



**Power Club Limited**

ACN 603 346 836

**powerclub**

**Victorian Retail Electricity  
Licence Application**

**December 2018**



## Contents

1	INFORMATION ON THE APPLICANT AND NATURE OF THE APPLICATION .....	3
1.1	Applicant Information .....	3
1.2	Customer Class.....	3
1.3	Nature and Scope of Business.....	3
1.4	Corporate Structure of Power Club Group.....	4
1.4.1	Power Club Investments Pty Ltd (PCI) .....	5
1.4.2	Power Club Holdings Pty Ltd (PCH).....	5
1.4.3	Power Club Limited (PCL) .....	5
1.5	Power Club Limited Organisational Structure.....	6
1.6	Key Personnel and Directors .....	6
1.7	Third Party Contracts.....	9
1.7.1	Back-office Outsourced Service Provider .....	9
1.7.2	Front-office Outsourced Service Provider .....	9
1.7.3	Cleary Hoare Solicitors.....	10
1.8	Incorporation Details, Intercompany Licences and Agreements .....	10
1.9	Services Company Outsourced Service Provider Detail.....	10
1.10	Prosecutions or Regulatory Complaints .....	11
1.11	Licence Application Details.....	11
1.11.1	Type of licence sought .....	11
1.11.2	Date from which licence is sought .....	11
1.11.3	Nature and scope of operations for which the licence is sought .....	12
1.11.4	Details of current or former licences held in this and/or other jurisdictions .....	12
1.11.5	Previous unsuccessful licence applications sought in this and/or any other jurisdictions. ....	12
1.11.6	Licences held by associates of the applicant. ....	12
1.11.7	Licence conditions.....	12
1.12	Existing Activities within the Electricity Industry .....	12
2	THE COMMISSION'S OBJECTIVES .....	13
2.1	Essential Services Commissions Act 2001 - SECT 8.....	13
3	INFORMATION ON FINANCIAL CAPACITY.....	14
3.1	Introduction .....	14
3.2	Business Model.....	14
3.3	Financial Capacity .....	14
3.4	Australian Financial Services License .....	15
3.5	AEMO Prudential Support .....	15
3.6	Distribution Arrangements.....	15
4	INFORMATION ON TECHNICAL CAPACITY.....	16
4.1	Introduction .....	16



<b>4.2</b>	Qualifications, Skills and Experience of Key Personnel – Management Team	16
<b>4.3</b>	References for Key Personnel	16
<b>4.4</b>	Reliance on External Providers	16
<b>4.4.1</b>	Back-Office	16
<b>4.4.2</b>	Cleary Hoare Solicitors	17
<b>4.4.3</b>	Billing and Management Systems	18
<b>4.5</b>	Engagement with Industry Bodies including EWOV and other Regulators	18
<b>4.6</b>	Internal Controls, Policies and Procedures	18
<b>4.7</b>	Risk Management Policies	19
<b>4.7.1</b>	Power Club - Risk Management Plan	19
<b>4.7.2</b>	Complaints Management and Dispute Resolution Procedures	19
<b>4.7.3</b>	Training and Development Procedures	19
<b>4.7.4</b>	Privacy Policy	19
<b>4.7.5</b>	Document Retention Policies	19
<b>4.9</b>	Industry Submissions and Results of any Research Supporting the Application	19
<b>4.10</b>	Capacity to Comply with the License Conditions, Codes and Guidelines	20
<b>4.11</b>	Manage Supplier Contracts	20
<b>4.12</b>	Manage Customer Contracts	20
<b>4.13</b>	Customer Account Establishment and Management	21
<b>4.14</b>	Billing, Collections and Payments	21
<b>4.15</b>	Provision of Customer Services	21
<b>4.16</b>	Complaints Management	22
<b>4.17</b>	Appropriate Management Systems	22
<b>4.18</b>	Provision of Customer Information and Communications	22
<b>4.19</b>	Management of Privacy and Confidentiality	23
<b>4.20</b>	Data and Information Security	23
<b>4.21</b>	Additional Information in Support of Electricity Retail Application:	23
4.25.1	Credit Rating	23
4.25.2	AEMO	23
4.25.3	ASX Austraclear Membership	23
4.25.4	Australian Financial Services License	23
4.25.5	Distribution Arrangements	23
4.25.6	EWOV	23
4.25.7	Department of Human Services	23
	STATUTORY DECLARATION	24



# 1 INFORMATION ON THE APPLICANT AND NATURE OF THE APPLICATION

## 1.1 Applicant Information

Name of the applicant	Power Club Limited
The ACN (ABN) details	603 346 836 (71 603 346 836)
Registered, Business, and postal address	65 Hill Street, Orange NSW 2800 Level 2/696 Bourke Street Melbourne 3000 PO BOX 143 Orange NSW 2800
Contact person on behalf of the applicant (name, title and contact details)	Stuart McPherson Project Director Mobile: [REDACTED] Facsimile: Not Applicable Email: s[REDACTED]
Authority Sought	Electricity Retail <160 MWH
Date	11 December 2018
Intend to Commence	1 February 2019

## 1.2 Customer Class

Power Club Limited (Power Club) intends to retail to Residential Customers and Small to Medium Enterprises (<160MWh).

## 1.3 Nature and Scope of Business

Power Club is a business venture established to deliver an essential customer good – electricity – with a new business model. This new business model enables Power Club to offer energy at reduced prices to its customer base which will be made up of residential and small business customers.

Power Club will derive its earnings from its retail operation as fully described in the Business Plan and deliver customer benefits including lower priced electricity. Power Club will be able to deploy a range of unique marketing strategies to drive customer growth and effectively compete in Australia's energy markets. Power Club's focus in the first two years of operation is electricity, however there is potential, if successful in this sector, to expand the concept into gas and potentially other markets. **(Refer to Attachment 3: Business Plan 2018-2023)** for full details on Power Club's unique business model.

