



Retail Authorisation Application

The Embedded Networks Company Pty Ltd

ABN 32 119 677 431

Retail Authorisation Application
Electricity

submitted to the
Australia Energy Regulator (AER)

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Part 1: Required Information - General Particulars

| | |
|---|---|
| Legal Name: | The Embedded Networks Company Pty Ltd |
| Trading Name: | seene |
| ABN: | 32 119 677 431 |
| Trademark: |  |
| Registered Address: | Level 33, 385 Bourke St, Melbourne, VIC, 3001 |
| Postal Address: | Level 33, 385 Bourke St, Melbourne, VIC, 3001 |
| Nominated Contacts: | |
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| Form of energy: | Electricity |
| Commencement Date: | 1 st Quarter of 2018, subject to Retail Authorisation approval by the AER. |
| Nature and scope of proposed operations: | |
| Current operations: | The Embedded Networks Company Pty Ltd (The Embedded Networks Company) has been operating as agent on behalf of clients (owners, |

owner's corporations and embedded network owners) since October 2016. The business currently provides billing and customer services on behalf of our clients who have a Retail Exemption as defined in the AER (Retail) Exempt Selling Guidelines.

The Embedded Networks Company is a wholly owned subsidiary of EnergyAustralia Holdings Limited. EnergyAustralia is one of Australia's largest energy companies, with over 2.6 million household and business customer accounts in NSW, Victoria, Queensland, South Australia and the Australian Capital Territory.

Future operations: The Embedded Networks Company is seeking to evolve its operating model and sell electricity directly to customers, it will continue to sell in embedded networks in multi-tenanted residential and commercial buildings.

Intended Jurisdictions: The Embedded Networks Company is planning to operate nationally, however this application relates to operating in QLD, NSW, ACT, SA and TAS. The Embedded Networks Company would apply for relevant licensing and exemptions in other jurisdictions.

Intended customer types: The Embedded Networks Company will be supplying electricity to small customers, small market offer customers and large customers as defined under the National Energy Retail Law.

Confidentiality: All attachments are provided on a Commercial in Confidence basis.

Part 2: Required Information - Organisational and Technical Capacity

Previous Energy Retailer and Market Experience:

The Embedded Networks Company has been operating as agent on behalf of clients (owners, owners' corporations and embedded network owners) since October 2016. The Embedded Networks Company currently provides on behalf of clients' electricity retail services such as meter data management, customer on-boarding, billing, customer service and customer life cycle management. In this way, The Embedded Networks Company has experience in providing retail services to embedded network customers. It currently provides these services via a billing and customer services platform separate from EnergyAustralia's systems that service its mass market customers. These separate platforms will continue to be used when providing retail services under the Retail Authorisation.

The Embedded Networks Company is also a wholly owned subsidiary of EnergyAustralia Holdings Limited. As part of the EnergyAustralia corporate group, we have extensive experience in energy generation, energy management, and retailing both electricity and gas in NSW, SA, QLD, Vic and TAS. Energy Australia sells electricity and gas to about 2.6m residential and business customer accounts. Additionally, EnergyAustralia provides energy solutions such as solar and battery systems to a range of residential and business customers. EnergyAustralia formally (TRUenergy) has been operating as retailer since 1992. The Embedded Networks Company will leverage the experience and capabilities within the EnergyAustralia corporate group.

The experience of the officers and employees managing The Embedded Networks Company includes an extensive range of commercial, technical and operational experience in the energy market across embedded networks, network solutions, energy solutions and retail activities.

Organisation Structure and Number of employees:

The EnergyAustralia corporate group has over 2000 employees working across the retail, energy markets, energy solutions and generation portfolios. The Embedded Networks Company is part of the EnergyAustralia corporate group.

Please refer to confidential **A1 – Organisation Structure** and **A2 - EnergyAustralia Corporate Structure** that details the high-level organisational structure of the embedded network business unit and supporting teams within EnergyAustralia, and the EnergyAustralia corporate group structure.

