

Hanwha Energy Retail Australia Pty Ltd

Application for Electricity Retailer Authorisation



April 2019

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OUR MISSION

Our mission is to build Australia's first new energy, digital gentailer that will deliver brilliantly simple solutions that engage our customers for a better life.

We will achieve this by building a business from the ground up that is purpose built for the new energy market and delivers competitive advantage and differentiation across the energy value chain.

Our customers will engage with brilliantly simple product & service solutions delivered on a truly digital technology platform that will also provide cost advantage and superior customer service and engagement across a wide range of sales and service channels. We will achieve this through a mix of technologies that are owned, outsourced and through partnerships to ensure the right balance between in-house and external expertise to exceed the expectations of our customers and our broader stakeholders

We will build a business that is an industry leader in key business metrics across Finance, Risk Management & Compliance, Customer Engagement and Employee Engagement. We have much to do between now and our target launch date. There will be challenges along the way and we must meet these challenges with drive and determination to deliver our mission.

The Australian energy market is going through a period of change unlike any other in its recent history. New technologies, rapidly changing policy frameworks, rising energy costs and ongoing levels of customer frustration all combining to drive the emergence of new energy business models. Hanwha Energy Retail Australia Pty Ltd (Hanwha ERA) has an exciting opportunity to take advantage of the disruption that is occurring in the Australian energy market and establish itself as a leading player in the new energy environment.

Hanwha ERA has the opportunity to fundamentally change the competitive landscape and by doing so restore the trust between customer and energy provider that has been eroded over time. There has never been a more exciting time to be part of the energy industry in Australia, what we do here sets the tone for many other countries around the world who are on similar journeys on the road to a cleaner smarter and more sustainable energy future for each other and for generations to come.

I have never been more optimistic about the future of energy retail in Australia and the opportunities that are emerging that will change the lives of our customers for the better.

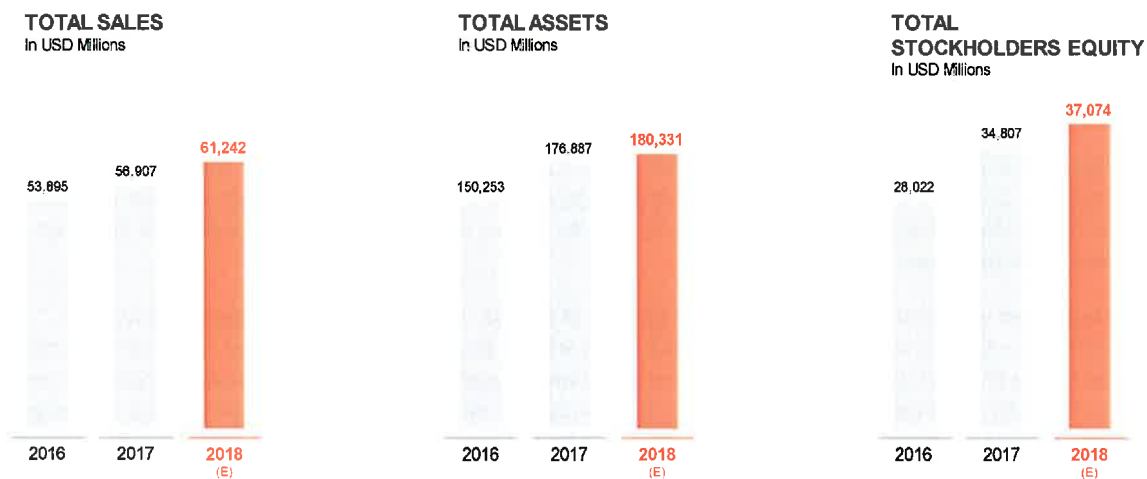
With the right strategy and structure together with the right people, leadership and culture I believe we can quickly establish Hanwha ERA as the market leader in the new energy environment.



Andrew Butler
Managing Director
HANWHA ENERGY RETAIL AUSTRALIA

1. INTRODUCTION

Hanwha Energy Retail Australia Pty Ltd (Hanwha ERA) is pleased to submit this application for an electricity retailer authorisation to the Australian Energy Regulator (AER). Hanwha ERA is part of the Hanwha Group. Founded in South Korea in 1952, the Hanwha Group has grown into a Fortune Global 500 company operating across Aerospace, Chemicals, Finance, Service & Leisure and Solar Energy. The Hanwha Group revenues exceeded US\$60 billion in 2018 with total assets of over US\$180 billion.