Power Club is a new business and as such it has established its energy retailing capability through a combination of recruitment of experienced and specialist resources for its core energy retail functions and augmented this with experienced outsourced service providers. Power Club has recruited an experienced team to fill its core leadership roles covering some of the more critical energy retailer functions including governance, compliance, risk management, wholesale energy management, commercial, and marketing.



Power Club will run a lean business operation and rely significantly on outsourced service providers to provide front-office customer services and back-office billing and operational capability on behalf of Power Club.

Historically and currently, the selected outsourced service providers effectively and successfully support other electricity retailers in the competitive retail energy markets throughout Australia through the provision of front and back office functions to deliver end to end customer services.

Power Club acknowledges that whilst utilising the outsourced services for front and back-office for the provision of services to its customers, Power Club's management team will take full responsibility for service performance and customer satisfaction through the management and oversight of service delivery in accordance with an outsourced services agreement (Contract) (**Attachment 1 – Outsourced Service Providers**).

Power Club also understands and accepts that as the Retail License holder the company must take full responsibility for meeting all its regulatory obligations and ensure that it is fully compliant with relevant retail electricity codes and guidelines within the State of Victoria.

Power Club believes that outsourcing its operational and service delivery function to established, experienced and capable service providers will present significant benefits and advantages over the alternative insourced services model. Power Club will leverage service provider capabilities to augment its own to deliver a holistic retail energy business that is effective, efficient and sustainable.

## 1.4 Corporate Structure of Power Club Group

The corporate structure of Power Club has been established explicitly to achieve several outcomes, which enable:

- a future public float of Power Club investments if determined as desirable; and
- a repeatable implementation structure that can be used in other countries; and
- a member focused, independent company able to evidence itself as using a no-profit-process, but not at the exclusion of showing licensing as a profit to the licensing companies; and
- protection of the interests of members of Power Club Limited and any assets they have as a member

Cleary Hoare, a specialist firm, developed the structure which has subsequently been implemented, to achieve the outcomes described above. The structure is bound together by agreements and obligations which are fully described in **Attachment 3 – Business Plan 2018-2013**.



### Power Club's Groups Corporate Structure

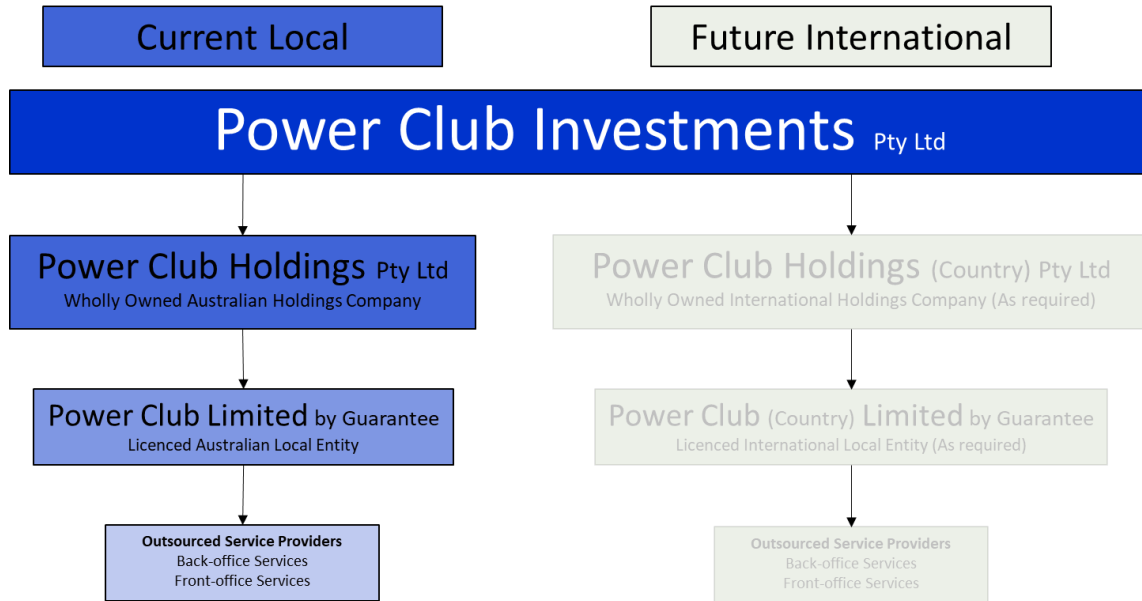


Figure 1: The Corporate Structure of Power Club Group

#### 1.4.1 Power Club Investments Pty Ltd (PCI)

Power Club Investments Pty Ltd has been established as the overarching company for Power Club activity both with Australia and internationally. Power Club Investments retains all Intellectual Property to the business processes and concepts (IP). (Incorporation details are provided in **Attachment 2: Incorporation Details and Intercompany Agreements**)

#### 1.4.2 Power Club Holdings Pty Ltd (PCH)

Power Club Holdings Pty Ltd (PCH) is a wholly owned subsidiary of PCI and has licenced Power Club Limited to carry out the operational component of the business using the IP and business processes. (See: **Attachment 2: Incorporation Details and Intercompany Agreements**)

#### 1.4.3 Power Club Limited (PCL)

Power Club Limited (PCL) is a totally independent company and is the licenced Australian Energy Retailer in the National Electricity Market. PCL provides or contracts services to deliver the entire meter-to-cash and marketing functions of an energy retailer. It leverages the IP and business processes acquired under the licencing agreement with PCH/PCI. (See **Attachment 2: Incorporation Details and Intercompany Agreements**)



### 1.5 Power Club Limited Organisational Structure

Power Club Limited has established an organisation structure to provide full support of regulatory and member responsibilities. It has recruited an experienced management team to ensure the effective and sustainable delivery of energy retailing services to its members.

