



Application for a Victorian Gas Retail Licence

Version 2.0

13 May 2019

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1. Information on the Applicant

1.1 Introduction

In accordance with the Guidance Notes for Applications for Gas Licences and the Transfer of Existing Gas Licences released in October 2006 by the Essential Services Commission, Tango Energy wishes to apply for a licence to retail gas in Victoria.

Tango Energy is currently an active electricity retailer across the National Electricity Market with a focus on residential and small business electricity consumers in Victoria.

1.2 General information

Legal Name: Tango Energy Pty Ltd

ABN: 43 155 908 839

Registered Address: Level 13, 700 Collins St Docklands 3008

Date of Incorporation: 24 February 2012

Postal Address: Level 13, 700 Collins St Docklands 3008

Contact Person: **Gus Poh, Legal, Regulatory and Compliance Manager**

1.3 Ownership

Tango Energy is a wholly owned subsidiary of Pacific Hydro Pty Ltd (Pacific Hydro). Pacific Hydro is an independent owner, operator and developer of wind and hydro renewable energy assets. The company has a portfolio of 19 operating assets with an installed capacity of around 1GW across Chile, Australia and Brazil.

Pacific Hydro has been developing and operating power plants since the early 1990's. Pacific Hydro entities hold a number of existing generation and retail licences in the Victorian market.

1.4 Incorporation details

The Tango Energy Certificate of Registration is provided at attachment 1. Tango Energy's Certificate of Registration of Change of Name is provided at attachment 2.

1.5 Corporate structure

Tango Energy is a wholly owned subsidiary of Pacific Hydro Pty Ltd, which in turn is a wholly owned subsidiary of State Power Investment Corporation (SPIC).

Based in China, SPIC is a large state-owned enterprise under the administration of the Central Government with total assets of \$113 billion and total installed capacity exceeding 100GW.

SPIC has a presence in 35 countries and regions, and employs around 140,000 staff.

A confidential corporate structure of Pacific Hydro and Tango Energy is provided at attachment 3.

2. Information on the Application

2.1 Type of licence sought

Tango Energy is seeking a licence to retail gas in the State of Victoria.

2.2 Date from which licence is sought

Tango is seeking the licence from 1 September 2019.

2.3 Nature and scope of operations for which the licence is sought

Tango Energy intends to complement and leverage its current Victorian electricity retail business operations to enable the selling of gas to small customers in Victoria.

2.4 Details of current or former licences held in this and/or other jurisdictions

Tango Energy currently has a licence to retail electricity in the State of Victoria and a national authorisation to retail electricity in other NEM jurisdictions. These licences are provided at attachment 4 and attachment 5.

2.5 Licences held by associates of the applicant

Tango Energy's parent company Pacific Hydro currently holds these generation licences in Victoria:

- Pacific Hydro Yaloak South Pty Ltd – Electricity Generation Licence;
- Pacific Hydro Challicum Hills Pty Ltd – Electricity Generation Licence;
- Pacific Hydro Challicum Hills Pty Ltd – Electricity Generation Licence; and
- Pacific Hydro Investments Pty Ltd – Electricity Generation Licence

2.6 Licence Conditions

Tango Energy does not propose any specific licence conditions to apply to its Gas Licence.

3. Other Information on the Applicant

3.1 Experience of key personnel, the applicant and related parties

Tango Energy, in conjunction with its parent company Pacific Hydro, has extensive experience throughout the electricity supply chain. Both the Board and Senior Management have had significant involvement in infrastructure development and management in conjunction with exposure to operating in the wholesale and financial aspects of the electricity industry. Tango Energy has been retailing electricity since 2012 across all mainland jurisdictions in the National Electricity Market and has transitioned its focus in recent years towards small use electricity customers.

It is Tango Energy's intention to leverage this existing experience and knowledge in order to expand its operations into the Victorian gas retail market.

3.2 Details of the broad nature of proposed participation in the Victoria gas industry

Tango Energy's initial strategy in the Victorian Gas Industry is to cross-sell to electricity customers. Tango Energy has forecast relatively small numbers in the initial period following market entry, with customer numbers increasing as the Tango Brand increases its penetration in the retail market for gas and electricity.

