

Alinta Energy Retail Sales

Application for National
Authorisation - Gas

Applicant Details

Name of Applicant:	Alinta Energy Retail Sales Pty Ltd
ABN:	22 149 658 300
Business Address:	Level 11, 20 Bridge Street, SYDNEY, New South Wales 2000
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Contact:	Andrew Butler General Manager Retail Eastern Markets Phone: 02 9372 2670 Mobile: 0458 008 284 Email: andrew.butler@alintaenergy.com
Form of Authority Sought:	Gas Authorisation for customers of all sizes
Date:	1 July 2012 (Alinta Energy Retail Sales Pty Ltd has been an active retailer in the NEM since August 2011)
Jurisdictions:	All NEM jurisdictions, notably South Australia, Victoria, Queensland and NSW.

Background

Alinta Energy Retail Sales Pty Ltd (**AERS**) is a wholly owned subsidiary of Alinta Energy Finance Pty Ltd (Alinta Energy). Alinta Energy is led by the global investment group TPG. TPG have a long history of making substantive debt and equity investments in the energy markets throughout the world, including investments in TXU and Texas Genco.

AERS was established as the East Coast retail arm of Alinta Energy and was registered in Victoria in March 2011.

AERS currently retails electricity to both small and large customers across South Australia and Victoria. It is looking to expand its retail customer base to include gas and electricity customers in South Australia, Victoria, Queensland and NSW with a focus on major load centres throughout each State.

Through its various businesses, Alinta Energy has long been a Market Participant within the National Electricity Market (NEM). It has an established portfolio of generation assets diversified by geographic location, fuel type and operating mode, with plants in South Australia, Victoria and Queensland. It also retails electricity to about 70,000 customers in Victoria under Neighbourhood Energy Pty Ltd.

In addition, Alinta Energy is the incumbent gas retailer in Western Australia, and it also retails and generates electricity for WA customers.

Figure 1 below summarises our portfolio of assets and businesses across Australia.

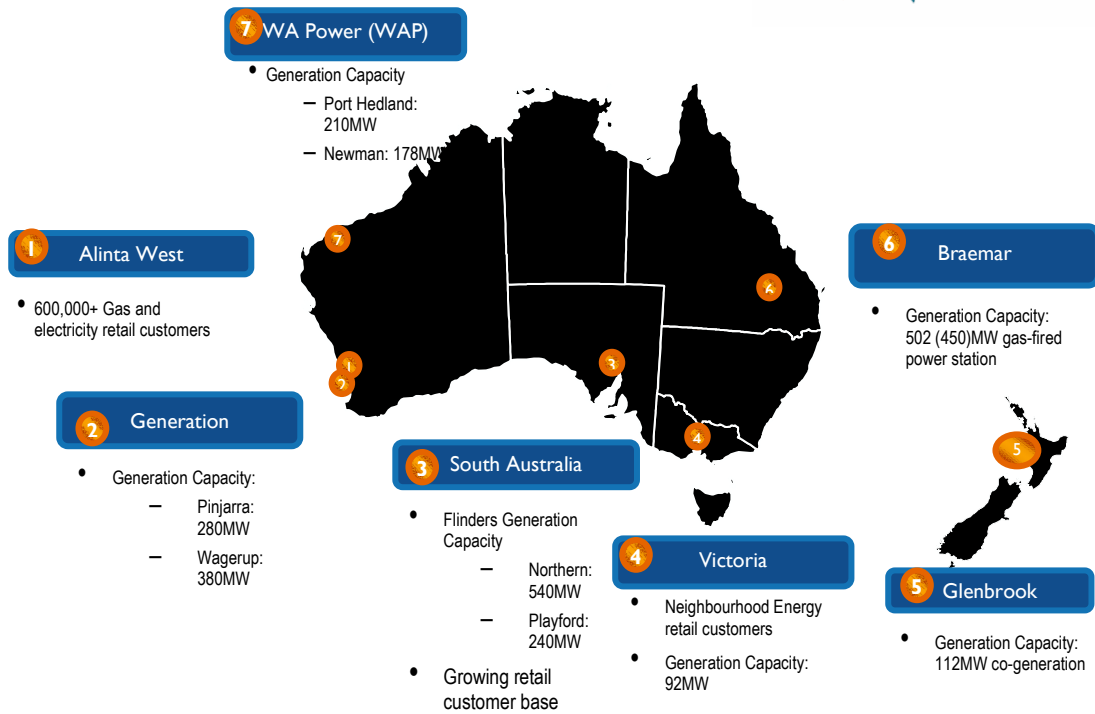
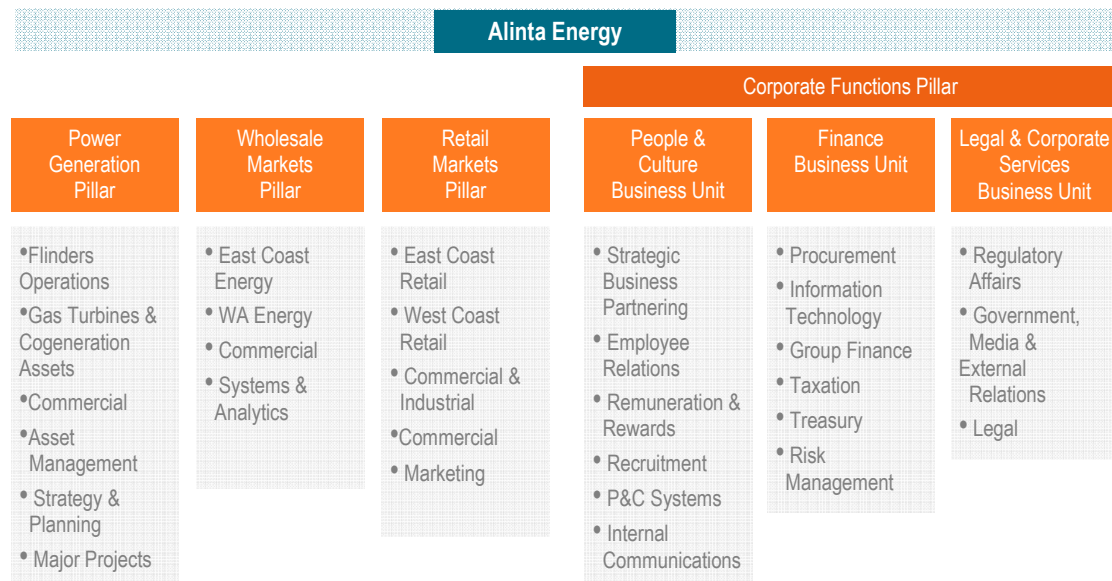