To augment this team and provide operational capability, Power Club contracts experienced service providers to Australian utilities. (See Section 1.7.1 – 1.7.2 for further details)

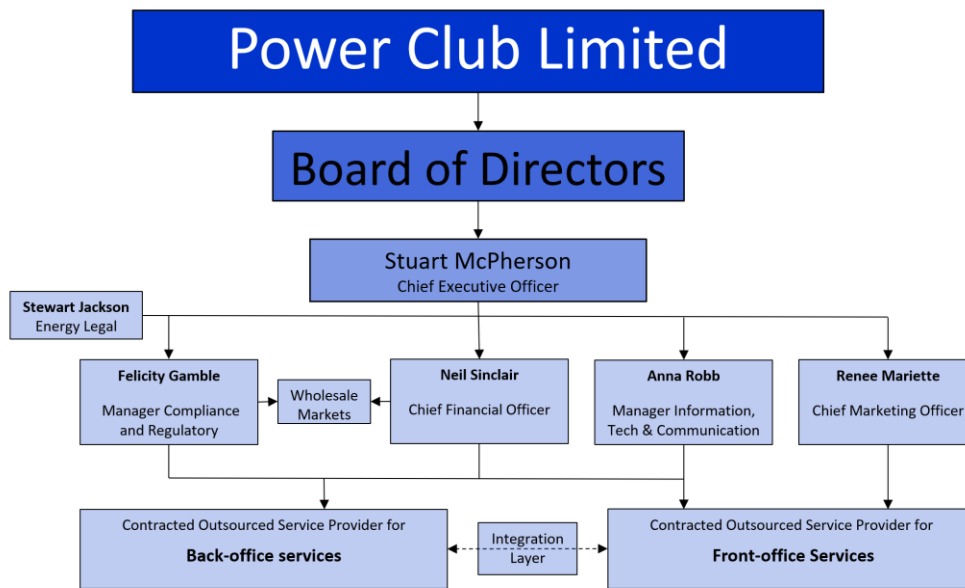


Figure 2: Power Club's Organisational Structure

### 1.6 Key Personnel and Directors

*A short summary of the experience of the key personnel*

#### Don Anderson, Chair of the Power Club Limited Board

Don Anderson has seventeen years' energy industry experience within AGL, Energy Australia and TRUenergy in addition to other industries. This has given Don extensive experience, at executive level, in sales, marketing, and operations (shared services) across a broad range of industries (energy, packaged goods, pharmaceuticals and advertising), both within Australia and overseas.

He has a broad range of corporate governance experience through membership of executive and board committees, as well as extensive interaction with the board at both AGL and Energy Australia.



**Stuart McPherson, CEO, Founder and Project Leader**

Stuart has spent the last six years working with and analysing the energy industry. This has given Stuart an understanding of the industry beyond many with much longer involvement.

In 2012, intrigued by the difference in energy prices paid by consumers and wholesale generation costs, Stuart commenced analysis of the energy industry. As a direct result of this work Power Club has a different approach for provision of energy to customers serviced by the National Energy Market.

Prior to becoming involved in the energy industry, Stuart owned, built and managed an early sector specific software business; worked in the public sector as director of a government program; chaired the National Information Management Technical Group; develop the first spatially integrating national disease management system, seen as a major step towards gaining consistency and standardisation of State based systems to serve national emergencies.

**Stewart Jackson**

Stewart's qualifications include: Bachelor of Law – Melbourne University; Australian legal practitioner under the Legal Profession Uniform Law; Victorian Principal's Practising Certificate; Member Law Institute of Victoria.

In the last four years Stewart has consulted as a specialist lawyer to many energy companies including: OC Energy Pty Ltd, Next Business Energy Pty Ltd, CovaU Pty Ltd, Energy Intelligence Pty Ltd, Sumo Power, 1st Energy Pty Ltd; Arc Energy Group, Frasers Property Australia; and Euro Solar

Prior to that, in the years going back to 1995, Stewart was either employed or had extended consultancies with Powercor, Hydro Tasmania, Yallourn Energy & Auspower, Powerdirect, Momentum Energy, QEnergy, NEMMCO, Diamond Energy and Blue NRG.

Stewart's knowledge and understanding of the energy industry is unquestionable.

**Felicity Gamble, Manager of Compliance and Regulatory**

Felicity brings further and substantial industry experience to Power Club. Felicity has been engaged in the energy industry since 2003. Felicity has worked with Energy Australia, Momentum Energy, Diamond Energy, Green Generation and Blue NRG. She has worked in manager roles across operations, compliance, customer relations, customer service, retail operations and business operations

Felicity's has a strong skill set in providing Power Club with effective and knowledgeable, regulatory and compliance delivery. She has previously been responsible directly for this role and has driven regulatory responsibility by interpreting regulation and converting it to training to ensure compliance is more than a term but a process and understanding undertaken at all levels within an organisation.





**Neil Sinclair, Chief Financial Officer**

Neil brings strong financial experience to the project, with experience in Australia, London and Asia. His role has ranged from auditing, management accounting, finance management, transport accounting and chief financial officer across industries as broad as oil, transport, telecommunications, distribution, logistics and merchandising. During this time Neil has been responsible for enterprises of a large scale with the most recent having financial budgets of \$100M, staff exceeding 200 and more than 4,000 customers.

Neil is qualified as a Chartered Accountant (NZICA) and has a Bachelor of Commerce & Administration (Accounting) – Victoria University

**Allan Hurford, Non-executive Director**

Allan is an experienced business owner and manager in the building supplies industry, over many years. He brings to the table a wealth of practical business skills. Allan has owned, managed and grown businesses over the years, taking small businesses and growing them to major participants in their industry sector.

