



ESC

**Application for an Electricity Retail
Licence**

16 March 2020

**Total Gas & Power Australia Pty Ltd
ABN 87 167 432 448**

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Application for a Retail Electricity Licence

Date 16 March 2020

1 Information on the Applicant and nature of the application

1.1 Legal name

Total Gas & Power Australia Pty Ltd (hereafter, referred to as **TGPAU** in this Application).

1.2 Business name

TGPAU does not plan to trade under a different trading name.

1.3 ABN and ACN

ABN: 87 167 432 448

ACN: 167 432 448

1.4 Registered business address

Suite A, Part Level 23, 600 Bourke Street, Melbourne, Victoria, 3000

1.5 Contact person

Philip Jones

Vice President Business Development Asia

Total Gas, Renewables & Power

[REDACTED]

[REDACTED]

1.6 Type of Licence sought

TGPAU is applying for an Electricity Retail Licence under the *Electricity Industry Act 2001* (Vic). We seek a licence to retail electricity to large commercial customers.

TGPAU does not intend to retail to small customers and does not seek a licence which allows it to do so.

1.7 Commencement Date of Retail Operations

TGPAU aims to commence retailing electricity in Victoria from the date on which all approvals required to lawfully undertake such retailing are granted. We anticipate that this will be by 1 June 2020.

TGPAU will not commence retailing to electricity customers until it has been provided with a retail licence from the Essential Services Commission (**ESC**) and satisfied any associated requirements.

1.8 Nature and scope of operations

In the National Electricity Market (**NEM**) jurisdictions, TGPAU intends to continue to supply electricity to Gladstone Liquefied Natural Gas (**GLNG**) Project sites and expand its customer base to include large scale corporate, government and industrial consumers (including in Victoria).

1.9 Details of current or former licences held in this and/or other jurisdictions

TGPAU currently supplies electricity to the GLNG project under an exemption previously granted by the Australian Energy Regulator (**AER**) on 6 March 2015.

1.10 Previous unsuccessful licence applications sought in this and/or any other jurisdictions

None, in relation to TGPAU.

1.11 Licences held by associates of the Applicant

No associates of TGPAU have been granted licences granted by the ESC or the AER, other than as described in Item 1.9 above.

1.12 Non-standard licence conditions sought

TGPAU seeks a licence which permits TGPAU to sell to large customers (being customers consuming above 160 Mwh per annum) and does not require or wish to have a retail licence relating to smaller categories of customers. TGPAU therefore seeks a licence with conditions appropriate to large customers.

1.13 Details of Incorporation

TGPAU is an incorporated company, and not a partnership, a trust or a joint venture. TGPAU's Constitution is provided in **Annexure 1**. The certificate of registration for TGPAU is provided in **Annexure 2**.

1.14 Corporate Structure

TGPAU's corporate structure showing key operating entities is provided in **Annexure 3**, marked as commercial-in-confidence.

1.15 Organisational Structure

TGPAU's organisational structure is provided in **Annexure 3**.

1.16 Summary of experience of key personnel

TGPAU has access to personnel with extensive experience through arrangements within the Total Group direct and within its senior management, as detailed below.

[REDACTED]

1.17 Officer details

Full name and address details for all officers (directors) of TGPAU are provided in **Annexure 4**, marked commercial-in-confidence.

1.18 Relevant customer contracts

The GLNG project is a US\$18.5 billion project to convert coal seam natural gas (**CSG**) in to liquid natural gas (**LNG**). The project involved the development of gas fields in the Bowen and Surat Basins, the construction of a 420 kilometre underground gas transmission pipeline to Gladstone and a two-train LNG processing facility on Curtis Island in Gladstone. The project is a joint-venture between SANTOS (30%), PETRONAS (27.5%), TOTAL SA (27.5%) and KOGAS (15%).

