

License Application: Arc Energy Corporation Pty Ltd

June 2018

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General Particulars

- 1) **Legal Name:** Arc Energy Corporation Pty Ltd ('Arc') trading as Arc Energy Group ACN: 33 614 276 827. See business ASX extract and constitution attached as **attachment A**.
- 2) **Registered business address:** Suite 6, 73a Rupert street, Collingwood, Victoria.
- 3) **Nominated contact:** Luke Pelich, CEO ph:0452 303 505 email: luke.pelich@arcenergygroup.com.au.
- 4) **Energy Supply type and intended retail commencement date:** Arc intends to retail electricity commencing retail operations from the 1st of October, 2018.
- 5) **The nature and the scope of the operations proposed:**
Arc Energy Corporation has been operating effectively as an Embedded Network Service Provider. Arc Energy is seeking a retail authorisation to -
 - Ensure it brings it's processes inline with national framework guidelines and regulations
 - Slightly expand its current retail footprint on the back of its strong existing relationships with its developers

This application has been put together in accordance with the AER's Retailer Authorisation Guideline, as well as the Energy Retail Law and Rules and other relevant obligations such as Australian Consumer Law, Competition and Consumer Act and the Privacy Act.

- 6) **Jurisdictions in Which Arc Energy Corporation intends to retail electricity:** Arc intends to begin its retail activity in NSW.

7) The type of customers Arc Energy Corporation intends to supply: Arc intends to supply all mass-market customers in both the residential and SME space below 160Mwh.

Entry Criteria

Organisational and technical capacity

Past experience as an energy retailer: Arc Energy has not previously operated as an energy retailer. Neither has any potential related party of it.

Details of any other relevant retail or energy market experience: Arc Energy Corporation has been assembling an experienced team of individuals with suitable energy experience. Please see **attachment B** for an outline of Arc's proposed structure, technical skills and experience of key board members and management. Any gaps in terms of experience are also outlined in these attachments with regards to key relationships being set up in the energy industry. Please also note in the attachments (attachment B) documents around Employee code of conduct and the requisite CEO declaration around key staff.

Please see attachment C to find Arc's basic financial model. This outlines the number of employees by key business unit in line with its organisational structure and any third party that Arc is seeking to engage to provide that function (please see highlighted parts of financial model indicating this).

USS – Key relationship

Arc Energy Corporation will be engaging USS to outsource the following functions –

- Customer service
- Customer provisioning
- Customer Transfers and billing
- Software and CRM support with its billing CRM

For an executed agreement as well as an overall review of USS functions please see **attachments D**. While USS Pty Ltd is a relatively new company it is comprised of a highly experienced team of people that have worked across the energy industry over the last decade for retailers (such as BluNRG, LUMO etc) as well as Billing Software providers (such as Agility CIS). USS currently supports a key player in the on market retail market with the above services and is in process of supporting a number of new entrants into the retail market.

A potential relationship with USS will compliment Arc's organisational structure, which will be structured to ensure USS is able to meet all industry regulations and guidelines as outlined in the Retail Law and Retail Rules. Arc Energy Corporation has developed a comprehensive Compliance and Risk strategy that will be managed by Arc management and include all functions and process performed by USS. Please see **attachment E** to review this strategy. This is also accompanied by a letter of independent review of this strategy as **attachment F** for your review. Please note that Arc has employed a key specialist to oversee the full implementation and development of its Compliance framework and will not engage in on market retail activity until all measures are in place.

Arc Energy Corporation has created as an example its draft T's and C's, customer charter, communications templates, a dispute resolution policy (in line with Australian Standards) and EIC scripting as evidence that it understands basic elements to engage the retail consumer in its long term interests and to develop retail contracts. These can be viewed as **attachment G**.

Business Plan

Arc Energy Corporation has put together a high-level business plan in line with the Guideline requirements. **This can be reviewed as attachment H.**

Contact with key market players

Arc Energy Corporation understands that it needs to set up relationships in order to effectively retail electricity to its customers. Such relationships include the following –

- Key distribution networks – in order to set up and execute Use of system agreements
- AEMO – to register as a market participant and to set up key credit support and settlement processes
- Relevant state Ombudsman
- Wholesale counter party – To arrange OTC wholesale products and potential credit support or reallocation products to support potential AEMO prudential requirements.

Arc Energy Corporation can confirm that it has made contact with some of these parties. Evidence of these can be found items marked as **attachment I**. Where contact hasn't been made Arc Energy Corporation can confirm that it will make contact and execute all agreements shortly after the receipt of its license. Arc

Energy Corporation will not retail without all these elements plus any other key relationship in place.

Financial Capacity

As a new start up energy retailer Arc Energy Corporation does not have audited financial statements. Other documentation to support its financial position, including any credit ratings, can be found as **attachments marked J**. Arc Energy Corporation is a stand-alone business and is not a part of any group. Arc Energy Corporation has arranged written declarations from the following supporting its ability to operate financially as an energy retailer –

- From its principal financial institution
- From its Chief financial officer

These declarations can be found as **attachment K**.

As mentioned previously Arc Energy Corporation has put together a financial forecast model to support its application as **attachment C**.

Suitability Criteria

Arc Energy Corporation welcomes the AER processes of understanding its suitability. To this end Arc Energy Corporation has provided as **attachment B** the following information –

- Full names and residential addresses of all key Arc staff
- A written declaration relating to the management team of Arc Energy Corporation

Arc Energy Corporation can confirm it does not have to provide any information potentially asked for by paragraphs 1 and 2 of

the AER suitability guidelines. Arc Energy Corporation would also cooperate with and criminal history check.

Appendix – Attachments (all commercial in confidence)

Attachment A – Business constitution and ASX extract

Attachment B – Organisational structure/Employee code of conduct/Employee declaration/Suitability declaration

Attachment C – Financial model

Attachment D – USS overview and agreement

Attachment E – Compliance and risk strategy

Attachment F – Independent review letter on Compliance and Risk strategy

Attachment G – Draft template T's and C's/Charter/EIC scripting/Dispute resolution policy

Attachment H – Business plan

Attachment I – Evidence of contacts made with some key industry players

Attachment J – Financial support documents (inc credit rating)

Attachment K – Key additional financial declarations