**Renee Amor, Non-executive Director**

Renee is currently General Manager Marketing with BPay. Renee is a seasoned marketer who has spent the last 11 years working across Financial Services in senior marketing and communications roles. Her pre-banking career included working with Super League and the amalgamation of clubs across NSW, as well as 11 years in the not-for-profit sector.

**Dan Ferguson, Non-executive Director**

Dan is experienced at the Chief Marketing Officer (CMO) level as well as having General management experience. He also has good start up experience and is currently CMO with Adore Beauty (a recent start up). He also has significant online and e-commerce experience with large global as well as local brands.

**Caroline Dempsey, Non-executive Director**

Caroline has worked for both the clients and advertising agencies in Australia, NZ and Asia and successfully ran her own marketing consultancy for six years. She also has large corporate experience (Visa and Telstra) as well as start-up experience with Lakeba Group AOL Online and Myprice.

**Alex Panich, Non-executive Director**

Alex is currently Chief Financial Officer (CFO) for Salmat, a \$400m turnover multi-channel marketing services organisation. He has significant finance and start up experience in both the UK and the Asia Pacific region. He also has significant Merger and Acquisition experience.



**Renee Mariette, Chief Marketing Officer**

Renee is a commercially driven marketing specialist with a diverse set of skills gained from over 15 years in practice. The last eight years have been in a member funded business and gives Renee an understanding of the special needs associated with a member driven business.

**Anna Robb, Manager Information, Technology and Communication**

Anna has a broad range of professional experience starting as a geologist in mining across multiple countries and ending in supply-line logistics for the outdoor fashion industry, with strong experience in analytics and technology. Anna will be supporting the information requirements used to provide regulatory reporting beyond current industry standards.

## 1.7 Third Party Contracts

Power Club has engaged the services of a number of third-party specialist energy sector service providers for outsourced service provision and specialist legal firm Cleary & Hoare. Arrangements and contracts have been established with these third-party suppliers and details are outlined hereunder.

### 1.7.1 Back-office Outsourced Service Provider

Power Club has contracted the services of a highly experienced Australian Outsource Service Provider (OSP) to the energy industry within Australia and Internationally. This level of experience and the use of the latest cloud-based technologies will provide Power Club with flexibility and capacity to meet the Australian market while avoiding taking on legacy systems.

The chosen OSP enables Power Club to leverage their extensive experience in the energy industry to give it experience beyond its years. It also offers Power Club the ability to tailor the user experience to meet the level of consumer satisfaction required by Power Club. For full details of the contract **(See Attachment 1)**.

### 1.7.2 Front-office Outsourced Service Provider

Like Back-office provision, Power Club is contracting the services of a highly experienced Australian OSP to the energy industry within Australia and Internationally.

Power Club is retaining all public facing services on shore and expects to provide services beyond our members' expectation. The level of experience of the Front-office OSP and their full access to Back-office systems enables them to support Power Club members as if a single system.

Like the Back-office OSP, the chosen Front-office OSP will enable Power Club to leverage their extensive experience in the energy industry to give Power Club experience beyond its years. Also, like Back-office, it also offers Power Club to tailor the



user experience to meet the level of consumer satisfaction required. Full details of the contract will be made available on request.

### **1.7.3 Cleary Hoare Solicitors**

Power Club Limited has engaged Cleary Hoare Solicitors for the provision of legal, tax and corporate structure advisory services and capabilities. They have developed the corporate structures to deliver the capability of participation in the Australian and International markets and have provided the development of market contracts that protect the member and integrate the benefits of the Power Club approach.

## **1.8 Incorporation Details, Intercompany Licences and Agreements**

Documentation on Power Club's incorporation details, the licences and agreements, within and between companies, are all provided in **Attachment 2: Incorporation Details and Intercompany Agreements.**

## **1.9 Services Company Outsourced Service Provider Detail**

Power Club has adopted an outsourced services model and selected an experience Back-office OSP. The Back-office OSP has operated for well over a decade and provides support to hundreds of telco and utility companies within Australia and Internationally.

They are a leading business partner to the utilities sector specialising in the provision of support to the billing and back-of-office processes to utilities clients. Their expertise in the utilities sector combined with their knowledge and experience in supporting start up energy retail businesses gives Power Club confidence that we have a partner who can be trusted to help deliver end to end operational capability.

Power Club will utilise the Back-office OSP operational capabilities and service delivery across the meter to cash cycle including:

- Billing systems, establishment, hosting, management and maintenance;
- Support of on-boarding processes;
- Meter data management;
- All revenue management aspects including third party payments, billing, and credit/collections activities;
- Bill print, mail and customer communications via text and emails;

Power Club will leverage its Back-office OSP corporate and enterprise capabilities including:

- Enterprise class infrastructure for the hosting of Power Club's billing system and customer service applications;
- Corporate compliance, governance and risk management practices;
- Highly secure and available technology;



- Business continuity planning and significant disaster recovery capability;
- Global capabilities in technology delivery and management.

(For full details **See Attachment 1, Outsourced Service Providers**)

The selected Front-office OSP has also operated for well over a decade of experience and provides support to retailers in the energy industry within Australia and Internationally.

They are also leaders in their area of speciality in providing Front-office services to the utilities sector. Power Club will partner with them to leverage their expertise and knowledge in supporting start up energy retail businesses. Power Club has confidence that they can be a trusted partner in delivering their components of an end to end operational capability.

Power Club will utilise the Front-office OSP operational capabilities and service delivery across the meter to cash cycle including:

- Customer acquisition and on-boarding support;
- Customer service contact centre (call centre); and
- Complaints management.