The GLNG project has sanctioned the connection of the GLNG upstream assets to the Powerlink grid through the scheduled connection of the Fairview and Roma hubs to the Powerlink high voltage network in 2015. From 2015 the GLNG Project switched from power generated from gas turbine alternators (**GTAs**), using gas as fuel, to power purchased on the NEM.



As a result of the GLNG project being connected to the Powerlink high voltage network the project required the services of a retailer to procure the power from the NEM pool and manage the resultant interaction with AEMO.

TGPAU was selected to fulfil this role due to the Total Group’s Gas & Power division’s experience in operating electricity retail business and because TGPAU is a subsidiary company of Total SA that holds 27.5% equity in the GLNG project.

1.19 Service company arrangements

TGPAU activities and organization falls under the Trading arm of the Gas, Renewables & Power division. Due to the restricted nature of the electricity retail operations which TGPAU is undertaking and planning to undertake, TGPAU is directly supported by the staff members from Total Gas & Power Asia Private Limited (**TGPA**), which is TGPAU’s parent company and 100% shareholder. TGPAU is party to a Services Agreement with TGPA under which TGPA provides services relating to TGPAU’s trading activities (including services related to IT, Risk Control, Finance, Analysis and Corporate Services). All staff are employed by (or assigned from the Total Group to) TGPA and such staff provide services to TGPAU pursuant to this Services Agreement. Costs of such staff are charged through an annual service fee payable by TGPAU to TGPA pursuant to the Services Agreement. A copy of the Services Agreement between TGPA and TGPAU has been provided in **Annexure 5**, and is marked as commercial-in-confidence.

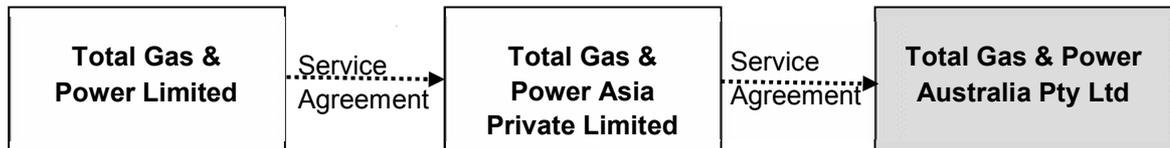
The staff allocated to TGPAU through the Services Agreement includes 17 employees/assignees of TGPA. This staff has experience in retail and marketing divisions and will support the business from Singapore.

TGPA staffing resource and expertise that will be available to TGPAU is as below:

Function	Staff
<i>Trading</i>	2
<i>Commercial</i>	1
<i>Risk Control</i>	3
<i>IT</i>	1

<i>Finance & Credit,</i>	4
<i>Legal & Compliance</i>	3
<i>HR</i>	1
<i>Admin</i>	2
TOTAL	17

In addition to the Services Agreement in place between TGPAU and TGPA, TGPA has a service agreement in place with Total Gas & Power Limited (**TGPL**). TGPL is the Total Gas & Power trading head office located in Geneva and known as TOTAL Gas & Power Limited, London, Meyrin – Geneva Branch. This service agreement covers the provision of services related to IT, Risk Control, Finance and Credit, Analysis and Corporate Services.



1.20 Shareholder details

An ASIC Company extract showing TGPAU’s shareholder details is provided in **Annexure 6**.

1.21 Prosecutions or regulatory complaints against the Applicant or associates

There have been no prosecutions or regulatory complaints commenced against TGPAU within Australia or any key personnel in any jurisdiction relating to the types of activities which will be authorised by a retail licence.

1.22 Suitability statement

Please refer to the responses set out in Item 4 below.

1.23 Commission’s objectives

The entry of TGPAU into the Victorian retail electricity market will benefit Victorian consumers through increased competition and we expect our entry will be welcomed in an environment where large customers have experienced elevated and variable electricity prices in recent times.

Our market entry will be based on the investment in large assets within Victoria which will increase the wholesale supply within the state, delivering price and security benefits to all Victorian consumers.