Hanwha Q Cells is the world's leading producer of solar cells and modules with 2017 total sales exceeding US\$2.1 Billion. Hanwha Energy was established in 2007 and has maintained its AA credit rating since conception with 2017 total assets of US\$2.7 billion and total sales exceeding US\$500 million. Hanwha Energy operates in more than 10 key locations around the world including Korea, America, Japan and Australia.

Hanwha Energy is currently building retail energy operations in:

- Australia (National Electricity Market or NEM)
- United States of America (Texas)
- Europe (Germany)

Hanwha Energy's retail capability will complement its existing energy operations and experience:

- Hanwha Energy Australia Pty Ltd – Developing utility scale grid connected Solar IPP projects;
- Hanwha Q Cells – world's leading producer of solar cells and modules; and
- Hanwha Q Home – providing energy storage solutions and smart technology.

Hanwha ERA was established in December 2018 and has rapidly attracted a very experienced retail energy team to lead its market entry into the Australian retail energy market.

2. GENERAL PARTICULARS

Legal Name	Hanwha Energy Retail Australia Pty Ltd
Trading Name	TBA
ABN or ACN	ABN 82 630 397 214
Registered Business Address	Level 17, NorthPoint Tower, 100 Miller Street, North Sydney, NSW 2060, Australia
Nominated Contact Person	Hannah Heath – Chief Strategy Officer hannah.heath@hanwha.com
Form of Energy Authorisation sought	Electricity
Date of retail commencement	1 October 2019
Nature & scope of operations	Hanwha ERA plans to operate as an electricity retailer launching initially in NSW then into other AER retail jurisdictions in line with our business strategy.
Retail jurisdictions	Queensland, New South Wales, Australian Capital Territory, South Australia, Tasmania.
Type of customers to be supplied	Hanwha ERA will in the first instance retail electricity to small customers (as defined in the National Electricity Retail Law) with future expansion into small medium enterprise and commercial and industrial retail markets.

3. ORGANISATIONAL & TECHNICAL CAPACITY

Overview

For Hanwha ERA to operate a successful energy retail business, it must have capability in each part of the value chain. To be a market leader it needs to have a competitive advantage in some, if not all areas of the value chain.

We will be deliberate and methodical in our approach to the retail energy value chain.

Key elements of the business model we are building to support our entry into the Australian energy market are outlined below and underpin our approach to delivery of the organisational and technical capability needed to operate an energy retail business.

Figure 1: Hanwha ERA, business model and capability framework



The business plan provided in *Confidential Attachment A3* provides more detailed information on our capability within each of the areas outlined in Figure 1 above. We provide a summary below.

Talent, Leadership & Culture

Hanwha ERA has already attracted a leadership team with a broad range of skills, experience and capability across Wholesale Energy, Product Development, Retail Pricing, Sales & Marketing, Customer Operations, Systems & Technology, Regulatory & Compliance. This team is continuing to expand with recruitment ongoing to secure the best talent available for remaining internal positions. In addition to this Hanwha ERA has engaged a wide range of external advisors to assist with the ongoing development and operation of this business. A full list of these advisors can be found in *Confidential Attachment A1*.

Strategy, Value Proposition & Branding

Hanwha ERA has provided a comprehensive strategy and business plan in *Confidential Attachment A3*, Hanwha ERA will be launching a new and innovative brand and trading name as part of its official launch in 2019. The new brand will reflect our purpose which is to deliver brilliantly simple solutions that engage our customers for a better life.

Finance, Funding, Key Metrics & Reporting

Hanwha ERA has built a comprehensive financial model that provides the business and the leadership team with the forecasting, analysis and reporting tools needed to support financial planning and operations.

The model outputs have been provided in the business plan and financial sections of this application.

Hanwha ERA is a subsidiary company of Hanwha Energy and part of the Hanwha Group, which is a Fortune Global 500 company with revenues exceeded US\$60 billion in 2018 and total shareholder equity of over US\$37 billion based in South Korea.

Hanwha ERA has sufficient seed funding and ongoing access to working capital through its parent companies to meet its financial obligations including required market prudential requirements to participate in the NEM.

A full set of financial statements and financial position, including a summary statement has been provided in *Confidential Attachment A9* of this application.

