



Application for gas retailer authorisation

Sumo Gas Pty Ltd (ABN 67 606 951 713)

3 October 2018

A. Introduction

Sumo Gas Pty Ltd (ABN 67 606 951 713) (**Sumo Gas** or the **Company**) applies to the Australian Energy Regulator (**AER**) under section 89 of the National Energy Retail Law (**Retail Law**) for a retailer authorisation.

B. General particulars

- 1 Legal name Sumo Gas Pty Ltd
- 2 Trading name Sumo Gas
- 3 ABN 67 606 951 713
- 4 Addresses

4.1 Registered address	4.2 Business address	4.3 Postal address
c/- MPR Group Pty Ltd Level 19, HWT Tower 40 City Road Southbank, Victoria 3006	Suite 103, 41-61 Cecil St South Melbourne Victoria 3205	South Melbourne Market Street PO Box 5329 South Melbourne Victoria 3205

- 5 Nominated contact person

Alex Fleming
General Manager – Legal, Regulatory & Compliance
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afleming@sumo.com.au

- 6 The form of energy for which a retailer authorisation is sought

Gas

- 7 The date you intend to commence retailing energy

1 February 2019

- 8 The nature and scope of the operations proposed, the jurisdictions and the types of customers

The Sumo group already retails electricity and gas in Victoria under licences issued by the Essential Services Commission, Victoria, and retails electricity in NSW under an electricity retailer authorisation with the Australian Energy Retailer.

Subject to obtaining a gas retailer authorisation, Sumo Gas proposes to commence retailing gas in New South Wales to residential and small business customers (that is, customers who are 'small customers', as defined in section 5 of the National Energy Retail Law) in February 2019.

B. Organisational and technical capacity

1 Details of your (or any related party's) previous experience as an energy retailer including:

1.1 The date and location of previous operations

The Company commenced its retail gas operations in Victoria in August 2017, and has around 20,000 residential gas customers (as at end of September 2018).

Sumo Power Pty Ltd, a related party of the Company, commenced its electricity retail operations in Victoria in early 2015, and now has more than 40,000 residential and small business electricity customers (as at end of September 2018).

1.2 The form/s of energy sold

Electricity and Gas

1.3 The scale of operations (including the number and size of customers)

As at end of September 2018, Sumo Gas has around 20,000 residential gas customers in Victoria, and Sumo Power Pty Ltd has over 40,000 residential and small business electricity customers in Victoria.

1.4 A description of how the retail activities were conducted

Sumo has generated its sales through multiple channels: direct sales through its website and via its call centre, and indirect sales via third party sales channels, including comparator and telemarketing channels.

Sumo has built its own internal contact centre and has partnered with Brave Energy – a leading supplier of software solutions to retailers and distributors operating in the Australian energy markets – for the delivery of an integrated core technology platform for customer on-boarding, billing and payments, and customer service and enquiries. Back office functions are performed by Brave Management Services.

Marketing, commercial, finance, legal, regulatory and risk functions are managed in-house.

2 Details of any other relevant retail or energy market experience.

Senior managers at Sumo have had significant experience retailing energy in Australia – see below at Question 5 for more details.

3 An organisation chart showing the structure of your organisation.

See **Confidential Attachment 1A**.

4 The number of employees, broken down by business unit or other relevant classification.

See **Confidential Attachment 1B**.

- 5 A summary of qualifications, technical skills and experience of your officers, and the relevance of those skills and experience to meeting the requirements of the retailer authorisation.

A summary of the relevant experience of the members of Sumo's Board and Executive team is set out below.

5.1 Paul Cullinan – Chief Executive Officer and Managing Director

Paul joined the board in September 2015 and was appointed CEO and Managing Director in December 2016.

Paul has a successful track record working in start-up and high growth companies including iSelect and Nimble. Prior to his appointment as CEO and Managing Director at Sumo, Paul was the Chief Financial Officer for Nimble Money Ltd, and before that Chief Financial Officer and Company Secretary of the iSelect Group.

He holds a Bachelor of Commerce and Master of Applied Finance from the University of Melbourne and is a member of the Institute of Chartered Accountants Australia.

5.2 Damien Waller – Chairman

Damien Waller was appointed Director and Chairman of the Sumo Board in January 2017.

Damien is an Australian online entrepreneur based in Melbourne. Damien co-founded iSelect in 2000; iSelect has grown to become Australia's leading multi-channel comparison service. In recent years, Damien spearheaded the expansion of iSelect into new underlying markets including Home Loans, Money and Energy. Damien's positions at iSelect have included Managing Director, CEO, Executive Chairman and non-Executive Director. He has now stepped down from all positions at iSelect.