4. Commission's Objectives

4.1 Overview

Tango Energy believes that the granting to it of a gas retail licence in the Victorian Market is likely to increase competition in energy markets and provide a greater level of choice for consumers in the market. It will also support future investment in the Victorian energy sector to provide longer term benefits to Victorian consumers.

4.2 Promoting the long term interests of Victorian consumers

Tango Energy is the current retail arm of Pacific Hydro Pty Ltd. Pacific Hydro has undertaken significant investment in the area of generation with an exclusive focus on renewable energy. The

development of active gas and electricity retail businesses will continue to support the future investment from Pacific Hydro in the generation area.

Tango Energy has a proven record in providing simple, easy to understand and competitively priced products in the Victorian electricity market. Tango intends to extend this philosophy to its expansion into the Victorian gas market. As the retail market continues to evolve how it engages with consumers, Tango Energy believes that it has provided customers with a genuine alternative to the offerings of its competition and intends to provide an alternative for gas customers in the Victorian Market.

4.3 Price, quality and reliability of essential services

Tango Energy's current strategy in the Victorian Market is to compete aggressively on price while continuing to provide a high level of customer service.

Tango Energy has committed to an office in the Geelong region with an ultimate capacity of around 80 full time employees. It is the strategy of Tango Energy to utilise its presence in Geelong to grow the business, create employment opportunities and support the local community. Tango Energy's strategy is likely to ensure that not only do customers benefit from the past and future investment of Tango's parent company Pacific Hydro, but that customers continue to enjoy a high level of service quality due to the commitment to regional Victoria from Tango Energy.

5. Information on Financial Viability

5.1 Business Plan - 5 year

Please see confidential attachment 6

5.2 Detailed financial model projecting expected cash flow

Please see confidential attachment 7.

5.3 Documentation to substantiate the reasonableness of the business plan

Please see confidential attachment 8 that details Tango Energy's forward strategy for market entry.

5.4 Current balance sheet

Please see confidential attachment 9 that details the Pacific Hydro's group financial position.

6. Information on Technical Capacity

6.1 Contracts, including customer and supply contracts and outsourcing arrangements

Tango Energy currently employs around 85 Full Time Equivalent employees to manage all operational aspects of the Tango Energy business. Tango energy also has external arrangements with external sales channels for both sales and operational requirements.

Tango Energy has prepared terms and conditions for its gas market retail contract. This can be found at confidential attachment 10. Tango Energy will also prepare a model standard terms and conditions for gas customers as required by the Victorian Energy Retail Code.

Tango Energy has also prepared a welcome pack that will be provided to customers who sign-up to Tango Energy as their gas retailer. Included in this Pack is an Energy Price Fact Sheet prepared in accordance with Division 2A of the Energy Retail Code. This is provided at confidential attachment 11. Tango Energy acknowledges that the requirements concerning Energy Price Fact Sheets will change on 1 July 2019 and is undertaking work to ensure compliance with the Retail Markets Review Implementation 2018.

6.2 Evidence of EWOV membership

Tango Energy is currently a member of the Energy and Water Ombudsman of Victoria and actively participates as a member of the Board. Please find evidence of Tango Energy's EWOV membership at attachment 12.

6.3 Energy Safe Victoria

Tango Energy has engaged with Energy Safe Victoria as to the requirements around a Gas Safety Case. These initial steps in relation to a gas safety case include:

- A discussion around next steps with Energy Safe Victoria around the gas safety case;
- The development of a program with relevant managers in regards to responsibilities;
- The development of policies and procedures relevant to a gas safety case; and
- The preparation of a draft gas safety case.

6.4 Internal policies and procedures

Tango Energy has a number of existing policies and processes that are utilised in the retailing of electricity services. These policies/processes include:

Operational processes/policies

- **Hardship/Payment Difficulties** – Tango Energy has formulated a payment difficulties framework to assist customers who are unable to keep up with their payments. This policy is available to all customers via the Tango Energy website and is referred to in communications to customers as required. Tango Energy's hardship policy (which has applied from 1 January 2019) is attached at attachment 13.

Tango Energy's staff are trained to identify customers who may be experiencing payment difficulties.

