



Balance Commodities & Energy

1. General Particulars

1.1. Legal name

Balance Commodities and Energy Pty Ltd

1.2. Trading name

Balance Commodities and Energy Pty Ltd

1.3. ACN/ABN:

ACN: 623 247 003

ABN: 18 623 247 003

1.4. Registered business address for correspondence

Level 26, 459 Collins Street
Melbourne VIC 3000

1.5. Contact person

Stuart Pearce

Managing Director

m: 0413 603 632

p: 03 9021 8857

e: stuart.pearce@balance.energy

1.6. Form of energy for which retailer authorisation is sought

Authorisation for the retailing of electricity to large customers only

1.7. Intended date to commence retailing energy

Balance Commodities & Energy Pty Ltd (BC&E) is intending to commence energy retailing activities when it has received authorisation from the Australia Energy Regulator (AER), registration from the Australian Energy Market Operator (AEMO) and when it has executed

its contractual arrangements with its third-party service providers. It is anticipated that this will occur in the first half of calendar 2019

1.8. Nature and scope of operations proposed

BC&E will provide its customers with retail energy products including fixed and floating price products.

Sales and marketing activities will be managed in-house while customer operations (transfers, billing, payment processing) will be outsourced to a third-party service provider as will front, middle and back office wholesale functions and risk management.

1.9. Intended jurisdictions

BC&E is intending to compete for large electricity customers in the National Energy Market (NEM).

1.10. Type of customers

BC&E intends to supply large Commercial and Industrial electricity customers only.

2. Organisational and technical capacity

2.1. Details of previous experience as an energy retailer

BC&E is a new business which has not previously operated as an energy retailer.

2.1.1. Date and location of previous operations

Not applicable - BC&E is a new business which has not previously operated as an energy retailer.

2.1.2. The form/s of energy sold

Not applicable - BC&E is a new business which has not previously operated as an energy retailer.

2.1.3. The scale of operations

Not applicable - BC&E is a new business which has not previously operated as an energy retailer.

2.1.4. Description of how retail activities were conducted

Not applicable - BC&E is a new business which has not previously operated as an energy retailer.

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

The directors and senior executive of BC&E have extensive experience of the energy retail market as do its wholesale management service provider and its operations service provider.

Refer Confidential Attachment 1 – Brave Energy Capability and Experience

Refer Confidential Attachment 2 – RMHEDGE Capability and Experience

Refer Confidential Attachment 3 – CV’s

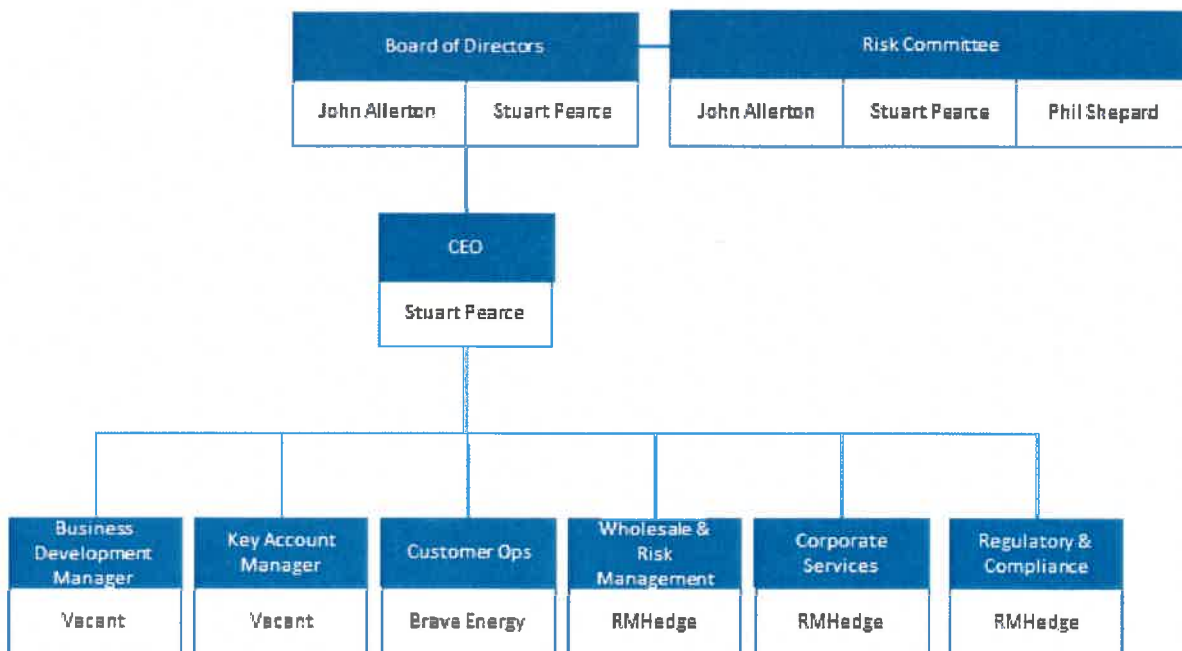
2.3. Plan to bring energy market experience into the business

