

Enel Energy Australia PTY LTD

ENERGY LICENCE APPLICATION

Selling electricity in Victoria

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1 INTRODUCTION

Enel S.p.A (the Enel Group) is a global power company and a leading integrated player in the global, power, gas and renewables markets. It is Europe's *largest* utility in terms of market capitalisation and figures among Europe's leading power companies in terms of installed capacity and reported EBITDA. The Enel Group is present in over 32 countries worldwide, producing energy with more than 86 GW of managed capacity. Enel distributes electricity and gas through a network of over 2 million kilometres; and with over 65 million business and household customers globally, the Enel group has the largest customer base among European competitors.

The Enel Group's renewables arm, Enel Green Power (EGP), already manages around 47 GW of wind, solar, geothermal, biomass and hydropower plants in Europe, the Americas, Africa, and Asia. EGP set up a generation business in Australia in 2016 (EGP Australia PTY Ltd), which currently owns Bungala Solar Farm in South Australia, which has recently commenced operations, and is in the registration phase for Cohuna Solar Farm in Victoria. EGP Australia is seeking to grow its generation business significantly over the next 5 years.

Enel X, an Enel group company, is a leading energy solutions provider working with businesses and institutions in nine core areas:

- demand response;
- demand management;
- energy supply management;
- renewable energy;
- energy storage and microgrids;
- energy efficiency;
- electric vehicle charging;
- utility bill management; and
- sustainability.

EEA will sell electricity products and services to large-scale grid-connected commercial and industrial (C&I) customers, offering competitive solutions with a particular focus on flexible services and technologies linked to renewable energy and the creation of demand response solutions.

Sales and marketing activities will be managed internally by EEA, while customer operations (transfers, billing, payment processing) will be outsourced to a third-party service provider.

2 OBJECTIVE

Enel Energy's objective is to carry on its electricity retail business at all times in a manner compliant with applicable Victorian and Commonwealth laws, regulations and other instruments, including:

- (a) the *Electricity Industry Act 2000* (Vic);
- (b) Enel Retail's electricity retail licence;

- (c) the Code of Conduct for Marketing Retail Energy;
- (d) the Energy Retail Code;
- (e) the Electricity Customer Transfer Code;
- (f) the Electricity Customer Metering Code;
- (g) the Electricity Distribution Code;
- (h) Electricity Industry Guideline No 13 – Greenhouse Gas Disclosure on Electricity Customers' Bills;
- (i) Electricity Industry Guideline No 17 – Electricity Ring-Fencing;
- (j) the AMI Cost Recovery, Specifications and Tariffs Orders in Council;
- (k) Electricity Industry Guideline No 22 – Regulatory Audits of Retail Energy Businesses;
- (l) the Compliance and Performance Reporting Guideline for Energy Retail and Distribution Licence Holders;
- (m) the *Victorian Energy Efficiency Target Act 2007 (Vic)*;
- (n) the *Victorian Energy Efficiency Regulations Act 2008 (Vic)*; and
- (o) the Victorian Energy Efficiency Target Guidelines,

3 DETAILS OF THE APPLICANT AND APPLICATION

3.1 APPLICANT DETAILS

Name	Enel Energy Australia Pty Ltd
ABN	95632774255
ACN	632774255
Registered Address	Level 23, 100 Barangaroo Avenue Barangaroo NSW 2000
Principal place of business and address for correspondence	Level 23, 100 Barangaroo Avenue Barangaroo NSW 2000

Contact person 1	<p>Werther Esposito</p> <p>Country Manager, Australia & New Zealand</p> <p>Enel Green Power Australia</p> <p>Ph: [REDACTED]</p> <p>Email: [REDACTED]</p>
Contact person 2	<p>Con Van Kemenade</p> <p>Head of Regulation</p> <p>Enel Green Power Australia</p> <p>Ph: 03 [REDACTED]</p> <p>Email: [REDACTED]</p>

Further detail on the Applicant can be found in the following attachments:

Attachment 1 : Certificate of registration:

Attachment 2 : Constitution

Confidential Attachment 3: Corporate structure:

3.2 APPLICATION DETAILS

Date	16 September 21
Licence sought	A licence to sell electricity in Victoria
Licence conditions	Enel Energy proposes the licence be restricted so that it excludes sale of electricity to domestic or small business customers within the meaning of section 3 of the Act. This means both any domestic customers and any small business customer whose consumption is less than the 40MWh per annum threshold under the Order in Council made under section 35(3) of the Act.
Timing	Enel Energy proposes to enter contracts 1 November 2021 for first sales in January 2022

4 THE COMMISSION'S OBJECTIVES

Enel Energy will sell electricity to large-scale grid-connected commercial and industrial (C&I) customers, offering competitive solutions with a particular focus on flexible services and technologies linked to renewable energy, energy efficiency, distributed generation and the creation of demand response solutions.

