



13 March 2008

Michelle Groves
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Dear Ms Groves

ERGON ENERGY DISTRIBUTION LOSS FACTORS FOR 2008/09

In accordance with clause 3.6.3(i) of the National Electricity Rules (the rules) please find attached Ergon Energy's calculated Distribution Loss Factors for 2008/09. Once approved this attachment should be forwarded to NEMMCO for publishing on their web page prior to 1 April 2008.

In accordance with clause 3.6.3(g) of the rules these Distribution Loss Factors have been calculated in accordance with the approved methodology which is published on the Ergon Energy web page and can be found via the following link:

http://www.ergon.com.au/network_info/Distribution_Loss_Factor_Calculation_Methodology.asp

In addition we have also attached an independent verification by IES of the calculation of the Distribution Loss factors as requested in the e-mail from the AER dated 4 March 2008.

In accordance with requirements under the Queensland Electricity Act 1994, Ergon Energy has also calculated Distribution Loss Factors for the Mt Isa region. As Mt Isa is not part of the National Electricity Market this is not a requirement of the rules but they are included in this attachment for completeness and have been referenced in the IES letter.

Should you have any questions or issues relating to this submission, please feel free to contact me on telephone 07-3228 7711 or via e-mail at tony.pfeiffer@ergon.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tony Pfeiffer', enclosed within a circular scribble.

Tony Pfeiffer
General Manager Regulatory Affairs

Enc.: Ergon Energy DLF's
IES letter dated 10 March 2008

cc: Chris Pattas, General Manager, AER
Vani Rao, Network Regulation South, AER

Telephone: 07-3228 7711
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ERGON ENERGY DISTRIBUTION LOSS FACTORS 2008/09

Table A3 - Ergon Energy Tariff Class Distribution Loss Factors

Network Level	DLF's applied 2007/08			DLF's to apply 2008/09		
	East	West	MI	East	West	MI
Sub-Trans. Bus	1.018	1.105	n/a	1.010	1.057	1.001
Sub-Trans. Line	1.029	1.124	n/a	1.019	1.107	1.006
22/11kV Bus	1.026	1.130	n/a	1.020	1.114	1.010
22/11kV Line	1.046	1.173	n/a	1.039	1.154	1.038
LV Bus	1.077	1.210	n/a	1.071	1.193	1.042
LV Line	1.109	1.292	n/a	1.076	1.263	1.344

Network Level	DLF Codes		
	East	West	MI
Sub-Trans. Bus	GESB	GWSB	GMSB
Sub-Trans. Line	GESL	GWSL	GMSL
22/11kV Bus	GEHB	GWHB	GMHB
22/11kV Line	GEHL	GWHL	GMHL
LV Bus	GELB	GWLB	GMLB
LV Line	GELL	GWLL	GMLL

Table A4 Ergon Energy - Site Specific Distribution Loss Factors

NMI	DLF Code	DLF's applied 2007/08	DLF's to apply 2008/09
QAAABL0000	GBSB	1.010	1.000
QAAALV0001	GBSB	1.000	1.000
QAAAMR0000	GBSB	1.000	1.000
QAAABW0000	GBSB	1.000	1.000
QAAABW0002	GS02	1.006	1.011
QAAA0000NX	GS61	1.003	1.001
QAAABW0001	GS51	1.004	1.003
QAAALV0000	GBSB	1.000	1.000
QAAABX0014	GS69	1.006	1.007
QAAALV0003	GBSB	1.000	1.000
QAAALV0002	GBSB	1.000	1.000
QAAALV0004	GBSB	1.000	1.000
QAAABX0012	GS70	1.003	1.003
QAAABX0001	GS05	1.008	1.010
QAAABX0002	GS06	1.020	1.020
QAAARG0000	GS14	1.010	1.010
QNGNG000103	GS41	1.000	1.000
QAAAMR0001	GS13	1.002	1.002

NMI	DLF Code	DLF's applied 2007/08	DLF's to apply 2008/09
QAAADY0000	GBSB	1.000	1.000
QAAABW0041	GS62	1.017	1.016
QAAABW0042	GS63	1.040	1.037
QDDD000005	GBSB	1.000	1.000
QDDD000019	GS23	1.032	1.031
QDDD000001	GBSB	1.000	1.000
QDDD000002	GBSB	1.000	1.000
QDDD000004	GS22	1.030	1.003
QDDD000027	GS44	1.003	1.003
QDDD000026	GS24	1.009	1.008
QDDD003345	GS77	1.005	1.006
QDDD003336	GS50	1.033	1.018
QDDD000003	GS21	1.024	1.002
QEMS000001	GS64	1.009	1.009
QCCC000014	GS73	1.001	1.003
QCCC000002	GS18	1.003	1.004
QCCC000003	GBSB	1.000	1.000
QCCC700300	GBSB	1.000	1.000
QCCC000004	GS19	1.055	1.052
QCCC001004	GS60	1.056	1.044
QWAGW00033	GS66	1.012	1.012
QWAGW00066	GS65	1.012	1.012
QGGG000394	GS40	1.177	1.167
QGGG000000	GBSB	1.001	1.000
QGGG000032	GS33	1.003	1.002
QGGG000033	GS34	1.000	1.000
QAAALX0000	GS12	1.007	1.002

