



GLOBIRD ENERGY PTY LTD
VICTORIA LICENCE TO SELL GAS APPLICATION

1. Introduction

GloBird Energy Pty Ltd (**GloBird Energy**) is an independent, privately-owned Australian proprietary company already successfully carrying on an electricity retail business in Victoria. It now plans to launch a Victorian gas retail business so that it can offer its Victorian customers both forms of energy, before expanding its retail businesses nationwide.

2. Details of the applicant and application

2.1 Applicant details

Name:	GloBird Energy Pty Ltd
ABN:	68 600 285 827
Registered Address:	2A Monomeeth Drive Mitcham VIC 3132
Principal place of business:	2A Monomeeth Drive Mitcham VIC 3132
Contact Person:	
Name:	John McCluskey
Title:	Sales Director GloBird Energy Pty Ltd
Telephone:	0414 289 255
Email:	John.McCluskey@GloBirdEnergy.com.au
Company details:	
Registration:	Victoria, 23 June 2014
Certificate of registration:	Attachment 1
Constitution	Attachment 2
Corporate structure:	Confidential Attachment 3

2.2 Application details

Date:	23 December 2016
Licence sought:	A licence to sell gas in Victoria
Licence conditions:	GloBird Energy does not require any non-standard licence conditions
Timing:	GloBird Energy wants to commence selling gas in February 2017

3. The Commission's Objectives

3.1 General

Granting GloBird Energy a licence to sell gas would be consistent with the objectives of the Essential Services Commission (**Commission**) set out in section 18 of the *Gas Industry Act 2000* (Vic) (**Gas Industry Act**) and section 8 of the *Essential Services Commission Act 2001* (Vic), because to do so would:

- (a) promote competition in Victoria's gas retail sector;
- (b) be consistent with past regulatory practice in relation to the issue of Victorian licences to sell gas;
- (c) help maintain an efficient Victorian gas retail market;
- (d) promote the interests of Victorian gas consumers, having regard to the price, quality and reliability of gas supply; and
- (e) enhance the financial viability of the Victorian gas supply industry.

3.2 Promoting gas retail competition in Victoria

GloBird Energy is an independent, privately-owned energy retail business, established to compete with existing players in the energy retail market. Granting GloBird Energy a licence to sell gas will firstly ensure additional competition and more choice for gas consumers.

In addition, with retail licences in both electricity and gas, GloBird Energy will be able to meet the needs of existing and prospective customers who prefer to buy both electricity and gas from the one retailer.

Some larger retailers currently refuse to sell gas only to customers, and many of them react to a customer transferring their electricity account with a retention strategy based on withdrawing the discounts on the customer's gas account or otherwise increasing the customer's gas price. GloBird Energy will be able to offer a competitive electricity and gas alternative to such customers, combined with excellent customer service.

3.3 Promoting the long term interests of Victorian gas consumers

GloBird Energy's directors and management team have experience in providing value-for-money products and services in electricity retail and other utility sectors and a track record of high quality customer service – see their CVs in **Confidential Attachment 4**. By using more back end automation, and running an efficient business model, GloBird Energy will be able to offer customers genuine savings, across a choice of flexible, competitive electricity and gas products. Granting GloBird Energy a licence to sell gas will therefore give Victorian energy customers more scope to shop around for a better deal and thereby contribute to achievement of the Commission's objective of promoting electricity and gas retail competition, in the best interests of consumers.

3.4 Ensuring benefits for low income and vulnerable consumers

GloBird Energy understands that gas is an essential service and that its customers may come from a broad spectrum of backgrounds. GloBird Energy's philosophy is to provide competitive prices and value for money, and to be flexible and fair in its dealings with customers.

Gas pricing will incorporate a discount model, e.g., discounts may be made available for customers who refer new customers to GloBird Energy, pay on time, pay via direct debit or accept electronic rather than paper bills. This model will enable customers to optimise the price they pay for gas.

