

Energy Retail Authorisation Application

ENERGY LOCALS

1. Introduction

The National Energy Customer Framework provides a national framework for the sale of energy (gas and electricity) to customers. It includes the Retail Law, National Energy Retail Rules (**Retail Rules**) and National Energy Retail Regulations. As of the date of this application, the National Energy Consumer Framework has been adopted in New South Wales, the Australian Capital Territory, South Australia, Tasmania, and Queensland.

This is an application by Energy Locals Pty Ltd for a retail authorisation for the sale of gas in those states that have adopted the National Energy Consumer Framework.

Energy Locals 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
- The annexures.

The Annexures to this application are set out below:



In addition, please also find attached the following:

- Annexure A31i: Executed third party services agreement;
- Annexure A44i: Year to date financials for financial year 2020;
- Annexure A44ii: Financial year 2019 balance sheet;
- Annexure A44iii: Financial year 2019 profit and loss;
- Annexure A44iv: Financial year 2019 statement of cash flows;
- Annexure A49i: Directors CVs;
- Annexure A49ii: Names and addresses of directors and officers;

- Annexure A50i: Executed loan document;
- Annexure B2: Additional Officer Information.

Annexures are 'Commercial in Confidence' and do not form part of the public component of this application. Information will not be public if it is proprietary to the application, contains legally privileged, copyright or commercially sensitive material.

2. Part One: Required information – general particulars

Legal name:	The applicant is Energy Locals (ABN 23 606 408 879)
Trading name:	As above.
ABN:	23 606 408 879
ACN:	6 064 088 79
Registered	
business address:	132 Cremorne St, Richmond VIC 3121
Postal address:	As above.
Form of energy:	Gas
Commencement date:	28/08/2019
Jurisdictions:	QLD, NSW, SA, ACT, TAS (all that have adopted the National Energy Customer Framework)
Type of customers:	Small and Large residential and commercial

2.1 Nature and scope of operations

Energy Locals will be selling gas to residential and small business customers and in a very limited number of situations to C&I customers.

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

Energy Locals is an existing electricity retailer operating in the National Energy Customer Framework and in Victoria. Energy Locals was issued a retail authorisation by the Australian Energy Regulator (**AER**) on 22 July 2016 (E16003).

The applicant has the required capacity and resources to operate as a gas retailer. Please find information below and attached demonstrating the applicant's organisational and technical capacity.

3.1 Details of previous experience as an energy retailer and other energy market experience

All members of the Energy Locals management team have extensive experience of energy retailing in Australia and abroad.

Since being granted an AER electricity retail authorisation in 2016, Energy Locals has increased its electricity customer base beyond 5000 small customers in NECF jurisdictions. We refer in more detail to how our electricity retailing operations were conducted and how we are looking to use this experience in our gas operations below.

The team that has launched Energy Locals and is supporting communities and customers in the NSW and Qld markets brings extensive experience in

Australian energy markets. All of the Energy Locals team has electricity retail experience and most of our key personnel have previous experience working in gas retail markets as well.

Please refer to Annexures A49 and A49i for details of the previous energy market experience of our key staff and directors.

3.2 Improving our energy market experience

Energy Locals has reviewed its existing workforce and while most of its key personnel have gas market experience, recently they have only worked in the electricity retail market. To ensure that its team has the required skill and experience to operate a successful gas retail business, Energy Locals will:

- Look to supplement its team from when it starts retailing gas by recruiting additional team members with gas specific retail experience to support our key personnel; and
- Conduct refresher training courses on the gas market generally and gas specific retail compliance.

Please refer to:

- Annexure A26: Energy Locals Recruitment and Selection Policy;
- Annexure A27: Energy Locals Training and Development Policy;
- Annexure A28: Energy Locals Training Register.

3.3 Organisation chart

An organisation chart is attached as Annexure A29.

3.4 Employees

Please refer to annexure A49 for details on key staff, including the number of employees, broken down by business unit.

