

Our Ref: M2007/18-02

Contact Officer: Peter Adams
Contact Phone: 08 8213 3408

3 October 2007

Mr Leslie V Hosking
Managing Director and Chief Executive Officer
NEMMCO
Level 12
15 William Street
Melbourne VIC 3000

Dear Mr Hosking,

ACTION TO ADDRESS ISSUES ARISING FROM 16 JANUARY 2007

I refer to your letter of 24 September 2007, detailing NEMMCO's response to the AER's findings regarding NEMMCO's operations and processes in its report on the events of 16 January 2007.

The AER is grateful for NEMMCO's prompt response. The AER also welcomes the comprehensive list of actions noted in NEMMCO's letter that are being or will be undertaken by NEMMCO to address areas of concern identified in the AER's investigation report.

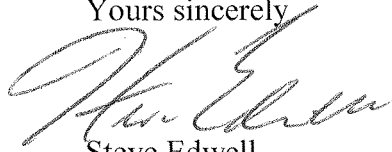
The actions identified in NEMMCO's letter appear appropriate to address the concerns raised in the AER's report. In accordance with the AER's report, NEMMCO is required to report to the market on the following:

- amended arrangements between NEMMCO, Jurisdictional System Security Coordinators and NSPs for the implementation of load shedding processes
- changes implemented by NEMMCO to ensure that its systems, including the Demand Offset Facility, are capable of dealing with circumstances such as those that arose on 16 January
- measures taken to ensure that clause 3.9.3 of the National Electricity Rules will not be breached in the future.

The AER looks forward to NEMMCO's report by the end of 2007 on the final outcomes for actions relating to the above matters that have not yet been fully implemented by NEMMCO. In the meantime, the AER encourages NEMMCO to publish its letter of 24 September on its website. The AER also intends to publish that letter and this reply on the AER's website.

The AER looks forward to continuing to work constructively with NEMMCO on matters affecting the well-functioning of the NEM.

Yours sincerely

A handwritten signature in cursive script, appearing to read "Steve Edwell".

Steve Edwell
Chairman