



**APPLICATION FOR  
ELECTRICITY RETAILER  
AUTHORISATION**

This authorisation application for electricity is submitted for the attention of:

**General Manager  
Retail Markets Branch  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001**

An electronic copy of this application has been emailed to [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au).

## Table of Contents

<b>1.0 Background .....</b>	<b>1</b>
1.1 About Tel.Pacific .....	1
<b>2.0 The Nature of Our Application .....</b>	<b>2</b>
<b>3.0 Part 1 AER Process: Information Requirements - General Particulars .....</b>	<b>3</b>
3.1 Legal name .....	3
3.2 Trading name .....	3
3.3 ABN or ACN .....	3
3.4 Registered address .....	3
3.5 Nominated contact persons .....	3
3.6 Form of energy for authorisation .....	4
3.7 Commencement of retail operations .....	4
3.8 Nature and scope of operations .....	4
3.9 Jurisdictional coverage.....	4
3.10 Customer types .....	4
<b>4.0 Part 2.1 Entry Criteria: Informational Requirements - Organisational and Technical Capacity.....</b>	<b>5</b>
4.1 Previous industry experience .....	5
4.2 Other relevant experience.....	5
4.3 Major shareholders and experience .....	6
4.4 Organisation chart.....	6
4.5 Number of employees .....	6
4.6 Qualifications, technical skills and experience .....	7
4.6.1 <i>Key officers - directors and executives</i> .....	7
4.7 Human resources and recruitment policy.....	10
4.8 Competence and training .....	10
4.9 Business plan .....	11
4.10 Quality assurance accreditations .....	11
4.11 Compliance .....	12
4.11.1 <i>Complaint and dispute resolution procedures</i> .....	12
4.11.2 <i>Customer hardship policy</i> .....	12
4.12 Risk management .....	12
4.13 Director's declaration on risk management and compliance.....	13
4.14 Customer energy supply contracts.....	13
4.15 Insurance arrangements .....	13
4.16 Outsourced service providers .....	13
4.17 Memberships and Registrations.....	14

4.17.1	<i>Energy and Water Ombudsman scheme</i>	14
4.17.2	<i>AEMO (and Austraclear) registration</i>	14
4.17.3	<i>Australian Financial Service Licence (AFSL)</i>	14
4.17.4	<i>Community Services Agreements</i>	14
4.18	Use-of-system agreements	15
4.19	ROLR, transfer or surrender of authorisation	15
4.20	Additional information	15
4.20.1	<i>Customer charter and privacy</i>	15
4.20.2	<i>Wholesale Trading and Risk Control Policy</i>	16
<b>5.0</b>	<b>Part 2.2 Entry Criteria: Information Requirements - Financial Resources</b>	<b>16</b>
5.1	Audited financial statements	16
5.2	ASIC submissions under Chapter 2M of the Corporations Act	16
5.3	Credit rating	16
5.4	Related companies structure and arrangement	17
5.4.1	<i>Parent company support</i>	17
5.5	Forecast revenue and expenses	17
5.6	Declaration from Independent Auditor	18
5.7	Declaration from Chief Executive Officer	18
5.8	Bank guarantees	18
<b>6.0</b>	<b>Part 2.3 Entry Criteria: Information Requirements - Suitability</b>	<b>18</b>
6.1	Materials failures, revocation of authorisations and legal actions	18
6.2	Offences and prosecutions	19
6.3	Criminal history checks	19
6.4	Director disqualifications	19
6.5	Declaration from CEO on bankruptcy	19
6.6	Full names and residential addresses of all officers	19
6.7	Probity policies and procedures	19
6.8	Other information	20
<b>7.0</b>	<b>Appendices</b>	<b>21</b>

**This retailer authorisation application has been prepared in line with the requirements detailed in the Australian Energy Regulator’s “Retailer Authorisation Guideline version July 2011”.**

## 1.0 Background

CovaU Pty Ltd (CovaU) is a recently registered business with the specific purpose of retailing electricity and gas in the Australian contestable energy markets.

CovaU is a wholly-owned subsidiary of Tel.Pacific Ltd (Tel.Pacific), which is a publicly listed company based in New South Wales.

