

**IN THE AUSTRALIAN COMPETITION TRIBUNAL
AGL ENERGY LIMITED**

of 2014

**RE: PROPOSED ACQUISITION OF MACQUARIE GENERATION (A CORPORATION
ESTABLISHED UNDER THE ENERGY SERVICES CORPORATIONS ACT 1995
(NSW))**

ANNEXURE CERTIFICATE

This is the annexure marked "MB3" annexed to the statement of **MARK TROY BROWNFIELD**
dated 21 March 2014

Annexure MB3

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[Form approved 01/08/2011]

Home » Retail markets » Authorisations » Public register of authorised retailers and authorisation applications

Macquarie Bank Limited - Application for electricity retailer authorisation

[Accepting submissions](#)

Type: [Authorisation](#)

Sector: [Electricity](#)

Segment: [Retail](#)

Region: [New South Wales, Australian Capital Territory, South Australia, Tasmania](#)

Status: [Open](#)

Category: [Authorised retailer](#)

Notice status: [Current notice](#)

Commencement date: [24 February 2014](#)

Key documents: [Macquarie Bank Limited application for electricity retailer authorisation - February 2014 \(456.48 KB\)](#)

Overview: On 21 February 2014, the AER accepted an application from Macquarie Bank Ltd for an electricity retailer authorisation under the National Energy Retail Law.

Invitation for submissions

We are now seeking submissions from interested stakeholders on Macquarie Bank's application by **Wednesday 26 March 2014**. [Read more](#)

Applicant/s: [Macquarie Bank ABN 46 008 583 542](#)

Location: [Level 1, 1 Martin Place
 Sydney, NSW 2000
 Australia
 See map: \[Google Maps?\]\(#\)](#)

Milestones

Initiation [24 February 2014](#)

MACQUARIE BANK LIMITED

ENERGY RETAIL AUTHORISATION APPLICATION

PREPARED FOR THE AUSTRALIAN ENERGY REGULATOR

FEBRUARY 2014

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PART 1 - General Particulars

1. Legal Name and ABN

Macquarie Bank Limited (referred to as "Macquarie" throughout this application)
ABN 46 008 583 542

2. Registered address for correspondence

Level 1, 1 Martin Place, Sydney, NSW 2000

3. Nominated Contact

Andrew McGrath
Executive Director
Energy Markets Division
Macquarie Bank Limited
Phone: 02 8232 9744
Email: Andrew.McGrath@macquarie.com

4. Form of energy for retailer authorisation

Electricity

5. Commencement of retail operations

Macquarie intends to commence retail operations from 1 April 2014.

6. Nature and scope of operations

Macquarie intends to provide large corporate and industrial consumers in AER jurisdictions with a new retail offering, providing consumers with an innovative way to separately manage their retail grid connection requirements and their electricity and environmental price risk according to their individual risk appetite. Macquarie believes this may allow consumers to realise lower prices over the long term and provide an integrated and flexible offering to managing their electricity supply arrangements.

Macquarie holds a Retail Authority in Queensland (a copy is provided as Appendix 1) and is simultaneously pursuing a licence application with the Victorian Essential Services Commission ("ESC") with the intention of providing similar services in that jurisdiction.

7. Jurisdictions

Macquarie intends to retail electricity under this authorisation in New South Wales, South Australia and the Australian Capital Territory.

8. Types of customers

Macquarie intends to supply solely large customers in each jurisdiction.

PART 2 - Entry Criteria

1. Organisation and Technical Capacity

1.1. Details previous experience as an energy retailer or any other experience in the energy market

1.1.1. Energy retailer

Macquarie was granted a Retail Authority to supply electricity to large use Queensland customers by the Queensland Department of Energy and Water Supply on 20 December 2013. A copy of this authority is included in Appendix 1. Macquarie intends to commence serving load under this authority by 1 April 2014.

Macquarie is also in the process of applying for an electricity retail authority with the ESC in Victoria. The broad operational framework, including responsible staff and business strategy, to support retail activities in these jurisdictions is the same as those outlined in this proposal, with the exception of those relating to different regulatory requirements in each region.

1.1.2. Other experience in the energy market

The Energy Markets Division ("EMD") is a division of Macquarie's Fixed Income, Currencies and Commodities ("FICC") group and is an active participant in global power, gas, oil, coal and environmental markets, trading across both financial and physical markets. Macquarie's Australian EMD team has been active in the National Electricity Market ("NEM") since April 2011, having previously been involved in the late 1990's and early 2000's which it exited at that time due to market factors.

Macquarie is currently an active trader across the major NEM nodes including VIC, NSW and QLD, and their associated environmental markets including STCs, LGCs, VEECs, ESCs and carbon.

Macquarie is also an active provider of reallocation and is currently registered with the Australian Energy Market Operator ("AEMO") as a trader and reallocator, with an application for registration as a market participant currently in process.

Macquarie holds an Australian Financial Services Licence ("AFSL") which authorises it to make markets and deal in electricity derivative products. Macquarie is also a provider of a range of structured financing facilities to a number of participants in the NEM.

Macquarie's trading team is experienced across electricity and other commodity markets, enabling it to manage its risk exposures through the use of electricity derivatives across both exchange traded and Over-the-Counter markets with a wide range of trading counterparties.