TGPAU is also applying for a retailer authorisation from the AER, allowing our operation in all states within the NEM (apart from Victoria). The granting of a Victorian licence to operate within Victoria will allow TGPAU to market in all states within the NEM, promoting the consistency stated as an objective of the Commission.

2 Information on Technical Capacity

2.1 Capability Statement

TGPAU has the expertise, knowledge and skill base to operate a viable retail electricity business within Victoria.

The above staff members (discussed in Item 1.16 above) perform key operational and management roles within TGPAU's business. Due to the restricted nature of the electricity retail operations which TGPAU is undertaking and planning to undertake, TGPAU will be directly supported by the staff members from its parent company and 100% shareholder TGPA.

2.2 Organisational chart

Please refer to the organisational chart provided in **Annexure 3**, marked as commercial-in-confidence.

2.3 Summary of the skills and experience of the directors, senior managers and other key personnel

This information is set out above in Item 1.16 of this application.

2.4 Business model plans

This information is set out below in Item 3.12 of this application.

2.5 Previous experience as an energy retail or other experience in the energy market

TGPAU has been operating under a retail exemption granted on 6 March 2015. Please see item 1.9 above.

(a) Previous retail experience, locations, energy sold, scale of operations

Within Australia, Total has comprehensive business units in the gas, renewables and power sectors as illustrated in Figure 1 below.

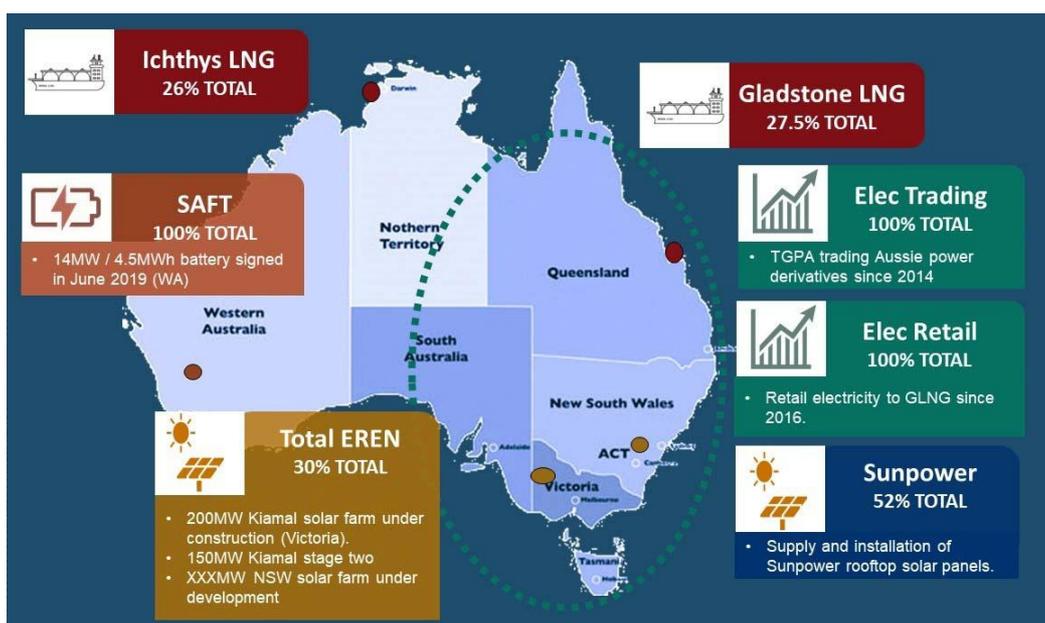


Figure 1: Total Group's interests in Australian projects.

TGPAU is the current electricity retailer and electricity derivative service provider to the GLNG Project in Queensland. [REDACTED]

It is Total's objective to grow the Australian electricity business through expanding its electricity retail position to very large industrial and commercial customers who require a bespoke service provided by TGPAU.

