

The Barriers to Cogeneration

Brian Cox

East Harbour Management Services

Presentation to Utilicon Conference, March 2003

East Harbour

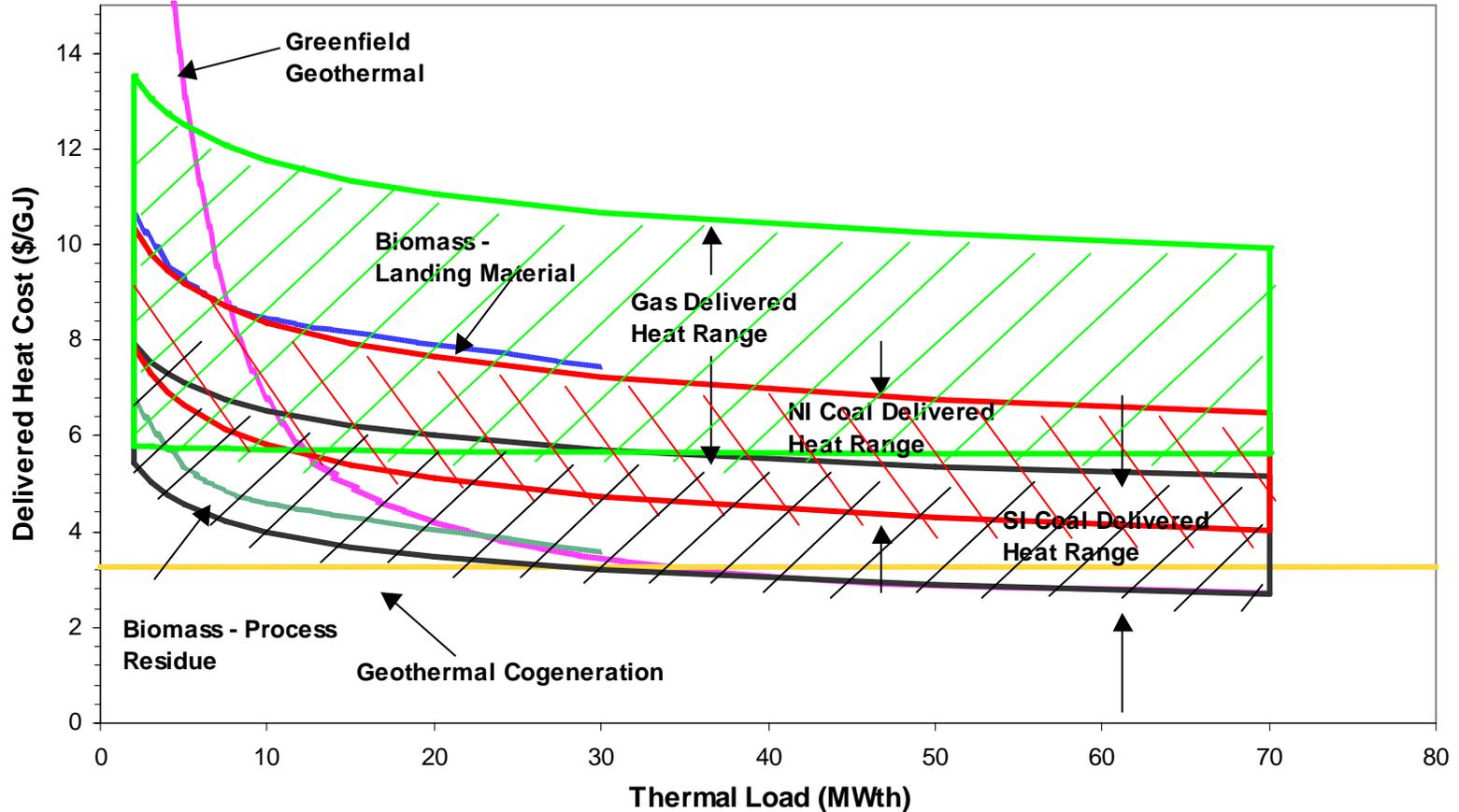


Drivers for Cogeneration

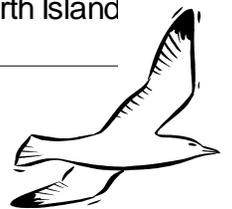
- Post Maui opportunities
 - multiple gas supplies
- Integrated energy solutions
 - Paradigm shifts in thinking about energy
- Distributed generation
 - reliability and security of supply
 - reduction in electricity network connection costs
- Requirements for heat
 - growth in wood processing
 - waste disposal costs
- High spot market prices