Prior to iSelect, Damien was recruited by JB Were & Son via its elite graduate program. Damien is a director of Nimble Money Pty Ltd, and other related Nimble entities.

He is a Fellow of the Financial Services Institute of Australasia and a member of the Australian Institute of Company Directors.

5.3 Barnaby Evans – Non-Executive Director

Barni Evans joined the Board in September 2015.

Barni is currently the CEO at Sportsbet Pty Ltd. He has over 11 years of previous experience as the Marketing Director at Paddy Power Betfair Plc.

He holds a Bachelor of Science from Kingston University United Kingdom.

5.4 Marc Peskett – Non-Executive Director

Marc Peskett joined the Board in April 2015.

Marc was the founding partner of MPR Group, a company which provides a comprehensive package of accounting and advisory services to meet the needs of fast growing entrepreneurial businesses.

He is a member of the Institute of Chartered Accountants Australia and the Tax Institute of Australia.

5.5 David McCall – Non-Executive Director

David McCall joined the Board in June 2017.

David is a high-achieving executive whose skillset has been developed in financial services and online businesses in key strategic and operational roles. David has worked at iSelect, where his responsibilities included Group Strategy, Corporate Development, Leadership of Data Mining, Management of Media Attribution and Optimisation Modelling and Incubation of Broadband and Home Loan verticals. Before this, he worked at SEEK, ANZ and at top tier consulting firms Bain and Booz & Company where he focused on strategy and operational performance.

David is an alumni of the University of Melbourne and Melbourne Business School.

5.6 Julian Taylor – Chief Operating Officer

Julian Taylor is Sumo's Chief Operating Officer.

Prior to starting at Sumo, Julian was the CEO and Managing Director at Blue NRG, and before this was Executive General Manager at Lumo Energy and Infratil Australia. Julian has also been accountable for the safe and commercial operation of Gatwick Airport.

Julian holds a Bachelor of Engineering from Durham University and an MBA from Henley Management College. He is a member of the Australian Institute of Company Directors.

5.7 Joshua Dawson – Chief Financial Officer

Joshua Dawson is Sumo's Chief Financial Officer.

Joshua has worked in the energy industry for the past 10 years, gaining relevant experience most particularly in his role as Group Financial Controller across ENGIE's entire Australian portfolio. Prior to his time at ENGIE, he worked at AGL in the leadership roles covering wholesale and retail finance, as well as leading a Solar Operations business. Prior to that, Joshua worked at Qantas for five years.

Joshua holds a double degree in Commerce & Economics and is a member of the Chartered Accountant Institute of Australia & New Zealand.

5.8 Alex Fleming – General Manager – Legal & Regulatory

Alex Fleming is Sumo's General Manager – Legal & Regulatory.

Alex has more than ten years' experience in the energy sector. After five years at Australian law firm Allens Arthur Robison (now Allens Linklaters), he joined the EA-IPR Retail Partnership (which later became Simply Energy) as inhouse lawyer and then Legal & Regulatory Manager. Alex then headed up the Retail Compliance team at Origin Energy where he oversaw Origin's retail compliance framework during and following the acquisition of its Country Energy and Integral Energy customers and the implementation of SAP.

Alex holds a Bachelor of Laws and Bachelor of Science, and is a registered legal practitioner in Victoria.

- 6 Where you may be relying on a third party to provide staff and resources to meet the technical requirements of your retailer authorisation or to perform retail roles (such as operating phone centres or billing), you must:

- 6.1 State all functions and activities you propose to outsource.
- 6.2 Provide a summary of the third party's experience in, and knowledge of, the relevant area.
- 6.3 Provide evidence of the third party's technical capacity to meet relevant obligations.
- 6.4 Provide evidence of controls in place to ensure the third party's compliance with the Retail Law and Retail Rules.

Brave Energy

Brave Energy provides Sumo with an integrated core technology platform for customer on-boarding, billing and payments, and customer service and enquiries, and by providing managed support services for customer transfers, billing, payment allocation and some other back-office functions. The Company will continue to use Brave Energy to provide these technology and managed support services for customers for its gas operations in New South Wales.

See **Confidential Attachment 2A** for details of Brave Energy's prior experience and technical capacity, and **Confidential Attachment 2B** for a copy of Sumo's contract with Brave Energy.

Third party sales channels

Sumo has entered into marketing agreements with a number of third-party sales channels and expects to engage many of these third-party sales channels to provide marketing services for gas in New South Wales.