Outside of Australia, the Total Group retails and trades electricity in 10 countries. As shown in Figures 2 and 3 below, in 2018 the Total Group retailed 37 TWh of electricity to more than 5 million customers and traded 250TWh of electricity in 11 countries.

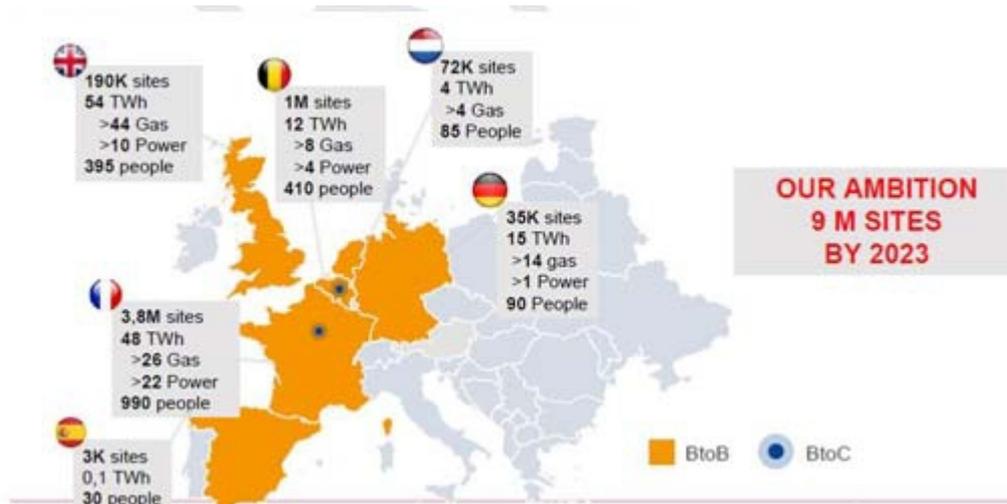


Figure 2: Total Group's international presence.

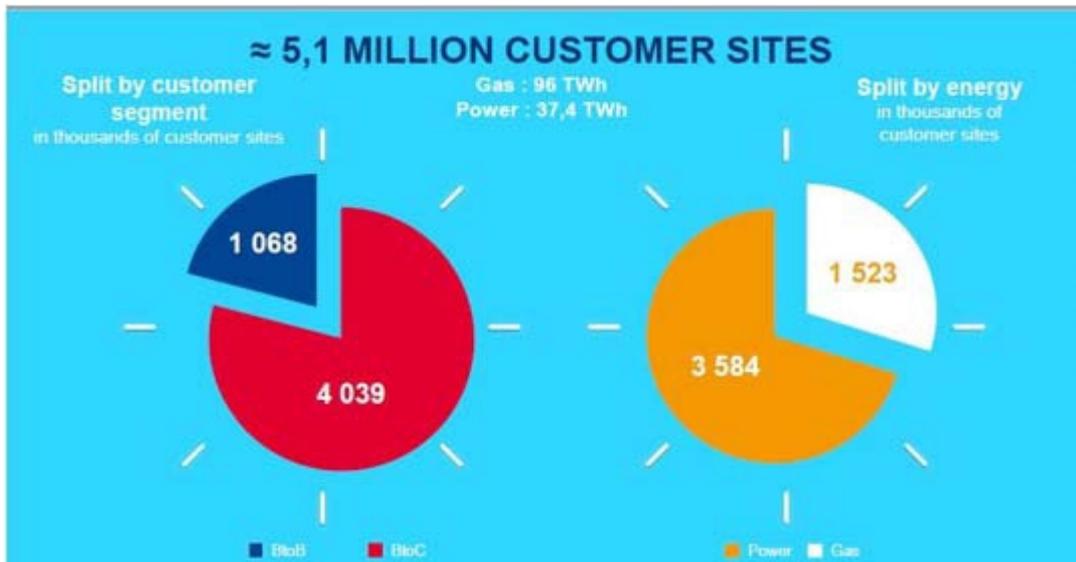


Figure 3: Total Group's customers split by energy and customer segment.

