

**Submission
No 40**

COGENERATION AND TRIGENERATION IN NEW SOUTH WALES

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Submission to NSW Public Accounts Committee

Inquiry into Cogeneration and Trigeneration in New South Wales

29th August 2013

Urban Energy Submission to NSW Public Accounts Committee in relation to Cogeneration and Trigenation in New South Wales

Issue 1

Whether the current regulatory framework can adequately support the utilization of cogeneration/trigenation precinct developments;

Urban Energy suggests that there is a significant body of evidence and experience that suggests that the current regulatory framework including the historical and ongoing vested interest of monopoly Network Service Suppliers not only fails to adequately support the utilization of cogeneration and Trigenation precinct developments, but also in fact serves to incentivize the status quo.

It has been clear over a number of years now that successive governments including the current NSW Government have failed to resolve this state of affairs on the basis that the failure of these network companies to deliver a more economically rational, efficient outcome for electricity customers is only well understood by a small number of participants in the market. The issue here is not the complexity of the market, but is the cost of the transition to incumbent businesses that has thus far been considered excessive.

Issue 2:

The operation of cogeneration/Trigenation technology in other jurisdictions and the applicability of the technology to New South Wales;

Urban Energy draws committee members' attention to the high degree of success achieved in other jurisdictions. We particularly note the more competitive, efficient and resilient economic and environmental outcomes achieved in leading jurisdictions including parts of the United Kingdom, Europe and North America.

Issue 3:

The economic viability of cogeneration/trigenation technology in New South Wales including the impact of future gas prices on the running costs of cogeneration/trigenation systems;

Urban Energy notes the material contribution that rising gas prices will have on the short term economic viability of Cogeneration and Trigenation, however we draw members' attention to the fact that this uplift in prices faces the entire NSW economy, and not just the power generation industry.

We note the well-founded criticism of the NSW Government's failure to ensure energy security for the state, and we urge the committee to take the time to fully understand the potentially disastrous implications for the competitiveness of

NSW as a place to conduct any sort of energy intensive business if plans for future years are not immediately adjusted. Although Gas Prices do represent a significant challenge for Trigeneration and Cogeneration plants, the impact is much more extensive than has been articulated publically by government to date.

Issue 4:

Any financial, public safety and/or other risks to prospective cogeneration/trigeneration customers;

Urban Energy has no comment on theoretical project or site specific risks.

Issue 5:

Any supply security and reliability issues associated with cogeneration/trigeneration, especially for residential customers of these systems;

Urban Energy draws the committee's attention to our part-ownership and operation of Australia's Largest and newest Precinct Trigeneration Plant. On the basis of our extensive operational experience including this and many other facilities we note that our experience has consistently demonstrated that the integration of on site generation including Cogeneration and Trigeneration has made the supply of energy more secure, more reliable, and materially improved the operational resilience of these facilities.

Issue 6:

The ability of existing regulatory arrangements at the New South Wales and national level to address issues which may be identified;

Urban Energy notes that each of the successive reviews which have been conducted in relation to this subject over the past 10 years have clearly identified the steps which could be taken by government to significantly improve the efficiency, reliability and environmental footprint. The issue has not been a failure of these reviews to identify suitable solutions, but has been a failure of government to effectively act on those recommendations.

Issue 7:

Any other relevant matters.

No further comment.