

AER Application for Retailer Authorisation

Perpetual Energy Pty LTD
ABN 20643401496



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1 Background Information

1.1 Perpetual Energy

Perpetual Energy Pty Ltd (PE) is a new retail gas business focused on large gas users across Queensland, New South Wales, SA and the ACT. PE is a standalone company that will operate with a small dedicated team located in Brisbane Queensland and Sydney New South Wales. These locations provide ready access to the major gas users located in these states.

PE has developed a detailed Business plan outlining its business strategy and financials that will underpin its successful operation based on a detailed market analysis and conservative projections of future growth.

1.2 Particulars

Legal name	Perpetual Energy Pty Ltd
Your trading name if different to your legal name.	Perpetual Energy Pty Ltd
ABN or ACN.	ACN 643 401 496
A registered business address and address for correspondence.	Capita Building Level 11, 307 Queen Street Brisbane City, QLD 4000
A nominated contact person, including their position in the organisation and contact details.	Patrick Humphries, Director.
The form of energy for which a retailer authorisation is sought.	Gas
The date you intend to commence retailing energy.	August 2021
The nature and scope of the operations proposed.	Perpetual Energy is a new gas retailer to large use customers
The jurisdictions in which you intend to retail energy.	Perpetual Energy is seeking a license to retail gas in QLD, NSW, SA and the ACT.
The type of customers you intend to supply (for example, small customers, small market offer customers or large customers as defined in s. 5 of the Retail Law).	Perpetual Energy is looking to sell gas to large use commercial and industrial users (Above 1 TJ)

2 Organisation and Technical Capacity

2.1 Previous Energy Retailer Experience

The PE team includes personnel who have a broad experience in the Queensland retail energy sector. Our operational management teams' experience includes the senior management of metering, billing, and collections service provider METER2CASH Solutions (32K customers), Service Essentials (1.8M customers), and Energex (1.2M customer) over the last 30 years.

On the delivery end our sales management team has 5 years' experience in Queensland in the operation and ownership of embedded gas networks and hot water systems for town house and residential developments growing its share to over 7000 households in 2021.

PE's senior management team has extensive experience in upstream gas drainage operations integrated with competing interests of coal mining projects, pipelines and operating surface and underground coal mines bringing and understanding of the upstream processes required to bring gas to market.

This depth of experience brings to PE a knowledge base spanning from gas drainage and delivery into the gas network, energy sales and customer service through to the installation of physical infrastructure, metering and billing.

2.2 Business Objective

It is PE's objective to grow its gas business by marketing to large gas users using a sales model that offers its customers the benefits of accessing gas based on wholesale pricing with a low retail margin tailored to the customer and its business requirements.

2.3 Any Other relevant retail or energy market experience

See comments in section 2.1

2.4 Organisational Chart

PE has developed an organisational structure that will expand as the business grows to ensure that it remains focused on the key objectives of the business. PE has identified 2 phases in the development of its organisational structure in the first five years based on customer numbers. The organisational chart details the board (consisting of a sole director), in house and outsourced functions and personnel.

The PE organisational structure is included in Annexure 1.1 and marked as commercial in confidence

2.5 Employees

PE will operate with a small number of skilled full time and casual employees located in both Queensland and New South Wales supported by key contractors and consultants in its first phase of operations. Key shareholders will be actively involved in the day to day running of the business by performing key functions. The persons involved in running the business day to day is shown below in Table 2-1

Function	Staff
Compliance and Commercial Management	1
Operations Management	1
Sales Management	1
Gas bidding	1

Table 2-1 PE Staff

2.6 Qualifications, skills and experience of key personnel

2.6.1 Patrick Humphries, Director Perpetual Energy – Commercial and Compliance Manager

Perpetual Energy will be headed by Patrick Humphries an experienced board chairman and company director. As a company director Patrick has grown a successful mining, engineering and projects consultancy working with national and international companies and banks across multiple commodities including metals, coal and gas.

Patrick is an industry professional with twenty-five years in mining operations, coal seam gas drainage, research, project development. As a consultant he has worked with all the major mining houses in Australia and internationally in mining and gas drainage operations and the development of large multibillion-dollar mining projects.