The shareholders, board and management of BC&E have extensive experience of the Australian and international retail energy markets and are aware of the capabilities required to successfully compete and operate in the NEM.

BC&E will have contracts in place with suitably experienced and capable service providers for the provision of customer operations and wholesale operations prior to market entry and will recruit key sales and business development roles. BC&E will also use known and experienced third-party sales channels to assist with the acquisition of customers.

The Directors of BC&E have extensive experience and expertise in retail energy, corporate governance, finance and risk and compliance.

2.4. Organisation chart



2.5. Number of employees by business unit and classification

Refer Confidential Attachment 4 – Extended Organisation Chart

2.6. Qualifications, technical skills and experience of officers and relevance to retail authorisation requirements

Stuart Pearce – CEO/Managing Director

Qualifications: Masters of Business (Marketing), Bachelor of Economics, Diploma of Education, Graduate Australian Institute of Company Directors, Fellow Australian Marketing Institute, Certified Practising Marketer.

Technical Skills: Retail pricing, negotiating and managing third party customer operations contracts, negotiating wholesale supply agreements, compliance, risk management and corporate governance.

Experience: Stuart has over 20 years of experience in retail energy markets including roles as the Chief Executive Officer of Jacana Energy (the Northern Territory Government owned electricity retailer), General Manager of Retail Strategy at Energy Australia and the Smart Metering Program Director for TRUenergy.

Stuart has also worked with energy retailers in New Zealand and South East Asia as a consultant with BearingPoint, PA Consulting and PriceWaterhouseCoopers.

John Allerton – Chair

Qualifications: Bachelor of Commerce Honours (Taxation) (University of Cape Town), Member, Institute of Chartered Accountants in Australia, Advanced Management Programme INSEAD France (2003)

Technical Skills: Retail Energy risk management and effective pricing strategy, Mergers and Acquisitions - both as an external corporate advisor and as the responsible Executive, Corporate Strategy and Business Development, Risk Management and Governance

Experience: John has over 35 years' experience in the accounting profession working in finance and the telecommunications industries. He is an experienced corporate advisor and Senior Finance Executive with a demonstrated capacity to grow businesses organically and by acquisition, and to manage risk while adding shareholder value. As part of his responsibilities as Commercial Director at Vocus, he was responsible for managing the Wholesale Energy hedge book in accordance with the Wholesale Energy Risk Management Policy and ensuring overall compliance with this policy in relation to day to day operations

2.7. Third party service provision**2.7.1. Functions and activities**

BC&E intends to contract with third parties for the provision of:

- Customer operations (Brave Energy)
- Wholesale management (RMHEDGE)
- Corporate services (RMHEDGE)

2.7.2. Third parties experience and knowledge

Balance Commodities & Energy has negotiated an agreement with Brave Energy Pty Ltd for the provision of management services in respect of customer accounts, billing and payments, products and contracts, standing data and metering data, service orders, settlements, reporting, tasks, IT solutions and general related services.

Refer Confidential Attachment 5 – Brave Energy Services Agreement

RMHEDGE provides a holistic risk management, front and middle office service function for organisations operating in the energy and commodity financial markets. RMHEDGE has extensive experience to deliver tailored risk management systems, processes, and procedures, hedging strategies, compliance, and strategic direction for its clients including Balance Commodities & Energy and its customers.

RMHEDGE and its partners have over 60 years of experience in the financial markets including front, middle and risk management operations in the derivatives and environmental markets.

“Our vision is to provide transparent and comprehensive risk management, energy and commodity hedging solutions.”

RMHEDGE business model is based around providing support for key functions for the front office, middle office, treasury, risk management, compliance, and systems areas.

RMHEDGE provides counterparties, customers, and consultants with education through expert knowledge, experience, and tools to better manage their risks, portfolios, and business. These tools include; market reports (spot and forwards), training modules and seminars, realistic simulation courses. Implementation services and products include; outworking of business plans (economic modelling), portfolio management, hedging and trading strategies, market and risk management systems, policies and processes to enable risk management oversight and portfolio management for new entrant and existing companies.

