



ERM POWER RETAIL PTY LTD

Application for a Gas Retailer Authorisation

To:

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Retail Markets Branch

Australian Energy Regulator

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1. Introduction

ERM Power Retail Pty Ltd submits this documentation to the Australian Energy Regulator as an application for a national Gas Retailer Authorisation.

Section 2 onwards is structured in response to the specific information requirements defined in the document published by the AER entitled, "Retailer Authorisation Guideline (July 2011)".

Further information on our business can be obtained on our website, www.ermpower.com.au.

1.1 Background

ERM Power Limited ("ERM Power") is a publicly listed company registered on the Australian Securities Exchange. Founded in 1980 as a specialist energy advisory firm, ERM Power has grown into an energy company which operates electricity sales, generation and gas exploration and procurement businesses in Australia.

ERM Power's electricity retail sales business, ERM Power Retail Pty Ltd ("ERM Power Retail"), was established in 2007. ERM Power Retail is a 100% wholly owned subsidiary of ERM Power.

ERM Power Retail is a licenced electricity retailer in all the states and territories of Australia (Queensland, New South Wales, the Australian Capital Territory, Victoria, Tasmania, South Australia, Northern Territory and Western Australia).

ERM Power Retail is a niche retailer who contracts with large commercial and industrial customers. We currently supply to over 7,000 customer meters. Our customers operate in a wide range of industries including manufacturing, mining, education, healthcare, infrastructure, retailing, government and consumer staples.

We have the proven ability to provide large commercial and industrial energy users with tailored energy solutions. This is achieved primarily through our customer-centric focus, working with customers to deliver a product specifically designed to meet their needs.

With highly established capabilities in electricity, ERM Power Retail now intends to expand its service offering by becoming a dual fuel retailer, adding gas to its capability set.

We intend to retail to the large customer market (those who consume above 1 TJ per annum). Our plan is to focus on retailing in the eastern state markets (New South Wales, ACT, Victoria and Queensland), and we may consider other regions in the future.

1.2 Our People

ERM Power's people are working from the ground up to meet Australia's growing demand for cleaner, greener, gas-fired energy.

Our performance, growth and success are the result of our strategy to invest in skilled and talented employees who are experts in the energy market. ERM Power has about 120 employees who are located in Queensland, New South Wales, Victoria, Tasmania and Western Australia. Investing in people of the highest calibre means that ERM Power is able to move quickly and intelligently to seize opportunities and add value for our customers and shareholders.

Many of ERM Power's staff are also our shareholders.

At ERM Power we pride ourselves on having built a company that consistently delivers, while helping preserve the environment and our communities for future generations.

1.3 Our Customers

Independent survey “Utility Market Intelligence”, conducted by independent research firm NTF Group in November 2011 (16th year of the survey), found ERM Power Retail to be the leading business retailer in the NEM, as assessed by customers in several key categories. The research was based on a survey of 597 business electricity customers, including approximately 100 from each of six major participating electricity retailers. A copy of the results of this research is provided in Appendix 1.

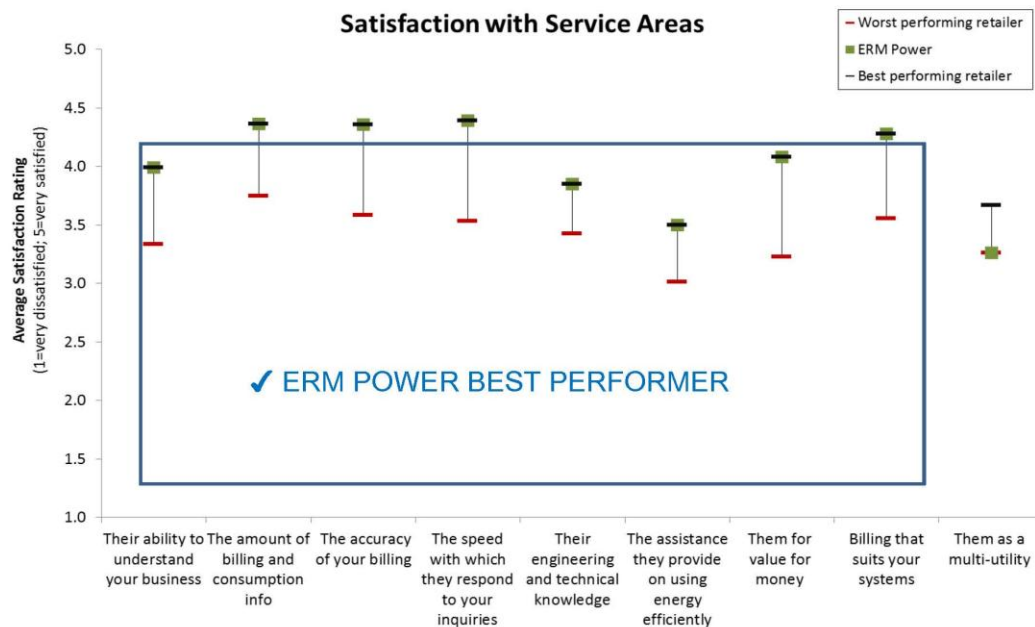
The survey found the following –

- ERM Power Retail has the highest proportion of satisfied customers compared to all other business retailers included in this study.
- ERM Power Retail dominates all other business retailers in terms of customer satisfaction with billing (with 93% of existing customers indicating that they are satisfied or very satisfied with ERM’s existing billing service, a higher proportion than all the other retailers surveyed).
- ERM Power Retail has the highest proportion of customers satisfied with their Account Management.
- ERM Power Retail has the highest customer satisfaction with information provision and technical advice.

The slide below shows a summary of customer satisfaction in several specific key service areas.

umi Utility Market Intelligence Satisfaction with Service Areas

ERM Power was the best performing retailer in all areas except being a multi-utility.



It can be seen that ERM Power Retail is assessed by customers to be the best performing business retailer in all service areas, with the exception of being a multi-utility. In response to this result, ERM Power Retail is expanding its capabilities to become a multi-utility, positioning itself to be able to offer its customers both gas and electricity solutions. We are committed to providing our future gas customers the same level of service excellence as we have demonstrated in the area of electricity.

1.4 Our Board of Directors

ERM Power's board of directors comprises a Non-Executive Chairman, a Non-Executive Deputy Chairman, three Non-Executive Directors and a Managing Director. ERM Power Retail has a Board comprising the members of the ERM Power Board and the Chief Executive Officer of ERM Power Retail as a Director. Our Board members are:

Our Board members are:

	ERM Power Retail Pty Ltd	ERM Power Limited
Anthony (Tony) Bellas	Non-Executive Director	Non-Executive Chairman
Trevor St Baker	Non-Executive Director	Non-Executive Deputy Chairman and Founder
Martin Greenberg	Non-Executive Director	Non-Executive Director
Brett Heading	Non-Executive Director	Non-Executive Director
Antonino (Tony) Iannello	Non-Executive Director	Non-Executive Director
Philip St Baker	Chairman	Managing Director and CEO
William Mitchell Anderson	Director and CEO	

The role of the Board is to represent the shareholders and to promote and protect the interests of the company.

