



## **APPLICATION FOR A RETAIL AUTHORISATION**

# **MICROGRID POWER**

This is an application for a retail authorisation (electricity) lodged with the Australian Energy Regulator (AER).

Any questions on this application should be directed to the General Manager, Alan Waller whose details are below.

# AN ENERGY RETAILER FOR THE FUTURE

The National Energy Customer Framework provides a national framework for the sale of energy (gas and electricity) to customers. It includes the National Energy Retail Law (**Retail Law**), National Energy Retail Rules (**Retail Rules**), National Energy Retail Regulations and AER Guidelines.

As of the date of this application, the National Energy Customer Framework has been adopted in New South Wales, the Australian Capital Territory, South Australia, Tasmania, and Queensland.

This is an application by Microgrid Power Pty Ltd (**Microgrid Power**) for a retail authorisation for the sale of electricity in those jurisdictions that have adopted the National Energy Customer Framework.

Microgrid Power Pty Ltd 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: organisational and technical capacity;
- **Part Three** of this document provides the Required Information: financial resources;
- **Part Four** of this document provides the Required Information: suitability; and
- **Annexures** to this document, as referenced throughout.



Documents and correspondence marked as 'Commercial in Confidence' 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.

## 1. Part One: Required information – general particulars

**Legal name:** The applicant is Microgrid Power Pty Ltd (ABN 93 628 991 131)

**Trading name:** As above.

**ABN:** 93 628 991 131

**ACN:** 628 991 131

**Registered**

**business address:** 2/176-180 Euston Rd, Alexandria NSW 2015

**Postal address:** As above.

**Contact person:** Name: Alan Waller  
Position: General Manager  
Address: [REDACTED]  
Email: [REDACTED]  
Mobile: [REDACTED]

**Form of energy:** Electricity

**Commencement date:** Once an authorisation is issued (anticipated by 11 Nov 2020)

**Jurisdictions:** NSW, QLD, ACT, SA, TAS

**Type of customers:** Embedded Network (Large and Small)

### 1.1 Nature and scope of operations

Microgrid Power will sell electricity within embedded electrical networks. Microgrid Power will offer both 'gate meter' supplied electricity and embedded generation. Microgrid Power will leverage its existing experience in the sale of electricity via Power Purchase Agreements in the sale of electricity to its customers.

Microgrid Power's customers will include both small and large residential and commercial customers within embedded networks. Embedded network customers will enjoy the benefits of the savings that can be achieved by purchasing electricity at a gate meter and by communalising benefits achieved by embedded generation.

Microgrid Power has engaged industry experts in the provision of billing and customer management and Compliance Quarter in the oversight and development of our compliance program. Microgrid Power’s internal team includes operational and management staff from The Green Guys Group, an accredited certificate creator with a substantial reputation for excellence. The Green Guys Group was established in New South Wales in 2010 and now has branches in both Victoria and New South Wales. The Green Guys Group specialise in commercial and residential LED lighting applications. Since 2010 they have completed over 40,000 residential and 10,000 business lighting installations.

The association between Microgrid Power and the Green Guys Group provides Microgrid Power with access to expertise and operational capacity including systems and processes- for example to support our customers and in back-office functions.

## 2. Part Two: Required information – organisational and technical capacity

The applicant understands that it must demonstrate it has the required organisational and technical capacity and resources to hold a retail authorisation. The applicant has conducted a detailed review of the energy retail market and of the systems and processes used to operate as an energy retailer in the National Electricity Market (‘NEM’). This involved discussions with several third parties with energy retail experience and seeking advice on applicable regulatory obligations under the energy laws, Australian Consumer Law and state and territory legislation.

The applicant recognises the following as necessary requirements to hold a retail authorisation and has identified how it will satisfy them:

Requirement:	To be achieved by:
Robust operational systems to automate most of the day-to-day operations of an energy retailer.	Using automated systems for production of invoices, reconciliation of payments and retention of customer records.
Compliance with the National Energy Retail Law and Regulations, the National Energy	Ensuring that staff and third-party service providers receive regular training on

Retail Rules, the state and territory modifications of these laws and other applicable laws.	relevant compliance obligations and seeking external advice and assurance on how to comply with existing and upcoming regulatory obligations.
Ensuring hardship customers are given the protections they are afforded under the National Energy Consumer Framework.	Implementing an effective customer hardship program in accordance with the AER Customer Hardship Policy Guideline and AER Sustainable Payment Plans Framework.
A focus on continual improvement to our customers' experience.	Consistent analysis of customer feedback and complaints.

