

Our Ref: DMS#: 6775689
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14 January 2010

Mr Ben Williams
Analyst – System Capacity
Independent Market Operator
PO Box 7096
CLOISTERS SQUARE WA 6850

Dear Ben

Maximum Reserve Capacity Price – Cost of Transmission Works

I refer to your recent request to update the advice in our letter dated 20 November 2009 on this matter in regard to the costs for Kemerton, to reflect the financial parameters in the ERA's recent Final Decision on Western Power's access arrangement revisions.

Western Power believes that the effect of the tariff increases will not change the relative price signals reflected in our earlier report.

I have attached the revised worksheets for Kemerton which incorporate the following adjustments:

- A new value of WACC of 7.98% (pre-tax, real); and
- Average transmission tariff increases expected to be in place from 1 July 2011, reflecting three annual increases of 12.9% (compounded).

If you have any further queries, please contact Jonathan Holgate on (08) 9326 6163.

Yours sincerely



PETER MATTNER
MANAGER REGULATION, PRICING & ACCESS DEVELOPMENT

Kemerton Industrial Park Region (Revised 14/1/10)



Western Power Revised Access Arrangement Capital Contribution Model

Ref 2 3 8 9 10 11 12 13 14 15

Model Inputs

Applicant Details

5 **Applicant Details**
 6 Applicant Name **IMO Sample Generator Kemerton**
 7

Economic Parameters

9 **Regulated WACC**
 10 WACC (real pre-tax) **7.98%**
 11 WACC (nominal pre-tax) **10.65%**
 12 RBA Indicator Rate **9.25%** RBA Large Business Indicator Rate
 13

Asset Parameters

Capital Costs

16 Construction Commences in Year Ending 30 June	2010	2011	2012	2013	2014	TOTAL	
17 Year Ending 30 June	2010	2011	2012	2013	2014		
18 Capital Cost of Shared Assets [\$ Nominal]	50,950,000					50,950,000	external cost, exclude
19 Capital Cost of Connection Assets [\$ Nominal]	1,575,000					1,575,000	external cost, exclude
20 Total Costs [\$ Nominal]	52,525,000	0	0	0	0	52,525,000	

Operating Costs

23 O&M Costs of Shared Assets **1,253,370** 3% dist/2.46% trans internal cost - in today's dollars
 24 O&M annual escalation (real) **0.00%** assume 0% unless advised by Regulation, Pricing & Access Development
 25

Applicant Parameters

Covered Service Revenue

28 Applicant Revenue Commences in Year Ending 30 June **2012**
 29
 30 Applicant Tariff Revenue **1,948,086** first year (exclude GST) - in today's dollars
 31 Applicant Tariff Revenue annual escalation (real) **0.000%** assume 0% unless advised by Regulation, Pricing & Access Development
 32

Model Parameters

Model

35 Discounted Cashflow Period **15** years (no longer than 15)
 36

Periodic Payments

Payment Options

39 Periodic Payment Period **0** years (no longer than 5)
 40 Credit Risk **Security in p** assume "Security in place (full amount)" unless advised by Treasury
 41

Model Outputs

Capital Contribution

Capital Contribution	Capital Contribution (ex-GST)	GST	Total (inc-GST)
44 Calculated Capital Contribution			
45 Capital Contribution for Shared Assets	45,436,317	4,543,632	49,979,949
46 Capital Contribution for Connection Assets	1,575,000	157,500	1,732,500
47 Total Capital Contribution	47,011,317	4,701,132	51,712,449
48	Capital contribution valid if full payment is received within 60 days of 12/01/2010		
49 IRR over Discounted Cashflow Period	7.98%		
50 Check	OK		

Kemerton Industrial Park Region (Revised 14/1/10)

TRT2 - Transmission Entry

Tariff Inputs

Declared Sent Out Capacity (kW)	160000
Generator nameplate output (kW)	180000
Zone substation	Kemerton PWS
Transmission Node Identifier	WKEM
Value of Connection Assets	0
Economic life of Connection Assets	50
O&M expenses on the Connection Assets	39060
WACC	7.98%

Updated: 7 May 2009 - 2009/10 Price List (Approved)	
NOTE: 2009/10 PRICE ESCALATED BY 12.9% FOR THREE YEARS TO OBTAIN THE EXPECTED 2011/12 PRICE	14/01/2010 9:14

Note: Set to zero if full cap con received for connection assets

Note: Always confirm the User Specific Charge with Regulation, Pricing and Access Development.

Tariff Calculation

	Units	Daily & GST Exclusive		GST	GST Inclusive		
		Rate	Charge		Daily	Monthly	Annual
User Specific Charge		10,701.37	107.01	10.70	117.72	-	42,966.00
Variable Use of System Charge	160000	3.336	5,337.22	533.72	5,870.94	-	2,142,894.50
Variable Control System Service Charge	180000	0.21	378.19	37.82	416.01	-	151,842.29
Fixed Metering Charge		4,734.36	47.34	4.73	52.08	-	19,008.44
Total Charge			5,869.77	586.98	6,456.74	0.00	2,356,711.22

For use in the Capital Contribution Calculator Only - Tariff Calculation (excludes GST)

Revenue for Capital Contribution Calculations **1,948,085.91**