

Accel Energy Retail Pty Limited

Retail Authorisation application – February 2022





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Introduction

AGL Energy Limited (**AGL Energy**) is a leading integrated essential service provider, with a proud 184-year history of innovation and a passionate belief in progress – human and technological. We deliver 4.5 million gas, electricity, and telecommunications services to our residential, small, and large business, and wholesale customers across Australia. We operate Australia's largest electricity generation portfolio, with an operated generation capacity of 11,208 MW, which accounts for approximately 20 per cent of the total generation capacity within Australia's National Electricity Market (**NEM**).

Following an initial indication to the market in March 2021 of a proposed structural separation, in June 2021 AGL Energy announced its intention to undertake a demerger to create two leading energy businesses with separate listings on the Australian Securities Exchange.

Under the demerger proposal, AGL Energy will become Accel Energy Limited (**Accel Energy**), an electricity generation business focused on the accelerating energy transition. Accel Energy will demerge a new entity, AGL Australia Limited (**AGL Australia**), a multi-product energy-led retailing and flexible energy trading, storage, and supply business. AGL Australia will retain the AGL brand.

AGL Energy intends to hold a scheme and general meeting to enable shareholders to vote on the proposal, and to complete the demerger in the fourth quarter of the financial year ending 30 June 2022 (FY22) subject to final AGL Energy Board, Australian Tax Office and relevant regulatory, court, and shareholder approvals.

The proposed demerger is intended to provide greater clarity of purpose for both AGL Australia and Accel Energy, positioning each company to better manage opportunities and challenges presented by the accelerating energy transition, and to deliver on their different but important roles in Australia's energy transition.

Should the demerger not proceed for any reason, AGL Energy would engage with the AER to discuss future requirements in respect of this retailer authorisation.

Accel Energy Retail's application

Accel Energy Retail Pty Limited (**Accel Energy Retail**), is a wholly owned subsidiary of AGL Energy, and post-demerger, will be a wholly owned subsidiary of Accel Energy. While Accel Energy's focus will primarily be managing its large generation fleet and the development of energy hubs, it intends to retain a role in retailing to large commercial and industrial electricity customers through Accel Energy Retail.

AGL Energy holds multiple retail licences and retailer authorisations, through which it retails to customers of all sizes across the NEM and Western Australia. These existing licensed entities will form part of the AGL Australia portfolio.

We did not consider it appropriate to allocate one of these existing licensed entities to Accel Energy, as this would require a large-scale small customer transfer. For this reason, we are seeking a new, large customer retailer authorisation for Accel Energy Retail. The retailer authorisation is a critical element in facilitating the demerger and ensuring that Accel Energy can operate successfully from day one.

AGL Energy's existing retail activity





All other customers of AGL Energy will become customers of the newly created AGL Australia. From a corporate perspective, all AGL Energy subsidiaries that hold retail licences or authorisations have been allocated to AGL Australia as part of the intended demerger.

From a practical perspective, AGL Energy's customers will experience no change arising from the demerger. This means no change to their authorised retailer, current contracts, or the support services provided. AGL Energy's regulatory compliance framework for retailing will continue to be fully implemented by AGL Australia.

1. General particulars

1.1. Legal name of applicant

APPLICANT RESPONSE

Accel Energy Retail Pty Limited

1.2. Trading name of applicant

APPLICANT RESPONSE

Accel Energy Retail Pty Limited

1.3. Legal identity of applicant

APPLICANT RESPONSE

ABN 47 122 144 709

ACN 122 144 709

Type of Entity Australian proprietary company, limited by shares

1.4. Contact details and address of applicant

APPLICANT RESPONSE

Business address:	Postal address:
Level 24, 200 George Street	Locked Bag 14120
Sydney NSW 2000	Melbourne VIC 8001

1.5. Nominated contact person

APPLICANT RESPONSE

Liz Gharghori
Wholesale Markets Regulatory Manager
LGharghori@agl.com.au
03 8633 6723 / [REDACTED]

1.6. Form of energy for which retailer authorisation is sought

APPLICANT RESPONSE

Electricity

1.7. Date the applicant intends to commence retailing energy

APPLICANT RESPONSE

31 May 2022

1.8. Nature and scope of operations proposed

APPLICANT RESPONSE

Accel Energy Retail intends to retail to commercial and industrial (**C&I**) customers in the large customer classification. The customers will be located in both metropolitan and regional areas.

1.9. Jurisdictions in which you intend to retail energy

APPLICANT RESPONSE

Australian Capital Territory (**ACT**), New South Wales (**NSW**), Queensland (**QLD**), and Victoria.