- **Life Support** – Tango Energy has a life support policy and procedure to ensure that customers that notify Tango Energy of the presence of life support equipment are afforded the protections available under the Victorian Energy Retail Code.
- **Disconnection Policy** – Tango Energy currently has a disconnection policy and procedure which has been updated for the disconnection for payment difficulties framework. This policy is provided at attachment 14.

Compliance

- **Compliance Framework and Compliance Risk Management**

The Tango Energy business has a compliance framework and obligations register that is maintained and updated to ensure ongoing compliance with all legislative and licence obligations. A copy of the Tango Energy Compliance Framework can be found at attachment 15.

Recruitment

- **Internal Recruitment Policy and Procedure**

Tango Energy, through its parent company Pacific Hydro maintains a recruitment policy to ensure that all staff employed within the business is subject to the necessary pre-employment checks. This procedure is at confidential attachment 16. The Pacific Hydro Equal Opportunity Policy is at confidential attachment 17.

Training

Tango Energy operates an internal training program for all staff. Tango Energy also employs a qualified dedicated trainer who runs and/or coordinates staff training. Tango Energy has a staff training program that includes an extensive induction program, in addition to regular scheduled training across mandatory modules. Tango Energy also provides training on an ad-hoc basis as needs/issues arise. This involves the use of both internal and external resources to provide the training required.

Staff Induction is inclusive of:

- **Overview of the Energy Market**

- Retail Operations Overview
- Contracts/Market Terms and Conditions
- Billing System/Internal System Overview
- Privacy
- Customer Service and Handling
- Hardship/payment difficulties
- Product Training

Ongoing training includes

- Hardship/Payments Difficulties Training
- Complaints
- Competition and Consumer Law
- Product Update
- External – Compliant/Ombudsman training
- Development Opportunities

6.5 Risk management policies

Tango Energy utilises the Risk Management policies of its parent company Pacific Hydro where required.

The Pacific Hydro Risk Management Policy is at confidential attachment 18. The Pacific Hydro Wholesale Energy Risk Management Policy is at confidential attachment 19.

6.6 Governance policies

Tango Energy reports to the Pacific Hydro Board which in turn reports to the SPIC International board.

6.7 Australian Financial Services Licence

Pacific Hydro AFSL Pty Ltd is the current holder of the Australian Financial Services Licence within the Pacific Hydro business. Tango Energy will be utilising this licence to operate within the wholesale market and financial interactions with the market. Pacific Hydro AFSL Pty Ltd's Australian Financial Services Licence is at confidential attachment 20. Pacific Hydro's wholesale trading Austraclear registration is at confidential attachment 21.

6.8 Billing and management Systems

Tango Energy currently uses an established billing system that is successfully implemented at various Australian electricity and gas retailers to manage accounts and provide billing functionality. Tango Energy anticipates utilising its existing billing system and its current contractual arrangements to bill and manage gas customers. A sample gas bill is provided at confidential attachment 22. A copy of the Master Services Agreement with the billing vendor is provided at confidential attachment 23.

6.9 Complaints register and procedures

Tango Energy has a current complaints policy/procedure that has been prepared in accordance with Standards Australia ISO 10002-2006 Customer Satisfaction – Guidelines for Complaints Handling in Organisations. Please see attachment 24.

Tango Energy maintains a complaints register that is used to log and record complaints, in addition to using the register for root cause analysis and breach remediation. Please see confidential attachment 254.

6.10 Privacy statements

The Tango Energy Privacy Policy is attached at attachment 26. The policy was updated in January 2018 as a result of changes to the *Privacy Act 1988*.

Tango Energy's credit reporting policy is attached at attachment 27.

Both of these documents are publically available on the Tango Energy website.

6.11 Credit management strategy

Tango Energy has a credit management strategy which is designed to help manage debt collection and recovery as well as providing customers assistance and support in paying their account and/or any future consumption to avoid incurring larger debt balances or causing financial difficulties to customers.

6.12 Document retention policies

Tango Energy utilises Pacific Hydro's Information and Records Management Policy. This policy is at attachment 28. This policy is used in conjunction with the following Pacific Hydro IT policies.

- IT Acceptable Use Policy (attachment 29)
- Internet and Email Policy (attachment 30)
- Password Policy (attachment 31)

7. Information in support of a gas retail licence application

7.1 Details of experience in and knowledge of the gas industry

Details of Tango Energy's key personnel and their relevant experience are outlined in attachment 32.