Power Club will leverage its Back-office OSP corporate and enterprise capabilities including:

- Enterprise class infrastructure for the hosting of Power Club's customer support;
- Corporate compliance, governance and risk management practices;
- Highly secure and available technology;
- Business continuity planning and significant disaster recovery capability;
- Global capabilities in technology delivery and management.

(For full details **See Attachment 1, Outsourced Service Providers**)

## 1.10 Prosecutions or Regulatory Complaints

Power Club and any other company or person related to Power Club, has not had, or had commenced any prosecutions or regulatory complaints.

## 1.11 Licence Application Details

### 1.11.1 Type of licence sought

Power Club seeks an electricity retail licence for the retailing of electricity to Residential and Small Business Customers (<160MWh).

### 1.11.2 Date from which licence is sought

Power Club seeks to begin retailing on 1 February 2019.



### **1.11.3** Nature and scope of operations for which the licence is sought

Power Club will retail electricity to residential and small to medium enterprises (<160MWh).

### **1.11.4** Details of current or former licences held in this and/or other jurisdictions

Power Club was granted retail authorisation by the Australian Energy Regulator on 28 November 2017 in Queensland, New South Wales, Australian Capital Territory, Tasmania and South Australia.

### **1.11.5** Previous unsuccessful licence applications sought in this and/or any other jurisdictions.

Power Club has not previously had any unsuccessful licence application in Victoria or any other jurisdiction, however it has withdrawn an earlier application to AER after being granted a conditional authorisation on 5 May 2015.

### **1.11.6** Licences held by associates of the applicant.

No associates of Power Club have held licences in Victoria or any other jurisdiction.

### **1.11.7** Licence conditions.

Power Club does not seek any non-standard licence conditions.

## **1.12** Existing Activities within the Electricity Industry

Power Club will provide restricted energy offers to residential and small business customers in Queensland, New South Wales, Australian Capital Territory and South Australia in December 2018 and January 2019 as part of testing Backoffice procedures and processes to ensure compliance and positive customer experiences. Escalation to public offers is planned for 2019.

Since the completion of the capital raise and granting of retail authorisation from AER, Power Club has been working progressively towards making energy offers to residential and small business customers.

It has established its Board and employed staff as outlined under "1.6 Key Personnel and Directors". As planned, several of the key participants in Power Club have substantial energy industry experience. Power Club has begun work on, and is progressing rapidly, on all aspects necessary to enable it to compliantly and effectively offer energy to residential and small business customers more broadly.

The complete detail of progress is outlined in **(Attachment 4: Operational Plan 2018-2019)**



## 2 THE COMMISSION'S OBJECTIVES

### 2.1 Essential Services Commissions Act 2001 - SECT 8

#### Objective of the Commission

- (1) In performing its functions and exercising its powers, the objective of the Commission is to promote the long-term interests of Victorian consumers.
- (2) Without derogating from subsection (1), in performing its functions and exercising its powers in relation to essential services, the Commission must in seeking to achieve the objective specified in subsection (1) have regard to the price, quality and reliability of essential services.

Power Club is committed to achieving the Commission's objectives.

The premise of Power Club's business model is to provide its customers (including Victorian Residential and Small Business Customers) with the lowest possible electricity prices and the highest level of service quality and reliability possible. Power Club intends to create a heightened level of competition through the implementation of its unique business model and active promotion of its low-priced electricity offering to residential and small business customers in Victoria, giving customers more choice and resulting in lower electricity prices in the Victorian market. Power Club is committed to delivering the following:

- A robust and sustainable business model for providing the lowest possible prices for electricity to its members (including Victorian consumers and businesses);
- Provide members with high quality, reliable and responsive service delivery using an experienced and capable outsourced service providers; and
- In delivering electricity services to customers, working within the framework, guidelines and codes of conduct set by the ESC.

Power Club believes that the business model being employed will deliver a clear point of difference from other energy retailers operating in the Victorian jurisdiction and provide significant benefits to Victorian electricity customers. (Refer to **Attachment 3: Business Plan 2018-2023**).

In acquiring customers, Power Club does not intend to undertake any cold call door knocking activities and nor does it intend for its customers to be tied into fixed term contract. Power Club's customers will be given the freedom to exit at any time.

Power Club's selected outsourced service providers have effectively delivered customer services to Victorian customers over many years. Over this time, they have established and developed capability to support the requirements and obligations of the electricity codes and the regulatory requirements.

Power Club is committed to delivering the best possible outcomes for its customers and the reputation of the club will be built on two simple premises: delivering the lowest possible electricity prices and providing high quality customer service. Power Club is confident that the company will meet the Commission's Objectives.



### 3 INFORMATION ON FINANCIAL CAPACITY

#### 3.1 Introduction

Power Club has invested significant effort over the past six years in its preparations to launch a unique, compelling and viable business model to support its entry into the competitive retail energy markets across Australia.

These preparations have included:

- The development and validation of a robust and sustainable business model for retail energy market entry;
- Detailed analysis of the Australian energy market and its jurisdictions, including Victoria;
- The development and validation of a robust wholesale energy management strategy;
- The development of a viable business case;
- The development of feasible market offerings which have been tested and validated through market research;
- A review and analysis of service delivery options (including billing systems); and
- A structure which contains the necessary capitalisation of Power Club to ensure the company has the funds to establish and run its business until it is self-sustaining.
- Licencing completed with AER, AEMO and Austraclear

#### 3.2 Business Model

Power Club has a unique business model for retailing electricity and prepared a detailed business plan which is supported by rigorous analysis and modelling (See **Attachment 3: Business Plan 2018-2023**). An independent review of the business plan is also provided. (See **Attachment 6: Independent Reviews**)

#### 3.3 Financial Capacity

The Power Club structure provides sufficient capital to establish Power Club as a sustainable and ongoing business across its first five years and beyond. Power Club Group has raised sufficient capital through the sale of equity in Power Club Investments. Power Club Limited has access to substantial financial support through intercompany financial agreements which it is spending on this stage of the project. Power Club group as a whole, generate profits and other related revenues as described in the Business Plan and its primary function is to support Power Club Limited.

