



Retail Authorisation Application

June 2019



This authorisation application for electricity is submitted for the attention of:

General Manager
Retail Markets Branch
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

An electronic copy of this application has also been supplied to the Australian Energy Regulator by email to AERauthorisations@aer.gov.au

Y.E.S. Energy (SA) Pty Ltd
PO Box 677, Renmark SA 5341
www.yesenergy.net.au
ABN 22 627 706 594



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1. Introduction

1.1. Background

Y.E.S. Energy (SA) Pty Ltd (**Y.E.S. Energy (SA)**) (ABN: 22 627 706 594) is a new company set up to operate as an energy retailer. Through its sister businesses, Y.E.S. Energy (SA) has over 14 years providing broader energy services in the South Australia community.

In its retail business, Y.E.S. Energy (SA) will draw on the generation assets within the group, indirectly related companies, and the experience of its executive and management team. Y.E.S. Energy (SA) will also draw on the experience of qualified and well-respected third-party providers in delivering a customer-centric retail solution. These third-parties include a well-respected compliance and legal service provider and an industry leading billing and customer operations provider.

Y.E.S Energy (SA) will be an energy retailer focused on its local area- serving customers and growing its reputation in the local community.

The company plans to grow at a relatively conservative pace so that we can prioritise:

- Simple and easy to understand tariffs for our customers;
- Systems and processes to ensure operational efficiency whilst delivering excellent customer service through advanced usage analytics for our customers; and
- The continued development of our solar generation to offset consumption as we continue to target a carbon neutral position.

1.2. About Y.E.S. Energy (SA)

Y.E.S. Energy (SA) is a new entity that will lean on the experience gained in Y.E.S. Group (SA) Pty Ltd (**Y.E.S Group (SA)**). The parties will share resources including office space, and personnel.

The Y.E.S. Group (SA) initially traded as Mark Yates Electrical Services and is a successful, privately owned company. It is a leading electrical, solar, and high voltage solution installer that specialises in large scale renewable energy projects. The company primarily focuses on South Australia but has undertaken large scale high voltage and solar installation projects in neighbouring states.

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Yates Electrical Services is a robust and reputable regional brand with a strong work ethic, proven track record of success, and a straight and friendly approach to customers' problems. We operate within a robust audited Integrated Management System to ensure a consistent level of quality and service is achieved.

Yates Electrical Services was founded by Mark Yates 14 years ago. Yates Electrical Services growth can be attributed to its strong local reputation and experience gained in small scale solar installation with local residents and small businesses. This growth alongside the growth in solar and renewable energy solutions has allowed the company to undertake ever increasing installations.

1.3. Background to this application

Y.E.S. Energy (SA) is applying for an electricity retailer authorisation with the Australian Energy Regulator. Y.E.S. Energy (SA) will tailor its retail supply services to allow consumers the ability to balance environmental outcomes with consumption of load and by allowing rural areas access to markets that have been, up until now, unavailable.

In providing retail services, Y.E.S. Energy (SA) will seek to uphold the objectives of the National Energy Retail Law. Customer satisfaction and promoting renewable value are at the core of what Y.E.S. Energy (SA) and the Y.E.S. Group (SA) plan to achieve through their growth.

Y.E.S. Energy (SA) has a value proposition based on transparent energy prices and green power options. For more information see our business plan in confidential attachment A1.

In short, transparent and green energy supply options include:

- Targeting carbon neutrality by offsetting retail consumer consumption with solar generation by those customers and the overall investment and production of the Y.E.S. Group.
- Increasing transparency by providing customers with real-time access to their generation assets output, consumption and load coupled with live access to billing, enabling them to make smart decisions about how they consume energy that they produce and off the grid.

The initial focus of Y.E.S. Energy (SA) will be on residential, residential rural and commercial customers in regional South Australia. As the business grows and its retail offerings prove popular, Y.E.S. Energy (SA) intends to expand further into South Australia and other jurisdictions.