Summary of Officers experience:

Please refer to confidential **A3 – Key Officers Experience**.

Third Party Reliance:

The Embedded Networks Company will not be relying on a third party to provide staff and resources to meet the technical requirements of its Retailer Authorisation.

Business Plan:

The Embedded Networks Company was established to operate a portfolio of embedded network sites and provide electricity, hot water and other utility services to a mix of residential buildings, retail complexes, business precincts and retirement villages nationally.

The business is planning to operate nationally, with a key focus on QLD, NSW and Vic.

Our value proposition to customers is aligned to our brand scene, which represents being simple, easy energy.

Please refer to confidential **A4 - Business Plan and Assumptions** for details on our business plan.

Compliance Strategy:

The EnergyAustralia corporate group has a compliance strategy that applies to EnergyAustralia Holdings Limited and its subsidiaries, including The Embedded Networks Company.

Compliance Strategy

The EnergyAustralia compliance strategy is provided at **A5 - Regulatory Compliance Policy** and **A6 - Regulatory Compliance Assurance Program** (confidential). The Policy and Program are aligned with the Australian Compliance Management Systems – Guidelines, ISO19600:2015. They were implemented in 2013 and have been continually improved since implementation.

The EnergyAustralia Regulatory Compliance Policy outlines the company's

- commitment to regulatory compliance and responsibilities; and
- approach to managing regulatory compliance risks.

The most recent version of the Regulatory Compliance Policy was approved by EnergyAustralia's Executive Management team and signed by EnergyAustralia Holding Limited's Managing Director in November 2015.

The Regulatory Compliance Assurance Program (RCAP) outlines the governance structure, systems and key processes that EnergyAustralia operates to support its Regulatory Compliance Policy. The Program has been developed in accordance with the Australian Standard on compliance programs 3806-2006.

The program sets out Roles and Responsibilities of staff managing governance and compliance. The key roles and responsibilities are set out below:

Board

The Board, as EnergyAustralia's ultimate governing body, is responsible for overseeing EnergyAustralia's compliance with obligations, including ensuring the suitability and effectiveness of EnergyAustralia's Policy and the Regulatory Compliance Assurance Program. The Board is assisted by the ARC.

Audit and Risk Committee (ARC)

The ARC, as a delegate of the Board, oversees the effectiveness and continuous improvement of the RCAP. The ARC monitors compliance performance and the management of any material breaches through quarterly reports that are coordinated and submitted by the Regulatory Compliance Team.

The ARC refers matters to the Board and makes recommendations on key decisions on those matters where appropriate.

Executive Management Team (EMT)

The Executive Management Team (EMT) is responsible for promoting a compliance culture within their business units and to champion their commitment to the continuous improvement of compliance performance.

Business Unit Executives

Business Unit Executives are accountable for ensuring compliance with obligations that apply to their business unit's operations. They have ultimate responsibility for ensuring:

- business unit adherence to the RCAP;
- the integration of the RCAP into their business unit processes;
- that business unit policies, procedures and processes are developed and implemented to achieve compliance objectives;
- the resources required to implement the RCAP are available, allocated and assigned; and
- the reporting of incidents and breaches of obligations and allocation of sufficient resources to execute remediation plans.

General Counsel and Company Secretary

The General Counsel and Company Secretary have direct access to the Board and Board Committees, and are accountable for maintaining the independence and overall governance of the compliance function.

The General Counsel and Company Secretary are responsible for providing the framework for setting compliance objectives and approving the design, development, implementation, maintenance and continuous improvement of EnergyAustralia's RCAP and compliance performance.

Head of Regulatory Compliance

The Head of Regulatory Compliance reports to the General Counsel and Company Secretary and is responsible for preparing, communicating and implementing the RCAP and the Policy while ensuring timely reporting and assurance to stakeholders. The Head of Regulatory Compliance leads a team of

compliance advisors to ensure that compliance risks are effectively and transparently managed by business units.

