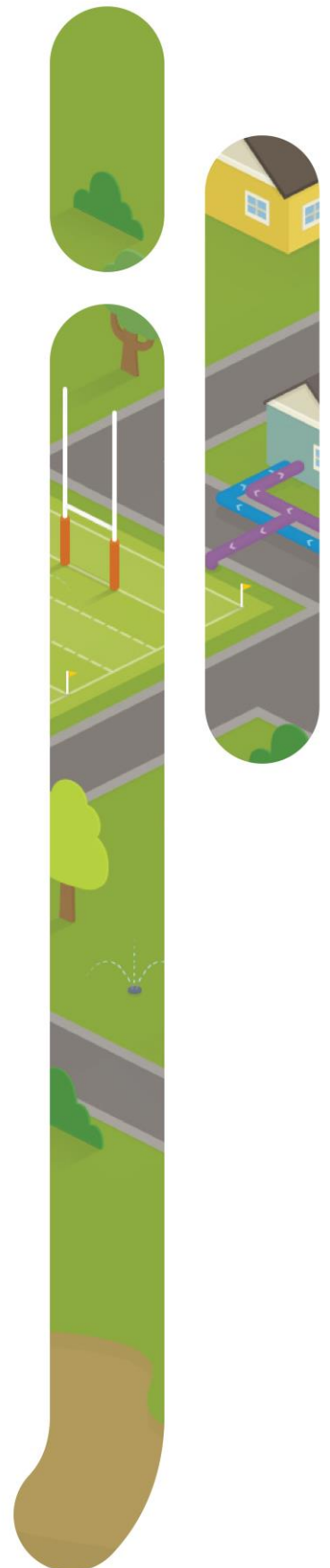




Application for Energy Retailer Authorisation

Prepared for the Australian Energy Regulator

Version 1.0
5 June 2017



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Revision History

Ver	Date	Name	Position	Description
0.0	3 January 2017	James Allston	Consultant	First draft
0.9	14 February 2017	Dan Hilson	Executive Manager	Additions
0.9.1	15 February 2017	Drew McKillican	Commercial Manager	Additions
0.9.2	16 February 2017	Steve Hall	COO	Review of draft
0.9.3	13 April 2017	Kirsten Evans	Risk & Compliance Mgr	Final draft
1.0	5 June 2017	Steve Hall	COO	Final for submission

Glossary

off-market customer

A customer who connects at a child connection point of an embedded network and retails directly with the site's embedded network operator.

1 General Particulars

1.1 Legal Name & ACN

Flow Systems Pty Ltd ACN 136 272 298 (generally referred to as **Flow** in this document).

1.2 Registered business address

1.2.1 Mailing Address

PO Box R455
Royal Exchange, NSW 1225

1.2.2 Physical Address

Suite 2, Level 40, 259 George Street
Sydney, NSW 2000

1.3 Nominated contact person

1.3.1 Primary Contact

Mr Drew McKillican
Commercial Manager (Energy)
E: dmckillican@flowsystems.com.au
T: (02) 8016 1041

1.3.2 Secondary Contact

Mr Steve Hall
Chief Operating Officer
E: shall@flowsystems.com.au
T: (02) 8016 1015

1.4 Energy supply types

Flow is obtaining a retail authorisation to enable it to retail electricity to its customers.

In addition to retailing electricity, but inconsequential to this application, Flow will retail energy in the form of hot water and unmetered cooktop gas.

1.5 Intended retail commencement date

Subject to obtaining a retail authorisation as an outcome of this application, Flow intends to commence offering retail services for electricity on or about 1 September 2017.

1.6 Nature and scope of operations

1.6.1 Flow's background

Flow is a sustainable utility providing water and energy infrastructure and services to greenfield and urban infill communities. Flow's vision is to be the utility that innovates, inspires and creates communities of the future. Flow's mission is to create next generation utilities that enable self-sufficient communities that exceed the expectations of our customers through sustainable innovation, leadership and smart thinking.

Flow has been operating since 2009 and has been appointed as the local water utility for 12 communities comprising some 33,000 dwellings and 800,000m² of commercial retail space. In 2013, Flow decided to expand its service offering to provide embedded energy services to off-grid and strata communities.

Sustainability is a core foundation for Flow. One of the original business drivers when Flow was established was to reduce the consumption of scarce drinking water in new precincts. To date, Flow has achieved an average 55% reduction across its water communities, and aims to deliver similar benefits to its energy communities.

1.6.2 Business description

To achieve its vision, Flow has established itself as a microgrid and embedded network infrastructure and service provider. Flow is committed to providing retail services to residential and commercial customers at the level they would expect from a traditional retailer. Flow will achieve this by providing smart, clean, multi-utility infrastructure solutions for developers and owners corporations.

Flow has established its energy business at a time when the Power of Choice reforms are being introduced and the National Energy Customer Framework is being adopted in Queensland. Flow has therefore been able to develop an embedded network business without the legacy compliance issues of the past. Flow will leverage its retail authorisation to create simpler relationships with developers, owners corporations and end customers alike, and provide greater protections to end customers.