A Retail Licence is being sought from the Essential Services Commission of Victoria to enable the latter.

1.10. Type of customers you intend to supply

APPLICANT RESPONSE

The applicant intends to supply large C&I customers. Specifically, this will be business customers who consume energy at business premises at or above the upper consumption threshold in ACT, NSW, and QLD, including those with aggregate consumption above the upper consumption threshold.

2. Organisational and technical capacity

2.1. Previous experience as an energy retailer

- (1) *The date and location of previous operations*
- (2) *The form/s of energy sold*
- (3) *The scale of operations (including the number and size of customers)*
- (4) *A description of how the retail activities were conducted.*

APPLICANT RESPONSE

Attachment 2.1 contains details of the retail and other energy market activity undertaken by entities within the AGL Energy consolidated group.

2.2. Other relevant retail or energy market experience

APPLICANT RESPONSE

Accel Energy Retail is registered with AEMO as a generator and market customer in respect of the Dalrymple North Battery Energy Storage System (**Dalrymple Battery**), a 30MW facility located in South Australia. The applicant has held this registration since 5 June 2018 and is responsible for all facets of the Dalrymple Battery's participation in the NEM.

Accel Energy Retail has an electricity generation licence issued by the Essential Services Commission of South Australia in respect of the Dalrymple Battery. The applicant has held this licence since 31 May 2018. See **Attachment 2.2 – Accel Energy Retail Pty Limited Licence**.

2.3. No previous experience

Where you do not have previous energy market experience, how you intend to bring this experience into your business

APPLICANT RESPONSE

N/A

2.4. Organisation chart

APPLICANT RESPONSE

The organisation charts have been provided on the basis that Accel Energy Retail is currently a wholly owned subsidiary of AGL Energy.

We have also provided organisation charts to the extent these have been determined for Accel Energy post-demerger.

See **Attachment 2.4 – org chart, qualifications, skills, and experience (confidential)**.

2.5. Staffing requirements

The number of employees, broken down by business unit or other relevant classification

APPLICANT RESPONSE

See **Attachment 2.4 – org chart, qualifications, skills, and experience (confidential)**.

2.6. Qualifications, skills, and experience

A summary of qualifications, technical skills and experience of your officers, and the relevance of those skills and experience to meeting the requirements of the retailer authorisation.

APPLICANT RESPONSE

See **Attachment 2.4 – org chart, qualifications, skills, and experience (confidential)**.

2.7. Functions outsourced to third parties

- *State all functions and activities you propose to outsource.*
- *Provide a summary of the third party's experience in, and knowledge of, the relevant area.*
- *Provide evidence of the third party's technical capacity to meet relevant obligations.*
- *Provide evidence of controls in place to ensure the third party's compliance with the Retail Law and Retail Rules.*

APPLICANT RESPONSE

Attachment 2.7(a) – Functions outsourced to third parties (confidential)

Attachment 2.7(b) – [REDACTED] Service Agreement (confidential)

Attachment 2.7(c) – [REDACTED] Proposal (confidential)

2.8. Business plan

A business plan, including but not limited to, strategic direction and objectives, forecast results and detailed assumptions on how you calculated these forecasts.

APPLICANT RESPONSE

See **Attachment 2.8 – Business Plan (confidential)**

2.9. Compliance strategy

- *Demonstrating your knowledge and understanding of the obligations imposed on authorised retailers under the Retail Law and Retail Rules and applicable statutory, industry and technical requirements of the jurisdictions in which you intend to operate.*
- *Outlining how applicable retailer authorisation obligations and statutory, industry and technical requirements will be met (including how compliance breaches will be identified and remedied).*

APPLICANT RESPONSE

Accel Energy Retail's compliance strategy is governed by AGL's whole of organisation Compliance Management Policy and Standard, which set out the organisational framework, expectations, and governance structures in place for compliance management. The Policy and Standard align with ISO 19600:2015 – Compliance Management Systems.

See **Attachment 2.9(a) – AGL Compliance Management Policy (confidential)**

See **Attachment 2.9(b) – AGL Compliance Management Standard (confidential)**

Regarding compliance with retailer specific compliance obligations, Accel Energy Retail has developed a Retail Compliance Plan.

See **Attachment 2.9(c) – Accel Retail Compliance Plan (confidential)**

- *Including complaint and dispute resolution procedures, developed in accordance with Australian Standard AS ISO 10002-2006 (Customer satisfaction—Guidelines for complaints handling in organisations).*

APPLICANT RESPONSE

Accel Energy Retail has developed a complaints management policy that aligns with Australian Standard AS ISO 10002-2006 (Customer satisfaction—Guidelines for complaints handling in organisations).

