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The Assistant Director Licensing
Licensing, Monitoring and Customer Protection Division
Economic Regulation Authority
PO Box 8469
Perth Business Centre
Western Australia 6849

Attention: Ms C Coutts-Kleijer

TRANSFER AND RENEWAL OF WPAM TRADING LICENCE GTL11 TO EGDC APPLICATION

As per sections 11P, 11R and 11S of the Gas Act, please find enclosed an application and supporting documentation for transfer and subsequent renewal of current Trading Licence GTL11 from WorleyParsons Asset Management Pty Ltd to Esperance Gas Distribution Company Pty Ltd.

If there are any questions or concern, please do not hesitate to contact the undersigned.

Yours faithfully,
WorleyParsons Asset Management Pty Ltd and
Esperance Gas Distribution Company Pty Ltd.

Lawrence Teo
Business and Regulatory Manager

Esperance Gas Distribution Company

**Summary of Gas Retail Licence
Application**

DECEMBER 31, 2013

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1.0 Background

Esperance Gas Distribution Company Pty Ltd (EGDC) was incorporated on October 31st 2013 with the specific purpose of retailing gas in Esperance, a town located in the south west of Western Australia.

EGDC is a private company and wholly owned by ANZ Specialist Asset Management Limited as trustee for the Energy Infrastructure Trust (EIT). The company was created to solely hold the relevant licenses, assets and liabilities of the Esperance Gas Distribution System (GDS). It has no trading history or employees.

WorleyParsons Asset Management Pty Ltd (WPAM) is currently the licence holder of gas trading licence GTL11. It is intended to transfer GTL 11 to the new entity, after which the core activity of the EGDC will be the supply and sale of gas to residential and small business customers in Esperance.

At a later stage EGDC also intends to transfer the gas distribution licence GDL 10, currently under Esperance Power Station Pty Ltd (EPC), to EGDC. EPC is currently owned by ANZ Specialist Asset Management Limited as trustee for the Energy Infrastructure Trust (EIT).

2.0 The Nature of Our Application

EGDC is applying for gas retail licence GTL 11 with the Energy Regulation Authority of WA (ERA). This application document is submitted specifically for the gas retailer authorization.

3.0 Licence Application Information – General Particulars

The following information contains the general business particulars of EGDC.

3.1 Legal Name

The legal name of the applicant is Esperance Gas Distribution Company Pty Ltd (EGDC). The entity was incorporated on October 31st 2013 under the Corporations Act 2001.

3.2 Trading Name

EGDC's legal name is its trading name.

3.3 ABN or ACN

ABN 18 166 539 993.

3.4 Registered Address

Infrastructure Capital Group Limited, Level 38, 120 Collins Street, Melbourne VIC 3000.

3.5 Nominated Contact Person

EGDC's contact person for this application is:

James Arthur
Associate Director
Email: James.Arthur@infrastructurecapital.com.au
Telephone: (03) 8680 3535

3.6 Form of Energy for License Application

This application document is submitted specifically for the gas trading licence GTL 11.

3.7 Designated Supply Area of Licence Application

Goldfields-Esperance.

3.8 Proposed Commencement of Retail Operations

EGDC intends to commence gas retail operations on a set target date of 14 March 2014.

4.0 Licence Application Information – Organisational and Technical Capacity

4.1 Corporate Structure and Key Organisational Relationship

EGDC was incorporated on October 31st 2013. It has no trading history or employees. The company was created to solely hold the relevant licenses, assets and liabilities of the Esperance GDS.

It is intended to transfer GTL 11 to the new entity, after which the core activity of the EGDC will be the supply and sale of gas to residential and small business customers in Esperance, Western Australia.

EGDC will rely on the following existing entities for staff, services or resources:

- Worley Parsons Asset Management (WPAM) – Facility Management Services (i.e. Business Retail)
- ATIVO – Network Maintenance Services
- Transfield Worley Power Services (TWPS) – Technical and Regulatory Support

WPAM will provide the gas retailing and customer management services directly to EGDC though a mutually agreed variation to the existing Facility Management Agreement.