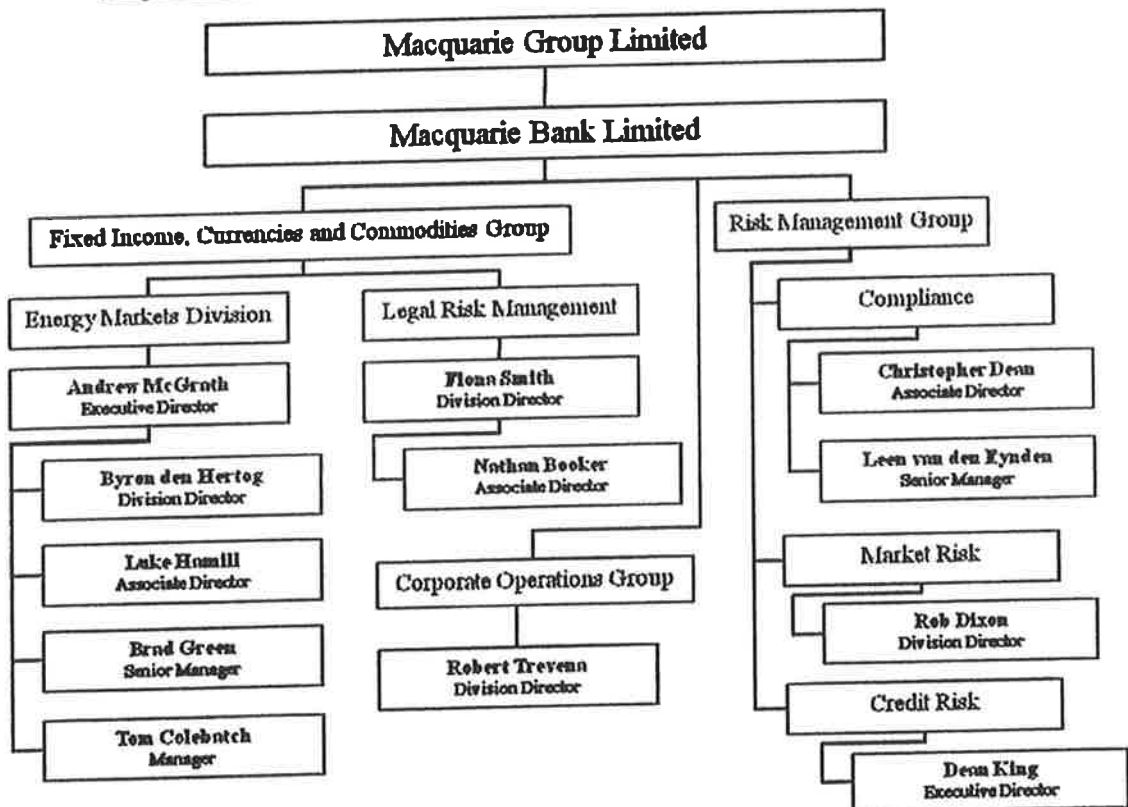
Macquarie's staff that will be actively involved in activities undertaken under the Retail Authorisation are experienced energy market professionals with a range of backgrounds and expertise that leave Macquarie well positioned to operate a successful retail business. Further details are provided in section 1.6.

1.2. Details of any other relevant retail experience
Not applicable.

1.3. Details of retail and/or energy experience of a person holding 20% or more of any class of shares
Macquarie is a 100% subsidiary of Macquarie Group Limited ("MGL"). MGL is an ASX listed company, further detail of the corporate structure and shareholders are contained in the Annual Reports of Macquarie and MGL which are attached as Appendix 2 and Appendix 3.

1.4. An organisation chart showing the structure of the organisation
Macquarie's organisational structure for activities undertaken with the AER's Retail Authorisation will involve a number of teams performing different functions. An outline of the teams, key staff and reporting lines in relation to key functions is set out below.

Organisation Chart - Australian Power - Macquarie Bank Limited



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

An overview of the number of staff in each team outlined in the organisation chart above, and the functions they will be involved in is provided below:

- EMD: responsible manager Andrew McGrath, 5 staff, customer account establishment, management and service, risk management, customer billing and collections, systems management, interaction with distributors and other suppliers, and overall management of the business;
- Legal Risk Management: responsible manager Fiona Smith, 5 staff, preparation and negotiation of supplier and customer contracts;
- Corporate Operations Group (COG): responsible manager Robert Trevena, 4 staff, assistance with customer billing and collection;
- Risk Management Group:
 - Compliance: responsible manager Christopher Dean, 2 staff, development and maintenance of regulatory compliance systems;
 - Market Risk: responsible manager Rob Dixon, 2 staff, management of market risk and adherence with internal trading limits;
 - Credit Risk: responsible manager Dean King, 4 staff, management of credit risk and adherence with internal credit limits;

1.6. Qualifications, technical skill and experience and the relevance of those skills and experience to meeting the requirements of the retailer authorisation

The staff who will be involved in the performance of functions under the Retail Authorisation have a range of experience in the energy industry and have been heavily involved in Macquarie's activities in the Australian electricity market since the commencement of the business in April 2011. Macquarie believes this leaves it well placed to successfully carry out its activities under the Retail Authorisation and comply with all regulatory obligations.

A summary of the qualifications and experience of Macquarie's staff is provided below.