Increasing competition and customer solutions of this kind are consistent with the ESC's objectives set out in section 10 of the Electricity Industry Act and section 8 of the *Essential Services Commission Act 2001* (Vic), particularly with respect to the promotion of competition in Victoria's electricity Energy sector, the maintenance of an efficient Victorian electricity Energy market and the promotion of the long term interests of Victorian electricity consumers having regard to the price, quality and reliability of electricity supply.

With its low-cost energy portfolio and breadth of local and international Energy, trading, demand-side and generation experience, Enel Energy will offer competitive prices for customers in Victoria, competing with incumbents to deliver better outcomes, international best practices and lower cost energy for Victorian businesses.

Enel is one of the largest energy companies globally, with net assets of €63bn and ordinary EBITDA of €17.9bn.¹ As such, having Enel Energy participating in the Victorian electricity supply industry should further support and enhance the financial viability of that industry.

5 FINANCIAL VIABILITY

5.1 STATEMENT OF FINANCIAL VIABILITY

Enel Energy is financially viable and has financial resources and access to further financial resources (through its parent company Enel) sufficient to sustain the business it intends to develop and carry on under its licence to sell electricity in Victoria.

5.2 CURRENT FINANCIAL POSITION

Enel Energy is a newly incorporated company for the purposes of the Enel group's investment into the Victorian energy market, therefore at the time of this application it does not have audited financial reports for previous financial years. Enel Energy will be financially supported by its parent company Enel Spa.

Enel's consolidated financial statements are included in **Confidential Attachment 4**.

A statutory declaration as to there being no relevant changes in structure, operation or financing that could materially affect Enel Energy's financial viability is included in **Attachment 5**.

¹ As at, or for the year ended, 31 December 2019.

5.3 BUSINESS PLAN

Enel Energy's Business Plan, included in **Confidential Attachment 6**, contains information about Enel Energy's sales and marketing strategy, revenue, costs, growth forecasts and estimated funding requirements.

A financial model has been developed based on the Business Plan and is included in **Confidential Attachment 7**.

5.4 CREDIT SUPPORT OBLIGATIONS

Using the forecasts and projections outlined in the Business Plan and financial model, Enel Energy has calculated the ongoing financial support it will require to meet the following credit support obligations:

- (a) the obligations Enel Energy will have under the National Electricity Rules (Rules) to provide credit support to Australian Energy Market Operator Limited (AEMO) in respect of electricity purchased from the National Electricity Market (NEM) for on-sale to its customers; and
- (b) the credit support obligations Enel Energy will have under use of system agreements entered into with Victorian electricity distributors.

Enel Energy has financial resources, and access to further financial resources, to be used for the purposes of and in connection with these obligations.

5.5 RISK MANAGEMENT STRATEGY

EEA has put in place a detailed risk management strategy covering its wholesale, operational and regulatory risks. The strategy includes:

- Risk management policy, detailing EEA's central principles with respect to risk management.
- Risk management procedure, outlining how EEA will identify, analyse and treat risk of varying types.
- Wholesale risk management policy, specifically related to wholesale market exposure.
- Risk register, for tracking all relevant risks.

Throughout the rest of 2021, during the set-up phase, EEA will finalise additional policies/procedures as required, and expand upon the existing risk register.

The policy has been developed in accordance with AS/NZS ISO 31000 and is provided in **Confidential Attachment 8**.

5.6 CREDIT RATING

Enel holds an investment grade long term credit ratings: BBB+ with Standard & Poor's and Fitch and Baa2 with Moody's. Regarding Enel Energy, see **Confidential Attachment 9**.