Figure 1: Alinta Energy's Portfolio of Assets

How Alinta Energy Operates

Alinta Energy is a large energy company with over 800 staff across 14 geographic sites in Australia and New Zealand. It operates a flat organisation structure split into four pillars, which are designed around our core competencies. Figure 2 below outlines our four pillars. Please note, the Corporate Functions Pillar is not an individual entity but refers to the three supporting business units within it.

Figure 2 – Alinta Energy’s Functional Pillars



AERS benefits from the extensive energy experience of the wider Alinta Energy group. In particular, AERS draws on established resources, systems and processes in place across the broader group of companies. This includes drawing on Alinta Energy’s experience as a gas and electricity retailer in Western Australia and through Neighbourhood Energy in Victoria.

Organisational and Technical Capacity

1. Details of any previous experience as an energy retailer, or any other experience in the energy market, including:

1.1 The date and location of previous operations

1.2 The forms of energy sold

1.3 The scale of operations (including the number and size of customers)

Alinta Energy has extensive energy retailing experience, both in the National Electricity Market and the Western Australian energy market. This is outlined below.

a) AERS

Electricity Retailer in South Australia since September 2011. AERS currently has approximately 3,500 residential customers in South Australia.

Gas licensed retailer in South Australia

Electricity and Gas licensed retailer in Victoria (Finalising preparations to enter the market)

Electricity and Gas licensed retailer in Queensland

b) Alinta Sales Pty Ltd

Licensed Gas retailer in WA since 2001

It has over 620,000 customers in the Western Australian market - in Perth, Kalgoorlie, Albany, Bunbury and Geraldton

Licensed Electricity Retailer since 2006

It has over 2,500 small business and large electricity customers in the Western Australian South-West Interconnected System.

- c) Neighbourhood Energy
Electricity Retailer in Victoria since 2007
Neighbourhood Energy has about 70,000 residential electricity customers.
- d) Flinders Operating Services
Electricity Retailer since 2006
Supplies 3 large sites in SA

1.4 An explanation of which activities were conducted in-house and which were contracted out to third parties.

Alinta Sales Pty Ltd has operated in the Western Australia market since 2001. It manages all activities in-house, including its own call centre and sales and marketing activities in Perth.

