



## **Weston Energy**

### **Application for a license to sell gas in Victoria**

**From**        **Weston Energy, Chris McPherson**  
**To**         **Essential Services Commission**  
**Date**       **17 Aug 2017**  
**Version**    **V 6 B – Public Version, for public release.**

# 1. Introduction

## 1.1. Overview of Weston Energy

Weston Energy is an independent Australian gas retailer. We are currently selling gas to large commercial users in NSW, SA and Qld. We now plan to expand our innovative new gas offering to Victorian commercial customers.

Weston Energy offers a new approach for large gas users to buy gas at the wholesale market price. This provides a new and valuable alternative for commercial and industrial gas users that can deliver much cheaper gas.

### **Nature and scope of Weston Energy's proposed operations in Victoria**

Weston Energy intends to sell gas to large Commercial & Industrial (C&I) businesses in Victoria. This is the segment of the market that we currently serve in NSW, SA and Qld. We have been asked by our current customers to offer this product in the Victorian market.

## 1.2. Details of the applicant and application

### **Applicant Details**

Name and ABN	Weston Energy Pty Ltd ABN 47 142 392 738
Registered address Business address	Suite 18, 809-811 Pacific Hwy, Chatswood NSW 2067 P: +61 2 9413 3345 F: +61 2 9413 3364
Contact	Chris McPherson, General Manager Weston Energy, Suite 18, 809-811 Pacific Hwy, Chatswood NSW 2067 t) 0439 652 119 e) <a href="mailto:cmcpherson@westonenergy.com.au">cmcpherson@westonenergy.com.au</a>

### **Application details**

Licence sought	A licence to sell gas in Victoria
Licence conditions	Weston Energy requests the licence be limited to retailing gas to large Commercial and Industrial customers with ACQ over 10 TJ only.
Timing	Weston Energy aims to commence selling gas in January 2018

## **2. Meeting The Commission's Objectives**

### **2.1. General**

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There are currently effectively only two gas retailers for large C&I customers in Victoria. Granting Weston Energy a retail licence would provide an important and valuable third choice for large gas users.

Granting Weston 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).

Granting a licence to Weston Energy 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 and large gas users.

### **2.2. Promoting gas retail competition in Victoria**

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Weston Energy is an independent, privately-owned energy retail business, created to provide an innovative alternative to the existing gas retailers for larger commercial customers. Weston Energy's new approach to selling gas has created new choices and new competition in NSW, SA and Qld.

Weston Energy has effectively been the third gas retailer, for Commercial and Industrial (C&I) customers in NSW over the last year. It has brought more competition to the market at a time when the market really needs it. It has created new lower cost choices at a time when manufacturing companies are in real need of lower cost gas alternatives.

Weston Energy also creates an entirely new choice for large gas users. We allow them to buy gas at the wholesale market price. This enables a new choice and a new price structure for gas users.

Granting Weston Energy a licence to sell gas in Victoria will enable Victorian C&I customers to have some new choices around how they buy gas. It will provide new choices, new price options and enhanced retail competition.

### **2.3. Promoting the long term interests of Victorian commercial gas consumers**

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Weston Energy's gas offering has proven to be a valuable new alternative for large companies to purchase gas. It has resulted in substantial cost savings for NSW and SA customers, and provided an important new choice for large gas users.

Weston Energy's directors and management team have substantial experience in the Australian energy industry and in developing new energy solutions for commercial gas users.

Granting Weston Energy a licence to sell gas in Victoria will give Victorian C&I gas customers an important new choice in how they buy gas. This will contribute to achievement of the Commission's objective of promoting gas retail competition, in the best interests of consumers.

## 3. Financial Capacity

### 3.1. Overview

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Weston Energy is currently active as a gas retailer in NSW, SA and Qld. We have the proven financial capability and resources to successfully undertake the business of retailing gas to C&I users in Victoria.

### 3.2. Statement of financial viability

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Weston Energy is financially viable and has the financial resources, and access to further resources, sufficient to sustain the business it intends to develop and carry out, under its licence to sell gas.

### 3.3. Financial position

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See Confidential Attachment.

### 3.4. Business plan

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See Confidential Attachment.

### 3.5. Credit support obligations

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#### 3.5.1. AEMO

Weston Energy has substantial guarantees and credit support currently in place with AEMO for our current business in NSW, SA and Qld.

