



Application for Retailer Authorisation

POWERHUB PTY LTD (ABN: 27 618 362 888)

Submitted to Australian Energy Regulator (AER)

25 May 2017

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PART 1 – General Particulars

1. Legal name

POWERHUB PTY LTD.

Referred to hereinafter in this document as “PowerHub”.

2. Trading name / trade mark

Trading name: PowerHub.

PowerHub is the registered owner of the following trade mark (IP right number: 1240293):



3. Australian Business Number (ABN)

ABN: 27 618 362 888.

4. Addresses

Registered address:

- Level 3, Mosaic Offices, 826 Ann St, Fortitude Valley QLD 4066

Address for correspondence:

- PO Box 137, Greenslopes Qld 4120

5. Nominated contacts

Primary contact:

- Mike Cirino
- Managing Director
- Phone: 1300 781 791
- Email: mike.cirino@powerhub.net.au

Secondary contact:

- Dean Willis
- Executive Director Operations
- Phone: 1300 781 791
- Email: dean.willis@powerhub.net.au

6. Form of energy for which retailer authorisation is sought

Electricity.

7. Operations commencement

PowerHub intends to commence retailing activities as of 1st September 2017.

8. Nature and scope of proposed operations

PowerHub proposes to retail electricity to small and large customers within electrical embedded networks (EENs). Specifically, PowerHub proposes to sell electricity to:

- residential customers within strata titled properties;
- small and large business customers within multi-tenanted commercial premises;
- and the bodies corporate or commercial landlords associated with these premises (i.e. to serve common area electricity usage).

PowerHub's initial area of focus will be the creation of retro-fitted EEN's within strata-titled residential premises. PowerHub also intends to integrate the delivery of solar and energy efficiency solutions to these premises where viable.

PowerHub's mission is to deliver lower cost electricity to residential strata customers and commercial tenants via the establishment of EENs, and add further shared value by deploying renewable generation and energy efficiency technologies.

9. Intended retailing jurisdictions

PowerHub intends to operate nationwide.

10. Intended customer types

PowerHub intends to retail electricity to small and large customers who are supplied via an embedded network, where PowerHub has been appointed by the Body Corporate or landlord to manage bulk energy supply for the relevant building or complex.

PowerHub does not propose to supply electricity to any customer who is not part of an embedded network.

Predominantly, PowerHub will sell electricity to small residential and business customers, that is customers with usage of less than 100 megawatt hours (MWh) per annum. However, in some instances PowerHub will also supply large customers (usage >100 MWh per annum), for example, where the annual body corporate load for the relevant building or complex exceeds 100 MWh, or where individual business customers within commercial complexes have annual loads that exceed 100 MWh.

PART 2 – Organisational & Technical Capacity

1. Previous energy retailer experience

PowerHub is a newly established special-purpose vehicle, and as such, has no direct experience as an energy retailer.

2. Other relevant retail or energy market experience

The directors and executive management of PowerHub have extensive experience across the energy sector value chain. Our key personnel have led the establishment of energy sector businesses in Australia and overseas.

Within the Australian retail energy market, our directors and executive managers have:

- acted as lead commercial and market advisers to numerous entities engaged in the establishment and operation of mass-market new entrant energy retailing businesses;
- as an outsourced consultant, acted for an extended period as the commercial manager of a major second-tier energy retailing business;
- on behalf of energy retailing businesses, developed numerous financial and pricing models supporting market entry decisions;
- on behalf of financiers, conducted operational and risk-management due diligence investigations into an existing energy retailing business; and
- on behalf of the Australian Competition & Consumer Commission (ACCC), acted as an expert witness in relation to competition issues in the Australian retail energy market.

Please refer to section 5 of Part 2 of this application for details of the background and experience of the directors and executive management of PowerHub.

3. Organisation chart

For details of our internal staffing and reporting lines by functional area, please refer to Appendix 1: Organisational Structure.

4. Employee breakdown

Upon operations commencement, PowerHub will employ eight (8) full-time equivalent members of staff. Internal staffing levels reflect the use of a specialist provider of outsourced customer billing and support services.

A breakdown of our current and forecast internal staffing by functional area is contained in Appendix 2: Employee Breakdown.

5. Officer qualifications, technical skills and experience

5.1 General Background

The directors of PowerHub are also the directors and owners of the following businesses:

5.1.1. Solstice Development Services

Established in 2006, Solstice is a specialist provider of advisory, transaction support, project development and project management services to the energy and infrastructure sectors.

