

7 March 2011

Mr Robert Telford
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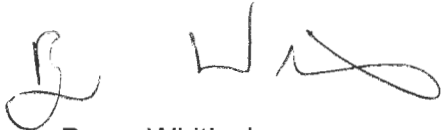
Dear Robert,

PROPOSED AUSGRID DISTRIBUTION LOSS FACTORS FOR 2011/12

Intelligent Energy Systems Pty Ltd (IES) has undertaken a review (audit) of the proposed Distribution Loss Factors (DLFs) for 2011/12 financial year calculated by Ausgrid. The IES audit examined the proposed DLFs with regard to their consistency with Ausgrid's published methodology as at 31 December 2010.

For its 2011/12 DLF calculations, Ausgrid has followed the methodology implemented in the 2010/11 calculations. It makes use of a well structured spreadsheet model that clearly shows the application of the approved methodology, the inputs, intermediate values and final DLF numbers. Along with the DLF model, Ausgrid also provided IES with a document titled "Distribution Loss Factor Calculation Methodology Paper", dated February 2011, outlining its proposed DLFs for 2011/12. The report also included the methodology for the calculation of DLFs, discussion of results and outcomes of its reconciliation of losses for 2009/10. Ausgrid's submission was clear and concise, the calculations consistent with the published methodology and, DLF values correctly determined as per their published methodology.

Ausgrid has submitted proposed DLFs for 2011/12 that have changed only slightly from those for 2010/11 and in the main most changes have been decreases. The proposed changes to DLF values for 2011/12 should not have a significant impact on Ausgrid's customer costs and most price changes will be small decreases.



Bryan Whitlock

Senior Energy Analyst