Profiles of our Directors are provided below.

Anthony (Tony) Bellas – Non-Executive Chairman of ERM Power Limited, Non-Executive Director of ERM Power Retail Pty Ltd

MBA, BEc, DipEd, CPA, FAIM, MAICD

Tony joined ERM Power as a Non-Executive Director in October 2009, bringing to the business almost 25 years' policy and operational experience within the energy industry. He was appointed Non-Executive Chairman in October 2011.

Tony was previously CEO of the Seymour Group, one of Queensland's largest private investment and development companies. Prior to joining the Seymour Group, Tony held the position of CEO of Ergon Energy, a Queensland Government-owned corporation involved in electricity distribution and retailing in Queensland. Before that, Tony was CEO of CS Energy, also a Queensland Government-owned corporation and the State's largest electricity generation company, operating over 3,500

MW of gas-fired and coal-fired plant at four locations in Queensland.

Tony also had a long career with Queensland Treasury, reaching the position of Deputy Under Treasurer, where he had oversight of a number of related Queensland Treasury operations. In 2000, as an Assistant Under Treasurer, he was responsible for the Industry and Energy Division of Queensland Treasury and was heavily involved in formulating the State Government's energy strategy.

Tony has an MBA from Queensland University of Technology, and a Bachelor of Economics and a Diploma in Education from the University of Queensland. He is a Fellow of the Australian Institute of Management, and a Member of the Australian Institute of Company Directors and CPA Australia.

Other ERM Power responsibilities:

Chairman of the Nominations Committee, member of the Audit and Risk Committee, and a member of the Remuneration Committee

Other appointments:

- Non-executive Chairman of Corporate Travel Management Ltd
- Non-executive Deputy Chairman of Guildford Coal Ltd
- Director of Australian Water Queensland Pty Ltd
- Non-executive Director of Watpac Limited until October 2010

Trevor St Baker – Non-Executive Deputy Chairman and Founder of ERM Power Limited, Non-executive Director of ERM Power Retail Pty Ltd

BEng, BA, MAICD, FAusIMM, FIEAust, FAIE

Trevor St Baker founded ERM Power in 1980 as a development company, Energy Resource Managers Pty Ltd, and energy consulting practice, ERM Consultants, consulting to major energy and resource companies on energy development planning; including the undertaking of a number of Australian Aid projects in the energy sector internationally on behalf of the Australian Government.

Trevor has more than 50 years' national and international energy industry experience, beginning his career as a cadet engineer with the Electricity Commission of New South Wales in 1957, before establishing Queensland's first Generation Planning Department for the Southern Electric Authority of Queensland in the early 1970s. He later worked to establish the Resources Division of the State Electricity Commission of Queensland, managing the deregulation of power station coal procurement in Queensland and negotiating coal supply contracts for Queensland power stations up to 1980.

Trevor was Executive Chairman of ERM Power from January 2000, until he was appointed Non-Executive Chairman in June 2009. In October 2011 he became a Non-Executive Director, but continued to provide mentoring and strategic planning assistance to senior executives of the company.

Trevor holds a Bachelor of Engineering degree from the University of NSW and a Bachelor of Arts degree (major in Economics and Psychology) from the University of Sydney. He is also a graduate of the Australian Administrative Staff College of Mt Eliza in Victoria.

Trevor is a member of the Australian Institute of Company Directors. He is a Fellow of Engineers Australia, the Australian Institute of Energy and The Australasian Institute of Mining & Metallurgy.

Other ERM Power responsibilities:

- Member of Audit and Risk Committee and the Nomination Committee
- Chairman of NewGen Neerabup Pty Ltd
- Non-executive Director of ERM Power Developments Pty Ltd
- Non-Executive Director of Oakey Power Holdings Pty Ltd, ERM Power Retail Pty Ltd and ERM Gas Pty Ltd
- Director of ERM Oakey Power Pty Ltd

Other appointments:

- Chairman of National Generators' Forum
- Chairman of Master Electricians Australia Limited
- Chairman of St Baker Wilkes Indigenous Educational Foundation Limited
- Director of the Queensland Resources Council

Martin Greenberg - Non-Executive Director of ERM Power Limited and ERM Power Retail Pty Ltd

BBus, DipCom, FCPA, JP

Martin was appointed as a Non-Executive Director in October 2006, bringing to ERM Power his strong finance credentials and over 35 years of business experience.

Martin is currently the Managing Director of Apollan Investments Group, a Sydney-based company specialising in venture capital, corporate finance, securities, and general investment. He is also the Chairman of Liquid Capital Management (Australasia) Pty Ltd and an external member of CSIRO Commercial Executive Committee.

From 1986 to 1999, Martin was a Director of Babcock & Brown, an international investment bank. Prior to this he was a director of Morgan Grenfell Australia Limited and before that a Senior Vice President with Security Pacific Group in London. Martin has been a director of several public companies in Australia and New Zealand, and has an extensive range of national and international contacts and experience, accumulated over the past 35 years.

Martin holds a Bachelor of Business degree and a Diploma of Commerce from the University of Technology, Sydney. He is a Fellow CPA and a Justice of the Peace.

Other ERM Power responsibilities:

- Chairman of the Audit and Risk Committee
- Member of the Remuneration Committee and Nominations Committee
- Non-executive Director of ERM Power Developments Pty Ltd

Other appointments:

- Chairman AiMedics Pty Ltd
- Chairman of Selector Funds Management Ltd

Antonino (Tony) Iannello - Non-Executive Director of ERM Power Limited and ERM Power Retail Pty Ltd

BCom, FCPA, FAICD, SFFSIA, Harvard Business School Advanced Management Program

Tony joined ERM Power as a Non-Executive Director in July 2010, bringing to the business more

than 30 years' banking and energy experience.

Prior to embarking on a career as a non-executive director, Tony was Managing Director of Western Power Corporation until its separation into four separate businesses. Previously he held a number of senior executive positions at BankWest.

Tony holds a Bachelor of Commerce degree from the University of Western Australia. He is a Fellow CPA, a Fellow of the Australian Institute of Company Directors, a Senior Fellow of the Financial Services Institute of Australasia and a graduate of the Harvard Business School Advanced Management Program.