Solstice is expert in matters pertaining to the energy sector and provides general advisory services to a broad range of market participants and other stakeholders (for example, power generators; energy retailers; infrastructure developers; financiers; and government departments and agencies).

Solstice's areas of industry focus include: power generation; renewables and carbon markets; electricity and gas retailing; grid connection; electricity and fuel procurement; low emissions technologies; and wholesale energy markets.

5.1.2. E4B Pty Ltd (energy4business)

E4B Pty Ltd ("E4B") was established in 2014 by the owners and directors of Solstice.

E4B provides energy procurement, energy management, energy efficiency and other customised services to Commercial and Industrial (C&I) energy users within Australia.

In addition, E4B provides embedded network establishment and ongoing billing and administrative services to commercial landlords who on-sell electricity to tenants under retail and network exemptions.

5.2 Mike Cirino (Managing Director)

Mike is a senior industry professional with more than 25 years of experience in the energy and business advisory sectors. Within the energy sector, he has performed senior roles in consulting, corporate finance, business planning and strategy, power generation development and energy retailing.

Over the past 10 years Mike has been a director of energy consultancy, Solstice Development Services (Solstice). In this role, he has consulted to industry on a wide range of energy sector projects and initiatives, including power station developments, the establishment of new entrant retailing businesses, low emissions technologies, and energy sector transactions.

Concurrent with his role as a director of Solstice, over the past two years Mike has been Managing Director of commercial energy broker and manager, energy4business.

Mike's experience also includes senior finance and business development roles for power generator, Tarong Energy (Stanwell), where he successfully led and supported major project initiatives, including power station developments, asset acquisitions and divestments, development and evaluation of fuel resource options, joint ventures and long-term structured energy sales agreements.

Mike has provided consulting services to numerous new entrant electricity and gas retailers over the course of the past decade. On a secondment basis, Mike acted as Commercial Manager on behalf of a major second tier national energy retailer for a period of 12 months. Mike's experience in providing specialist advisory services to retailers includes:

- the development of market entry strategies;
- the development of retail pricing models;
- the development of end-to-end energy retail financial models covering multiple jurisdictions and network areas, for both mass-market and commercial & industrial segments;
- the development and review of risk management policies;
- the development of transfer pricing policies and methodologies;
- implementation of third-party billing services;
- compliance reviews of contract schedules and marketing collateral; and
- commercial support for merger and acquisition projects.

5.3 Dean Willis (Executive Director Operations)

Dean has more than 30 years of experience in the energy industry working with domestic and international companies. He has held significant operational line management, project management, support service, advisory, development and strategy roles across the energy value chain.

Dean has successfully led the negotiation of high-value wholesale electricity sector contracts and long-term off-take contracts underwriting existing asset portfolios and new power projects. Dean is also experienced in the development of energy trading, hedging and risk management strategies, and the establishment and management of associated functions, teams and systems.

Over the past 11 years Dean has been a director of energy sector consultancy Solstice Development Services (Solstice). In this role, he has consulted to industry on a wide range of energy sector projects and initiatives, including strategy development, power station developments, wholesale risk management and energy procurement (including for new entrant retailing businesses), and other energy sector transactions. Dean has also acted as an expert witness in relation to matters pertaining to new entrant retailers on behalf of the ACCC.

Concurrent with his role as a director of Solstice, over the past two years Dean has been Executive Director Operations for commercial energy broker and manager, energy4business (E4B).

Dean's experience also includes senior wholesale market trading and operational roles for major power generators, Tarong Energy (Stanwell) and NRG Flinders.

In respect of energy retailing experience, as a director of Solstice, Dean has provided consulting services to numerous new entrant electricity and gas retailers over the

course of the past decade. Dean's experience in providing services to retailers includes:

- the development of market entry strategies;
- the development of wholesale energy procurement strategies;
- the development and review of risk management policies;
- qualitative assessment of wholesale energy risk management policies;
- the development of transfer pricing policies and methodologies; and
- the development of assumptions books supporting end-to-end energy retail financial models covering multiple jurisdictions and network areas, for both mass-market and commercial & industrial segments.

5.4 Peter Dalton (Non-Executive Director)

Peter has led and managed the development of power generation and other infrastructure projects in Asia, Australia and Europe over the past 30 years.

He is an accomplished senior business leader with demonstrated ability in the establishment and ongoing operation of energy sector businesses.

