



# ***cogentenergy***

## **THE POWER BEHIND COGENERATION**

**PUBLIC COPY**

**APPLICATION BY**

**COGENT ENERGY FOR A**

**RETAIL ELECTRICITY LICENCE VICTORIA**

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Mark Rigoni – GM Projects	1 of 6	C002094v1 Public, Retail Licence Application, Victoria

Melbourne - L1, 21 Lansdowne Street East Melbourne VIC 3002 T: 03 9662 1300 F: 03 96623100

Sydney - 133 Alexander St Crows Nest NSW 2065 T: 02 9431 5393 F: 02 9439 2738

ABN: 65 121 324 249

## 1. General Information

Cogent Energy Pty Ltd is registered under the Corporations Act 2001 please refer to attachment for certificate of registration:

ABN - 65 121 324 249.

ACN - 121 324 249.

**Head Office.**

Level 1 21 Lansdowne St

East Melbourne

VIC 3002

T 03 9662 1300

F 03 9662 3100

**NSW Office.**

133 Alexander St Crows Nest

NSW 2065

T 02 9431 5393

F 02 9439 2738

**Licence Contact.**

Mark Rigoni

General Manager Projects

Mb 0425 792 006

### 1.1 Executive Summary - Cogent Energy's business model

Cogent Energy is a distributed energy company that is setting up a distributed network of cogeneration plants in large commercial/government buildings in Melbourne and Sydney. Our target market is customers with electricity usage of 160MW per anon. Cogent is using the latest cogeneration technology that will provide most of the building energy needs – electrical, heating and cooling.

A distributed network of natural gas fired cogeneration plants will meet Australian government energy policies in relation to energy efficiency and reduced greenhouse gas emissions. The network will also address the shortage of grid demand in the commercial building high growth areas in Sydney and Melbourne. Cogeneration plants will also attract minimal or zero carbon tax/levy when this tax/levy is introduced in the near future. Some cogeneration plants will attract government efficiency or greenhouse gas reduction grants.

Natural gas is readily available in Melbourne and Sydney and there is currently a good spread between the price of gas and electricity and this spread is expected to be maintained due to long term and plentiful supplies of gas. Cogent intends to sell energy produced by the cogeneration plants to the building owners at a competitive rate. Cogent finances, installs and maintains the plants and the building owners pay a monthly energy bill and commit to a 12 year contract.

The business vision of Cogent Energy is to be the leading energy supplier of choice for large commercial/government buildings by providing competitive energy rates, Green Star & Australian Building Greenhouse Rating (ABGR) uplift, more reliable energy and environment friendly energy.

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## 1.2 Licence Requested Details

Cogent Energy requests an electricity retail licence to supply customers with electricity consumption greater than 160MWh p.a.

Cogent requests that a licence be granted by 1<sup>st</sup> February 2008

Cogent Energy has applied for an energy retail license in NSW to supply customers with consumption greater than 160 MWh p.a. This application has been approved by IPART and is currently with the Minister to sign off.

Cogent Energy does not hold any other retail electricity licences in other jurisdictions.

## 1.3 Fit and Proper

Statutory Declaration attached from Cogent Energy Managing Director, Mr. William Blair Healy confirming that himself, the Directors and Senior Management of Cogent Energy are not or would not be disqualified under the Corporations Act 2001 (Commonwealth) from the management of corporations.

## 1.4 Details of Key Cogent Energy Personnel

### William Blair Healy, Managing Director

(William) Blair is founder and Managing Director of Cogent Energy and has over 15 years experience and background in successfully ramping-up and running enterprise technology companies. Between 2000 and 2006 Blair was CEO and director of publicly listed companies Innovonics Limited and KUSP Limited and before this, MD of various private and public technology companies, including MD of Nortel Networks, Korea. Blair was an army officer and graduate of the Royal Military College Duntroon and has an honours degree in Electrical Engineering from University of NSW.

### Bill Hopper, Technology Director

Bill is Technology Director of Cogent Energy and former Technology Director of Innovonics Limited and has over 25 years experience in the development of leading edge data acquisition and recording systems, including remote control and monitoring systems like those used by Cogent Energy. Bill has an honours degree in Mechanical Engineering from Melbourne University.

### Nalin Wickramasinghe, General Manager NSW

Nalin has over 15 years experience in Sales & Marketing, 9 of which have been in Electricity Retailing in NSW. He was a senior sales executive with Energy Australia at the commencement of contestability and more recently was Sales Manager - Major Customers at Integral Energy. This experience has given him a strong grasp of managing Large Retail Customers in compliance with NSW statutory requirements. Nalin has a Metallurgy degree from University of Wollongong and a MBA from the Australian Graduate School of Management.

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## **Mark Rigoni, General Manager Projects**

Mark has over 15 years experience in the project management of complex and large engineering projects. Mark has had extensive experience in running all aspects of an engineering project to ISO 9001. Mark helped establish the project management quality system at Innovonics Limited and will be primarily responsible for setting up the quality systems at Cogent Energy and have these systems formally certified to ISO 9001. Mark has a degree in Engineering and is currently studying towards a Commerce Degree at RMIT.

## **2. Essential Service Commission Objectives**

Below are Cogent Energy's comments regarding meeting the ESA's objectives as outlined in the Essential Service Commission Act 2001 – Section 8?

### **iv) To facilitate effective competition and promote competitive market conduct.**

By installing a Cogeneration plant in a commercial building Cogent Energy is providing building owners and their tenants with a choice regarding their energy retailer and also how their electricity is generated.