Other ERM Power responsibilities:

- Chairman of the Remuneration Committee
- Member of Audit and Risk Committee and the Nominations Committee

Other appointments:

- Chairman of HBF Health Ltd
- Chairman of the MG Kailis Group
- Chairman of Energia Minerals Ltd
- Chairman of Intium Energy Ltd
- Director of SP Ausnet

Brett Heading – Non-Executive Director of ERM Power Limited and ERM Power Retail Pty Ltd

BCom, LLB (Hons), FAICD

Brett joined ERM Power as a Non-Executive Director in October 2010, bringing extensive experience as a corporate lawyer and company director.

Brett has specialised in corporate law for 25 years, including mergers and acquisitions, capital raising, ASX listings and advising boards of listed and unlisted public companies and government-owned corporations. He has been a partner of McCullough Robertson Lawyers since 1985 and was appointed chairman of partners in 2004.

Brett has been a director of a number of listed and unlisted companies. He has also held roles on Federal Government boards, having been a longstanding member of the Takeovers Panel (1998 to 2009) and the Board of Taxation (2000 to 2009).

Brett holds a Bachelor of Commerce and a Bachelor of Laws (Hons) from the University of Queensland. He is a Fellow of the Australian Institute of Company Directors.

Other ERM Power responsibilities:

- Member of the Remuneration Committee

Other appointments:

- Chairman of Trinity Limited
- Director of Wilson HTM Charities Limited

Philip St Baker - Managing Director and CEO of ERM Power Limited, Chairman of ERM Power Retail Pty Ltd

BEng, MAICD

Phil commenced with ERM Power in September 2005 and was appointed Managing Director and

CEO in July 2006.

Since then, Phil has leveraged his extensive experience to transform ERM Power from an emerging power development company into an integrated energy company which operates electricity sales, generation and gas procurement businesses.

Phil has over 20 years of diversified international experience in the resources and energy industry including exploration, mining, processing, smelting, refining, power and gas.

Prior to joining ERM Power, Phil had a 15 year career with BHP, where he progressed to the role of Global Maintenance Manager, supporting BHP's 100+ businesses worldwide. For five years, Phil led an international team tasked with facilitating operational business improvement across the entire company.

Prior roles also include Vice President of Queensland Nickel QNI and CEO of NewGen Power.

Phil holds a Bachelor of Engineering (Mechanical) from the Queensland University of Technology and is a member of the Australian Institute of Company Directors.

Other ERM Power responsibilities:

- Chairman of the Health, Safety, Environment and Sustainability Committee
- Chairman of ERM Power Retail Pty Ltd
- Chairman of ERM Gas Pty Ltd
- Chairman of ERM Power Developments Pty Ltd
- Chairman of Oakey Power Holdings Pty Ltd

William Mitchell Anderson – Chief Executive Officer and Director of ERM Power Retail Pty Ltd

Mitch is the CEO and a Director of ERM Power Retail. Mitch joined ERM Power in April 2007 and has been responsible for the development and management of ERM Power's electricity sales business.

Mitch has almost 20 years' experience in energy retailing and trading. His roles have ranged from financial analysis to risk management, trading, retail operations, and sales. Mitch is a former General Manager both in operations and sales for Ergon Energy and Contact Energy. In addition, he has held business development, risk and corporate mergers, and acquisitions roles for companies in New Zealand and the United States.

Mitch holds a Masters in Business Administration from the University of Southern California and a Bachelor of Science from California State University. Mitch is an AFMA Accredited Individual and a Responsible Manager for the Australian Financial Services License.

1.5 Public Interest

Our entry into the retail gas markets will improve competition and provide greater choice to gas consumers in Australia.

These outcomes are consistent with the objectives of the National Energy Retail Law (Division 3(13)) which is to *“promote efficient investment in, and efficient operation and use of, energy services for the long term interests of consumers of energy with respect to price, quality, safety, reliability and security of supply of energy.”*

ERM Power Retail is in a strong position to provide competitive energy solutions to its customers and deliver industry leading customer service.

2. General Particulars

Requirement	Detail
1. Legal name	ERM Power Retail Pty Ltd Refer to Appendices 2 and 6 – 1. ERM Power Retail Certificate of Registration (Appendix 2) 2. ERM Power Retail ASIC extract (Appendix 6)
2. Trading name	ERM Power Retail Pty Ltd
3. ABN	87 126 175 460 (ACN 126 175 460)
4. Registered address for correspondence	Riverside Centre, Level 5 123 Eagle Street Brisbane QLD 4000
5. Nominated contact person	Mitch Anderson Chief Executive Officer and Director, ERM Power Retail Pty Ltd Phone: (07) 3020 5133 Email: Manderson@ermpower.com.au
6. Form of energy for which retailer authorisation is being sought	Gas retail
7. Intended commencement date of retail operations	Q3 2013
8. Nature and scope of operations proposed	Retail of gas to large gas customers (> 1 TJ/a) in the eastern state gas markets including New South Wales, ACT, Victoria and Queensland. We may consider other regions in the future. At this stage we do not intend to retail to small gas customers (those whose annual gas consumption falls under 1 TJ).

3. Organisational and technical capacity

3.1 Details of any previous experience as an energy retailer, or any other experience in the energy market

3.1.1 Date and location of previous operations

3.1.2 Form of energy sold

3.1.3 Scale of operations (number and size of customers)

3.1.4 An explanation of which activities are conducted in-house and which are contracted out to third parties

Our response to this question is covered in our response to 3.2.

3.2 Relevance of previous experience to the requirements under the retailer authorisation, national regulatory framework and relevant state/territory energy regulatory arrangements

Retail market skills and experience

ERM Power Retail has experience and expertise to deliver industry best practices to retail operations to large gas customers. As mentioned in section 1.3, ERM Power Retail's ability to provide outstanding service to customers has been recently demonstrated by a Utility Market Intelligence survey undertaken by independent research firm NTF Group, which revealed ERM Power Retail as the leading business retailer across key service categories. These categories included billing, information and technical advice and account management. Please refer to Appendix 1 for a copy of the results of this survey.

Our sales staff are all highly experienced and offer personalised and quality service to our customers.

We have been a licenced electricity retailer since 2007. Detail of our existing licences is provided below.

Existing retail electricity licence information

ERM Power Retail holds electricity retail licences in all states and territories of Australia, including Queensland, New South Wales, Australian Capital Territory, South Australia, Victoria, Tasmania and Western Australia.

ERM Financial Services Pty Ltd (a wholly owned subsidiary of ERM Power Limited) acts as a Financial Services Licence intermediary as part of the ERM Power Limited Group.

Gas industry and wholesale energy skills and experience

In addition to electricity retail experience described above, we have existing personnel with expertise and experience in gas wholesale and retail markets, regulation, trading, as well as the areas of geophysics, reservoir engineering, pipeline construction and process plant design and construction and operations. With respect to retailing gas, we will leverage existing resources to establish the gas retailing function however will also hire additional experienced and qualified gas personnel where required. Staff will receive both internal and external training run by gas specialists (e.g. training courses run by AEMO). Policies and procedures will also be amended or develop to specifically cater to gas functions.