4. Financial Viability

4.1 Statement of financial viability

GloBird Energy assures the Commission that, with the financial resources and other arrangements described in this section 4:

- (a) GloBird Energy will continue to be a financially viable Victorian energy retail business with sufficient financial resources dedicated to ensure that GloBird Energy will comply with the obligations it already has as the holder of a licence to sell electricity and will have as the holder of a licence to sell gas; and
- (b) GloBird Energy will be solvent.

4.2 Current financial position

GloBird Energy's financial statement for the financial years ended 30 June 2015 and 30 June 2016 are included in **Confidential Attachment 5** and its management accounts for the 5 month period ended 30 November 2016 are included in **Confidential Attachment 6**.

At this time GloBird Energy is not aware of any likely changes in its structure, operation or financing that could materially affect its financial viability – see also **Confidential Attachment 7**.

4.3 Business Plan

GloBird Energy's Business Plan, included in **Confidential Attachment 8**, includes information about GloBird Energy's sales and marketing strategy, revenue, costs, growth forecasts and estimated funding requirements. A financial model and detailed cash flow forecast for GloBird Energy's combined electricity and gas retail business has been developed based on the Business Plan and is included in **Confidential Attachment 9**.

4.4 Credit support obligations

Using the forecasts and projections outlined in the Business Plan and financial model, GloBird Energy has calculated the ongoing financial support it will require to meet the credit support obligations GloBird Energy will owe AEMO. GloBird Energy has financial resources sufficient to meet those obligations.

4.5 Wholesale Energy Risk Management Policy

GloBird Energy's management team has extensive experience in wholesale electricity and gas trading and risk management. GloBird Energy has a Wholesale Energy Risk Management Policy, included in **Confidential Attachment 10**. GloBird Energy will utilise the frameworks under these documents to manage risks in wholesale gas procurement.

4.6 Credit rating

GloBird Energy has obtained a Dun and Bradstreet Report including a low Dynamic Risk Score, a very low Dynamic Delinquency Score and a D&B Rating indicating that as 21 November 2016 GloBird Energy has good credit worthiness – see **Confidential Attachment 11**.

5. Technical Capacity

5.1 Directors

GloBird Energy's directors CVs are included in **Confidential Attachment 4**. The GloBird Energy board is ultimately accountable for the management and success of GloBird Energy as an Australian energy retailer.

5.2 Management team

GloBird Energy will dedicate to its new gas retailing business the same senior managers and other staff that currently work in its electricity retailing business – see their CVs in **Confidential Attachment 4**.

This will bring into the new gas retailing business the expertise and experience necessary to sell gas to customers. In particular, the members of GloBird Energy's management team combine:

- (a) relevant experience in electricity retailing;
- (b) complementary experience in other utility retail industries and wholesale trading and risk management;
- (c) strong backgrounds in businesses focused on customer service; and
- (d) information technology expertise, include building and running large scale e-commerce website and systems.

GloBird Energy has engaged a consulting firm specialising in advisory work covering energy wholesale markets, energy retail operations including compliance and wholesale trading and risk management. The qualifications and experience provided by this firm are included in **Confidential Attachment 12**.

Team members also have experience working within strict compliance frameworks in the electricity, telecommunications, finance, accounting and broking industries, giving them the skills and experience required to operate a gas retail business in compliance with the applicable laws, regulations, codes and guidelines.

5.3 Organisational structure

An organisational structure diagram showing GloBird Energy's board, management and other key personnel is included in **Confidential Attachment 13**.

5.4 Approvals and authorisations

5.4.1 AEMO Registration

GloBird Energy understands it must apply to AEMO to become registered under sections 91BJ and 91LB of the National Gas (Victoria) Law, the former covering participation in the declared wholesale gas market (**DWGM**) and the latter participation in the Victorian retail gas market. These applications will be made after, and cannot be approved until, the granting of a licence to sell gas.

5.4.2 ASX Austraclear participation

GloBird Energy is already a participant in Austraclear, for the purpose of settling electricity transactions in the National Electricity Market, and so is already prepared for settlements with AEMO in the DWGM.

