

Application for a licence to sell gas under the *Gas Industry Act 2001* (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 gas to all classes of customers in Victoria under the *Gas Industry Act 2001* (Vic) (the **GI Act**).

This application has been made in accordance with the Interim Guidance Notes for Licence Applications dated April 2004, published by the Essential Services Commission (the **Commission**). Additional information has also been provided by reference to the Assessment of Technical Capacity (Retail Licence Applications) dated November 2002, published by the Commission in respect of electricity.

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 gas retail business in Victoria, and the granting of a licence will be consistent with the Commission's objectives as cited in the GI 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 VENCORP 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.

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 energy to around 1.6 million customers throughout Australia, with over 170 thousand of these being gas customers.

The nature and scope of the main business activities undertaken by EA are the purchase and supply of gas and electricity; 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 gas licence in Victoria, South Australia, New South Wales, and the Australian Capital Territory.

(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 holds a 33 per cent interest in the 687 kilometre SEAGas pipeline that runs from Iona in Victoria to Adelaide in South Australia. Capable of delivering 125 petajoules of gas, the pipeline from Port Campbell to Adelaide delivers South Australia – which was previously reliant on just one pipeline from the Cooper Basin in central Australia – the security of an alternative supply of gas.

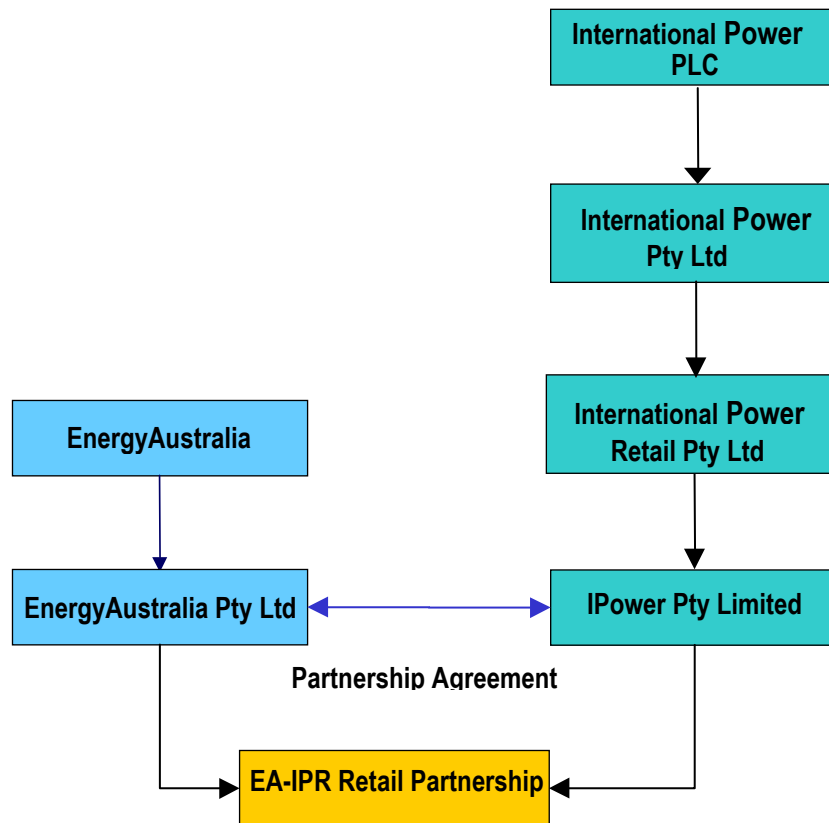
SEAGas will provide cost savings and additional security of gas supply for International Power's 485MW Pelican Point Power Station. It will also be the shipper of gas supplied under contract to other market participants including EnergyAustralia, Origin Energy and AGL.

IPR has the resources and skills to play an active role in the management of wholesale gas supply to the Partnership. The nature and scope of the gas activities currently performed by IPR range from securing wholesale supply, arranging delivery point access, forecasting off take needs and managing relationships with retail customers.

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 gas 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.

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 GI Act and the ESC Act, as set out below.

2.1 Section 18 of the *Gas Industry Act 2001* (Vic)

- (a) *To promote a consistent regulatory approach between the gas industry and the electricity industry*

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

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

EA currently has a retail gas business in Victoria. EA's gas retail expertise combined with IPR's generation expertise will enable the Partnership to compete effectively for new business in Victoria, particularly against larger players such as TXU, AGL and Origin. 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*

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 gas retail market, combined with the synergies and cost savings associated with combining the businesses of EA and IPR, will further enhance the price, quality and reliability of retail gas 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 businesses of EA and IPR will result in significant synergies and cost savings for both Partners, thereby increasing the efficiency of their existing 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 gas 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 gas 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, health and safety, and on valuing their 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 of the gas industry*

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) *Relevant skills and experience of directors and senior management*

The Partnership is managed by a CEO (Amanda Jones) 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 licence, 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) *Risk and financial management strategies and controls, corporate governance, corporate structure, billing systems and supporting administrative functions*

Information regarding risk and financial management strategies and controls, corporate governance, billing systems and supporting administrative functions in relation to the Partnership is set out in sections 3.2 and 3.3.