### 1.1 About Tel.Pacific

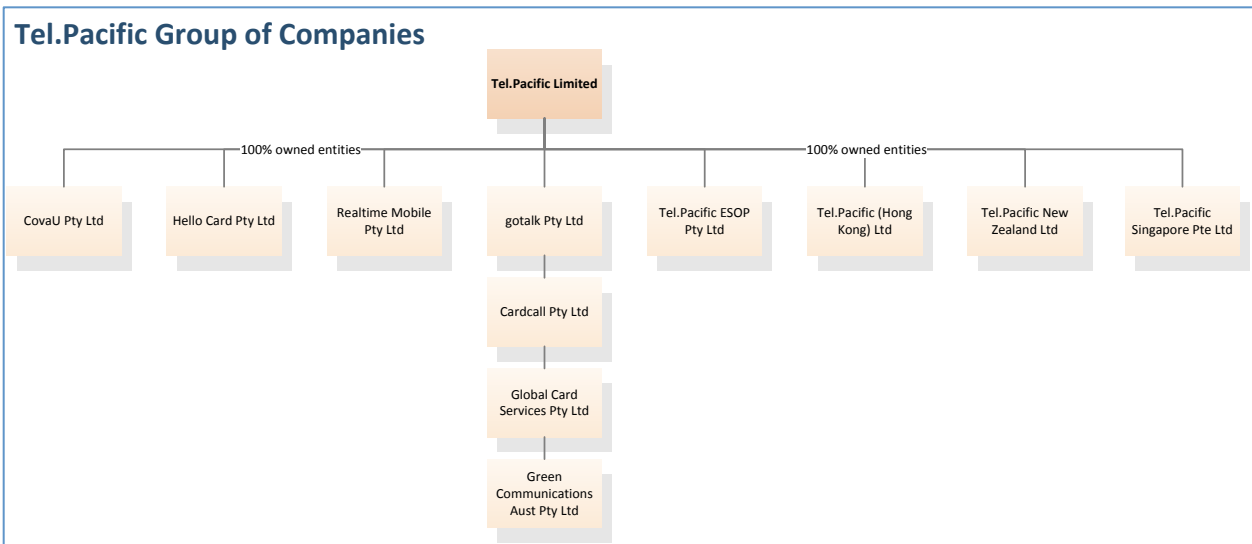
Tel.Pacific, established in 1996, is a significant participant in the Australian communications market.

Tel.Pacific’s core retail offering is prepaid telephony products and services. It operates four lines of businesses through its extensive distribution networks covering:

- Prepaid calling cards;
- Subscription direct dial;
- Internet Connectivity; and
- Voice over Internet Protocol (VoIP).

Since its establishment, Tel.Pacific has experienced strong and sustained revenue growth over time. Its product line comprises more than 30 different brands of low cost pre-paid calling cards mainly used for international telephone calls to over 230 countries and regions. Tel.Pacific portfolio includes popular brands such as Hello, Joy and GPS, which provide excellent value for money for international calls.

The following diagram shows the ownership structure of controlled entities under the Tel.Pacific group of companies. All entities listed are fully owned by the parent company, Tel.Pacific Limited.



Tel.Pacific now has operational footprint in Australia (head office), New Zealand and Singapore, with customer service centres located in Australia, the Philippines and China.

It became a listed company in the Australian Stock Exchange (ASX) on 16 July 2007, under the listing code of TPC in the ASX.

## 2.0 The Nature of Our Application

CovaU is applying for both the electricity and gas retailer authorisations with the Australian Energy Regulator (AER).

Two separate applications, one containing the electricity retailer authorisation application and the other containing the gas retailer authorisation application, are submitted here for the AER.

This particular document contains the application for electricity retailer authorisation.

For gas retailer authorisation application, please refer to the gas application document attached.

## 3.0 Part 1 AER Process: Information Requirements - General Particulars

The following information, provided in accordance with the Retailer Authorisation Guideline, contains the general business particulars of CovaU.

### 3.1 Legal name

The legal name of the applicant is CovaU Proprietary Limited. It is a 100% owned subsidiary of Tel.Pacific Limited.

The entity was initially registered as Rivernet Pty Ltd on 26 October 1999 under the Corporations Act 2001. Rivernet Pty Ltd subsequently changed its name to CovaU Pty Ltd on 25 July 2013. CovaU was registered as an incorporated body on 15 August 2013 under Section 33(8) of the Business Registration Act 2011.

Please refer to *Appendix 1* for CovaU's Certificate of Registration.

### 3.2 Trading name

CovaU's legal name is its trading name.

### 3.3 ABN or ACN

CovaU's ACN is 090 117 730.

### 3.4 Registered address

The principal address for CovaU's business operations and service of documents is located at:

CovaU Pty Ltd  
Level 10 Tower B  
821 Pacific Highway  
Chatswood NSW 2067

### 3.5 Nominated contact persons

CovaU's contact persons for this application are:

Steven Goodarzi  
Chief Strategy Officer  
Email: [steven.goodarzi@tel.pacific.com.au](mailto:steven.goodarzi@tel.pacific.com.au)  
Telephone: +61 2 8448 0618

Carlos Leus  
Regulatory & Compliance Officer  
Email: [carlos.leus@tel.pacific.com.au](mailto:carlos.leus@tel.pacific.com.au)  
Telephone: +61 2 8448 0617

### 3.6 Form of energy for authorisation

CovaU seeks retailer authorisation for both electricity and gas.

This application document is submitted specifically for the electricity retailer authorisation.

