



Application for electricity retailer authorisation January 2016

SparQ Pty Ltd (ABN 86 601 199 151) trading as Sumo Power

4 January 2016

A. Introduction

SparQ Pty Ltd (ABN 86 601 199 151) trading as Sumo Power (**Sumo Power** 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 SparQ Pty Ltd
- 2 Trading name Sumo Power
- 3 ABN 86 601 199 151
- 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 3025	South Melbourne Market Street PO Box 5329 South Melbourne Victoria 3205

- 5 Nominated contact person

Alex Fleming
General Manager – Legal & Regulatory
(03) 8678 1403
alex.fleming@sumopower.com.au

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

Electricity

- 7 The date you intend to commence retailing energy

1 July 2016

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

Sumo Power already holds an electricity retail licence in Victoria and commenced retailing electricity there in early 2015. Subject to obtaining a retailer authorisation, it intends to begin selling electricity 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 New South Wales in July 2016. Its longer-term plan is to sell electricity to residential and small business customers in all NEM jurisdictions.

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

Sumo Power was granted an electricity retail licence in Victoria on 26 November 2014, and commenced selling electricity to residential customers in around March 2015. It began selling electricity to small business customers in Victoria in December 2015.

1.2 The form/s of energy sold

Electricity

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

As at the end of November 2015, Sumo Power has close to 3,000 residential electricity customers in Victoria.

1.4 A description of how the retail activities were conducted.

Sales were generated through a number of channels: direct sales through its website and via its call centre, and indirect sales via third party sales channels, including comparator and telemarketing channels.

The Company 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 – to launch a scalable, 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 Power 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 1**.

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

See **Confidential Attachment 1**.

- 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 management team is set out below. See further **Confidential Attachment 2**.

5.1 Domenic Capomolla – Executive Director and Chief Executive Officer

Domenic has been actively involved in the Australian and Singaporean deregulated and contestable power and gas markets in since 1998.

At United Energy Marketing he led the Contestable Sales and Customer Service Team – Power and Gas. In 2001 he joined SembCorp Power as General Manager responsible for establishing a start-up electricity retail and trading company in the Singapore market.

In 2005 Domenic was appointed as Retail Manager, International Power (Retail) Pty Ltd, guiding the company's foray into the contestable power and gas markets in Australia. Following successful negotiations with EnergyAustralia to create the EA-IPR Retail Partnership in 2005, he was appointed to the Management Committee and then seconded to the position of Chief Executive Officer. In 2008, the EA-IPR Retail Partnership was re-branded as Simply Energy and was voted Australian Financial Review Smart Investor "Best Utility Provider" in 2009.

In 2011 Domenic was appointed Executive Director, Retail Markets for Alinta Energy and was responsible for 650,000 domestic gas customers in Perth and oversaw the start-up of Alinta's commercial & industrial and residential electricity and gas business in the NEM.

In 2014 Domenic founded Sumo Power, which launched its Victorian electricity retail business in early 2015.

5.2 Nick Koutroumanis – General Manager, Operations

With ten years' experience in the energy retail industry, Nick Koutroumanis has held roles across all key retail functions, including operations, sales, commercial, finance, debt, marketing, commercial and industrial, risk, trading and IT. At Alinta Energy as National C&I Operations Manager, he led the transformation of C&I operations across the NEM (2012 – 2014). At Origin Energy (2010 – 2012) he held roles as Commercial Manager Retail and Retail Strategy Manager. He was the Commercial Manager for Simply Energy (2008 – 2010) with responsibility for pricing, business plans and product business cases, forecasting and wholesale management, market development, reporting and analysis. Nick joined Sumo Power in January 2015.

5.3 Mark Murray – General Manager – Finance

Mark Murray is a finance executive with twenty years' experience across the energy, financial services, and transportation industry sectors, including roles at Deloitte, General Electric, UBS and Origin Energy. Prior to commencing with Sumo Power in March 2015, Mark held senior finance roles at Origin Energy (2010 – 2014) where he had shareholder CFO responsibilities during the start-up phase of new international operations within the renewable energy and captive insurance sectors, and then had responsibilities for the planning, design and implementation of the SAP Controlling modules and associated management reporting framework.

5.4 Peter Goonan – General Manager – Commercial

Peter Goonan has had over ten years' experience in the retail energy and water utilities industries with roles encompassing commercial management, management accounting, systems and process improvement, project management, business analysis and strategy, market segmentation, data mining and geographic analytics. Prior to commencing with Sumo Power in June 2015, Peter had roles with GDF Suez Australia as Energy Trader (2013 – 2014), Simply Energy as Senior Commercial Analyst (2010 – 2013) and Red Energy as Commercial and Market Analyst (2007 – 2010).