4.2 Nature and Scope of Operations

EGDC has long-term aspirations of being a successful and profitable gas retailer in Esperance.

It will engage WPAM to provide all supporting services to fulfil its obligations under the trading licence. The personnel and contractors under WPAM have been providing both technical and trading support activities to the GDS since the establishment of the network in 2005.

WPAM has a highly experienced energy retail consulting and system service team to assist EGDC with its gas retail business establishment, implementation and ongoing operations. This includes training, licensing authorisation, compliance, marketing mix development, customer management system, market interfaces and customer service and operational requirements.

WPAM will continue to retain all of the personnel who were contracted to WPAM under the existing service contract and is confident of meeting the required high levels of customer service. Its performance has been audited several times by the regulator over the last 8 years with excellent results.

The applicant will abide by the Competition and Consumer Act 2010 (Cth), Fair Trading Act 2010 (WA), Gas Marketing Code and the Compendium of Gas Customer Licence Obligations (Compendium) to ensure consumer rights and benefits are maintained to gas consumers.

The applicant proposes to offer the following provisions for its users:

- to provide a continuous operation of the distribution system and supply of gas to its customers, albeit force majeure or other unforeseen developments beyond the control of the operator;
- an obligation to offer and maintain supply under an approved standard customer contract which is transparent and fair;
- a level of service, consistent with the Compendium of Gas Customer Licence Obligations;
- provision of information to customers, upon request, on the Standard Customer Contract and the Customer Service Charter;
- a complaints handling process and reporting of statistics to the Economic Regulation Authority where required by the Licence; and
- an independently audited asset management system where required by the Licence.

The applicant will re-badge and continue to use the existing WPAM Standard Customer Contracts to:

- specify the terms and conditions of the gas supply arrangements for a retailer to sell gas and a customer to purchase gas;
- specify retailer and their contact details;
- specify name of any recognized code or document that is relevant to any matter regulated by the contract;
- specify the means by which a customer may obtain a copy of the contract; and
- provide a description of the goods and services to be provided by a retailer under the contract.

The applicant's Standard Customer Contracts will be fair and transparent, including all terms and conditions.

4.3 Service Infrastructure / Works

The Esperance GDS currently has 296 residential and 36 business customers.

The natural gas will be supplied by Apache Energy Ltd through the Goldfields Gas Pipeline, Southern Cross Pipeline and Kambalda to Esperance Gas Pipeline.

The applicant will have a contract with the owner's associated company Esperance Power Station (EPS) for gas transportation rights for the delivery gas and sale to its small use customers. EPS currently has a gas purchase and transportation agreement has been effected with Apache Energy Pty Ltd, using the Goldfields Gas Transmission, Southern Cross and Kambalda to Esperance pipelines.

EPS's affiliate, Esperance Pipeline Company (EPC), currently has rights to spare capacity in the Kambalda to Esperance Gas Pipeline (KEGP), significantly in excess of the Esperance gas distribution requirements.

5.0 Licence Application Information – Business and Regulatory

5.1 Prices and Charges

The methodology for establishing the Tariff will be in accordance with the principles and conditions of section 2 of the National Third Party Access Code for Natural Gas Pipeline Systems.

The applicant will use the Net Present Value (NPV) approach using the pre-tax real Weighted Average Cost of Capital (WACC) to determine the CPI adjusted and non-CPI related Tariff increases.

The tariff will comprise of the following components:

- a supply charge in \$/GJ or cents per day
- an energy charge in \$/GJ or cents per unit

The business tariff is applicable to all customers who have a registered business, regardless of whether it is a small or large gas user, similar to the current Alinta Energy tariff offered in Kalgoorlie-Boulder.