Refer Confidential Attachment 6 – RMHedge Services Agreement**2.7.3. Evidence of third parties capacity to meet relevant obligations**

Brave guarantees ongoing market compliance of its solutions for the life of its contracts. It participates in the assessment of proposed changes to the industry and upgrades its solutions to meet these changes as they are approved.

Brave already has a number of customers who operate in the NEM including: Vocus, Next Business Energy, Mojo, AGL, Energy Queensland and Activestream.

RMHEDGE has combined Australian market experience of >60 years, best-of-breed wholesale policies, processes and systems, deep wholesale market technical and an Australian Financial Services Licence (AFSL).

2.7.4. Controls in place to ensure third parties comply with retail law and rules

In selecting its third-party service providers BC&E has been careful to select providers who:

- have a successful track record of operating in the NEM
- can demonstrate a detailed understanding and knowledge of retail law, codes, rules and relevant regulations

- have policies, processes and procedures in place to ensure they are up-to-date and compliant with the relevant laws, rules and regulations

BC&E will monitor its service providers compliance with the relevant laws, rules and regulations through regular monthly meetings and performance reporting by its service providers.

2.8. Business plan

BC&E has a business plan which is supported by a detailed 5 year financial model

Refer Confidential Attachment 7 – Business Plan and Financials

2.9. Compliance strategy

2.9.1. Knowledge and understanding of obligations under the retail law and rules

BC&E and its officers understand the importance of compliance with all relevant laws, rules and regulations. It has an obligations register to ensure that all obligations under the relevant laws, rules and regulations are understood and assigned to a specific role.

2.9.2. How retailer authorisation obligations and statutory, industry and technical requirements will be met

Refer Confidential Attachment 8 – Compliance Policy

2.9.3. Complaint and dispute resolution procedures (AS ISO 10002-2006)

Refer Confidential Attachment 9 – Complaint and Dispute Procedures

2.9.4. Gaps in skills identified and steps to fill gaps

2.10. Risk management strategy (operational and financial)

Refer Confidential Attachment 10 – Risk Management Policy

2.11. Evidence that risk and compliance strategies have been subject to external review

BC&E's risk and compliance strategies have been subjected to an independent external review.

Refer Confidential Attachment 11 – Risk and Compliance Review

2.12. Additional information – ability to manage risk

Refer Confidential Attachment 12 – Customer Contract

2.13. Evidence of steps taken to obtain membership industry ombudsman schemes (small customers)

Not applicable – BC&E intends to sell electricity to large customers only

2.14. Evidence of agreements/arrangements with key market players

BC&E has engaged with AEMO, and after it is authorized as a retailer, will be registered with AEMO as a Customer under section 11(4) of the National Electricity Law and clause 2.3.1 of the Rules.

Refer Confidential Attachment 13 – AEMO Registration

BC&E has organised its application to ASX for membership of Austraclear through which BC&E's purchases of electricity from AEMO will settle. Once AEMO registers BC&E as a Customer, this application will be completed.

Refer Confidential Attachment 14 – ASX/Austraclear Registration

BC&E has engaged with network businesses in all NEM jurisdictions in which it intends to compete and will finalise any formal requirements once authorisation is granted.

Refer Confidential Attachment 15 – Network Service Providers

BC&E is in the process of engaging an authorised Metering Co-ordinator to arrange the provision, installation and maintenance of meters, and metering data for its customers.

Refer Confidential Attachment 16 – Metering Coordinator

2.15. Additional information

3. Financial resources

Existing businesses

3.1. Copies of audited financial reports

Not applicable – BC&E is a start-up business

3.1.1. Financial statements required by accounting standards

Not applicable – BC&E is a start-up business

3.1.2. Notes to financial statements

Not applicable – BC&E is a start-up business

3.2. Evidence of long and/or short-term credit ratings

Not applicable – BC&E is a start-up business

Start-up businesses

3.3. Details and evidence of current financial position

Refer Confidential Attachment 17 – Current Financial Situation

Refer to Confidential Attachment 18 – Shareholder Loan

Existing and start-up businesses

3.4. Group structure

3.4.1. Ownership structure of the group

Refer Confidential Attachment 19 – Ownership Structure

3.4.2. Contractual arrangements which define relationships within the group

Refer Confidential Attachment 20 – Contractual Arrangements

3.4.3. Consolidated audited financial statements for the group

Refer Confidential Attachment 17b – Parent Company Audited Accounts

3.5. Written declaration – CEO/CFO/Director

Refer Confidential Attachment 21 – Directors Declaration

3.6. Written declaration – independent auditor or primary financial institution

Refer Confidential Attachment 22 – Financial Declaration

3.6.1. Insolvency official has not been appointed

Not applicable – BC&E has never had an insolvency official appointed

3.6.2. No resolution for winding up or dissolution

Not applicable - BC&E has never triggered a resolution for winding up or dissolution

