



# Application for a Gas Trading Licence

AGL Sales Pty Limited

30 January 2017

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# 1. Application Summary

## 1.1. Corporate information

The applicant for a Gas Trading Licence is AGL Sales Pty Limited (ABN 88 090 538 337), a wholly owned subsidiary within the AGL Energy Limited (ABN 74 115 061 375) Group of companies.

AGL is one of the oldest company in Australia and was originally formed in 1837 as The Australian Gas Light Company.

In 2015/16, AGL provided natural gas, electricity, solar PV and related products and services to about 3.7 million customers across Queensland, New South Wales, Victoria and South Australia. AGL is also one of the leading integrated energy companies in Australia and the largest ASX listed owner, operator and developer of renewable energy generation in the country.

AGL has 3,358 full-time equivalent employees at 30 June 2016.

Further information on AGL is available at [www.agl.com.au](http://www.agl.com.au).

## 1.2. Financial information

AGL is an ASX50 listed company with a market capitalisation of about \$15 billion as at 27 January 2017. For 2015/16, AGL has reported an operating EBIT of \$1,211 million and an underlying profit after tax of \$701 million.

During 2015/16, AGL has underlying cash flow from operations of \$1,588 million. In addition, as at 30 June 2016, AGL has undrawn debt facilities of over \$500 million.

Moody's has assigned AGL a credit rating of Baa2 (BBB equivalent) with a stable outlook.

## 1.3. Technical information

AGL holds retail electricity and gas licences in Queensland, New South Wales, Australian Capital Territory, Victoria and South Australia.

AGL will procure all necessary approvals, permits and licences to be able to retail natural gas in WA. In addition to this application and the membership of the Energy and Water Ombudsman Western Australia, AGL is in discussion with ATCO Gas Australia for a Service Agreement, and is also preparing to register with AEMO to operate in the WA retail gas market.

## 1.4. Public interest information

AGL's entry into the retail gas market in Western Australia will provide customers with a significantly greater choice of competitive gas prices, new and improved service offers, and sponsorship of community events and services.

## 1.5. Licence, Supply and Operating Areas information

The licence area under this application for a Gas Trading Licence is the Coastal gas supply area. This area is serviced by the Mid-West and South-West Gas Distribution Systems owned and operated by ATCO Gas Australia Pty Limited.

The proposed term is 10 years, the maximum allowable under the Energy Coordination Act 1994.

## 2. Corporate information

### 2.1. Licence applicant

The applicant for the Gas Trading Licence in the Coastal gas supply area of Western Australia is AGL Sales Pty Ltd (**AGL Sales**).

Identity of applicant	AGL Sales Pty Limited ABN 88 090 538 337
Registered office	Level 24, 200 George Street Sydney, NSW 2000
Principal place of business	699 Bourke Street Docklands, VIC 3008
Principal activities	Energy retailing business
Company type	Proprietary company, wholly owned by AGL Energy Limited (ABN 74 115 061 375)
Company directors	John Fitzgerald Stephen Mikkelsen Brett Redman
Primary contact for this application	Meng Goh Regulatory Strategy Manager <a href="mailto:MGoh@agl.com.au">MGoh@agl.com.au</a> (02) 9921 2221

### 2.2. Associated Entity

AGL Sales is registered under the Corporations Act 2001 as a proprietary company limited by shares. AGL Sales is a wholly owned subsidiary of AGL Energy Limited (ABN 74 115 061 375) (**AGL**), a public company listed on the Australian Stock Exchange.

AGL is one of the oldest company in Australia and was originally formed in 1837 as The Australian Gas Light Company by 'An Act for Lighting with Gas the Town of Sydney'. Following a merger of The Australian Gas Light Company and Alinta Limited in 2006, two new listed companies were formed – an energy trading and retail business, AGL Energy Limited, and an infrastructure and asset management which later became Alinta Energy Limited.

In 2015/16, AGL provided natural gas, electricity, solar PV and related products and services to about 3.7 million customers across Queensland, New South Wales, Victoria and South Australia. AGL is also one of the leading integrated energy companies in Australia and the largest ASX listed owner, operator and developer of renewable energy generation in the country. AGL's diverse power generation portfolio includes base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, landfill gas, solar and biomass. AGL also operates natural gas storage facilities.

AGL has 3,358 full-time equivalent employees as at 30 June 2016.

Further information about AGL is available at [www.agl.com.au](http://www.agl.com.au).