For more details on Flow's proposed business model, please refer to *Attachment C – Business plan*.

1.6.3 Flow as an authorised retailer

Flow has a committed pipeline of approximately 6,400 private connections in eight buildings and precincts with embedded networks, and in March 2017 acquired the Brisbane-based business Meter2Cash Solutions which bills a further 25,000 private connections across approximately 400 buildings.

Flow has committed to obtaining its retail authorisation to sustain and enhance the electrical embedded network pillar of its multi-utility business. For the foreseeable future, Flow will use its retail authorisation to be a licensed on-seller of energy only. As an energy on-seller, Flow does not intend to register as a market participant with AEMO.

1.6.4 Flow's long-term community relationships

Flow has established itself as a business that already is and will continue to operate within communities for the long term. As Australia's largest private water utility, Flow is embedded in these communities in perpetuity. These communities provide a stable long term annuity income for Flow, which underpins its long-term financial stability.

As Flow will be ensconced within communities for long periods, it is crucial to the business that it provides services for energy with equivalent long-term vision. Some of the ways in which it does this are:

- Installing the highest quality utility infrastructure with the lowest lifecycle costs
- Investing in high performing multi-utility smart metering systems
- Providing retail services that exceed those of a traditional retailer
- Offering community ownership schemes that pay dividends or provide discounts

1.6.5 Flow's social commitment

Flow has a deep commitment to delivering long-term sustainable solutions for its communities. Flow has been working closely with the NSW Government (IPART, Metropolitan Water Directorate, Urban Growth NSW, Energy and Water Ombudsman NSW), QLD Government (Economic Development Queensland), the Federal Government, City of Sydney Council and many other industry stakeholders to shape the future of sustainable utility infrastructure.

1.7 Jurisdictional coverage

Flow intends to initially retail electricity services to its customers in NSW and QLD but ultimately intends to operate in all jurisdictions covered by the National Energy Market.

For the purposes of this application and for preparing the organisation to retail electricity to its customers, Flow has focused on the jurisdictional legal requirements of NSW and QLD.

1.8 Type of customers

Flow intends to supply off-market small customers (consuming <100MWh/pa) who access electricity from embedded networks. These small customers are predominately residential consumers and some small commercial businesses. There may exist some off-market large customers (consuming >100MWh/pa) purchasing electricity from Flow.

Flow will predominately be retailing to small customers within strata communities and new residential housing estates.

2 Organisational and Technical Capacity

2.1 Details of previous experience as an energy retailer

Flow has been acting as agent on behalf of exempt retailers since 2015. In doing so Flow has established many of the systems and processes it requires to be a retailer including, but not limited to:

- A state-of-the-art NMI certified smart metering system that is capable of multi-utility metering
- Industry standard meter data management systems provided by L&G
- A widely used automated billing system and customer relationship management system

Flow's executive management team offer a broad range of experience across several essential service utilities. Flow's Executive Manager Retail is an experienced energy professional, and other key personnel bring significant energy experience to Flow. Those members of Flow's executive team with limited direct experience in energy retailing have extensive relevant experience as a regulated retailer of water utility services. To establish Flow as an authorised retailer of energy services, the business has hired senior managers with decades of experience in Australian and international electricity/gas retailers and business process operators including:

- AGL, Australia's largest retailer with approximately 3.8 million customers
- Alinta Energy, WA's largest energy retailer and a leading second tier retailer with approximately 1 million customers
- Integral Energy, the former NSW Government owned retailer
- Jemena, NSW's gas distributor
- Siemens, a global leader in energy products and services
- Scottish Power, the UK's third largest retailer with approximately 5.5 million customers
- Telnet, the largest BPO provider in NZ with more than 1 million customer accounts under management for the country's largest retailers and network providers

Flow's senior management team have the requisite experience for the business to fulfil energy compliance, tariff, billing, credit control, and customer service functions.

2.2 Details of other relevant retail or energy market experience

Flow has built its energy business by leveraging its experience in the water industry. Flow is now a successful and sustainable water services infrastructure operator and retail supply business. The business was founded within an industry that is heavily regulated and dominated by government-owned incumbent monopoly providers.

Flow's success in the water industry is demonstrated by the scale of its business, with contracts in place to provide water services to nearly 30,000 customers in NSW and another 4,000 customers in QLD. It has leveraged its strength in water to develop an embedded energy networks business that is currently contracted to service almost 5000 customers in NSW and QLD.