(b) Trading division

The Trading division, under which TGPAU sits, is delegated to manage the retail (gas and power) contracts for all the Total Group entities operating within a market.

2.6 Contracts with external service providers

TGPA is the parent company of TGPAU and will provide support services to the retail activities.

TGPAU will not rely on services outside of the Total Group in relation to the services to be provided pursuant to this application, except that TGPAU is working with an external consultant in relation to compliance (please refer to **Annexure 7**, marked as commercial-in-confidence).

TGPA's role within the Gas & Power division is to act as the regional trading company for non-oil related products. TGPA is registered as a foreign company in Australia (ARBN: 161771286) and holds an Australian Financial Service Licence (**AFSL**) (AFSL licence number: 434976) which authorises it to deal in electricity derivative products and carbon units. TGPA provides hedging and risk management services to TGPAU to manage TGPAU's retail spot market exposure and customer requirements. TGPAU does not hold an AFSL.

2.7 Internal policies and procedures

TGPAU observes and is operated in accordance with its internal controls, policies and procedures as provided in **Annexure 8**, marked as commercial-in-confidence, as well as those of the wider Total Group. These policies are consistent with industry standard and best practice. TGPAU's risk management and compliance arrangements have been externally audited by Shared Safety and Risk. A copy of the risk and compliance audit verification letter from Shared Safety and Risk has been provided in **Annexure 8.A** and is marked as commercial-in-confidence.

2.8 Risk management framework

TGPAU understands that effective risk management is crucial for the operation of a sustainable electricity retailer and has established a risk management policy and framework for both operational and financial risks.

Please refer to the documents provided in **Annexure 8.B** (Risk Management Policy) and **Annexure 8.C** (Risk Management Committee Charter), marked as commercial-in-confidence.

2.9 Compliance framework

TGPAU understands that electricity is an essential service and that retailing of such services is subject to various legislative and wide-ranging requirements.

TGPAU has been operating in the NEM since 2015 and, since that time, has always complied with its obligations and has never received a notice from any authority alleging failure to comply with applicable regulatory requirements.

TGPAU has conducted a comprehensive review of the obligations imposed on authorised retailers in Victoria (summarised in the Victorian Obligations Register at **Annexure 8.D**, marked as commercial-in-confidence) and has developed the following compliance strategy and documentation provided in **Annexure 8**, marked as commercial-in-confidence:

Annexure 8.E - Audit Policy

Annexure 8.F - Complaints and Dispute Resolution Procedures

Annexure 8.G - Compliance Policy

Annexure 8.H - Compliance Risk Assessment Incorrect Customer Classification

Annexure 8.I - Compliance Risk Assessment Template

Annexure 8.J - Compliance Management Committee Charter

Annexure 8.K - Third Party Management

The compliance documentation sets out the compliance and reporting framework addressing AS ISO 19600:2015 that TGPAU will implement as an authorised electricity retailer in the NEM. The complaints and dispute resolution procedure has been developed in accordance with Australian Standard AS NZS 10002-2014. The above documentation has been externally audited by Shared Safety and Risk.

The following additional related Total Group documentation applicable to TGPAU has been provided in **Annexure 8**, marked as commercial-in-confidence:

Annexure 8.L - Code of Conduct

Annexure 8.M – Business Integrity Guide

Annexure 8.N – Privacy Policy

2.10 Registration with Australian Energy Market Operator

TGPAU is registered in the NEM by AEMO.

Please refer to Item 2.9 above.

2.11 Australian Financial Services Licence

TGPAU does not hold an AFSL.

Please refer to Item 2.6 above.

2.12 Liaison with Energy Safe Victoria and statements from industry bodies

Negotiations with additional retail customers are currently at any early stage.