### 3.7 Commencement of retail operations

CovaU intends to commence energy retail operations on a set target date of 17 February 2014.

### 3.8 Nature and scope of operations

CovaU has long-term aspirations of being a successful and profitable energy (electricity and gas) retailer in key contestable energy markets in Australia.

Initially, it intends to retail electricity and gas to small customers in AER jurisdictions where it currently has a telecommunication business footprint and customer base, beginning in New South Wales. It will then gradually expand into and enter the business or large customer segments focusing specifically on small-to-medium enterprises (SMEs).

It will also look to enter other state-based jurisdictions over time when it is comfortable that its energy retail business, particularly its policies, processes, procedures, people and systems, has the robustness to handle the customer, compliance and competitive requirements of energy retailing.

*Appendix 2* containing CovaU's Business Plan and Financial Forecast provide more detail CovaU's business strategy and approach.

### 3.9 Jurisdictional coverage

CovaU will begin its energy retail operations in NSW, and then expanding into other contestable jurisdictions such as ACT, Victoria and Queensland over time.

### 3.10 Customer types

CovaU will retail electricity and gas to NSW small customers initially. It will then expand into other jurisdictions, retailing to small customers as well as large customers over time.



## 4.0 Part 2.1 Entry Criteria: Informational Requirements - Organisational and Technical Capacity

### 4.1 Previous industry experience

CovaU is a new business start-up established with the specific purpose of retailing electricity and gas. It has no prior operational experience in the Australian energy retail sector.

CovaU is currently undergoing a recruitment drive for experienced energy retail operational personnel from its existing call centres and from external sources for energy retail customer service, transfer and billing.

It has also engaged the support of highly experienced energy retail consulting and system service providers on long-term business arrangements to assist with its energy retail business establishment, implementation and ongoing operations. This includes training, licensing authorisation, compliance, marketing mix development, customer management system, market interfaces and customer service and operational requirements. Please refer to Section 4.14 below on outsourcing service providers for more information.

### 4.2 Other relevant experience

Tel.Pacific, CovaU's parent company, has been a successful participant in the Australian telecommunication retail sector since 1996.

All the Tel.Pacific directors and senior executives are highly skilled and have vast experience in the telecommunication utility sector and retail services.

Telecommunication retail and the energy retail have similar industry profile and characteristics, particularly on business processes and procedures, and industry developments and regulatory requirements. Operationally, all members of the executive team have considerable hands on operational and customer contact experience in the capacity of management, sales support and service provision, and customer information management. Collectively, they possess a sound knowledge and application of governance, risk management and compliance.

In addition, the directors and executives have proven success in building and operating a compliant utility retail business having transformed Tel.Pacific from a telecommunication start-up to a substantial business it is today.

CovaU will be directly leveraging these internal skills, knowledge and experience from its executive team and that of the recently recruited external energy consultants to support and drive the growth and success of its energy retail business.

It is also currently recruiting externally for industry-experienced management and operational personnel in the areas of compliance, analytics, customer service and back-office operations.

### 4.3 Major shareholders and experience

*Appendix 3* provides details of the top 20 shareholders of Tel.Pacific, the full owner of CovaU.

A number of the key shareholders on this list are also current Tel.Pacific and CovaU directors and senior executives.

Section 4.6 below details the qualifications, skills and experience of these directors and executives.

### 4.4 Organisation chart

*Appendix 4* displays the CovaU organisational chart with a number of existing Tel.Pacific group's executive, management and operational personnel to provide energy retail business establishment and ongoing support.

CovaU will also be conducting internal and external recruitment in the areas of risk analysis, regulatory and compliance, retail and commercial management, and back-office operations for customer service, billing and transfers.

External advisors have also been engaged to provide risk management, trading, compliance, marketing and sales development and general business support to CovaU over the initial establishment, implementation and growth period.

### 4.5 Number of employees

The Tel.Pacific group has approximately 200 employees in total, comprising 100 management and operational employees with another 100 customer service employees located in its three multilingual customer service centres.

CovaU will draw on its parent company's infrastructure, personnel, capital and business resources to manage and operate its energy retail business.

*Appendix 5* provides a tabulation of expected CovaU resourcing configuration from initial launch to approximately 6 months of operations.

## 4.6 Qualifications, technical skills and experience

CovaU has assembled a team of highly skilled and experienced personnel that will be supported by contracted energy consultants and external recruitment of relevantly experienced energy retail operational and compliance personnel.

### 4.6.1 Key officers - directors and executives

The following are senior CovaU officers that will provide direct day-to-day support to its energy retail business.

---

Greg McCann B Bus, FCA, FAICD  
Non-Executive Chairman  
Appointed 2 April 2007

Greg holds a Bachelor of Business (Accounting) degree and is a Fellow of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.