We also provide guarantees or credit support to pipelines, networks or gas producers where required. These guarantees can readily be expanded to accommodate the Victorian gas customers.

#### 3.5.2. Gas pipelines and networks

Weston Energy has financial resources, and access to further resources, sufficient to meet the obligations it will have under its Access Arrangements with each Victorian gas distributor to provide credit support to that distributor.

### 3.6. Risk management

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Weston Energy's business model involves extremely low gas market risk and gas payment risk. We have excellent system in place to minimize our business exposure to gas business risks.

The confidential attachment outlines in more detail why our business risks are so low and so well managed. This is a source of competitive advantage for the Weston Energy gas business.

We have also attached a copy of the full customer proposal. It provides the detailed business information about how this product works and is provided to all prospective customers of this product. This should provide some more information for ESC on the product that we offer.

Weston Energy had developed appropriate, professional risk and compliance policies and procedures. Attach is a copy of the two most relevant documents:

- Weston energy risk and compliance policy and procedures document (Weston Energy Risk PP \_cm3aug16)
- Weston energy compliance and risk register (Weston Energy \_ compliance and risk register \_cm30jun17)

## 4. Technical Capability

### 4.1. Overview

Weston Energy is currently active as a gas retailer in NSW, SA and Qld. We have the proven technical capability and resources to undertake the business of retailing gas to C&I customers in Victoria.

Weston Energy currently has all of the systems, processes and people in place to professionally run a gas retailing business. These are fully operational for our NSW, Qld and S.A, gas retail operations. These systems have been built to readily accommodate the Victorian gas market and Victorian customers.

These are in-house capabilities and permanent payroll staff, We do not outsource any of the core function, nor rely on any external contractors for the core business activities

Our current gas retailing activities in NSW, SA and Qld have been undertaken professionally and competently. We have proven to the satisfaction of AEMO that we have the capability professionally run a gas retailing and trading operation in the Australian market.

AEMO have been very supportive of the Weston Energy businesses, as they are every keen to encourage additional gas retailers and retail choices in the current gas market.

Our proven capability includes the following business areas:

- **capacity to operate a business:**
  - *Managing supplier contracts*
  - *Managing customer contracts*
  - *Customer account establishment and management*
  - *Customer service provision*
  - *Billing and collection*
  - *Appropriate management systems*
- **capacity to comply with regulatory requirements**
  - *Provision of information to distributor*
  - *Meter reading*
  - *Provision of information to customers*
  - *Privacy and confidentiality management*
    - *Customer information management system*

We have a demonstrated and well proven capacity to:

- manage supplier and customer contracts
- maintain customers' accounts accurately and securely
- provide customer service at least to the standards as specified in the relevant codes and guidelines
- manage and undertake customer billing and collection
- maintain appropriate management, governance and reporting systems consistent with codes and guidelines and any applicable Australian Standards (AS-3806, AS – 8000)
- maintain appropriate management and records systems.

These have been demonstrated to the satisfaction of AEMO for our operations in NSW, SA and Qld. We would be happy to demonstrate any of these capabilities to ESC as part of this retail licence application. More specific information on the key areas is provided below.

## 4.2. Organisational structure

An organisational structure diagram showing Weston Energy's board, management and other key personnel is included in Confidential Attachments.

### Weston Group



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### Weston Energy Pty Ltd

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CEO	GM & Sales -	Operations Manager	Nominations and reporting	Weston Group Shared Services
Garbis Simonian	Chris McPherson	Gerrod Murphy	David Simonian	<ul style="list-style-type: none"><li>• Finance</li><li>• HR &amp; payroll</li><li>• IT support</li><li>• Legal and compliance</li></ul>

## 4.3. People

	<p><b>Garbis Simonian (CEO)</b> Garbis Simonian is the CEO &amp; majority owner of Weston Aluminium. Garbis has had 40 years as a successful entrepreneur. He was a founding director of Macquarie Energy, later floated as Apollo Gas Ltd &amp; sold to Dart Energy Ltd. He is Managing Director &amp; the largest shareholder of Hunter Gas Pipeline.</p> <p>Garbis is founding Chairman of Industrial Ecology Australia, &amp; was President of Australian Council of Recyclers 2011-2015. Areas of expertise, gas, nonferrous metals, power generation, property development, recycling.</p> <p>Qualifications - BA LLB (Hons) Sydney University</p>
	<p><b>Chris McPherson (General Manager)</b> Chris McPherson is a leading creator of new energy solutions and new gas solutions in Australia.</p> <p>Chris has 25 years' experience in the Australian energy industry covering all aspects of energy markets and energy business.</p> <p>Previous roles include energy trading manager, energy sales manager, energy pricing manager, global energy procurement, and strategic energy consulting.</p> <p>Prior to establishing Weston Energy, Chris specialized in creating new energy solutions for Australian companies and Australian markets. Many of the top 20 energy users in Australia, looked to Chris for creative new gas solutions, renewable energy advice, energy strategy and new energy solutions.</p>

