



Application for Electricity Retailer Authorisation

12 May 2012

Energy on-selling

Purpose of Document

WINenergy is making an application to the Australian Energy Regulator for a licence to retail electricity. To the best of our ability we have attempted to follow the “Retailer Authorisation Guideline” (July 2011).

1 GENERAL PARTICULARS - INFORMATION ON THE APPLICANT

1.1 Applicant - Legal Name

WINenergy Retail Pty Ltd as a wholly owned subsidiary of WINenergy Pty Ltd

1.2 ACN

ACN 150 999 456

1.3 Address

Head Office

201/12 Cato St
East Hawthorn 3123

NSW Office

Level 6
100 Walker Street
North Sydney 2060

1.4 Contact

Mr Tim Norton
Director

Tim.Norton@WINenergy.com.au

0418170562

1.5 Form of Energy

Electricity

1.6 Proposed Date of Commencement

1 July 2012

1.7 *Nature and Scope of Operations Proposed*

WINenergy Pty Ltd currently operates as an agent for organisations who on-sell electricity within an embedded network under the AER guidelines for on exempt selling. In this capacity we comply with the retail electricity codes and rules. We have a robust business in this particular market niche. We now seek to use this as a platform to retail electricity. We believe that our existing experience, whilst being outside the market, gives us a proven track record in many of the facets demanded of authorised retailers.

WINenergy Retail intends to retail electricity to large customers such as shopping centres, large commercial building or high rise towers. In some instance we will retail to buildings in which WINenergy operates an embedded electricity network. As we take on more embedded network sites, we can pursue a phased entry into the market without heavy investment in customer acquisition.

We also intend to retail electricity to franchised chain stores. In our embedded network operations, we bill such stores and we would like to be able to deliver a complete solution by billing stores that are in localities where there is no embedded network.

A retailer authorisation will enable us to register as market participants. It is our hope that we can use this to better manage the meter data pertaining to our end-user customers across our entire business.

The decision to enter this market is a logical extension of our current operations. To better equip ourselves we have bolstered our board with directors experienced in the governance of energy retailing. As a entry-level retailer, WINenergy Retail will be fully backed by its parent company in terms of financial resources, information systems, policies and procedures.

1.8 Jurisdictions

NSW, Victoria, Queensland, ACT, South Australia

2 ORGANISATIONAL AND TECHNICAL CAPACITY

2.1 Previous Experience as an Energy Retailer

WINenergy Pty Ltd holds a retail electricity license in NSW

We have made no other applications

Whilst our embedded network operations are outside the market, we act very much as a retailer. Each month we read over 10,000 meters and issue electricity bills to end-user customers of the type shown in appendix 3.

2.2 Details of other Relevant Retail Experience

Since its inception in 2005, WINenergy has specialized exclusively in the establishment and operation of Embedded Networks for electricity. Typically we undertake this activity as an agent of the property owner or the owner's corporation.

At a few sites we bill for water and gas, but only as a billing agent. With regards to electricity we operate over 100 sites and we have a further 18 contracted sites in implementation. We have about 80 sites in our forward sales book that are likely to be contracted in the next 24 months. All of our sites are "grid connected". We operate sites in Qld and NSW, but the majority of our sites are in Victoria.

Our clients are large funds and property trusts who own shopping centres. We also service property developers who either build and "run" properties, or hand them over to owners' corporations.

Our fundamental business is the supply of metering and the management of data and billing in privately owned embedded networks. Electricity is resold at a rate that is substantially lower than a conventional supply arrangement.

Whilst WINenergy's activities are considered niche in nature, they are predicated on:

- Increased competition,
- End-user cost reduction,
- More comprehensive energy management and
- Excellence in service delivery.

In delivery of its services, WINenergy complies with all relevant state legislation, distribution codes and pricing policies as appropriate and operates under contract to blue chip organisations.

In producing monthly electricity bills for about 10000 customers we have adopted and adapted the following procedures:

- All consumption is metered
- Type 4 or Type 5 interval meters (complaint with metrology code) are used exclusively
- Meters are read monthly and bills are based on actual not estimated consumption
- Where requested, we probe meters and supply customers with interval data for a modest fee.
- Customers are presented with an industry compliant bill that details tariffs, consumption, greenhouse gas emission and graphical usage comparisons.

