



**Blue NRG Pty Ltd**  
**ABN: 30 151 014 658**

Prepared for:  
Australian Energy Regulator  
Level 35, the Tower  
360 Elizabeth Street  
Melbourne Vic 3000

Application for National Energy Retailer Authorisation

Public Component  
April 2012

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## Information Requirements - General Particulars

**1. Legal Name**

The applicant is Blue NRG Pty Ltd

**2. Trading Name**

Blue NRG does not use a trading name.

**3. ACN 151 014 658**

**4. Registered address**

Suite 15, 333 Canterbury Road  
Canterbury VIC 31260

**5. Nominated Contact Person**

Name: Stewart Jackson  
Title: Legal Counsel  
Contact: 0412 366 193  
Email: [stewart.jackson@bluenrg.com.au](mailto:stewart.jackson@bluenrg.com.au)

**6. Form of energy for which authorisation is required**

Electricity

**7. Intended date of commencement of retail operations**

1 July 2012

**8. Nature and scope of proposed operations**

The applicant NRG will be retailing electricity too small to medium size business customers in Victoria

**9. The jurisdictions in which the applicant intends to retail energy**

The applicant will be operating in Victoria only.

**10. Type of Customers the applicant intends to supply**

The applicant intends to sell electricity to small business customers, small market offer customers and large customers.

## Information Requirements – Organisational and Technical Capacity

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

Blue NRG itself has had no experience in the energy market; however the members of its management team have had extensive experience in the retail electricity market in all NEM jurisdictions.

**2. Details of or any other relevant retail experience.**

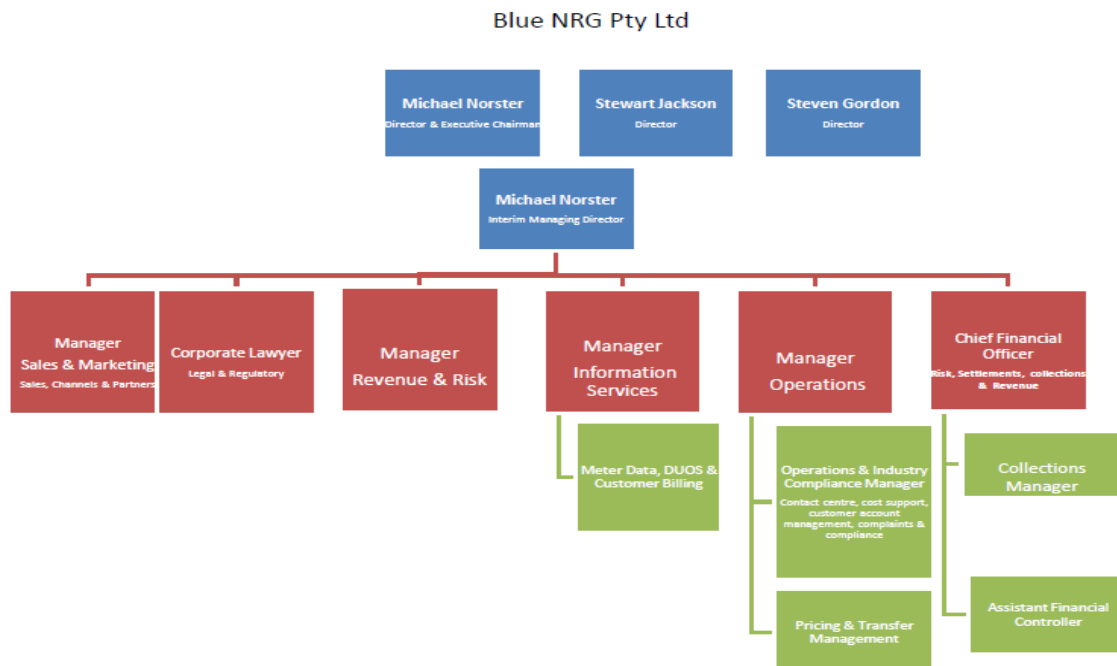
Blue NRG Pty Ltd has had none. However, as indicated in No 1 above, its management team have had extensive experience in the retail electricity market.

**3. Details of retail and/or energy experience of a person holding 20 per cent or more of any class of shares in the applicant.**

Blue NRG Pty Ltd is controlled by its parent company, Green Generation Pty Ltd, which holds 94% of the issued shares in Blue NRG Pty Ltd. Green Generation carries on the business of selling and installing photovoltaic solar panels and is involved in other renewable energy projects. Green Generation has never been engaged in the retailing of electricity.