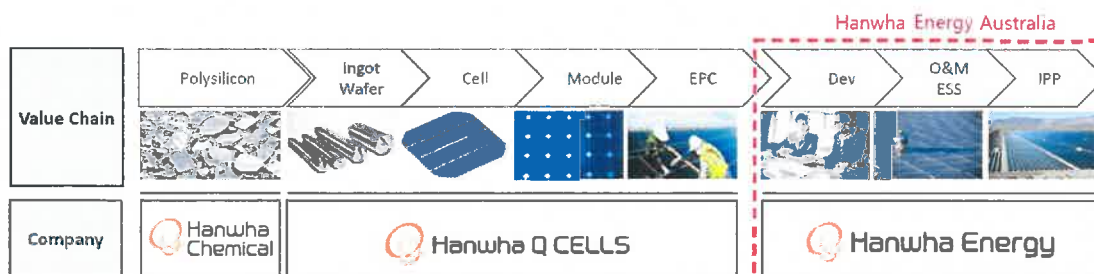
Systems, Process & Technology

Choosing the right system architecture that allows Hanwha ERA flexibility into the future will be a key factor in how quickly the business can scale and to what size it can scale. Organic growth, growth through acquisition or joint venture all present unique challenges.

Hanwha ERA has designed and developed a system topology and technology platform that is purpose built to meet the requirements of its business model and business plan. We have achieved this through a mix of in-house and 3rd party systems and developers to ensure we have a system that is market compliant, secure and delivers best of breed customer and user experience. As part of the Hanwha ERA Risk Management & Compliance framework, regular Pen Testing is performed and reported back into Risk Management Committee. Detailed system information is provided in *Confidential Attachments A1 and A2*.