5.5 Alex Fleming – General Manager – Legal & Regulatory

Alex Fleming has been a registered legal practitioner in Victoria since 2002, with ten years' experience in the energy sector. After five years at Australian law firm Allens Arthur Robinson (now Allens Linklaters) (2001 – 2006), he entered the energy retail market as in-house lawyer and then Manager – Legal & Regulatory for the EA-IPR Retail Partnership (which later became Simply Energy) (2006 – 2010). 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 (2010 – 2014). He joined Sumo Power in November 2014.

- 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 supported Sumo Power's entry into the Victorian electricity retail market by providing 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 operations in New South Wales.

See **Public Attachment 1** for details of Brave Energy's prior experience and technical capacity, and **Confidential Attachment 3** for a copy of Sumo Power's contract with Brave Energy.

Third party sales channels

Sumo Power 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 in New South Wales.

See **Confidential Attachment 4** for a copy of Sumo Power's standard marketing agreement terms and conditions.

- 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 Power has developed a Compliance Program to ensure compliance with regulatory obligations. The compliance framework is overseen by the GM – Legal & Regulatory. Sumo Power's senior management team has significant experience in energy retail, and are familiar with applicable laws and rules.

See **Confidential Attachment 6** for a copy of Sumo Power's board-approved Compliance Program and Plan – FY16 together with 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).

Again, see **Confidential Attachment 6** for a copy of Sumo Power's Compliance Program and Plan – FY16.

In respect of regulatory obligations relating to sales and marketing conduct, Sumo Power has implemented a Compliance Program – 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 Power'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 Power has developed training for its sales and marketing personnel. It also trains its customer-facing staff on all aspects of dealing with customers, including explicit informed consent, credit, hardship and complaints, as well as B2B, CATS and metrology procedures.

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

See **Confidential Attachment 9** for a copy of Sumo Power's Risk Management Policy and its Compliance & 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 2** for a copy of Sumo Power's market retail contract terms and conditions, and for a sample copy of an Energy Plan and Important Details for Victorian customers (all of which form part of the market retail contract), as well as its Written Disclosure Statement. Necessary changes to the Energy Plan, Important Details and Written Disclosure Statement would be made ahead of launch in New South Wales and other jurisdictions.

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

See **Public Attachment 4** for a copy of Sumo Power's Victorian hardship policy. This will be reviewed and, if necessary, amended to ensure alignment with NECF obligations and submitted to the AER for approval ahead of NSW market entry.

Sumo Power is also familiar with the obligations imposed by the NSW Social Programs for Energy Code and has engaged with the Resources & Energy Division of the NSW Department of Industry.

- 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 has engaged with the Energy and Water Ombudsman, NSW. It is anticipated that Sumo Power will become a member soon after it has been granted a retailer authorisation. See **Confidential Attachment 11**.

- 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 Power is registered as a Market Customer with AEMO. See **Confidential Attachment 12**.

It is also approved as a Special Purpose Participant with Austraclear Limited, allowing it to settle purchases of electricity from AEMO. See **Confidential Attachment 13**.

Sumo Power has engaged with Ausgrid, Endeavour Energy and Essential Energy. We expect arrangements with these distributors to be finalised once Sumo Power has been granted a retailer authorisation. See **Confidential Attachment 14**.

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

Sumo Power has arrangements in place to enable it to rely on a financial services licence held by a third party. See **Confidential Attachment 15**.

Sumo Power has also 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 consolidated group accounts.

- 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:

- 4.1 Details of the ownership structure of the group.
- 4.2 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.
- 4.3 Consolidated audited financial statements for the group.

SparQ Pty Ltd is a wholly-owned subsidiary of SparQ Holdings Pty 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 Executive Officer declaration

See **Public Attachment 5**.

- 5 A written declaration from an independent auditor or your principal financial institution stating that:
 - 6.1 An insolvency official has not been appointed in respect of the business or any property of the business.
 - 6.2 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.
 - 6.3 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.

Sumo Power has provided a bank guarantee to AEMO in the amount of \$10,000. It has in place reallocation arrangements with its wholesale electricity provider, and so does not anticipate further calls for credit support from AEMO. Sumo Power has not provided any other bank guarantees.

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

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

7 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.

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

In addition, see **Confidential Attachment 20** for further explanation of the Company's financial performance to date that underpins its assumptions and forecasts for the future.

D. Suitability

1 Declaration for officers

Sumo Power 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 Power'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 Power's capacity as an energy retailer, by Sumo Power 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 declarations from the Chief Executive Officer

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 Power's policy is to appoint only highly qualified officers and staff, and to encourage diversity of perspective. Its board of directors includes individuals with energy experience, as well as finance, marketing and technology. 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.