See **Confidential Attachment 3** for a copy of Sumo's standard marketing agreement terms and conditions.

Collections

Sumo engages Probe Group Pty Ltd to provide debt collection services on its behalf.

See **Confidential Attachment 4** for a copy of Sumo's contract with Probe.

- 7 A business plan, including but not limited to, strategic direction and objectives, forecast results and detailed assumptions on how you calculated these forecasts.

See **Confidential Attachment 5**.

- 8 Details of your compliance strategy:

- 8.1 Demonstrating your knowledge and understanding of the obligations imposed on authorised retailers under the Retail Law and Retail Rules and applicable statutory, industry and technical requirements of the jurisdictions in which you intend to operate.

Sumo has developed a Compliance Program and Plan to ensure compliance with regulatory

obligations. The compliance framework is actioned by the Compliance, Complaints & Quality Lead and overseen by the General Manager – Legal & Regulatory. Sumo has a culture of compliance and its management team has extensive experience in energy retail, and is familiar with applicable laws and rules.

See **Confidential Attachment 6A** for a copy of Sumo's Compliance Program and Plan – FY19, **Confidential Attachment 6B** for a copy of Sumo's Compliance Plan FY19 and **Confidential Attachment 6C** for a copy of its Register of Regulatory Requirements.

8.2 Outlining how applicable retailer authorisation obligations and statutory, industry and technical requirements will be met (including how compliance breaches will be identified and remedied).

Sumo has training and processes in place to ensure timely identification and notification of compliance breaches. The Compliance, Complaints & Quality Lead and the General Manager – Legal & Regulatory oversee any incidents to ensure that remediation is in line with applicable legislation.

Again, see **Confidential Attachment 6** for a copy of Sumo's Compliance Program and Plan – FY19.

In respect of regulatory obligations relating to sales and marketing conduct, Sumo has implemented a Compliance Plan – Sales – see **Confidential Attachment 7**.

8.3 Including complaint and dispute resolution procedures, developed in accordance with Australian Standard AS ISO 10002-2006 (Customer satisfaction—Guidelines for complaints handling in organisations).

See **Confidential Attachment 8** for a copy of Sumo's Complaints Handling Policy and Procedures.

8.4 Demonstrating that any gaps in the skills and / or knowledge of staff have been identified and that appropriate steps have been taken to fill those gaps (for example, through recruitment or training).

Sumo has had a policy of recruiting staff with prior industry experience. To complement existing skills, Sumo has developed and delivers training:

- for its customer service and sales and marketing representatives on all aspects of dealing with customers, including explicit informed consent, credit, hardship and complaints;
- back office staff on onboarding, transfers, billing and other B2B processes;
- credit team members on collections processes; and
- applicable staff members on management of gas safety.

9 A copy of your risk management strategy covering both operational and financial risks

See **Confidential Attachment 9A** for a copy of Sumo's Risk Management Policy, **Confidential Attachment 9B** for a copy of its Audit & Risk Committee Charter and **Confidential Attachment 9C** for a copy of its Wholesale Risk Management Committee Charter.

- 10 Evidence that your risk management and compliance strategies have been subject to an external assurance process (for example, an external audit).

See **Confidential Attachment 10** for a copy of the external compliance assurance report provided in respect of Sumo Power's operations.

- 11 Any additional information which demonstrates your ability to manage risk and operate in accordance with the Retail Law objective, particularly the long term interests of consumers (for example, copies of any retail contracts that you have developed).

See **Public Attachment 1** for a copy of Sumo's market retail contract terms and conditions, and **Confidential Attachment 11** for a sample copy of a Written Disclosure Document for electricity (which will be adapted for use in selling gas).

See **Public Attachment 2** for a copy of Sumo's privacy policy.

See **Public Attachment 3** for a copy of Sumo's hardship policy.

See **Public Attachment 4** for a copy of Sumo's standard retail contract terms and conditions.

Sumo is also familiar with the obligations imposed by the NSW Social Programs for Energy Code and has engaged with the Division of Energy, Water and Portfolio Strategy at the NSW Department of Planning & Environment.

- 12 Evidence of any membership, or steps taken to obtain membership, of a recognised energy industry ombudsman scheme in the jurisdiction/s in which you intend to retail energy to small customers.

Sumo Power Pty Ltd is a member of the Energy and Water Ombudsman, NSW (**EWON**). Sumo Gas has a copy of the EWON membership application pack, application form and membership agreement, and will make an application for EWON membership ahead of the grant of its gas retailer authorisation. See **Confidential Attachment 12** for a copy of these materials.