We confirm that there are three key employees of MGP being Alan Waller, Karen White and Tony McColl.

These employees are directly employed by the applicant on employment contracts and will not be engaged on unrelated activities.

The other individuals identified in the application are employed by The Green Guys Group. The attached Services Agreement TGGG and MGP as between the applicant and The Green Guys Group that covers this arrangement and identifies the services those shared individuals would provide to Microgrid Power.

Please find information below and attached demonstrating the applicant's organisational and technical capacity.

### **2.1 Details of previous experience as an energy retailer**

The applicant has not previously operated as an energy retailer, but has engaged individuals and suppliers with significant experience in the energy market. These individuals have previously worked in or for energy retailers. Compliance and risk management have been identified as key areas of concern by Microgrid Power, so a consultant and third-party service provider have been engaged to support our compliance and risk staff.

Please refer to 'Annexure A1' provided on a commercial in confidence basis for the

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organisational structure of Microgrid Power and breakdown of Microgrid Power's personnel.

In the early stages of operation Microgrid Power will draw on the Green Guys Group's personnel to operate the energy retail business. The applicant's management experience through the Green Guys Group will benefit Microgrid Power's risk management function. The trading of certificates requires a complex understanding of risk management in a trading market context.

Microgrid Power's key personnel have received certificates from Compliance Quarter demonstrating completion of training modules on various components of the Retail Law, Retail Rules and the energy market generally. Please refer to '**Annexure P2**' provided on a commercial in confidence basis for a Training Register detailing the training completed by Microgrid Power's personnel.

Please refer to '**Annexure A**' provided on a commercial in confidence basis for details on all providers, individuals and key officers involved in Microgrid Power and their relevant experience. Where a function is being outsourced to a third party provider, the details of the provider and functions outsourced are included in '**Annexure A**'.

To ensure third party providers' compliance with the Retail Law and Retail Rules, the applicant will implement the Third Party Process document at '**Annexure U**' provided on a commercial in confidence basis.

## 2.2 Business plan

Please refer to '**Annexure B**' provided on a commercial in confidence basis, a copy of the applicant's business plan.

The attached business plan includes:

- a description of the business and the market it operates in,
  - the objectives and strategies which are used to meet those objectives,
  - operating forecasts for the first years of business, including anticipated customer growth,
  - revenue and expenses, and
  - a cash flow analysis based on the operating forecasts.
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The applicant has no immediate plans to retail to 'on-market' customers. Our current focus is on combining solar generation with 'grid' supplied energy to provide a competitive rate for customers within embedded networks. We note that the standards expected of an authorised retailer are higher than those that apply to an exempt entity with respect to reporting, for example. We wish to be held to that standard and have conducted extensive research into the various consumer protection provisions of the National Energy Retail Rules, National Energy Retail Law and Australian Consumer Law.

Should MGP wish to enter the NEM as an on-market retailer it will require approval from AEMO as a market customer. There is a separate application process involved that will include an examination of MGP's financial capacity and risk management processes. We see this as an appropriate test to apply to our internal readiness should we wish to expand beyond embedded networks

### **Compliance strategy**

The board of Microgrid Power 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.

Microgrid Power is committed to implementing an effective compliance program in accordance with AS/ISO 19600:2015. Microgrid Power's Compliance Policy (**Policy**) at '**Annexure C**', demonstrates the extent to which the standard has guided Microgrid Power.

Microgrid Power understands and will implement a range of measures to ensure compliance with regulatory obligations. The applicant's regulatory obligations include those under Energy Law (including the National Energy Retail Law, National Energy Retail Regulations and National Energy Retail Rules), the *Telecommunications Act 1997*, the *Do Not Call Register Act 2006*, the Australian Consumer Law (as set out in Schedule 2 to the *Competition and Consumer Act 2010*), and various supporting guidelines, codes, procedures and other instruments including state derogations. A detailed list of regulatory obligations applicable to the applicant is attached and marked '**Annexure C2**', provided on a commercial in confidence basis.

The board of Microgrid Power has overall responsibility for setting and overseeing the corporate governance and compliance standards. These are implemented by the

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Compliance Committee which includes a member of the board, our Compliance Manager and business managers.