5.4.3 Australian financial services licence

GloBird Energy is currently managing its wholesale electricity market exposure through ASX futures contracts and as such does not currently need to hold an Australian financial services licence (**AFSL**). However, to increase the risk management options available to it, GloBird Energy has commenced preparing an application to the Australian Securities and Investments Commission for an AFSL.

No AFSL will be required in connection with GloBird Energy's gas retailing business.

5.4.4 Energy and Water Ombudsman Victoria (**EWOV**)

As a licensed electricity retailer, GloBird Energy is already a member of EWOV's customer dispute resolution scheme.

5.4.5 Energy Safe Victoria

GloBird Energy has met with Energy Safe Victoria regarding the gas safety case which, under the Gas Safety Act 1997 (Vic), GloBird Energy will have to have in place so that it can report incidents occurring in gas installations to which GloBird Energy sells gas.

GloBird Energy plans to finalise its gas safety case in early 2017 for acceptance by Energy Safe Victoria and will not commence selling gas until that acceptance is in place.

5.5 Suppliers

5.5.1 Gas purchasing and storage

As further detailed in GloBird Energy's Wholesale Energy Risk Management Policy and Wholesale Energy Trading Plan, GloBird Energy initially intends to buy all its gas from AEMO in the DWGM and will enter into storage arrangements with pipeline and storage facility operators. As GloBird Energy's gas business grows, GloBird intends to enter into longer term gas supply arrangements with gas producers.

5.5.2 Distributors and meter service providers

GloBird Energy is in dialogue with each of the Victorian gas distributors who are currently also responsible for engaging metering service providers – see **Confidential Attachment 14**. GloBird Energy will accept the distributors' standard use of system agreements.

5.5.3 Orion CRM for account establishment and management

GloBird Energy has a master services agreement with Agility CIS Ltd (**Agility**) incorporating a licence for GloBird Energy to use the "Orion CRM" program, an off-the-shelf customer relationship management solution, and for the provision to GloBird Energy of related implementation and support services. This has enabled GloBird Energy to implement the retail functions necessary to establish and manage customers' electricity accounts internally, and will allow GloBird Energy to do likewise with gas accounts. Orion CRM is widely used in the electricity and gas retail sector.

A copy of the agreement is included in **Confidential Attachment 15**.

5.5.4 Other external service providers

GloBird Energy has engaged Melbourne law firm Norton Gledhill to advise it in relation to compliance with gas retail regulatory requirements and contractual matters.

5.6 Customers

5.6.1 Contract terms and conditions

For the purposes of section 42 of the Gas Industry Act, GloBird Energy will use the model offer terms and conditions for standard retail contracts set out in Schedule 1 of the Energy Retail Code as the basis for its standing offers.

GloBird Energy's legal advisers have prepared GloBird Energy's market retail contract terms and conditions and related collateral, which are included in **Confidential Attachment 16**, so as to comply with the applicable regulatory requirements. Copies of the terms and conditions will be provided to each new customer and they will be available for free download from the GloBird Energy website.

5.6.2 Account establishment and management

GloBird Energy already uses Orion CRM to implement the retail functions necessary to establish and manage customers' electricity accounts internally and will do likewise with gas.

5.6.3 Customer service and call centre

As already mentioned, GloBird Energy has established and manages an in-house call centre for taking customer phone calls and providing customer service using GloBird Energy's own trained staff. The telephone system has the necessary features and functions for customer service, legal and compliance needs.

5.6.4 Customer information and consent

GloBird Energy understands its obligations under the *Privacy Act 1988* (Cth) (**Privacy Act**) in relation to customers' personal, sensitive and credit and credit eligibility information and under the Energy Retail Code in relation to obtaining customer explicit informed consent where required. GloBird Energy has developed a Privacy and Credit Reporting Policy designed to comply with these laws and regulations a copy of which is included in **Attachment 17**. The Privacy and Credit Reporting Policy is available for free download on GloBird Energy's website and reference to the Privacy and Credit Reporting Policy is made in the market retail contract terms and conditions and other relevant documents.