See **Attachment 2.9(d) – Accel Retail Complaints Management Policy**

In addition, a formal dispute resolution process is embedded in Accel Energy Retail's electricity sale agreement.

Attachment 2.12 – Electricity Sale Agreement (confidential).

For Victoria, Accel Energy Retail will be a member of the Energy and Water Ombudsman of Victoria scheme and meet all applicable requirements of the scheme. This is a retail licence requirement in Victoria, irrespective of customer size.

- *Demonstrating that any gaps in the skills and / or knowledge of staff have been identified and that appropriate steps have been taken to fill those gaps (for example, through recruitment or training).*

APPLICANT RESPONSE

Accel Energy Retail has not identified any gaps in the skills or knowledge of staff, given it relies on AGL Energy staff, who have significant experience in energy retailing and in the energy market more broadly. Upon demerger, Accel Energy Retail will continue to be served by the experienced employees of its renamed parent company, Accel Energy.

Attachment 2.1 – Previous energy market experience

Attachment 2.2 – Accel Energy Retail Pty Limited Licence

Attachment 2.4 – Org chart, qualifications, skills, and experience (confidential)

2.10. Risk management strategy

A copy of your risk management strategy covering both operational and financial risks.

APPLICANT RESPONSE

Accel Energy Retail's risk management strategy is governed by AGL's whole of organisation Risk Management Policy and Risk Management and Assessment Standard, which set out the organisational framework, expected practices, and governance structures in place for risk management. The Policy and Standard align with ISO 31000 Risk Management – Principles & Guidelines and the ASX Corporate Governance Council Principles and Recommendations.

Attachment 2.10(a) – AGL Risk Management Policy (confidential)

Attachment 2.10(b) – AGL Risk Management and Assessment Standard (confidential)

AGL has prepared a report titled, 'Accelerating Our Transition', in line with the Task Force on Climate-related Financial Disclosures (TCFD) framework. The report sets out four scenarios AGL has modelled of climate-related risks, where this includes assessments of the potential operational, financial, and reputational risks.

The report shows the anticipated impact of the scenarios in a current state, whole of AGL perspective, but also from a post-demerger perspective. This report usefully sets out the risks that Accel Energy Limited faces, as the anticipated post-demerger parent company of Accel Energy Retail.

Attachment 2.10(c) – Accelerating our Transition FY21 TCFD report

Accel Energy Retail has developed a separate Retail Risk Management Strategy that brings together all the operational and financial risks of retailing.

Attachment 2.10(d) – Accel Retail Risk Management Strategy (confidential)

Attachment 2.8 – Business Plan (confidential)

2.11. Evidence of external assurance

Evidence that your risk management and compliance strategies have been subject to an external assurance process (for example, an external audit).

APPLICANT RESPONSE

Accel Energy Retail has engaged an independent auditor and received a design assessment regarding the risk and compliance documents provided at attachments 2.9(c) and 2.10(c).

Attachment 2.11 – Accel Retail Design Assessment February 2022

2.12. Retail Law objective

Any additional information which demonstrates your ability to manage risk and operate in accordance with the Retail Law objective, particularly the long-term interests of consumers (for example, copies of any retail contracts that you have developed).

APPLICANT RESPONSE

[REDACTED]

Attachment 2.12 – Electricity Sale Agreement (confidential).

2.13. Ombudsman scheme membership

Evidence of any membership, or steps taken to obtain membership, of a recognised energy industry ombudsman scheme in the jurisdiction/s in which you intend to retail energy to small customers.

APPLICANT RESPONSE

Accel Energy Retail will not retail energy to small customers and therefore will not be seeking energy ombudsman membership in ACT, NSW, or QLD.

The Victorian Retail Licence requires that Accel Energy Retail obtain ombudsman scheme membership in that jurisdiction, even in the absence of small customer retailing. Accordingly, Accel Energy Retail will seek membership with the Energy and Water Ombudsman of Victoria.

2.14. Agreements with third parties

Evidence of any agreements / arrangements in place with key market players within the jurisdictions in which you intend to operate. This includes, but is not limited to, distribution businesses and AEMO. Where agreements / arrangements have not been finalised, you should provide details of any negotiations or steps that have occurred to date and when you expect agreements / arrangements to be completed.

If you are intending only to onsell energy you should provide details of the back-up arrangements you have made in case your business fails.