Referred as **Attachment A**

**4. An organisation chart showing the structure of the organisation**



Referred as **Attachment B** for detail

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

Employees (including contractors) total 9. These comprise the Managing Director, Manager Compliance and Operations, Legal Counsel, Manager Sales and Marketing, Chief Financial Officer, Manager Wholesale and Risk; IT Manager, Communications and Infrastructure Manager; Executive Assistant

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

Details of Blue NRG's Executive Management Team follow:

**Michael Norster BSc, LLB – Managing Director**

Michael Norster holds degrees in science and law from Monash University and has over 20 years experience as a commercial lawyer specialising in the information technology, telecommunications and utilities/infrastructure sectors.

In 1997 Michael Norster founded the Australian Energy group of companies that traded under the name Powerdirect, a leading second-tier electricity retailer. Mr Norster's investment group was the major shareholder in the Australian Energy group of companies from the ASX listing of Australian Energy Limited in 2001 until its completed sale under scheme of arrangement to Ergon Energy in 2006. He was an executive director from foundation till 2004 and a non-executive director until the sale to Ergon. The amalgamated company was resold in 2007 to AGL under the name Powerdirect for in excess of \$1.2 billion.

Michael is also the co-founder of internet company Hotkey Internet Services Pty Ltd the telecommunications company Miracom Telecommunications Pty Ltd and the information technology recruitment company Primex Solutions Pty Ltd.

In 2006, Mr Norster was asked to rescue an ailing listed gas production and exploration company called Sydney Gas. That company had been left with no directors, CEO or CFO. Mr Norster as acting chairman reconstituted the board and management of the company, refinanced it and defended a hostile takeover.

Currently Mr Norster is the managing director of his own private investment group, Energy Direct Investments. The investment group specialises in energy and telecommunication sector investment and has general business and share investment ranging from seed capital through to investments in listed stocks. Apart from energy and telecommunications the group has a diverse range of private company investments consisting of retail and wholesale specialist clothing and footwear, information technology recruitment, online recruitment, telecommunications value adding software and industrial intellectual property.

**Stewart Jackson LLB – Director and Legal Counsel**

Stewart Jackson is a senior legal practitioner and holds a law degree from Melbourne University. He has broad experience in the retail electricity sector and has worked in various In-House Legal Counsel roles in the electricity industry since 1995, in Victoria, NSW, Queensland, SA and

Tasmania.

These roles have included legal, regulatory and compliance positions with Powercor Australia, Hydro Tasmania, Yallourn Energy, Powerdirect, Neighbourhood Energy, JackGreen, Momentum Energy, Qenergy, NEMMCO (now re-badged as AEMO), Diamond Energy and WINenergy.

Before moving into the electricity industry in 1995, he successfully conducted his own commercial and general legal practice in suburban Melbourne and later in the CBD. This included property, planning issues, subdivisions, litigation, personal injuries, court appearance work, commercial contracts, businesses and franchising.

He focuses on contract negotiation, legal risk and regulatory compliance. He possesses a keen ability to recognise legal issues and risk, and the experience required to assess the associated commercial risk within a business environment.

### **Steven Gordon – National General Manager Sales and Marketing**

Steve Gordon is a sales professional with over 25 years experience in sales and marketing for various national organisations specialising in business to business sales. He holds a Diploma of Business and Certificates in Finance, Management, Telecommunications and Customer Contact Centres.

He has held responsibility for direct sales staff, outsourced channel partners (D2D, B2B and Contact centres – inbound & outbound), independent brokers and association marketing.

After 15 years in the telecommunications industry, he combined the skills learnt from deregulation with his sales and marketing skills and moved to the energy industry at the time of deregulation. Since 2001 he has overseen sales campaigns with Powerdirect, Energy Australia and Simply Energy, with success at all these organisations.

Steve understands the psychology of sales, staff, business partners and business customers and is apt at targeting market segments to achieve maximum results, while maintaining a very high compliance ratio through sales methods to marketplace.

Communication is the key to all of the sales strategies he implements. This includes communication with all parties from management to clients and sales channels to industry bodies.

#### **7. Details of the applicant's human resources policy regarding employee qualifications,**

Blue NRG human resources policy is to recruit a highly qualified executive team made up of a hand-picked group of people who have all had extensive experience in the Australian retail electricity industry.

#### **8. Details of all training programs and training policies for employees and agents of the applicant and any other policies and procedures that the applicant has in place (or proposes to put in place) to ensure appropriate interaction with customers**

Referred as **Attachment C** for detail

9. **A comprehensive business plan, including but not limited to strategic direction and objectives; identified opportunities in the market place; forecast results; benchmarks and the impact of differing assumptions or scenarios on the applicant's financial position.**

Referred as **Attachment D** for detail

10. **The business plan should be accompanied by budgeted financial statements for the next three years.**

Financial projections for the initial 5 years are attached, together with a break-even analysis.