## 2.3. Company directors

The directors of AGL Sales are John Fitzgerald, Stephen Mikkelsen and Brett Redman.

### **John Fitzgerald**

John Fitzgerald is AGL's General Counsel and Company Secretary. John was appointed Company Secretary on 1 October 2015. In December 2007, John was appointed General Counsel and continues to hold that position in addition to his role as Company Secretary. John's qualifications are a Bachelor of Arts and a Bachelor of Laws from the University of New South Wales and a Masters in Arts from the National University of Ireland (University College Dublin). John is admitted as a Solicitor of the Supreme Court of New South Wales and has practised in project, mining and energy law for over 20 years.

### **Stephen Mikkelsen**

Stephen Mikkelsen is the Executive Group General Manager of the Energy Markets division of AGL.

Stephen has over 20 years' experience in senior positions in the Australian and New Zealand electricity markets. Prior to being appointed to his current role, Stephen was Group General Manager Retail Energy where he had overall responsibility for sales, marketing, and servicing AGL's residential and small business gas and electricity customers. Prior to this, Stephen served as AGL's Chief Financial Officer for six years.

### **Brett Redman**

Brett Redman is AGL's Chief Financial Officer. Mr Redman joined AGL in 2007 and has variously led finance in Merchant Energy, Upstream Gas, Corporate and Group Strategy before being appointed CFO in 2012. Brett has previously worked locally and internationally for BOC, Email and CSR, having originally qualified with Deloitte. His responsibilities at AGL include reporting, shared services, tax, treasury, investor relations, corporate development and IT.

## 3. Financial information

### 3.1. Financial position

AGL supports all of AGL Sales' financial obligations.

AGL is an ASX50 listed company with a market capitalisation of about \$15 billion as at 27 January 2017. For 2015/16, AGL reported an operating EBIT of \$1,211 million and an underlying profit after tax of \$701 million.

#### 3.1.1. Financial reports

AGL's published financial reports over the past three years available at:

<https://www.agl.com.au/about-agl/investor-centre/reports-and-presentations>.

#### 3.1.2. Credit Rating

Moody's has assigned AGL a credit rating of Baa2 (BBB equivalent) with a stable outlook since January 2016.

### 3.2. Financing

AGL operates as an integrated business and uses a portfolio approach to manage the operations and assets to drive value and efficiency across the business. The investment in the WA retail gas market will be financed through the cash flow from AGL's integrated businesses. During 2015/16, AGL has underlying cash flow from operations of \$1,588 million. In addition, as at 30 June 2016, AGL has undrawn debt facilities of over \$500 million.

### 3.3. Financial projections

AGL intends to grow its customer base by entering the WA retail gas market by offering competitive energy retail offers and improved customer service. AGL is currently conducting market research to inform AGL's choice of product and service offerings that will be optimal for the WA market. AGL's strategic aim is to supply 100,000 gas customers within 24 months of commencing retail operations in WA.

### 3.4. Financial Policies

As a publicly listed ASX50 company, AGL complies with all ASX reporting requirements. Audited financial reports, financial policies, major risk exposures, associated companies and other financial information are provided in AGL Financial Reports.

#### 3.4.1. Risk Management Policies

AGL's risk management systems are underpinned by a Risk Management Policy approved by the Board. Its Risk Management Framework has been developed in accordance with leading industry risk management standards.

#### 3.4.2. Pricing Principles

As a second tier gas retailer in WA, AGL plans to offer market contract prices at a discount to the regulated retail prices. In addition to discounts off the usage rate,

customers may be offered an account credit for signing up and other value addition bundled offers.

The contract prices will be determined according to the costs of procuring wholesale gas, transmission and distribution charges and the costs of retailing in Western Australia. All pricing decisions will comply with AGL's risk management policies.

## 4. Technical information

### 4.1. Customer contracts

AGL has standard retail contracts which comply with National Energy Retail Rules (NERR) and the Victorian Retail Code. AGL has drafted a proposed standard form contract for Western Australian gas customers which complies with the specific Western Australian requirements as well as the NERR.

### 4.2. Customer information

#### 4.2.1. Customer protection and performance

In the eastern states, AGL operates under national and Victorian customer protection frameworks, that is, the National Energy Consumer Framework (NECF) and the Victorian Energy Retail Code. AGL will take the same approach to its customer protection framework for its operations in Western Australia, ensuring compliance with Western Australian customer protection obligations where they differ from other jurisdictions.

AGL has a national Customer Charter and a range of policies and practices including compliance management, dispute resolution, hardship and privacy.