Peter has successfully led project development teams responsible for the delivery of numerous power generation projects, including: large-scale wind farms; open and combined cycle gas turbines; landfill gas projects; and mine methane projects.

Peter's experience also includes senior project and business development roles for Tarong Energy and Energy Developments Limited (EDL).

Peter was also responsible for the establishment of EDL's European business, comprising a significant portfolio of renewable generation projects.

6. Third party services

A summary of our third-party service arrangements is contained in Appendix 3: Third Party Services.

PowerHub is employing an outsourcing model in relation to the provision of customer billing and support services. Our service provider is a highly credentialed leading supplier of energy retailing services, and currently provides services to numerous Australian energy retail businesses, including some of the largest participants in the market.

For details of our energy retailing services partner and contracting arrangements, please refer to:

- Appendix 4: Third Party Services - Systems and Managed Services;
- Appendix 5: Third Party Services - Managed Services Agreement;
- Appendix 6: Third Party Services - Subscription Agreement;

PowerHub has also engaged Clayton Utz and Snelleman Tom as its legal and accounting advisers respectively. For further details of these arrangements, please

refer to Appendix 7: Third Party Services - Engagement Letter (Legal Adviser); and Appendix 8: Third Party Services - Engagement Letter (Accountant).

7. Business plan

PowerHub's full business plan is appended to this application. Please refer to Appendix 9: Business Plan.

8. Compliance management

PowerHub has developed a detailed Compliance Management System and Compliance Plan consistent with the following key standards.

- ISO 19600:2015 Compliance Management Systems – Guidelines; and
- ISO 31000:2009 Risk management - Principles and guidelines.

PowerHub takes a committed and proactive approach to ensuring that our operations are conducted in accordance with all regulatory and business compliance requirements.

Our Compliance Management System has been designed to allow PowerHub to demonstrate, through our core values, an organisation-wide commitment to achieving compliance in our day to day operations. It drives an expectation that achieving compliance is fundamental to the execution of our business processes and that a successful compliance culture requires continuous improvement through ongoing review and challenge to ensure fit for purpose outcomes.

Key components of our Compliance Management System are documented in the following appendices:

- Appendix 10: Compliance Policy;
- Appendix 11: Compliance Plan; and
- Appendix 12: Compliance Obligations Register.

9. Complaint and dispute resolution policy & procedure

PowerHub has developed a Standard Complaints & Dispute Resolution Policy & Procedure (Policy) in accordance with Australian Standard AS ISO 10002-2006 'Customer Satisfaction – Guidelines for complaints handling in organisations.

The objective of this policy is to embed within PowerHub an effective and efficient complaints management process that is aligned with the organisation's business values, core vision and strategic objectives.

The policy reflects a focus on customer experience and expectations, in addition to consumer rights; and sets standards expected of PowerHub employees for identifying, receiving and resolving complaints from customers or prospective customers.

The policy forms part of PowerHub's Compliance Management System and Compliance Plan, which in turn are components of PowerHub's broader Governance, Risk and Compliance (GRC) framework.

For further details, please refer to Appendix 13: Standard Complaints & Dispute Resolution Policy & Procedure.

10. Risk management

PowerHub's Risk Management Policy and strategy have been developed in accordance with ISO 31000:2009 Risk management - Principles and guidelines.

The directors and executive management of PowerHub recognize that effective risk management is central to the ongoing welfare of PowerHub's employees, customers and associates and the continued financial success of the business.

The Risk Management Policy sets out the basis for establishing:

- a framework for the management of material business risks;
- a sound system of risk oversight; and
- the internal controls required to systematically identify, manage and report on risk.

For further details, please refer to:

- Appendix 14: Risk Management Policy; and
- Appendix 15: Risk Register & Risk Matrix.

11. Compliance and risk management - external assurance process

PowerHub's compliance and risk management policies, procedures and tools have been reviewed by an external third party expert.

Please refer to Appendix 16: External Review of Risk and Compliance Documentation.

12. Compliance and risk management - additional information

Detailed compliance and risk management documentation (including compliance obligations and risk registers) has been provided as part of this application.

PowerHub has also developed a draft Energy Supply Agreement for small customers. Please refer to Appendix 17: Energy Supply Agreement (small customers).

13. Ombudsman scheme membership

PowerHub will maintain membership of the Energy and Water Ombudsman Queensland (EWOQ) Scheme in relation to its operations in that state. An initial membership enquiry has been lodged with EWOQ. Please refer to Appendix 18: EWOQ Scheme Membership.