As part of risk planning in the event of success outcomes significantly below expected there are several options beyond the use of existing capital including: a further capital raise either externally or internally, support of additional capital through conventional banking arrangements, substantially reduce Power Club expenditure through a less aggressive approach to the market or increase revenues.

In **Attachment 22: Financial Statements** there are Income Statements and Balance sheets for each of the three companies in Power Club Group, being Power Club



Investments Pty Ltd, Power Club Holdings Pty Ltd and Power Club Limited as well as banking report covering current account balances and term deposits. In addition, the Power Club Limited Business Plan provides forecast financial reports for (See **Attachment 3: Business Plan 2018-2023**):

- Balance Sheet;
- Profit and Loss Forecasts;
- Cash Flow Forecasts;
- Customer Uptake Forecasts;
- Sensitivity Analysis; and
- Assumptions.

Based on the modelling undertaken to date, Power Club shows strong profits and the business is able to demonstrate a return, even under the most pessimistic customer uptake scenario. Power Club assures the Commission that the structure provides sufficient financial capacity to meet the ESC's financial capacity test, viability requirements and that Power Club will be operated in accordance with the business plan and modelling provided (Refer **Attachment 3: Business Plan 2018-2023**).

Within Power Club Group, financial arrangements are already in place to support Power Club Limited in its endeavours. (Refer **Attachment 2: Incorporation Details and Intercompany Agreements**).

### 3.4 Australian Financial Services License

Under the financial model being utilised by Power Club it does not require an Australian Financial Services Licence as part of managing its financial arrangements.

### 3.5 AEMO Prudential Support

Power Club has satisfied AEMO's prudential requirements in respect of credit support for its wholesale market activities and put in place all components required by AEMO. This has occurred since drafting the Power Club's Business Plan and Modelling (See **Attachment 3: Business Plan 2018-2023**). Power Club was registered with AEMO as a Market Customer on 4<sup>th</sup> December 2018.

In addition, on 18 October 2018, Power Club was granted approval as a SPECIAL PURPOSE Participant - Austraclear Limited.

### 3.6 Distribution Arrangements

Power Club has contacted all Network Service Providers on the NEM and has negotiated NUOS agreements with some of NSW Network Service Providers and expects to finalise the balance of the NEM in December except for one NSP which has a longer process due to complete in January 2019.





## 4 INFORMATION ON TECHNICAL CAPACITY

### 4.1 Introduction

Power Club has appointed an experienced, skilled and capable management team to run Power Club's Energy Retail Business. Power Club will also leverage expertise and capabilities of credentialed outsourced service providers of Back and Front-office.

A key aspect of Power Club's business model is to run a lean business operation and outsource the majority of customer services and operational activities to experienced and capable service providers who currently provide customer services across billing and operational support to utility clients within the energy sector. (See **Appendix 1: Outsourced Service Provider, Appendix 8: Billing and Management Systems and Appendix 9: Infrastructure**)

### 4.2 Qualifications, Skills and Experience of Key Personnel – Management Team

An experienced, skilled and capable management team has been appointed to run Power Club's Energy Retail Business. Power Club will also be supported by the expertise and capabilities of credentialed OSP. See the summary of key staff above under **1.6 Key Personnel and Directors**. For full detail of experience see **Appendix 7: Resource Appointments**.

### 4.3 References for Key Personnel

References for Key Personnel will be provided in **(Attachment 7: Resource Appointments)**.

### 4.4 Reliance on External Providers

Power Club will rely on the following key external providers for a range of services.

#### 4.4.1 Back-Office

Full details of the Back and Front-office OSPs is provided in **(See Attachment 1, 8 & 9)**. The OSPs who have been chosen because of their proven capability to support and service end use customers across Electricity, Gas and Water utilities in Australia and internationally. The chosen OSPs combined will deliver customer services, billing and operational capability on behalf of Power Club including:

- Proven and demonstrated capability to deliver services on behalf of their clients to thousands of end customers;
- A team of experts with deep knowledge of the Australian market, evidenced by other utilities clients who trust them to take care of their customers;
- Provisioning of hardware and hosting of retail software services including Power Club's Billing and Customer Information System;
- Provision of call centre operations and back office staff to support and manage the meter-to-cash process;



- Processing and management of all business to business transactions to enable energisation, de- energisation, additional meter reads and other relevant tasks;
- Activation and transfer of new members into Power Club;
- Receipt and validation of market data including processes to enable data exceptions to be made invoice ready;
- Integration to banking to manage auto reconciliation of payments by members;
- Exception management;
- Provision of training and support to staff;
- Full back-up and failover systems to secure data and maintain virtual 24/7 delivery;
- Integration of the Power Club website to OSP backend systems;
- Processing of all data to produce Web delivered PDF bills to members;
- Integration to Power Club general financial systems.
- Tools and practices that have supported their track record in leading and successfully implementing large and complex customer information systems,
- Rigorous standards to safely manage the ongoing hosting and management of business-critical systems and customer services.

The OSPs have often recruited their employees and leadership teams from the utilities sector and many have specialist expertise in retail energy operations. This experience provided by the OSP's will help to deliver the critical operational support required to run an effective and sustainable retail energy business.