ERM Power Retail is currently a registered Market Customer in the National Electricity Market (by AEMO) and in the Western Australia Wholesale Electricity Market (by the IMO). As a NEM and WEM market participant, ERM Power Retail has demonstrated its ability to operate in wholesale energy markets in compliance with all relevant market rules and procedures.

ERM Power Retail also has well established relationships with key industry participants, including market operators, network operators, retailers, generators as well as energy users.

All gas functions to be resourced in-house in line with existing business model

All functions of ERM Power Retail's retail operations are currently performed in-house. Similarly, all functions of gas retail operations will also be undertaken internally to maintain control and quality; no functions will be outsourced. These functions will encompass front office, middle office and back office, including specific functions such as customer service, sales, settlements, billing, wholesale

supply contracting, operations (e.g. forecasting, nominations, bidding), wholesale market trading, risk management, interfacing with wholesale and retail market system and network operator systems, gas emergency management, financial control, regulatory compliance and legal counsel.

Scale of operations (number and size of customers)

ERM Power Retail realised a revenue of over \$840 million dollars for the 2011/12 financial year and currently invoices over 7,000 customer meters a month.

IT systems

Refer to Appendix 7.

Internal retail policies

ERM Power Retail operates under the policies and procedures of its holding entity, ERM Power. This includes an overarching corporate governance policy. ERM Power Retail also operates under specific retail risk management and trading policies. Further detail on these policies is provided in section 3.11.

Our key policy and compliance instruments are accessible from our website <http://www.ermpower.com.au/governance>, and include -

- ERM Power Board Charter
- Audit and Risk Committee Charter
- Remuneration Committee Charter
- Nominations Committee Charter
- Health, Safety, Environment and Sustainability Committee Charter
- Health, Safety, Environment and Sustainability Committee Policy
- Securities Trading Policy
- Code of Business Conduct
- Shareholder Communication Policy
- Risk Management Framework Policy
- Continuous Disclosure Policy
- Diversity Policy

3.3 Details of any other relevant retail experience

All areas relevant to our energy retail experience are described in this section 3.

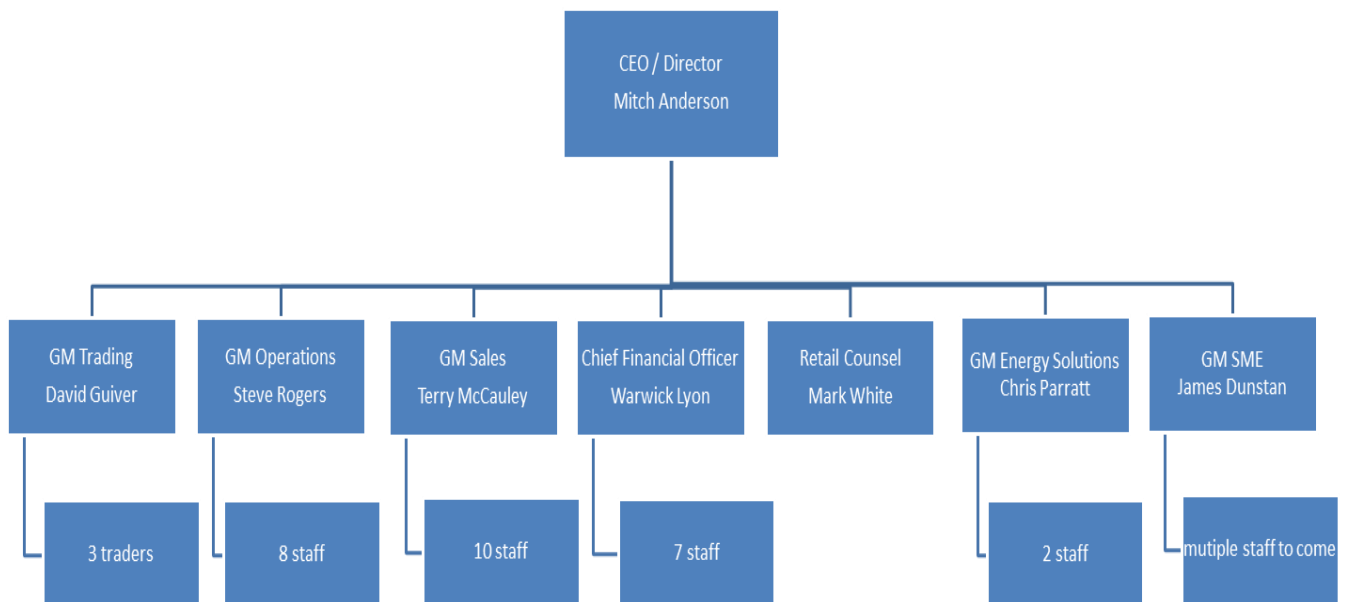
3.4 Details of retail and/or energy experience of a person holding 20% or more of any class of shares, or any instrument or right convertible into, exchangeable for or giving the person the right to acquire 20% or more of any class of shares, in the applicant

Not applicable. ERM Power Retail is a wholly owned subsidiary of ERM Power Limited with no single person holding 20% or more of any class of shares, or any instrument or right convertible into, exchangeable for or giving the person the right to acquire 20% or more of any class of shares.

3.5 The number of employees, broken down by business unit or other relevant classification

Please see Organisation Chart provided in 3.6.

3.6 Organisation chart



3.7 Summary of qualifications, technical skills and experience of officers, and the relevance of those skills and experience to meeting the requirements of the retailer authorisation

ERM Power Retail Management Team

The ERM Power Retail Management Team have been with ERM Power Retail since its inception in 2007. A profile of each member of the Management Team that includes a summary of their experience, skill and qualifications is provided below.

William Mitchell (Mitch) Anderson – Chief Executive Officer and Director

Mitch joined ERM Power in April 2007 and has been responsible for the development and management of ERM Power's electricity sales business.

Mitch has almost 20 years' experience in energy retailing and trading. His roles have ranged from financial analysis to risk management, trading, retail operations, and sales. Mitch is a former General Manager both in operations and sales for Ergon Energy and Contact Energy. In addition, he has held business development, risk and corporate mergers, and acquisitions roles for companies in New Zealand and the United States.

Mitch holds a Masters in Business Administration from the University of Southern California and a Bachelor of Science from California State University. Mitch is an AFMA Accredited Individual and a Responsible Manager for the Australian Financial Services License.

Steve Rogers – General Manager Retail Operations

Steve has over ten years' experience in the electricity industry and has over fifteen years' experience in utility companies. Originally an accountant, Steve migrated to specialise in risk management and electricity retailing operations and has held various risk management and operational roles at Ergon/Powerdirect/AGL.

Through his experience and qualifications, Steve has developed expertise in load forecasting, electricity pricing, electricity markets and operational systems necessary to support a successful electricity retailer.