PowerHub will also obtain membership of the relevant ombudsman schemes in other jurisdictions upon commencing operations in those regions.

14. Agreements / arrangements with key market players

PowerHub's business model does not require it to register as a Market Participant or enter commercial agreements with network service providers or wholesale counterparties.

As a retailer supplying electricity to customers within embedded networks, PowerHub will enter into commercial agreements with the bodies corporate and landlords that administer the properties and complexes within which PowerHub's customers reside. These agreements will govern works required to establish the embedded network and other activities carried out on behalf of the body corporate or landlord.

PowerHub will purchase energy for each property's gate meter from an existing authorised retailer, under a negotiated market retail contract. The terms and conditions of these contracts will be consistent with retailer electricity supply agreements for large (commercial and industrial) customers.

14.1 Back-up arrangements in event of business failure

As PowerHub will only be supplying energy to customers within embedded networks, Retailer of Last Resort (RoLR) provisions are not applicable to its operations.

PowerHub's business model is relatively low risk compared to electricity retail businesses that are exposed to the wholesale electricity market. However, as a substitute for RoLR protections, PowerHub's commercial arrangements with a scheme's managing entity (body corporate or landlord) will include provisions to address the circumstance where PowerHub becomes insolvent or ceases to trade, i.e.

- the managing entity will assume responsibility for on-supplying electricity to customers within the scheme (in which case the managing entity will be obliged to obtain the appropriate retail and network exemptions);
- historical meter and billing data will be provided to the scheme's managing entity; and
- the gate meter retail supply contract will be novated to the scheme's managing entity.

15. Organisational and technical capacity – additional information

15.1 Australian Financial services Licence (AFSL)

PowerHub does not intend to become a registered Market Participant or enter into any wholesale energy derivatives as a means of managing wholesale energy market price and volume risks. However, it will from time-to-time provide services to larger commercial customers, which may include the provision of financial advices pertaining to wholesale energy markets. Accordingly, PowerHub has been appointed as an Authorised Representative pursuant to AFSL 426565.

Please refer to Appendix 19: AFSL Authorised Representative.

PART 3 - Financial resources

Existing businesses

1. Audited financial reports for the past 12 months

Not applicable – PowerHub is a start-up business.

2. Evidence of long and / or short term credit ratings.

Not applicable – PowerHub is a start-up business.

Start-up businesses

3. Evidence of current financial position

PowerHub is a newly formed entity and as such does not yet have any interim financial statements available for disclosure.

Forecast financial projections, funding requirements and financial statements are contained in:

- Appendix 9: Business Plan; and
- Appendix 20: Financial Model.

The appended business plan and financial model include forecast financial performance over a five-year period, including:

- Cash Flow statement;
- Profit and Loss statement; and
- Balance Sheet.

In addition to the “base case” forecast reflected in the business plan, the financial model also includes a range of side cases that demonstrate the ability of the business to remain viable under a range of downside scenarios.

The financial model includes detailed assumptions underpinning the company’s financial forecasts. Source data and explanatory notes regarding these assumptions are detailed in Appendix 21: Assumptions Book.

The Managing Director has approved all financial forecasts.

PowerHub’s capitalisation plan is outlined in Appendix 22: Capitalisation.

Existing AND start-up businesses

4. Groups of related companies, partnerships, joint ventures, alliances

Not applicable – PowerHub is not part of a group of related companies, nor is it a party to a partnership, joint venture or alliance agreement with another company.

5. Managing Director Declaration (financial)

As part of this application, the directors of the company (including the Managing Director) have provided a declaration confirming that:

- the company is a going concern; and
- subject to raising capital in accordance with the Capitalisation Plan appended to this application, they are not aware of any factor that would impede the ability of the company to finance its energy retailer activities under the retailer authorisation for the next 12 months.

Please refer to Appendix 25: Director & Officer Declarations.

6. Accountant's Declaration

Appendix 24: Accountant's Declaration comprises a written declaration from the company's accounting adviser (Snelleman Tom) in relation to the following specific requirements:

- An insolvency official has not been appointed in respect of the business or any property of the business.
- No application or order has been made, resolution passed or steps taken to pass a resolution for the winding up or dissolution of the business.
- They are unaware of any other factor that would impede your ability to finance your energy retail activities under the authorisation.

7. Bank guarantees or arrangements/process to access additional capital

PowerHub's funding requirements are reflected in the appended business plan and financial model.

