



Discover Energy

Retail Authorisation Application

Electricity

Lodgement Date 24 August 2017

Approved By Anson Zhang, Managing Director

1. Introduction

This is an application by Discover Energy Pty Ltd (ABN 20 619 204 750) (**Discover Energy**) lodged with the Australian Energy Regulator for a Retail Authorisation for the sale of electricity in those states that have adopted the National Energy Consumer Framework, firstly in Queensland and then New South Wales.

Discover Energy is an Australian proprietary company, limited by shares.

This application consists of the following:

- Part One of this document provides the Required Information: general particulars;
- Part Two of this document provides the Required information: organizational and technical capacity;
- Part Three of this document provides the Required information: financial resource;
- Part Four of this document provides the Required information: suitability; and
- Attachments to this document, as referenced throughout.

Documents clearly marked as 'Commercial in Confidence' do not form part of the public component of this application.

2. Part One: Required information – general particulars

Legal name:	The applicant is Discover Energy Pty Ltd (ABN 20 619 204 750).
Trading name:	As above.
ABN:	20 619 204 750
ACN:	619 204 750
Registered	19/05/2017
business address:	2 Prospect Pl, Berrinba QLD 4117
Postal address:	As above.
Contact person:	Name: Connor James
	Position: Consultant
	Address: 100 Harris Street, Pyrmont, NSW 2006
	Email: [REDACTED]
	Mobile: [REDACTED]

Form of energy:	Electricity
Commencement date:	19/11/2017
Jurisdictions:	Those states that have adopted the National Energy Consumer Framework.
Type of customers:	The customers will be predominantly residential, with a small number of commercial/retail customers. There will be a mixture of customers who both own and are renting (under residential or retail tenancy).

2.1 Nature and scope of operations

Discover Energy is owned by One Stop Warehouse (**OSW**), one of Australia's largest solar and storage distribution companies. Discover Energy will have access to the resources and experience of OSW.

Discover Energy is invested in the renewable energy and would like to expand its horizons to make a bigger difference by helping customers reduce their daily emissions using a generous feed in tariff, solar and storage options (where appropriate) for their household.

In providing energy to its customers, Discover Energy will seek to uphold the objective of the Retail Law to:

‘promote efficient investment in, and efficient operation and use of, energy services for the long-term interests of consumers of energy with respect to price, quality, safety, reliability and security of supply of energy’.

This will be achieved by favourable pricing, providing renewable generation options, and the implementation of systems and processes that ensure consumer protections.

The energy market is characterised by domination by the largest three energy retailers and by low feed in tariffs for those customers who have solar PV installed. Discover Energy provides a further, and viable, choice to consumers who are unhappy with the current offering. By providing a generous feed in tariff, Discover Energy will incentivise customers looking to switch and incentivise the take up of solar PV. There is a small number of energy retailers focused on renewable energy as their primary differentiator. Discover Energy has

determined that this will be its value proposition, while operating in a conservative and sensible way.

Discover Energy's billing and outsourced service provider has significant experience in the energy retail market and has a system that includes various controls to ensure compliance with regulatory obligations of an energy retailer. The majority of customer functions will be outsourced to a provider with the skills and experience to operate in a compliant manner.

3. Part Two: Required information – organizational and technical capacity

Please find information below and attached demonstrating Discover Energy's organisational and technical capacity. Various organisational and technical capabilities will be met by our outsourced provider, Utility Software Solutions. Information on Utility Software Solutions is provided in **annexures X and Y**, provided on a commercial in confidence basis.

Discover Energy has a well-developed understanding of the energy market and the various regulatory obligations of an authorisation holder. Discover Energy's compliance documentation, in each of the annexures, demonstrates a commitment to and understanding of the compliance obligations of a retailer.

Discover Energy, via its background in the renewable energy market, understands the nature of the energy market and the various risks within the wholesale market.

Together, Discover Energy's operations will be conducted in compliance with applicable laws and to a very high standard.

3.1 Details of previous experience as an energy retailer

Discover Energy has access to the experience and skills of OSW.

OSW was founded in New South Wales in January 2013. In May 2013, OSW started selling photovoltaic products. A second distribution branch was opened in Adelaide in October 2014. Two further distribution branches were established in 2014 in Brisbane and then Melbourne. In 2016, the fifth distribution branch was established in Sydney. Financial information regarding turnover is contained in the Commercial-in-Confidence section.