#### **4.4.2 Cleary Hoare Solicitors**

Cleary Hoare Solicitors is Power Club's selected legal services provider, chosen because of their proven capability to provide corporate legal services. Cleary Hoare Solicitors is a boutique legal firm of specialist lawyers who have been assisting Australians with business structures, tax planning and advice, capital protection, commercial transactions and dispute resolution for over 30 years. Cleary Hoare Solicitors have offices in Brisbane, Sydney and Perth. Cleary Hoare Solicitors has provided expert advice to Power Club in the following areas:

- Corporate Structures;
- Taxation Advice;
- Commercial Agreements and Contracts; and
- Licensing Agreements



### 4.4.3 Billing and Management Systems

Through its service arrangements Power Club will access the Back-office OSP billing and customer information system capability and a comprehensive suite of technology products and applications which are designed to provide comprehensive support for Power Club's service operations.

Further information on Power Club's Billing and Management Systems see **Attachments: 8 & 9.**

### 4.5 Engagement with Industry Bodies including EWOV and other Regulators

Power Club has engaged with key stakeholders in Victoria necessary to support its application for a Retail Electricity License:

- VESC;
- EWOV;
- All electricity Distribution Businesses operating in Victoria; and
- AEMO.

Power Club is in the process of becoming a member of all Ombudsman organisations and has either already joined or will join those remaining before the end of January 2019

See **Section 4.24.**

### 4.6 Internal Controls, Policies and Procedures

Power Club has put in place a range of internal controls, policies and procedures to ensure the smooth running and compliance of its business and operations and to satisfy all requirements of the relevant electricity codes.

Power Club provides the following documentation/statements for internal Controls, Policies and Procedures. All current policies have been accepted by the Board. Drafts have been provided with the initial documentation and approved policies are now available.. Please refer to the following Draft attachments:

- Outsourced Service Providers (See **Attachment 01**);
- Customer Charter (See **Attachment 11**)
- Market Retail Contract (See **Attachment 12**)
- Complaints and Dispute Resolution Policy (See **Attachment 13**)
- Hardship Policy Attachment (See **Attachment 14**)
- Life Support Policy (See **Attachment 15**)
- Credit, Receivables and Write-off Policy (See **Attachment 16**)
- Credit Reporting Policy (See **Attachment 17**)
- Privacy Policy (See **Attachment 18**)
- Compliance Policy (See **Attachment 19**)
- Member and Customer Communications (See **Attachment 20**)



## **4.7 Risk Management Policies**

### **4.7.1 Power Club - Risk Management Plan**

Power Club has developed a draft Risk Management Strategy (See **Attachment 5**) and on finalisation and approval by the Board, a Risk Management Plan will be developed as a priority.

### **4.7.2 Complaints Management and Dispute Resolution Procedures**

Power Club acknowledges that managing and responding to customer complaints is a critical element to operating an effective Retail Electricity Business and has ensured that a robust complaints management system is established and supported by effective policies and procedures. Power Club's Complaints and Dispute Resolution Policy is detailed in (See **Attachment 13**).

### **4.7.3 Training and Development Procedures**

Power Club will ensure that effective training and development programs are established and that these programs will be supported by appropriate training tools, proven methods and appropriate documentation.

Power Club will also ensure that leaders will be supported by professional training and development people who will implement and manage the training programs.

### **4.7.4 Privacy Policy**

Power Club is aware of the relevant privacy legislation and will comply accordingly with all privacy legislation and its obligations. Please refer to (**Attachment 18: Privacy Policy**)

### **4.7.5 Document Retention Policies**

Power Club will establish robust document retention policies and archiving processes especially in relation to customer contracts, correspondence and consent.

## **4.9 Industry Submissions and Results of any Research Supporting the Application**

Power Club has undertaken market research using an independent research company. The objectives of the research are to test and confirm the appeal of customer propositions and to help Power Club refine its market offering and pricing. The research report and related findings is attached (refer to **Attachment 10**).



#### 4.10 Capacity to Comply with the License Conditions, Codes and Guidelines

To ensure that Power Club is able to meet its regulatory compliance obligations the following activities will be performed:

- Upfront and ongoing compliance training;
- Regularly up-skill staff on regulations and electricity codes;
- Internal quality call monitoring and transaction monitoring;
- Incident and breach reporting;
- Compliance to Business Process mapping – “Compliance Matrix”; and
- Internal Audits on high risk areas.

In respect of compliance with regulatory requirements in the Australian energy markets, Power Club will ensure the depth of experience and knowledge of the retail electricity codes and regulatory guidelines within its own management team which will help the company to meet its compliance obligations. A position has been explicitly established for this and an appointment made to **Manager Compliance and Regulatory**. Power Club has provided all relevant policies for approval to the Board and is ensuring establishment of associated procedures particularly those required to meet the regulatory codes and guidelines.

#### 4.11 Manage Supplier Contracts

Power Club has appointed an experience individual to the position of Chief Financial Officer and has also engaged the services of an energy industry legal specialist in addition to Cleary Hoare Solicitors, and this group will ensure that:

- Effective and robust commercial arrangements are established with all suppliers;
- The contracts and commercial arrangements incorporate clear expectations, deliverables and accountabilities/responsibilities for the respective suppliers;
- In regard to the outsourced customer service provider contract, that clear customer service SLA's are established, monitored, measured and managed;
- The contracts and commercial arrangements incorporate appropriate remedies for any breaches in performance;
- Regular performance and operational reviews are set up with each of the suppliers;
- Robust dispute resolution processes are established; and
- Where performance does not meet Power Club's expectations that issues are addressed and remedied quickly.

