



APPLICATION FOR A LICENSE TO SELL ELECTRICITY IN VICTORIA

Balance Commodities and Energy Pty Ltd applies to the Essential Services Commission (ESC) under section 18(1) of the Electricity Industry Act 2001 (Vic) (Act) for the issue of a license authorising it to retail electricity to large Commercial and Industrial (C&I) customers.

1. Introduction

1.1 Balance Commodities and Energy Pty Ltd (BC&E)

BC&E intends to establish an energy retail business.

1.2 Nature and scope of BC&E's proposed operations in Victoria

BC&E intends to commence carrying on its energy retail business in Victoria and will retail electricity to large C&I customers.

See Confidential Attachment 1.

2. Applicant and application

2.1 Applicant

2.1.1 Name:

Balance Commodities and Energy Pty Ltd.

2.1.2 ACN:

623 247 003

ABN:

18 623 247 003

2.1.3 Business address:

Level 26, 459 Collins Street

Melbourne Vic 3000

2.1.4 Contact:

Stuart Pearce

[REDACTED]

[REDACTED]

s [REDACTED]

2.1.5 Corporate structure

BC&E is a proprietary company limited by shares.

2.1.6 Incorporation details

2.1.6.1 Certificate of registration

See Public Attachment 1.

2.1.6.2 Constitution

See Public Attachment 2.

2.1.7 Shareholder details

See Confidential Attachment 2.**2.2 Application**

2.2.1 Type of license sought:

BC&E is applying for a license to sell electricity to large C&I customers.

2.2.2 Date of application:

21 June 2019

2.2.3 Date from when license sought:

1 September 2019

2.2.4 Non-standard license conditions sought:

Nil.

3. ESC's objectives

Section 8 of the Essential Services Commission Act 2001 (VIC) sets out the objectives of the Commission to promote the long-term interests of Victorian consumers, and in seeking to achieve this objective have regard to the price, quality and reliability of essential services.

Granting BC&E a retail license is consistent with the Commission's objectives. BC&E will retail electricity to large C&I customers, offering them fixed and floating rate electricity retail products, progressive purchasing and sleeved Corporate Power Purchase Agreements.

BC&E will offer customers an alternative to their incumbent electricity retailer, helping them reduce their energy costs and, in turn, their operational costs thereby becoming more competitive in their own markets.

4. Financial viability

4.1 Statement of financial viability

BC&E is financially viable and has financial resources, and access to further resources, sufficient to sustain the business it intends to develop and carry on under its license to sell electricity.

4.2 Financial position

See Confidential Attachment 3.

4.3 Statutory declaration as to any likely changes in BC&E's structure, operation or financing that could materially affect BC&E's financial viability

See Confidential Attachment 4.

4.4 5-year business plan for BC&E's proposed operations in the NEM

See Confidential Attachment 5.

4.5 Australian Financial Services License (**AFSL**)

BC&E will use RPDW Pty Ltd (trading as RMHEDGE), to enter into wholesale market electricity derivatives and otherwise to provide relevant financial services for and on behalf of BC&E. RMHedge has an AFSL which allows it to provide these agency services to BC&E.

See Confidential Attachment 6.

4.6 Credit support obligations

4.6.1 National Electricity Rules (Rules)

BC&E has financial resources, and access to further resources, sufficient to meet the obligations it will have under the Rules to provide credit support to Australian Energy Market Operator Limited (AEMO) in respect of the electricity it purchases in the wholesale exchange operated by AEMO for on-sale to its customers.

4.6.2 Use of system agreements

BC&E has financial resources, and access to further resources, sufficient to meet the obligations it will have under its use of system agreement with each Victorian electricity distributor to provide credit support to that distributor in respect of the customers BC&E will share with that distributor.

4.7 Credit rating

BC&E is in the process of obtaining a credit rating in the form of a Dun & Bradstreet Dynamic Risk Score, to be used for the purposes of and in connection with the Victorian electricity distributors' use of system agreements.

5. Technical capacity

BC&E has the expertise, knowledge and skill base to operate a viable business selling electricity to large C&I customers.