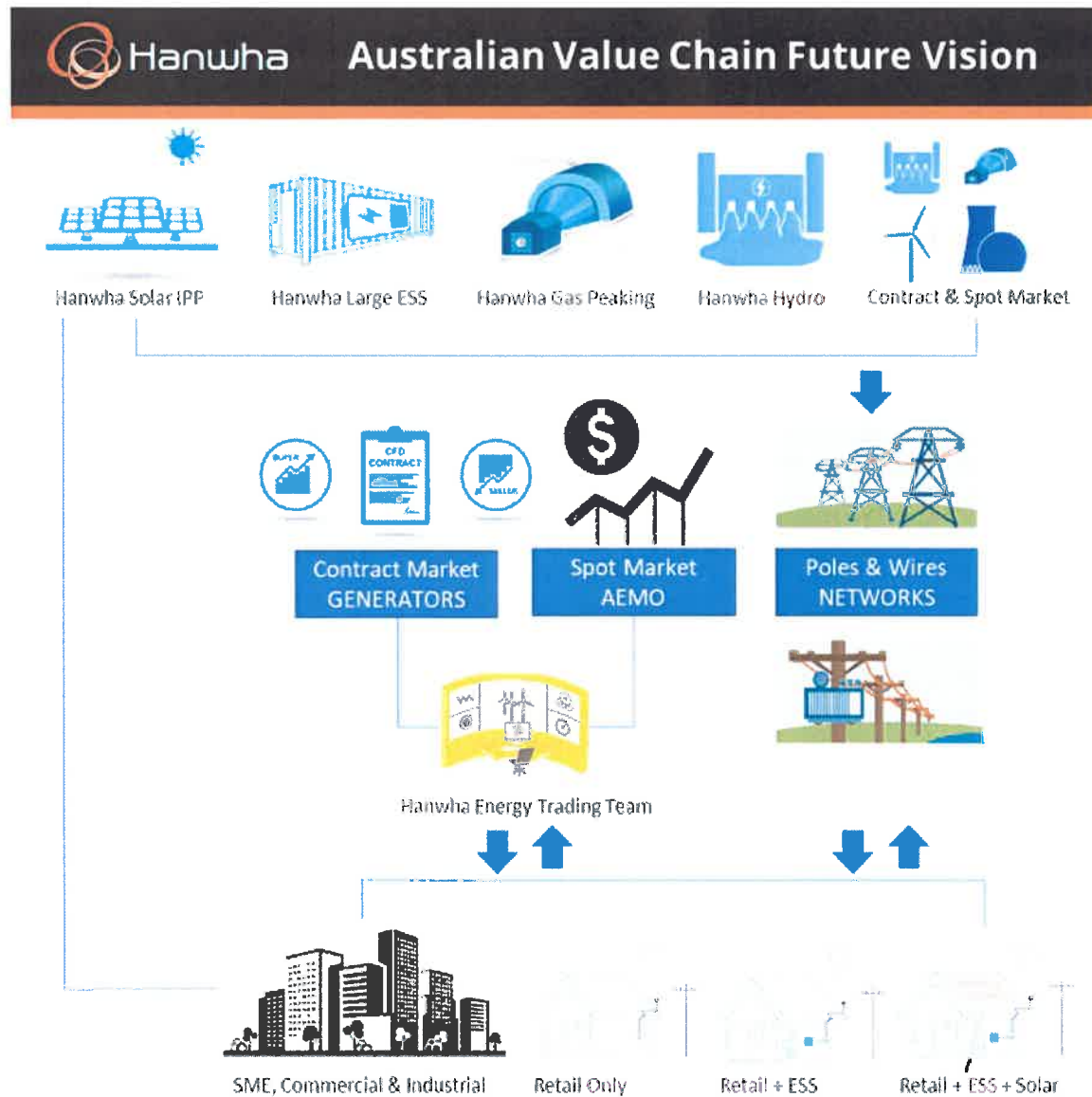
Wholesale Supply

The Hanwha Group, Hanwha Q Cells, Hanwha Energy and Hanwha ERA all have considerable expertise in wholesale supply chain management.



The Wholesale Trading & Risk Management capability within Hanwha ERA will bring together wholesale supply inputs across:

- Wholesale electricity generation through Hanwha Energy Australia and other counter party contracts;
- Rooftop solar and battery storage solutions through Q Cells and other vendor contracts; and
- Other wholesale supply inputs such as gas and hydro when needed to manage wholesale risk.



Product & Retail Pricing

Initially launching retail electricity products into the NSW residential market, Hanwha ERA will look overtime to bundle retail electricity with rooftop solar and home battery storage. Our customers will engage with brilliantly simple product & service solutions delivered on a truly digital technology platform that will also provide cost advantage and superior customer service and engagement across a wide range of sales and service channels. We will achieve this through a mix of technologies that are owned, outsourced and through partnerships to ensure the right balance between in-house and external expertise to exceed the expectations of our customers and our broader stakeholders

A more detailed overview of the product strategy is provided in the Business Plan (*Confidential Attachment A3*).

Sales Channels

Hanwha ERA will operate a wide range of sales channels to meet its growth targets. Hanwha ERA's management team has extensive experience in the management of sales & marketing channels. The management team brings together previous experience and learnings to ensure best practice Risk Management, Compliance, Process, Policies, Training, Assessment and other Controls are in place all times.

A more detailed overview of the Hanwha ERA Risk Management and Compliance Frameworks is provided in *Confidential Attachments A4 and A5*.

Customer Operations

Hanwha ERA will use a mix of in-house and external customer operations capability to ensure it delivers a low cost, scalable customer operations team that is enabled by our technology platform, business process and procedures to deliver industry leading customer engagement metrics.

Legal, Regulatory, Risk & Compliance

Please refer to *Confidential Attachments A1, A4 and A5* for a detailed overview of the Hanwha ERA Legal, Regulatory, Risk Management and Compliance Frameworks.

3.1 Organisational structure

Please refer to Confidential Attachment A1 for Hanwha ERA's Organisational Structure.

3.2 Details of our previous experience as an energy retailer

The core Hanwha ERA leadership team as it stands currently has combined Australian energy market experience of over 40 years that spans a period over 30 years. The Hanwha ERA leadership team together with its employees, vendors and broader strength of the Hanwha Group provides a solid foundation on which to build our business.

Hanwha ERA has a detailed organisational structure and growth path that is matched to its operating and growth targets to ensure the appropriate level of skills, capability and resources are available and match to the needs of the organisation, its customers and broader industry stakeholders. Hanwha ERA has an extremely well credentialed board of directors and executive team including those detailed below.

See *Confidential Attachments A1 and A2* for more detail on our relevant experience,

Executive Leadership Team

Mr. Tae Hong Kim – Director & Head of Australia and Guam Business Unit - Hanwha Energy

Tae Hong has over 20 years' experience in strategy consulting, M&A, investment and new business development. Since he joined Hanwha Group in 2006, he worked overseas investment and new business development at the Hanwha head quarter in Seoul, Korea. In 2012 when Hanwha acquired Q CELLS, a German based global photovoltaic cell & module manufacturer as well as solar power plant development and EPC player, he moved to Germany. Since then, he started his career in energy sector focusing on renewable energy. Four years in Germany and another two years in the USA, he worked for various spectrum of solar industry ranging from module sales to project development and EPC of utility scale power plants. In 2018, as an important strategic stretch to energy end customer, Hanwha decided to expand its energy value chain to retail business. Tae Hong took the responsibility of incubating of retail business in Australia together with development and IPP business in the same market.