He has had 24 years of financial consulting experience with Deloitte Touche Tohmatsu. During this time he has held a variety of senior leadership positions including the roles of Managing Partner for Papua New Guinea (1987 to 1990), Managing Partner for Queensland (1990 to 1995), Managing Partner for New South Wales (1995 to 1997), Managing Director of Deloitte Consulting/ICS Australia (1979 to 2001) and most recently Associate Managing Director of Deloitte Consulting for Australia and New Zealand (1999 to 2004).

Greg has extensive experience with boards and senior executives at CEO level. He is currently the Managing Director of Executive Computing Pty Limited, an independent software and consulting services supplier to the Asia Pacific region. Greg is also Chairman of Moko.mobi Limited, a global provider of mobile social networking services and is on the board of the law firm, Lander & Rogers. Greg is also a Non-Executive Director of NBN Tasmania Limited, a company established to rollout the national broadband network services in Tasmania.

---

Chiao-Heng (Charles) Huang B Eng  
Managing Director and Chief Executive Officer  
Appointed 28 February 1996

Charles founded the Company in 1996 as an ISP whilst in his third year of studying towards a Bachelor of Mechanical Engineering degree at University of Sydney. Following the deregulation of the telecommunications industry, Charles sought the opportunity to resell voice products in Australia and in 1999 he decided to transform the Company from a technology oriented ISP to a marketing and innovation-oriented player in the prepaid calling card sector.

He has successfully steered Tel.Pacific from a start-up company to its current position as a leading player in the calling card market. Charles has developed a robust business model and a cost-effective sales channel strategy.

---

Barry Chan B Eng  
Executive Director and Chief Operating Officer  
Appointed 29 September 1999

Barry holds a degree in Mechanical Engineering from the University of Sydney.

Barry joined the Company in 1999 in a customer service trainee role. He moved on to work in different areas within the Company, learning every aspect of the business. Appointed Head of Sales and Marketing in June 2004, he has played a key role in creating a very successful sales distribution channel. Prior to that Barry held positions as Product Manager, Customer Service Manager, Business Development Manager and Sales Executive.

Barry has been a significant driver in achieving the impressive growth in the prepaid telecommunication products of the Company.

---

Jeffrey Ma BA, FCA, F Fin  
Executive Director, Chief Financial Officer and Company Secretary  
Appointed 22 November 2004

Jeffrey joined the Company in 2000 with more than 15 years financial services experience. He holds a Bachelor of Arts (Accounting and Financial Management) degree from the University of Sheffield, England and is a Fellow of the Institute of Chartered Accountants in England and Wales. He is also a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Financial Services Institute of Australia.

He has over 11 years of financial services experience gained with Credit Lyonnais Australia Limited, a merchant bank, where he held the position of Company Secretary and Head of Finance and Administration in his last five years and was a Member of the Management Committee. Jeffrey also worked for two years in Westfield Holdings Limited; a listed property management and development company. He has an extensive professional background, having also worked for Coopers and Lybrand (now PricewaterhouseCoopers) in Hong Kong and with a chartered accounting firm in London.

---

Stephe Wilks B Sc, LL.M  
Non-Executive Director  
Appointed 2 April 2007

Stephe holds Bachelor of Science and Law degrees from Macquarie University and a Master of Laws from University of Sydney.

He has over 15 years of experience in the telecommunications industry in a variety of senior management roles including Regional Director Regulatory Affairs with BT Asia Pacific (1995 to 1998), Director Regulatory and Public Affairs at Optus, and Managing Director of XYZed Pty Limited (an Optus Company) (1998 to 2002), Chief Operating Officer of Nextgen Networks

(2002 to 2003), Chief Operating Officer at Personal Broadband Australia and Consulting Director at NM Rothschild & Sons (2003 to 2005).

Stephe is an active non-executive director with public and private company experience. He is presently a Non- Executive Director of Service Stream Limited, Tel.Pacific Limited and 3 Q Holdings Limited, and an Advisory Board member of the Network Insight Group.

---

Nick Geddes FCA, FCIS  
Company Secretary  
Appointed 2 May 2007

Nick is the principal of Australian Company Secretaries, a company secretarial practice that he formed in 1993. Nick is the immediate past President of Chartered Secretaries Australia and a former Chairman of the NSW Council of that institute. His previous experience, as a Chartered Accountant and Company Secretary, includes investment banking and development and venture capital in Europe, Africa, the Middle East and Asia.

Nick is a Chartered Accountant (Fellow of the Institute of Chartered Accountants in England and Wales) and Fellow of the Institute of Chartered Secretaries (Chartered Secretaries Australia).

---

Steven Goodarzi BSc  
Chief Strategy Officer  
Appointed 1 July 2013

Steven has extensive management and operational experience internationally across strategy, business development, sales and marketing within the telecommunications and IT industries. Most recently Steven has been instrumental in leading the successful strategy and business development of the financial markets across the major financial centres of Asia, North America and Europe.