### **(v) To ensure that the regulatory decision making has regard to the relevant health and safety environmental and social legislation applying to the regulated industry**

Cogent Energy's cogeneration solution is in line with government and global strategies to reduce greenhouse gases and increase the energy efficiencies of large buildings.

The use of a gas fired reciprocating engines to create electricity for the building reduce carbon emissions for the building by approximately 50% and subsequently easing the pressure on the grid to provide power.

Further to this the engines waste heat is utilised to fire an absorption chiller and thus creating cooling and heating for the building. Another efficiency methodology is the use of the engines jacket water via a heat exchanger to create the heating for the building.

### **(vi) To ensure that users and consumers (including low income or vulnerable customers) benefit from the gains from competition and efficiency**

Cogent Energy's target customers consuming greater than 160 MW per annum are provided with a very competitive energy rate. They also able to achieve high levels of building efficiencies as described in the point above.

### **(vii) To promote consistency in regulation between states and on a National basis.**

In NSW IPART have recommended that Cogent Energy is granted a electricity retail licence to supply customers greater than 160 MW per annum. This application is currently with the Minister to sign off.

Cogent Energy's approach to retailing electricity in Victoria is consistent with our practices in NSW.

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### 3. Financial Viability

Statutory Declaration attached from Cogent Energy Managing Director, Mr. William Blair Healy confirming that Cogent Energy is in a position to meet the applicable financial and prudential requirements, DNSP or reticulated credit support and that he is not aware of any factor which would affect the ability of Cogent Energy to securely finance the activities to be performed under the licence.

### 4. Technical Capabilities

#### 4.1 Licence Compliance Obligations

Cogent Energy has reviewed the standard conditions applying to a Retail Supplier Licence and is prepared to be granted a licence on the basis of these conditions. Cogent Energy will only be supplying electricity to Large Retail Customers with consumption greater than 160 MWh p.a.

In particular, we have reviewed the IPART publication *"Electricity Retail Suppliers' Licence Conditions Reference Document Version 3 (April 2005)"* and can confirm that Cogent Energy has the ability to satisfy the obligations imposed under a Retail Supplier Licence as they apply to the supply of Large Retail Customers.

All customer-related functions such as Sales, Marketing, Contract Management, Billing, Revenue Collection and Account Management will be carried out in-house by Cogent Energy staff. As our target market comprises purely of Large Retail Customers - most of who would be large blue-chip companies - we will not be using outsourced service providers to manage the above functions as is the practice in mass-market operations.

Cogent Energy's legal advisors have developed contract documents which comply with the statutory requirements for supply to Large Retail Customers. We also understand the requirement for Cogent Energy to be registered in the National Electricity Market if we wish to export electricity in to the grid – at present we do not anticipate exporting in to the grid. Cogent Energy is also aware of other obligations in the connection/disconnection of customers and will be putting in place appropriate arrangements with LNSP's to facilitate this process. We have noted the requirements in relation to billing and meter data and are currently developing our systems to cater for these. All customer queries and emergency events will be managed directly by Cogent Energy staff available on a 24/7 basis.

#### 4.2 Cogent Partners

Cogent has agreements or arrangements with the following companies who provide their services and support to facilitate Cogent's business objectives:

- Cogeneration Engines - MTU Detroit Diesel
- Absorption chillers - Thermax
- Switch Gear - Nilsen's & Schneider
- Financing - InterLease
- Energy (gas & electricity) - Origin Energy, Wholesale Group

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### 4.3 Cogent Internal Processes

Cogent Energy as a new company has commenced to set out procedures and processes in line with ISO9001:2000 to ensure that we meet the requirements for licence holders to implement quality management procedures to ensure compliance with licence conditions and develop an associated compliance strategy. The strategies listed below outline Cogent Energy's approach to managing the business:

- Develop and document the Policy Manual that defines the organization's structure and associated responsibilities.
- To ensure that the Policy Manual complies with the elements of ISO9001:2000 to obtain certification to a Quality Management System.
- Develop and document appropriate procedures, in flowchart format, to reflect the current business and system administration processes. These systems and procedures will also monitor both compliance and non-compliance issues.
- The employment of a compliance manager to ensure the following happens:
  - Monitoring the conditions of the license, combined with the relevant legislation and industry codes;
  - Maintain and update policies, procedures and systems, and;
  - Review company policies, procedures and systems ensuring they comply with ISO9001:2000.
- All relevant personnel are trained to ensure that the policies, procedures and systems are understood.
- Line managers will be responsible for their respective departments complying with the policies, procedures and systems.
- Conduct annual audits by Cogent Energy's own internal auditors.
- Conduct annual audits by Cogent Energy's external auditors.

Cogent Energy has purchased state of the art software to manage the business in the following key areas:

- Customer relations – CRM package from Sage Accpac
- Accounts – Sage Accpac Accounting package
- Project management - Sage Accpac Project management software module
- Asset Management – Sage Accpac Assets and Inventory software modules
- Supplier management – Sage Accpac purchasing and Accounting software modules
- Risk Management – Risk registers within the CRM system capture all company issues

Cogent Energy manages documentation by way of running a simple database and folder system containing all technical documents and correspondence. These files are backed up every night automatically. All documents have a document number versioned and named for easy referencing and searching.

## 5. Cross Ownership

Cogent Energy does not have a controlling or substantial interest in any licensee who has been granted a licence under the Electricity Industry Act 2000. Cogent Energy's have reviewed section 68 of the Electricity Industry Act 2000 and agrees to comply with any cross-ownership provisions.

## 6. Confidentiality

Cogent's financial information is commercial in confidence.

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