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THE POWER BEHIND COGENERATION

9 July 2008

Mr Simon Smith
Deputy Director General
DECC
Level 25, 59-61 Goulburn Street,
Sydney NSW 2000

Re: Proposed NSW Energy Efficiency Trading Scheme

Dear Mr Smith

I am writing to you in response to the NEET scheme announced at the Stakeholder Forum hosted by your department on 4 July 2008.

Cogent Energy is a new distributed energy company and retailer delivering substantial carbon dioxide emissions savings to its clients, large commercial buildings in NSW.

The proposed NEET scheme will exclude the creation of NGAC's through on-site cogeneration activities. Whilst we understand that the NETS scheme will cover this after 2010, the interim period will result in a substantial loss of revenue to Cogent Energy as we will not be able to create NGAC's from our generation activities.

I would like to register Cogent Energy's disappointment at this oversight on the part of the creators of the NEET scheme - we stand to forego over \$120,000 revenue as a result. This is a major negative impact on a business focusing on supporting the government's move to reduce CO₂ emissions by reducing commercial building carbon footprints. We believe that this would hinder us in the development & roll-out of our cogeneration network.

Cogent Energy requests that you reconsider this change and provide some facility within the NEET scheme to allow a start-up company like ourselves to benefit from NGAC creation during the interim period.



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Attached please find background information on Cogent's operations and also the reasoning supporting our request.

I look forward to your response. Please do not hesitate to contact me if you require further information.

Yours sincerely

A handwritten signature in black ink, appearing to read "Nalin Wickramasinghe".

Nalin Wickramasinghe
General Manager NSW



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SUBMISSION TO NEET FORUM

9 JULY 2008



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1. Background

Cogent Energy Pty Ltd (www.cogentenergy.com.au) is an Australian distributed cogeneration energy company that was founded in September 2006 in partnership with the Dublin-based Marren Engineering. Marren Engineering (www.marrenengineering.ie) is a cogeneration and commercial air-conditioning company that has completed numerous commercial cogeneration projects in the UK and EU.

Cogent is a distributed network energy company that is specifically targeting cogeneration energy solutions in large commercial buildings. Cogent design, procures, installs, maintains and finances integrated cogeneration plants in large commercial buildings. Cogent's cogeneration plant consists of reciprocating gas engines, generators, absorption chillers and associated flow & control equipment.

Cogent also operates under an energy retailer model and was granted a NSW Electricity Retailer's Licence by IPART in November 2007. Cogent's business objective is to establish a distributed network of cogeneration plants in Sydney and over a 3-4 year period ramp up to 150 MW in distributed network capacity. Cogent's value proposition to clients is cheaper energy, more efficient & reliable energy and environmentally sustainable energy (less CO₂ emissions improving building green ratings).

Our business model is based on Cogent financing the majority of the plant & recovering the investment by billing the customer monthly for energy (electrical & thermal). Cogent operating as an embedded generator is also eligible to create NGAC's under the current NSW scheme. Whilst we are aware that in 2010 the proposed National Emissions Trading Scheme will most likely replace the NGAC scheme, Cogent's financial modeling also relied on generating cash flow from NGAC's during 2009.

2. Financial Impact

Cogent Energy would have several cogeneration plants operating in Sydney during the calendar year 2009 and was expecting to generate significant cash flows from the creation of NGAC's during this period. This would have been a substantial cash inflow for a start-up business during its ramp-up period.

The proposed NEET scheme which comes in to effect from 1 January 2009 excludes the creation of NGAC's through on-site cogeneration. This is our understanding from attending the Stakeholder Forum hosted by DWE/DECC on 4 July 2008.

This change has a significant negative cash flow impact on our start-up business which is attempting to deliver major emissions reductions for commercial buildings in NSW and supporting the government's move to reduce CO₂ levels dramatically.



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The table below summarizes Cogent's projects which will be negatively impacted through the course of 2009.

Project Location	Customer	Start Date	Plant Capacity (MW)	NGAC's created in 2009	Value \$ (est. at \$5 ea)
86 Mona Vale Road, Warriewood	Blackmores	1-Jul-08	0.77	2,883	\$ 14,414
101 Miller Street, North Sydney	Mirvac	1-Sep-08	2.33	8,724	\$ 43,618
21 Lockwood Road, Erskine Park	Australand	1-Oct-08	0.77	2,883	\$ 14,414
133 Castlereagh Street, Sydney	Stockland	1-Jan-09	0.77	2,883	\$ 14,414
275 Kent Street, Sydney	Westpac/Mirvac	1-Mar-09	1.165	3,635	\$ 18,174
C25 Building, UNSW, Kensington	UNSW	1-Sep-09	0.77	961	\$ 4,805
cnr Post Office & Old Northern Rd, Glenorie	Woolworths	1-Jun-09	0.386	843	\$ 4,215
110 George Street, Parramatta	Mirvac	1-Jul-09	0.77	1,441	\$ 7,207

Total			7.731	24,252	\$ 121,262
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- NGAC estimates are based on generating at 90% capacity 16 hrs/day, 5 days per week
- It is estimated that value is \$5 per NGAC

The net impact of the proposed changes is that Cogent Energy would forego revenue of over \$120,000 during the calendar year 2009. This is a substantial negative financial impact for a start-up business during its key ramp-up stage.