Table A5 Ergon Energy Distribution Loss Factors – Embedded Generators

NMI	DLF Code	DLF's applied 2007/08	DLF's to apply 2008/09
QEEE000026	GS55	0.980	0.978
QEEE000547	GS26	0.997	0.996
QCQPW00076	GS49	0.869	0.868
QCCC001041	GS67	0.984	0.977
QFFF000010	GS29	0.975	0.977
QFFF00000Z	GS30	0.975	0.977
QFFF000000	GS76	0.929	0.920
QDDD003315	GS71	0.998	1.000
QDDD003340	GBSB	1.000	1.000
QMKYW00147	GBSB	1.000	1.000
QCCC001036	GS56	0.980	0.981
QGGG000418	GS74	1.004	0.998
3050922955		n/a	0.971

10 March 2008

Mr Tony Pfeiffer
General Manager Regulatory Affairs
Ergon Energy Corporation Limited
PO Box 15107
City East QLD 4002

Dear Tony,

REVIEW OF ERGON ENERGY DISTRIBUTION LOSS FACTORS FOR 2008/09

Intelligent Energy Systems Pty Ltd (IES) has undertaken a review (audit) of the Distribution Loss Factors (DLFs) for 2008/09 financial year calculated by Ergon Energy Corporation Limited (Ergon Energy). The IES audit examined the proposed DLFs with regard to their consistency with Ergon Energy's published methodology which is the published methodology operating in Queensland as at 31 December 2007.

Ergon Energy provided IES with the document "Distribution Loss Factors – 2008", dated 28 February 2008, and supporting spreadsheets for review. Its report described its forecast methodology, DLF calculation methodology for independently calculated customers (ICCs), tariff class customers and embedded generators. The report also included proposed DLFs for ICCs and tariff class customers, sources of data, summary data for losses and sales at the various voltage levels for 2008/09, and reconciliation figures for 2006/07.

The supporting spreadsheets were comprehensive and well set out showing the calculation of series and shunt losses, energy flows, workings of the DLF values, and reconciliation of the total forecast energy sales and purchases for 2008/09 with the calculated DLFs. A spreadsheet showing the historical reconciliation of financial year 2006/07 was also provided. Historical reconciliations were included for Ergon Energy's East and West zones both separately and combined. As Ergon Energy consolidates losses into two price zones – (East and West zones) a reconciliation of losses has appropriately been conducted into the two zones.

Ergon Energy's submission was clear and concise, the calculations consistent with the published methodology and, DLF values correctly determined. The



proposed DLFs for tariff class customers for the East and West zones are shown in Table 1 and their percentage differences (between 2007/08 and 2008/09) in Table 2. DLFs for ICCs are shown in Table 3 along with the existing DLFs and the percentage changes based on the new calculated 2008/09 values. DLFs for Embedded generators are shown in Table 4, this table also indicates the percentage differences between existing and newly calculated DLFs.

The changes in the DLFs proposed for tariff class customers in the East zone compared to the current DLFs vary from between -0.57% and -2.96% and so are all reductions from the 2007/08 values. The changes in the DLFs proposed for tariff class customers in the West zone compared to the current DLFs vary from between -1.43% and -4.35% and so again are all reductions from the 2007/08 values. These decreases in DLFs will reduce customer costs across all tariff class categories.

There were no significant increases in DLF values for Ergon Energy's ICCs (greater than 1%) from last year's DLFs. The majority of DLFs for ICCs either remained the same or decreased slightly in value. These DLFs changes will in the main reduce Ergon Energy's ICCs energy costs for 2008/09. Changes to DLFs for Embedded generators, were also not significant.

IES has examined the data provided by Ergon 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.

When calculating its distribution loss factors, Ergon Energy has used a forward-looking approach which utilises forecast sales and purchase figures produced for Planning, Network Pricing and Statutory purposes. Ergon Energy provides an overview of the forecasting procedure in its report whereby 10 year forecasts are produced using a regression analysis of up to 15 years of historical data. Due to the various cross checks in its own organisation and by an independent consultant, IES believes that the forecasts are robust and are applicable to the calculation of DLFs.

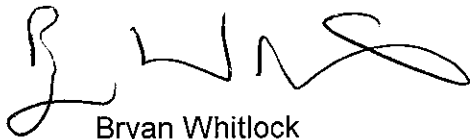
Ergon Energy has carried out a reconciliation of losses for financial year 2006/07 in accordance with the National Electricity Rules' requirements. A separate reconciliation was conducted for each of the East and West zones. It found when applying the 2006/07 DLFs to its actual sales figures for 2006/07, reconciled losses in the East zone overstated actual losses by only 0.7%, and in the West zone actual losses understated by only 0.5%. Combining the two zones, inferred losses overstated actual losses by 0.5%. This is a significant improvement on reconciliations of the previous two financial years where differences of around 20% have been found. It should be noted however that when using the forward

looking approach, where forecasts of sales and purchase figures are utilised, a result within 5% would be very good. This year's results are exceptional.