- Customers are offered a broad range of payment options
- With the exception of our client sites in Qld, customers are always offered choice and given the ability opt out of the EN.
- Our internal customer service centre adheres to complaint handling procedures.
- We comply with industry dispute resolution procedures and our customers have access to and use VCAT for more complex cases.
- Payment plans are provided for genuine hardship cases including small business owners
- There is a formal disconnection procedure for non-payment.
- We offer customers a discount to the published tariffs of the local default retailer and endeavor to beat the best genuine offer that the customer can get from a retailer.

2.3 Person holding 20 per cent

The share register is provided in appendix 10. Mr Tom Patsakos holding over 20% has previous experience in Powercor (retail) and Energex (retail).

2.4 Organisational chart.

Please see appendix one

2.5 Employees by business unit

Please see appendix one

2.6 Qualifications of officers

Directors and senior managers are well credentialed in running a successful enterprise. They hold assorted technical and managerial qualifications.

Dr Dan Norton is a past Chairman of NEMMCO having been intimately involved in the regulation of the Tasmanian electricity industry. He currently serves on the board of Aurora Energy.

Mr Tom Patsakos was involved in the early days de-regulation in Victoria at Powercor and is a highly respected spokesman on energy matters including pricing trends.

Mr Tim Norton focuses on legal, compliance and finance issues. He is a Fellow of the Australian Institute of company directors and has served in the past on the boards of 3 successful listed companies (OKN,FAC,IWL).

2.7 Human resources policy

The profiles of key staff is given in appendix 2.

HR management has been performed by the company executives although we are currently recruiting a HR manager.

In terms of recruitment we follow the following process

- Work force planning – justification for the role and budget rationale

- Position Description development
- Advertisement. (IT positions may be placed with an agency)
- Desk-top filter based on core selection criteria.
- First round short list interviews with HR manager and possibly line manager
- Second round interview with line manager and CEO
- Checking of evidentiary material (residential status, qualifications)
- Reference Checks
- Letter of offer
- Employment contract with 3 month probation
- Induction process

Performance reviews are conducted in Apr/May each year.

Sample position descriptions/job advertisements are given in appendix 15.

WINenergy Pty Ltd has a staff of 40 people. We envisage that our WINenergy Retail Pty Ltd operations will demand a staff of 5 dedicated people, drawing on the existing billing and customer service infrastructure of the parent company.

2.8 Training programs

We run routine in-house training programs on the following subjects:

Course EI1: Electricity Industry

- Retail and Network
- Your electricity bill
- LNSP's, AEMO, AER, AEMC, Retailers, Generators
- Volts AMPs and Watts
- Embedded Networks

Course CS1: Customer service

- Phone answering
- Problem resolution
- Problem tracking system
- Accounts receivable
- Taking Payments

Course OP1 : Operations

- Metering
- AMR
- Probing meters
- Meter replacement
- OHS – on-site requirements
- Dealing with contractors

2.9 Business Plan

Our business plan is attached in appendix 13

2.10 Quality Assurance accreditations

WINenergy is CM3 certified for its occupational health and safety regime.

2.11 Compliance strategy:

2.11.1 Understanding of obligations

The National Energy Retail Law comes into effect on 1 July 2012. The National Energy Retail Regulations and National Energy Retail Rules pursuant to that Law will define the legislative framework and obligations for retailers. There may be slight jurisdictional variations to the SA legislation that are yet to be formulated, but they will not impact on the core obligations.

Compliance obligations are described in "AER Compliance Procedures and Guidelines"

Type 1 (reported as soon as practicable)

Retail Law 2 3 22 Retailer obligation to make offer to small customer

Retail Law 2 6 43(2) Requirement to have hardship policy approved/in place within 3 months

Retail Law 2 7 51 Debt recovery

Retail Law 3 2 66 Distributor obligation to connect customers

Retail Rules 6 2 111 - 117 Retailer-initiated de-energisation of premises

Retail Rules 6 3 119 - 120 Distributor de-energisation of premises

Retail Rules 6 4 121 - 122 Re-energisation

Retail Rules 7 124 - 126 Life support equipment

Retail Rules 8 139(2) Life support equipment

Type 2 (reported 6 monthly)