For details of PowerHub's funding arrangements, please refer to Appendix 22: Capitalisation.

8. Forecast revenue and expenses

Forecast revenue and expenses to the point where the business is cash-flow positive are detailed in the appended business plan and financial model.

The forecast financial statements contained within the business plan reflect the "base case" in the financial model. The financial model also includes a range of side cases that represent the forecast impact of key downside risks.

Underlying financial assumptions are detailed in the financial model. Source data and explanatory notes in relation to these assumptions are contained within the appended Assumptions Book.

For further details, please refer to:

- Appendix 9: Business Plan (section 7);
- Appendix 20: Financial Model; and
- Appendix 21: Assumptions Book.

PART 3 – Suitability

9. Record of regulatory compliance

PowerHub and, to the best of its knowledge, its officers¹, associates, and other businesses where its officers have held an officer position, has not:

- been 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 (including voluntary administrative undertakings) being taken by a regulatory body;
- had any authorisations, authorities or licences (held in any industry) revoked;
- failed in its application for any authorisation, authority or licence in any industry;
- been the subject of any past or present administrative or legal actions in relation to an authorisation, authority or licence in any industry; and
- been involved in any situation/s where they (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.

10. Record of offences or prosecutions

To the best of PowerHub’s knowledge, no offences have been committed against, or been prosecuted under, any territory, state, Commonwealth or foreign legislation (including, but not limited to, the Australian Securities and Investments Commission Act 2001 (Cth), Competition and Consumer Act 2010 (Cth) and the Corporations Act 2001 (Cth)) relevant to PowerHub’s capacity as an energy retailer, by PowerHub or its current directors¹, or any person responsible for significant operating decisions.

11. Criminal history check

PowerHub is happy to provide this information upon request.

12. Managing Director Declaration (management team)

As part of this application, the Managing Director has provided a declaration confirming that to the best of his knowledge, the directors, officers or other management staff of the company:

- have never been disqualified from the management of corporations;
- have never been declared bankrupt, or been subject to any other insolvency-related proceedings; and

¹ Note, no other persons exert control over or are responsible for significant operating decisions in relation to PowerHub’s business activities.

- have never been involved in the management of a corporation or other entity that has been declared bankrupt, or been involved in any other insolvency-related proceedings;

either here in Australia or in any overseas jurisdiction.

Please refer to Appendix 23: Managing Director Declarations.

13. Officer names and addresses

Please refer to Appendix 26: Officers Names & Addresses.

14. Probity and competence policies & procedures (officers & management)

PowerHub's policy is to only appoint highly qualified management and staff. All new staff will undergo a thorough interview and assessment in accordance with our Human Resources policies and procedures to ensure they have the right experience and capabilities to meet all company standards, including compliance, conduct and probity.

PowerHub's board and management includes individuals with a wealth of energy sector experience, in addition to expertise in finance, accounting, economics, engineering and marketing.

PowerHub has developed a detailed Code of Conduct as a framework for ethical and responsible decision-making in relation to employment and business conduct. PowerHub's Code of Conduct is attached as Appendix 27: Code of Conduct.

PART 4 – List of Appendices

- Appendix 1: Organisational Structure
- Appendix 2: Employee Breakdown
- Appendix 3: Third Party Services
- Appendix 4: Third Party Services - Systems and Managed Services
- Appendix 5: Third Party Services - Managed Services Agreement
- Appendix 6: Third Party Services - Subscription Agreement
- Appendix 7: Third Party Services - Engagement Letter (Legal Adviser)
- Appendix 8: Third Party Services - Engagement Letter (Accountant)
- Appendix 9: Business Plan
- Appendix 10: Compliance Policy
- Appendix 11: Compliance Plan
- Appendix 12: Compliance Obligations Register
- Appendix 13: Standard Complaints & Dispute Resolution Policy & Procedure
- Appendix 14: Risk Management Policy
- Appendix 15: Risk Register & Risk Matrix
- Appendix 16: External Review of Risk and Compliance Documentation
- Appendix 17: Energy Supply Agreement (small customers)
- Appendix 18: EWOQ Scheme Membership
- Appendix 19: AFSL Authorised Representative
- Appendix 20: Financial Model
- Appendix 21: Assumptions Book
- Appendix 22: Capitalisation
- Appendix 23: Managing Director Declarations
- Appendix 24: Accountant's Declaration
- Appendix 25: Director & Officer Declarations
- Appendix 26: Officers Names & Addresses
- Appendix 27: Code of Conduct