Steve holds a Bachelor of Commerce degree from the University of Queensland.

Terry McCauley - General Manager Sales

Terry has worked in the energy industry for more than 25 years, joining ERM Power Retail as General Manager Sales, following similar senior roles in other national energy companies.

Terry brings detailed knowledge of both electricity and natural gas markets, as well as an impressive record of achievement. Under Terry's guidance, the ERM Power Retail sales team has achieved outstanding success.

Terry's Sales Team ensures that customers are provided with tailored energy solutions and excellent service. His goal is to drive profitable sales and to meet and exceed expectations, and to position ERM Power Retail as the retailer of choice for larger customers.

David Guiver – General Manager Electricity Trading

David Guiver, General Manager Trading has ten years' experience in energy retailing focusing on electricity, renewable energy and environmental certificate trading. David is an experienced trader and maintains a strong understanding of the various national trading schemes, from both a wholesale markets and regulatory perspective. David's core responsibilities are the day to day management of ERM Power Retail trading team's activities which are currently primarily focused on hedging the financial risk exposures that result from the sale of electricity to customers. These risk exposures currently extend across the five state nodes in the National Electricity Market, four mandatory emission liability schemes and several voluntary renewable and carbon abatement programs.

Complementing his tertiary business qualifications, David is an AFMA Accredited Individual, and holds the necessary industry accreditation to trade electricity, environmental instruments and credit derivatives in the Australian energy wholesale markets. David is also a Responsible Manager for ASIC purposes within ERM Power Retail.

Chris Parratt – General Manager Energy Solutions

Chris has been an energy professional for more than 10 years, with particular expertise in demand response, demand management and embedded generation for large commercial and industrial customers.

Given the new and innovative ideas to combat the challenges faced in the energy sector, Chris has the technical and commercial experience and strong development approach that provides large customers with opportunities and relevant information to assist in their participation of demand initiatives.

Chris has a degree in economics and marketing. He joined ERM Power after similar roles in business development in the energy industry.

James Dunstan – General Manager SME Market

James is responsible for the development and management of a new growth initiative & platform, the Small to Medium Enterprise (SME) Market. James brings 20 years' experience in Business-to-Business Markets from industries such as Banking & Finance, Information, Communications & Technology, Marketing & Communications and Energy & Management Consulting.

Known for helping companies achieve their growth aspirations, James is a Strategy & Performance, Sales & Marketing, Customer Experience Management, Leadership & Culture, Coaching & Mentoring executive with extensive experience leading and driving high performance and instituting best-practice evidenced by increased earnings, value & productivity.

James joins ERM Power from KPMG as Associate Director and AGL Energy Limited as National Manager, Sales & Service, Merchant Energy.

His manifesto is *'to help people to be their best and to do their best, enabling a high performance culture and business'*. With an Engineering (Electronics) background, James' later professional development and predominant career includes Kaplan and Norton's Balanced Scorecard (Strategy Management), Mercuri International, Miller Hieman, Huthwaite & Funnel Logic (Strategic Sales & Marketing), Neuro Linguistics Programming (NLP), Change Mastery, Six Sigma (Green Belt) & Lean (for process improvement) & Net Promoter Score (Customer Experience Management).

Warwick Lyon – Chief Financial Officer – Retail

With around ten years of experience in the electricity and gas industries in Australia, Warwick joined ERM Power Retail in 2007 to help with the start up of the electricity sales business. As Chief Financial Officer of the ERM Power Retail business, Warwick is responsible for all finance, accounting, risk management and governance matters. Warwick has twenty years of professional experience across a range of industries, including professional accounting, funds management, banking and energy.

Warwick holds a Bachelor of Commerce degree, is a Chartered Accountant and a Graduate of the Australian Institute of Company Directors.

Mark White – Retail Legal Counsel

Mark White is the legal counsel for ERM Power Retail. Mark's area of specialty is in energy and resources projects. He has particular expertise advising on regulatory issues impacting on participants in the electricity industry. He has acted on all aspects of the deregulated energy markets both in the eastern States and the Western Australian markets. He has advised participants in the National Electricity Market on a range of issues including connection and access issues for network entities and customers and market contracting issues for generators, retailers and customers. Mark has extensive experience in drafting and negotiating complicated structured electricity derivative products and power purchase agreements. He has also been involved in some of Australia's largest energy transactions, developments, acquisitions and disposals.

Since joining ERM Power Retail, Mark has drafted and negotiated all relevant contracts for the establishment of the retail operations. This has included ISDA Master Agreements and confirmations, retail sale contracts, use of system agreements and coordination agreements. He has also advised on contracts for the Western Australian markets, including bilateral contracts and Electricity Transfer Access Contracts.

3.8 Human resources policy regarding employee qualifications, including:

3.8.1 Experience and technical qualifications of employees

3.8.2 Relevant industry licences or qualifications

All our employees are required to have suitable qualifications relevant to their position and duties. In addition, all employees receive regular training and maintain continuing education in their area of expertise. The energy trading and risk management function consists of 7 qualified traders and risk officers who all hold a Diploma of Financial Management and accredited by the Australian Financial Markets Association (AFMA) under their financial services accreditation program. Each AFMA accredited individual is required to complete 20 hours of training per year in order to maintain their accreditation status.

ERM Financial Services (a wholly owned subsidiary of ERM Power Limited) holds a Australian Financial Services Licence, and acts as a Financial Services Licence intermediary as part of the ERM Power Group. We have 2 Responsible Managers and 4 Authorised Representatives.

Sales staff receive regular training on how to interact with customers.

ERM Power has a company code of conduct (which extends to ERM Power Retail) which sets out acceptable behaviour and interaction with colleagues, customers and other external parties. All staff undertake training on the code of conduct in their induction when they join the company.

3.8.3 Details of all training programs & policies to ensure appropriate interaction with customers

Please see our earlier comments in this section which addresses the training programs and policies relevant to all employees and agents of ERM Power Retail, and policies and procedures to ensure appropriate interaction with customers.

In addition, ERM Power Retail operates a complaint resolution process that manages and resolves complaints as expeditiously as possible. Complaints are responded to within 48 hours. Our process is attached in Appendix 8 for your information.

3.9 Comprehensive business plan

Appendix 9 includes our Business Plan which addresses the information required by the AER.

3.10 Details of Quality Assurance accreditations

We do not hold any external Quality Assurance accreditations. However ERM Power Retail undergoes regular process audits conducted by independent external accounting firms. There have been no significant issues identified by any such process audits.

3.11 Risk management, compliance and corporate governance

ERM Power Retail operates under the policies and procedures of its holding entity, ERM Power. This includes an overarching corporate governance policy.

ERM Power Retail also operates under specific retail risk management and trading policies as well as a code of conduct with which all employees need to comply. All policies are reviewed and updated at periodic intervals.