Referred as **Attachment E, F, G & H** for detail

11. **Details of Quality Assurance accreditations held.**

No accreditations are currently held.

12. **A copy of the applicant's compliance strategy**

Referred as **Attachment I** for detail

13. **The applicant's complaint and dispute resolution procedures.**

Referred as **Attachment J** for detail

14. **A copy of the applicant's risk management strategy covering both operational and financial risks.**

These are attached and are referred to in the attached Business Plan and as **Attachment K**

15. **A declaration from the director/s that the applicant's risk management and compliance strategies have been approved and that they have been subject to an external assurance process.**

This declaration is attached; however, the strategies have not been subject to an external assurance process.

Referred as **Attachment L** for detail

16. **Any additional information which demonstrates the applicant's ability to manage risk and operate in accordance with the Retail Law objective, particularly the long term interests of consumers. This may include copies of any retail contracts that the applicant has developed.**

Refer to the attached Business Plan. Retail terms and conditions will be supplied; however, the applicant has not carried on any marketing activities.

Referred as **Attachment M, N, O, P, U, V, W, X** for detail

**17. Details of insurance arrangements, which must be appropriate for the scale of activities to be conducted under the retailer authorisation.**

Arrangements are being made with an insurance broker (Marsh Pty Ltd) to effect all necessary insurances for the retail business. These insurances include Public Liability, Professional Indemnity, Directors & Officers Liability, Employment Practices Liability and Internet Liability. These insurances will be in place by 1 July 2012

**18. Where the applicant may be relying on a third party to provide staff and resources to meet the technical requirements of the retailer authorisation or to fulfil retail roles, the applicant must provide certain details.**

There are no contracts with related parties. None of the operational aspects of the retail business will be carried out by a service company. However, following are details of all contracts for the provision of outsourced services that are either under negotiation or to be entered into by Blue NRG to facilitate the operation of the retail electricity business:

**(a) Sales Channel Agreement**

Blue NRG's Legal Counsel has prepared a standard agreement for the engagement of external sales agents when the decision is taken to engage such entities to provide marketing services. It imposes strict compliance obligations of the sales agent. A copy is included in Attachment T. Blue NRG's Legal & Compliance group is responsible for ensuring that compliance capabilities and performance are factored into contracts with external suppliers. This includes overseeing outsourcing arrangements to ensure they take account of compliance obligations.

Blue NRG Pty Ltd recognises that it is responsible for the actions of its external sales agents. Service agreements with external sales agents will contain stringent performance criteria in the areas of code compliance and consumer protection laws.

Referred as **Attachment Q** for detail

**(b) Software Licence and Support Agreement**

A software licence agreement is being negotiated with Agility CIS Ltd for a licence of the Orion Energy Billing System. The Company's Legal Counsel has broad experience in negotiating and drafting software licence agreements, and the Company's Operations and Compliance Manager has had extensive experience in preparing functionality specifications has been completed for the billing software. An IT systems requirement and functionality document (fulfilling the IT requirements of the business) has been prepared, and a systems functionality checklist has also been created to cover the major functionality and processes required. The checklist highlights the key activities to be included in the software and/or processes. The Orion energy management application has the ability to provide the required functionality (as is) or in a different manner and/or is build-able.

### **(c) Software Hosting Agreement**

Blue NRG will initially implement a hosted solution for its software. Legal Counsel has finalised the agreement and we are awaiting executed documents from the service provider.

Blue NRG will also seek a secondary backup provider as part of our internal IT risk management.

### **(d) Escrow and Hosting Agreements**

Security of customer records is a high priority. Blue NRG will enter into an escrow agreement and a software/data hosting agreement to complement its billing software licence agreement with Agility CIS Ltd. Relevant agreements have been requested from potential counterparties.

### **(e) AEMO Registration**

Blue NRG's application for AEMO registration was lodged on 5 April 2012. Approval is expected shortly. Blue NRG is familiar with the rules and conditions governing market participation including settlement and reconciliation of electricity purchases and network service charges, prudential requirements, processes and interfaces.

### **(f) Austraclear**

Blue NRG's Austraclear membership was approved on 5 April 2012.

### **(g) Financial Markets**

Blue NRG is about to enter into ISDAs with a number of generators, and negotiations with one or more generators for associated appropriate commercial hedges will be completed after the retailer authorisation is granted.

