

13 March 2009

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

Dear Catherine,

REVIEW OF COUNTRY ENERGY DISTRIBUTION LOSS FACTORS FOR 2009/10

Intelligent Energy Systems Pty Ltd (IES) has undertaken a review (audit) of the Distribution Loss Factors (DLFs) for 2009/10 financial year calculated by Country Energy. The IES audit examined the proposed DLFs with regard to their consistency with Country Energy's published methodology as at 31 December 2008.

Country Energy provided IES with a set of detailed spreadsheets for review. A report titled "Distribution Loss Factor Methodology", prepared in March 2008 by Country Energy was also made available to IES. The report described Country Energy's forecast methodology, DLF calculation methodology for independently calculated customers (ICCs) and tariff class customers.

The supporting spreadsheets were comprehensive and well set out. A spreadsheet showing the historical reconciliation of financial year 2007/08 was also provided. Country Energy's submission was clear and concise, the calculations consistent with the published methodology and, DLF values correctly determined. There were no increases in DLF values for Country Energy's tariff class customers or ICCs from last year's DLFs. The majority of DLFs either remained the same or decreased slightly in value. These DLFs changes will reduce some of Country Energy's tariff class customers and ICCs energy costs for 2009/10.

IES has examined the data provided by 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.

Country Energy has calculated DLFs based on voltage levels, consistent with customer differentiation classes. DLFs are also 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 2007/08 in accordance with the National Electricity Rules' requirements. Country Energy found that when applying the 2007/08 DLFs to its actual sales figures for 2007/08, the forecast error as a percentage of energy distributed was 0.99%. Considering a forward looking approach has been used, where forecasts of sales and purchase figures are utilised this is an acceptable result.

In summary, IES are of the opinion that the DLFs calculated by Country Energy for 2009/10 are consistent with the published methodology and, DLF values correctly determined.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Bryan Whitlock', with a stylized flourish at the end.

Bryan Whitlock
Senior Energy Analyst