Energy Markets Division

Andrew McGrath – Executive Director

Andrew is the Head of Macquarie's EMD Asia business which includes trading of electricity and environmental products across Australia and New Zealand, as well as Macquarie's regional physical and financial oil trading business. Andrew has worked in Finance for 15 years, 13 of them with Macquarie. Andrew drove the establishment of Macquarie's presence in the Australian Power market in 2011 and has extensive experience in client facing roles. Andrew holds a Bachelor of Laws (Hons) and Bachelor of Commerce from the University of Queensland.

Byron Den Hertog – Division Director

Byron is the Head Trader and has over twelve years experience in Australian electricity markets. Before joining Macquarie in 2011, Byron worked on the electricity trading desk at Societe Generale, and before that Byron was at Integral Energy where he was responsible for hedging customer load. Byron has a deep understanding of the Australian electricity markets and managing risk in both a market intermediary setting and in an electricity retailer setting. Byron holds a Bachelor of Science (Hons) from Monash University and a PhD in Theoretical Physics from the Australian National University.

Luke Hamill – Associate Director

Luke has six years of trading and risk management experience in the Australian power industry. He worked for Snowy Hydro for three and a half years in a number of roles, including as a spot market trader where he was responsible for the dispatch of Snowy's plant to optimise the company's revenue, for managing dam levels and working with operations staff to time plant outages, and later as a contract trader where he was responsible for forward hedging Snowy's production. As part of this role, Luke was involved in the integration of Red Energy's load into Snowy Hydro's portfolio management systems – this included load forecasting, hedging and working with the spot trading team to optimise generation around this load. Most recently Luke spent two years at Tibra Capital as an energy trader and later Head of Energy Trading. Luke joined Macquarie in 2013 and holds a Bachelor of Engineering from University College Dublin, and is currently completing his Masters of Applied Finance at Macquarie University.

Brad Green – Senior Manager

Brad has been a trader on the electricity desk since April 2011. Brad's specific focus is on trading of environmental markets, including domestic green certificates and regional carbon markets, and his experience in trading and market analysis provides a strong base for Macquarie to manage environmental scheme liabilities arising from supplying its customers. Prior to trading electricity and environmental products, Brad worked on Macquarie's regional Asian oil desk and UK gas desk in London. Brad holds a Bachelor of Science and a Bachelor of Commerce from Sydney University.

Tom Colebatch – Manager

Tom has been a member of the EMD team since 2009 in a customer facing marketing and structuring role. Tom has been focused across the electricity and environmental markets since 2011 and is responsible for customer management including development of new customer relationships, customer onboarding and set up, ongoing customer service and relationship management needs, and day to day management of Macquarie's structured finance facilities in the NEM. Tom has a strong understanding of the operational aspects of electricity retailing including managing customer and supplier contracts, billing and collection requirements, and the overall performance of an electricity retail business. Tom holds a Bachelor of Laws (Hons) and Bachelor of Commerce from the Australian National University.

Legal Risk Management

Fiona Smith – Division Director

Fiona oversees a team of lawyers advising and supporting Macquarie's energy, environmental financial products, agricultural commodities, and freight markets trading businesses within FICC. Fiona joined Macquarie in London in November 2008 prior to relocating to Macquarie in Sydney in February 2009. Prior to joining Macquarie Fiona worked in London for 15 years advising commodities trading businesses with a global investment bank and a major international law firm. Fiona holds a Bachelor of Commerce and Bachelor of Laws from the University of New South Wales.

Nathan Booker – Associate Director

Nathan provides legal advice and support to Macquarie's energy markets businesses. Since joining Macquarie in December 2003, Nathan has worked in Los Angeles and New York assisting with the development of Macquarie's US natural gas and power businesses. Upon returning to Sydney in 2011, Nathan has advised on electricity financing and hedging facilities and general trading matters. Nathan has a sound understanding of the legal framework of the Australian electricity market, and holds a Bachelor of Business Administration and Bachelor of Laws from Macquarie University.

Corporate Operations Group

Robert Trevena – Division Director, Settlements

Robert joined Macquarie in 1996 and is the global head of Market Operations Division – Settlements within the Corporate Operations Group (COG). Robert oversees a team of 75 staff in 8 locations globally, providing a settlement function for the FICC and Macquarie Securities groups of Macquarie Group. This function includes invoicing, pre-matching, funding, payments and reconciliation investigations. Robert's Sydney based team has extensive experience managing the settlement function for Macquarie's existing Australian electricity business including managing AEMO payments, provision of funding to retailers and settlement of OTC derivatives. Robert holds a Bachelor of Technology Management (Instrumentation and Control major) from University of Western Sydney, and a Graduate Diploma of Applied Finance and Investment from a Securities Institute of Australia.

Risk Management Group

Christopher Dean – Associate Director, Compliance

Chris joined Macquarie in December 2012 as part of the FICC Compliance team. Chris has 12 years compliance experience prior to joining Macquarie with firms including Santander, Merrill Lynch, Barclays & Commonwealth Bank in Australia and the UK where he was responsible for overseeing compliance by both wholesale and retail businesses across a range of industries. Chris holds a Bachelor of Economics from Murdoch University.