<https://www.agl.com.au/residential/energy-plans/electricity-and-gas-plans/price-and-contract-information/additional-information-for-agl-customers>

<https://www.agl.com.au/about-agl/who-we-are/our-company/agl-constitution-and-company-policies>

#### 4.2.2. Customer performance

AGL monitors a range of indicators of customer satisfaction to develop strategies to enhance our interface with customers and to continuously improve our product offering:

- Customer satisfaction score
- Net promoter score
- Ombudsman complaints, and market share of ombudsman complaints
- Customer churn rate
- Wrongful disconnections

<http://agl2016.sustainability-report.com.au/customers/customer-experience>

#### 4.2.3. Customer information management systems

Gas customers in WA will be managed using the same SAP billing and customer relationship management system that AGL currently uses to handle 3.7 million electricity and gas customers in Queensland, New South Wales, Victoria and South Australia. AGL's existing contact centres will deal with general customer enquiries, sales, customer retention and escalated ombudsman complaints.

Aside from calling the contact centres which are available 24 hours, 7 days a week, AGL provides self-service options by telephone and online at [agl.com.au](http://agl.com.au).



#### 4.2.4. Customer safety awareness program

AGL currently provides general information on natural gas safety on the AGL website which satisfies the information requirements under the Gas Marketing Code of Conduct 2015 for a customer safety awareness program:

<https://www.agl.com.au/residential/help-and-support/gas-safety>

#### 4.2.5. Ombudsman scheme

AGL is a member of the relevant ombudsman scheme in every State in which AGL retails gas or electricity. AGL is a member of the following:

- ACT Civil and Administrative Tribunal
- Energy and Water Ombudsman NSW
- Energy and Water Ombudsman Queensland
- Energy Industry Ombudsman SA
- Energy and Water Ombudsman Victoria

AGL will ensure that its membership in the Energy and Water Ombudsman Western Australia scheme is finalised with this licence application.

### 4.3. Relevant experience

Energy Markets is an AGL operating division which sells electricity, natural gas and energy related products and services to Consumer Market, Business and Wholesale Customers, currently servicing approximately 3.7 million customer accounts. Energy Markets is also responsible for managing the wholesale risks associated with satisfying customer requirements across the portfolios.

Stephen Mikkelsen is the Executive General Manager Energy Markets. He is supported by the Energy Markets leadership team which comprises:

<p>Mark Enzinger – General Manager Market Operations</p> <p>Market Operations is responsible for all back office operations including billing, sales fulfilment, credit and accounts receivables, network reconciliations, network strategy &amp; regulations and Industry Operations and contact centres.</p>
<p>Chris Allin – General Manager New Energy Services</p> <p>New Energy Services is responsible for developing and delivering the distributed energy and connected home future for customers including solar PV, home storage solutions and digital home energy management services.</p>
<p>Maree Mamo - General Manager Customer Capability &amp; Insights</p> <p>Customer Capability &amp; Insights is responsible for improving the customer’s experience by developing and monitoring business performance measures, provision of trusted data and analytics, and increasing AGL’s digital capability across the customer lifecycle.</p>
<p>Richard Wrightson - General Manager Wholesale Markets</p> <p>Wholesale is responsible for managing the procurement and hedging of AGL’s wholesale electricity and gas requirements; commercial management of the generation portfolio and wholesale pricing to support AGL’s retail business.</p>

<p>Sandra de Castro – General Manager Sales &amp; Marketing</p> <p>Sales &amp; Marketing is responsible for sales operations, customer acquisition, channel development, retention and loyalty, campaign data &amp; analytics, pricing strategy, product development, brand and customer communications.</p>
<p>Scott Thomas - General Manager Projects</p> <p>Scott is responsible for business development and retail projects in Energy Markets including AGL’s entry into the WA gas retail market.</p>

#### 4.4. Other equivalent licences

AGL Sales and other associated AGL subsidiaries hold a number of electricity generation and electricity and gas retail licenses in various jurisdictions across Australia as highlighted below.