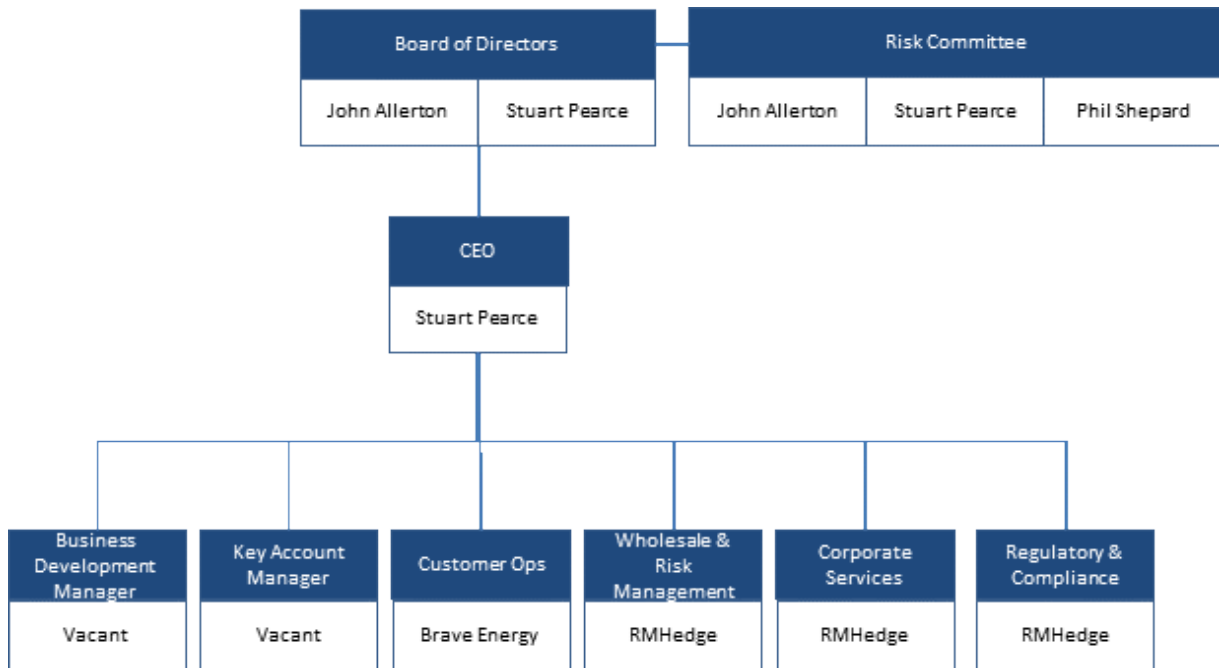
5.1 Human resources

5.1.1 Expertise, knowledge and skill of key personnel

BC&E directors and senior managers are highly credentialed and experienced energy industry professionals who have a solid track record in the energy retail market.

Personnel names and curriculum vitae are contained in **Confidential Attachment 7.**

5.1.2 Organisation chart



5.2 Approvals

5.2.1 Licenses under the Act and corresponding interstate legislation

BC&E does not have any current or former licenses under the Act nor under any corresponding interstate legislation nor do any associates of BC&E.

5.2.2 Registration with AEMO

BC&E has engaged with AEMO, and after it is granted a license to sell electricity, will be registered with AEMO as a Customer under section 11(4) of the National Electricity Law and clause 2.3.1 of the Rules.

5.2.3 Austraclear

BC&E has organised its application to ASX for membership of Austraclear through which BC&E's purchases of electricity from AEMO will settle. Once AEMO registers BC&E as a Customer, this application will be completed.

5.2.4 Quality assurance accreditations:

Nil.

5.3 Suppliers

5.3.1 AEMO

BC&E is to be registered with AEMO as a Customer under section 11(4) of the National Electricity Law and clause 2.3.1 of the Rules. This will allow BC&E to purchase electricity in the wholesale exchange, on behalf of its customers, operated by AEMO for on-sale to customers.

5.3.2 Victorian electricity distributors

BC&E will enter into a Use of System agreement with each Victorian electricity distributor once the ESC grants BC&E its license to sell

electricity. Negotiations are well advanced.

5.3.3 Metering

BC&E is in the process of engaging an authorised Metering Co-ordinator to arrange the provision, installation and maintenance of meters, and metering data its customers

5.3.4 Service providers

BC&E proposes to enter into agreements with a number of service providers (refer below). Negotiations are well advanced. The agreement with each service provider will require the service provider: (a) to maintain at all times such technical capacity as is required to undertake the relevant services; and (b) to provide on request any information in the service provider's possession, custody or control which BC&E is required to provide to the ESC.

5.3.4.1 Sales channel

BC&E has current relationships with large industrial end users. All initial sales will be conducted by BC&E directors and staff leveraging off existing relationships.

5.3.4.2 Brave Energy Pty Ltd

BC&E intends to enter into an agreement with Brave Energy Pty Ltd for the provision of management services in respect of customer accounts, billing and payments, products and contracts, standing data and metering data, service orders, settlements, reporting, tasks, IT solutions and general related services.