6 TECHNICAL CAPACITY

Enel Energy has the expertise, knowledge and skills base to operate a viable business selling electricity to large C&I customers in Victoria.

The members of Enel Energy's senior management team combine:

- (a) relevant experience in electricity retailing and dealing with large customers;
- (b) complementary experience in the energy industry particularly in wholesale electricity trading and risk management on a global scale;
- (c) strong backgrounds in businesses focused on customer service; and
- (d) information technology expertise, including running web-based systems.

Team members also have experience working within strict compliance frameworks in the utilities, financial services and accounting sectors, giving them the skills and experience required to operate an electricity Energy business in compliance with applicable laws, regulations, codes and guidelines.

We discuss this technical suitability in more detail in the business plan and CVs of key staff members are included in **Confidential Attachment 10**.

6.1 ORGANISATIONAL STRUCTURE

An organisational structure diagram showing Enel Energy's board, management and other key personnel is included in our Business Plan attached to this document.

6.2 APPROVALS AND AUTHORISATIONS

6.2.1 AEMO REGISTRATION

Enel Energy has begun discussions with AEMO to register as a Customer under section 11(4) of the National Electricity Law and clause 2.3.1 of the Rules. This will allow Enel Energy to purchase electricity in the wholesale market, on behalf of its customers, operated by AEMO for on-sale to customers.

6.2.2 AUSTRACLEAR PARTICIPATION

Enel Energy will use Enel X's existing membership and account with Austraclear for settlement of transactions.

6.2.3 AUSTRALIAN FINANCIAL SERVICES LICENCE

As part of risk management, Enel Energy is likely to enter into electricity derivatives. Enel Energy does not have an Australian financial services licence (**AFSL**), however will be engaging High Street Corporation Pty Ltd (HSC), another Enel group company that does hold an AFSL, to enter into electricity derivatives.

6.2.4 ENERGY AND WATER OMBUDSMAN OF VICTORIA

Enel Energy is a member of EWOV. Correspondence with EWOV is included in **Confidential Attachment 11**

6.3 SUPPLIERS

6.3.1 ELECTRICITY DISTRIBUTORS

Enel Energy will enter into a Use of System agreement with each Victorian electricity distributor once the ESC grants Enel Energy its license to sell electricity. Enel Energy has begun discussions with the Victorian electricity distributors – see **Confidential Attachment 12**. Enel Energy will accept the distributors' standard use of system agreements.

6.3.2 METERING SERVICES PROVIDERS

Enel Energy is close to finalising negotiations with Metering Coordinators (MCs) for provision of services related to the provision, installation and maintenance of meters, as well as management of metering data for input into MSATS and billing. Enel Energy will provide an executed agreement to the ESC prior to its approval of the Application.

6.3.3 RETAIL SERVICES (ACCOUNT ESTABLISHMENT, BILLING AND CUSTOMER MANAGEMENT)

Enel Energy is close to finalising the provision of billing and MSATS services with a third-party agent. We will provide an executed agreement to the ESC prior to its approval of the Application.

Key activities we expect the third-party provider to undertake include:

- **ALL MSATS INTERACTIONS:** includes the creation of accounts, raising NMI transfer requests and service orders, NMI discovery, communicating with the relevant market participants to ensure market processes and network information is kept up to date and appropriate network and other charges are applied.
- **NETWORK SETTLEMENTS:** Calculating transmission and distribution charges and managing payments to network businesses on behalf of customers.
- **METERING AND BILLING:** Working closely with the Metering Coordinator to manage meter and billing data to produce accurate invoices, avoid potential breaches in compliance and minimize customer complaints.

6.3.4 CALL CENTRE

As Enel Energy will be selling to large customers only it does not intend to establish a call centre.

6.3.5 OTHER EXTERNAL PROVIDERS

None over the short term

6.4 CUSTOMERS

6.4.1 CONTRACT TERMS AND CONDITIONS

Because Enel Energy will not be selling electricity to domestic or small business customers, the standing offer obligation under section 35 of the Electricity Industry Act will not apply to Enel Energy. Enel Energy therefore does not need to adopt the model terms and conditions for standard Energy contracts set out in Schedule 1 of the retail Energy Code, nor any other terms and conditions, as the basis for any standing offers.