APPLICANT RESPONSE

As stated in response to Section 2.2, Accel Energy Retail is registered with AEMO as a generator and market customer in respect of the Dalrymple Battery, an asset located in South Australia.

As an existing market customer, Accel Energy Retail is seeking an additional Participant ID from AEMO for the retailing activities it will undertake in respect of its C&I customers.



2.15. Additional information

Any additional information that will help us assess your organisational and technical capacity.

APPLICANT RESPONSE

Accel Energy Retail, as a subsidiary of AGL Energy, has all resources provided by its parent company and therefore has the benefit of AGL Energy's significant energy market experience. AGL Energy operates in almost all Australian states and territories, in electricity and gas, across retail and generation, and emerging technologies.

AGL Energy has a proven track record of market participation, including successful implementation of major energy market reforms. These include Power of Choice reforms, gas market capacity reforms, and most recently, the shift to five-minute settlement and the soft start to global settlements.

With access to the people, systems, and governance framework that has allowed AGL Energy to successfully operate as a Tier 1 energy company, Accel Energy Retail is set up for success as both part of AGL Energy today and part of Accel Energy in the future.

3. Financial capacity

3.1. Existing business financial information

Copies of your audited financial reports for the past 12 months (note, we may ask for the previous two years' reports, if necessary). This information should include:

- (1) All financial statements required by the accounting standards.*
- (2) Notes to financial statements (disclosure required by the regulations, notes required by the accounting standards, and any other information necessary to give a true and fair view).*

Evidence of long and / or short-term credit rating/s (if available).

APPLICANT RESPONSE

As at the date of this application, Accel Energy Retail has entered into a deed of cross guarantee with its parent entity (AGL Energy Limited) and has otherwise satisfied the conditions required to enjoy relief from Part 2M.3 of the *Corporations Act 2001* (Cth). As such, Accel Energy Retail financial performance is reflected in consolidated financial statements prepared by AGL Energy Limited (its parent entity). A copy of these financial statements for FY21 is attached.

Attachment 3.1(a) – AGL Energy Limited FY21 Annual Report

A copy of the long-term credit rating of AGL Energy Limited issued by Moody's Investors Service is attached.

Attachment 3.1(b) – AGL Energy Limited credit rating

3.2. Group of companies

If you are part of a group of related companies, and / or party to a partnership, joint venture or alliance agreement with another company, and you are given financial support by that entity, you should provide:

- (1) Details of the ownership structure of the group.*

APPLICANT RESPONSE

Attachment 3.2(a) – Accel Energy Retail corporate structure

- (2) The contractual arrangements (e.g. alliance contracts, associate contracts, establishment contracts) that define relationships within the group—including shared resources, guarantees, revenue flows, obligations and/or responsibilities.*

APPLICANT RESPONSE

As stated in response to Section 3.1, Accel Energy Retail has entered into a deed of cross guarantee with its parent entity, AGL, and has otherwise satisfied the conditions required to enjoy relief from Part 2M.3 of the *Corporations Act 2001* (Cth).

As stated in **Attachment 2.1**, the applicant, Accel Energy Retail, through several subsidiaries, is wholly owned by AGL and is part of the AGL consolidated group. [REDACTED]

[REDACTED]

(3) Consolidated audited financial statements for the group.

APPLICANT RESPONSE

Attachment 3.1(a) – AGL Energy Limited FY21 Annual Report

3.3. CFO declaration

A written declaration from your Chief Financial Officer, Chief Executive Officer or director/s stating you are a going concern and that the officer is unaware of any factor that would impede your ability to finance your energy retailer activities under the retailer authorisation for the next 12 months. For unincorporated applicants, a written declaration should be provided by the person/s in effective control of the business.

APPLICANT RESPONSE

A CFO declaration is attached.

Attachment to 3.3, 4.1, 4.2, and 4.4 – CFO Declaration

3.4. Independent auditor declaration

A written declaration from an independent auditor or your principal financial institution stating that:

- (1) An insolvency official has not been appointed in respect of the business or any property of the business.*
- (2) No application or order has been made, resolution passed or steps taken to pass a resolution for the winding up or dissolution of the business.*
- (3) They are unaware of any other factor that would impede your ability to finance your energy retail activities under the authorisation.*

APPLICANT RESPONSE

An independent auditor declaration is attached.

Attachment 3.4 – Independent Auditor declaration

3.5. Additional capital

Details of any bank guarantees or arrangements or process to access additional capital.