The tariff proposed will be competitive with other alternative energy prices currently offered in the Esperance region. The retail tariff offered will be indexed with CPI (All Groups – Weighted Average of Eight Capital Cities).

5.2 Service Standards and Codes

The GDS was designed in accordance with the requirements of AS 1697, AS 3723 and AG 603. The reticulation piping is based on AS/NZS 4130-1997 Polyethylene (PE) mains and services.

The various activities associated with the sale of gas shall be in accordance with Western Australian Gas Standards (Gas Supply and System Safety) Regulations 2000, and AS 4645-Gas distribution network management.

The applicant will offer a level of service, consistent with the Gas Marketing Code and the Compendium of Gas Customer Licence Obligations.

The applicant will consider having the Contract measured against key result areas such as and not limited to:

- Customer satisfaction,
- Compliance with the Contract Management Plan (CMP), and
- The key performance indicators.

5.3 Service Agreements

EPS, EPC and WPAM entered into the Facility Management Agreement pursuant to which WPAM manages the Esperance Power Station, the natural gas transmission pipeline for the transport of natural gas from Kambalda to the Esperance Power Station, the Esperance Port Authority Power Plant and certain other associated natural gas transmission and distribution systems and electrical power generation plant. WPAM also has obligations under the Facility Management Agreement in relation to gas and electricity retailing and customer management services.

WPAM will provide the gas retailing and customer management services directly to EGDC

The parties (EPS, EPC and WPAM) have mutually agreed to vary the Facility Management Agreement in the manner to effect this new arrangement. EPC is a wholly owned subsidiary of EIT and the Department of Petroleum and Mines' licensee for the KEGP.

The contracts will be signed upon transfer of the licence.

5.4 Memberships, Registrations and Customer Charter

EGDC has made initial approaches to Energy Ombudsman WA (EOWA) with a view to obtaining membership of the scheme as soon as its licence authorisation is approved by the ERA.

As with all jurisdictional ombudsmen, EOWA is central to the EGDC's Complaint and Dispute Resolution Procedures, providing all customers access to an external dispute resolution scheme for issues relating to service, billing and charging.

The applicant will also notify the Hardship Utility Grant Office, Office of Public Utilities and other stakeholders of the change in trading licence name.

EGDC's Customer Charter, a formal document that sets out information of its service to customers, will be made available. It contains information relating to its role as a retailer and that of the customer, including agreement terms, payment options, special needs, disconnection, dispute handling, confidentiality, privacy laws and other useful information.

6.0 Licence Application Information – Financial Resources

6.1 Audited Financial Statement

EGDC is a recently incorporated body and has not commenced any business trading activities. Therefore, it does not have any historical financial statement or business performance data.

The EGDC is 100% owned by ANZ Specialist Asset Management Limited as trustee for EIT. EIT, the parent company of EGDC, was established in 2003, and is independently audited by PricewaterhouseCoopers.

6.2 Parent Company Support

Funding for EGDC will be through an initial equity contribution provided by EIT. This equity investment will provide sufficient financial backing for the on-going operations of the underlying business.

EIT's investments are managed by Infrastructure Capital Group Ltd (ICG).

6.3 Business Plan

The applicant has a business plan with projected revenue and expenditure figures for 5 years.

6.4 Probity Policies and Procedures

All EGDC and EIT senior officers are reputable personnel, carefully selected and vetted for competence and probity.

The applicant is committed to establishing a successful and enduring energy retail business with operational integrity. EGDC is confident that its policies and procedures covering recruitment, training, compliance, risk management and trading and risk control will provide a solid foundation for a business governance framework that should work effectively and comfortably in the WA gas retail sector.

EGDC business operations is well-supported by appropriately qualified key personnel with relevant professional memberships and by experienced and reputable external service and system providers that will provide critical guidance and oversight.

EGDC will look to leverage and adopt aspects of the structure and processes of its parent company EIT to manage its governance and assurance framework for gas retailing.