3.11.1 Corporate Governance policy

ERM Power Retail operates in accordance with the Corporate Governance framework adopted by ERM Power, aspiring to best practice corporate governance in accordance with the ASX Corporate Governance Principles and Recommendations.

Responsibility for ERM Power's corporate governance and compliance rests with the Board. The Board's guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of Shareholders (with a view to building sustainable value for them), employees and other stakeholders.

The Board is specifically responsible for establishing the delegated limits of authority for ERM Power's executive employees and attending to matters reserved for Board decision-making.

ERM Power has a six-member board comprising a Non-Executive Chairman, a Non-Executive Deputy Chairman, three Non-Executive Directors and a Managing Director. Together, the Directors have a broad range of experience, expertise, skills, qualifications and contacts that bring value to ERM Power and its businesses.

The Board has established an Audit and Risk Committee, Remuneration Committee and Nominations Committee, all of which are chaired by an independent Non-Executive Director and comply with the ASX Corporate Governance Principles and Recommendations.

A Health, Safety, Environment and Sustainability Committee chaired by the Managing Director assists the Board in setting the policies and processes for compliance with all ERM Power's workplace health and safety obligations and environmental and sustainability matters. The Board and Board Committees are administered by the Company Secretary, Peter Jans, who is also the Group General Counsel.

Separate functioning boards exist for ERM Power Retail, ERM Developments, ERM Gas and all project joint venture entities. The Directors of ERM Power Retail include the Directors of ERM Power and the CEO of ERM Power Retail.

ERM Power has adopted a Board Charter (which is reviewed and amended from time to time as the Board considers appropriate) to give formal recognition of the Board's role and responsibilities and to specify how ERM Power is governed so as to promote ERM Power and protect the interests of Shareholders, employees, customers and the broader community.

Our Board Charter and Audit & Risk Committee Charter are provided in Appendices 3 and 4.

3.11.2 Risk and Compliance Management Policy

ERM Power maintains a variety of policies, procedures and systems in relation to risk management, compliance and corporate governance. As discussed above, the Board has ultimate responsibility for ensuring that appropriate corporate governance, risk management & compliance frameworks are established. In this regard, the Board has established the Audit & Risk Committee to oversee and direct these matters, while management has established the Operational Risk Committee in order to monitor and manage risk, compliance and governance matters in a more hands-on manner.

The risk management approach adopted by ERM Power is based on ISO 31000, with the identification, analysis, evaluation, prioritisation, treatment, and ongoing monitoring, review and reporting of risks across the full spectrum of risks to the business. Those risk areas where there is a greater likelihood and consequence of adverse impact have dedicated teams in place to manage the risks on a daily basis, including trading risk management, credit risk management and safety risk management.

In addition, ERM Power Retail has adopted AS 3806 as the basis for its compliance management approach. Compliance with various energy related obligations is overseen by the GM Operations and managed by the Billing & Compliance Manager and team. Compliance checklists are maintained and calendar reminders serve to notify of specific compliance reporting requirements. Additionally, ERM Power Retail also engaged the assistance of Certainty Compliance back in 2007 to help with compliance matters, primarily focussed on compliance with AFS Licensing requirements and the AML/CTF compliance.

A copy of our Risk Management Framework Policy is provided in Appendix 5.

3.11.3 Compliance strategy

ERM Power Retail has an understanding of the laws and regulations that define obligations for gas retailers, including those set under the National Energy Retail Law and associated regulations, the National Energy Retail Rules, as well as state based laws and regulations.

We have also performed a comprehensive review of the following documentation published by the AER, with a focus on those obligations that are relevant to a retailer selling to large gas customers (> 1 TJ per annum consumption)–

- AER Compliance Procedures and Guidelines (June 2012 Version 2)
- AER Retail Market Performance reporting procedures and guidelines – June 2012
- AER Retail Market Performance reporting template -Schedule A.2 – Version 2.0

We have an understanding of the compliance obligations that fall under the AER's reporting regime, including those categorised as Type 1 (to be reported as soon as practicable upon a non-compliance), Type 2 (reported 6 monthly) and Type 3 (reported annually).

Given our intention to retail to large gas customers (above 1 TJ per annum), the legal and regulatory obligations specific to small customers (residential and business customers whose annual consumption is < 1 TJ per annum) will not be applicable to us.

ERM Power Retail has processes in place whereby a periodic review of the legal and regulatory framework and retailer obligations, are reviewed to ensure that any changes are identified.

ERM Power Retail has a dedicated internal regulatory and legal resource. Please refer to Mark White's profile provided previously in section 3.7. We also have a Billing and Compliance Manager who is responsible for all current regulatory reporting and management of relevant data.

Our employees are all fully trained on all relevant laws pertaining to our business activities and ethical business conduct.

3.11.4 Risk management strategy

An electricity and gas retail sales business is effectively a margin business and requires balanced and effective risk management policies to govern its operations. ERM Power Retail conducts its activities in accordance with its corporate governance and risk management framework, as provided for in its Risk Policy Manual (RPM) which is approved by ERM Power Limited's Board, and monitored by a dedicated risk function within the retail business, which provides weekly and monthly reporting to management and boards.

The Operational Risk Committee meets on a monthly basis to discuss operational risk requirements, review proposed risk policy amendments, and provide expert advice on risk matters to the ERM Power Board.

The RPM addresses delegations of authority and compliance with specific policy matters covering market risk management, credit risk management, and commodity sales and trading activities.

The commodity sales and trading policies define the scope of ERM Power Retail's permitted operational transactions, including things such as permitted strategies, products, and markets.

ERM Power Retail's core business strategy is to enter into short to medium term forward commodity contracts with customers for the sale and physical delivery of energy. All energy to be delivered under sales contracts is purchased from the relevant markets and delivered to each customer's premises by the relevant network distribution business.

A key focus of ERM Power Retail's market risk management policy is the prevention of major losses as a result of exposure to adverse spot price events, such as where high spot prices occur for an extended period of time and the business is unhedged. To help manage this risk, the business focuses on accurately forecasting customer usage so that these exposures can be accurately predicted and the position can be optimised to minimise the probability of losses and maximise the probability of gains.

All electricity positions are aggregated into regional portfolios and managed on that basis. ERM Power Retail manages this exposure using a range of different hedging instruments to maximise the effectiveness and efficiency of the portfolio. The same approach will be adopted for gas.

ERM Power Retail's overall portfolio hedging strategy is premised on maximising trading margins based on volumes that are highly probable to be transacted under the physically deliverable contracts, while allowing sufficient flexibility to be able to maximise profits and minimise any losses that may otherwise arise from load variability and/or spot price fluctuations.