Details of our Compliance strategy:

The Embedded Networks Company has adopted EnergyAustralia's group compliance strategy via the RCAP and Regulatory Compliance Policy.

EnergyAustralia's Regulatory Compliance Policy and RCAP applies to all energy regulation including obligations imposed on authorised retailers under the Retail Law and Retail Rules and applicable technical energy requirements in each jurisdiction. These are key and central obligations in our RCAP.

EnergyAustralia's Regulatory Compliance function and in-house legal team are centralised within EnergyAustralia and have experience and expertise in the Retail Law and Retail Rules. Advisors and lawyers are available to The Embedded Networks Company. Additionally, as detailed in our RCAP, knowledge and understanding of obligations extend beyond the Regulatory Compliance function and legal team to the business units that operate the retail energy business. All obligations including those under the Retail Law and Rules that are applicable to EnergyAustralia are captured in a central register in the Regulatory Compliance Assurance System (RCAS). RCAS is an online register of obligations which supports the management, monitoring and reporting of obligations, and breaches.

Each obligation under the Retail Law and Retail Rules in the register has an obligation owner who has responsibility for compliance assurance and ensuring the necessary operational systems, controls, training and resources are in place to ensure compliance. The obligation owner ensures that relevant responsible person(s) are appointed for each obligation. A responsible person ensures that activities are undertaken to ensure compliance with the obligation. The obligation owner and responsible person sits within the business.

In this way, ownership of Retail Law and Rule obligations and other obligations that apply to authorised retailers is allocated across operational business units.

Further, preparatory work around this retail authorisation application has included the Regulatory Compliance function reviewing the obligations that will apply to The Embedded Networks Company when it becomes an authorised retailer, on an obligation by obligation basis. This has included discussion with the AER to confirm the application of certain obligations to embedded network customers.

The retail energy arrangements for The Embedded Networks Company will be subject to Legal and Regulatory Compliance approval to ensure compliance with the Retail Law and Rules and other obligations. This will include review of all customer collateral e.g. regulatory notices, contracts, and underlying processes via internal review forums.

The Embedded Networks Company will also leverage off well established controls within EnergyAustralia's retail business to ensure compliance with authorised retailer obligations. This includes training, scripting, quality assurance and governance processes among other measures.

In respect of compliance breaches, EnergyAustralia has a Breach and Incident Management Procedure which applies to all EnergyAustralia entities including The Embedded Networks Company. The procedure sets out how incidents and breaches must be managed from initial identification through to closure after remediation. It also sets out the internal and external communication framework and reporting requirements.

Industry knowledge gaps and Regulatory Change

The officers of The Embedded Networks Company and employees have an in-depth understanding of the obligations and the required system/process changes that will ensure compliance. Any gaps in skill and/or knowledge realised at a future time can be resolved by the in-depth experience across EnergyAustralia.

As noted above, the Regulatory Compliance function and Legal team are readily available to The Embedded Networks Company business. Changes to obligations are identified and monitored through a framework that assigns responsibility for identifying and monitoring changes across the business. Changes to energy regulations are identified through EnergyAustralia's Industry Regulation team.

Complaints Handling Procedure:

EnergyAustralia has developed a customer complaints and disputes resolution policy in accordance with Australian Standard AS ISO 10002-2006. Customer complaints and disputes are managed by a dedicated customer resolutions team

Please refer to confidential **A7 - Customer Complaint Resolution Policy** that details the EnergyAustralia policy.

External Assurance Process for Compliance Risk Strategy:

EnergyAustralia's RCAP has been subject to an external assurance process undertaken by KPMG in 2013 and 2016. The purpose of the assessment was to determine the level of regulatory compliance maturity taking into account compliance risk across all of EnergyAustralia's business units individually and at an enterprise level. The executive summary of KPMG's report is attached as **A8 – Executive summary of KPMG's report** and provided on a confidential basis.