Patrick has held statutory positions under the QLD Mining Safety and Health Act and Regulations and completed numerous legal and safety compliance audits and risk assessments for major mining companies as part of their legal assurance programs.

As commercial and compliance manager for PE, Patrick will bring his extensive experience working in the highly regulated mining environment to oversee the ongoing compliance requirements of PE in partnership with the commercial aspects of the business and its customers.

2.6.2 Martin Robson - Operations Manager

Commencing with PE in 2nd half 2021, Martin will be the Operations Manager for PE overseeing sales, billing and customer service. Martin has had a long and successful career in the energy sector with 14 years working for Energen in billing management and customer accounts. In 2003 Martin moved into a senior executive of Service Essentials before starting Meter 2 Cash in 2008 and becoming the Managing Director in 2012.

Martin's experience and ability across the retail energy sector in implementing systems and processes to improve the customer experience and streamline metering and billing processes has seen him become a highly sought-after leader in the energy retail sector and embedded networks in Queensland, providing solutions for clients and customers that lead to low energy pricing.

2.6.3 Patrick Robertson - Sales Manager

Commencing with PE in July 2021, Patrick is a highly experienced Managing Director and Vice President of the Master Plumbers association of QLD. Since 2006 Patrick has built several successful companies spanning across gas fitting, serviced hot water and embedded gas networks. Patrick has contacts across the industry and understands customer requirements and how Perpetual Energy can be the retailer of choice in our target markets. Patrick will lead sales for PE including the establishment of new markets and customers.

2.6.4 Bidding Coordinator

Commencing with PE in July 2021, our bidding coordinator has a proven track record in paralegal and office administration roles over 18 years with experience in setting up new offices and implementing business systems and processes. The bidding coordinators skills and knowledge of IT and payment systems will be a valued resource in the gas bidding and customer database management role that they will fulfill.

PE has a highly experienced team in the key areas of compliance, customer service, metering and billing, systems and process supported by an expert legal, billing and IT team that will ensure that PE is both a compliant and successful gas retailer.

CVs for Patrick Humphries, Martin Robson, Patrick Robertson and our bidding coordinator are contained in Annexure 1.2 to 1.5

2.7 Outsourced Services

PE has in place service agreements with highly experienced service providers in the following functions

- IT Support
- Metering and Billing

These agreements are attached in Annexure 2.2 and 2.5 and are marked as commercial in confidence.

In addition, PE will outsource legal, compliance and auditing functions and has received proposals from organisations it has used to develop its legal documentation, compliance policies and procedures. These capability statements and scopes of work are also contained in the remaining Annexures 2.1 to 2.9

2.8 Retail Business Plan

PE's business plan for the first five years has been provided in Annexure 3 and the financial model that supports the plan has also been provided in Annexure 11.2 (both marked as commercial in confidence). These plans show PE beginning operations with a conservative sales estimate building year on year and allowing PE to consolidate its position in the gas markets in QLD, NSW, SA and the ACT.

2.9 Compliance strategy

The PE compliance management system is based on an extensive review of the obligations of authorised retailers and is designed to ensure compliance with all applicable legislation, regulations, license conditions, codes, guidelines, rules and standards that impact, or have the potential to impact, on PE's operations.

Our statutory obligations include those under Energy Law (including the National Energy Retail Law, the National Energy Retail Regulations, and state derogations), The Telecommunications Act 1997, the Do Not Call Register Act 2006 and the Australian Consumer Law (as set out in Schedule 2 to the Competition and Consumer Act 2010). Responsibility rests on the organisation and all organisational staff to comply with these statutory obligations.

The purpose of the policy is to set out the procedures and strategies which will operate to ensure compliance standards and requirements are operating in accordance with the CMS Perpetual Energy's Policies and Procedures.

Annexure 4.2 to 4.13 includes the following policies

- Customer Service
- Internal audit Policy
- Compliance Policy
- Complaint Resolution Policy
- Risk Management Plan
- Code of Conduct
- Privacy Policy
- NECF Obligations Register

- Records and Change Management
- Compliance Committee Agenda
- Retail website checklist
- Potential Breach Notification Form

2.10 Risk Management Strategy

PE understands the importance of maintaining an update and effective risk management system. PE has completed an initial risk assessment on its business operations in order to identify risks to the business and the required control measures to be put in place. The implementation of any required control measures is tracked by an action plan managed by the Director of PE.