Experiences also obtained via the use of the services of Utility Software Solutions. Utility Software Solutions was established by very well-known and respected energy experts. Further information on Utility Software Solutions is provided in the attachments.

3.2 Organisation chart

Please refer to **Annexure W**.

Discover Energy will have the following individual positions:

- a. Marketing and Advertising Manager
- b. Operations Manager
- c. CFO
- d. CEO
- e. Procurement Manger
- f. Wholesale Risk Manager
- g. Compliance Consultant

3.3 Key Staff

CEO:	Mr Hongwei (Anson) Zhang
Residential address:	[REDACTED]
Qualifications:	MBA (UTS)
Experience:	<p>Founder and CEO of OSW which commenced operation in January 2013. In four years, Anson has grown the company to a business with an annual turnover in excess of \$90 million with five distribution offices across Australia. Anson has experience as a Product and sales manager, managing 30 staff and a portfolio of over 20 products. He has also worked as a Software engineer.</p> <p>Anson has experience with Channel sales and Accounts administration.</p>
CFO:	Mr Andrew Tay
Residential address:	[REDACTED]
Qualifications:	MBA (Vic Uni) BInfSc (La Trobe Uni)

FCPA (2006)

Experience: Currently the CFO of OSW, Andrew has over 20 year of working experience in financial management and accounting. He has worked in leading professional firms and international companies, such as KPMG, Logica (now part of CGI Group) Hewlett-Packard, Eni Australia.

Andrew has a strong grasp of issues in financial control processes, cross-border taxation, treasury and reporting of timely financial results to multiple stakeholders and team management.

COO & CTO: Mr Jeff Yu

Residential address: [REDACTED]

Qualifications: MIT (UNSW)

Experience: Currently the COO and CTO of OSW, Jeff has over 14 years experience as a Software Engineer. As CCO and CTO at One Stop Warehouse, Jeff has led an IT R & D team dealing with all aspects of Back-end ERP, front-end web and Apps development. Before joining OSW Jeff was the Senior Software Engineer at Redhat.

Marketing and

Call Centre Manager: Ms Kassie Harland

Residential address: [REDACTED]

Qualifications: Cert II IT

Cert III Business Administration

Experience: Currently the Marketing and Call Centre Manager at OSW, Kassie has experience in sales and marketing. She also has experience in Project Administration.

Where the applicant does not possess skills or experience, it will obtain those by employing suitably qualified individuals. Please refer to **Annexure V** provided on a commercial in confidence basis for copies of text used in current Seek advertisements.

Please refer to **Annexure W** a diagram of the key areas of energy retail and our capability, provided on a commercial in confidence basis.

The applicant has engaged individuals and suppliers with significant experience in the energy market. Please refer to **Annexure A1** provided on a commercial in confidence basis for

details on all providers and individuals involved in Discover Energy.

The applicant also has a Third-Party Management Process. Please refer to **Annexure A2** provided on a commercial in confidence basis.

3.4 Third party involvement

The applicant has engaged individuals and suppliers with significant experience in the energy market. Please refer to **Annexure A1** provided on a commercial in confidence basis for details on all providers and individuals involved in Discover. The applicant also has a Third-Party Management Process. Please refer to **Annexure A2**, as noted above, provided on a commercial in confidence basis.

3.5 Business plan

Please refer to **Annexure B1** provided on a commercial in confidence basis for details on the Discoverers' business plan.

Discover Energy has access to significant financial resources via third-party financiers and has internal resources that will ensure that it is able to comfortably achieve its business goals.

By extensive research on the energy market, and from that gained in OSW, Discover Energy understands the various risks of operating as a retailer and the need for a conservative and sensible approach in its operations. Discover Energy's plans are to focus on customers looking for a better feed in tariff as outlined above.

3.6 Compliance strategy

The board of Discover Energy recognises that an effective compliance management system, as defined in AS ISO 19600-2015, is central to the company's strategy and achievement of its financial and business objectives.

Discover Energy is committed to an effective compliance program implemented in

accordance with AS ISO 19600-2015. Discover Compliance Plan (**Plan**) (**Annexure C**), demonstrates the extent to which the standard has guided Discover.

Discover Energy understands and will implement a range of measures to ensure compliance with regulatory obligations. Discover Energy's regulatory obligations include those under Energy Law (including the National Energy Retail Law, National Energy Retail Regulations and various Victorian instruments), the *Telecommunications Act 1997*, the *Do Not Call Register Act 2006* and the Australian Consumer Law (as set out in Schedule 2 to the *Competition and Consumer Act 2010*).