Leen van den Eynden – Senior Manager, Compliance

Leen joined Macquarie in 2013 in the FICC Compliance team where she brings a strong background in and understanding of compliance requirements in the Australian electricity industry. Prior to Macquarie, Leen worked for 3 years as a Regulatory Compliance Manager at Origin Energy where she gained experience in both the wholesale and retail electricity businesses. Prior to Origin, Leen

held roles at the Australian Energy Market Commission (2 years) and legal roles with ExxonMobil and the Belgian Electricity and Gas Market Regulation Commission. Leen holds a Masters in Law from the University of Antwerp, Belgium, and a LLM in Competition Law and Economics from the Erasmus University in Rotterdam, Netherlands. Leen is accredited as an associate with the Australasian Compliance Institute.

Rob Dixon – Division Director, Market Risk

Rob has overseen Macquarie's Energy Markets business since he joined the Market Risk team in 2005. Rob worked in both Sydney and London before moving to Houston to head up the US Market Risk team. Rob recently transferred back to Sydney to head up the Australian team, which includes oversight of the Australian power business. Rob has a deep understanding of managing market-related risk across a number of markets that Macquarie is active in and is well placed to provide strong oversight of market risk positions in the Australian electricity market. Prior to Macquarie Rob worked as an Engineer.

Dean King – Executive Director, Credit Risk

Dean joined RMG Credit in Sydney in 2004 as a Petroleum Engineer in the resources team. In 2007 he relocated to Houston where he was responsible for establishing the credit presence. Initially his focus was analysing and recommending oil and gas transactions generated by Macquarie Energy Capital, before his role expanded to include Energy Markets Division in Houston. In late 2011 he returned to Australia and is responsible for monitoring credit risk across a range of businesses including regional energy businesses. Dean has a strong understanding of the Australian electricity landscape and credit assessment of entities in the sector. He holds a Bachelor of Engineering from Monash University and a MBA from the Australian Graduate School of Management.

1.7. Details of your human resources policy regarding employee qualifications

Macquarie has a number of policies in place in relation to recruitment of employees to ensure they have the necessary knowledge, experience and skills to perform the intended role. All prospective permanent employees are required to undergo psychometric assessment before an offer of employment is made. Employment screening is completed by a third party provider involving a range of checks such as basic checks of identity and qualifications, and additional specific checks driven by regulatory and legislative requirements or by operational risks associated with the intended role and must be initiated and in progress prior to employment / engagement starting. Reference checks are a mandatory requirement under Macquarie's employment screening policy and must be completed prior to an offer being made.

Macquarie has a number of policies in place covering the employment of its staff, including

- Psychometric Assessment Policy, a copy of this policy is provided in Appendix 4; and

- Reference Checks, an overview of the relevant sections on Macnet¹ is provided in Appendix 5.

1.8. Details of all training programs and training policies for employees and agents of the retailer, and any other policies and procedures in place (or propose to put in place) to ensure appropriate interaction with customers

1.8.1 Training Programs & Policies

Macquarie is committed to conducting its business in accordance with its stated values: Integrity, Client Commitment, Strive for Profitability, Fulfilment for our People, Teamwork and Highest Standards. This has been reflected in a series of policies and guidelines set out in the Macquarie Staff Guide, a copy of which is provided in Appendix 6. The Guide includes, but is not limited to:

- Conflicts of Interest
- Breach and Incident Escalation
- Dealing with clients and external parties
- Confidentiality
- Dealing with government and regulators
- Privacy and data protection

Employee training and development is fundamental to Macquarie's commitment to conducting business in accordance with the highest standards. Macquarie's Compliance Training Policy requires its staff to undertake annual training on laws, regulations and policies that govern their activities and sets out the minimum initial and continuing compliance training obligations for all Macquarie staff. A copy of the policy can be found in Appendix 7.

In addition Macquarie has a comprehensive learning and development framework in place called 'Learning at Macquarie'. A Macnet overview of this framework is provided in Appendix 8.

All relevant Macquarie staff will receive specific training in respect of Macquarie's regulatory obligations and internal policies related to activities related to the Retail Authorisation (see also Section 1.11.1 below).

1.8.2 Customer Interaction

Macquarie's existing global energy business has a strong focus on the provision of excellent customer service across every market that it is active in, reflecting Macquarie's goal of "Client Commitment". EMD will ensure that these high standards of customer service are continued in any activities undertaken with the Retail Authorisation.

Every customer account with Macquarie will have a dedicated Account Manager in EMD focused specifically on the needs and requirements of that customer. The Account Manager will be responsible for overseeing the end to end requirements of their customers including billing, collections, providing information and managing any customer queries. Individual performance will

¹ Macnet is Macquarie's internal intranet available to all staff.

be assessed against customer satisfaction and appropriately addressing the needs of customers. Where required the Account Manager will liaise with other teams involved in activities under the electricity retail authority to resolve any matters outstanding.

Given the nature of Macquarie's target customer base being large entities with high electricity use, most correspondence is expected to be via phone or email between customers and their Account Manager, without the need for a call centre. Macquarie strongly believes that this framework for customer service is highly appropriate for the customer base that it intends to service under this Retail Authorisation.

1.9. Business Plan

Macquarie's business plan is focused on the provision of innovative and cost effective products to large consumers. In particular, Macquarie sees an opportunity to engage with large corporate consumers through a pool pass through product, allowing them to minimise energy costs while carefully managing risk. These entities have frameworks in place and are familiar with managing risk across a range of exposures already and would be well suited to managing their electricity exposure through a pool pass through product.

