in operating all aspects of an energy retailing business.

EA has been operating in the Victorian retail market for some years and brings to the Partnership all of the necessary capabilities to operate as a retailer in Victoria.

Currently, EA is supported in its Victorian retail activities by the following contracts:

- Agreement with Stellar Call Centres Pty Ltd (**Stellar**) – under this Agreement Stellar provides the entire suite of contact centre services (including call centre services) for mass market customers; and
- Agreement with Hansen Corporation Pty Limited (**Hansen**) – under this Agreement Hansen provides software and billing services in respect of EA's mass market customers.

Billing and customer services for EA's large commercial and industrial customers are currently provided by EA's NSW based contact centre and in-house IT systems

IPR is supported in its current retail activities by an agreement with Kinetiq Ltd (**Kinetiq**). Kinetiq provides customer billing services for customers consuming >160MWh pa.

These Agreements and the services provided under them will be transferred to the Partnership.

In addition, the Partnership will be supported by services provided by EA. Under the TSSA, EA will provide the services necessary to run an energy retail business. These transitional arrangements will continue until the Partnership has established

its own internal systems or contracted with other third parties to provide services to replace those provided by EA under the TSSA.

IPE will support the Partnership on an ongoing basis from the wholesale perspective under the TCSA. As discussed in section 1.3, the TCSA is an arm's length agreement providing for the Partnership to utilise the expertise of IPE in, among other things, managing electricity supply.

(a) *Managing supplier contracts*

(1) *Capacity to enter into electricity supply contracts and manage risk*

EA and IP have been active participants in the NEM since its inception. They both have the capacity to enter into and administer contracts to manage electricity market risks. Through the Management Committee, made up of senior EA and IPR executives, the Partnership will be able to benefit from this experience.

The Partnership will also be able to effectively manage its risk in relation to the supply of electricity with assistance from IPE under the TCSA.

(2) *Capacity to enter into Use of System Agreements*

Both EA and IPR are currently parties to the distribution network Use of System Agreements and, accordingly understand the obligations contained under those agreements.

As EA and IPR are currently active in the Victorian electricity retail market, they have direct experience in the implementation and administration of these Use of System Agreements and, to date, neither EA nor IPR has been in breach of those agreements. As stated previously, the Partnership will also benefit from this due to the ongoing support from the Partners.

The Partnership will agree credit support requirements under the Use of System Agreements with the relevant distribution network service providers.

(3) *Capacity to account for and settle energy purchases and network service charges*

EA and IP/IPR currently settle energy purchases for their existing operations. The Partnership will have access to this capability through the support from the Partners. EA and IP both have direct experience in managing network billing and charging services as part of its retail operations. EA will provide these services to the Partnership under the TSSA until the Partnership develops its own internal systems and becomes responsible for this function.

(4) *Capacity to enter into contracts with meter service providers and meter data agents*

IPR currently has in place contracts with meter service providers and meter data agents and Hansen has similar contract in place to perform these functions on behalf of EA. IPR and EA are therefore familiar with the rights and obligations contained in those agreements together with the regulatory requirements that cover this area.

Again, EA will assist the Partnership in relation to managing these contracts through the TSSA.

(5) *Capacity to manage risk*

Due to their extensive experience in the areas of generation and retailing in the electricity industry, both EA and IPR have the capacity to manage the risks for their operations. As stated above, the TCSA will assist the Partnership to manage its risk in relation to electricity supply.

Drawing from the experience of its Management Committee, the Partnership will further develop policies in relation to risk management in the retail electricity market, in consultation with IPE.

(b) *Managing customer contracts*

EA has considerable experience in marketing energy products to customers in Victoria and other Australian jurisdictions. Its energy sales practices as well as its sales collateral and related material comply with the requirements of the Code of Conduct for Marketing Retail Energy in Victoria and the Energy Retail Code as well as other relevant laws and requirements. EA's considerable expertise in this area will be of significant benefit to the Partnership.

EA will provide these services to the Partnership under the TSSA.

Over the transitional period of the TSSA, the Partnership will further develop its own capability to manage customer contracts.