The board of Discover Energy has overall responsibility for setting and overseeing the corporate governance and compliance standards that are implemented by the Compliance Committee consisting of a member of the board, our Compliance Lead and business managers.

Ways that Discover Energy will ensure compliance include:

- The Compliance Committee: Responsible for developing and implementing the compliance program via the development of policies, procedures and training programs
- Compliance Personnel: Responsible for the day to day oversight of the compliance program of Discover.
- External Advice: Discover, as part of its compliance program, obtains advice on compliance and legal issues from a number of qualified external providers.
- Information Technology: Discover Energy implements a range of technological solutions that aid in the Company's compliance and implementation of the compliance program. These include the Compliance HUB, a cloud-based system that tracks regulatory obligations and assigns various controls against obligations.
- Documentation: Discover Energy has developed procedures and policies related to operational processes in order to ensure regulatory compliance. These documents are provided to employees to ensure implementation of practices in compliance.
- Compliance Risk Assessments: Discover actively seeks to identify and reduce the likelihood of breaches of regulatory obligations. A Compliance Risk Assessment will be conducted looking at applicable regulatory obligations, the consequences and likelihood of a breach and appropriate controls.

- Training and Assessment: The aim of compliance training and assessment is to reinforce in all staff the understanding that regulatory compliance is core to Discover's operations. External training providers will be utilised where appropriate.
- Qualified Staff: Appropriately qualified staff will be employed.
- Monitoring and Reporting: Any compliance breaches will be monitored, resolved and reported in accordance with the Plan and Discover's reporting obligations.

Discover Energy's compliance program is also aided by the Compliance HUB, a software solution specifically designed for energy retailers. The Compliance HUB includes various modules:

- Registry**: the registry is a central area where obligations are listed in a table format, categorised according to likelihood and consequence of a breach. Predictive searching allows for immediate recall of obligations relevant to a search term. Controls may be listed in the registry against each obligation. The registry will be updated when regulatory changes come into effect or when the business operates in a new regulatory area. Controls in the registry are linked to the other components of the compliance HUB.
- Training and assessment**: Units in the training and assessment module include Explicit Informed, customer hardship, billing (incorporating estimation of bills, frequency and content, under charging and overcharging), disclosures to potential customers, and managing customer complaints.
- Documents**: the documents module includes all of the policies and procedures of Discover Energy, as well as source regulatory documentation including the NERR and NERL. The documents in the documents module are cross-linked to the registry, where documents are controls for regulatory obligations.
- Calendar**: the calendar module will list all regulatory reporting obligations including performance and compliance reporting. The calendar itself is a control in compliance with the obligation to submit reports to regulatory bodies.
- Forms**: any potential breaches of obligations can be captured by the forms included in the form module. Potential breach reports are then immediately sent to the compliance committee for assessment and action.
- Updates**: the updates module is made up of regulatory updates published by Compliance Quarter. Regulatory updates will be published where changes to regulation are likely or where other important developments have occurred. The

Compliance HUB has the capability to measure how long staff have taken to read a regulatory update.

On the user management side, the Compliance HUB can have multiple logins for the one business including for employees and external consultants. Extensive records are maintained of each users' use of the Compliance HUB. The Compliance HUB is an innovative development that will improve the overall Discover Energy compliance program.

The Compliance HUB does not exist in isolation and is not intended to be the only, or the main, tool used by Discover Energy in achieving compliance. Compliance will be achieved in accordance with the attached documentation.

Please find attached (provided on a commercial in confidence basis):

- **Annexure C:** Discover Energy Compliance Policy;
- **Annexure D:** Discover Energy Code of Business Conduct;
- **Annexure E:** Discover Energy Compliance Reporting Procedure;
- **Annexure F:** Discover Energy Hardship Policy;
- **Annexure G:** Discover Energy Risk Management Policy;
- **Annexure H:** Discover Energy Complaints Policy;
- **Annexure I:** Discover Energy Summary of Rights and Obligations.
- **Annexure P1:** Discover Energy Recruitment and Selection
- **Annexure P2:** Discover Energy Onboarding and Induction
- **Annexure P3:** Discover Energy Employee Referral Program
- **Annexure P4:** Discover Energy Equal Employment and Opportunity Policy
- **Annexure P5:** Discover Energy Exit Policy
- **Annexure P6:** Discover Energy Grievance Policy
- **Annexure P7:** Discover Energy Internal Transfers and Promotions Policy
- **Annexure Q:** Discover Energy Privacy Policy; and
- **Annexure R:** Discover Energy Compliance Statements for Website

The guiding principles for Discover's complaints management program are contained in AS/ISO 10002-2006. Under Discover's Complaints Policy Customers have a right to lodge a complaint at any time.