Macquarie would serve and support its customers' load with AEMO while providing the customer with a range of vanilla and tailored risk management products to actively manage each component of their electricity, green certificate and carbon costs. This framework may allow customers to realise savings according to their risk tolerance and financial capacity compared to a standard fixed price, variable volume contract from a retailer.

Macquarie has prepared a five year financial forecast as part of this application which demonstrates that returns relating to activities undertaken under a retail authority make commercial sense and meet internal hurdles against a range of metrics including return on economic and regulatory capital. It also provides evidence that Macquarie is financially viable to provide the proposed electricity retail services and it has sufficient financial resources to sustain its operations. A copy of this forecast and accompanying business plan has been provided on a "commercial in confidence" basis in Appendix 9 and Appendix 10 respectively.

1.10. Quality Assurance Accreditations

Not applicable (as advised by the AER).

1.11. Compliance Strategy

1.11.1 General

Macquarie has extensive compliance requirements under many different jurisdictions and compliance regimes globally. The Compliance Division within RMG is a specific independent function responsible for ensuring that all compliance risks are appropriately addressed and managed across

Macquarie. Representatives of the Compliance Division (i.e. business aligned compliance representatives) are embedded within front office businesses and work closely with those businesses to ensure obligations continue to be met.

The Compliance Division provides advice, training and education, monitoring and surveillance in relation to the establishment of ongoing compliance of all existing or likely regulatory obligations. Macquarie maintains appropriate compliance management, governance, and reporting systems consistent with all applicable codes and guidelines and with Australian Standards (AS-3806, AS-8000).

A copy of the Compliance Division Mission, Charter & Operating Model has been attached in Appendix 11.

An essential component of Macquarie's operational and compliance risk strategy is an effective process that encourages staff to be aware of and escalate any suspected or actual breach of internal policies and procedures, external rules and regulations and any operational incidents. Macquarie's Breach, Incident and Escalation Policy details the requirements for timely identification, escalation and reporting of incidents through the appropriate channels. A copy of this policy is included in Appendix 12.

The FICC Business Aligned Compliance representatives are developing an NECF Electricity Retail Compliance Manual to ensure Macquarie will be in a position to comply with all legal obligations as a licensed electricity retailer in all NECF jurisdictions as well as adhering to internal policies. The NECF Electricity Retail Compliance Manual sets out the applicable regulatory framework and processes in respect of the electricity authority.

All staff involved with the electricity retail business will receive specific training in relation to this Compliance Manual, and any future updates as required.

A copy of Macquarie's existing FICC Energy Compliance Manual is attached in Appendix 13 and the NECF Electricity Retail Compliance Manual is attached in Appendices 14A and 14B.

1.11.2. Complaint and dispute resolution management

As a regulated bank and the holder of an Australian Financial Services Licence, Macquarie has in place various policies and procedures aimed at addressing customer complaints in a fair and efficient manner. In addition, Macquarie's current Dispute Management System based on section 8.2.3 of the National Electricity Rules is embedded in the Australian Energy Compliance Manual as included in Appendix 13 and will be updated to include retail activities once the retail authority has been granted.

Note that Macquarie does not intend to pursue membership of any of the jurisdictional Ombudsman schemes which it understands are designed to protect the interests of small customers, while Macquarie intends to only contract directly with large consumers who can negotiate and agree appropriate dispute resolution procedures with Macquarie.

1.12. Risk Management Strategy covering both operational and financial risks

The major risks faced by Macquarie are market, equity, credit, liquidity, operational, compliance, legal, reputation and capital adequacy. Macquarie's risk management framework is well established, proven and publically reported on. A copy of Macquarie's 2013 Risk Management Report has been included in Appendix 15.

Ultimately, it is the responsibility of each business area giving rise to such risk to manage them, and Macquarie's Risk Management Group (RMG) acts as an independent, centralised business unit to assist all business areas with ensuring that all risks are appropriately assessed and managed. RMG's functions include:

- Credit (including Credit Assurance);
- Market Risk;
- Prudential & Capital (PCM);
- Operational Risk;
- Compliance.

Macquarie will utilise a suite of internal risk management systems for its activities under a retail electricity authority to assist in the management of these risks. Principal among these is the Macquarie Trading System ("MTS") which acts as the central "source of truth" for deal entry and trade verification, risk monitoring and settlement payments across all of Macquarie's activities. MTS will be developed to accommodate retail activities including capture of customer usage data, billing and collections, network costs and other costs.

The account setup process for new customers will reflect Macquarie's existing internal procedures for the establishment of new customers. This process includes customer onboarding to Australian bank standards, performing Anti-Money Laundering (AML)/Counter Terrorism Financing (CTF) checks, establishing internal credit limits based on expected exposures to the counterparty, and agreeing contracts and other required documentation with the counterparty.

Macquarie intends to manage any exposure to the wholesale electricity market arising from activities undertaken with the Retail Authorisation through its own trading desk and risk management capabilities across both futures and Over-the-Counter ("OTC") markets. Any exposure would be subject to and governed by Macquarie's internal risk management framework, including separation of trading (front office) and settlement (back office) functions, and independent monitoring of risk limits. As Macquarie intends to focus primarily on providing a pool pass through product it is not expected that this exposure will be material.