3.5 Qualifications, skills and experience of officers

Most of Energy Locals' key personnel have previous experience working in gas retail markets and all officers have previous energy retail experience.

Please refer to Annexure A49 for details on the qualifications, skills and experience of officers and where applicable, how these are transferrable to providing gas retail services.

Please refer to Annexure A49i for the CVs of the Energy Locals Board, many of whom have been and are currently involved in the gas industry.

3.6 Third party involvement

Energy Locals will operate the core functions of its gas retail business in-house and engage specialist third party providers where appropriate. The third party providers and systems we currently engage with and use have the capacity to support gas retail functions as well.

Please refer to Annexure A31 which details:

- Functions that are outsourced;
- Third party providers' knowledge in their particular area;
- Third party providers' technical capacity to ensure we meet our obligations;
- Controls to ensure third party providers' compliance with the National Energy Retail Law and National Energy Retail Rules.

In addition, we attach an executed agreement with one of our key providers at Annexure 31i.

3.7 Business plan

Please refer to Annexure A47 for a copy of the applicant's business plan.

3.8 Compliance strategy

Energy Locals is committed to ensuring compliance with all relevant regulatory requirements. A compliance policy and framework has been established which covers the principles of commitment, implementation, monitoring, measuring and continual improvement.

Having operated in the National Energy Consumer Framework, Energy Locals has established systems to ensure compliance, to identify and report on any potential regulatory breaches and to ensure continued development of the compliance framework.

The Compliance Policy and Framework and supporting documents can be found in the confidential attachments.

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

- Annexure A5: Complaint and Dispute Resolution Procedure
- Annexure A6: Compliance Policy and Framework
- Annexure A7: Energy Locals Compliance Reporting Procedure
- Annexure A8: Energy Locals Performance Reporting Procedure
- Annexure A9: Energy Locals Third Party Management Policy
- Annexure A12: Energy Locals Customer Hardship Policy
- Annexure A15: Energy Locals Privacy Policy
- Annexure A17: Energy Locals HR Policy
- Annexure A18: Energy Locals Audit Policy
- Annexure A23: Energy Risk Policy
- Annexure A24: Obligations Register Spam
- Annexure A25: Operational Risk Management Policy
- Annexure A30: Obligations Register Energy
- Annexure A33: Compliance Assurance Letter
- Annexure A35: Delegations of Authority Policy

3.9 Complaints Management

While we aim to satisfy all customers, we are conscious that there will be times that customers are not happy with our service or wish to raise a dispute. Energy Locals has a documented procedure for taking these situations from complaint or dispute to resolution. The procedure is designed to help resolve complaints quickly and with sensitivity. It is contained in the confidential attachments.

In our previous experience as an electricity retailer, less than 3% of customers have made a complaint and when this occurs, we have often been able to resolve the complaint ourselves. However, we are aware that some customers have been dissatisfied with our proposed resolutions and escalated to the relevant ombudsman.

Receiving customer feedback is welcome and we try to use the complaints we receive as guidance on areas where we can improve. However, we are unhappy with the proportion of electricity customers who have escalated their complaints to the ombudsman and acknowledge that in some instances this might indicate that we have inadequately resolved a customer's concern. We have taken steps to pinpoint the reasons for escalation and are exploring possible alternative customer resolutions to reduce the amount of complaints escalated.

We pride ourselves on our responsiveness to customer enquiries and have a proven record as an electricity retailer of taking over 90% of calls within 30 seconds and keeping the average wait times for customers at a minimum. We recognise that maintaining quick response times will become more challenging as the number of customers we serve continues to grow. We will strive to continue our level of responsiveness by ensuring our personnel have the requisite level of ongoing training and support.

Please refer to:

- Annexure A5: Complaints and Dispute Resolution Procedure
- Annexure A20: EWON Membership Confirmation

- Annexure A21: EWOQ Membership Confirmation
- Annexure A41: EWOV Membership Confirmation

3.10 Customers experiencing financial difficulty

Energy Locals endeavours to ensure that our retail contracts meet customers' needs. However, we understand that there are times when customers may not be able to meet their obligations. Entry into Energy Locals Customer Hardship Program will be available for residential customers who are unable to pay their bills due to either ongoing or temporary hardship.

