

10 October 2014

Mr Peter Biddle  
Australian Energy Market Operator

By email: peter.biddle@aemo.com.au

Dear Peter

**REVIEW OF THE METHODOLOGY FOR CALCULATING FORWARD LOOKING  
TRANSMISSION LOSS FACTORS**

The Major Energy Users (MEU) welcomes the opportunity to provide its views to the draft report and determination regarding its review of the methodology for calculating forward looking transmission marginal loss factors (MLFs).

Generally the MEU supports the conclusions reached by AEMO in its draft report.

The aspect of concern to the MEU continues to be the use of recent data. AEMO proposes to continue its practice of using the latest financial year data modified by more recent data when considering revised generation profiles. AEMO noted that it had considered using calendar year data but that this compressed the timeframe for calculating the MLFs.

The MEU considers that the self-imposed constraint of using either financial year or calendar year data is one only of form. Ideally, using the latest data will deliver a more accurate outcome so the MEU suggests that using 12 months of data finishing at another time (eg at the end of November) should be examined.

The MEU notes that AEMO would take to the NEMWCF a number of issues outside the scope of the review, viz

- Treatment of losses associated with flows on interconnectors
- Use of marginal losses instead of actual losses and the potential for over-recovery of losses
- How any over-recovery of losses is returned to customers

The MEU accepts that these issues were outside the scope of work and would require changes to the electricity market rules. Despite this, they are still extremely

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important to consumers who ultimately pay the costs of the MLFs. The MEU is appreciative that AEMO has recognised they are sufficiently important to refer them for consideration at another forum. The MEU will seek to be involved in further debate on these issues.

We appreciate the opportunity to have provided this input into the AEMO review. Should you wish for amplification of any of the comments provided, we would be pleased to expand on our views.

The MEU is keen to continue to be involved in this review and we request that you keep our Public Officer (David Headberry) aware of future discussion and request for further stakeholder involvement on this review and the other matters that are to be considered separately.

Yours faithfully

A handwritten signature in black ink, appearing to read "D.H. Headberry". The signature is written in a cursive style with a small checkmark at the end.

David Headberry  
Public Officer