Risk Management Strategy including Operational and Financial Risk

Our risk methodology for developing and maintaining business unit and project risk profiles is consistent with the International Organization for Standardisation ISO-31000 Risk Management – Principles and Guidelines.

Please refer to confidential **A9 - Risk Management Operating Procedures** which detail EnergyAustralia's operational and financial risk policies and procedures

Ombudsman Schemes:

The Embedded Networks Company will register with the ombudsmen for each particular jurisdiction, prior to commencing operations within those states.

Agreements with Market Participants and back up plans

The Embedded Networks Company will purchase energy from the gate meter through an authorised retailer who will have the relevant market participant agreements. As such, The Embedded Networks Company will not require specific agreements with distributors and AEMO. The Embedded Networks Company plans to secure all gate meter energy supply from EnergyAustralia.

As detailed in the financial resources section of Part 3, The Embedded Networks Company has a cross guarantee in place with EnergyAustralia Holdings Ltd to financially support the operations and financial obligations of the business.

If The Embedded Networks Company were to fail or is otherwise no longer entitled by law to sell energy to its customers due to a ROLR event or otherwise, the authorised retailer at the gate meter would continue to supply electricity to its customers.

From an operational perspective, a Business Continuity Plan review has been undertaken to ensure all people, platforms and processes of The Embedded Networks Company are resilient and appropriate back-up plans and processes are in place.

Additional information: Customer Terms and Conditions:

Please refer to confidential **A10 – seene Terms and Conditions** that contains the proposed retail Terms and Conditions for embedded network customers.

Part 3: Required Information - Financial Resources

Audited Financial Reports - past 12 months:

As The Embedded Networks Company is a party to a deed of cross guarantee (discussed below), the Embedded Networks Company is not required to prepare a financial report.

Please refer to confidential **A11 – Financial Reports** that contains EnergyAustralia Holdings Ltd general purpose financial report as at 31 December 2016. These financial reports have been subject to an audit by PwC.

Credit Rating:

Please refer to confidential **A12 – Credit Rating** that details the EnergyAustralia Holdings Ltd Standard and Poor's credit rating of BBB+.

Ownership Structure:

Please refer to confidential **A2 – EnergyAustralia Corporate Structure** that details where The Embedded Networks Company sits within the EnergyAustralia group structure.

Contractual arrangements - Deed of Cross Guarantee:

EnergyAustralia Holdings Ltd and its wholly owned subsidiaries, including The Embedded Networks Company are parties to a deed of cross guarantee under which EnergyAustralia Holdings Ltd guarantees the debts of wholly owned subsidiaries. The Embedded Networks Company is given financial support through the deed of cross guarantee.

Please refer to confidential **A13 – Deed of Cross Guarantee**, and **A14 – Certificate of Registration** which provides relevant Company details (ACN) to verify the application of the Deed of Cross Guarantee to The Embedded Networks Company

Consolidated Group financial statements:

Please refer to confidential **A11 – Financial Reports** that contain EnergyAustralia Holdings Ltd general purpose financial report as at 31 December 2016.

As noted previously the ownership structure of the EnergyAustralia Holdings Group, along with the deed of cross guarantee provides financial support for The Embedded Networks Company.

Chief Financial Officer declaration:

EnergyAustralia's Group CFO has provided a written declaration that states The Embedded Networks Company is a going concern and not aware of any factors that would impede our ability to finance our retailer activities. Please refer to confidential **A15 – CFO - Declaration Going Concern**.

Independent auditor declaration:

Confidential **A16 – Independent auditor declaration** contains a declaration from an independent auditor verifying no insolvency official has been appointed in respect of the business or any property of the business, and other required matters.

Any bank guarantees or arrangements to access additional capital:

EnergyAustralia has committed undrawn debt facilities with banks which are available at call to access at any time.

Financial Forecast:

Please refer to confidential **A4 - Business Plan and Assumptions** that details financial forecasts for The Embedded Networks Company.