	Ultimate Domestic Accounts	
	Water	Energy
New South Wales	29,000	2,309
Queensland	4,000	2,436
Total (either live or committed to pending construction)	33,000	4,755

Table 1: Total Flow retail accounts - energy and water

2.2.1 Flow's existing water licenses

Flow established a business that is regulated by the *Water Industry Competition Act 2006* (NSW) and the Water Industry Competition (General) Regulation 2008 (collectively known as WICA¹). Flow has been operating as a licenced water network operator and retail supplier since 2010, and currently holds the following WICA licences:

Community	Flow entity	Licence type
Pitt Town Central Park Discovery Point Wyee Green Square Town Centre Watagan Park Huntlee Box Hill North	Flow Systems Pty Ltd	Retail Supplier
Pitt Town	Pitt Town Water Pty Ltd	Network Operator
Central Park	Central Park Water Pty Ltd	Network Operator
Discovery Point	Discovery Point Water Pty Ltd	Network Operator
Wyee	Wyee Water Pty Ltd	Network Operator
Green Square Town Centre	Green Square Water Pty Ltd	Network Operator
Watagan Park	Cooranbong Water Pty Ltd	Network Operator
Huntlee	Huntlee Water Pty Ltd	Network Operator
Box Hill North	Flow Systems Operations Pty Ltd	Network Operator

Table 2: Flow's current water licenses issued under WICA

¹ The *Water Industry Competition Act 2006* establishes a licensing regime for private sector entrants to the water and wastewater industries to ensure the continued protection of public health, consumers and the environment. The Water Industry Competition (General) Regulation 2008 sets out the matters a licence application must address, standard licence conditions, information to be contained on the register of licenses and the retailer of last resort provisions. There are two types of WICA licenses:

- i) Network operators licence - A network operators licence must be obtained to construct, maintain or operate water industry infrastructure; and
- ii) Retail suppliers licence - A retail supplier's licence must be obtained to supply water (potable or non-potable) or provide sewerage services by means of water industry infrastructure.

Under the WICA, Flow holds a retail supplier's licence authorising Flow to supply water or provide sewerage services by means of water industry infrastructure, and Flow's wholly-owned subsidiaries hold network operator's licences authorising Flow to construct, maintain and operate specified water industry infrastructure for the purposes identified in the licence.

The schemes are operated and maintained to comply with the relevant codes of conduct as per Schedule 1 cl. 5 of the Regulation.

As evidence to Flow's capability to comply and operate in accordance with its regulatory licences, Flow is systematically audited by the Independent Pricing and Regulatory Tribunal (IPART) for both its network operations and retail supply activities. From these regular audits Flow has been found by IPART to be constructing, operating, and maintaining its water infrastructure and providing retail services to its water customers without any significant non-compliances being identified against any of the audited criteria. Copies of these audit reports are available on request.

2.3 Organisational chart

As a multi-utility business, Flow's organisational structure is based on business functions rather than market sectors. Individuals are generally placed within each functional area, be it retail, commercial, legal or otherwise based on their area of specialty rather than specific industry. A supplementary RACI defines roles and accountability by market, ensuring each decision is made by the most appropriate and experienced person.

Details of Flow's organisational chart can be found in *Attachment A – Organisational chart*.

2.4 Staffing

Upon commencement of its energy retail operations, Flow (including Meter2Cash Solutions) will have approximately 70 staff across its entire multi-utility business, of which at least one third will be directly involved in electricity retail activities within the business.

2.5 Summary of qualifications, technical skills and experience of key staff

Outlined below are summaries of the qualifications, technical skills and experience of the key individuals involved in the energy business.

Complete curriculum vitae can be found in *Attachment B – Curriculum vitae of key staff*.

2.5.1 Terry Leckie – Founder, Director Strategy & Business Development

Terry Leckie is an Australian leader in local sustainable utilities pioneering new ways of providing localised and bundled energy and water services. Terry created Flow to provide more affordable and innovative utility services that are not available from the public sector, and is now considered a thought leader in the industry, advocating a greater role for the private sector in delivering essential services.

In the context of Flow's energy retailer activities, Terry will be responsible for overseeing the business strategy, and brings to the role over 28 years in leading management positions, having

successfully built businesses and completed major infrastructure projects in water, wastewater, stormwater, roads, power, telephone, ports/harbours and rail industries.

2.5.2 Stephen McKewen – Chief Executive Officer

Stephen McKewen's role as CEO of Flow is to drive the business to achieve its vision to be the utility that innovates, inspires and creates communities of the future. In doing so Stephen ensures the organisation works ethically, responsibly and at its highest potential, whilst setting the tone for the business in terms of Flow's risk appetite, and ensuring strict compliance to legal and regulatory requirements.

2.5.3 Steve Hall – Chief Operating Officer

As COO, Steve Hall oversees all of Flow's operational functions including project delivery, services delivery (including the operations and retail functions), and all corporate support services including finance and administration, legal/regulatory, risk and compliance, health safety and environment, marketing and communications, and human resources.

One of Steve's key roles is providing leadership in compliance management by fostering a strong compliance culture in ensuring that Flow's activities are conducted in accordance with all relevant laws, regulations and ethical standards. Another of Steve's key roles is responsibility for overseeing risk management and ensuring that any issues which could adversely affect any person's health and safety, the environment, or the company's performance or reputation, are identified and suitably addressed.