Microgrid Power will ensure compliance via:

- 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 Microgrid Power.
  - External Advice: Microgrid Power, as part of its compliance program, obtains advice on compliance and legal issues from a number of qualified external providers.
  - Information Technology: Microgrid Power implements a range of technological solutions that aid in regulatory compliance and implementation of the compliance program. These include the Compliance HUB, a cloud-based system that tracks regulatory obligations and assigns them controls.
  - Documentation: Microgrid Power 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: Microgrid Power actively seeks to identify and reduce the likelihood of breaches of regulatory obligations. A Compliance Risk Assessment has been 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 the applicant's operations. External training providers will be utilised where appropriate. Compliance Quarter will provide ongoing compliance training including using the Compliance HUB, in a face to face setting and via webinar. Training modules have been developed on a number of areas including: explicit informed consent, customer payment difficulties, and complaints management.
  - Qualified Staff: Appropriately qualified staff will be employed.
  - Monitoring and Reporting: Any compliance breaches will be monitored, resolved and reported in accordance with the Policy and the applicant's reporting obligations.
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Please find attached (provided on a commercial in confidence basis unless otherwise indicated):

- **Annexure C**: Microgrid Power Compliance Policy;
- **Annexure C2**: Microgrid Power Compliance Obligations Register;
- **Annexure D**: Microgrid Power Code of Business Conduct;
- **Annexure E**: Microgrid Power Compliance Reporting Procedure;
- **Annexure F**: Microgrid Power Customer Hardship Policy (Public Annexure);
- **Annexure G**: Microgrid Power Energy Risk Management Policy;
- **Annexures G1-G7**: Microgrid Power Risk Assessment Documents;
- **Annexure H**: Microgrid Power Standard Complaints and Dispute Resolutions Procedures;
- **Annexure I**: Microgrid Power Summary of Rights and Obligations;
- **Annexure P**: Microgrid Power Human Resources Policy;
- **Annexure Q**: Microgrid Power Privacy Policy (Public Annexure);
- **Annexure R**: Microgrid Power Website Notices;
- **Annexure S**: Microgrid Power Internal Audit Policy; and
- **Annexure X**: Microgrid Power Sustainable Certification and Accreditation.

### **Managing Complaints**

The guiding principles for the applicant's complaints management program are contained in AS/ISO 10002-2014 (Customer satisfaction— Guidelines for complaints handling in organisations). Under the applicant's Standard Complaints and Dispute Resolution Procedures, customers have a right to lodge a complaint at any time.

Microgrid Power is committed to freely receiving and resolving complaints in an accessible and transparent way. In all instances, Microgrid Power 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 1 business day of acknowledgment;
  - Keep the complainant updated about the investigation and any proposed resolution;
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- Notify the complainant as soon as possible of the outcome of our investigation and any proposal we have for resolution; and
- 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.

### **Helping customers experiencing hardship**

Microgrid Power is committed to offering flexible and reasonable payment solutions for customers facing payment difficulties. Our Customer Hardship Program is designed to provide assistance to customers experiencing financial hardship and who are unable to pay their bills when they are due.

We endeavour to ensure that our retail contracts meet customers' energy needs. However, we acknowledge that there are times when customers may not be able to meet their obligations. Therefore, residential customers, who are prevented from paying their bills due to either ongoing or temporary hardship will be eligible for Microgrid Power's Customer Hardship Program. The Customer Hardship Program aims to provide support to customers in hardship by offering them support to manage and stabilise their debt.

Microgrid Power is currently finalising its Customer Hardship Policy (see attached and marked '**Annexure F**') to satisfy the requirement under s 43 of the NERL. We understand that helping customers in hardship is a significant obligation of an electricity provider and that customer hardship is a crucial consideration for an electricity retailer given the recent focus on energy affordability and price increases making it difficult for many customers to pay their bills. In the current climate, more customers require assistance and it is critical that we are committed to doing our best to ensure that we deliver this in an effective way.

In our draft Customer Hardship Policy, we have attempted to provide strong guidance to customers to assist in their understanding of their rights and entitlements by drafting the policy in accordance with the AER Customer Hardship Policy Guideline Version 1. We have also considered the broader purpose of providing this information to customers in a manner and form that is easy to understand.

### **2.3 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. Microgrid Power has adopted AS/ISO 31000:2009 as its base guidance document for addressing risks.

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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 Microgrid Power 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 has approved the Energy Risk Management Policy at '**Annexure G**' and will in the normal course, approve changes and updates to it, on a case-by-case basis.

#### **2.4 Details of external audit of compliance and risk strategy**

Microgrid Power's Compliance Policy, Energy Risk Management Policy and associated documentation have undergone external review. The results of that review are attached and marked '**Annexure J**' provided on a commercial in confidence basis.