- 13 Evidence of any agreements / arrangements in place with key market players within the jurisdictions in which you intend to operate. This includes, but is not limited to, distribution businesses and AEMO. Where agreements / arrangements have not been finalised, you should provide details of any negotiations or steps that have occurred to date and when you expect agreements / arrangements to be completed.

Sumo Gas has applied for market registration with AEMO as a Retailer in the NSW Gas Market and as a STTM User in the Short Term Trading Market. See **Confidential Attachment 13**. It is expected that the AEMO registration application will be finalised in parallel with this authorisation application.

Sumo Gas is approved as a Special Purpose Participant with Austraclear Limited, allowing it to settle wholesale gas transactions with AEMO. See **Confidential Attachment 14**.

Sumo Gas has engaged with Jemena to enter into a Reference Service Agreement. It is expected that an agreement with Jemena will be signed before Sumo Gas has been granted a retailer authorisation. See **Confidential Attachment 15**.

14 Any additional information that will help us assess your organisational and technical capacity.

Sumo has taken out appropriate public liability insurances for \$20 million.

C. Financial resources

- 1 Copies of your audited financial reports for the past 12 months. This information should include:
 - 1.1 All financial statements required by the accounting standards.
 - 1.2 Notes to financial statements (disclosure required by the regulations, notes required by the accounting standards, and any other information necessary to give a true and fair view).

See **Confidential Attachment 16** for the most recent audited consolidated group financial statements.

- 2 Evidence of long and / or short term credit rating/s (if available).

See **Confidential Attachment 17**.

- 3 If you are part of a group of related companies, and / or party to a partnership, joint venture or alliance agreement with another company, and you are given financial support by that entity, you should provide:

- 3.1 Details of the ownership structure of the group.
- 3.2 The contractual arrangements (e.g. alliance contracts, associate contracts, establishment contracts) that define relationships within the group—including shared resources, guarantees, revenue flows, obligations and/or responsibilities.
- 3.3 Consolidated audited financial statements for the group.

Sumo Gas Pty Ltd is a wholly-owned subsidiary of Sumo Australia Ltd. See **Confidential Attachment 18** for further details of the ownership structure, relationships between group companies and capital funding arrangements.

As above, see **Confidential Attachment 16** for consolidated audited financial statements.

- 4 Chief Financial Officer declaration – going concern

See **Public Attachment 5**.

- 5 A written declaration from an independent auditor or your principal financial institution stating that:
 - 5.1 An insolvency official has not been appointed in respect of the business or any property of the business.
 - 5.2 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.
 - 5.3 They are unaware of any other factor that would impede your ability to finance your energy retail activities under the authorisation.

See **Confidential Attachment 19**.

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

See **Confidential Attachment 18** for details of the Company's access to capital.

The Company will have the capital necessary to meet any credit support requirements of AEMO, wholesale gas counterparties and gas distributors in New South Wales.

- 7 Forecast revenue and expenses to the point where your business is cashflow positive. This forecast should be consistent with your business plan and highlight all key assumptions and risks.

Forecast revenue and expenses are set out in the business plan. See **Confidential Attachment 5**.

D. Suitability

1 Declaration for officers

Sumo and, to the best of its knowledge, its associates, other businesses where its officers have held an officer position and any other entity that exerts control over its business activities, has not:

- materially failed to comply with regulatory requirements, laws or other obligations over the previous 10 years;
- had any authorisations, authorities or licences that it held revoked;
- failed in its application for an authorisation, authority or licence;
- been the subject of any administrative or legal actions in relation to an authorisation, authority or licence; and
- been in any situation 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.

2 Details of offences or successful prosecutions

To the best of Sumo'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 Sumo's capacity as an energy retailer, by Sumo or its current directors, any other person that exerts control over its business activities, and all persons who are responsible for significant operating decisions.

3 Criminal convictions

We would be happy to provide criminal history checks on request.

4 Written declaration from the Chief Financial Officer – suitability

See **Public Attachment 6**.

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

See **Public Attachment 7**.

6 Details of policies and procedures addressing the probity and competence of officers and any other key management staff.

Sumo's policy is to appoint only highly qualified officers and staff, and to encourage diversity of perspective. Its board of directors includes individuals with significant experience in consumer markets, finance, marketing and strategy. The senior management team has significant experience in the energy and utilities sectors. All new recruits undergo thorough interview and assessment to ensure they have the right experience and capability and meet the company's high probity standards.