#### 4.12 Manage Customer Contracts

Power Club's standard retail contract terms and conditions are attached to this application (See

**Attachment 12).**



### 4.13 Customer Account Establishment and Management

Power Club understands the importance of on-boarding customers and ensuring that customer details are accurately captured in the customer information and billing systems. Power Club will leverage the customer on-boarding processes, tools and practices provided by the OSP and this approach will help to ensure that data is accurately captured upfront reducing the requirement for costly post establishment exception and data quality management. Power Club will ensure that the account establishment process for customers is seamless and efficient.

### 4.14 Billing, Collections and Payments

Power Club has established a comprehensive billing, payments and credit & collections service including the provision of:

- End to end revenue management services and operational resources to assist with all revenue management activities;
- Credit management workflow tools, products and services to help Power Club achieve effectiveness and efficiencies in the collection of billed revenues;
- Proven automated collections tools such as agentless dialling, sms messaging and email communications which will help to lift collection rates and reduce outstanding debt;
- A range of billing and payment options including monthly billing;
- Bill cycle management;
- Bill design and presentment;
- Coordination of bill printing and mail;
- Payment set up and processing;
- Billing and payments exceptions management;
- Refunds management;
- Credit and treatment cycle management;
- Payment extensions management in accordance with Power Club business rules;
- Hardship management in accordance with Power Club's published Hardship Policy;
- Collections agency coordination and management;
- Management of uncollectable debt; and
- Business processes for managing billing, payments and collections.

Power Club, through its Back-office OSP will utilise their market proven platform for timely, effective and accurate billing of customers and the management of revenues (refer to **Section 4.5**).

### 4.15 Provision of Customer Services

Power Club has engaged its OSP's to provide club members with high quality and expert customer service delivery. The OSPs already provide customer services for a range of energy and water utility clients operating across competitive and non-competitive markets throughout Australia and internationally.



The Front-office call centre and Back-office operational centre and the respective corporate offices are both located in Melbourne within a modern, secure facility. Both have adequate resources and capability to call upon to support Power Club's forecast volumes and scope and significant flexibility to scale up to meet Power Club's future needs.

Power Club's call centre facility will be located within the Front-office OSPs established Melbourne office in a dedicated, branded and secure environment utilising its existing operational facilities including leveraging its technology and telephony infrastructure.

Power Club will monitor, measure and report on service performance at regular intervals to ensure that performance levels consistently meet our prescribed service objectives and KPI's.

#### **4.16 Complaints Management**

Power Club's management team will ensure that escalated complaints are appropriately addressed within the business and that the appropriate level of oversight of complaints management is provided including ensuring that rigorous processes are established for the recording, reporting, management and resolution of complaints. Power Club's Complaints and Dispute Resolution Policy is attached (See **Attachment 13**).

#### **4.17 Appropriate Management Systems**

Power Club is completing the final steps in establishing the appropriate financial, operational and administrative systems to ensure that the company is fully compliant with the Electricity Retail Code and other obligations and license conditions. Power Club's management team will ensure that satisfactory governance and compliance systems are established to support an effective Retail Energy Business, in particular the Manager, Compliance and Regulatory and the Board.

#### **4.18 Provision of Customer Information and Communications**

Power Club will provide customers with the following information:

- Welcome pack;
- Customer contract including pricing and payment terms;
- Customer charter including Power Club's customer obligations;
- Pricing information;
- Billing information;
- Payment terms, methods of payment and payment channels;
- Power Club's code of conduct;
- Complaints management and dispute resolution procedures;
- Ombudsman scheme;
- Customer electricity usage and billing history
- Termination of supply procedures;
- Reconnection of supply procedures;
- Membership information including regular club newsletters.



#### 4.19 Management of Privacy and Confidentiality

Power Club will comply with all privacy legislation and retail codes relating to customer privacy and confidentiality. See Power Clubs Privacy Policy (**Attachment 18**).

#### 4.20 Data and Information Security

Power Club is aware of its responsibilities in respect to data and information security and will ensure that the company and its OSPs have established procedures and policies to effectively and appropriately address this important aspect.

#### 4.21 Additional Information in Support of Electricity Retail Application:

##### 4.25.1 Credit Rating

Power Club is a new company and has recently acquired a credit rating on 3<sup>rd</sup> December 2018 as part as a requirement in negotiating NUOS with the various networks. Available on request. (See **Attachment 22**).

##### 4.25.2 AEMO

Power Club is registered as a Market Customer with AEMO and has all prudential guarantees in place. Power Club was registered with AEMO on 4th December 2018.

##### 4.25.3 ASX Austraclear Membership

On 18 October 2018, Power Club was granted approval as a SPECIAL PURPOSE Participant - Austraclear Limited.

##### 4.25.4 Australian Financial Services License

Under the financial structure and processes used by Power Club it does not need an AFSL.

##### 4.25.5 Distribution Arrangements

Power Club has contacted all distribution networks and has completed Network Use of Systems agreements with some and expects to conclude with the balance before the end of January 2019, including one NSP with a particularly extended process.

##### 4.25.6 EWOV

Power Club has either joined or in the process of joining as a member of the various jurisdictional Ombudsman. The will be completed during December 2018 and January 2019.

##### 4.25.7 Department of Human Services

Power Club will enter into Community Services Agreements for the provision of concessions to eligible customers.





## **STATUTORY DECLARATION**

I, Graeme Stuart McPherson of 24 Birkdale Terrace, West Wodonga, Victoria 3690, being a Director of the Applicant, Power Club Limited hereby DECLARE that the information contained in this application, and attachments thereto upon which I have placed my signature, for the grant of a Electricity Retail <160 MWH licence under the Electricity Industry Act 2001 is true and correct and that I make this declaration conscientiously believing the same to be true and in the belief that a person making a false declaration is liable to the penalties of perjury.



Declared at West Wodonga in the State of Victoria

Signature of Declarant

This 12<sup>th</sup> day of December 2018