Mr. Andrew Butler – Managing Director – Hanwha Energy Retail Australia

Andrew has over 30 years retail experience across energy, infrastructure and telecommunications he is a business start-up expert who has also held senior leadership roles for some of Australia's leading energy and

infrastructure businesses. Andrew was co-founder of Australian Power & Gas and General Manager Sales, Marketing & Public Relations from September 2006 to January 2011, during which time the company grew from scratch to over 270,000 customer accounts and revenues exceeding \$230 million. Andrew was then recruited by Alinta Energy as General Manager Retail for East Coast Retail business from April 2011 to November 2014, during which time the East Coast retail business grew to over 150,000 customers within 3 years of launch.

Retail businesses under Andrew's leadership have enjoyed an excellent track record of compliance during his tenure at these companies. He has a comprehensive understanding of all aspects of the retail energy value chain having worked as a linesmen and technical officer with the State Electricity Commission of Victoria prior to de-regulation. Just after the Victorian Energy Market was de-regulated Andrew held senior account management and product management roles with Solaris Power before being appointed as Residential & Small Business Marketing Manager for Citi Power.

Andrew has also held senior roles with some of Australia's largest toll road infrastructure projects as Marketing Manager at Transurban Citylink and Marketing & Public Relations Manager for the Lane Cove Tunnel project where he gained valuable experience in both high-volume transactional operations and crisis management.

More recently Andrew was the CEO for a telecommunications retail service provider selling mobile and home broadband (NBN) services. This business was sold to private investors in 2018.

Andrew has a unique perspective on risk management and compliance across Energy, Telecommunications and Infrastructure as has operated professionally under both the Energy Industry and Telecommunications Industry Ombudsman Schemes.

Andrew has Post Graduate Qualifications in Marketing from Macquarie Graduate School of Management (MGSM) and a Certificate of Technology (Electrical) from NMITE.

Ms. Hannah Heath – Chief Strategy Officer

Hannah is responsible for strategy and planning, risk management, legal & regulatory compliance, together with corporate and stakeholder relations. Hannah is a highly respected leader in the energy sector, with over 16 years' experience across the wholesale, network, & retail sectors and solar and emerging markets.

Having worked for Origin Energy for the past 9 years, Hannah has gained unrivalled exposure to the opportunities, challenges & risks associated with the full energy life cycle - from generation, through to wholesale, retail and behind the meter solutions. She's also well versed in the regulatory and compliance frameworks operating in the energy sector from influencing initial policy development and market design through to their market and business implementation and finally, ongoing operational compliance and reporting. Her many roles at Origin include Manager - Future Energy Policy, Manager Strategy and Emerging Business, Manager - Retail Regulation Policy and Group Manager - Market Risk.

Prior to Origin, Hannah worked at the Australian Energy Market Commission (AEMC) working on a range of Energy Market Reviews and Rule change processes. She also worked for NSW Treasury as a member of the NSW energy market reform team responsible for establishing the National Energy Law and Rules framework that is in place today, including the creation of the AEMC and the AER. Hannah holds a BA Honours in Applied Economics from Queen's University, Kingston ON Canada and brings a wealth of industry knowledge to our business.

3.3 Third party providers

Hanwha ERA will compliment is internal skills and capabilities with number of closely related entities for the provision wholly or in part for customer systems, billing systems, compliance, risk management and specialist analytics.

Confidential Attachment A2 includes detailed information regarding these related entities including:

- Credentials and experience in the specific area required; and
- Evidence of the vendors ability to comply with relevant codes, laws, regulations and rules.

3.4 Business plan

Hanwha ERA has prepared a comprehensive business plan, summary business plan presentation together with 5-year financial outputs from the financial model. These are provided in *Confidential Attachment A3*.

3.5 Compliance strategy

Hanwha ERA views compliance as a critical business requirement and understands the compliance requirements for the provision of retail services in the NEM. We also believe successful retail businesses need compliance embedded in the organisational culture, with both compliance and risk management front of mind at all levels of business decision making. This approach to compliance has been front of mind in establishing the robust Hanwha ERA Compliance Strategy and Framework, which is presented in *Confidential Attachment A4*.

Evidence of an independent audit of the Compliance Strategy and Framework is provided in *Confidential Attachment A6*.