2.11 External assurance process for risk management and compliance

PE's risk management and compliance systems have been subject to an external audit. The risk assessment and results of the audit have been provided in Annexure 5.1 to 5.3 and is marked as commercial in confidence.

2.12 Compliance with Gas Laws

Although a majority of obligations under legislation relate to small customers (less than 1TJ) and will not be relevant to PE's activities, PE will actively monitor and update its risk management and compliance systems through the completion of routine compliance audits (as stated in the PE compliance policy) and as part of its change management practices

As additional evidence of PE's commitment to actively manage risk and conduct its business operations in accordance with the retail laws. Annexure 6.1 and 6.2 marked as commercial in confidence contains a copy of a draft template of that has been developed as a basis for negotiation with potential large use customers and a retail customer checklist.

PE has ensured that third parties engaged by it comply with obligations by ensuring that relevant contracts between PE and the parties include provision for ensuring that third parties comply with their obligations and provide evidence as part of compliance audits that PE will undertake on its systems and processes. This process is referenced in annexure 4.4

2.13 Ombudsman scheme membership

PE does not believe that membership of ombudsman schemes is relevant to its business operations as it will be retailing to large use customers. However, PE will as a matter of course participate in any scheme as required as part of being an authorised retailer.

2.14 Agreements with other market participants

PE is currently in negotiations with Gas Network providers. In addition, PE has been in discussion with AEMO in regards to prudential requirements, training and IT systems

Annexure 7.1 to 7.4 details the communications between PE, its legal advisors and network operators as part of negotiations towards signing haulage agreements and interacting with AEMO.

3 Financial Viability

3.1 Audited financial records

PE is a start up business and has not had its financial records audited

3.2 Corporate Structure

PE is a stand alone, privately owned company limited by shares and is not a subsidiary or part of a larger entity. An ASIC extract detailing the ownership of the company is attached in Annexure 13

3.3 Declaration of going concern

A declaration that PE is a going concern is provided in Annexure 8 and is marked as commercial in confidence

3.4 Independent Auditors Statement

An independent auditor's statement from PE's auditor Mazars is provided in Annexure 9 and is marked as commercial in confidence. This statement confirms the following

1. An insolvency official has not been appointed in respect of PE or any property of PE
2. No application order has been made, resolution passed or steps taken to pass a resolution for the winding up or dissolution of the business; and
3. They are unaware of any other factor that would impede PE's ability to finance its energy retail activities under the authorisation for a period of at least twelve months from the date of this application.

3.5 Current bank guarantees or arrangements to access additional capital

PE is aware of the requirements for energy retailers to provide guarantees. PE has established a relationship with a banking and financial institution to provide bank guarantees for its operations according to AEMO requirements.

PE has significant funds within the business to provide the required bank guarantees and has built its business plan and financial model around self-funding future guarantee amounts by retaining funds within the business to cover any future guarantees. In addition, PE has set up a shareholder loan facility to raise additional funds should the need arise. A copy of the shareholder loan document is attached in Annexure 10.2

PE has sought advice from AEMO as to the size of the initial bank guarantee required for its operation and the timing (immediately prior to award of AEMO license) and has built this into its business plan and financial model.

Details of PE's sales projections and guarantee requirements are included in Annexure 10.3, marked as commercial in confidence along with a current bank statement contained in confidential annexure 10.4.

3.6 Forecast Revenue and expenses

PE's forecast for revenue and expenses and the underlying assumptions are included in Annexure 11.1 marked as commercial in confidence.

4 Suitability Criterion

4.1 PE has not been the subject of any of the following:

- 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;
- previously revoked authorisations, authorities or licenses held in any industry;
- failed authorisation, authority or license applications in any industry;
- past or present administrative or legal actions in relation to an authorisation, authority or license in any industry; and
- situations where PE has previously triggered the RoLR provisions of the Retail Law or equivalent state/territory/foreign legislation, or have transferred or surrendered an authorisation or license in

4.2 Details of any offences or successful prosecutions under any territory, state, Commonwealth or foreign legislation for:

- Current director/s (or shadow / de facto director/s) of PE, and any other person that exerts control over the business activities of PE;
- If PE is unincorporated, the person/s with effective control of the business; and
- All persons who are responsible for significant operating decisions for PE. After all due enquiries, none of the directors or officers of the applicant, PE, have been found to have committed any offences or been the subject of successful prosecutions under any territory, state, Commonwealth or foreign legislation relevant to PE's capacity as an energy retailer in this jurisdiction.

