

5 January 2010  
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**Re: MRCP Calculation Methodology**

Dear Troy,

I wish to make comment on the MRCP calculation methodology. Upon my review of the MRCP calculation, it appears there is a serious flaw. The ongoing Western Power connection charges and tariffs etc. have been taken from the current price list of 2009/10. Given the MRCP calculation is a calculation for costs incurred in the 2012 capacity year, it is Tesla's view that the tariffs should be forward calculated and used. We already know that the ERA has approved significant price rises of an average of 16% 3 times between now and the commencement of the 2011/12 capacity year. This has not been impounded into the 2011 capacity price as it has already been set, but this knowledge should be utilised in setting the following year's prices.

Utilising current pricing for tariffs in the calculation will force the MRCP price to always lag the actual Western Power tariffs and connection costs by 2 years due to its structural nature. Given we know what the tariffs are going to be coming into the 2011 year already (the three price rises approved for March 2010, July 2010 and July 2011), these should be factored in the equation to produce a truer cost to a generator. As these capacity prices were designed to compensate a generator for capital and fixed costs, the known approved costs should be used to build up the price.

Yours sincerely,



Ben Tan  
CEO  
Tesla Corporation