(c) *Customer account establishment and management*

As noted above, the Partnership will use the services of third parties, Stellar and Hansen, to establish and manage customer accounts for the Partnership's mass market customer base in Victoria (in the same way as Stellar and Hansen did for EA). EA will establish and manage EA's existing customer accounts for the Partnership's large commercial and industrial Victorian customers (as it has done for some years) until the contracts with such customers expire. During this time the Partnership, under the direction of the Management Committee, will develop its own customer account management expertise.

Both Hansen and Stellar for relevant customers and EA for other customers have the relevant systems in place to undertake the following (and more):

- (1) perform credit checks where necessary;
- (2) establish and close customer accounts;
- (3) advise distributors of account establishment and closure;
- (4) record customer history; and
- (5) arrange meter reads and bill, including final bill, customers.

Both Hansen and Stellar on the one hand (for EA) and EA on the other hand have been carrying out these functions successfully for some time.

EA will transfer existing contracts with other key suppliers to the Partnership including contracts for bill printing services and debtor management.

The Partnership will also service commercial and industrial customers using the service agreement with Kinetiq. IP will transfer its existing service provision contract with Kinetiq for customers consuming >160MWh pa to the Partnership. The Partnership will use a combination of this service and EA's existing services for customers consuming >160MWh pa.

(d) *Customer service provision*

Stellar will provide to the Partnership the entire range of customer contact services for mass market customers.

EA will provide these services for the remaining customers under the TSSA. Services that Stellar will provide include:

- (1) call centre to handle telephone calls from customers on the entire range of customer issues such as change of account details, complaints and the like;
- (2) outward telephone calls for overdue bill payment requests;
- (3) the ability to handle customer correspondence;
- (4) the ability to collect information for performance measurement purposes; and
- (5) the ability to handle complaints and resolve disputes.

Stellar has been providing these services for and on behalf of EA for over 18 months.

The Partnership will participate in the Energy & Water Ombudsman Scheme prior to commencing sales. EA and IPR are already members of the Energy & Water Ombudsman Scheme in Victoria and appreciate the obligations associated with membership.

(e) *Billing and collection*

Stellar and Hansen will provide to the Partnership billing and collection services for all mass market customers. These services include:

- (1) Generation of bills from meter readings or estimations
- (2) the printing and sending of bills to customers;
- (3) receipt of payments received and management of late payments;
- (4) reconnection of supply where applicable;
- (5) the management of payment difficulties; and
- (6) the recovery of unpaid debts.

These services have been provided for and on behalf of EA for some time.

In the interim, EA and Kinetiq will provide these same services to the Partnership for all large commercial and industrial customers until such time that the Partnership develops its own expertise. EA has carried out these functions on its own behalf for many years and Kinetiq has successfully performed this function for IPR since its entry into the Victorian retail market.

(f) *Appropriate management systems*

Both IPR and EA currently have the necessary management systems and infrastructure to support their existing operations. EA's current operational reporting capability will be transferred to the Partnership. Financial management systems will be provided to the Partnership under service agreements; the Partnership plans to develop its own systems.

### **3.3 Capacity to comply with regulatory requirements**

Management of the Partnership is familiar with and has a thorough understanding of the regulatory framework applying to the Victorian electricity industry. IPR has operated in the electricity industry in Victoria since June 2004 and EA since July 2002 under their own Retail licences. During that time both have had considerable experience in working within the regulatory framework as it has evolved.

The key EA and IP/IPR personnel that manage and operate the current Victorian businesses will be transferred or seconded to the Partnership. The Partnership will be able to achieve compliance with all necessary regulatory requirements.

Whether via its service providers or on its own behalf, currently each of EA and IPR:

- (1) provides all necessary information to distributors in accordance with the Distribution Code;
- (2) where necessary engages meter data agents and other metering services providers;
- (3) provides to customers all necessary information as required under the Energy Retail Code – whether in sales collateral or through other customer communications;
- (4) complies with confidentiality requirements;
- (5) operates a customer management system that interfaces with distributors and other market participants and retains all information that must be retained as a matter of law (for example no contact/marketing information); and
- (6) maintains compliance and reporting systems necessary to comply with the reporting and audit requirements in licences and other instruments.

The Partnership will continue to do this on its own behalf and with the assistance of its service providers.