Enel Energy's Energy contract terms and conditions for the sale of electricity to commercial and industrial customers are included in **Confidential Attachment 13**.

6.4.2 PRIVACY

Enel Energy understands its obligations under the *Privacy Act 1988 (Cth)* (**Privacy Act**) in relation to customers' personal information and sensitive information. Enel Energy has developed a Privacy Policy which is included in **Confidential Attachment 14**. Following the granting of a licence to sell electricity, the Privacy Policy will be available for free download on Enel Energy's website.

6.4.3 BILLING

A sample bill is included at **Confidential Attachment 15**.

6.4.4 HARDSHIP

Because Enel Energy is not seeking to be licensed to sell electricity to domestic customers, and will not sell electricity to domestic customers, Enel Energy is seeking relief from the Commission in respect of the hardship policy related requirements under section 43 of the Act.

6.4.5 COMPLAINTS AND DISPUTE RESOLUTION

Enel Energy has developed a Complaints Handling Procedure for the handling of any customer complaints a copy of which is included in **Confidential Attachment 16**.

6.4.6 DEPARTMENT OF HEALTH & HUMAN SERVICES

Albeit Enel Energy will not be selling electricity to domestic customers, Enel Energy has commenced discussions with the Victorian Department of Health & Human Services about a community services agreement – see **Confidential Attachment 17**.

6.5 INTERNAL CONTROLS, POLICIES AND PROCEDURES

6.5.1 RECRUITMENT

Enel Energy has a non-discriminatory recruitment policy. Staff will be hired based on their experience and ability to provide excellent service to electricity customers.

Enel's wider recruitment policy defines the main principles, tools and criteria to perform the recruiting process with the aim of matching both current and future needs for competencies and expertise while ensuring effectiveness, objectivity, transparency and equal opportunities, defining a standard process for recruiting activities, extended to all categories of workers.

That policy is implemented and applied throughout the Enel group in compliance with any applicable laws, regulations and governance rules, including any stock exchange and unbundling-relevant provisions.

6.5.2 TRAINING

All staff that have contact with Enel Energy's customers undergo a compulsory in-house training program covering the following topics:

- National and Victorian electricity law
- The distinction between domestic and small business customers and other customers.
- Australian Consumer Law
- Privacy and credit reporting
- Complaints and dispute resolution

The training program will be updated on a regular basis to reflect any changes in applicable regulatory requirements or advances in industry best practice.

6.5.3 COMPLIANCE

Enel Energy has an Energy Compliance Policy and a comprehensive Compliance Obligations Register covering the obligations Enel Energy will need to comply with under Victorian electricity laws, regulations and codes – see **Confidential Attachment 18** and **Confidential Attachment 19**

The Compliance Policy and register collectively provide the framework that will ensure Enel Energy complies with its obligations at all times.

Enel Energy's contracts with service providers will require the service providers to comply, and to ensure that Enel Energy will comply, with Victorian electricity laws, to the extent those laws apply to Enel Energy and to or in respect of the services provided.

6.5.4 COMPLIANCE OFFICER AND TEAM

Enel Energy's management team has a long history of operating customer-focused businesses in highly regulated sectors, in which a correspondingly high level of compliance awareness and management is necessary.

EGP's head of Regulation and his team will initially perform compliance responsibilities for Enel Energy, with a full time Compliance Officer to be appointed by the end of 2021. This will include management of the Compliance Obligations Register and ensuring all retail activities conform with applicable laws, regulations, codes and guidelines. The regulatory team will also be responsible for preparing and submitting compliance reports to the Commission as required, and will work with external legal advisors to ensure full compliance with all relevant obligations on an ongoing basis.

6.5.5 RISK MANAGEMENT

See section 4.5

6.5.6 PRIVACY

See section 5.6.3

6.5.7 DOCUMENT RETENTION

All customer documentation will be securely stored for a period of at least seven years.

6.5.8 ENEL ENERGY WEBSITE

Enel Energy is currently developing its website.

7 SUITABILITY

7.1 CAPACITY TO OPERATE AN ELECTRICITY ENERGY BUSINESS

Enel Energy's directors and senior management team have significant experience in electricity retailing and in the energy industry particularly in wholesale electricity trading and risk management, as well as complementary experience in similar industries and Energy businesses. Enel Energy has already developed a suite of policies and procedures to underpin its business activities as an electricity retailer. This experience and those resources give Enel Energy the capacity to operate a compliant electricity Energy business.