Neighbourhood Energy undertakes a number of its core functions in-house in addition to working with an external service provider. Neighbourhood Energy does outsource some of its sales and marketing activities.

AERS uses a combination of in-house and external service providers. AERS has a back-office service provider (Serviceworks) which provides a call centre, customer service and billing systems. AERS still retains functional management control of all of its business operations and actively manages its outsourced provider – Serviceworks. In addition, it has in-house compliance, regulatory, legal and marketing support.

Established in 1999, Serviceworks has organically grown into one of Australia's leading specialist services organisations. Providing services to utilities across Australia. Serviceworks currently delivers specialist Customer Management, Information Technology, Communications and consulting services to Australian utilities.

Serviceworks is 100% Australian owned, operates from three custom-built service centres, two in Melbourne and one in Queensland with all business operations managed on-shore with facilities including robust communications and technology infrastructure which support Serviceworks operations and those of Serviceworks clients.

Serviceworks differs to generalist Service and Consulting organisations in the following ways, these services will be extended to AERS:

- Utilities industry expertise: A team has been selected not only for their utilities market skills and capabilities but also their proven commitment to the service of clients, the drive to improve business performance and to establish a partnership approach to working with clients (and their customers)

- Ability to deliver real innovation: Serviceworks has proven its capability to develop Services with real value to substantial clients in the Australian utilities market. The Serviceworks business leverages proven Data Centres, Call Centres and Middle and Back Office capability to manage core service requirements of the meter-to-cash process, whilst leveraging a number of Serviceworks proprietary applications.
- Proven Capability: Serviceworks is the leading service provider in the market today delivering outsourced services for customers across utilities in multiple segments.
- Regulatory Understanding – Serviceworks actively monitor changes in regulations and make recommendations to clients as to the impacts of these changes on their operational processes
- Experience across a variety of utilities clients and markets: Serviceworks works across four states so Clients benefit from knowledge of developments and approaches throughout Australia.
- Experience with a variety of systems: The Serviceworks team are familiar with many of the different billing platforms available in the Australian market today and have substantial experience in delivering system integration, hosting and services.

1.4 An outline of the relevance of your previous experience to the requirements under the retailer authorisation, national regulatory framework and relevant state/territory regulatory arrangements.

As discussed, AERS's parent company Alinta Energy has been an active retailer in 3 energy retail markets in Australia. As a licensed retailer it has had to manage extensive regulatory requirements specific to its retail operations. It is also in the process of ensuring that its will comply with the new National Energy Customers Framework (**NECF**) from 1 July 2012. Alinta Energy Retail Sales is in the process of engaging an external legal firm to design a specific package to allow AERS and Serviceworks to manage NECF compliance. This is to ensure that as each State finalises their respective legal frameworks that AERS will be adequately prepared to ensure that is NECF compliant in each jurisdiction that it operates or intends to operate.

AERS holds the following electricity and gas retail licences issued by Essential Services Commission of South Australia (ESCOSA) and the Essential Services Commission of Victoria (ESc):

- South Australia Electricity Retail Licence – Alinta Energy Retail Sales Pty Ltd
- South Australia Gas Retail Licence – Alinta Energy Retail Sales Pty Ltd
- Victoria Electricity Retail Licence – Alinta Energy Retail Sales Pty Ltd
- Victoria Gas Retail Licence – Alinta Energy retail Sales Pty Ltd.

The broader Alinta Energy Group currently holds the following licences for the generation and retailing of gas and electricity:

- South Australia Electricity Retail Licence – Flinders Operating Services Pty Ltd and Flinders Power Partnership
- South Australia Generation Licence – Flinders Operating Services Pty Ltd and Flinders Power Partnership
- Queensland Electricity Retail Authority (without retail area) – Flinders Operating Services Pty Ltd and Flinders Power Partnership
- Queensland Generation Authority – Braemar Power Project Pty Ltd
- Western Australia Electricity Retail Licence – Alinta Sales Pty Ltd
- Western Australia Gas Trading Licence – Alinta Sales Pty Ltd

- Western Australia Electricity Generation Licence – Alinta Cogeneration (Wagerup) Pty Ltd
- Western Australia Electricity Generation Licence – Alinta Cogeneration (Pinjarra) Pty Ltd
- Victoria Electricity Retail Licence – Neighbourhood Energy Pty Ltd (held through previous ownership)

3. Details of retail and/or energy experience of a person holding 20 per cent or more of any class of shares, or any instrument or right convertible into, exchangeable for or giving the person the right to acquire 20 per cent or more of any class of shares, in the applicant.