5.6.5 Billing

As a licensed electricity retailer, GloBird Energy already understands its obligations regarding energy billing under the Energy Retail Code. The standard billing cycle for gas customers will be monthly but bills will be provided at least every three months. Bills will include the information required under clause 25 of the Energy Retail Code.

A copy of a sample gas bill is included in **Confidential Attachment 18**.

5.6.6 Hardship

As a licensed electricity retailer GloBird Energy already has a Hardship Policy, designed to be flexible and so offering a range of hardship programs for hardship customers in accordance with the requirements of applicable law including the Energy Retail Code. GloBird Energy has further developed the Hardship Policy so that it now covers retailing both electricity and gas. A copy of the Hardship Policy as so developed is included in **Confidential Attachment 19**.

5.6.7 Complaints and dispute resolution

As a licensed electricity retailer, GloBird Energy already has a Complaint Handling Procedure for the handling of any customer complaints. GloBird Energy has further developed the Complaint Handling Procedure so that it now covers retailing both electricity and gas. A copy of the Complaint Handling Procedure as so developed is included in **Confidential Attachment 20**.

Customer satisfaction is given a high priority and GloBird Energy does all it can to resolve any issue a customer has in a timely fashion, always with a view to ensuring a positive outcome for the customer. Information relating to customer complaints is recorded in the customer management system so that it can be tracked and reported. GloBird Energy's management team has a track record of providing excellent customer service and will take all necessary steps to maintain ongoing customer satisfaction.

5.6.8 Department of Human Services

As a licensed electricity retailer, GloBird Energy already has an arrangement with the Victorian Department of Health & Human Services under which GloBird Energy structures discount rates for those of its electricity customers who are concession holders and eases the financial burden for low income electricity customers.

GloBird Energy has commenced discussions with the Victorian Department of Health & Human Services regarding a gas concession agreement under which there will be corresponding arrangements for GloBird Energy's gas customers. – see **Confidential Attachment 22**.

5.6.9 EWOV

If there are cases where GloBird Energy cannot agree a satisfactory outcome to a registered complaint with a gas customer, then, as GloBird Energy already does with its electricity customers, GloBird Energy will inform the customer of the customer's right to refer the complaint to the EWOV. GloBird Energy's market retail contract terms and conditions, Complaint Handling Procedure, Hardship Policy and Privacy and Credit Reporting Policy all refer to these rights and set out the EWOV's contact details.

5.7 Internal controls, policies and procedures

5.7.1 Recruitment

GloBird Energy has a non-discriminatory recruitment policy. Staff are hired based on their experience and ability to provide excellent service to energy customers. New staff members must complete a probationary period before being offered full time employment.

5.7.2 Training

All staff that have contact with GloBird Energy's customers undergo a compulsory in-house training program covering the following topics:

- Standing offer terms
- Price and product information statements
- Marketing material
- Telemarketing
- Hardship
- Privacy and credit reporting
- Complaints and dispute resolution
- Reminders, cancellation and disconnection

The training program will be updated on a regular basis to reflect any changes in applicable regulatory requirements or advances in industry best practice.

5.7.3 Compliance

As a licensed electricity retailer, GloBird Energy is already aware of and understands the obligations it has under the Energy Retail Code in relation to retailing electricity.

GloBird Energy has obtained external legal advice in relation to its compliance obligations as a gas retailer and now has a new Retail Compliance Policy and a comprehensive Compliance Obligations Register covering the obligations GloBird Energy needs to comply with under both electricity and gas laws, regulations and codes – see **Confidential Attachment 22** and **Confidential Attachment 23**. The Compliance Obligations Register nominates a member of the compliance team to be responsible for the development of appropriate operational procedures, policies or other measures to ensure GloBird Energy complies with these obligations at all times. One such measure is GloBird Energy's Disconnection Policy and Procedure which, among other things, sets out the steps GloBird Energy must complete before it disconnects a customer – See **Confidential Attachment 24**.