APPLICANT RESPONSE

[REDACTED]

[REDACTED]

[REDACTED]



3.6. Financial forecasts

Forecast revenue and expenses to the point where your business is cash-flow positive. This forecast should be consistent with your business plan and highlight all key assumptions and risks.

APPLICANT RESPONSE

Attachment 2.8 – Business Plan (confidential)

3.7. Additional information

Any additional information that will help us assess your financial capacity to operate as an energy retailer.

APPLICANT RESPONSE

The Introduction to this application details AGL Energy's intention to undertake a demerger, to be effective on or around 1 July 2022. At this time, the financial position of Accel Energy Limited will differ from that of AGL Energy Limited, however Accel Energy Limited will continue to be in a strong financial position as Australia's largest electricity generator. Our business plan details financial forecasts based on the demerger scenario.

Further information regarding AGL's intended demerger will be available in Q2 2022.

4. Suitability

4.1. Disclosure of past conduct

For you and your associates, any other business where your officers have held an officer position and any other entity that exerts control over your business activities—details of:

- *any material failure to comply with regulatory requirements, laws or other obligations over the previous 10 years, including infringement notices or other enforcement action (including voluntary administrative undertakings) being taken by a regulatory body.*
- *any previously revoked authorisations, authorities or licences held in any industry and the reason/s for the revocation.*
- *any failed authorisation, authority or licence applications in any industry and the reason/s the application was unsuccessful.*
- *any past or present administrative or legal actions in relation to an authorisation, authority or licence in any industry.*
- *any situation/s where you (or an associate) have previously triggered the RoLR provisions of the Retail Law or equivalent state/territory/foreign legislation, or have transferred or surrendered an authorisation or licence in circumstances where if not done, triggering a RoLR event would have been likely.*

APPLICANT RESPONSE

A CFO declaration is attached, along with an Appendix identifying disclosures.

Attachment to 3.3, 4.1, 4.2, and 4.4 – CFO Declaration and Appendix

4.2. Disclosure of past prosecutions

Details of any offences or successful prosecutions under any territory, state, Commonwealth or foreign legislation (including, but not limited to, the Australian Securities and Investments Commission Act 2001 (Cth), Competition and Consumer Act 2010 (Cth) and the Corporations Act 2001 (Cth)) relevant to your capacity as an energy retailer, or written confirmation that no offences have been committed against, or been prosecuted under, any such legislation. This information must be provided for:

- *your current director/s (or shadow / de facto director/s), and any other person that exerts control over your business activities*
- *if your business is unincorporated, the person/s with effective control of the business*
- *all persons who are responsible for significant operating decisions for your business.*

APPLICANT RESPONSE

A CFO declaration is attached, confirming there are no offences or prosecutions to disclose.

Attachment to 3.3, 4.1, 4.2, and 4.4 – CFO Declaration

4.3. Criminal history check

Upon request, a criminal history check conducted within the past 12 months for persons listed under information requirement 2.

APPLICANT RESPONSE

Accel Energy Retail will provide this information upon request.

4.4. CFO declarations

Written declarations from your Chief Financial Officer (or Chief Executive Officer):

- *that members of your management team have not been disqualified from the management of corporations;*
- *about the record of bankruptcy of your management team (including in any overseas jurisdiction).*

APPLICANT RESPONSE

A CFO declaration is attached, confirming that members of the applicant's management team have not been disqualified from the management of corporations, nor do they have a record of bankruptcy (including in any overseas jurisdiction).

Attachment to 3.3, 4.1, 4.2, and 4.4 – CFO Declaration

4.5. Officer details

Full names and current residential addresses of all your officers.

APPLICANT RESPONSE

Name	Address
Markus Brokhof	[REDACTED]
Damien Craig Nicks	[REDACTED]
John Patrick Fitzgerald	[REDACTED]

4.6. Policies and procedures

Details of policies and procedures addressing the probity and competence of officers and any other key management staff.

APPLICANT RESPONSE

Accel Energy Retail is subject to AGL's suite of policies and procedures, which govern the conduct of all AGL officeholders and staff.

Attachment 4.6(a) – AGL Anti-Bribery, Corruption, and Fraud Policy

Attachment 4.6(b) – AGL Code of Conduct

Attachment 4.6(c) – AGL Market Disclosure Policy

Attachment 4.6(d) – AGL Political Donations Policy

Attachment 4.6(e) – AGL Securities Dealing Policy

Attachment 4.6(f) – AGL Whistleblower Protection Policy

Attachment 4.6(g) – AGL Privacy Policy

4.7. Additional information

Any additional information that will assist us in our consideration of the character and past performance of your officers.

APPLICANT RESPONSE

N/A