TGPAU understands the importance of regulatory and oversight bodies in the jurisdiction and will initiate contact with Energy Safe Victoria and/or the Energy and Water Ombudsman (Victoria) when these negotiations progress.

2.13 Demonstration of management and billing systems

With respect to billing in relation to additional retail customers, TGPAU will use the existing billing system that it uses for retail for the GLNG Project. This is a bespoke system leveraging the Total Group's existing external energy billing infrastructure.

A summary of TGPAU's current billing procedure for electricity retail to GLNG is provided in **Annexure 9**, marked as commercial-in-confidence. This procedure would be replicated for new customers.

2.14 Industry submissions

N/A

2.15 Arrangements with licensed electricity generator gas producer or re-allocation agreement

N/A

2.16 *Meter reading*

Negotiations with additional retail customers are currently at any early stage and TGPAU will make contact with metering providers at the appropriate time.

Further information can be provided upon request.

3 **Information on Financial Viability**

3.1 *Financial Assurance Statement*

TGPAU has access to sufficient financial resources to commence and operate a sustainable electricity retail business in order to satisfy the interests of its customers.

TGPAU forms part of the Total Group's strategic business intent in Australia and will be provided with appropriate financial support by its parent company TGPA, and the Total Group treasury, if required. TGPAU has an overdraft facility granted by Total Group treasury. In addition, TGPA has issued a parent company financial support letter to TGPAU as provided in **Annexure 10**, marked as commercial-in-confidence.

3.2 *Current balance sheet and financial data*

Relevant company financial information has been provided in **Annexure 11**, marked as commercial-in-confidence.

In addition, the consolidated audited financial statements for 2018 for the Total Group are provided in **Annexure 12**, marked as commercial-in-confidence.

3.3 *Significant contracts*

Please refer to Item 1.18 above.

Negotiations are currently being undertaken with additional potential retail customers. These negotiations are at any early stage using the draft template retail contract provided in **Annexure 13** as a basis.

TGPAU will enter into relevant metering and use of system agreements in relation to these potential customers in due course.

3.4 *Annual report¹ and audited financial statements*

Relevant company financial information has been provided in **Annexure 11**, marked as commercial-in-confidence.

3.5 *Formal credit rating*

TGPAU and TGPA do not have a credit ratings issued by any rating agency.

The Total Group has a credit rating of 'A+' Foreign Currency LT credit rating from Standard & Poor's and Aa3 from Moody's.

3.6 *Assets and liabilities*

Relevant company financial information has been provided in **Annexure 11**, marked as commercial-in-confidence.

¹ The 2018 Annual Report for the Total Group is also available for review online (http://www.annualreports.com/HostedData/AnnualReports/PDF/NYSE_TOT_2018.pdf).

3.7 Guarantees in place or arrangements to access additional capital

TGPAU is aware of the requirement for energy retailers and has provided copies of its existing facility at **Annexure 14**, marked as commercial in confidence.

TGPAU and the Total Group has established relationships with banking and financial institutions and is confident that any additional bank guarantees that may be required or increases in the existing facility can be secured in the future.

Please see item 3.1 above for further details regarding TGPAU's access to additional capital.

3.8 Shareholder register

TGPAU is a wholly owned subsidiary of TGPA.

If required, a shareholder register for either TGPA or TGPAU can be provided upon request.

3.9 Statements from bank/financier, shareholders, the board or parent company

A declaration from the Managing Director of TGPAU, regarding the financial viability of TGPAU has been provided in **Annexure 15**, marked as commercial-in-confidence.

This declaration matches the public statement provided above in Item 3.1.

3.10 Business plan and financial model

TGPAU's electricity retail business plan, for the next 5 years, and the financial model which supports the business plan has been provided in **Annexure 16**, marked as commercial-in-confidence.

3.11 Material and/or likely changes in financial position and structure

Please refer to the declaration provided in **Annexure 15**, marked commercial-in-confidence.