As discussed, AERS is a wholly owned subsidiary of Alinta Energy. Alinta Energy has extensive energy experience. Alinta Energy’s only shareholder with greater than 20% in shares is the global investment group TPG. TPG is a leading global private investment firm with \$48 billion of capital under management. TPG have a long history of making substantive debt and equity investments in the energy markets throughout the world, including investments in TXU and Texas Genco.

4. An organisation chart showing the structure of your organisation

Alinta Energy has established an experienced, skilled and qualified Board of Directors and Executive Management Team. The executive management team of Alinta Energy are responsible for all of the Alinta Energy business and its subsidiary corporations. The structure of Alinta Energy is in Figure 3 below.

Figure 3: Organisational Structure of Alinta Energy

The AERS business operates under an organisational structure comprising the following functional divisions, engaging staff from both within the Alinta Energy business and a leading external service provider.

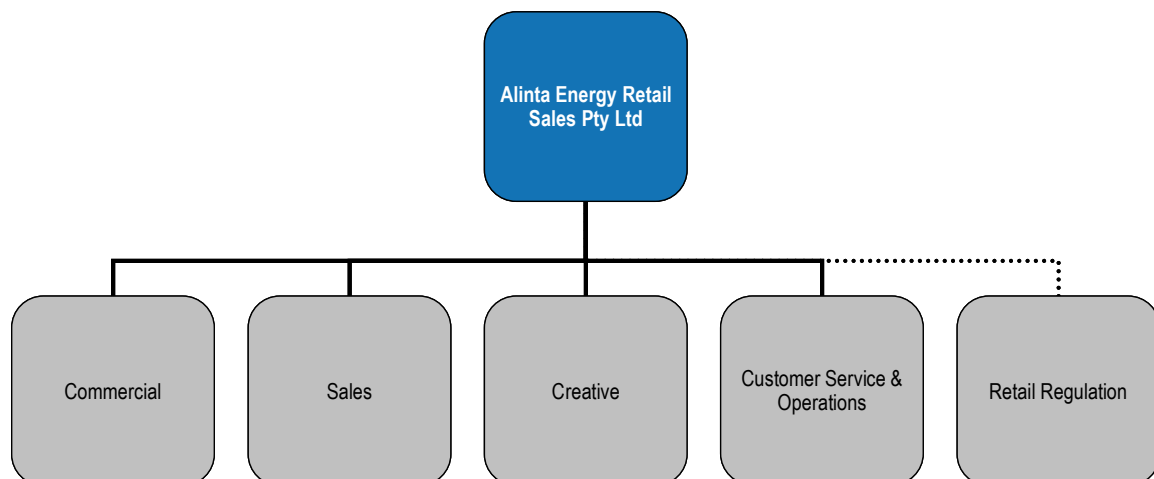
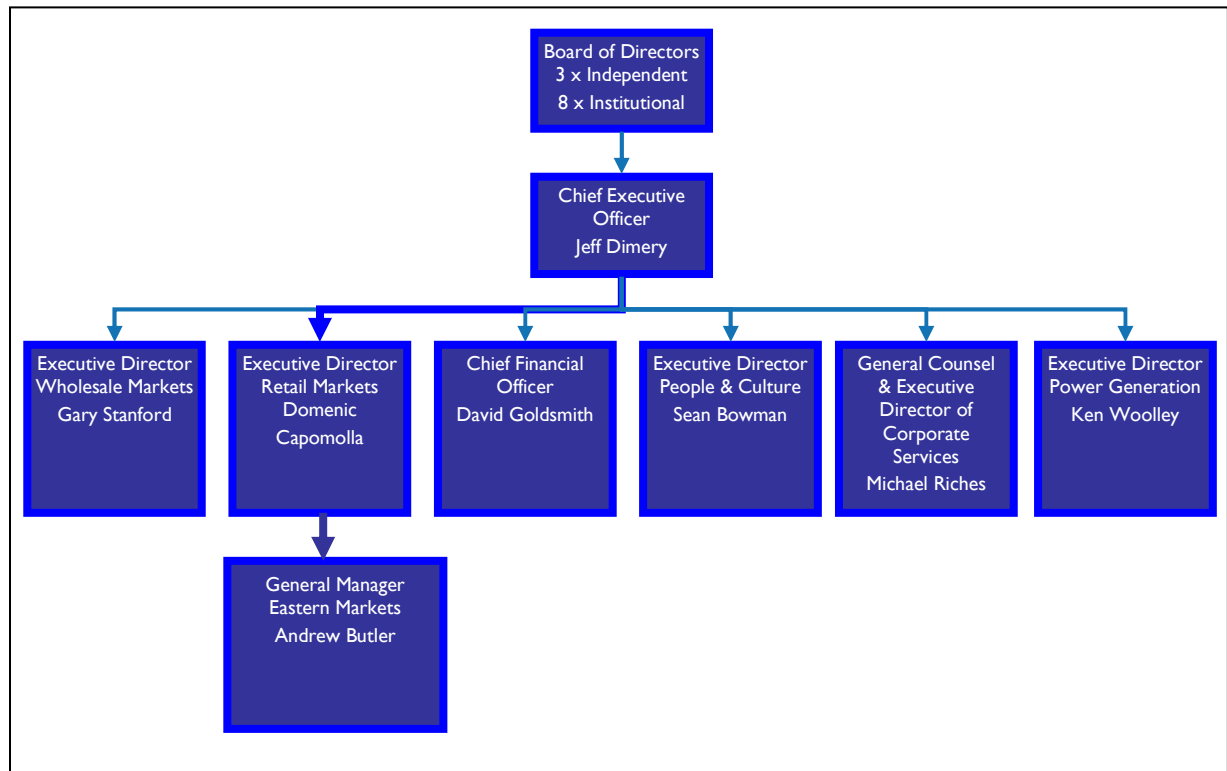