As Chief Strategy Officer, Steven's vision and leadership is the driver behind the forming of CovaU.

Most recently Steven was based in Tokyo with KVH, a Fidelity Investment company, as Director of Strategy and Business Development.

Steven holds a Bachelor degree in Computer Science and Psychology from the University of New South Wales, Sydney.

#### 4.7 Human resources and recruitment policy

The Recruitment & Selection Policy for Tel.Pacific and its subsidiaries is designed to ensure fairness and transparency in our recruitment processes. Tel.Pacific strives to find the best people to fill a role, and at the same time promotes equal employment and development opportunities for internal and external candidates.

Our recruitment procedures for customer service, operational, management and executive positions are encapsulated in the policy provided in *Appendix 6*.

We adopt the following procedures for selecting key operational, management or executive positions:

- screening candidates using the critical selection criteria and KPIs set out in the position description;
- interviewing candidates with a panel of current managers or executives;
- using psychometric tests as necessary;
- conducting at least 2 reference checks and employment history check on preferred candidates;
- completing background and 'good fame and character' checks for the position including criminal history check, bankruptcy check and searching ASIC various registers (professionals and banned persons) or similar databases if appropriate;
- ensuring the prospective employee is eligible to work in Australia (or the country where the role is domiciled); and
- ensuring shortlisted candidates and preferred candidate have the requisite qualifications and industry licence to perform in the role.

Our policy also details the relevant qualifications, experience and professional industry memberships that are prerequisite for critical roles.

#### 4.8 Competence and training

To support personnel development and learning, CovaU is committed to ensuring our employees, contractors and partners are provided with the necessary training to enable them to be competent and effective in the performance of their duties and compliant execution of industry regulatory and legislative obligations.

CovaU has instituted a structured, 5-module training program designed for our personnel to build critical knowledge. At the end of the training, our personnel are expected to have the general knowledge about the industry and specific knowledge of their work functions in the following areas:

- Module 1 - Energy (electricity and gas) markets and retailing;
- Module 2 - Industry regulatory and legislative instruments and compliance;

- Module 3 - AEMO market administration and procedures;
- Module 4 - Energy wholesale, risk and financial markets; and
- Module 5 - Consumer protection under Consumer and Competition Act 2010 & Australian Consumer Law

*Appendix 7* provides a detailed coverage of our Training and Competence Program and the modules, which applies company-wide to all personnel.

Our program structure will prepare us for market launch readiness and internal operational knowledge development and learning that will apply for the next 12 months of retail operations.

Training will be undertaken according to the schedule in the Training and Competence Program provided for existing employees and as part of the employee induction process for new employees. A Training Register is used as an internal monitoring and reporting tool to ensure that all required training have been undertaken by the relevant personnel.

Additional training will also be instigated where specific deficiencies in knowledge or skills are identified through internal review and monitoring processes. In particular, supplementary training may be adopted for CovaU's operational staff with AEMO on retail market processes and procedures.

Our Regulatory and Compliance Manager has day-to-day responsibility for keeping abreast of regulatory and legislative changes and communicating those changes across CovaU, and assisting in updating and validating the internal training modules.

CovaU will also leverage and customised training materials from Tel.Pacific's call centre agent training manual and internal call quality assurance and monitoring procedures for energy retailing.

The whole CovaU team recently attended a 3-day training workshop on energy regulation and AEMO retail procedures with an external system consultant in readiness for market entry early next year. A number of additional training programs have been scheduled with distribution network providers and external consultants for the first quarter of 2014.

## 4.9 Business plan

*Appendix 2* details CovaU Business Plan and Financial Forecast consisting of a Board endorsed business plan, a 3-year P&L forecast, and a snapshot of our financial model and assumptions.

## 4.10 Quality assurance accreditations

CovaU is a recent business start-up and has yet to embark on quality assurance and standards accreditations.

## 4.11 Compliance

CovaU understands that electricity supply and gas supply are essential services. Retailing of such services is subject to various and wide-ranging legislative and regulatory instruments, and an industry framework that ensures efficient and effective market operations and management including reliable, open access to all end-users.

CovaU views compliance as a critical business requirement and has established a robust framework for licence and operational compliance as represented in our Compliance Plan (including Reporting Obligations) provided in *Appendix 8*. The plan is drafted in line with the principles of AS3806:2006 and ISO3100:2009.

### 4.11.1 Complaint and dispute resolution procedures

The complaints handling and dispute resolution procedures used by CovaU aligns with the Australian Standard AS ISO 10002:2006 Customer Satisfaction - Guidelines for complaints handling in organizations and our requirements as an energy retailer.

*Appendix 9* details these procedures with the specific purpose of providing the customer with a point of contact to enable the complaint to be recorded, actioned appropriately, responded to in a timely, efficient manner and resolved to the satisfaction of the customer.

