

Wednesday 22 April 2009

Mr John Hall
Chief Executive Officer
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4000

Dear Mr Hall

QR Network Draft Amending Undertaking – Extension of the Termination Date

QR Network's 2008 Access Undertaking (2008AU) is due to expire on 30 June 2009. QR Network proposes to extend the term of the 2008AU to 31 December 2009, in order to allow sufficient time for QR Network's Draft 2009 Access Undertaking (2009AU) to be finalised. Accordingly, QR Network submits the attached Draft Amending Access Undertaking to the QCA for its consideration.


Reflecting the strong preference of key stakeholders, QR Network proposes that the terms of the 2008AU apply unchanged for this extension period. However, this approach may have some material adverse implications for QR Network.

First, QR Network expects that coal reference tariffs will significantly increase in the 2009AU. Continuing to roll-forward the 2008AU reference tariffs for the extension period may substantially defer revenue for QR Network, and may create a revenue collection risk for QR Network. QR's Network's clear preference is that the 2009 DAU coal reference tariffs be calculated in a manner that ensures that QR Network can recover its forecast revenues for the 2009-10 financial year during 2009-10.

Second, a critical input into the 2009AU reference tariffs will be the Weighted Average Cost of Capital (WACC). QR Network will seek to manage its debt to align with the averaging period for the risk-free rate which will form part of the 2009AU WACC outcome. In its 2009AU submission, QR Network requested the Authority to give it sufficient notice if that date was going to be 30 June 2009. Given that QR Network is now seeking to extend the expiry date of the 2008AU, QR Network requests that this averaging period also be extended.

Should you have any questions in relation to this, please contact Gayle Andrews, Manager, Regulation and Policy on 3235 5476.

Yours sincerely



Michael Carter
Executive General Manager
QR Network