Figure 4: Alinta Energy Group East Coast Retail Organisational Structure



6. 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. You must demonstrate your capability to work in the energy industry.

Alinta Energy's Board

Alinta Energy's Board of Directors is comprised of 3 Independent Directors and 8 Institutional Directors representing Alinta Energy's shareholders. Alinta Energy's 3 Independent Directors are **Mark Johnson AO** (Chairman), **Wayne Osborn** and **Tony Howarth AO**.

Mr Johnson has significant experience across a range of industries including energy and financial services. Mr Johnson is currently a Director of Westfield and is the Chairman of the Australian Financial Centre Forum an Australian Government initiative directed to ensuring efficiency in the financial services industry. He was formerly the Chairman of AGL and then AGL Energy, Macquarie Infrastructure Group and a Director of Pioneer International, the Sydney Futures Exchange and the Victor Chang Cardiac Research Institute.

Mr Johnson has been awarded an Officer of the Order of Australia (AO) and is one of the Prime Minister's representatives on the APEC Business Advisory Council.

Mr Osborn has more than 30 years experience at Alcoa of Australia Ltd where he has held various roles including Chairman and Managing Director (Australia) from 2001 – 2008. In addition to his appointment to the Alinta Energy Board Mr Osborn is a Non-executive Director of Wesfarmers Limited, Leighton Holdings, Iluka Resources and Chairman of Thiess Pty Ltd. He was appointed Chairman of

the Australian Institute of Marine Science in 2010 and was elected an International Fellow of the New York based Explorers Club in 2004. Mr Osborn received the Western Australia Business Leader Award in 2007.

Mr Howarth has more than 30 years experience in the banking and finance industry and is a former Chairman of Alinta Limited from its Initial Public Offer in 2000 until 2006. Presently Mr Howarth holds several roles including Director of Wesfarmers and Chairman of Mermaid Marine Australia, Chair of the Committee for Perth and a member of the Rio-Tinto WA Future Fund. Previously Mr Howarth has been the Chairman of Home Building Society, Deputy Chairman of Bank of Queensland and a Director of AWB Limited.

Furthermore Mr Howarth has held several senior management positions during his career, including Managing Director of Challenge Bank Limited and CEO of Hartleys Limited. In addition he was awarded an Officer of Australia (AO) in 2002 and Citizen of the Year in Business in Western Australia in 2005.