### 4.11.2 Customer hardship policy

At CovaU, we understand that from time-to-time customers experience financial hardship and may need additional assistance and flexibility. Our Customer Hardship Policy provided in *Appendix 10* identifies and assists vulnerable customers to manage their energy usage and costs.

## 4.12 Risk management

CovaU is committed to promoting a robust risk culture by establishing and adhering to a formal framework for ongoing risk management. This framework includes a common system for the day-to-day management of risks across the business, roles and responsibilities for risk ownership and processes for regular review and reporting of business risks.

*Appendix 11* contains CovaU's Business Risk Management Policy framework that has been established in accordance with the principles and definitions outlined in the AS/NZS ISO 31000:2009 Risk Management standards.

Section 4.20.2 details CovaU's Wholesale Trading and Risk Control Policy and associated procedures.



#### 4.13 Director's declaration on risk management and compliance

CovaU's current Risk Management Policy, Compliance Plan and Obligations, and Wholesale Trading and Risk Control Policy are in controlled draft status pending the convening of a CovaU board meeting for assessment and approval of the policy documents.

These policy documents will be reviewed and approved by the CovaU Board prior to retail market entry.

#### 4.14 Customer energy supply contracts

*Appendix 12(a) and 12(b)* contains the CovaU Market Retail Contract Agreement and Standard Retail Contract Agreement.

The Agreements are made up of the commodity supply terms and conditions, the explanation of available and relevant benefits, offer features and conditions and all other relevant terms and conditions.

#### 4.15 Insurance arrangements

*Appendix 13* contains the Tel.Pacific group's current insurance policies covering public liability, industrial risk liability and workers compensation.

#### 4.16 Outsourced service providers

CovaU has engaged a number of external service providers to assist with the establishment of its energy retail business and ongoing operations.

Support from these service providers includes the following functional areas:

- Industry and functional training
- Licence authorisation
- Policy and procedural development
- Back-office configuration, process review and operational requirements
- Market interface and transactional requirements
- Customer management and billing system implementation and integration
- Marketing and sales including quoting, pricing, product bundling and channel development
- Wholesale trading and risk management
- Compliance for energy retail licence and regulation, and financial services licence

For more detail, please refer to the service provider contract arrangements provided in *Appendix 14*.

## 4.17 Memberships and Registrations

### 4.17.1 Energy and Water Ombudsman scheme

CovaU has made initial approaches to Energy & Water Ombudsman NSW (EWON) with a view to obtaining membership of the scheme as soon as its licence authorisation is approved by the AER for retail market entry in the NSW state jurisdiction.

As with all jurisdictional ombudsmen, EWON is central to the CovaU's Complaint and Dispute Resolution Procedures, providing small customers access to an external dispute resolution scheme for issues relating to service, billing and charging.

### 4.17.2 AEMO (and Austraclear) registration

CovaU has submitted its AEMO registration for retail market participant status on 16 August 2013 and is finalising all outstanding requirements to be a Market Customer with AEMO subject to the authorisation of our retail licence.

CovaU is fully aware of the rules and conditions governing market participation including settlement and reconciliation of energy purchases, B2B interface and service order processes, Austraclear participation for clearing and settlement services and wholesale prudential requirements.

All arrangements and associated requirements with AEMO will be finalised immediately upon AER's authorisation of CovaU's licence application.

### 4.17.3 Australian Financial Service Licence (AFSL)

AFSL is a requirement by ASIC for businesses dealing and trading in derivatives and hedging instruments. CovaU is aware that to trade with wholesale counterparties on energy derivatives for risk management and diversification, it is important that it has a current AFSL with the appropriate conditions.

CovaU has been in contact with ASIC and will embark on the financial services licence application process immediately following the AER licence authorisation process.

Please refer to Section 4.20.2 for further information on our wholesale risk management approach.

### 4.17.4 Community Services Agreements

CovaU has commenced discussions with various governmental and non-governmental community welfare agencies including NSW's Department of Family and Community Services, St Vincent De Paul, Salvation Army and Smith Family with a view to entering into community services arrangements for the provision of concessions to eligible customers.

CovaU understands the various concession schemes and arrangements administered by the federal and state governments and will be in full compliance in line with our hardship policy requirements.

#### 4.18 Use-of-system agreements

In NSW where CovaU intends to start its energy retail operations initially, our representatives have been in discussions with the relevant NSW distribution network providers Ausgrid, Endeavour Energy and Essential Energy for electricity, and Jemena and APA for gas.

CovaU is in receipt of the default Use-of-System Agreements from the respective network providers and is aware of the network standards and procedures and credit support requirements.

CovaU awaits the AER licence authorisation process before finalising the UOS Agreements with the relevant distribution companies in the state jurisdiction.

#### 4.19 ROLR, transfer or surrender of authorisation

As a new business start-up with imminent participation in the Australian energy retail sector, CovaU and its officers have not embarked, participated or triggered any ROLR event or transferred or surrendered any electricity or gas licence authorisation.