At Flow, Steve has overseen the growth of the water business by obtaining WICA retail supplier and network operator licences for all of Flow's water communities and ensuring ongoing compliance with these licence conditions under the WIC Act and Regulations. This has involved developing an in-depth understanding of the regulatory environment and working closely with government regulatory bodies such as IPART and NSW Health in a newly regulated industry. Steve also directed the development and implementation of an integrated Business Management System ensuring that Flow was independently certified in 2015 to the international standards for management, AS 4801 and OHSAS 18001 for safety, ISO 9001 for quality, and ISO 14001 for environment.

Steve has also overseen the operational establishment of Flow's emerging energy business including the delivery and operations of embedded energy networks and retail as an agent for owners corporations.

Steve is directing the process to obtain Retail Authorisation and to review and further develop Flow's business processes to ensure compliance with the National Energy Retail Framework.

2.5.4 Drew McKillican – Commercial Manager (Energy)

Drew McKillican is a new business and energy market specialist with over 10 years of experience with major Australian energy businesses such as AGL and Alinta Energy. Drew has extensive knowledge in new business development, energy pricing, metering, commercial negotiations and contract management, and business transformation. Drew also has a deep technical understanding of AEMO systems and MSATS.

Evidence to Drew's competence is his successes at Alinta Energy where he delivered and executed a SME market entry strategy as the Business Commercial & Operations Manager. In delivering the strategy, Drew established core business unit operations including pricing engines, regulated information streams, contract terms, contact centre and transfer processes. Through the new business, Drew's team captured 15,000 new SME customer accounts and obtained a 2% market share of the VIC, NSW and SA markets after just 12 months in the market.

Drew has a broad understanding of each NEM jurisdiction, having worked in a senior role at AGL covering all states individually, and nationally. Drew also led key industry change projects for AGL such as the NECF adoption and introduction (and later repeal) of the Clean Energy Act 2011.

In his role as Commercial Manager (Energy), Drew is responsible for the development of Flow's embedded network operator business including developing compliance procedures, interpreting rule changes, developing product and energy pricing and acting as a critical hold/approval point for all key compliance and commercial decisions (eg. disconnections, price variations and bill designs).

2.5.5 Candice Suttor – Executive Manager Retail

As the Executive Manager for Flow's multi-utility Retail function, Candice Suttor has over 15 years' experience in senior roles with major customer engagement and business process outsourcing providers.

In her most recent past role as Client Services Director at Telnet Services, Candice was responsible for managing client relationships and developing solutions for utilities, businesses and government. As example of her success in this role, Candice developed and implemented the customer acquisition and sales channel strategy (including customer win-back programs) for energy and gas retailer Genesis Energy, New Zealand's largest energy retailer. Candice was also responsible for ensuring compliance of the Genesis Energy customer acquisition program with all relevant energy sales regulations and codes of conduct including management of any customer queries or complaints generated from the marketing activities.

Candice also has a strong background in customer service operations. As Divisional Inbound Operations Manager at Telnet, Candice was responsible for a shared services team of over 30 agents servicing the distributor Vector Networks and its subsidiary gas company OnGas, and fielding fault and emergency calls from all retail customers on the Vector Network. Candice also managed the dispatch centre which issued and managed work orders to all of Vector's service technicians.

In her current role at Flow, Candice is accountable for retail operations and customer service for both water and energy services including billing and credit control. Candice is also leading the development of Flow's customer platform including the design and implementation of its customer portal. Candice is Flow's representative at EWON's consultative member council for all consumer related essential services matters.

2.5.6 Kirsten Evans – Risk & Compliance Manager

Kirsten Evans has over 15 years of experience in risk and compliance management and the design, implementation, certification and continual improvement of quality, environmental and safety management systems. As Risk & Compliance Manager for Flow, Kirsten is driven to continually improve Flow's compliance and risk culture supported by effective and streamlined processes and systems of work.

At Flow, Kirsten was responsible for designing and managing the implementation of the Flow Business Management System (BMS). Flow's BMS is an integrated, cross-functional management system designed to assist Flow in achieving its vision whilst ensuring compliance and controlling risk. In 2015 the Flow BMS was certified by a JASANZ accredited certifying body to the management system standards ISO 9001 for quality, AS 4801 and OHSAS 18001 for safety, and ISO 14001 for environment.

Before joining Flow, Kirsten worked across various businesses as a Management Systems Consultant, working with clients to understand their requirements and develop management systems to ensure compliance. Kirsten's clients included Veolia Water Australia, Veolia Environment and City Water Technology in Australia as well as Moalajah FZC in the United Arab Emirates and Veolia Water in Doha, Qatar.

Kirsten is responsible for developing and maintaining the processes and systems for compliance and risk management across Flow's business, as well as auditing and reporting on Flow's performance against compliance and risk management. Kirsten also plays a key role in ensuring that Flow's BMS is accessible and user friendly so as to enable a strong culture of compliance.

2.5.7 Brendan Dunn – IT Manager

Brendan Dunn has over 20 years of experience in Information Technology with expertise in program management, operations and business management in small and large organisations. Brendan has been responsible for establishing and maintaining utility billing systems, trading systems, and GIS systems, and has created new IT cloud products as well as running large mission-critical computer fleets.

