

LOCAL VOLTS

Electricity Exchange

<https://localvolts.com>

Public Copy

Application for Retailer Authorisation

Submitted to

The Australian Energy Regulator
by Localvolts Pty Ltd

21 July 2019

Version 2



Application

Localvolts has prepared this application according to *AER Retailer Authorisation Guideline, Version 2, December 2014*.

Submission is made via email to:

General Manager
Retail Markets Branch
Australian Energy Regulator

AERauthorisations@aer.gov.au

All questions regarding this application should be directed to:

Jitendra Tomar
Managing Director

Mobile: 0403 330 997
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1. General particulars

Localvolts Pty Ltd is applying for an electricity retailer authorisation under section 89 of the *National Electricity Retail Law (Retail Law)*, and requests the Australian Energy Regulator (AER) to assess it against sections 13 and 90 of the *Retail Law* and your Strategic Statement of August 2017.

1.1 Legal name

Localvolts Pty Ltd

1.2 Trading name

Same as legal name.

1.3 ABN or ACN

ABN is 12 609 840 379.

1.4 Address

Registered: 12/1 Bonner Avenue, Manly NSW 2095

Correspondence: PO Box 380, Manly NSW 1655

1.5 Nominated contact person

Jitendra Tomar
Managing Director
0403 330 997
jitendra@localvolts.com

1.6 Form of energy

Electricity.

1.7 Commence retailing energy

January 2022.

1.8 Nature and scope of operations

Localvolts will operate an electricity exchange where individuals will buy and sell electricity with whomever they choose at a price determined amongst themselves.

Our exchange will operate for the benefit of all householders in the National Electricity Market. We take the view that individuals will make the right decisions provided they have access to the right tools and information.

Localvolts is about trusting the consumers.

Localvolts will expose the whole electricity value chain, provide information in real-time, and let the individuals control the price and suppliers wherever possible.

Our exchange will allow the consumers to obtain the best return from the market, set energy policy, and help balance the grid.

Localvolts is doing this by:

- re-engineering the electricity value chain to connect individuals directly with each other and the wholesale market;
- developing new technology to allow individuals to interact at mass scale;
- devolving all decisions and controls, including pricing, to the participating individuals; and
- meeting all regulatory requirements.

Anyone located on the grid in the relevant NEM jurisdiction could be a participant (customer of Localvolts) on the Localvolts platform, including generators who are looking to sell their energy; and business and residential customers who are looking to buy or sell their energy. All contracts will be between Localvolts and the participant (customer), be it for the purchase or sale of energy.

1.9 Jurisdictions

Localvolts will start in Queensland with a view to serve the whole National Electricity Market.

1.10 Type of customers

Localvolts will serve small customers.



2. Organisational and Technical Capacity

2.1 Previous experience in energy retailing

Nil.

2.2 Other relevant retail or energy market experience

Localvolts has assembled a leadership team with wide experience in innovation, start-ups, financial and electricity risk management, technology, services for electricity consumers, retailers and networks, demand response, design, and on-line marketing.

2.3 Support missing skills and experience to the business

Localvolts will recruit additional personnel as it grows in the National Electricity Market. Please see the Business Plan in Appendix B for details.

To ensure staff have an understanding of their relevant compliance obligations, compliance training information is provided in the Human Resource Plan in Appendix B2.

2.4 Organisation chart

Localvolts' organisation chart is included in the Business Plan found in Appendix B and in the Human Resource Plan in Appendix B2.

2.5 Employees classification

Localvolts' resourcing plan is included in the Business Plan found in Appendix B and in the Human Resource Plan in Appendix B2.

2.6 Officers' qualifications, skills, and experiences

Localvolts' founding team has the vision, skills, experience, and perspective necessary to create a new class of energy business.

JITENDRA TOMAR

Over 20 years' experience in energy services; and engineering, finance, operations, and sales at companies serving utilities, airlines, and governments. Formed and participated in a number of start-ups, including Energy Response Pty Ltd, a company that created an electricity demand response market in Australia and New Zealand.

Earned a Bachelor of Mechanical Engineering from McGill University, and a Master of Business Administration from Western University's Richard Ivey School of Business.

Jitendra created the vision and blueprint for Localvolts.

TRISTAN BOYD

Over 20 years' experience in design, visual communication, and digital marketing. Founded his own graphic and web design agency.

Earned a Bachelor of Arts, Graphic Design from the University of Canberra.

Tristan is the head of design and communications at Localvolts.

JOE MAISANO

Over 20 years' experience in quantitative analysis, financial and energy risk management, and software development. Co-founded Trading Technology Australia Pty Ltd, a consulting and software development company serving banks, fund managers, treasuries, insurance and energy companies.

Earned a Bachelor of Applied Science (Computing) from La Trobe University; Masters of Science and Doctor of Philosophy (Applied Mathematics) from University of Technology Sydney.

Joe is the head of technology at Localvolts.

Full team biographies are contained in Appendix C.

2.7 Third party service providers

Localvolts is creating new technology and re-engineering the retailer processes to serve the small customers in a unique way. Therefore, Localvolts will not be outsourcing any functions or activities for its retail operations.

2.8 Business plan

We are taking a measured and staged approach to rolling out our exchange in the National Electricity Market.

The company business plan is contained in Appendix B.

2.9 Compliance strategy

Localvolts understands that electricity is an essential service and regulated as such to ensure the well-being of all Australians.



Localvolts is developing innovative technology, processes, and products that are new in electricity retailing. We anticipate our innovations will advance existing industry practices. We believe improving existing industry practices for the benefit of the consumer is a good thing, and is supported by *National energy retail objective*.