The Partnership will comply with all obligations, legislation and codes in relation to electricity retail activities, including the following:

- Trade Practices Act 1974 (Cth);
- Privacy Act 1988 (Cth);
- EI Act and associated regulations;
- Fair Trading Act 1999 (Vic);
- ESC Act;
- Financial Services Reform Act;
- NEC;
- Electricity Distribution Code;
- Energy Retail Code;
- Electricity Customer Metering Code;
- Electricity Customer Transfer Code;
- Code of Conduct for Marketing Retail Energy in Victoria;

- Any additional codes or guidelines arising from the Retail Licence.

As noted above, the Partnership recognises that membership of an ombudsman scheme (Energy & Water Ombudsman of Victoria) is a requirement of the Retail Licence and accordingly the Partnership intends to apply for membership following the granting of the licence.

The Partnership understands that it may be directed by the Commission to enter into a community service obligation agreement with the Department of Human Services in accordance with section 47 of the EI Act.

## 4 Financial viability

As a partnership between wholly owned subsidiaries of EA and IPR, the Partnership will have the financial support of two established, substantial and successful energy companies. EA and IPR intend to develop the Partnership into a significant retail business in Victoria.

Details of the initial capital contributions of EA and IPR to the Partnership can be found in clause 4.3 of the Partnership Agreement attached as annexure 1. The Partnership Agreement allows for additional capital contributions to the Partnership by EA and IPR where appropriate.

EA sells electricity to customers in New South Wales, the Australian Capital Territory, South Australia, Victoria and Queensland, supplying over 1.5 million homes and businesses. A copy of EA's Annual Report dated 30 June 2004 is attached as annexure 4.

IPP's shares are traded on the London Stock Exchange and its American Depository Receipts are traded on the New York Stock Exchange. The current market capitalisation of IPP on the London Stock Exchange is approximately AUD\$4.0 billion. A copy of IPP's financial report for 2003 is attached as annexure 5.

EA and IPR currently hold retail electricity licences in Victoria. Both are registered with the National Electricity Market Management Company (NEMMCO) to participate in the NEM as a Market Customer. As such, both have met the prudential requirements of NEMMCO.

As discussed above in section 3.1(e), EA and IPR will be seeking registration with NEMMCO for the Partnership to participate in the NEM as a Market Customer. The Partnership accepts that the Commission will wish to impose a condition of the licence that it complies with the NEC and the prudential requirements for registration as a participant in the NEM.

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## 5 Incorporation details

As noted above, the Partnership is between EA Partner and IPR Partner. A copy of the certificate of incorporation of each of EA Partner and IPR Partner is attached as annexure 6. A diagram setting out the ownership structures of EA Partner and IPR Partner is set out in annexure 7. The information contained in annexure 7 is provided on a commercial in confidence basis and is not for public disclosure.

## **6 Cross-ownership**

The Partnership will comply with the cross ownership provisions in Part 3 of the EI Act.

## **7 Licence conditions**

The Partnership does not seek any non-standard licence conditions.

## **8 Confidentiality**

The Partnership agrees to the contents of this licence application being made publicly available, with the exception of the following annexures, which it requests be kept confidential:

Annexure 1: Partnership Agreement dated 18 April 2005 between EA, IPR, EA Partner and IPR Partner;

Annexure 2: Project Energy Start - Extract of Business Plan.

Annexure 3: EA sales, marketing and complaints handling review – CAV Enforceable Undertaking; CAV outline of undertakings dated 11 March 2005.

Annexure 7: Diagram of ownership structures of EA Partner and IPR Partner.



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## **Annexure 1 – Partnership Agreement**

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## **Annexure 2 – Extract from Business Plan**

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**Annexure 3 - EA sales, marketing and complaints handling review –  
CAV Enforceable Undertaking; CAV outline of undertakings dated 11  
March 2005.**

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## **Annexure 4 – EnergyAustralia Annual Report 2004**

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## **Annexure 5 – International Power PLC Financial Report 2003**

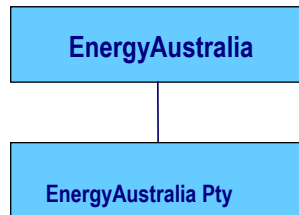
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**Annexure 6 – Certificates of incorporation of EA Partner and IPR Partner**



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## Annexure 7 – Diagram of ownership structure of EA Partner and IPR Partner





### International Power PLC's Australian Interests (Jan 2004)