AERS Officers

The Officers of the AERS business (those individuals responsible for key operational decision making) are the senior management team of Alinta Energy, with the addition of the General Manager of Alinta's Eastern States Retail business.

Alinta Energy's CEO is **Jeff Dimery**. Mr Dimery has more than 20 years' experience in the energy and water resources industry most recently with AGL where he worked in several senior positions over 15 years. Prior to joining Alinta Energy Mr Dimery was responsible for AGL's Merchant Energy business, leading four divisions generating earnings of more than \$500 million. In addition to this role Mr Dimery has extensive experience in mergers and acquisitions and has held other roles at AGL including GM Merchant Power, GM Wholesale Energy and was Project Director of Project Energise – an organisational redesign program that delivered \$50 million per annum cost savings to AGL.

Alinta Energy's CFO is **David Goldsmith**. Mr Goldsmith was formerly the CFO of Goodman Fielder, a position he held for 3 years. Before joining Goodman Fielder, Mr Goldsmith enjoyed an 11 year career with Wesfarmers, where he held several senior positions including CFO of the Insurance Division and Finance Director for the Industrial and Safety Division and the Landmark Rural Services Division, CFO Wesfarmers Landmark and General Manager Accounting and Information Systems, Wesfarmers Dalgety. Prior to joining Wesfarmers Mr Goldsmith spent 20 years with Tubemakers of Australia.

Michael Riches is Alinta Energy's General Counsel. Mr Riches has 18 years of legal experience having worked in private practice for a majority of that period as a partner of Minter Ellison and Clayton Utz. Mr Riches has significant experience in legal risk assessment and development of protocols and practices to ensure compliance with legal requirements.

Domenic Capomolla is Alinta Energy's Executive Director Retail Markets. Mr Capomolla has over 13 years of energy market experience being actively involved in the deregulated and contestable power and gas markets in Australia and Singapore since 1997, and more recently prior to joining Alinta Energy was the CEO of Simply Energy. Mr Capomolla has substantive experience in energy retailing, and energy retail market entry having led International Power's entry into the contestable power and gas markets in Australia.

Gary Stanford is Alinta Energy's Executive Director Wholesale Energy. Gary joined Alinta Energy after 15 years with Origin Energy where he held several senior executive positions, including GM, Corporate Transactions, EGM Corporate Developments and GM Energy Risk Management. Gary was responsible for the establishment of Origin Energy's wholesale operations and more recently has lead Origin Energy's large Transaction and Mergers team which successfully completed significant transactions with ConocoPhillips, BG and Woodside. Prior to joining Origin Energy Mr Stanford spent 17 years at Pacific Power.

Ken Woolley is Alinta Energy's Executive Director Power Generation. Prior to joining Alinta Energy, Mr Woolley was the General Manager Power Development at AGL Energy, with whom he had been employed for 7 years. Mr Woolley was responsible for the leadership of AGL's power development function, which included the development, construction and commercialisation of six utility scale wind farms and one hydro-generation power project. Whilst at AGL, and prior to Mr Woolley's appointment to General Manager Power Development, he was responsible for the management and operation of AGL's power generation fleet. During his 20 years of power generation sector experience he has played significant roles in the development and delivery of significant power projects both in Australia and Indonesia.

Sean Bowman is Alinta Energy's Executive Director People & Culture. Prior to joining Alinta Energy, Mr Bowman was based in the UK as Global Vice President HR Foods Categories for Unilever. Prior to that, Mr Bowman was the Vice President HR for Australasia for Unilever, after joining Unilever from Lion Nathan where he was Talent Director and HR Director for the Australian and NZ beer business. Mr Bowman's initial career was focused on Industrial Relations, firstly at AMP, and then at Rothmans, before taking on HR business partner and strategy roles.

Alinta Energy has appointed **Andrew Butler** as the General Manager Retail Eastern Markets. Mr Butler reports to the Executive Director Retail Markets (Domenic Capomolla) and is responsible for managing Alinta Energy's retail business within the NEM. Mr Butler was the co-founder of Australian Power and Gas (APG), working with them for the past 5 years, most recently as General Manager Sales, Marketing and Public Affairs. In this role Mr Butler was responsible for APG's customer growth, management of customer pricing and corporate communications. Prior to joining APG Mr Butler held senior roles at AGL, CitiPower and Solaris and has also worked with Transurban and Connector Motorways. In total, Mr Butler has over 20 years experience working with utility providers.

