



Landfill Gas and Power

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Troy Forward *→ WS 23/12/08*
Manager Market Administration and System Capacity
Independent Market Operator
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Dear Troy

RECALCULATION OF WACC FOR MRCP

Thank you for the opportunity to make a submission in respect of the recalculation of the WACC pertaining to the calculation of the Maximum Reserve Capacity Price.

LGP supports the recalculation on the grounds that recent events in the global financial markets have materially impacted the input variables since the original figure was determined.

We further note that the full extent of the decline in the financial markets has still not been determined and is unfolding very rapidly. In particular, interest rates in the major economies have declined with startling rapidity to historically low values, with zero being attained in the United States. Australian markets are reported to have already priced in a cash rate of 3.25% from February 2009. With Australian business confidence declining rapidly, there are proposals being made for the Reserve Bank of Australia to convene a special meeting in January 2009 with a view to further reducing interest rates, beyond the 3% reduction in the last quarter, as soon as possible.

On this basis, LGP supports a further recalculation of the WACC at the latest opportunity in the capacity cycle to fully reflect the prevailing situation. We would also support a fast-tracked rule change to facilitate this if necessary.

Yours sincerely

GRAEME ALFORD
CHIEF EXECUTIVE OFFICER