All customer billing and collections processes will be managed by EMD directly in conjunction with the COG. The COG team already handles the invoicing and settlement of Macquarie's current activities in the financial electricity and environmental markets, and will manage receipt of payments and late payments from customers, as well as processing and payment of invoices from AEMO and distributors.

The customer billing and collections process will be managed through MTS where all customer transactions will be centrally booked. Macquarie intends to bill all customers on a calendar monthly

basis. Alternative billing cycles (such as weekly) may be agreed with individual customers depending on their specific requirements. EMD and COG will work with Compliance to ensure that all bills comply with all regulatory requirements. Unpaid debts will be managed through existing processes for collection of overdue amounts, including taking steps for recovery, disconnection and write off according to the terms of each customer agreement.

1.13. Declaration that the risk and compliance strategies have been approved and subject to an external assurance process

See Appendix 16.

1.14. Additional information to demonstrate ability to manage risk and operate in accordance with the Retail Law objective

The objective of the National Energy Retail Law “is to promote efficient investment in and efficient operation and use of energy services for the long term interests of energy consumers with respect to price, quality, safety, reliability and security of supply of energy”.

Macquarie believes the grant of a Retail Authorisation is consistent with this objective. Macquarie intends to provide large commercial and industrial consumers with an alternative approach to managing their energy exposure according to their individual risk appetite. Macquarie believes that this approach may enable its customers to realise lower energy prices and carefully manage risk.

1.15. Details of Insurance Arrangements

Not applicable (as advised by the AER).

1.16. Third-party staff and resources

Not applicable – all functions will be operated in-house.

1.17. Evidence of any membership, or steps taken to obtain membership, of a recognised energy industry ombudsman scheme in relevant jurisdictions in which you intend to retail energy to small customers

Not applicable as Macquarie does not intend to retail to small customers. See also Section 1.11.2.

1.18. Evidence of any agreements and systems in place to facilitate interaction with relevant market participants within relevant jurisdictions

As an active participant in the wholesale electricity market since 2011, Macquarie already has a number of agreements in place with market participants including in the wholesale trading market and with AEMO where Macquarie is already registered as a Trader and Reallocator, and is currently pursuing registration as a Market Customer.

Macquarie is in the process of negotiating Network Use of System Agreements with the various distribution networks and will ensure the required agreements are finalised prior to serving any load to customers under the authority.

Macquarie is considering a range of accredited meter reading agents to perform meter reading services as needed. Macquarie envisages using a range of meter reading agents depending on the specific requirements of each customer.

Metering services will be utilised according to the existing or preferred metering company that the corporate customer is already utilising. Any conversations and negotiations with such metering services provider will commence after we have initiated negotiations with a potential customer.

1.19. Details of any previous triggering of the ROLR provisions of the retail law
Not applicable.

1.20. Additional information regarding organisational and technical capacity
Not applicable.

2. Financial Resources

2.1. Financial statements for 3 years

Consolidated audited financial statements for both Macquarie Group Limited and Macquarie Bank Limited are available at:

<http://www.macquarie.com.au/mgl/au/about-macquarie-group/investor-relations/financial-disclosure>

A copy of the 2013 Annual Reports for Macquarie Bank Limited and Macquarie Group Limited, containing the most recent audited financial reports for both entities, is contained in Appendix 2 and Appendix 3 respectively. An extract of the income statement and balance sheet for Macquarie Bank Limited for the financial year ended 31 March 2013 is provided below. All statements are prepared in accordance with Australian Accounting Standards.

Income statements for the financial year ended 31 March 2013

	Notes	Consolidated 2013 \$m	Consolidated 2012 \$m	Bank 2013 \$m	Bank 2012 \$m
Interest and similar income		4,394	5,157	3,203	3,796
Interest expense and similar charges		(2,966)	(9,664)	(2,491)	(2,536)
Net interest income	2	1,428	1,603	712	899
Fee and commission income	2	1,556	1,844	373	86
Net trading income	2	1,278	999	864	896
Share of net profits of associates and joint ventures accounted for using the equity method	2	40	37	-	-
Other operating income and charges	2	342	728	1,173	825
Net operating income		4,644	4,711	3,112	2,604
Employment expenses	2	(1,511)	(1,807)	(875)	(660)
Brokerage, commission and trading-related expenses	2	(566)	(811)	(330)	(339)
Occupancy expenses	2	(145)	(149)	(93)	(89)
Non-salary technology expenses	2	(88)	(96)	(52)	(47)
Other operating expenses	2	(1,305)	(1,285)	(855)	(552)
Total operating expenses		(3,615)	(3,823)	(2,205)	(2,108)
Operating profit before income tax		1,029	888	907	298
Income tax expense	4	(355)	(243)	(86)	-
Profit after income tax		674	645	821	298
Profit attributable to non-controlling interests:					
Macquarie Income Preferred Securities	6	(4)	(4)	-	-
Other non-controlling interests		1	(1)	-	-
Profit attributable to non-controlling interests		(3)	(5)	-	-
Profit attributable to equity holders of Macquarie Bank Limited		671	650	821	298
Distributions paid or provided for on:					
Macquarie Income Securities	6	(21)	(26)	-	-
Convertible debentures	5	-	-	(4)	(4)
Profit attributable to ordinary equity holders of Macquarie Bank Limited		650	624	817	294

The above income statements should be read in conjunction with the accompanying notes.