An agreement has been negotiated between Brave Energy Pty Ltd (Brave) and BC&E and is considered ready for execution. It does however remain as a draft until such time as the final delivery, service scope and commercial terms are agreed. These will be agreed between the parties once BC&E has secured its Victorian retail electricity license and a market entry date is confirmed by BC&E.

See Confidential Attachment 8.

5.3.4.3 RPDW Pty Ltd trading as RMHedge

RMHedge provides a holistic risk management, front and middle office service function for organisations operating in the energy and commodity financial markets. Extensive experience of the management team to deliver tailored risk management systems, processes, and procedures, hedging strategies, compliance, and strategic direction for its clients including BC&E and its customers.

RMHedge and its partners have over 60 years of experience in the financial markets including front, middle and risk management operations in the derivatives and

environmental markets.

“Our vision is to provide transparent and comprehensive risk management, energy and commodity hedging solutions.”

RMHedge business model is based around providing support for key functions for the front office, middle office, treasury, risk management, compliance, and systems areas.

RMHedge provides counterparties, customers, and consultants with education through expert knowledge, experience, and tools to better manage their risks, portfolios, and business. These tools include; market reports (spot and forwards), training modules and seminars, realistic simulation courses. Implementation services and products include; outworking of business plans (economic modelling), portfolio management, hedging and trading strategies, market and risk management systems, policies and processes to enable risk management oversight and portfolio management for new entrant and existing companies.

See Confidential Attachment 9

5.4 Customer

5.4.1 Contracts

BC&E has prepared contractual documentation for the sale of electricity to large business customers.

See Confidential Attachment 10.

5.4.2 Financial hardship:

n/a

5.4.3 Department of Human Services:

n/a

5.4.4 Complaints and dispute resolution

BC&E has adopted a complaints and dispute resolution policy commonly found in large customer and service delivery contracts.

See Confidential Attachment 11.

5.4.5 Energy and Water Ombudsman Victoria (EWOV)

BC&E will apply to become a member of EWOV’s customer dispute resolution scheme should this be a requirement of its license.

5.5 Internal controls, policies and procedures

5.5.1 Training and development

BC&E is developing a training and development program for its

sales and marketing personnel covering all aspects of BC&E's dealings with customers including privacy and explicit informed consent.

5.5.2 Compliance

BC&E has informed itself of all the obligations it will have under the Act and its license to sell electricity and under the ESC's codes and guidelines. BC&E adopts a rigorous compliance framework to ensure it can meet all of its regulatory obligations.

See Confidential Attachment 12.

5.5.3 Risk management

See Confidential Attachment 13.

5.5.4 Privacy

See Confidential Attachment 14.

5.6 Additional information

5.6.1 Capacity to operate a business

BC&E's directors, senior managers and service providers have deep experience in electricity retailing that underpin its capacity to operate the following aspects of its business, and BC&E has adopted and will implement relevant operational policies and procedures, including those provided in the attachments, towards that end:

5.6.1.1 Managing supplier contracts including settling electricity purchases in the wholesale exchange operated by AEMO and OTC electricity derivatives through Austraclear

5.6.1.2 Managing customer contracts

5.6.1.3 Customer account establishment and management including creditworthiness checks through credit reporting agencies.

5.6.1.4 Account management services and web-based information portals/transactions.

5.6.1.5 Billing and collection.

5.6.2 Capacity to comply with regulatory requirements

BC&E's directors, senior managers and service providers have deep experience in electricity retailing that underpin its capacity to comply with regulatory requirements in the following aspects of its business, and BC&E has adopted and will implement relevant compliance policies and procedures, including those provided in the attachments, towards that end:

5.6.2.1 Provision of information to distributors

5.6.2.2 Meter reading

5.6.2.3 Provision of information to customers

5.6.2.4 Privacy and confidentiality management

5.6.2.5 Customer information management

6. Suitability

6.1 Previous unsuccessful applications to the ESC and in other jurisdictions

Nil.

6.2 Prosecutions and regulatory complaints

No prosecution or regulatory complaint has been commenced against BC&E or any of its associates nor against any of BC&E's senior managers.

7. Statutory declaration

See Confidential Attachment 15.

PUBLIC ATTACHMENTS

1. Certificate of registration
2. Constitution

CONFIDENTIAL ATTACHMENTS

1. BC&E Overview
2. BC&E's Corporate & Shareholder Structure
3. BC&E financial position
4. Statutory declaration
5. 5-year business plan
6. AFSL Agency Agreement
7. Balance Commodities and Energy director and key staff capabilities
8. Brave Energy services agreement
9. RM Hedge Services Agreement
10. Sample customer contract
11. Complaints & Dispute Resolution
12. Compliance documentation
13. Risk management policy
14. Privacy policy
15. Statutory Declaration