Retail Law 2 5 Explicit informed consent

Retail Law 2 6* Customer hardship

Retail Law 2 7* Payment plans

Retail Law 2 8 Energy marketing

Retail Law 3 2* Obligation to provide customer connection services

Retail Law 3 6 Negotiated connection contracts

Retail Rules 2 3 Customer Retail contracts—pre-contractual procedures

Retail Rules 2 4 Customer Retail contracts - billing

Retail Rules 2 5 Tariff changes

Retail Rules 2 10 3 Energy marketing activities

Type 3 (Reported Annually)

Retail Rules 1 2 Consumption threshold matters

Retail Rules 1 3 Classification of customers

Retail Rules 2 9 Other Retailer obligations

Retail Rules 4 6 Distributor interruption to supply

Retail Rules 6 2 118 Request for de-energisation

At the current stage of our business life cycle, we have not required a dedicated compliance manager. WINenergy is actively recruiting a regulatory compliance manager who will be charged with the task of meeting all reporting requirements.

2.11.2 Approach to meeting obligations

Competencies

Whilst being a small organisation relative to established energy retailers, WINenergy a divisional structure and demonstrated expertise to service business and consumer customers.

Operations

- Contractor Management
- Energy Purchasing
- Energy Efficiency
- Project Management
- Technical Support
- Effective communications with Market Authorities: AER, AEMO, IPART, ESCV, LNSPs

Finance

- Accounts Receivable
- Accounts Payable
- Management Accounting

Billing

- Actual monthly meter reads (not estimated unless equipment is faulty)
- Consumption analysis
- Move in move out
- New Account details
- Monthly Bill Run
- Problem Resolution
- Network Billing (NUoS tariffs only)

Information Technology

- Billing System
- ERP
- Case Management System
- Interactive Voice Response & Telephone PABX
- Payment Gateways
- Customer Relationship Management System
- Account Receivable email/sms reminders

Customer Service

- Telephone Response Centre
- Customer Acquisition
- Marketing

Management

- Business Development
- Contract Management
- HR
- Compliance
- Risk Management

Operations

We believe that the operational demands to prosecute an retail authorisation will be similar to that currently already in place. Appendix 20 provides a summary of the parent company's

approach to meter data management, connections/disconnections, marketing and collections.

Billing System

WINenergy's in-house proprietary billing engine is used to issue monthly electricity, water and gas accounts. The functionality of the billing system encompasses the following key functionalities;

- (i) WINenergy issues bills monthly to all Tier 1 and Tier 2 customers within the Embedded Network. The flexibility of WINenergy's in-house billing system enables the issue of both bundled and un-bundled bills to Tier 1 customers while also billing Tier 2 customers for their network charges.
- (ii) The generated bills are printed and posted. Customers are also given the option to have their bills emailed to nominated email addresses.
- (iii) WINenergy provides numerous payment options to all customers such as B-PAY, POSTbillpay (internet, phone and in person options are available), automatic payment (bank account or credit card), cheque, over the phone credit card and EFT.
- (iv) All received payments are recorded daily against the respective tenant's debtor account and the bank account is reconciled weekly. This ensures all accounts details are always up to date to address any customer enquiries.

Privacy Statements

This is accessible via our web site

<http://www.winenergy.com.au/privacy.html>

Document Retention Policy

We retain hard copies of all customer agreement. It is our intention to introduce a scanning storage system within the next 12 months.

Experience and Knowledge

The company has many years of intimate experience in the "exempt" area of the electricity industry. We are fully versed in the following areas without ever having been market participants:

- Long term pricing trend analysis
- Energy Procurement
- Energy Efficiency & Sustainability
- Australian energy regulatory regime

2.11.3 Complaint and dispute resolution procedures.

We propose to leverage the customer service capabilities of the parent company. A sample of the existing issues resolution register is provided in appendix 6.

We run a dedicated customer service desk that is assisted by an interactive voice response PABX so that customers can get account information directly from the computer system. All inquiries fielded by customer service are recorded in the issues system.

We are not currently members of EWOV scheme. In the history of the organisation, two complaints have been escalated to VCAT but the complaints could not be substantiated and were withdrawn.

2.12 Risk management

Our risk and compliance framework is given in appendix 5

2.13 Risk management audit declaration

The risk management strategy has been approved by the board but has not been subject to an external audit.