3.6.3. No financial impediment to retail activities

BC&E is not aware of any financial impediments to it conducting retailing activities

3.7. Details of bank guarantees or arrangements to access additional capital

Refer Confidential Attachment 18 – Shareholder Loan

3.8. Revenue and expense forecasts

Refer Confidential Attachment 7 - Business Plan and Financials

3.9. Additional information

4. Suitability

4.1. Officers and other entities

4.1.1. Details of any material regulatory, legal or other failure by BC&E and its associates over the previous 10 years

Not applicable – BC&E and its associates have not been involved in any material regulatory, legal or other failure by BC&E and its associates over the previous 10 years.

Refer Confidential Attachment 23 – Directors Declaration

4.1.2. Details of any previously revoked authorisations, authority or licence in any industry and reason for revocation

Not applicable – BC&E and its associates have not been involved in any revoked authorisations, authority or licence in any industry and reason for revocation.

4.1.3. Details of any failed authorisation, authority or licence application in any industry and reason for failure

Not applicable – BC&E and its associates have not been involved in any failed authorisation, authority or licence application in any industry and reason for failure.

4.1.4. Details of any past or present administrative or legal actions in relation to an authorisation, authority or licence in any industry

Not applicable – BC&E and its associates have not been involved in any past or present administrative or legal actions in relation to an authorisation, authority or licence in any industry.

4.1.5. Details of any ROLR events triggered or transferred or surrendered an authorisation or licence to avoid ROLR event

Not applicable – BC&E and its associates have not triggered any ROLR events or transferred or surrendered an authorisation or licence to avoid ROLR event.

4.2 Confirmation that no offences have been committed against, or been prosecuted under *Australian Securities and Investments Commissions Act 2001 (Cth)*, *Competition and Consumer Act 2010 (Cth)*, *Corporations Act 2001 (Cth)*, any territory, state, Commonwealth or Foreign legislation, as an energy retailer

Refer Confidential Attachment 24 – Directors Declaration

4.3 Criminal History Check

Available upon request.

4.4 Written declaration

Refer confidential Attachment 25 – CEO Declaration

4.5 Full names and current residential addresses of all officers

Refer confidential attachment 26 – Personal Details

4.6 Details of policies and procedures addressing probity and competence of officers

Refer confidential attachment 27 – Officer probity and competence policies and procedures

Refer Confidential Attachment 28 – Disclosure of Personal Interests

Confidential Attachments

Confidential Attachment 1 – Brave Energy Capability and Experience

Confidential Attachment 2 – RMHedge Capability and Experience

Confidential Attachment 3 – CV's

Confidential Attachment 4 – Extended Organisation Chart

Confidential Attachment 5 – Brave Energy Services Agreement

Confidential Attachment 6 – RMHedge Services Agreement

Confidential Attachment 7 – Business Plan and Financials

Confidential Attachment 8 – Compliance Policy

Confidential Attachment 9 – Complaints and Dispute Process

Confidential Attachment 10 – Risk Management Policy

Confidential Attachment 11 – Risk and Compliance Review

Confidential Attachment 12 – Customer Contract

Confidential Attachment 13 – AEMO Registration

Confidential Attachment 14 – ASX/Austraclear Registration

Confidential Attachment 15 – Network Service Providers

Confidential Attachment 16 – Metering Coordinator

Confidential Attachment 17 – Current Financial Situation

Confidential Attachment 18 – Shareholder Loan

Confidential Attachment 19 – Ownership Structure

Confidential Attachment 20 – Contractual Arrangements

Confidential Attachment 21 – Directors Declaration

Confidential Attachment 22 – Financial Declaration

Confidential Attachment 23 – Directors Declaration

Confidential Attachment 24 – Directors Declaration

Confidential Attachment 25 – CEO Declaration

Confidential Attachment 26 – Personal Details

Confidential Attachment 27 – Officer probity and competence policies and procedures

Confidential Attachment 28 – Disclosure of Personal Interests

Confidential Attachment 29 – Additional Information