2. General Particulars

2.1. Legal Name of Applicant

Y.E.S. Energy (SA) Pty Ltd

2.2. Trading Name

Y.E.S. Energy (SA) Pty Ltd

2.3. Australian Business Number

22 627 706 594

2.4. Registered Business Address

Oreon Partners Pty Ltd

28 Dequetteville Terrace

Kent Town SA 5067

Address for Correspondence:

PO Box 677

RENMARK, SA, 5341

2.5. Nominated Contact Person

Mark Ryan Yates - Director

Email: mark@yateselectrical.com

2.6. Form of Energy Authorisation Sought

Electricity

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2.7. Date to Commence Retail Operations

Subject to obtaining a retailer authorisation from the AER, Y.E.S. Energy (SA) intends to commence offering retail services to a customer base on or around 1 August 2019.

2.8. Nature and Scope of Operations

Y.E.S. Energy (SA) plans to operate as an electricity retailer, initially targeting its local area in the Riverlands and Murraylands in South Australia before expanding further into South Australia and potentially other AER retail jurisdictions, in accordance with its business strategy.

2.9. Jurisdictions Intended for Retailing

Y.E.S. Energy (SA) will initially focus on its local area in South Australia, the Murraylands and Riverlands. As the business grows it intends to expand its retail provision throughout South Australia initially and then eventually into Victoria, New South Wales and Queensland in the future.

2.10. Type of Customers

Y.E.S. Energy (SA) will initially target its energy retail services to:

- Residential and Small Business (classed as "Residential" for financial analysis). This includes customers 'building' their homes (aged 35-49) and older workers/retirees.
- Residential Rural. Given the scope of the geographic area being targeted, it is predicted that some customers will be within rural areas but not operating commercial farming operations. These residents may service the tourism industry or other local economies. As a result of market research, Y.E.S. Energy (SA) considers that customers are likely to identify with a locally-located retailer.
- Commercial. Market research suggests that large commercial clients are under-served by retailers who view the territory as expensive to cover from a sales perspective. Y.E.S. Energy (SA) plans to offer those customers more bespoke pricing options coupled with generation and storage that will mean they can benefit from all services.

Customers will be a mix of small and large customers (as defined in the National Energy Retail Law). Predominantly, they will be small-to-medium business, agricultural businesses, growers and land-owners. Then, over time, and as its reputation grows, Y.E.S. Energy (SA) will offer its retail services to a general customer base.

3. Required information—organisational and technical capacity

3.1. Details of previous experience as an authorised/licensed energy retailer

None. However, as noted in the attachments, Y.E.S. Energy (SA) has engaged industry leading consultants and will grow its internal capacity over time with new hires. These resources will supplement the experience within the applicant's own internal team with respect to operating as a registered small generation aggregator- further described below.

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

While neither Y.E.S. Energy (SA) nor its staff have prior experience as authorised/licensed retailers, staff contracted by Y.E.S. Energy (SA) do have relevant experience in related areas including:

- Energy Selling experience. Y.E.S. Energy (SA) management can draw on experience of operating an entity under an Individual Retail Exemption. This involved selling energy to customers within the confines of an embedded network. This is evidence of the operational experience of Y.E.S. Energy (SA) in areas relevant to the functions of an energy retailer, for example in customer service, operations and billing.
- Energy generation experience: The staff working at Y.E.S. Energy (SA) have substantial experience in the generation sector. Yates Electrical Services is a registered small generation aggregator (SGA). As such it trades small generation directly into the market via the Australian Energy Market Operator (AEMO). Yates Electrical Services went through an accreditation process that is very similar to the process a market customer retailer goes through to become a market participant. Yates Electrical Services will have a direct relationship with Y.E.S Energy (SA) via a service agreement that will ensure that the experience is carried through.
- Financial risk management experience: Y.E.S. Energy (SA)'s senior management have significant experience in dealing in energy financial contracts which provides a useful background for managing wholesale market risk as an authorised retailer purchasing from the wholesale market. This means that Y.E.S. Energy (SA) is aware of the need to enter into hedging contracts as its load increases.
- Market systems experience: as noted below, the staff of Y.E.S. Energy (SA) have direct experience with the relevant market systems including MSATs. As such on a grant of



authorisation by AER and registration with AEMO, Y.E.S. Energy (SA) will understand its role in relation to market retailing.