Discover is committed to freely receiving and resolving complaints in an accessible and transparent way. In all instances, Discover will:

- Freely accept complaints lodged on our website, in person, by telephone, facsimile, email or letter;
- Acknowledge any complaint received as soon as possible;
- Begin an investigation into the reasons for a complaint within 24 hours of acknowledgment;
- Keep the complainant updated about the investigation and any proposed resolution;
- Notify the complainant as soon as possible of the outcome of our investigation and any proposal we have for resolution
- Provide the complainant with the option of an internal review of their complaint if they are unsatisfied with the outcome of the investigation or the proposed resolution.

3.7 Risk management strategy

AS ISO 31000-2009 provides a generic guide for managing risk. This standard may be applied to a very wide range of activities, decisions or operations. Discover has adopted AS ISO 31000-2009 as its base guidance document for addressing risks.

To be effective, risk management – like compliance – must become part of an organisation's culture. It should be embedded into the organisation's philosophy, practices and business processes rather than be viewed or practised as a separate activity.

The board of Discover has overall responsibility for ensuring that there is a sound system of risk management across the business.

The board is also responsible for defining the overall risk appetite of the business, and for approving policies and ensuring that these are implemented. The board will approve the Risk Management Policy and will in the normal course, approve changes and updates to it, on a case-by-case basis.

3.8 Details of external audit of compliance and risk strategy

Discover's Compliance Plan and Risk Management Policy have undergone external review. The results of that review are attached and marked 'Annexure J' provided on a commercial in confidence basis. Changes recommended by the external provider have been implemented and incorporated into the documents attached to this application.

3.9 Additional information which demonstrates ability to manage risk and operate in accordance with the Retail Law objective, particularly the long-term interests of consumers

The AER will be provided with a login to the Compliance HUB that will be used in the management of our compliance program.

3.10 Memberships or steps taken to obtain memberships of a recognised energy industry ombudsman scheme in the relevant jurisdiction:

Discover Energy has submitted a Scheme Membership Enquiry to the Energy and Water Ombudsman Queensland (EWOQ). Please find attached and marked 'Annexure K1' a copy of the preliminary letter received from EWOQ.

Discover Energy has applied to the Energy and Water Ombudsman New South Wales for membership of the scheme. Please find attached and marked 'Annexure K2' a copy of the email correspondence sent to the ombudsman scheme of NSW.

3.11 Agreements in place with key market players within the relevant jurisdictions (distribution businesses and AEMO) If agreements not finalised provide information as to negotiations

Discover Energy has not finalised negotiations with relevant market participants nor obtained market participant status from AEMO.

Discover Energy will submit an application with AEMO in the coming weeks and understands that its energy retailing activities is condition on being a market participant.

4. Part Three: Required information – financial resources

4.1 Details and evidence of current financial position, for example, interim financial statements.

Discover Energy is a start-up business that does not have interim financial statements.

Please find attached documentation confirming Discover' current financial position marked 'Annexure L' and 'Annexure N1', both provided on a commercial in confidence basis.

As noted above Discover Energy has access, from third parties, two significant financial resources.

4.2 Group structure

Please refer to the attached business plan, marked 'Annexure B1' provided on a commercial in confidence basis.

4.3 Declaration from CFO (or CEO or director)

Please find attached declaration from Discover Energy's CFO confirming the company's current financial position marked 'Annexure L' and provided on a commercial in confidence basis.

Please find attached declaration from Discover Energy's CEO concerning the solvency of officers marked 'Annexure M' and provided on a commercial in confidence basis.

4.4 Declaration from independent auditor

Please find attached declaration from an independent auditor confirming the company's current financial position and capability marked 'Annexure N' and provided on a commercial in confidence basis.

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

Letters of Support from external parties are attached and marked '**Annexure B2**' and '**Annexure B3**' and provided on a commercial in confidence basis. Further please find attached **Annexures Z1** and **Z2**, confirming the financial capacity of these parties, provided on a commercial in confidence basis.

4.6 Revenue and expenses forecast

Please find attached a financial plan included in the business plan for Discover Energy marked '**Annexure B1 Part 1 and Part 2**' and provided on a commercial in confidence basis.