11.1 Demonstrating your knowledge and understanding of the obligations imposed on authorised retailers and all statutory, industry and technical requirements.

As an active retailer in the energy market Alinta Energy is aware of and is actively managing its compliance obligations across 3 jurisdictions.

Alinta Energy's commitment to managing compliance is demonstrated through it establishing a highly experienced regulatory team consisting of a General Manager Regulatory Affairs, and 4 regulatory managers including a Manager Regulatory Compliance and a Manager National Retail Regulation. The Regulatory Team is responsible for regulatory compliance and implementing a culture of compliance through-out Alinta Energy. In addition, the regulatory team works along side the legal team to ensure all legal and regulatory compliance obligations are managed.

Alinta's regulatory team has substantial experience in the energy industry particularly in regards to the regulatory environment that energy utilities operate within:

- Michelle Shepherd – is currently the General Manager Regulatory Affairs, based in the Perth office. Michelle has over 15 years experience in the utilities sector, having spent the previous 10 years in senior management roles within the regulatory team at AGL.
- Shaun Ruddy – is currently the Manager National Retail Regulation. Shaun was previously Manager Regulatory Affairs at Australia Power and Gas and prior to that was a regulatory manager at AGL.
- Catherine Rousch – is the National Compliance Manager for the Alinta Energy business. Catherine has about 15 years regulatory experience and has worked for both AGL and Synergy.

This approach, as well as Alinta Energy's demonstrated experience, including that of its Executive Management Team, makes it well placed to comply with all relevant legislation, licence conditions, codes and guidelines including:

- Competition and Consumer Act 2010 (Cth) (Trade Practices Act 1974)
- Privacy Act 1988 (Cth)
- Fair Trading Act 1999 (Vic)
- National Electricity Law and National Electricity Rules
- National Gas Law and National Electricity Rules
- National Retail Law
- National Retail Rules
- National Retail Regulations
- Applicable/Relevant State based regulatory/legislative instruments

Alinta uses tailored training products for both of its staff and its external contractors to ensure compliance with the relevant regulatory and legal instruments as they apply to the Energy Industry.

AERS has in place a complaints and dispute resolution procedure for its customers in South Australia and future customers in Victoria. This complaints policy was recently approved by ESCOSA and the Essential Services Commission Victoria and is utilised by both Alinta Energy and its external service providers. Further, the AERS complaint handling and dispute resolution procedure is consistent with the Australian Standards for compliant handling. Alinta will shortly introduce both a complaints handling policy specific to its entry into the Victorian market and a national complaints handling policy for compliance under the NECF regime. The document provided in this application is likely to form the basis of both of these policies and its likely this document will be updated to include relevant regulatory and compliance obligations depending on the jurisdictions that the document will be operating within.

14 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, this may include copies of any retail contracts that you have developed.

Attachment A provides a copy of AERS mass market contract for the South Australian market. All small-use customers in this market have been signed on these contracts. Alinta will develop a new mass-market contract to apply to customers acquired after the introduction of the NECF framework.

16 Where you may be relying on a third party to provide staff and resources to meet the technical requirements of your retailer authorisation or to fulfil retail roles (such as phone centres or billing).

Alinta Energy Retail Sales uses an outsourced business model with its key service provider Serviceworks. A key to the success of the AERS outsourced model is the unique management model that has been implemented between Serviceworks and AERS. Alinta has been working cooperatively with Serviceworks to implement the AERS business plan and brand strategy.

16.1 State all functions and activities you propose to outsource

- Billing
- Customer registration and activation/Transfers
- Meter data management
- Network settlements
- Collections
- Payments
- Reporting
- Call centre functions
- Customer Inquiries

17 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.

Alinta is currently participating in the South Australian Energy Ombudsman scheme.

Alinta has prepared an application to join the Energy and Water Ombudsman of Victoria which has been submitted to EWOV for approval to enter the scheme. At the current time, while AERS does not actively retail to residential customers in Victoria, it intends to enter the Victorian residential market shortly. The Essential Services Commission granted AERS a gas and electricity licence in February 2012, accordingly AERS has applied to enter the EWOV scheme and will not begin to retail electricity or gas to the mass-market prior to receiving official acceptance from the EWOV notifying that Alinta has joined the scheme.