2.14 Any additional information pertaining to risk mitigation for consumers

It is our intention to market to large customers in the first instance. These activities will be subject to an appropriate retail pricing and contracting procedure. We are in the process of formulating these retail sales contracts.

End user consumers within our embedded network operation are engaged by an agreement of the type shown in appendix 7.

2.15 Insurances

Our insurances are uploaded to the CM3 system and details are contained in the CM3 audit documentation in appendix 14.

2.16 Reliance on third parties

WINenergy run internal billing, customer service operation. Marketing is also an internal key competency. We use some computer information systems under license.

We use contract meter reading services.

From time-to-time the company engages electrical contractors to undertake switchboard works related to the implementation of embedded networks.

Accredited Meter Providers

Ausgrid Technical Services

Metering Dynamics – subsidiary of Energex Ltd

Skilltech

Smart Building Service
Meter Reading
Skilltech
AMRS – subsidiary of Service Stream Ltd
Ausgrid Technical Services
Electricians
Neilson
Hayday
O'Donnell Griffen
Daytona
Stowe

2.17 Ombudsman scheme membership

We are not presently member of an ombudsman scheme. It is our intention to market to non-residential large customers in the first instance which would not fall under the purview of an ombudsman scheme.

2.18 Agreements with market participants (e.g. DNSP's & AEMO)

We are in current discussions with AEMO in term of attaining registration under the umbrella of our NSW retail licence. We will advance these discussions in the event of being granted an AER retail exemption.

We have had on-going discussions with AEMO over many years in the context of our exempt on-selling operations.

Similarly we have daily business-as-usual dealings with DNSP's.

We contract the meter data agent services of AusGrid and Energex.

We hold NUOS agreements with some major retailers to ensure proper accounting for network charges an example of which is given in appendix 17.

2.19 Previously triggered the RoLR provisions

Not applicable

3 FINANCIAL RESOURCES

3.1 Audited financial reports for the past three years including:

WINenergy Retail is a newly established company however appendix 9 provides the financial statements for the parent company.

3.2 Submissions to ASIC under chapter 2M

Not applicable

3.3 Credit rating/s from agencies

The WINenergy group does not have a formal credit rating. We have a strong balance sheet, with no debt and a good payment record with suppliers in general and industry participants in particular.

3.4 Group Structure

WINenergy Retail Pty Ltd is a wholly owned subsidiary of WINenergy Pty Ltd. The subsidiary has unfettered access to the financial and technical resources of the parent. WINenergy Pty Ltd will enter into an undertaking with WINenergy Retail Pty Ltd to provide guarantees for wholesale energy purchases, network transmission charges and other services.

3.5 Business plan forecast & assumptions

See appendix 13. The business plan relies heavily on WINenergy's core business of energy on-selling within embedded networks, but it also details how we intend to grow the retail operation in concert with this. It is assumed that the proportion of electricity that we source using a retailer authorisation will steadily increase up to 25% in 2016.

3.6 Independent auditor declaration

Audited accounts and declarations are included in the appendix 9.

3.7 Going concern declaration from directors

See appendix 8

3.8 Details of any bank guarantees.

At any time WINenergy holds significant cash deposits with the Bendigo Bank. Appendix 18 details our current term deposit. We believe that bank guarantees secured by this deposit should meet the prudential requirements of AEMO for us to become market participants.

4 SUITABILITY

4.1 Track Record

For the applicant, its associates, any other businesses where its officers have held an officer position and any other entity that exerts control over its business activities—details of:

4.1.1 Regulatory compliance failures

Nil

4.1.2 Revoked authorisations

Nil

4.1.3 Failed licence applications

Nil

4.1.4 License related legal actions

Nil

4.2 Any offences

Nil

4.3 Upon request, a criminal history check

Agreed

4.4 Disqualifications

Nil

4.5 Directors bankruptcy declaration

See appendix 8

4.6 Full names and current residential addresses of all officers of the applicant.

See appendix 17

4.7 Probity procedures for directors and officers.

Tim Norton and Russell Neil were founders of the company. Tom Patsakos was recruited as an executive following normal recruitment procedures and work in the company for 18 months before being promoted to MD position and taking an equity stake in the company. Dan Norton was head-hunted to be a non-executive director based on his industry experience. We are currently interviewing candidates for another non-executive director role and we demand of these candidates reach our benchmarks for competence, experience and ethics.