Source: Macquarie Bank Limited 2013 Annual Report, page 41

Statements of financial position
as at 31 March 2013

	Notes	Consolidated 2013 \$m	Consolidated 2012 \$m	Bank 2013 \$m	Bank 2012 \$m
Assets					
Receivables from financial institutions	8	13,899	15,340	12,149	13,382
Trading portfolio assets	7	18,853	11,546	16,323	8,070
Derivative assets		14,595	21,981	13,513	13,918
Investment securities available for sale	5	14,190	16,235	15,641	17,207
Other assets	9	6,685	7,444	4,836	3,980
Loan assets held at amortised cost	10	47,926	44,086	24,361	17,829
Other financial assets at fair value through profit or loss	12	4,645	5,982	3,358	4,967
Life investment contracts and other unitholder investment assets	13	7,247	5,908	-	-
Due from related body corporate entities	31	1,060	1,118	994	981
Due from subsidiaries		-	-	19,791	18,927
Property, plant and equipment	14	6,352	4,836	221	4
Interests in associates and joint ventures accounted for using the equity method	16	528	707	175	232
Intangible assets	18	795	874	55	86
Investments in subsidiaries	17	-	-	4,243	4,263
Deferred tax assets	19	262	106	383	41
Total assets		138,037	126,169	116,023	109,547
Liabilities					
Trading portfolio liabilities	20	1,384	3,807	1,371	6,488
Derivative liabilities		14,725	20,897	14,588	17,987
Deposits		40,966	37,014	39,992	38,781
Other liabilities	21	8,966	7,766	4,620	4,271
Payables to financial institutions	22	15,180	9,078	14,644	7,588
Other financial liabilities at fair value through profit or loss	23	919	1,688	739	1,286
Life investment contracts and other unitholder liabilities		7,218	5,897	-	-
Due to related body corporate entities		5,456	3,022	5,250	2,709
Due to subsidiaries	24	-	-	7,758	8,374
Debt issued at amortised cost	24	31,826	38,068	16,306	16,213
Provisions	25	104	89	68	58
Deferred tax liabilities	19	435	536	236	124
Total liabilities excluding loan capital		125,179	124,672	105,472	98,794
Loan capital					
Subordinated debt at amortised cost		2,203	2,178	2,203	2,178
Subordinated debt at fair value through profit or loss		-	180	-	150
Total loan capital	27	2,203	2,326	2,203	2,328
Total liabilities		127,382	126,998	107,675	101,122
Net assets		8,655	9,271	8,348	8,425
Equity					
Contributed equity	28	8,077	8,077	8,162	8,156
Reserve	29	(645)	(617)	34	(36)
Retained earnings	29	1,131	1,733	162	807
Total capital and reserves attributable to equity holders of Macquarie Bank Limited		8,563	9,203	8,348	8,727
Non-controlling interests	29	92	68	-	-
Total equity		8,655	9,271	8,348	8,727

The above statements of financial position should be read in conjunction with the accompanying notes

Source: Macquarie Bank Limited 2013 Annual Report, page 43

2.2. A copy of any other document submitted under Chapter 2M of the Corporations Act over the past 3 years

All applicable documents, including relating to yearly and half-yearly financial results and associated auditor's reports, can be found online at www.macquarie.com.

2.3. Credit ratings

Information and agency reports related to the credit rating of Macquarie Group Limited and Macquarie Bank Limited are available at:

<https://www.macquarie.com.au/mgl/au/about-macquarie-group/investor-relations/debt-investors/unsecured-funding/credit-ratings>

Macquarie is currently rated "A" (Stable) by Standard & Poors.

2.4. Group of related companies

2.4.1. Ownership structure

Macquarie is a wholly owned subsidiary of Macquarie Group. Macquarie Group is a public company listed on the Australian Stock Exchange with a diversified register of shareholders. As at 31 March 2013 the top 20 ordinary shareholders of Macquarie Group were as follows:

Fully paid ordinary shares		
Twenty largest ordinary shareholders at 22 April 2013:	Ordinary Shares	Percentage of Ordinary Shares
HBSB Custody Nominees (Australia) Limited	66 620 616	18.33
JP Morgan Nominees Australia Limited	67 220 969	18.86
Mission Nominees Limited	43 620 919	12.66
Bond Street Custodians Limited - MEREP Trustee - FDU Allocated	24 806 421	7.91
Ordcorp Nominees Pty Limited	15 461 629	4.66
Ordcorp Nominees Pty Limited - Colonial First State Inv A/O	9 079 263	2.64
BNP Paribas (Asia) Pty Ltd - DRP	9 234 518	2.73
Bond Street Custodians Limited - MEREP Trustee - Unallocated	4 426 866	1.30
JP Morgan Nominees Australia Limited - Cash Income A/O	3 661 062	1.06
AMP Life Limited	3 182 809	0.94
Argo Investments Limited	2 646 247	0.78
Qo Limited	1 646 966	0.48
HBSB Custody Nominees (Australia) Limited - NT-Commonwealth Super Corp A/O	1 622 817	0.48
BNP Paribas Nominees Pty Ltd - Agency Lending DRP A/O	1 080 709	0.32
UBS Wealth Management Australia Nominees Pty Ltd	682 637	0.19
EG Holdings Pty Ltd	550 000	0.16
Ramesa Holdings Pty Ltd	501 702	0.15
Mison Corporation Limited	494 118	0.14
Mr Nicholas Moore	486 970	0.14
Coroon Merchant No 2 Pty Ltd - Merchant Family A/O	472 441	0.14
Total	247,061,000	72.77

Source: Macquarie Group Limited 2013 Annual Report, page 208

2.4.2. Contractual arrangements with other members of the group
Not applicable.

2.5. Forecast revenue and expenses for the first twelve months of operations consistent with your business plan

See Section 1.9 and Appendix 9 and Appendix 10.