As IT Manager for Flow, Brendan is the primary interface between the staff and their technology-based business systems, acting as a business-to-technical interface to deliver business outcomes through technology. Brendan is also responsible for maintaining and continually improving Flow's core IT and information systems such as Netsuite, Utilibill, and SharePoint Online.

Prior to joining Flow, Brendan worked at Integral Energy where he gained firsthand experience with many of their utility systems. Brendan was responsible for maintaining the billing system for the 800,000-customer base and has an excellent understanding of all aspects of retail customer management processes.

2.6 Skills and functions to be outsourced

Flow operates an insourced model for all key deliverables except for meter readings, meter data processing and meter data storage.

Flow does not intend to sell electricity to on-market meter points, and as such, Flow will not be seeking AEMO accreditation and does not require the services of AEMO accredited providers.

Flow currently engages the services of Automation Industries Pty Ltd, a NSW-based energy management solutions and L&G meter reseller. Automation Industries provides services to Flow for off-market metering telemetry design, meter commissioning, meter reading, and meter data management.

2.7 Business Plan

Flow has submitted its business plan for the energy component of its business to substantiate the commerciality of Flow's proposed energy retail business.

The business plan document addresses the following:

- The markets and customer segments that Flow targets
- The problems that Flow is solving for its customers
- How Flow solves these problems for its customers
- The Flow business model for its energy retail business
- How the retail authorisation will support Flow to achieve its objectives
- How Flow intends to operationalise the business plan
- Operational forecasts for the business model
- Key assumptions that underpin the business model and forecasts
- The strategic risks and how Flow is going to address them

The core of Flow's business model is to on-sell energy to (off-market) small customers within embedded networks as an authorised retailer. At this stage, Flow does not intend to be a market participant and retail to market meters.

Further details can be found in *Attachment C – Business plan*.

2.8 Compliance strategy

Flow has an extensive background in compliance management and strategy by virtue of its water business. Flow is licenced by the NSW Government under the *Water Industry Competition Act 2006* (WICA) as a water services retailer and network operator. These services require the highest level of compliance including constant cycles of independent external auditing of its water industry infrastructure and retail supplier activities and processes, for which Flow has always passed. Under the WICA licensing regime, Flow is subject to organisational, technical and financial capability assessment and continues to meet ongoing audit and compliance reporting requirements.

Flow has leveraged its BMS that was initially developed for its water utility business to establish the compliance and risk management systems and processes it requires to be an authorised energy retailer. The BMS was established to provide an integrated system for managing the extensive legal and standards-based compliance requirements of the business.

Since 2015, Flow has operated to a BMS which is an integrated management system to address the requirements of:

- ISO 9001 Quality Management Standard
- ISO 14001 Environmental Management Standard
- AS/NZS 4801 Work Health and Safety Management Systems
- OHSAS 18001 Occupational Health and Safety Management Systems
- AS ISO 19600 Compliance Management Systems
- AS/NZS ISO 31000 Risk Management
- PAS 55 Asset Management
- Australian Drinking Water Guidelines (ADWG)

- Australian Guidelines for Water Recycling: Managing Health and Environmental Risks (Phase 1) and Australian Guidelines for Water Recycling: Managing Health and Environmental Risks (Phase 2) Stormwater Harvesting and Reuse (collectively referred to as AGWR)
- Applicable legal requirements as listed on the Compliance Register.

Flow is currently certified to ISO 9001, AS4801 and OHSAS 18001, and ISO 14001 by a JASANZ accredited company within the scope of its water business, and intends to expand this scope to include the activities of its energy business.

Flow's BMS will initially be extended to address the requirements of:

- National Energy Retail Law (including any jurisdictional amendments)
- National Energy Retail Regulation
- National Energy Retail Rules
- National Electricity Law
- National Electricity Rules
- National Metrology Procedures
- AER Retail Pricing Information Guideline
- AER Electricity Network Service Provider – Registration Exemption Guideline

Then to meet Flow's longer-term goals, the BMS will also be expanded to address the requirements of:

- Embedded Network Manager amendments to the National Electricity Law
- AER Embedded Network Manager Guidelines
- MSATS and B2B procedures

In the subsequent section of this application document, Flow has provided the following information to demonstrate its understanding of its compliance obligations, and how the requirements will be met and managed to avoid any breaches of its obligations:

- Flow's approach to managing compliance and risk
- Compliance Management Policy and Procedure
- Obligations Summary of the National Energy Retail Law and Rules
- Complaint & Dispute Resolution Procedure
- Customer Hardship Policy

2.8.1 Flow's approach to managing compliance and risk

The Flow BMS will be applied to manage compliance and risks associated with being an authorised retailer. Flow's approach is documented in the Business Management Manual (provided at Attachment D) and summarised in this section.

Compliance Management

Flow is committed to complying with all contractual, legal and other requirements. This commitment is documented in the Commitment to Safety, Environment and Quality and is achieved through implementation of the BMS in accordance with the Australian Standard for Compliance Management Systems AS ISO 19600.

To support Flow to meet its compliance commitment, it has developed compliance management processes that are documented in the Compliance Management Policy and Procedure (discussed in

Section 2.8.2 below) and established compliance objectives and targets that are documented in its Annual SMART Goals.