7.2 CAPACITY TO COMPLY WITH ELECTRICITY REGULATORY REQUIREMENTS

Enel Energy has adopted and will implement relevant compliance policies and procedures, including those provided in the attachments.

See sections 5.7.3 and 5.7.4

7.3 CAPACITY TO MANAGE RISKS

With the expertise within Enel Energy's senior management team, and with its Risk Management Framework, Enel Energy has the capacity to manage the risks it will face in operating an electricity Energy business.

7.4 PREVIOUS APPLICATIONS AND OTHER LICENCES

While Enel Energy, its directors and associated entities have not previously applied for a licence to sell electricity in Victoria or any other jurisdiction in Australia, it has deep experience in dealing with large customers through its Enel X business as well as global experience in retail energy markets around the world, and will draw on this experience, to support the local business.

Table 3: Retail customers by country

Country	Retail Customers (million)
Italy	27.6

Spain	12.3
Romania	3.1
Brazil	17.9
Columbia	3.5
Argentina	2.5
Chili	2

7.5 OUTSTANDING PROCEEDINGS

Enel Energy and its directors have no outstanding legal proceedings or regulatory complaints. Given the breadth of the Enel group, there may be legal proceedings or regulatory complaints involving associated entities of Enel Energy, but none of those will have any impact on Enel Energy or its business.

7.6 STANDING OF DIRECTORS AND MANAGEMENT TEAM

None of Enel Energy's directors or management team have been disqualified or suspended from managing companies or declared bankrupt.

7.7 FIT AND PROPER PERSON.

<p>Have any directors of the applicant or of any entity that can exert control over the applicant:</p> <p>(a) been declared bankrupt</p> <p>(b) had their affairs placed under administration</p> <p>(c) been disqualified from managing a company</p>	No
<p>Have any directors of the applicant, directors of any entity that can exert control over the applicant or any person with significant managerial responsibility or influence on the applicant been subject to:</p> <p>(m) any debt judgments</p>	No

(n) insolvency proceedings (including any administration, liquidation or receivership in connection with the affairs of a company)?	
Have any directors of the applicant, directors of any entity that can exert control over the applicant or any person with significant managerial responsibility or influence on the applicant been charged with fraud, theft or any other criminal offence?	No
Has the applicant, any directors of the applicant, any related body corporate, or any person with significant managerial responsibility or influence on the applicant been involved in any material breaches of obligations regulated by the Essential Services Commission?	No
Has the applicant, any directors of the applicant, directors of any entity that can exert control over the applicant or any person with significant managerial responsibility or influence on the applicant been prosecuted for any offences or had any enforcement action taken under any state, territory, Commonwealth or foreign legislation (including, but limited to, the Competition and Consumer Act 2010 (Cth), Corporations Act 2001 (Cth), or the Australian Securities and Investments Commission Act 2001 (Cth))?	No
Has the applicant, any related body corporate or any person with significant managerial responsibility or influence on the applicant, been refused a license or authorisation, or had restricted, suspended or revoked any such license?	No

8 STATUTORY DECLARATION

A statutory declaration in relation to the accuracy and completeness of all information provided in this application is included in **Attachment 20**.

9 ATTACHMENTS

No.	Title	Commercial in confidence
1.	Certificate of registration	No
2.	Constitution	No
3.	Corporate structure	Yes
4.	Enel Spa consolidated financial statements	No
5.	Statutory declaration as to changes in structure etc.	No
6.	Business plan	Yes
7.	Financial model	Yes
8.	Wholesale Energy Risk Management Policy	Yes
9.	Credit rating	Yes
10.	Directors' and management team curricula vitae	Yes
11.	Correspondence with EWOV	Yes
12.	Correspondence with electricity distributors	Yes
13.	Example Retail Supply Agreement	Yes
14.	Privacy Policy	Yes
15.	Sample bill	Yes
16.	Complaints Handling Procedure	Yes

17.	Correspondence with Department of Health & Human Services	Yes
18.	Energy Compliance Policy	Yes
19.	Compliance Obligations Register	Yes
20.	Statutory declaration: accuracy and completeness of information	No