Part 4: Required Information - Suitability

Record of Regulatory Compliance:

The Embedded Networks Company and its officers

To the best of their knowledge The Embedded Networks Company's officers and associates, and other businesses where the officers have held an officer position have not had:

- any material failure to comply with regulatory requirements, laws or other obligations over the previous 10 years, including infringement notices or other enforcement action,) being taken by a regulatory body
- Any revoked authorisations, authorities or licences held in any industry and the reason/s for the revocation.
- Any failed authorisation, authority or licence applications in any industry.
- Past or present administrative or legal actions in relation to an authorisation, authority or licence in any industry.
- Triggered 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.

Other entities that exert control over The Embedded Networks Company

In relation to EnergyAustralia Pty Ltd which could exert control over The Embedded Networks Company, material failures to comply with regulatory requirements, laws and other obligations over the last 10 years, including legal action, are identified in confidential **A17 - Material Compliance Failures**.

Details of any offences or successful prosecutions

Current directors of The Embedded Networks Company, other persons in control, and persons responsible for significant operating decisions have not committed offences or been successfully prosecuted under legislation relevant to capacity as an energy retailer.

[REDACTED]

Criminal history check:

The Embedded Networks Company is willing to provide criminal history information upon request.

Chief Financial Officer Declaration: The Chief Financial Officer has provided a declaration confirming that to the best of their knowledge, the directors, officers or other management staff of the company have not been disqualified from the management of corporations and there is no record of bankruptcy of the management team. Please refer to confidential **A18 – CFO - Disqualification Declaration**.

Officer names and addresses:

Please refer to confidential **A19 – Officer Names and Addresses**.

Probity and Competence Policies & Procedures:

EnergyAustralia Holdings Ltd has a stringent Recruitment and Resourcing Policy. EnergyAustralia requires potential employees to complete probity checks (including reference, identity, qualification and education, drug and alcohol, eligibility to work in Australia, and police checks) subject to specific role requirements and capacity. Employees who are successful in obtaining employment with EnergyAustralia and who have done so by misleading, deceptive or fraudulent means will be subject to disciplinary proceedings which may include termination of employment, with or without notice.

EnergyAustralia operates under our parent company CLP Code of Conduct that applies to all EnergyAustralia employees and covers the follows areas:

- Compliance with Laws and Regulations
- Abiding by our Company Policies and Procedures
- Compliance with Financial Controls and Reporting Requirements

Failure to abide by these requirements is investigated by CLP's Australian internal audit team. Please refer to confidential **A20 – CLP Code of Conduct** that details this policy and procedure.

All employees are required to complete mandatory training modules on an annual basis, covering

- Workplace Behaviour
- Competition and Consumer Law
- IT Security
- Privacy
- Workplace Health and Safety

All employees are required to undertake an annual performance objective setting and review process, measuring competence, performance and behaviour.

Part 5 – List of Attachments

| Attachment Name | Confidential |
|---|--------------|
| A1 – Organisation Structure | YES |
| A2 - EnergyAustralia Corporate Structure | YES |
| A3 – Key Officers Experience | YES |
| A4 - Business Plan and Assumptions | YES |
| A5 - Regulatory Compliance Policy | YES |
| A6 - Regulatory Compliance Assurance Program | YES |
| A7 - Customer Complaint Resolution Policy | YES |
| A8 – Executive summary of KPMG’s report | YES |
| A9 - Risk Management Operating Procedures | YES |
| A10 – seene Terms and Conditions | YES |
| A11 – Financial Reports | YES |
| A12 – Credit Rating | YES |
| A13 – Deed of Cross Guarantee | YES |
| A14 – Certificate of Registration | YES |
| A15 – CFO - Declaration Going Concern | YES |
| A16 – Independent auditor declaration | YES |
| [REDACTED] | YES |
| A18 – CFO - Disqualification Declaration | YES |
| A19 – Officer Names and Addresses | YES |
| A20 – CLP Code of Conduct | YES |