Through the application of compliance management across the various levels and functions of the organisation, Flow aims to:

- Comply with identified requirements and ensure continued compliance to new and amended requirements
- Prevent and where necessary respond to breaches of requirements and put into place corrective and preventive actions
- Plan, implement and continually improve a compliance management system meeting the requirements of AS ISO 19600
- Promote a culture of compliance
- Communicate the policies, objectives and targets of compliance management
- Assess and develop the skills, experience and competence of staff
- Provide, control and archive all documents and records relevant to compliance management as evidence of conformity with the requirements and effective management of the system

Risk Management

Flow is committed to effectively managing risks to control any issues that could affect Flow's performance, value and reputation. This commitment is documented in the Commitment to Safety, Environment and Quality and is achieved through implementation of the BMS in accordance with the International Standard for Risk Management ISO 31000.

To support Flow to meet its risk management commitment, it has developed risk management processes that are documented in the Risk Management Policy and Procedure (discussed in Section 2.9 below) and established risk management objectives and targets that are documented in its Annual SMART Goals.

Through the application of risk management across the various levels and functions of the organisation, Flow aims to protect the following:

- The safety and well-being of our people, customers, contractors and the public
- The environment in which we operate
- The company's performance and shareholder value
- The company's reputation as an innovative provider of local utility services

For more details on Flow's approach to managing compliance and risk, please see *Attachment D – Business Management Manual*.

2.8.2 Compliance Management Policy and Procedure

Flow has an established Compliance Management Policy and Procedure which communicates Flow's commitment to implementing, maintaining and improving an effective and responsive compliance

management system in accordance with the requirements of the Australian Standard AS ISO 19600:2015 Compliance management systems.

Flow's Compliance Management Policy and Procedure describes the processes used by Flow to:

- Identify and access legal and other requirements which are directly applicable to the organisation
- Internally communicate relevant information regarding those requirements
- Periodically evaluate compliance with those requirements
- Identify and remedy compliance breaches

The procedure was originally developed for compliance with the abovementioned standards and frameworks as required for Flow's water utility business. The procedure has subsequently been assessed against the AER Compliance Procedure and Guidelines, and Flow is satisfied that it meets the AER's requirements.

The Compliance Management Policy and Procedure provides the framework for Flow to ensure compliance through a combination of behavioural and procedural systems. Flow has established behavioural compliance through its organisational culture whereby each staff member takes responsibility for his or her own compliance and encourages compliance by other staff, including the identification, reporting and correction of non-compliant acts, omissions or behaviours. This is supported by regular and ongoing training, effective internal communication, providing incentives for compliance, and where necessary enforcing compliance through disciplinary actions.

Procedural compliance has been achieved at Flow by establishing procedures or mechanisms designed to prevent breaches from occurring, or if they do (or may potentially) occur they are reported and preventive or corrective actions taken. Flow uses procedural compliance to codify the requirements of laws, regulations, codes and organisational standards into the procedures and other documentation of the BMS.

For further detail of Flow's approach to compliance management, please see *Attachment E – Compliance Management Policy and Procedure*.

2.8.3 Obligations Summary of the National Energy Retail Law and Rules

Flow has prepared an Obligations Summary of the Energy Retail Law and Rules (including the jurisdictional variants), and undertaken an exhaustive gap analysis to determine compliance gaps within its existing business processes and technical systems.

The outcome of the gap analysis as documented in the Obligations Summary, are the actions Flow has already undertaken or is currently undertaking to be fully compliant.

The Obligations Summary also assesses the risk of non-compliance in accordance with the Flow Risk Management Policy and Procedure.

2.8.4 Complaint & Dispute Resolution Procedure

Flow has an established Complaint & Dispute Resolution Procedure that has been developed in accordance with AS ISO 10002:2006 Customer satisfaction - Guidelines for complaints handling in organizations.

Please see *Attachment F – Complaint & Dispute Resolution Procedure*.

2.8.5 Customer Hardship Policy

Flow has an established Customer Hardship Policy, the scope of which has been extended to include customers of Flow's energy retail business. The purpose of the policy is to identify customers experiencing payment difficulties due to hardship and assist those customers to better manage their energy bills on an ongoing basis.

Flow's Customer Hardship Policy has been reviewed against the requirements of the National Energy Retail Law and the Guidance on AER approval of customer hardship policies and Flow is satisfied that it complies.

Please see *Attachment G – Hardship Policy*.

2.9 Risk management strategy

Flow is committed to effectively managing risks to control any issues that could affect Flow's performance, value and reputation.

As previously outlined, Flow has a sophisticated BMS that addresses risk management. The risk management framework has been developed in accordance with AS/NZS ISO 31000.

The following key documents operationalise Flow's risk management approach for its energy retail business:

- Risk Management Policy and Procedure
- Business Risk Register
- Energy Risk Register
- Obligations Summary (refer to Section 2.8.3 above)

In addition to these documents, risk mitigation actions are recorded and monitored by Flow's management team via an Issues Management Register.