With respect to electricity, ERM Power Retail aims to achieve this by using a base level of swap contracts, which when combined with other instruments that provide for greater flexibility such as caps, allows the overall volumes of physical electricity to vary while still managing price risk.

With respect to gas, we will manage our position by a combination of long, medium and short term supply and transportation contracts, wholesale gas spot market trading, risk management products particular to each market, financial products where applicable, and daily operational activities such as bidding and nominations to counterparties and/or the relevant spot markets.

3.12 Written declaration from the director/s that the applicant's risk management and compliance strategies have been approved and been subject to an external assurance process

Refer to Appendix 17.

3.13 Any additional information demonstrating ability to manage risk and operate in accordance with the Retail Law objective, particularly the long term interests of consumers

Relevant information on our capabilities is provided throughout this document. As a new gas retailer, ERM Power Retail's entry will enhance the level of competition in the gas market and provide gas customers in Australia with a choice of an additional retail service provider. We are also committed to delivering continued service excellence to our customers. These outcomes are in the long term interests of consumers.

3.14 Details of insurance arrangements

ERM Power insures its plant and equipment in each of its offices under an office pack policy with QBE Insurance (Australia) Limited. A copy of the certificate of currency for this policy is included as Appendix 11.

As an employer, ERM Power complies with its workers compensation obligations under the various State Acts of Parliament and a copy of the certificates of currency for each State in which our employees are located are included in Appendix 12.

3.15 Details to be provided where relying on a third party to provide staff and resources

Not applicable as all of ERM Power Retail's gas retail capabilities will be sourced in-house to maintain control and quality over the delivery of gas retailing services. ERM Power Retail performs all existing energy retail functions in-house. These functions include management, sales, settlements, billing, customer relationship management, derivative trading (hedging), financial control, and legal counsel.

3.16 Evidence of any membership, or steps taken to obtain membership, of any relevant recognised energy industry ombudsman schemes

ERM Power Retail's plan is to retail to large gas customers who consume 1 TJ per year or more. We are not necessarily required to be a member of an ombudsman scheme when retailing to this customer category, depending on the particular jurisdiction.

That said, ERM Power Retail has recently joined the scheme administered by the Energy and Water Ombudsman Victoria and Energy and Water Ombudsman South Australia to support our plans to

enter into the small and medium enterprise electricity retail market. Please refer to Appendix 10 for a copy of letters received from these bodies confirming our membership.

Should ERM Power Retail decide at a later stage to retail gas to small gas customers, we will ensure that we take the appropriate steps to obtain membership in any other relevant industry ombudsman scheme.

3.17 Evidence of any agreements and systems in place to facilitate interaction with relevant market participants

A gas retail licence is a pre-requisite for obtaining gas retail market participant registration with the Australian Energy Market Operator and entering into distribution network arrangements. We have initiated discussions with the relevant parties and are aware of the implications and costs of such arrangements. Such arrangements will be entered into once we have secured the retail gas licence.

Interaction with AEMO

We note that we will only be able to commence AEMO market participant registration after we have obtained a retail authorisation. AEMO requirements are also such that participant IT testing can only commence *after* the participant has applied for AEMO registration. Therefore, ERM Power Retail will only be able to apply for AEMO registration after it has been granted a retail licence, and will only be able to demonstrate full IT capabilities after it has lodged its market registration application. As described further below in the following sections, we have extensive experience in establishing and maintaining reliable and robust interfaces and processes with AEMO necessary to support our function as an energy retailer and meet all requirements of market rules and procedures.

We have commenced discussions with AEMO regarding our intention to register as a market participant. We will only progress our application with AEMO on a formal basis once we have secured our gas retailing licence.

Interaction with distribution businesses

We will enter into agreements with each distribution network business relevant to the region in which we intend to operate. These agreements cannot be executed until we have the licence. We do not anticipate any problems in the area as the standard agreements are adequate for our needs.

We have had initial discussions with a number of the network distributors to gain an understanding of the process and timeframe, as well as costs, involved in entering into standard agreements. This will be progressed further in accordance our project timetable.

Interaction with other market participants/counterparties

We will enter into all relevant contractual arrangements required for gas retailing, including gas supply and transmission pipeline transportation arrangements. This is currently in progress. We will establish all interfaces necessary to communicate with the relevant parties. As noted further below, we have substantial experience in entering into energy contracting arrangements with a range of different counterparties.

Experience in dealing with external parties and establishing required agreements

We have substantive experience in interacting with external parties and entering into the agreements necessary to support our trading activity. Through our electricity retailing activity we

have well established process to deal with wholesale market participants, network and transmission companies and market operators.

Our Retail Operations Team deals with AEMO on a daily basis via the Market Settlement and Transfer Solution (MSATS). We have similar experience dealing with the Independent Market Operator in Western Australia. Furthermore we calculate, bill and collect over \$500m of revenue on behalf of network companies annually.

ERM Power Retail's wholesale market trading team have capability trading financial and physical products in the National Electricity Market, the South West Interconnected System and in the various federal and state based emissions trading schemes. With ISDA master agreements in place with over 25 wholesale counterparties, our annual trading activity exceeds \$1b. We have experience in entering into a number of counterparty ISDA derivative agreements with various electricity generators and intermediaries such as commercial and investment banks, and derivative contracts through the Sydney Futures Exchange.

ERM Power Retail also is party to metering services agreements (with accredited metering services providers under the National Electricity Rules), network agreements (with entities that hold distribution licences) and retail and wholesale brokerage agreements.

3.18 Details of any situation where ROLR provisions have been triggered or likely to have been triggered

ERM Power Retail has never triggered any ROLR provisions in any state or territory. ERM Power Retail has never surrendered an authorisation or licence to avoid triggering ROLR provisions.

4. Financial Capacity

4.1 Copies of audited financial reports for the past three years

Refer to Appendix 13, which contains the audited financial reports of ERM Power Retail for the last 3 years, including –

- All financial statements required by the accounting standards
- Notes to financial statements (disclosure required by regulations, notes required by accounting standards, and any other information necessary to give a true and fair view)
- Director's declaration that the financial statements comply with relevant accounting standards, give a true and fair view, have been made in accordance with the Corporations Act 2001 (Cth) and that there are reasonable grounds to believe the company will be able to pay its debts as and when they fall due.
- Director's report
- Auditor's report.

4.2 Any other document, record or information that has been required to be submitted to ASIC under chapter 2M of the Corporations Act 2001 (Cth) over the past 3 years

Not applicable.

4.3 Evidence of long and/or short term credit rating/s

Not applicable.

4.4 Information to be provided if part of a group of related companies

4.4.1 Ownership structure

Below is information as requested by the AER regarding “the ownership structure of the group, including proportions of equity held. This should be traced through to the individual, natural persons who are the ultimate beneficial owners of the company. Details must be provided for any persons holding at least a 5 per cent interest in the company.”