	<p><b>Gerrod Murphy (Operations Manager)</b> Gerrod is a chemical engineer with considerable experience in Australian Manufacturing. Gerrod has first-hand experience as both a customer of this innovative new approach and now as the Operations Manager responsible for overseeing the procurement, trading and delivery of gas to our customers. Through this experience, Gerrod has gained a deep understanding of the mechanics behind the gas markets and the systems used to achieve the lowest possible gas price for the customer. Qualifications – BEng (Chemical) (Hon. Class 1)</p>
	<p><b>David Simonian (Nominations and Reporting)</b> Based in Chatswood head office David is the junior manager supporting operations and is our trainee marketing manager. Previously David worked at the Weston Aluminium plant in Kurri Kurri at various positions gaining experience in production.</p>

**Shared services:** As part of the Weston group of companies, Weston Energy has access to a range of professional business services and shared services in areas such as Finance, HR & payroll, IT support, Legal and compliance

#### 4.4. Systems and processes

Weston Energy has all of the systems and processes in place to operate a professional gas retailing and trading operation. These systems are well proven in the STTM gas markets and were designed to accommodate the DWGM market needs and the requirements of Victorian gas customers.

#### 4.5. Mapping of Key Technical Capabilities to key staff and systems

The Weston Energy gas retailing people, capacities and systems are all in-house staff and systems. We do not use external contractors, staff or systems for the core business activities of gas retailing and trading.

<p><b>Gas purchasing and trading</b></p>	<p><b><u>People:</u></b> Chris McPherson – prior experience in gas trading and risk management at Westpac bank, Origin energy and Energy 21. Supported by the gas operations manager and CEO.</p> <p><b><u>Systems:</u></b> Gas purchasing and trading processes and IT systems are in place and operational today for the current gas retailing activities in NSW, SA and Qld. These systems were designed to accommodate the Victorian market.</p>	
<p><b>Gas nominations and settlements</b></p>	<p><b><u>People:</u></b> Gerrod Murphy – Current operations manager for Weston Energy, responsible for gas nominations and settlements across NSW, SA and Qld today.</p>	

	<p><b><u>Systems:</u></b> Nominations and settlements processes and IT systems are in place and operational today for the current gas retailing activities in NSW, SA and Qld. These systems were designed to accommodate the Victorian market.</p>	
<b>Sales and Marketing</b>	<p><b><u>People:</u></b></p> <ul style="list-style-type: none"> <li>Chris McPherson – prior experience as energy sales manager for Origin Energy</li> <li>David Simonian – Current sales and marketing work for Weston Energy in NSW, SA and Qld</li> </ul>	
<b>Financial Control</b>  <b>Risk Management and Oversight</b>	<p><b><u>People:</u></b> Nobby Matsui – 30 years experience in financial control of manufacturing organizations. Nobby has financial oversight of Weston Energy for the current gas retailing activities in NSW, SA and Qld</p> <p><b><u>Systems:</u></b> Financial control, auditing and risk management systems, appropriate to a small gas retailer are currently in place. These are supervised and supported by the parent company as part of the Weston Group of companies</p>	
<b>Gas billing and collections</b>	<p><b><u>People:</u></b> Gerrod Murphy – Current operations manager for Weston Energy, responsible for gas nominations and settlements across NSW, SA and Qld today.</p> <p><b><u>Systems:</u></b> Business processes and IT systems in place and operational today for the current gas retailing activities in NSW, SA and Qld. These systems were designed to accommodate Victorian customers.</p>	
<b>Gas pipelines and networks</b> <b>AEMO interaction</b> <b>Customer response, queries and disputes</b>	<p>These key gas operational capabilities are all currently in place and functioning well as part of our current gas retail business.</p> <p><b><u>People:</u></b> Gerrod Murphy – Current operations manager for Weston Energy, supported by David Simonian and with backup support from the Weston Group shared services staff.</p> <p><b><u>Systems:</u></b> All of the key operational processes and IT systems are in place and operational today for the current gas retailing activities in NSW, SA and Qld. These systems were designed to accommodate Victorian customers.</p>	

#### 4.6. Risk management

Weston Energy has excellent risk management and control systems and processes in place to operate a professional gas retailing and trading operation. These systems are well proven in the STTM gas markets and were designed to accommodate the DWGM market needs and the requirements of Victorian gas customers.