2.9.1 Risk Management Policy and Procedure

Flow's approach to risk management is described within its Risk Management Policy and Procedure. The purpose of the document is to describe the responsibilities, authorities and processes associated with risk management, including the management of strategic, operational, financial, work health and safety risks and the identification of environmental aspects and impacts.

Please see *Attachment H – Risk Management Policy and Procedure* for further details.

2.9.2 Business Risk Register

The Business Risk Register identifies key strategic, operational and financial risks and is reviewed in consultation with Flow's management team as part of the monthly Audit, Risk and Compliance Committee meeting. A broad range of risks are managed on this register, including but not limited to:

- Legal – adverse changes to legislation
- Compliance and regulatory – breaches of regulations and licence conditions
- Customer – level of service provision undefined, customer impacts during incidents, negative experience and brand damage
- Clients – adverse client reaction, loss of clients
- IT– business risks associated with IT systems and software
- Business continuity – privacy, security of business in case of force majeure

2.9.3 Energy Risk Register

Flow has created an energy-specific Risk Register and a Risk Report to address the strategic, operational and financial risks associated with being an authorised energy retailer.

A copy of this risk register can be found in *Attachment I – Energy Risk Report and Risk Register*.

2.10 Endorsement of Flow's compliance and risk management systems

2.10.1 Written declaration from the CEO endorsing the compliance and risk management systems

Flow has submitted a written endorsement of its compliance and risk management systems. It can be found as *Attachment J – Declaration of Compliance and Risk Strategy endorsement*.

2.10.2 Details of external auditing of compliance and risk management strategy

Seed Advisory Pty Ltd have been engaged to perform a high-level audit of Flow's compliance and risk management systems and processes. Seed Advisory are a highly regarded commercial advisory firm specialising in the energy sector. They work with retailers, generators, gas producers, users, infrastructure businesses, governments, regulators, investors and developers. Seed Advisory regularly perform high-level reviews of compliance and risk management systems and processes for prospective energy retailers.

Seed Advisory's approach to the audit is as followings:

- Reviewing relevant documentation provided by Flow in relation to Flow's risk management and compliance strategies, in particular Flow's:
 - risk management policy,
 - compliance policy and framework,
 - relevant risk management and compliance processes
 - examples of risk management, and;
 - compliance related reports to management and where appropriate the Board

- Targeted discussions with selected stakeholders to clarify questions and discuss findings
- As part of the targeted discussions, a brief examination and 'walkthrough' of key processes that are relevant to risk management and compliance

Please note that at the time of submission of Flow's retail authorisation application, Seed Advisory had not completed their review. Therefore Flow intends to submit to the AER a letter of endorsement from Seed Advisory of Flow's compliance and risk management systems and processes by the end of June 2017.

2.11 Additional information supporting Flow's ability to manage risk

Flow has developed an Energy Supply Agreement to support its embedded network operations business. This agreement has been reviewed to assess its conformance with the National Energy Retail Law and Rules.

For further details please see *Attachment K – Energy Supply Agreement*.

2.12 Energy industry ombudsman schemes

As mentioned in Section 1.7, Flow will initially only focus on NSW and Queensland markets.

Flow already has a well-established relationship with the Energy and Water Ombudsman NSW (EWON) to meet the licencing requirements of its water business. Flow has engaged EWON and they have permitted the business to operate under its existing scheme registration.

In addition to its registration with EWON, Flow has recently applied to the Energy and Water Ombudsman of Queensland (EWOQ) to join their industry ombudsman scheme. Flow understands that its application has not yet been completely processed, and will update the AER of the status of its application as it receives more information from EWOQ.

Registrations for schemes in other jurisdictions will be made as and when the business enters markets in other jurisdictions. To this end, Flow will also update the AER of any changes to its energy industry ombudsman scheme participation.

Evidence of Flow's engagement of EWON and EWOQ is in *Attachment L – Energy Ombudsman Scheme Registrations*.

2.13 Arrangements with relevant market participants

Flow currently intends to be the account holder for the parent meter of a given embedded network site, to retail electricity within embedded networks only, and not be a Financially Responsible Market Participant (FRMP) for any NMI meter, including the parent meters it is the account holder for. Because of this arrangement, Flow will not require direct relationships with local network service providers as would be required if it were a FRMP. Rather, Flow intends to contract with commercial retailers for the supply of energy to the parent meters of the embedded networks it operates.

Details of the back-up arrangements are provided in *Attachment M – Back-up arrangements*.

Flow will also establish an Embedded Network Management function of its business as required by the new rules set out in December 2015. Once the Embedded Network Manager Services Level (and Accreditation) Procedures guidelines are released by AER, Flow will obtain the necessary accreditation, and establish the systems (especially MSATS integration) and processes to meet the new requirements.

In the longer-term, Flow may elect to extend its business model to include being the Financially Responsible Market Participant for the parent meter of the embedded networks it operates. If this scenario were to proceed, Flow would register as a Market Participant with AEMO and establish the requisite arrangements with other market participants.