We will comply with the applicable regulations.

Localvolts' Compliance Policy is found in Appendix D. It is consistent with *INTERNATIONAL STANDING ISO 19600-2014 – Compliance management systems – Guidelines*.

2.9.1 Obligations

Localvolts understands its obligation to adhering to the laws, rules, guidelines, and procedures applicable to authorised electricity retailers.

In Appendix E, Localvolts has developed a Preliminary Retailer Obligation Matrix, which will be expanded and updated prior to retailing electricity in a jurisdiction.

2.9.2 Complaint and dispute handling procedures

We understand that some customers may be unhappy with our service at times. Localvolts has documented a procedure to accept, resolve, and monitor customer complaints and disputes in a timely and sensitive manner. Our plan is consistent with *Australian Standard AS ISO/DIS 10002 - 2006 (Customer satisfaction – Guidelines for complaints handling in organisations)*.

Please see Appendix F.

2.10 Risk management

Please see Appendix G for Localvolts risk management policy. It is consistent with AS/NZS ISO 31000:2009.

2.11 External assurance

External audit statement by DMJJ Pty Ltd on Localvolts' risk and compliance strategy is presented in Appendix O.

2.12 Additional information

Nil.

2.13 Memberships in ombudsman schemes

Localvolts will apply to become members of the Queensland ombudsman scheme after obtaining retailer authorisation from the AER. Evidence of our engagement with EWOQ is found in Appendix H.

Localvolts will join the ombudsman schemes of the remaining jurisdictions prior to retailing electricity there.

2.14 Arrangements with key market players

2.14.1 AEMO

Localvolts submitted an application¹ for *Market Customer – Retailer* on June 21, 2017 and requires retailer authorisation from the AER to be accepted as full participant by AEMO.

2.14.2 Austraclear

Localvolts became a *Special Purpose Participant* of the Austraclear System on August 21, 2017.

Please see Appendix I.

2.14.3 Distribution network service providers (DNSPs)

Localvolts will be engaging with the DNSPs during the rollout of the electricity exchange.

2.14.4 Metering data providers

Localvolts will be engaging with metering companies during the rollout of the electricity exchange.

2.14.5 Community services

Localvolts will engage with the relevant agencies to implement the concession schemes after obtaining retailer authorisation.

2.14.6 Clean Energy Regulator (CER)

Localvolts will engage with the CER during the rollout of the electricity exchange.

¹ See <http://aemo.com.au/Electricity/National-Electricity-Market-NEM/Participant-information/Current-participants/Current-registration-and-exemption-lists>



2.15 Additional information

2.15.1 Australian financial services licence (AFSL)

Localvolts is not expected to require an AFSL to operate the electricity exchange.

3. Financial Resources

3.1 Financial report for the past year

Localvolts' financial statements for financial year 2018/19 can be found in Appendix J.

3.2 Financial statements for start-up businesses

Please see 3.1 above.

3.3 Group structure

Localvolts Pty Ltd is a wholly owned subsidiary of Localvolts Group Pty Ltd, which is privately held. Current company extracts are presented in Appendix A.

3.4 Managing Director's financial declaration

Appendix K contains the Managing Director's declaration on the financial viability of the business.

3.5 Independent auditor's declaration

Appendix P contains an auditor's declaration.

3.6 Bank Guarantees

AEMO has identified the amount of funds that will need to be covered by a bank guarantee. Localvolts will provide a bank guarantee to AEMO to meet its prudential requirements prior to starting retail operations.

Please see Appendix L.

3.7 Forecast revenue and expenses

Our forward estimates are included in the Business Plan in Appendix B and Business Plan Financials in Appendix B1. Localvolts will earn revenue from subscription fees. All other costs and charges will be passed through to the participants.

3.8 Additional information

There is no additional information for this section.



4. Suitability

4.1 Compliance breaches or legal actions

There have been no incidences where officers of Localvolts have failed to comply with regulatory requirements or other obligations over the previous 10 years.

There have been no previously revoked authorisations or licences.

There have been no past or present administrative or legal actions in relation to authorisations, licences or legal actions.

Nor has there been any situation where an officer has triggered or been associated with a trigger for a RoLR provision.

4.2 Details of any offences

There have not been any offences conducted by any of the Directors or current management under any legislation listed in the Retail Authorisation Guidelines that is relevant to the operations of any energy retailer.

4.3 Criminal history check

A criminal history check for the Directors and Officers will be provided upon request.

4.4 Managing Director's declaration on team suitability

Managing Director's declaration is contained in Appendix M.

4.5 Names and contact details of company officers

Full names, addresses and contact details of officers can be found in Appendix N.

4.6 Policies and procedures addressing probity and competence of officers and key management staff

The Managing Director is responsible for assembling the current and future team. Key requirements will continue to be competence, honesty, tolerance for risk, independence of spirit, and curiosity. The items below will be developed as Localvolts rolls out its retail entry:

- Employee Contracts (including Board member agreements) to be developed and vetted against local laws and guidelines to meet minimum legislation as well as best practice industry standards;
- Employee Code of Conduct;

- Workplace Harassment Policy;
- Workplace health and Safety Policy;
- Compliance framework allowing for transparency internally that staff can reference the business performance against;
- Relevant Committees (Risk and Compliance) with attending policies to ensure due process is following and monitored in the distillation of all responsibilities;
- Equal Opportunity & Discrimination Policy; and
- Compliance training program vetted by an external experienced energy retail consultancy.