5. Part Four: Required information – suitability

Discover Energy is a fit and proper entity to hold a retail authorisation. Neither itself, its related body corporates, its officers or associates have had any criminal or civil convictions.

We note that the AER may request a certified copy of a national criminal history check (no more than 12 months old) to confirm this information. We would be happy to provide this if required.

5.1 There have been no regulatory failures by either entity.

There has not been (by Discover Energy, its associates, officers, businesses where officers have held an officer position, or other entity that exerts control over Discover Energy) 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.

5.2 There have been no revocations of authorisations, authorities or licences by either entity.

Discover Energy, its associates, officers, businesses where officers have held an officer position, and other entities that exert control over Discover Energy have not held authorisations, authorities or licences that have been revoked.

5.3 There has been no legal action taken in relation to any regulatory breaches.

Discover Energy, its associates, officers, businesses where officers have held an officer position, or other entities that exert control over Discover Energy have not been a party to legal action taken in relation to any regulatory breaches.

5.4 Neither entity has triggered the RoLR provisions or any equivalent provisions.

Discover Energy, its associates, officers, businesses where officers have held an officer position, or other entities that exert control over Discover Energy have not triggered the RoLR or equivalent provisions.

5.5 There have been no offences found nor successful prosecutions under any territory, state, Commonwealth or foreign legislation against either entity.

There have been no offences found nor successful prosecutions under any territory, state, Commonwealth or foreign legislation against Discover Energy, its associates, officers,

businesses where officers have held an officer position, and other entities that exert control over Discover Energy.

5.6 There have been no offences found nor successful prosecutions under any territory, state, Commonwealth or foreign legislation against any current director of either entity.

There have been no offences found nor successful prosecutions under any territory, state, Commonwealth or foreign legislation against any current director of Discover.

5.7 Written declaration from Chief Financial Officer (or CEO)

Please find attached declaration from Discover Energy's CEO marked '**Annexure M**' and provided on a commercial in confidence basis, confirming:

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

5.8 Full names and current residential addresses of all your officers.

Please find attached details of the Discover Energy's officers marked '**Annexure O**' and provided on a commercial in confidence basis.

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

Please find attached documents which are relevant to this component of the application:

- **Annexure C:** Discover Energy Compliance Plan;

- **Annexure D:** Discover Energy Code of Ethics; and
- **Annexure P:** Discover Energy Recruitment and Termination Policy

LIST OF ANNEXURES INCLUDED WITH THIS APPLICATION

Document	Description	Confidential
Annexure A1	List and details of 3 rd parties	Yes
Annexure A2	Third Party Management Process	Yes
Annexure B1	Business Plan	Yes
Annexure B1 Part One and Part Two,	Financial Plan	Yes
Annexures B1 and B2	Letters of Support	Yes
Annexure B3	Agreement between DE and related party	Yes
Annexure C	Compliance Policy	Yes
Annexure D	Code of Business Conduct	Yes
Annexure E	Compliance Reporting Procedure	Yes
Annexure F	Hardship Policy	Yes
Annexure G	Risk Management Policy	Yes
Annexure H	Complaints Policy	Yes
Annexure I	Summary of Rights and Obligations	Yes
Annexure J	External review of compliance and risk management	Yes
Annexure K1	Copy of preliminary letter from EWOQ	Yes
Annexure K2	Copy of application letter to EWON	Yes
Annexure L	CFO declaration current financial position	
Annexure M	CEO declaration officers'	Yes

	solvency	
Annexure N	Independent auditor declaration	Yes
Annexure N2	Bank Declaration	
Annexure O	Name and residential address details of officers	Yes
Annexure P1	Recruitment and Selection	Yes
Annexure P2	Onboarding and Induction	Yes
Annexure P3	Employee Referral Program	Yes
Annexure P4	Equal Employment and Opportunity Policy	Yes
Annexure P5	Exit Policy	Yes
Annexure P6	Grievance Policy	Yes
Annexure P7	Internal Transfers and Promotions Policy	Yes
Annexure Q	Privacy Policy	No
Annexure R	Compliance Statements for Website	Yes
Annexure S	ASIC extract	Yes
Annexure T	Certificate of Registration	No
Annexure U	Terms and conditions	Yes
Annexure V	Position Descriptions	Yes
Annexure W	Resource diagram	Yes
Annexure Y	On market full service	Yes
Annexure Z1	Investor 1 financial statements	Yes
Annexure Z2	Investor 1 financial accounts	Yes