Energy Locals has maintained a successful Customer Hardship Program as an electricity retailer and will offer the same support to gas customers in hardship. We have also adopted the AER's Sustainable Payment Plans Framework, and adhere to the principles outlined in the framework when using payment plans as a method to help customers better manage their energy bills.

Please refer to:

- Annexure A12: Energy Locals Customer Hardship Policy

3.11 Risk management strategy

An Energy Market Risk Management Policy has been approved by the Energy Locals Board and can be found in the confidential attachments.

A Policy has also been approved by the Energy Locals Board to oversee Operational Risk Management. It can be reviewed in the confidential attachments.

The Energy Locals Board has approved a Delegation of Authority Policy and Matrix. It is included in the confidential attachments.

Please refer to:

- Annexure A18: Energy Locals Audit Policy

- Annexure A23: Energy Risk Policy
- Annexure A25: Operational Risk Management Policy
- Annexure A30: Obligations Register Energy
- Annexure A38: Executed ISDA
- Annexure A39: Executed Commodity Contract
- Annexure A40: Banking Service Deed

3.12 Details of external audit of compliance and risk strategy

Energy Locals' Compliance Plan and Risk Management Policy have undergone external review. The results of that review were attached to the Energy Locals AER authorisation application for electricity. Please refer to Annexure A33.

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

Energy Locals engages industry experts Compliance Quarter in the development of its Compliance Program. Compliance Quarter has developed an innovative online solution to centralise compliance training, risk assessment, and additional controls.

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

Energy Locals is a member of EWON and EWOQ. Please refer to:

- Annexure A20: EWON Membership Confirmation
- Annexure A21: EWOQ Membership Confirmation

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

Energy Locals is fully registered with Austraclear and AEMO. Energy Locals is fully registered with Centrelink to support the payment of concession rebates to customers. Energy Locals is an approved member of the GreenPower program.

Please refer to the following:

- Annexure A1: AEMO Confirmation
- Annexure A2: Austraclear Confirmation
- Annexure A3: Centrelink Confirmation
- Annexure A4: Clean Energy Regulatory Confirmation
- Annexure A22: Greenpower Confirmation

4. Part Three: Required information – financial resources

4.1 Financial reports

Please refer to Annexures A38 to A47 as evidence of the current financial position of the company.

4.2 Group structure

Energy Locals is not part of a group of related companies.

4.3 Declaration from CFO (or CEO or director)

Please find attached declaration from Energy Locals' CEO at Annexure A32.

4.4 Declaration from independent auditor

Please refer to Annexure A51: Declaration from independent auditor.

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

Please refer to Annexure A47, Annexure A50 and Annexure 50i for details of guarantees and other arrangements in place.

4.6 Revenue and expenses forecast

Please find attached a financial plan included in the business plan for Energy Locals at Annexure A47 and a financial forecast at Annexure A48.

5. Part Four: Required information – suitability

Energy Locals 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.

5.1 Written declaration that no offences have been committed

Please refer to Annexure A34: Suitability Declaration CEO.

5.2 Written declaration from Chief Financial Officer (or CEO)

Please find attached declaration from Energy Locals' CEO, Annexure A32, confirming:

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

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

Please find attached details of the Energy Locals' directors and officers in Annexure A49ii.

5.4 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 A16: Code of Conduct
- Annexure A17: Energy Locals HR Policy
- Annexure A26: Energy Locals Recruitment and Selection Policy
- Annexure A34: Suitability Declaration CEO
- Annexure A35: Delegation of Authority Policy

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

For additional information regarding the character and past performance of the applicant's officers, see attached Annexure B2: Additional Officer Information.

6. Version Control

Version	Amendment	Author and Date
Version 1	Not applicable	28/02/2019
Version 2	CQ update cross references to annexures	23/03/2019
Version 3	CQ updates in response to AER feedback	10/07/2019