



MEMO

TO: DMS contacts
FROM: Shirli Kirschner
DATE: 21 November 2006
SUBJECT: **Notice of referral to a DRP 2/2006**

MILLMERRAN ENERGY TRADER PTY LTD (MET) has referred a dispute to the Dispute Resolution Adviser by serving an Adviser Referral Notice in accordance with clause 8.2.5 of the National Electricity Rules (**Rules**). The other party to the dispute is the National Electricity Management Company Ltd (**NEMMCO**).

The dispute concerns the application and/or interpretation of the Rules by NEMMCO in determining the intra-regional loss factors for the 2006/2007 financial year.

MET asserts that NEMMCO failed to calculate the intra-regional loss factors for the 2006/2007 financial year in accordance with clause 3.6.2 of the Rules. More specifically, MET asserts that NEMMCO's:

1. Determination of the intra-regional loss factor for each of Millmerran Power Station Unit 1 and Millmerran Power Station Unit 2 for the 2006/2007 financial year is incorrect; and
2. Issue of the "List of Regional Boundaries and Marginal Loss Factors for the 2006/07 Financial Year" on or about 31 March 2006 contains erroneous intra-regional loss factors.

On 28 June 2006 MET served a DMS Referral Notice on NEMMCO, whereupon the parties have had ongoing discussions to resolve the dispute.

A review by NEMMCO of the calculation process used in determining the intra-regional loss factors for 2006/2007 has identified two inadvertent errors in the loss factors. These relate to the:

1. Calculation of auxiliary loads; and
2. Scaling of generation.

NEMMCO has undertaken a recalculation of the intra-regional loss factors for 2006/2007. The revised loss factors are likely to increase or decrease future payments to most Registered Participants. Furthermore, the application of the revised loss factors to the period from 1 July 2006 may result in registered participants refunding overpayments made to them to date or additional payments being made to registered participants in the situation where they have been underpaid to date.

The recalculated loss factors for 2006/2007 are attached to this notice, so that each Registered Participant can assess the potential impact on it. Queries in relation to the recalculated loss factors can be made to the following people at NEMMCO:

Technical questions – Charlie Macaulay Tel No: 03 9648 8709

Non Technical questions – Brett Hausler Tel No: 03 9648 8707

On 20 November 2006 I referred this matter to a Dispute Resolution Panel comprising Mr John Clarke QC. MET and NEMMCO will be seeking a determination to the effect that:

1. NEMMCO publish the recalculated intra-regional loss factors for the 2006/2007 financial year;
2. The recalculated intra-regional loss factors take effect from 1 July 2006; and
3. NEMMCO address any over- or underpayments arising from the erroneous intra-regional loss factors through the revised settlement statements process.

A hearing of this matter is set down for Tuesday 19 December 2006.

Any Registered Participant with an interest in the dispute may become a party to the dispute under clause 8.2.6C(c) or (d).

If you have any queries or are interested in becoming a party to the dispute, please contact me on 0411 380 380, or by email at shirli@resolveadvisors.com.au.

Shirli Kirschner

NEM Dispute Resolution Adviser