- IT application engineering and database administration. The experience of senior management in this area will be helpful in developing an efficient customer interface for retail customers, including billing;
- Systems Security (IT). The experience of senior management in this area provides useful background for ensuring that all customer information is protected.

For more information please refer to confidential attachment C1 which includes an explanation of the applicant's previous energy market experience, provider details and CVs. Please also refer to confidential attachments C3 and C4 which include a training and competency policy and register.

3.3. Where you do not have previous energy market experience, how you intend to bring this experience into your business

Y.E.S. Energy (SA), does have broad experience in the energy market and selling energy under an exemption. However, as a new entrant authorised retailer, there are areas where it needs further support in the business. Please refer to confidential attachment A1 and confidential attachments C1 and C3 for details of resourcing, external recruitment and use of external consultants.

As a general statement, the approach to recruitment and selection for Y.E.S. Energy (SA) is designed to ensure fairness and transparency in our recruitment processes. Y.E.S. Energy (SA) strives to find the best people for any particular role, while also promoting equal opportunity employment and development opportunities for internal and external candidates.

Y.E.S. Energy (SA) adopts the following procedures for selecting key operational, management or executive positions:

- Screening candidates using the critical selection criteria and KPIs set out in the position description;
- Interviewing candidates with a panel of current managers of executives;
- Using psychometric tests where required;
- Conducting at least 2 reference checks and employment history checks on preferred candidates;

- Completing background and good fame and character checks for the position including criminal history check, bankruptcy check and searching various ASIC registers (professionals and banned persons) or similar databases if appropriate;
- Ensuring the prospective employee is eligible to work in Australia; and
- Ensuring short-listed candidates and preferred candidates have the requisite qualifications and industry licences to perform in the role.

3.4. An organisation chart showing the structure of your organisation

See confidential attachment A10, the organisational chart for Y.E.S. Energy (SA). These are all individuals employed by the wider Y.E.S. Group (SA) and sister businesses of Y.E.S. Energy (SA) who will be contracted to provide services at Y.E.S. Energy (SA).

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

Please refer to confidential attachments C1 and C3 for details of resources. As stated there, Y.E.S. Energy (SA) will not employ staff directly, staff will be employed by Y.E.S. Group (SA) Pty Ltd and contracted to Y.E.S. Energy (SA) via a service agreement. Six such staff will work for Y.E.S. Energy (SA) under this arrangement.

3.6. 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

Please refer to confidential attachment C1 which includes an explanation of the applicant's previous energy market experience and brief CVs. Please also refer to confidential attachments C3 and C4 which include a training and competency policy and register.

The training and competency policy captures Y.E.S. Energy (SA)'s intention to implement a rigorous training program to ensure that employees, contractors and partners are provided with the necessary training tenable them to be competent and effective in the performance of their duties, and compliant with industry regulatory and legislative obligations.

The training program includes, but is not limited to:

- Energy markets and retailing;

- Industry regulatory and legislative instrument compliance;
- AEMO market administration and procedures;
- Consumer protection under the Competition and Consumer Act 2010; and
- Australian Consumer Law.

3.7. Third Party Arrangements

All retail functions will be performed by Y.E.S. Energy (SA). Where assistance will be sought from a third party in fulfilling those functions, that assistance is set out in confidential attachments A1 and C1.

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

Please refer to the updated business plan and financial projections contained in confidential attachments A1 and A4. In addition, see:

- confidential attachment A5, an executed Deed of Guarantee;
- confidential attachment A6, 2018 Y.E.S. Group (SA) Reports;
- confidential attachment A6.A 2019 mid-year Y.E.S. Group (SA) Reports; and
- confidential attachment A7, 2018 Tax return letter.

3.9. Details of your compliance strategy

Y.E.S. Energy (SA) understands that electricity supply is an essential service. Retailing of such services is subject to various and wide-ranging legislative and regulatory instruments, and an industry framework that ensures efficient and effective market operations and management including reliable, open access to all end users. Y.E.S. Energy (SA) views compliance as a critical business requirement and has established a robust framework for licence and operational compliance, which the regulatory and compliance manager reviews frequently, in-line with any regulatory and legislative changes.