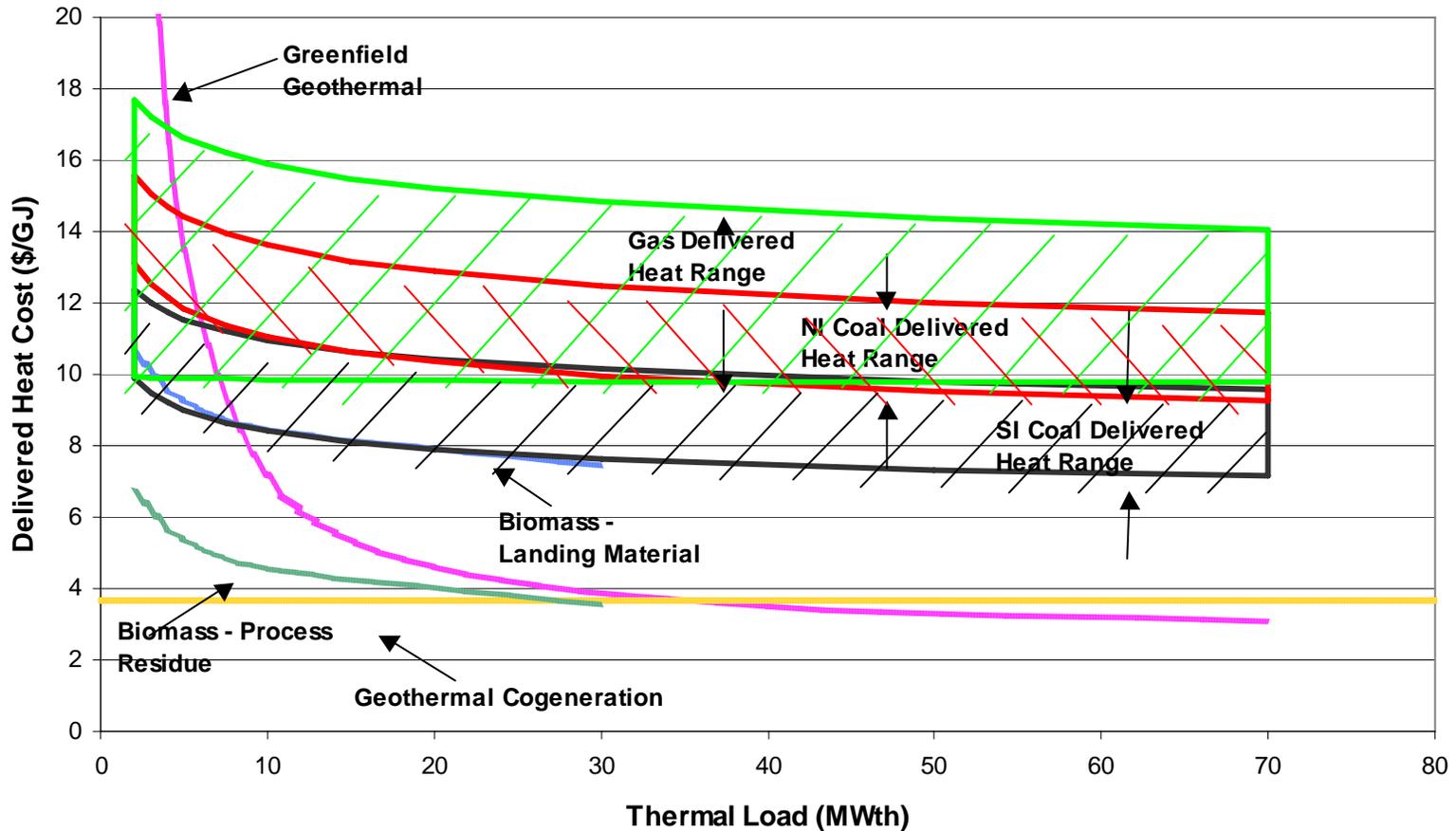
Cost of Heat



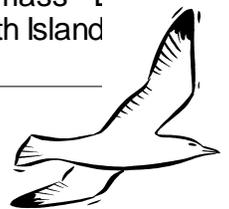
East Harbour



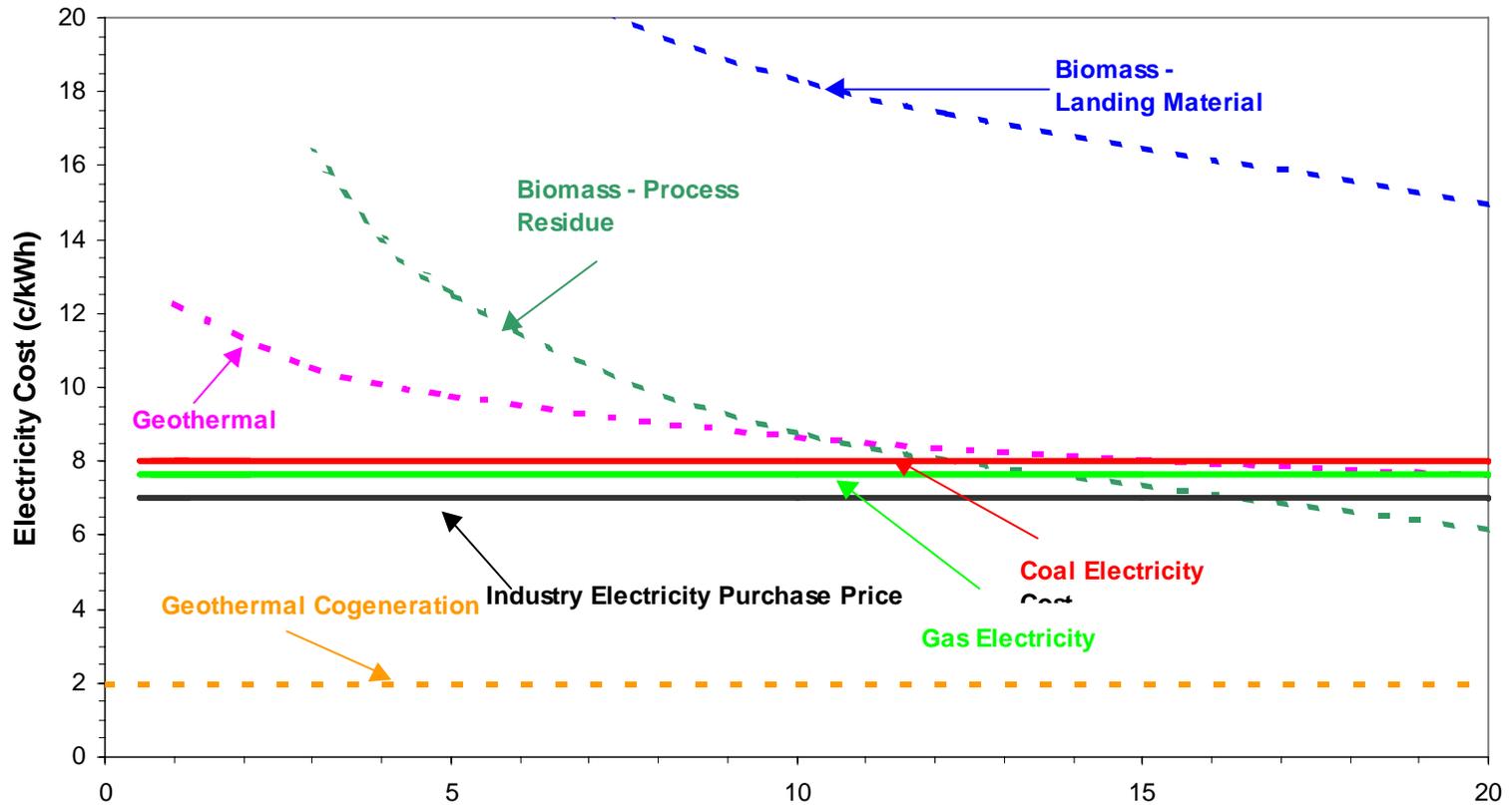
Future Heat Costs (post 2007)



East Harbour



Future Electricity Cost (post 2007)



East Harbour



Barriers to Cogeneration

- Small industrial market - lack of opportunities
- Relative low cost of wholesale electricity
- Still thinking electricity rather than energy
- Not responding to price signals
- Lack of experience of energy markets
- Difficulties with electricity sales contracts



Distributed Generation Opportunities for Cogeneration

- Can meet supply requirements
- Can provide security and reliability
- Controllable
- Can assist reduce network connection costs
- Can be part of an energy price risk strategy
- Assisted by real time monitoring and control
- Integrated with demand management
- Requires attitudinal changes



Regulatory and Market Issues

- Difficulty in establishing sales contracts
- Need to share benefits with network companies
- Not recognised in network security
- Not recognised in network company asset values
- Nodal price benefits shared with others



Cogeneration needs to be part of total integrated energy solutions

East Harbour