5.7.4 Compliance officer and team

GloBird Energy's management team has a long history of operating customer-focused businesses in the electricity industry and other highly regulated sectors, in which a correspondingly high level of compliance awareness and management is necessary. GloBird Energy's Customer Service Manager acts as Compliance Officer, responsible for ensuring all activities conform to applicable laws, regulations, codes, and guidelines, and is supported by a dedicated Compliance Manager. The Compliance Officer is also responsible for preparing and submitting compliance reports to the Commission as required, and works with GloBird Energy's external legal advisors to ensure full compliance with all relevant obligations on an ongoing basis.

5.7.5 Risk management

See section 4.6.

5.7.6 Privacy

See section 5.6.4.

5.7.7 Document retention

GloBird Energy uses Orion CRM to establish and manage customers' electricity accounts and to manage and store documents, and will do likewise with gas. All customer documentation will be securely stored for a period of at least seven years.

5.7.8 GloBird Energy website

GloBird Energy has a user-friendly website where customers can easily access a wide range of information including an easy to use bill comparison tool to help users get an accurate quote for their energy use.

The website also includes all information required to be made available online under applicable laws and regulatory instruments such as pricing and product information and contract terms and conditions.

5.8 Suitability

5.8.1 Capacity to operate a gas retail business

As already mentioned, GloBird Energy's management team has experience in energy wholesale and retail businesses, as well as complementary experience in similar industries and retail businesses, and is supported by key industry specialists. GloBird Energy has a suite of operating policies and procedures to underpin its business activities. These resources give GloBird Energy the capacity to operate a compliant gas retail business.

5.8.2 Capacity to comply with gas retail regulatory requirements

See sections 5.7.3 and 5.7.4.

5.8.3 Capacity to manage risks

See section 4.6. With the expertise within GloBird Energy's management team and made available by the key industry specialists it has engaged, and with its Wholesale Energy Risk Management Policy and Wholesale Energy Trading Plan, GloBird Energy has the capacity to manage the risks it will face in operating a gas retail business.

5.8.4 Previous applications and other licences

GloBird Energy is already the holder of a Victorian electricity retail licence, issued by the Commission on 27 May 2015.

GloBird Energy, its directors and associated entities have not previously applied for a licence to sell gas in Victoria or any other jurisdiction and therefore hold no other licences.

5.8.5 Outstanding proceedings

GloBird Energy, its directors and associated entities have no outstanding legal proceedings or regulatory complaints.

5.8.6 Standing of directors and management team

None of GloBird Energy's directors or management team have been disqualified or suspended from managing companies or declared bankrupt.

5.9 Statutory declaration

A statutory declarations in relation to the accuracy and completeness of all information provided in this application is included in **Attachment 25**.

Attachments

No.	Title	Commercial in confidence
1	Certificate of registration	No
2	Constitution	No
3	Corporate structure	Yes
4	Directors' and managers' curricula vitae	Yes
5	Financial statements	Yes
6	Management accounts	Yes
7	Statutory declaration: Structure, operation or financing changes	Yes
8	Business plan	Yes
9	Financial model	Yes
10	Wholesale Energy Risk Management Policy	Yes
11	Dun and Bradstreet Dynamic Risk Score Report	Yes
12	Qualifications and expertise of consulting firm	Yes
13	Organisational structure diagram	Yes
14	Correspondence with gas distributors	Yes
15	Master Services Agreement with Agility	Yes
16	Market retail contract terms and conditions and related collateral	Yes
17	Privacy and Credit Reporting Policy	Yes
18	Sample bill	Yes
19	Hardship Policy	Yes
20	Complaint Handling Procedure	Yes
21	Correspondence with Department of Health & Human Services	Yes
22	Retail Compliance Policy	Yes
23	Compliance Obligations Register	Yes
24	Disconnection Policy and Procedure	Yes
25	Statutory declaration: Accuracy and completeness of information	No