3.6 Risk management strategy

Given the nature and volatility of risks associated with operating in the NEM, efficient risk management is crucial for the sustainability and success for an energy retail business. Understanding these risks and its efficient and prudent management is a core strength of the Hanwha ERA team. Hanwha ERA has established a comprehensive risk management framework that details the strategies for identifying and managing the key risks within defined limits. This framework is provided in *Confidential Attachment A5*.

Evidence of an independent audit of the Risk Management Strategy and Framework is provided in *Confidential Attachment A6*.

3.7 Memberships

Hanwha ERA has commenced membership discussions with relevant industry bodies for schemes such as the industry ombudsman scheme for each relevant jurisdiction. As membership to some of these schemes are dependent on first obtaining a retail authorisation, Hanwha ERA is engaging with the Energy & Water Ombudsman of NSW. Please refer to *Confidential Attachment A7* for further detail.

3.8 Market participant agreements

AEMO Registration

Hanwha ERA has commenced discussions with AEMO as a market participant in the NEM and will lodge its registration application within one week of lodging this Application.

Network service providers

Hanwha ERA has commenced discussions with the relevant network service providers to confirm the relevant requirements and agreements required to facilitate electricity retailing.

Metering Service Providers

Hanwha ERA has commenced processes to engage metering service providers to fulfill its obligations under the National Electricity Rules.

Australian Financial Services Licence

Hanwha ERA has commenced its Australian Financial Services (AFS) Licence application process.

Please refer to *Confidential Attachment A8* for further details on each of the items above.

4. FINANCIAL RESOURCES

Confidential Attachment A9 provides a suite of documents setting out Hanwha ERA's current financial position and its access to the financial resources required to support its energy retailing business. The Attachment includes:

- a Statement of Hanwha ERA's current financial position, profit & loss, cash flow and funding requirements;
- details of Hanwha ERA's ownership structure, contractual arrangements and access to additional capital;
- consolidated audited financial statements for the relevant Group entities supporting Hanwha ERA;
- a declaration of going concern from Hanwha ERA's Managing Director; and
- an independent auditor declaration confirming they are unaware of any factors that would impede Hanwha ERA's ability to finance energy retail activities under this authorisation.

5. SUITABILITY

5.1 Directors and Officers suitability statement

Confidential Attachment A10 includes a Statutory Declaration from Hanwha ERA's Managing Director confirming Hanwha ERA's key officers and management staff have no offences or prosecutions that would call into question the suitability of the management team.

5.2 Other offences or prosecutions

Hanwha ERA confirms that it has not been involved in any prosecutions under any territory, commonwealth or foreign legislation including but not limited to, the *Corporations Act 2001 (Cth)* and *Australian Securities and Investments Commission Act 2001 (Cth)* that are relevant to our capacity as a holder of a retailer Authorisation.

We confirm that no offences have been committed against, or prosecuted under, any such legislation including Directors or Officers who have a significant involvement in Hanwha ERA.

5.3 Criminal history check

Upon request, Hanwha ERA can provide a criminal history check on any Director or Officer who has a significant involvement in Hanwha ERA.

5.4 Declaration of bankruptcy or disqualification

A written declaration from Hanwha ERA's Managing Director, Mr. Andrew Butler, is provided in *Confidential Attachment A10* confirming no members of the management team have been disqualified from the management of corporations nor have any record regarding bankruptcy.

5.5 Key officer address details

See *Confidential Attachment A10* for the full names and current residential addresses for Hanwha ERA officers.

5.6 Probity and competence

Hanwha ERA has established a comprehensive suite of organisational policies and procedures that promote the probity and competence of our officers, key management staff and employees more generally. The key policies include: Code of Ethics, Code of Conduct, Team Playbook (Values and Behaviours), Recruitment Policy and Guidelines, Conflicts of Interest Policy and Gifts Policy. These policies are available in *Confidential Attachment A1*.

6. CONCLUSION

We have taken great care to ensure this application is complete and accurate at the time of submission and structured in such a way as to facilitate ease of navigation and validation of all criteria necessary obtain an electricity retailer authorisation from the AER.

We look forward to responding to any enquiries relating to this application in order to facilitate our planned market entry by 1 October 2019.



Andrew Butler
MANAGING DIRECTOR
HANWHA ENERGY RETAIL AUSTRALIA

LIST OF CONFIDENTIAL ATTACHMENTS

A1 Organisational & Technical Experience

A2 Third Party Providers

A3 Business Plan

A4 Compliance Strategy & Framework

A5 Risk Management Strategy & Framework

A6 Independent Audit of Compliance & Risk Management Strategies

A7 Memberships

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