3 Financial capacity

3.1 Ownership structure for Flow

Flow Systems Pty Ltd is an Australian company backed by Australian, NZ and international investment, and is majority-owned and controlled by its parent company Enwave Australia Pty Ltd (a wholly-owned entity of Brookfield Infrastructure Partners) through its subsidiary Brookfield Water Holdings Pty Ltd.

In March 2013 Brookfield/Enwave took a 55 percent economic interest in Flow. A further 30 percent of Flow's shareholding is held by individuals within Flow's senior management team, with the balance by external investors from Australia and New Zealand.

As Flow is establishing a start-up energy retailer within its existing operations, Flow has presented within this application to the AER, financial information on Enwave Australia Pty Ltd as parent to Flow.

For further details please see *Attachment N – Ownership structure*.

3.2 Contractual arrangements between Brookfield/Enwave and Flow

Governing contractual arrangements between Brookfield Infrastructure, its subsidiary Enwave Australia, and Flow are limited to that described in convertible notes between the shareholders. On a case-by-case basis, Flow will establish service level agreements with its parent companies to support the delivery of projects (eg. providing retailing services for Enwave Central Park).

3.3 Consolidated financial statements

Please see *Attachment O – Consolidated Financial Statements for Enwave Australia*.

Flow Systems Pty Ltd is not currently a reporting entity.

3.4 Written declaration from the CEO acknowledging the energy retail business as a going concern

Flow's CEO Stephen McKewen has prepared a statement acknowledging that the energy retail business will be a going concern and that there are no factors that might impede the business' activities under the retail authorisation in the foreseeable future.

Please see *Attachment P – Declaration regarding Flow's energy retail business as a going concern*.

3.5 Written declaration from an independent auditor

Please see *Attachment Q – Declaration from an independent auditor*.

3.6 Access to sufficient working capital

As Flow will initially not be a Market Participant, the business will only require modest financial prudential arrangements.

Flow Systems has access to sufficient working capital to operate its new energy business for the foreseeable future. Flow has provided bank statements as evidence to this. These can be found in *Attachment R – Flow Systems Bank Statements*.

3.7 Forecast revenue and expenses

For a forecast of Flow's expected revenue and expenses relating to its energy retail business, please see *Attachment C – Business plan***Error! Reference source not found..**

4 Suitability

Flow recognises the critical importance of its energy retail business being run by suitable officers. To support its application, Flow has provided:

- Written declaration from the CEO regarding management team suitability
- Brookfield Code of Business Conduct and Ethics

4.1 Suitability of company directors and officers

Flow's CEO Stephen McKewen has prepared a written declaration regarding the suitability of the Flow board of directors and management team to being an authorised energy retailer. In summary, the business is not aware of its directors and officers being involved in any:

- Material failure to comply with regulatory requirements, laws or other obligations over the previous 10 years, including infringement notices or other enforcement action being taken by a regulatory body, including for its water utility business
- Previously revoked authorisations, authorities or licences held in any industry
- Failed authorisation, authority or licence applications in any industry
- Past or present administrative or legal actions in relation to an authorisation, authority or licence in any industry
- Situation/s where Flow (or an associate) have previously triggered the RoLR provisions of the Retail Law or equivalent state/territory/foreign legislation, or have transferred or surrendered an authorisation or licence in circumstances where if not done, triggering a RoLR event would have been likely

Police checks can be organised and submitted to the AER upon request.

Please see *Attachment S – Declaration of suitability of directors and officers*.

4.2 Code of Business Conduct and Ethics

In regards to the AER requirement for policies and procedures in relation to probity and competence of officers and key management staff, Flow adheres to the Brookfield Code of Business Conduct and Ethics (the Code), which applies to all companies under the Brookfield Asset Management Inc. umbrella. Before any director, officer or staff member begins their relationship with the company, they are required to complete the form attached to the Code as Appendix A, which serves as a formal acknowledgement that they have received, read and understood the Code, and will comply with it. All directors, officers and employees are required to annually re-certify their compliance with the Code.

Please see *Attachment T – Code of Business Conduct & Ethics*.

5 Attachments

Attachment A – Organisational chart

Attachment B – Curriculum vitae of key staff

Attachment C – Business plan

Attachment D – Business Management Manual

Attachment E – Compliance Management Policy and Procedure

Attachment F – Complaint & Dispute Resolution Procedure

Attachment G – Hardship Policy

Attachment H – Risk Management Policy and Procedure

Attachment I – Energy Risk Report and Risk Register

Attachment J – Declaration of Compliance and Risk Strategy endorsement

Attachment K – Energy Supply Agreement

Attachment L – Energy Ombudsman Scheme Registrations

Attachment M – Back-up arrangements

Attachment N – Ownership structure

Attachment O – Consolidated Financial Statements for Enwave Australia

Attachment P – Declaration regarding Flow's energy retail business as a going concern

Attachment Q – Declaration from an independent auditor

Attachment R – Flow Systems Bank Statements

Attachment S – Declaration of suitability of directors and officers

Attachment T – Code of Business Conduct & Ethics