#### 4.20 Additional information

##### 4.20.1 Customer charter and privacy

CovaU's Customer Charter, a formal document that sets out information of our service to customers, contains information relating to our role as a retailer and that of the customer, including agreement terms, payment options, special needs, disconnection, privacy and many more. The Charter is provided in *Appendix 15*.

CovaU officers have demonstrated ability in maintaining confidentiality of customer data and complying with the privacy laws that apply to the energy and telecommunications industries.

Unless with the explicit informed consent of the customer, no customer information that CovaU holds will be made available or accessible to third parties other than in accordance with the privacy laws.

CovaU's Privacy Policy is provided in *Appendix 16*.

CovaU's privacy commitment to customers is also included in our Customer Charter.

#### 4.20.2 Wholesale Trading and Risk Control Policy

In retailing electricity and gas commodities, CovaU assumes significant risks prevailing within the wholesale energy markets that require sound and proper management. For most retailers including CovaU, wholesale trading and risk management is a key success indicator.

For CovaU, effective management of these risks can be achieved through a structured internal governance and control approach including segregation of duties, delegation of controls, limits setting and position reporting and monitoring.

The policy, provided in *Appendix 17*, outlines the risk control framework in managing CovaU's exposures to market, credit, operational, regulatory and legal risks in relation to its energy retail activities.

## 5.0 Part 2.2 Entry Criteria: Information Requirements - Financial Resources

### 5.1 Audited financial statements

CovaU is a recently incorporated body and has not commenced any business trading activities. Therefore, it does not have any historical financial statement or business performance data.

Tel.Pacific, the parent company of CovaU, has been a listed company since 2007, with formal reporting and submissions of independently audited financial information to ASIC.

*Appendix 18* comprises the past three years of our parent company Tel.Pacific's Annual Reports. All the consolidated financials are contained in each of the reports.

Also in the Annual Reports are director's report, independent auditor's report and related declarations from the director and independent auditor in compliance with relevant sections of the Corporations Act 2001 and Australian Accounting Standards.

Please refer to *Appendix 19* for a director's declaration that the financial statements comply with relevant accounting standards, provide a true and fair view and have been made in accordance with the Corporations Act 2001.

### 5.2 ASIC submissions under Chapter 2M of the Corporations Act

Please refer to *Appendix 20* for all the recent Tel.Pacific's submissions to ASIC under Chapter 2M of the Corporations Act 2001.

### 5.3 Credit rating

CovaU or Tel.Pacific does not possess an official credit rating.

## 5.4 Related companies structure and arrangement

Section 1.1 About Tel.Pacific provides a diagram of the ownership structure of the group. Section 4.3 Major Shareholders and Experience provides more information of the group shareholders with at least 5% company interest.

For a detailed report of ownership structure and major shareholders, please refer to Section 5.1 - Audited Financial Statements above containing the past three Annual Reports located in *Appendix 18*.

In the 2013 Annual Report, Tel.Pacific's controlled entities' information is provided on page 43 and shareholders with significant interest in the company are provided on page 71 of the Report.

### 5.4.1 Parent company support

The Tel.Pacific Board has given approval for CovaU to receive the necessary financial and resource support as and when required from the parent company.

The parent company financial support to CovaU includes:

- business set-up and ongoing working capital;
- credit support required by network distribution companies;
- network distribution settlements;
- wholesale prudential support required by AEMO;
- wholesale energy settlements with AEMO; and
- trading margins and settlements

For access to administrative, management, personnel, infrastructure and intellectual property support, the parent company support to CovaU includes:

- business governance, compliance, risk management, and policy and procedural development;
- all aspects of business functional support covering strategy, sales, customer service, legal, regulatory, finance and accounting, marketing, risk management, IT and operations; and
- all infrastructure support covering office facilities, rent and utilities, call centre and back-office systems and services.

A copy of the deed of guarantee between Tel.Pacific and CovaU is provided in *Appendix 21*.

## 5.5 Forecast revenue and expenses

CovaU's financial forecast for the first 12 months of operations is provided in *Appendix 2* under Business Plan and Financial Forecast.

## 5.6 Declaration from Independent Auditor

A copy of the external auditor's independence declaration by BDO Australia, as required under section 307c of the Corporations Act 2001, has been provided to the Tel.Pacific directors in each of the 3 Annual Reports included in *Appendix 18*.

## 5.7 Declaration from Chief Executive Officer

*Appendix 18* contains our Chief Executive Officer's written declaration that CovaU is a going concern with no known impediments to its ability to operate as an energy retailer.

## 5.8 Bank guarantees

CovaU is aware of this requirement and is in the process of finalising all the required information from the network distribution companies, AEMO and trading counterparties for credit support and prudential requirements.