7.2 Evidence that the applicant has the capacity to comply with licence conditions

Tango Energy has been an active electricity retailer in the Victorian market for over four years. Tango Energy has undergone significant growth during that period. Accompanying that growth has been Tango Energy's increased responsibility to ensure that all licence obligations are complied with.

Following the granting of Tango Energy's gas licence, applications will be made to AEMO to become registered under sections 91BJ and 91LB of the National Gas (Victoria) Gas Law. This will allow Tango Energy to participate in both the Declared Wholesale Gas Market and the Victorian Retail Gas Market. Each of these registrations is contingent upon Tango having a retail gas licence in Victoria.

7.3 Statement confirming arrangements with relevant gas distribution businesses

Tango Energy has approached both major gas distribution businesses in Victoria in order to ensure that the appropriate access arrangements can be executed. Following granting of the gas retail licence, Tango Energy will then proceed:

- To complete the Use of System request, which has already been obtained from the distribution businesses;
- To undergo the relevant credit checks and to establish settlements arrangements with the distribution businesses; and
- To ensure that the terms and conditions of the current access arrangements can be adequately met

7.4 Third party arrangements

Tango Energy utilises third party arrangements for the following activities:

- Third party sales activities
- Inbound customer overflow
- Billing System Master Services Agreement including billing system IT support.

7.5 Assurance of financial resources

Tango Energy has a financial commitment from its Board and parent company to support the leveraging of the existing electricity customer base to grow a gas customer base by cross selling. Tango Energy's initial plan is to target organic growth in the residential and small and medium

enterprise segment. Given that Tango Energy has invested significantly in its capability to operate as an electricity retailer, Tango will use this previous investment as a basis for its expansion into the Victorian gas market.

7.6 Customer account establishment and management

Tango Energy intends to leverage its existing billing system, sign-up process and account establishment. Tango Energy will continue to utilise its existing account establishment processes and systems to on-board customers. Tango Energy has an existing customer online portal and will leverage this system to on-board customers.

The Master Services Agreement with the billing provider is provided at attachment 23.

7.7 Customer service provision

Tango Energy currently has operational staff across two sites in Geelong and Melbourne. Tango Energy will utilise its current operational capabilities, including front-of-house and back-of-house operations, to operate its gas retail business and serve its gas customers.

7.8 Billing and collection

Tango Energy intends to leverage its existing billing platform to bill its gas customers and will build upon existing arrangements and payment methods for customers.

7.9 Details of any regulatory complaints commenced against related parties

Please see confidential attachment 33.

8. List of attachments

Attachment Number	Document Name	Commercial in Confidence
1	Certificate of Registration	Yes
2	Certificate of Name Change	Yes
3	Organisational Structure	Yes
4	Current Victorian Licence	No
5	Current National Authorisation	No
6	Business Plan – 5 years	Yes
7	Detailed Financial Modelling – Cash Flow	Yes
8	Board Strategy Presentation	Yes
9	Current Balance Sheet	Yes
10	Market Contract Terms and Conditions	Yes
11	Energy Price Fact Sheet Gas	Yes
12	EWOV Membership	No
13	Tango Energy Hardship Policy	No
14	Disconnection Policy	Yes
15	Compliance Management Policy	Yes
16	Pacific Hydro Recruitment Policy	Yes
17	Equal Opportunity Policy	Yes
18	Pacific Hydro Risk Management Policy	Yes
19	Pacific Hydro Wholesale Energy Risk Management Policy	Yes
20	Australian Financial Services Licence	Yes
21	Austraclear	Yes
22	Sample Gas Bill	Yes
23	Agility Master Services Agreement	Yes
24	Complaints Policy	No
25	Complaints Register	Yes
26	Privacy Policy	No
27	Credit Reporting Policy	No
28	Pacific Hydro Information and Records Policy	Yes
29	IT Acceptable Use Policy	Yes
30	Internet and Email Policy	Yes
31	Password Policy	Yes
32	Key Persons and Experience	Yes

33	Details of any prosecutions or regulatory complaints commenced against the applicant	Yes
34	Statutory Declaration – Accuracy and completeness of information	Yes