**Table 1 AGL retail authorisations under National Retail Energy Law - AER public register**

AGL entities	Sector	Region	Effective date
AGL Sales Pty Limited / ABN 88 090 538 337	Gas	Queensland, New South Wales, Australian Capital Territory, South Australia	1 July 2012
AGL Energy Sales & Marketing Limited / ABN 18 076 092 067	Gas	Queensland, New South Wales, Australian Capital Territory, South Australia	1 July 2012
AGL Retail Energy Limited / ABN 21 074 839 464	Gas	Queensland, New South Wales, Australian Capital Territory, South Australia	1 July 2012
AGL Sales (Queensland) Pty Limited / ABN 85 121 177 740	Gas	Queensland, New South Wales, Australian Capital Territory, South Australia	1 July 2012
AGL South Australia Pty Ltd / ABN 49 091 105 092	Gas	Queensland, New South Wales, Australian Capital Territory, South Australia	1 July 2012
AGL Sales Pty Limited / ABN 88 090 538 337	Electricity	Queensland, New South Wales, Australian Capital Territory, South Australia	1 July 2012

AGL Sales (Queensland Electricity) Pty Limited / ABN 66 078 875 902	Electricity	Queensland, New South Wales, Australian Capital Territory, South Australia	1 July 2012
AGL South Australia Pty Ltd / ABN 49 091 105 092	Electricity	Queensland, New South Wales, Australian Capital Territory, South Australia	1 July 2012
Powerdirect Pty Ltd / ABN 28 067 609 803	Electricity	Queensland, New South Wales, Australian Capital Territory, South Australia	1 July 2012

Source: <http://www.aer.gov.au/retail-markets/authorisations>

**Table 2 AGL retail licences in Victoria – ESC public register**

<b>AGL entities</b>	<b>Sector</b>	<b>Effective date</b>
AGL Sales Pty Limited / ABN 88 090 538 337	Gas	22 February 2006
AGL Sales (Queensland) Pty Limited / ABN 85 121 177 740	Gas	14 March 2007
Australian Power and Gas Pty Ltd / ABN 26 118 609 813	Gas	14 March 2007
AGL Sales Pty Limited / ABN 88 090 538 337	Electricity	22 February 2006
AGL Sales (Queensland Electricity) Pty Limited / ABN 66 078 875 902	Electricity	24 October 2007
Australian Power and Gas Pty Ltd / ABN 26 118 609 813	Electricity	4 October 2006

Source: <http://www.esc.vic.gov.au/project/energy/2075-licensing/>

#### **4.5. Other regulatory approvals**

AGL will procure all necessary approvals, permits and licences to be able to retail natural gas in WA.

In addition to this application and the membership of the Energy and Water Ombudsman Western Australia, AGL is already in discussions with ATCO Gas Australia for a Service Agreement and is also preparing to register with the Australian Energy Market Operator (AEMO) to operate in the WA retail gas market.

## 5. Public interest information

The retail gas market in Western Australia is dominated by Alinta Energy despite the introduction of full retail contestability over 12 years ago. Currently, the only alternative to Alinta for residential and small business customers is Wesfarmers Kleenheat.

AGL is a leading energy retailer in the eastern states in Australia with 2.2 million electricity customers and 1.4 million natural gas customers. In the residential and small business market, AGL's national gas sales amount to over 59 PJ of gas in 2015-16.

AGL is committed to outstanding customer experience by continuing to provide service innovation to the retail energy markets. Although price competition in the form of discounts (as well as credits and vouchers) is the main feature, AGL will include other product and service features to enhance the value of the energy offer. In the eastern states, AGL's suite of product incorporate features such as:

- loyalty schemes (flybuys),
- access to AGL Energy Online which allow customers to organise their move, view and monitor energy usage and bill details, pay bills and update personal details,
- access to My AGL IQ® which is an advanced energy report tool which allows customers to track their energy usage (up to the previous day's consumption for customers with digital meters), compare with similar homes and set energy saving goals,
- membership with AGL Rewards® which offers AGL products and services and benefits from over 1,600 merchants nationally, and
- monthly billing and bill smoothing,
- 24/7 anytime contact centres
- Webchat
- Payment via PayPal
- Card for impromptu payments.

In August 2016, AGL announced a \$300 million digitalisation program to develop world-leading processes to improve customer experiences in terms of convenience, speed and accuracy.

In the eastern states, AGL's average annual customer satisfaction score has remained higher than that of our major competitors since 2012.