Upon this retail licence authorisation and prior to market entry, CovaU will ensure all required financial guarantees are secured for and provided to these trading partners.

## 6.0 Part 2.3 Entry Criteria: Information Requirements – Suitability

### 6.1 Materials failures, revocation of authorisations and legal actions

CovaU confirms that none of its officers nor associates, other businesses where its officers have held an officer position and other entity that exerts control over its business activities, have been the subject of:

- any material failure to comply with regulatory requirements, laws or other obligations over the previous 10 years, including all circumstances that resulted in an infringement notice or other enforcement action (including undertakings) being taken by a regulatory body;
- any previously revoked authorisations, authorities or licences held in any industry;
- any failed authorisation, authority or licence applications in any industry; and
- any past or present administrative or legal actions in relation to an authorisation, authority or licence in any industry.

*Appendix 19* on Director and Officer's Declarations contains CovaU's CEO and Director declarations that such events, past and present, have not occurred.

## 6.2 Offences and prosecutions

Please refer to *Appendix 19*, which contains declarations from CovaU's CEO and Director confirming that none of its directors, nor any other person that exerts control over its business activities and persons responsible for significant operating decisions of the business, have been the subject of any offences or successful prosecutions under any territory, state, Commonwealth or foreign legislation that are relevant to your capacity as an energy retailer.

## 6.3 Criminal history checks

Whereupon criminal history checks are requested on CovaU officers by the AER, CovaU will duly comply with such requests.

## 6.4 Director disqualifications

Please refer to *Appendix 19* containing a written declaration from our CEO that no directors, officers or managers have been disqualified from the management of corporations.

## 6.5 Declaration from CEO on bankruptcy

Please refer to *Appendix 19*, which includes a written declaration from our CEO that no Tel.Pacific businesses, subsidiaries or related entities have been involved in any past or present bankruptcy proceedings in Australia or in any overseas jurisdiction.

## 6.6 Full names and residential addresses of all officers

Please refer to *Appendix 22*, which provides the contact details of CovaU officers responsible for significant operating decisions of the business.

## 6.7 Probity policies and procedures

All CovaU and Tel.Pacific senior officers are reputable personnel, carefully selected and vetted for competence and probity.

CovaU is committed to establishing a successful and enduring energy retail business with operational integrity. We are confident that our policies and procedures covering recruitment, training, compliance, risk management and wholesale trading and risk control (please see Section 7 on Appendices) will provide a solid foundation for a business governance framework that should work effectively and comfortably in the Australian energy retail sector.

CovaU business operations is well-supported by appropriately qualified key personnel with relevant professional memberships and by experienced and reputable external service and system providers that will provide critical guidance and oversight.

## 6.8 Other information

Tel.Pacific is a publicly listed company and is subjected to stringent regulations in Australia. The main sources of regulation for public companies in Australia are the Corporations Act 2001 and ASX Listing Rules, which are supplemented by the Australian Securities and Investments Commission policy and the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Tel.Pacific and its subsidiaries are required to display competence and compliance and are subjected to regulatory and legislative probity and procedures in the following areas:

- Corporate governance;
- Continuous disclosure;
- Financial reporting;
- Shareholders' meetings;
- Major acquisitions and disposals;
- Substantial shareholders and tracing ownership;
- Related party transactions;
- Capital raisings;
- Takeovers; and
- Insider trading.

CovaU will look to leverage and adopt aspects of the structure and processes to manage its governance and assurance framework for energy retailing.



## 7.0 Appendices

**All appendices provided below are commercial-in-confidence.**

Appendix 1 – CovaU Certificate of Registration

Appendix 2 – CovaU Business Plan

Appendix 3 – Top 20 Shareholders

Appendix 4 – Organisational Chart

Appendix 5 – CovaU Market Launch Resourcing

Appendix 6 – Recruitment and Selection Policy

Appendix 7 – Training Policy

Appendix 8 – Compliance Plan and Reporting Obligations

Appendix 9 – Complaints Handling and Dispute Resolution Procedures

Appendix 10 – Customer Hardship Policy

Appendix 11 – Business Risk Management Policy

Appendix 12 – (a) Market Retail Agreement; (b) Standard Retail Agreement

Appendix 13 – Group Insurance Arrangements

Appendix 14 – Service Provider Contract Agreements

Appendix 15 – CovaU Customer Charter

Appendix 16 – CovaU Privacy Policy

Appendix 17 – Wholesale Trading and Risk Control Policy/ Code of Ethics/ Acknowledgement

Appendix 18 – Tel.Pacific Annual Reports 2011, 2012 and 2013

Appendix 19 – Director and Officer's Statutory Declarations

Appendix 20 – ASIC submissions under Chapter 2M of the Corporations Act 2001

Appendix 21 – Deed of Guarantee between Tel.Pacific and CovaU

Appendix 22 – Officers' Names and Residential Addresses