ERM Power Retail Pty Ltd (ACN 126 175 460) is a wholly owned subsidiary of Australian Securities Exchange (“ASX”) listed entity ERM Power Limited (ACN 122 259 223) (ASX:EPW). The *Corporations Act 2001*, section 671B requires holders of at least 5% of voting rights in the entity to provide information on their holdings to the company, and the market operator, ASX.

As at the time of writing, the following notices of substantial holdings have been received:

Identity of person or group	Date of notice received	Relevant interest in number of shares	Percentage of total voting rights
Trevor Charles St Baker ¹	17/09/2012	85,762,905	49.79%
Commonwealth Bank of Australia ACN 123 123 124(CBA) and its subsidiaries	1/2/2012	8,586,574	5.20%
Gaffwick Pty Ltd	10/12/2010	8,571,429	5.37%
Ilwella Pty Limited	10/12/2010	8,571,429	5.37%

4.4.2 The contractual arrangements (e.g. alliance contracts, associate contracts, establishment contracts) that define relationships within the group

Refer to Appendix 14.

4.4.3 Consolidated audited financial statements for the group

Please refer to the link for the ERM Power Limited Annual Report 2011 at http://www.ermpower.com.au/Media/Default/ASX%20Announcements/ERM_Annual_Report Internals_2011_ASX_LOWRES.pdf

which incorporates the consolidated financial statements for the ERM Power Limited group.

4.5 Forecast revenue and expenses

Refer to Appendix 9 (Business Plan), which addresses the AER’s requirement to provide “forecast revenue and expenses for at least the first 12 months of operations, consistent with the company’s business plan. This forecast should highlight all key assumptions and risks, along with all relevant risk management strategies”.

4.6 Written declaration from independent auditor

Appendix 15 contains the written declarations requested by the AER, covering the following -

- Statement that an insolvency official has not been appointed in respect of the business or any property of the business
- Statement that no application or order has been made, or resolution has been passed or steps have been taken to pass a resolution, for the winding up or dissolution of the business
- Statement that they are unaware of any other factor that would impede the ability to finance the energy retail activities under the authorisation.

4.7 Written declaration from the CFO/CEO regarding financial capabilities

Appendix 17 contains a written declaration from the CEO and CFO stating that the applicant is a going concern and that each officer is unaware of any factor that would impede its ability to finance its energy retailer activities under the retailer authorisation for the next 12 months.

4.8 Details of any bank guarantees

See Appendix 16.

5. Suitability

5.1 Legal and regulatory compliance

We confirm that none of the below are applicable to ERM Power Retail, its associates, any other businesses where our officers have held an officer position or any other entity that exerts control over its business activities –

- Any material failure to comply with regulatory requirements, laws or other obligations over the previous 10 years, including all circumstances that resulted in an infringement notice or other enforcement action (including undertakings) being taken by a regulatory body.
- Any previously 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 and the reason/s the application was unsuccessful.
- Any past or present administrative or legal actions in relation to an authorisation, authority or licence in any industry.

5.2 Details of any offences or successful prosecutions under any territory, state, commonwealth or foreign legislation

We confirm that this section does not apply to any of our current director/s (or shadow / de facto director/s) of ERM Power Retail, any other person that exerts control over the applicant's business activities and all persons who are responsible for significant operating decisions of the business.

5.3 Director declaration confirming that none have been disqualified from the management of corporations

None of our Directors or members of our management team have been disqualified from the management of corporations. Please refer to Appendix 17 for a declaration signed by all of the Directors of ERM Power confirming this point.

5.4 A written declaration from CFO/CEO regarding the applicant's record of any bankruptcy in any overseas jurisdiction

Refer to Appendix 17.

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

Refer to Appendix 6 (ASIC extract) which contains details of all our directors.

5.6 Policies and procedures addressing the probity and competence of officers and any other key management staff

Refer to the response provided in section 3.2 and 3.11, which describe the policies & procedures of the holding entity ERM Power Limited, which are applicable to ERM Power Retail.

Appendix 1 Utility Market Intelligence – independent survey and results

Appendix 2 ERM Power Retail Certificate of Registration

Appendix 3 ERM Power Board Charter

Appendix 4 Audit and Risk Committee Charter

Appendix 5 Risk Management Framework Policy

Appendices 6 to 17 inclusive are provided to the AER on a commercial in confidence basis and should not be published.

Appendix 6 ASIC Extract

[Commercial in confidence – not to be published]

Appendix 7 IT Systems

[Commercial in confidence – not to be published]

Appendix 8 Customer complaint resolution & management process

[Commercial in confidence – not to be published]

Appendix 9 Business plan

[Commercial in confidence – not to be published]

Appendix 10 Letters from EWOV and EWOSA

[Commercial in confidence – not to be published]

Refer to attachments 10(a) & 10(b).

Appendix 11 Public and Products Liability Cover

[Commercial in confidence – not to be published]

Appendix 12 Workers Compensation Certificates

[Commercial in confidence - Not to be published]

Refer to attachments 12(a) to 12(e).

Appendix 13 Audited Financial Reports for ERM Power Retail

[Commercial in confidence - Not to be published]

Refer to attachments 13(a), 13(b) and 13 (c).

Appendix 14 Contractual arrangements that define relationships within the group

[Commercial in confidence - Not to be published]

Appendix 15 Financial capability - written declaration from an independent auditor

[Commercial in confidence – not to be published]

The AER requires a written declaration from an independent auditor stating the following –

- (i) An insolvency official has not been appointed in respect of the business or any property of the business
- (ii) No application or order has been made, or resolution has been passed or steps have been taken to pass a resolution, for the winding up or dissolution of the business
- (iii) They are unaware of any other factor that would impede the ability to finance the energy retail activities under the authorisation

Our independent auditor, PriceWaterhouseCoopers (PWC), has prepared the above declarations. These are attached – refer to Attachments 15(a) and 15(b).

Appendix 16 Bank Guarantees

[Commercial in confidence – not to be published]

Appendix 17 Written declarations

[Commercial in confidence – not to be published]

This appendix contains the declarations referred to in the following sections of our application.

- 3.12 – Written Declaration from the CEO & Director that the applicant’s risk management and compliance strategies have been approved and that they have been subject to a number of limited assurance review procedures - refer to attachment 17(a)
- 4.7 - Written Declaration from CFO and CEO stating that the entity is a going concern and that the officer is unaware of any factor that would impede its ability to finance its energy retailer activities under the retailer authorisation - refer to attachment 17(b)
- 5.3 – Written declaration from Directors of ERM Power Retail confirming that no individual has been disqualified from the management of corporations – refer to attachment 17(c)
- 5.4 - A written declaration from the Chief Financial Officer and Chief Executive Officer regarding the applicant’s record of bankruptcy in any overseas jurisdiction - refer to attachment 17(d)