4 Suitability Factors

TGPAU is a fit and proper person to hold a Victorian electricity retail licence. To the best of TGPAU's knowledge:

- (a) no directors of TGPAU have been declared bankrupt, have had their affairs placed under administration or have been disqualified from managing a company;
- (b) no directors of TGPAU nor any person with significant managerial responsibility or influence over TGPAU have been subject to any debt judgments or insolvency proceedings;
- (c) no directors of TGPAU nor any person with significant managerial responsibility or influence over TGPAU have been charged with fraud, theft or any other criminal offence;
- (d) none of TGPAU, the directors of TGPAU or any person with significant managerial responsibility or influence over TGPAU have been involved in any material breaches of obligations regulated by the ESC;
- (e) none of TGPAU, the directors of TGPAU or any person with significant managerial responsibility or influence over TGPAU, have been prosecuted for any offences or had any enforcement action taken under any state, territory, Commonwealth or foreign legislation (including, but limited to, the *Competition and Consumer Act 2010* (Cth), *Corporations Act 2001* (Cth), or the *Australian Securities and Investments*

Commission Act 2001 (Cth) relevant to TGPAU's capacity as an electricity retailer;
and

- (f) neither TGPAU nor any person with significant managerial responsibility or influence over TGPAU has been refused a licence or authorisation, or had a licence or authorisation restricted, suspended or revoked in this jurisdiction.

As regards the wider Total Group companies, please refer to **Annexure 17** (marked commercial-in-confidence) which contains information on legal and arbitration proceedings for the previous 10 years extracted from (i) TOTAL S.A.'s Annual Reports on Form 20-F filed with the United States Securities and Exchange Commission and (ii) TOTAL S.A.'s Registration Documents (Document de Référence) filed with the French Financial Markets Authority (Autorité des Marchés Financiers). The full reports can be found at the following link:

<https://www.total.com/en/investors/publications-and-regulated-information/reports-and-publications>

5 AER Application

Attached for your information (at **Annexure 18** and marked commercial-in-confidence) is a copy of TGPAU's retail authorisation application submitted to the AER, as referred to in Item 1.23 above.

Annexures

The following annexures are provided on a **Commercial-in-Confidence** basis:

Annexure 1 – TGPAU Constitution

Annexure 2 – Certificate of registration of TGPAU

Annexure 3 – Organisational Chart and Corporate Structure

Annexure 4 – Details of officers (directors) of TGPAU

Annexure 5 – Services Agreement between TGPAU and TGPA

Annexure 6 – ASIC Company extract of TGPAU

Annexure 7 - Consultancy Agreement between TGPAU and compliance consultant

Annexure 8 – Compliance and Risk Management documentation

Annexure 8.A - Risk and compliance audit verification letter

Annexure 8.B - Risk Management Policy

Annexure 8.C - Risk Management Committee Charter

Annexure 8.D - Victorian Obligations Register

Annexure 8.E - Audit Policy

Annexure 8.F - Complaints and Dispute Resolution Procedures

Annexure 8.G - Compliance Policy

Annexure 8.H - Compliance Risk Assessment Incorrect Customer Classification

Annexure 8.I - Compliance Risk Assessment Template

Annexure 8.J - Compliance Management Committee Charter

Annexure 8.K - Third Party Management

Annexure 8.L - Code of Conduct

Annexure 8.M – Business Integrity Guide

Annexure 8.N – Privacy Policy

Annexure 9 – Summary of TGPAU's Billing System

Annexure 10 – Parent company support letter

Annexure 11 - Audited financial statements of TGPAU

Annexure 12 – Consolidated audited financial statements for the Group

Annexure 13 - Draft template electricity retail contract

Annexure 14 – Existing bank facility

Annexure 15 – Declaration regarding financial viability of TGPAU

Annexure 16 – Business Plan and Financial Model

Annexure 17 – Information regarding Total Group legal and arbitration proceedings

Annexure 18 – Copy of TGPAU's AER application