A diagram setting out the ownership structures of EA Partner and IPR Partner is attached as annexure 7.

(d) *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.

(e) *Technical support from separate (related and unrelated) entities*

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.

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 gas retail market for some years and brings to the Partnership all of the necessary capabilities to operate as a gas 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 billing services for IPR's large commercial and industrial customers.

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 this area.

(a) *Managing supplier contracts*

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

EA and IPR both have the capacity to enter into and administer contracts to manage market risks.

EA is registered as a Market Participant with the Victorian Energy Networks Corporation ("VENCorp"), is connected to the VENCORP IT Systems, has met VENCORP's prudential requirements and has signed the Gas Transportation Deed. EA has actively participated and managed market risk in the Victorian wholesale gas spot market since its inception, and is therefore experienced in the spot market competitive bidding process and the concept of balancing supply and demand for our retail load in Victoria. EA has entered into various contracts with counterparties ranging from physical gas injection contracts to financial derivatives of which the counterparty injects gas on behalf of EA. EA also has appropriate agreements in place for use of the distribution system, and accordingly understands the obligations contained under these. To date, EA has not been in breach of these agreements.

IPR has entered into a long-term wholesale gas supply agreement with BHP at their Minerva field located in the south west Victoria region. Predominantly used to supply gas through the SEAGas pipeline to their Pelican Point CCGT Power Plant in Adelaide, IPR also sells gas to retail gas companies such as EnergyAustralia. Capabilities and experience gained in managing this large supply contract and the inherent associated risks underpins IPR's capacity to enter into gas supply contracts and manage risk.

The Partnership will have access to the capability of EA and IPR.

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

EA is currently a party to the distribution network Use of System Agreements and accordingly has direct experience in the implementation and administration of those agreements and understands the obligations under them. To date, EA has not been in breach of those agreements. This will be of benefit to the Partnership.

IPR is currently a party to the electricity distribution network Use of System Agreements and accordingly has direct experience in the implementation and administration of those agreements and understands the obligations under them. IPR believes that this experience is transferable to gas will be available to the Partnership.

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 IPR's extensive experience in electricity generation and EA's extensive experience in gas retailing, 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 gas supply.

Drawing from the experience of its Management Committee, the Partnership will further develop policies in relation to risk management in the retail gas 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 mass market 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 large commercial and industrial customers to the Partnership. The Partnership will use a combination of this service and EA's existing services for large commercial and industrial customers.

(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 is already a member of the Energy & Water Ombudsman Scheme in Victoria and appreciates 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 electricity 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 gas industry.

In addition to VENCORP registration and Distribution Use of System Agreements, EA has held a Victorian gas retail licence since 24 November 1999 and an approved Gas Safety Case since September 2002. The Partnership intends to obtain its own approved Gas Safety Case prior to retailing gas in Victoria.

Whether via its service providers or on its own behalf, currently EA:

- (1) provides all necessary information to distributors;
- (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 eg 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 gas retail activities, including the following:

- Trade Practices Act 1974 (Cth);
- Privacy Act 1988 (Cth);

- GI Act and associated regulations;
- Fair Trading Act 1999 (Vic);
- ESC Act;
- Financial Services Reform Act;
- Retail Gas Market Rules
- Gas Distribution System Code;
- Energy Retail 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 49 of the GI Act.

4 Financial stability

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 gas to customers in New South Wales, the Australian Capital Territory, South Australia, Victoria and Queensland, supplying over 170 thousand 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.

5 Incorporation

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 Licence conditions

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

7 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: 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.

Annexure 1 – Partnership Agreement

Annexure 2 – Extract of Business Plan

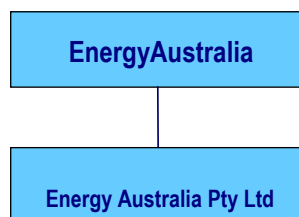
Annexure 3 – EA Sales, Marketing and Complaints Handling Review – CAV Enforceable Undertaking; CAV Outline of Undertaking

Annexure 4 – EnergyAustralia Annual Report 2004

Annexure 5 – International Power PLC Financial Report 2003

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

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



International Power PLC's Australian Interests (Jan 2004)