#### **2.5 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, a compliance system that will be used in the management of our compliance program.

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

Microgrid Power notes that the ombudsman scheme in Queensland and its application to embedded networks is currently undergoing a review. Nevertheless, the applicant 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.

Microgrid Power has noted that it will apply to the Energy and Water Ombudsman New

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South Wales (**EWON**) for membership of the scheme. Please find attached and marked '**Annexure K2**' a copy of EWON's response to Microgrid Power's membership enquiry.

Both annexures are provided on a commercial in confidence basis.

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

Microgrid Power does not intend to participate in the National Electricity Market, so will not register with AEMO.

Microgrid Power will purchase electricity from an on-market retailer and then on-sell to its customers. The applicant understands that customers within embedded networks do not benefit from the current RoLR scheme under Part 6 of the NERL and it will ensure that alternative arrangements are in place so that customers continue to be supplied with electricity in the event it can no longer continue its operations. These arrangements include:

- Providing for the designated retailer for the parent connection points to supply its customers directly; and
- Ensuring that all customers within its embedded networks can opt to be supplied directly by an on-market retailer of their choice.

## **3. Part Three: Required information – financial resources**

### **3.1 Details and evidence of current financial position, for example, interim financial statements.**

Please find attached documentation confirming Microgrid Power's current financial position marked '**Annexure L1**' and '**Annexure L4**' and provided on a commercial in confidence basis.

### **3.2 Group structure**

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Please find attached and marked '**Annexure W**' for the company details and the ownership structure of the applicant provided on a commercial in confidence basis.

Please find attached and marked '**Annexure W1**' for the company details and the ownership structure of Green Guys Group Pty Ltd provided on a commercial in confidence basis.

Please refer to '**Annexure V**' provided on a commercial in confidence basis for the services agreement between Green Guys Group and Microgrid Power.

Please find attached and marked '**Annexure T**' a Deed of Guarantee, provided on a commercial in confidence basis, between the Green Guys Group Pty Ltd and Microgrid Power Pty Ltd provided on a commercial in confidence basis.

Please refer to '**Annexure L2**' and '**Annexure L3**' provided on a commercial in confidence for the financial statements of the Green Guys Group.

### **3.3 Declaration from CFO (or CEO or director)**

Please find attached a declaration from Microgrid Power's CEO confirming the Microgrid Power current financial position marked '**Annexure M**' and provided on a commercial in confidence basis.

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

### **3.4 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.

### **3.5 Details of any bank guarantees or arrangements or process to access additional capital.**

Please find attached and marked '**Annexure T**' a Deed of Guarantee between the Green Guys Group Pty Ltd and Microgrid Power Pty Ltd.

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### **3.6 Revenue and expenses forecast**

Please find attached a financial plan included in the business plan for Microgrid Power marked '**Annexure B**' and provided on a commercial in confidence basis.

## **4. Part Four: Required information – suitability**

Microgrid Power Pty Ltd 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.

### **4.1 There have been no regulatory failures by either entity.**

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

See '**Annexure M2**' provided on a commercial in confidence basis for a declaration of the above by Microgrid Power's CEO.

### **4.2 There have been no revocations of authorisations, authorities or licences by either entity.**

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

### **4.3 There has been no legal action taken in relation to any regulatory breaches.**

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

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#### **4.4 Neither entity has triggered the RoLR provisions or any equivalent provisions.**

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

#### **4.5 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 Microgrid Power Pty Ltd, its associates, officers, businesses where officers have held an officer position, and other entities that exert control over Microgrid Power Pty Ltd.

#### **4.6 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 committed nor successful prosecutions under any Territory, State, Commonwealth or foreign legislation against any current director of Microgrid Power Pty Ltd.

#### **4.7 Written declaration from Chief Financial Officer (or CEO)**

Please find attached declaration from Microgrid Power Pty Ltd's CEO marked '**Annexure M**' and provided on a commercial in confidence basis, confirming:

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

#### **4.8 Full names and current residential addresses of all your officers.**

Please find attached details of the Microgrid Power Pty Ltd officers in the company details marked '**Annexure W**' and provided on a commercial in confidence basis.

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#### **4.9 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:** Microgrid Power Compliance Policy;
  - **Annexure D:** Microgrid Power Code of Business Conduct;
  - **Annexure P:** Microgrid Power Human Resources Policy; and
  - **Annexure P2:** Microgrid Power Training Register.
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