

12 March 2010

Catherine Waddell  
Group Manager Regulated Pricing  
Country Energy  
PO Box 718  
Queanbeyan NSW 2620

Dear Catherine,

**REVIEW OF COUNTRY ENERGY DISTRIBUTION LOSS FACTORS FOR 2010/11**

Intelligent Energy Systems Pty Ltd (IES) has undertaken a review of the Distribution Loss Factors (DLFs) for 2010/11 financial year calculated by Aurecon Australia Pty Ltd (Aurecon) who were commissioned by Country Energy. The IES review examined the proposed DLFs with regard to their consistency with Country Energy's published methodology as at 31 December 2009.

Aurecon provided IES with a set of detailed spreadsheets for review. A report titled "Distribution Loss Factor Calculations for 2010-11", prepared in March 2010 by Aurecon was also made available to IES. The report described Aurecon's (on behalf of Country Energy) forecast methodology, DLF calculation methodology for independently calculated customers (ICCs), embedded generators and tariff class customers.

The supporting spreadsheets were comprehensive and well set out. A spreadsheet showing the historical reconciliation of financial year 2008/09 was also provided. Aurecon's submission was clear and concise, the calculations consistent with the published methodology and, DLF values correctly determined. Any increases or decreases in DLF values for Country Energy's tariff class (general) customers, and site specific customers from last year's DLFs were limited to plus or minus 1%. These DLFs changes will have only a minor effect on Country Energy's customers energy costs for 2010/11.

IES has examined the data provided by Aurecon on behalf of Country Energy (in the form of spreadsheets) and are of the opinion that they have estimated their



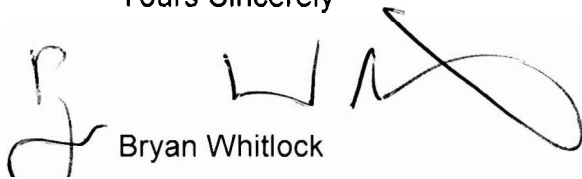
projections in accordance with the published methodology and DLFs values correctly determined.

DLFs are based on the most recent available continuous twelve month period in compliance with the Rules. Country Energy has used a combination of load-flow samples, purchase and sales data, assumptions to theft as a percentage of sales, and engineering data to re-assess the proposed loss factors.

Country Energy has carried out a reconciliation of losses for financial year 2008/09 in accordance with the National Electricity Rules' requirements. When applying the 2008/09 DLFs to its actual sales figures for 2008/09, the forecast error as a percentage of energy distributed considering a forward looking approach has been used, where forecasts of sales and purchase figures are utilised is an acceptable result.

In summary, IES are of the opinion that the DLFs calculated by Country Energy for 2010/11 are consistent with the published methodology and, DLF values correctly determined.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Bryan Whitlock', is written over a light grey rectangular background. The signature is stylized and cursive.

Bryan Whitlock  
Senior Energy Analyst