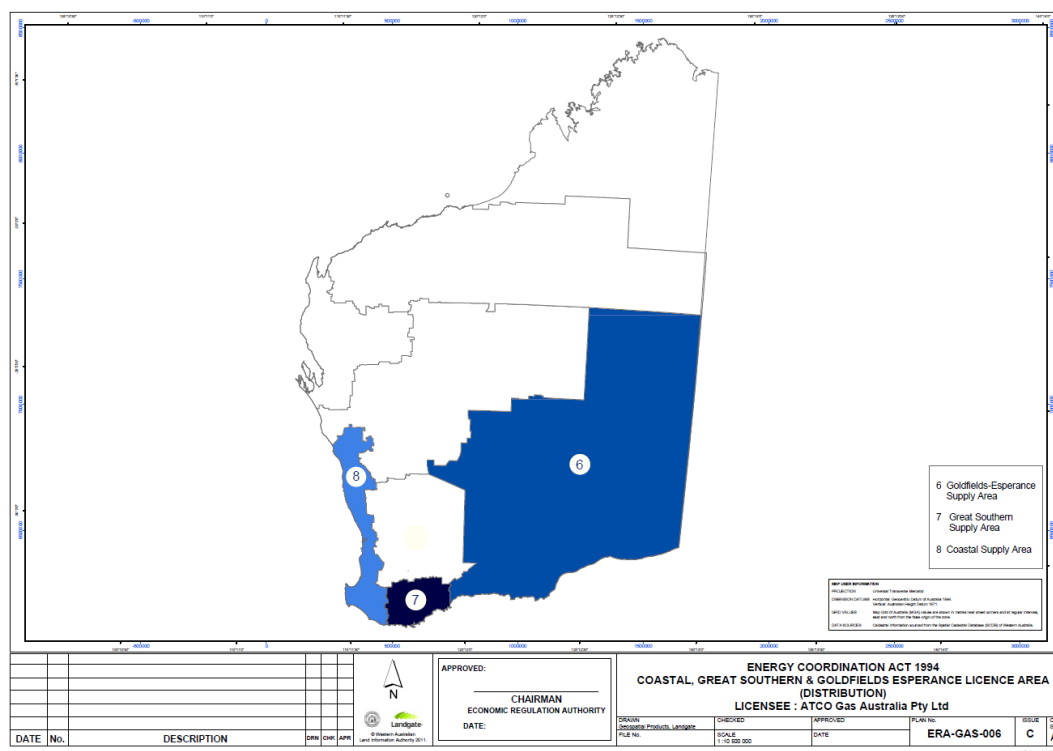
AGL is also committed to supporting the communities in which we operate as demonstrated by our actions.

- In 2015, AGL launched a \$6 million Affordability Initiative towards energy efficient appliances, audits, funding for financial counsellors and incentive payments for customers to support vulnerable customers.
- AGL's Energy for Life program supports families in hardship and has strategic partnerships with The Smith Family, the Cancer Council, the Julian Burns Trust and St Vincent de Paul Society.
- When retail price deregulation was introduced in south east Queensland from 1 July 2016, AGL donated \$500,000 to 16 separate community organisations to enable these groups to raise customer awareness and participation in a competitive energy market.
- AGL is a sponsor for the Melbourne and Adelaide Zoos, Midsumma Festival in Victoria, Mardi Gras Film Festival and Harbour Sculpture in Sydney, Melbourne Victory A-League Club and NSW Waratah Rugby Union Club. In addition, AGL also provides support for a range of community events and initiatives.

AGL's entry into the retail gas market in Western Australia will provide customers with a significantly greater choice of competitive gas prices, new and improved service offers, and sponsorship of community events and services.

## 6. Licence, Supply and Operating Areas

The licence area under this application for a Gas Trading Licence is the Coastal gas supply areas. This area is serviced by the Mid-West and South-West Gas Distribution Systems owned and operated by ATCO Gas Australia Pty Limited and is designated as supply area 8 in the map below.



The proposed term is 10 years, the maximum allowable under the Energy Coordination Act 1994.

# Appendices

Appendix 1 Certification

Appendix 2 Licence application checklist

Appendix 3 Director's statutory declaration and particulars of interstate licences – John Fitzgerald

Appendix 4 Director's statutory declaration – Brett Redman

Appendix 5 Director's statutory declaration – Stephen Mikkelsen

Appendix 6 AGL Financial Report 2016

Appendix 7 AGL Financial Report 2015

Appendix 8 AGL Financial Report 2014

Appendix 9 Financial projections

Appendix 10 Risk management policy

Appendix 11 Risk management assessment standard

Appendix 12 Proposed standard form contract

Appendix 13 Customer charter

Appendix 14 Compliance management policy

Appendix 15 Dispute resolution policy

Appendix 16 Hardship policy – summary

Appendix 17 Hardship policy - details

Appendix 18 Privacy policy