4.3 Written declaration from the Director regarding the PE management team

A declaration from the Director of PE is provided in Annexure 12, marked as commercial-in-confidence.

Perpetual Energy will provide a criminal history check for current directors, shadow/de factor directors, any other person that exerts control over Perpetual Energy's business activities and all persons who are responsible for significant operating decisions of the business, upon request'

4.4 Officer details

The full names and address details for all officers (directors) of PE is provided in Annexure 13, marked commercial-in-confidence.

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

Details of the Human Resources policies including the company's competency guideline, training plan, training needs analysis and records of training are provided in Annexure 14.1 to 14.4, marked as commercial-in-confidence.

5 Annexures

The following annexures are provided on a commercial in confidence basis

Annexure 1 – Organisational Chart and Organisational Structure

- Annexure 1.1 – Organisational Structure
- Annexure 1.2 – CV Patrick Humphries
- Annexure 1.3 – CV Martin Robson
- Annexure 1.4 – CV Patrick Robertson
- Annexure 1.5 – CV Bidding Coordinator

Annexure 2 – Services Agreements

- Annexure 2.1 – Third Party Services Agreement Summary
- Annexure 2.2 – Services Agreement between PE and Billing Service Provider
- Annexure 2.3 – Billing product brief
- Annexure 2.4 – Billing Provider capability statement
- Annexure 2.5 – Signed IT Service provider signed agreement
- Annexure 2.6 – IT Service provider capability statement
- Annexure 2.7 – Legal Compliance capability statement
- Annexure 2.8 – Legal compliance CV's
- Annexure 2.9 – Auditor's capability statement

Annexure 3 – Retail Business Plan and Financial Model

Annexure 4 - Compliance and Risk Management documentation

- Annexure 4.2 – Customer Service
- Annexure 4.3 – Internal audit Policy
- Annexure 4.4 - Compliance Policy
- Annexure 4.5 – Complaint Resolution Policy
- Annexure 4.6 – Risk Management Plan
- Annexure 4.7 – Code of Conduct
- Annexure 4.8 – Privacy Policy
- Annexure 4.9 – NECF Obligations Register
- Annexure 4.10 – Records and Change Management
- Annexure 4.11 – Compliance Committee Agenda
- Annexure 4.12 – Retail website checklist
- Annexure 4.13 – Potential Breach Notification Form

Annexure 5 – Risk Assessment Audit

- Annexure 5.1 – Risk audit report
- Annexure 5.2 – Risk audit letter
- Annexure 5.3 – Risk assessment

Annexure 6 – Retail Contracts

- Annexure 6.1 – Draft template Gas retail contract
- Annexure 6.2 - Retail Contract Checklist

Annexure 7 – Gas Haulage Network Operators Communications

- Annexure 7.1 - APA / Allgas
- Annexure 7.2 – Jemena/ Evoenergy
- Annexure 7.3 – Gas Haulage Contract Review
- Annexure 7.4 – AEMO Communications

Annexure 8 – Directors Going concern declaration

Annexure 9 – Independent auditor's statement

Annexure 10 – Current Bank Guarantees and Arrangements

- Annexure 10.1 - Bank Guarantee documentation

- Annexure 10.2 - Shareholder Loan Agreement
- Annexure 10.3 - Sales Projections
- Annexure 10.4 – Financial Statement
- Annexure 11 – Financial Modelling
 - Annexure 11.1 - Forecast Revenue and Expenses
 - Annexure 11.2 - Confidential Business model
- Annexure 12 – Written declaration regarding the PE management team
- Annexure 13 – Details of officers (directors) of PE - ASIC
- Annexure 14 Human Resources
 - Annexure 14.1 – Human Resources Policy
 - Annexure 14.2 – Competency Guideline
 - Annexure 14.3 – Training Plan
 - Annexure 14.4 – AEMO Training Record