### **(h) Distribution Use of System Agreements**

Blue NRG's Legal Counsel is familiar with the Victorian default Use of System Agreement and has provided a review for the Board. Contact has been made with each distribution business and each distributor's UoS Agreement has been requested and received. To date, three of the UoS Agreements have been signed and lodged with the relevant distributor.

### **(i) Energy and Water Ombudsman Scheme Membership**

Blue NRG has requested an agreement from the Energy and Water Ombudsman of Victoria and other jurisdictions will follow if and when Blue NRG markets to small customers in other jurisdictions.

### **(j) Community Services Agreements**

Blue NRG will enter into discussions with the Department of Human Services with a view to entering into Community Services Agreements for the provision of concessions to eligible Victorian customers.



**(k) Meter Reading**

A metering agreement is being negotiated with an accredited meter provider for Blue NRG's large customers and a formal agreement will be executed shortly.

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

Contact has been made with EWOV, and the applicant will join the EWOV scheme prior to marketing to small customers. The applicant is fully aware of its obligations in this area.

**20. Evidence of any agreements and systems in place to facilitate interaction with relevant market participants within those jurisdictions in which the applicant intends to operate.**

Contact has been made with all Victorian distributors and Use of System Agreements have been signed and sent to three of them. The application for AEMO registration was lodged on 5 April 2012, and Austraclear membership was granted on 5 April.

**21 Details of any situation/s where the applicant (or an associate) has triggered the RoLR provisions of the Retail Law or equivalent state/territory/foreign legislation, or has transferred or surrendered an authorisation or licence in circumstances where if not done, triggering of RoLR provisions would have been likely.**

Not applicable. There have been no such situations.

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**Information Requirements – Financial Resources**

A written declaration (**Attachment Y**) from the Director Stewart Jackson states that the applicant is a going concern and that the officer is unaware of any factor that would impede the applicant's ability to finance its energy retailer activities under the retailer authorisation for the next 12 months.

The following commercial-in-confidence documents and information provide the evidence and support for Blue NRG's case that it has sufficient financial resources or access to such resources to sustain a viable business in the electricity industry.

- a)** Current balance sheet and profit and loss - attached as **Attachment E & F**;
- b)** Shareholder Register - attached as **Attachment S**;
- c)** Certificate of Registration - attached as **Attachment R**;
- d)** Breakeven analysis and cash flow projections - attached as **Attachment H**;

**AEMO Prudential**

AEMO has not set a maximum credit limit for Blue NRG. However, Legal Counsel has had discussions with AEMO and Blue NRG has elected to accept the AEMO default maximum credit limit. Arrangements have been made with Investec for a bank guarantee for this amount, and this will be lodged with AEMO as soon as registration has been granted.

**Australian Financial Services Licence**

As Blue NRG will be dealing in financial products, an AFSL will be required. External lawyers (Norton Gledhill) have been engaged to prepare the Company's application for its AFSL. This will be obtained before Blue NRG starts dealing in hedge products.

### Credit Rating

As indicated above, a Dynamic Risk Score credit rating has been obtained from Dun & Bradstreet and is attached as **Attachment T**.

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### Information Requirements – Suitability

1. Neither Blue NRG Pty Ltd nor any of its associates or other businesses where its officers have held an officer position and any other entity that exerts control over its business activities have committed or caused 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.  
  
Nor have there been any previously revoked authorisations, authorities or licences held in any industry, or any failed authorisation, authority or licence applications in any industry. There are no present administrative or legal actions in relation to an authorisation, authority or licence in any industry.
2. This information is provided for the current directors of Blue NRG Pty Ltd and all persons who are responsible for significant operating decisions of the business. There have been no 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, Competition and Consumer Act 2010 and the Corporations Act 2001 that are relevant to the applicant's capacity as an energy retailer, or written confirmation that no offences have been committed against, or been prosecuted under, any such legislation.
3. Criminal history checks in relation to Stewart Jackson, Steven Gordon and Ian Macdonald are attached. Others are available if requested.
4. None of the directors of Blue NRG are disqualified. Written declarations from members of the Blue NRG management team will be obtained if required, stating that they have not been disqualified from the management of corporations.
5. A written declaration from Blue NRG's directors regarding Blue NRG's record of bankruptcy in any overseas jurisdiction will be provided if required.
6. Full names and current residential addresses of all officers of the applicant will be provided.
7. The applicant has no policies and procedures addressing the probity and competence of its

officers and any other key management staff.

8. There is no additional relevant information that will assist the AER in its consideration of the character and past performance of the applicant's officers.