More information on our market risk management and credit risk management approach is included in the confidential attachments.



#### 4.7. Customer communication, service and support

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Weston Energy has well proven customer communication and customer service systems in place. Because of the nature of our C&I offering we communicate with all our customers on a very regular basis and are able to provide immediate feedback to help them achieve the lowest possible gas price.

These systems are well proven in the STTM gas markets and were designed to accommodate the DWGM market needs, along with the requirements of Victorian gas customers.

#### 4.8. Gas Safety case capability and meeting the ESC requirements

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Weston Energy has engaged with Energy Safe Victoria and understands the needs and requirements relating to the Gas Safety Case. As a gas retailer with no physical gas production facilities the Gas Safety Case relates mainly to communication and reporting requirements.

We have developed a draft safety case including risk policy and communications policy, and we are working with Energy Safe Victoria to complete this.

Weston Energy plans to finalize its gas safety case in the coming months for acceptance by Energy Safe Victoria and will not commence selling gas until that acceptance is in place.

#### 4.9. Approvals and registrations

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##### **AEMO**

Weston Energy is an AEMO approved gas retailer and trader in NSW, ACT, SA and Queensland.

##### **AER**

Weston Energy is a licensed gas retailer in NSW, ACT, SA and Queensland.

Weston Energy's gas retailer Authorization Identification Number is G16004.

##### **Austraclear**

Weston Energy has existing Austraclear approval and capability as part of our STTM activities.

#### 4.10. Gas pipelines and networks

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Weston Energy has extensive gas haulage and distribution arrangements with a large range of gas transmission pipelines and gas network companies.

This is currently being expanded to include the gas distribution networks in Victoria.

#### 4.11. Hardship and complaints

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Weston energy does not sell gas to Residential or Small business (SME) customers. We deal exclusively with gas users who use more than 10 TJ/y.

We have an exemption in the STTM states and markets from the requirements relating to RES & SME customers because we do not sell gas to Residential or Small Business customers.

We have requested a Victorian gas retail licence covering medium and large gas customers only.

#### 4.12. **Compliance**

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We have extensive compliance procedures in place as part of our existing gas retail and trading business. These are designed to accommodate the DWGM gas markets and Victorian gas retail requirements.

We have professional compliance systems in place supported by the shared services compliance capability of our parent manufacturing company (Weston Aluminium).

## 5. Suitability

### 5.1. Previous unsuccessful applications to the ESC and in other jurisdictions

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Nil.

### 5.2. Prosecutions and regulatory complaints

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No prosecution or regulatory complaint has been commenced against Weston Energy or any person related to or associated with it

### 5.3. Standing of directors and management team

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

### 5.4. Capacity to operate a gas retail business

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Weston Energy's management team has extensive experience in the energy industry including in gas retail, gas trading and gas risk management.

Weston Energy has a suite of professional operating policies and procedures to underpin its business activities. These resources give us the capacity to operate a compliant gas retail business.

### 5.5. Capacity to comply with gas retail regulatory requirements

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Weston Energy's senior managers and service providers have deep experience in gas retailing and trading, which underpins its capacity to comply with regulatory requirements in gas retailing.

Weston Energy has adopted and implemented relevant compliance policies and procedures for the energy industry.

## 6. Statutory declaration

A statutory declarations in relation to the accuracy and completeness of all information provided in this application is included in the confidential attachments

## 7. Confidential Attachments

*The following information has been deleted from the public submission document and is provided in Confidence to the AER in the Confidential submission document and supporting information:*

### 7.1. Limit of scope

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### 7.2. Evidence of financial Viability

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### 7.3. Incorporation Documents

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### 7.4. Overview of the business model

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### 7.5. Risk management

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### 7.6. Information on the parent company

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### 7.7. Financial accounts for the parent entity Weston Aluminium

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### 7.8. Auditors letter

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### 7.9. Statutory Declaration

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### 7.10. Weston Energy risk documents

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### 7.11. Weston Energy Sales Proposal

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