Ergon Energy has also calculated DLFs for the Mt Isa region. If these DLFs have been calculated in accordance with the same methodology as the DLFs for the East and West zones, then the results for Mt Isa will be similarly valid.

In summary, IES are of the opinion that the DLFs calculated by Ergon Energy for 2008/09 as shown in Tables 1, 3 and 4 are consistent with the published methodology and, DLF values correctly determined.

Yours Sincerely

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

Bryan Whitlock

Senior Energy Analyst

Network Level	Proposed 2007/08 DLFs		Proposed 2008/09 DLFs	
	East Zone	West Zone	East Zone	West Zone
Sub-Trans Bus	1.018	1.105	1.010	1.057
Sub-Trans Line	1.029	1.124	1.019	1.107
22/11 kV Bus	1.026	1.130	1.020	1.114
22/11 kV Line	1.046	1.173	1.039	1.154
LV Bus	1.077	1.210	1.071	1.193
LV Line	1.109	1.292	1.076	1.263

Network Level	East Zone % Change	West Zone % Change
Sub-Transmission Bus	-0.84	-4.35
Sub-Transmission Line	-0.90	-1.45
22/11 kV Bus	-0.63	-1.47
22/11 kV Line	-0.64	-1.61
LV Bus	-0.57	-1.43
LV Line	-2.96	-2.25

Table 3 Ergon proposed DLFs for 2008/09 – Independently Calculated Customers

	NMI	Existing DLF 2007/08	Proposed DLF 2008/09	% Change
	QCCC000002	1.003	1.004	0.10
	QCCC000003	1.000	1.000	0.00
	QCCC000004	1.055	1.052	-0.28
	QCCC000014	1.001	1.003	0.20
	QCCC001004	1.056	1.044	-1.14
	QCCC700300	1.000	1.000	0.00
	QAAA0000NX	1.002	1.001	-0.20
	QAAABL0000	1.000	1.000	0.00
	QAAABW0000	1.000	1.000	0.00
	QAAABW0001	1.004	1.003	-0.10
	QAAABW0002	1.006	1.011	0.50
	QAAABW0041	1.017	1.016	-0.10
	QAAABW0042	1.033	1.037	-0.29
	QAAABX0001	1.008	1.01	0.20
	QAAABX0002	1.020	1.020	0.00
	QAAABX0012	1.003	1.003	0.00
	QAAABX0014	1.006	1.007	0.10
	QAAADY0000	1.000	1.000	0.00
	QAAALV0000	1.000	1.000	0.00
	QAAALV0001	1.000	1.000	0.00
	QAAALV0002	1.000	1.000	0.00
	QAAALV0003	1.000	1.000	0.00
	QAAALV0004	1.000	1.000	0.00
	QAAALX0000	1.007	1.002	-0.50
	QAAAMR0000	1.000	1.000	0.00
	QAAAMR0001	1.002	1.002	0.00
	QAAARG0000	1.010	1.010	0.00
	QNGG000103	1.000	1.000	0.00
	QDDD000001	1.000	1.000	0.00
	QDDD000002	1.000	1.000	0.00
	QDDD000003	1.024	1.002	-2.15
	QDDD000004	1.030	1.003	-2.62
	QDDD000005	1.000	1.000	0.00

	NMI	Existing DLF	Proposed DLF	%
		2007/08	2008/09	Change
	QDDD000019	1.032	1.031	-0.10
	QDDD000027	1.003	1.003	0.00
	QDDD003345	1.005	1.006	0.10
	QDDD003336	1.033	1.018	-1.45
	QEMS000001	1.009	1.009	0.00
	QGGG000000	1.001	1.000	-0.10
	QGGG000032	1.003	1.002	-0.10
	QGGG000033	1.000	1.000	0.00
	QGGG000394	1.177	1.167	-0.85
	QWAGW00033	1.012	1.012	0.00
	QWAGW00066	1.012	1.012	0.00

Table 4 Ergon Energy proposed DLFs for 2008/09 – Embedded Generators¹

	NMI	DLF 2007/08	DLF 2008/09	% change
	QEEE000026	0.976	0.978	0.23
	QEEE000547	0.997	0.996	-0.04
	QCCC001036	0.980	0.981	0.09
	QCCC001041	0.984	0.977	-0.64
	QCQPW00076	0.865	0.868	0.29
	QFFF000010	0.975	0.977	0.17
	QFFF00000Z	0.975	0.977	0.17
	QFFF000000	0.929	0.920	-1.01
	3050922955	-	0.971	n/a
	QDDD003315	0.998	1.000	0.15
	QDDD003340	1.000	1.000	0.00
	QMKYW00147	1.000	1.000	0.00
	QGGG000418	1.004	0.998	-0.24

¹ Where two DLFs are given for a generator, one applies to sales and one to purchases.