Please refer to confidential attachments B1, B4-B7 and B9-B13 which detail the compliance program including:

- a compliance policy consistent with Australian Standards;

- a specification as to how potential compliance breaches will be identified; and

Y.E.S. Energy (SA)'s documentation lists all key regulatory compliance **obligations**. Y.E.S. Energy (SA)'s Compliance Plan also details the risks of not complying with these obligations, and how breaches are to be reported and addressed. The description of measures in place allows staff with compliance responsibilities to identify what procedures they are responsible for monitoring and how often they have to report on compliance or otherwise with those measures.

In addition, please see:

- public attachment B2, the Y.E.S. Energy (SA) Code of Ethics;
- public attachment B3, a summary of the rights and obligations of Y.E.S. Energy (SA)'s retail customers.
- public attachment B8, a complaints and dispute resolution procedure consistent with Australian Standards.

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

Please refer to confidential attachments B7 and B9 setting out Y.E.S. Energy (SA)'s risk management policy (which includes wholesale price risk and hedging strategy) as well as an obligations register. See also individual risk assessments for a range of potential compliance risks in confidential attachments B9.A-B9.E.

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

See external audit letter in confidential attachment B14.

3.12. 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)

Available on request.



3.13. 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

Please refer to confidential attachment D9, evidence of Y.E.S Energy (SA) engagement with EWOSA.

3.14. 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

Please refer to confidential attachment D5.

4. Required information—financial resources

4.1. Details and evidence of your current financial position, for example, interim financial statements

Please refer to confidential attachments A1, A4, and A5 which are the business plan, financial plan and guarantee.

4.2. Group and Ownership Information

Please refer to confidential attachment A9 and financial statements in confidential attachment A6.

4.3. A written declaration from your Chief Financial Officer, Chief Executive Officer or director/s stating you are a going concern and that the officer is unaware of any factor that would impede your ability to finance your energy retailer activities under the retailer authorisation for the next 12 months

Please refer to confidential attachment B12.

4.4. A written declaration from an independent auditor or your principal financial institution stating that:

- 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

See confidential attachment B12.C.

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

Please refer to confidential attachments A1, A4, and A5 which are the business plan, financial plan and guarantee.

4.6. Forecast revenue and expenses to the point where your business is cash-flow positive. This forecast should be



consistent with your business plan and highlight all key assumptions and risks

Please refer to financial statements and information in confidential attachments A4-A7, including updated balance sheet projections. See A4, Cashflow Tab, for cash flow information from 2019.

4.7. Other licence conditions

Y.E.S. Energy (SA) Pty Ltd does not seek any non-standard licence conditions

5. Required information—suitability

5.1. Details of 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

None. See confidential attachment B12.B.

5.2. Details of any previously revoked authorisations, authorities or licences held in any industry and the reason/s for the revocation

None. See confidential attachment B12.B.

5.3. Details of any failed authorisation, authority or licence applications in any industry and the reason/s the application was unsuccessful

None. See confidential attachment B12.B.

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

None. See confidential attachment B12.B.

5.5. Details of any situation/s where you (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

None. See confidential attachment B12.B.

5.6. Details of any offences or successful prosecutions under any territory, state, Commonwealth or foreign legislation

None. See confidential attachment B12.D.

5.7. Written declarations from your Chief Financial Officer (or Chief Executive Officer):

- that members of your management team have not been disqualified from the management of corporations;
- about the record of bankruptcy of your management team (including in any overseas jurisdiction)

Please refer to confidential attachment B12.

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

See confidential attachment C2.

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

The training and competence policy (confidential attachment C3) provides the framework for ensuring decisions and actions of the company and its officers maintain the highest standards for probity.



Training policies will ensure that all staff members are aware of the probity requirement, particularly in regard to Y.E.S. Energy (SA)'s regulatory requirements.

Y.E.S. Energy (SA) has a compliance policy in place (confidential attachment B4) that defines the processes and policies Y.E.S. Energy (SA) will use to ensure all relevant regulations are complied with and notifications to the AER occur when required.

For further information see confidential attachments B4, B9 and C3.

5.10. Any additional information that will assist us in our consideration of the character and past performance of your officers

Further information available on request.