2.6. Written declaration regarding insolvency

See Appendix 16.

2.7. Written declaration regarding a going concern

See Appendix 16.

2.8. Details of any bank guarantees

Not applicable.

2.9. Additional information regarding Financial Capacity.

2.9.1. Credit Support

Macquarie is an acceptable credit counterparty under the AEMO prudential framework. It is expected that any initial level of credit support required with AEMO to support Macquarie's new business will be minimal and internal funding will be available to meet these requirements.

Macquarie is also an acceptable credit counterparty under standard form use of system agreements with licensed distributors, and Macquarie expects a Credit Allowance Percentage of 100% to apply based on its "A" (Stable) rating from Standard & Poors.

Discussions and negotiations concerning credit arrangements with licensed distributors will commence after we have identified and initiated negotiations with a potential customers.

2.9.2. Australian Financial Services Licence

Macquarie Bank Limited holds Australian Financial Services Licence number 237502. A copy of the licence is provided in Appendix 17.

2.9.3. Certificate of registration and Constitution

Macquarie is registered as an Australian Public Company with its main business location being 1 Martin Place, Sydney NSW 2000, Australia. A copy of Macquarie Bank's Constitution and Certificate of Registration is provided in Appendix 18 and Appendix 19 respectively.

3. Suitability

3.1. For the applicant, its associates, any other businesses where its officers have held an officer position and any other entity that exerts control over its business activities— details of:

3.1.1. 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

See Appendix 16.

3.1.2. Any previously revoked authorisations, authorities or licences held in any industry and the reason/s for the revocation

See Appendix 16.

3.1.3. Any failed authorisation, authority or licence applications in any industry and the reason/s the application was unsuccessful

See Appendix 16.

3.1.4. Any past or present administrative or legal actions in relation to an authorisation, authority or licence in any industry

See Appendix 16.

3.2. Details of any offences or successful prosecutions under any territory, state, Commonwealth or foreign legislation (including, but not limited to, the Australian Securities and Investments Commission Act 2001 (Cth), Competition and Consumer Act 2010 (Cth) 8 and the Corporations Act 2001(Cth)) that are relevant to your capacity as an energy retailer, or written confirmation that no offences have been committed against, or been prosecuted under, any such legislation

See Appendix 16.

3.3. Upon request, a criminal history check conducted within the past 12 months for persons listed under information requirement 2

Upon request.

3.4. Details of whether any director/s (or shadow / de facto director/s) are disqualified, including written declarations from members of your management team stating that they have not been disqualified from the management of corporations

See Appendix 16.

3.5. A written declaration from your Chief Financial Officer (or Chief Executive Officer) or your director/s regarding your record of bankruptcy in any overseas jurisdiction

See Appendix 16.

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

See Appendix 20.

3.7. Details of policies and procedures addressing the probity and competence of officers and any other key management staff

As an authorised deposit-taking institution regulated by the Australian Prudential Regulation Authority, Macquarie is required to maintain and implement a policy for ensuring the fitness and propriety of Macquarie's directors and senior managers to hold positions of responsibility within the organisation. See also Section 1.7 and Appendix 16.

3.8. Any additional information that will assist us in our consideration of the character and past performance of your officers

Not applicable.

PART 4. Appendices

The following are provided as appendices to the application. All appendices are provided on a confidential basis, except Appendices 1, 2, 3 and 17.

- Appendix 1: Macquarie Queensland Electricity Retail Authority
- Appendix 2: Annual Report of Macquarie Bank Limited
- Appendix 3: Annual Report of Macquarie Group Limited
- Appendix 4: Macquarie's Psychometric Assessment Policy
- Appendix 5: Macnet overview Reference Checks
- Appendix 6: Macquarie Staff Guide Australia & New Zealand
- Appendix 7: Macquarie's Compliance Training Policy
- Appendix 8: Macnet overview Learning and Development
- Appendix 9: Financial Forecast
- Appendix 10: Business Plan
- Appendix 11: Macquarie's Compliance Division Mission, Charter & Operating Model
- Appendix 12: Macquarie's Breach, Incident and Escalation Policy
- Appendix 13: FICC Australian Energy Compliance Manual
- Appendix 14A: FICC NECF Electricity Retail Compliance Manual – Feb 2014
- Appendix 14B: FICC NECF Electricity Retail Compliance Manual – appendices – Feb 2014
- Appendix 15: Macquarie's Risk Management Report 2013
- Appendix 16: Statutory Declaration
- Appendix 17: Macquarie Bank Limited Australian Financial Services Licence
- Appendix 18: Macquarie Bank Limited Constitution
- Appendix 19: Macquarie Bank Limited Certificate of Registration
- Appendix 20: Officers of Macquarie