

## QR Network's DAAU to the 2008 Undertaking

### Summary of DAAU Amendments

#### Background

In September 2008, QR Network submitted a draft access undertaking (the 2009 DAU) to replace the existing 2008 undertaking that was about to expire. The Authority released a draft decision on the 2009 DAU in December 2009.

QR Network subsequently withdrew the 2009 DAU and submitted a revised DAU in April 2010 (the 2010 DAU). The Authority released a draft decision on the coal tariff aspects of the 2010 DAU in June 2010 and is currently finalising a decision on the remainder of the 2010 DAU.

QR Network has now proposed to amend the 2008 undertaking (the 2010 pricing DAAU) to give effect to the tariffs and the tariff setting principles proposed in the June 2010 draft decision.

#### 2010 Pricing DAAU

In the June 2010 pricing DAAU, QR Network has:

- (a) proposed tariffs, and revenues, which are consistent with the Authority's June 2010 draft decision (with the exception of the electric infrastructure charge (AT<sub>5</sub>) – discussed below). This includes tariffs, and revenues, that reflect the Authority's proposed maintenance costs; reduction in the regulated asset base to account for ballast fouling; and weighted average cost of capital rate of 9.96%;
- (b) sought to extend the termination date of the 2008 undertaking by a year, to 30 June 2011 (and, in respect of the central Queensland coal network, to the approval of a replacement undertaking); and
- (c) proposed amendments to the non-pricing sections of the 2008 undertaking, with a view to:
  - (i) ensuring the remainder of the 2008 undertaking is consistent with the new schedule F; and
  - (ii) providing transition arrangements for the proposed restructuring of ownership and responsibility for the rail network.

The only material change in the pricing amendments relates to the electric infrastructure tariff (AT<sub>5</sub>) on the Goonyella system. QR Network's proposed AT<sub>5</sub> rate is higher than the one proposed by the Authority in its June 2010 draft decision by around 10% (i.e. \$1.81/'000 egtk compared with \$1.66/'000 egtk).

This change is reasonable as the Authority's AT<sub>5</sub> estimate had not taken into account the most recent changes to Powerlink's electric connection charges.

A summary of QR Network's proposed tariffs, and revenue caps, is provided in **Table 1**.

#### *Non-tariff Issues*

Schedule F of the undertaking includes the coal reference tariffs and revenue caps. It also sets out the price-setting rules to adjust existing tariffs and revenues and to introduce new tariffs. While schedule F in the 2010 pricing DAAU is largely consistent with the Authority's June 2010 draft decision, QR Network has proposed to amend schedule F to:

- (a) change references to 'Individual Coal System' to 'Individual Coal System Infrastructure', to reflect the different definitions of those terms in the 2008 undertaking;
- (b) clarify that an adjustment charge for a retrospective tariff would be based on the Bank Bill Swap Rate or, if that was unavailable, at an equivalent interest rate approved by the Authority (clause 2.3.4(c) of part A); and
- (c) replace references to 'Commencing Date' to reflect the approval and escalation dates of the new tariffs (clause 1.3.1(j) and (l) of part A, and clause 4.2 of part C).

QR Network has also proposed amendments to the remainder of the 2008 undertaking to ensure it is consistent with schedule F, and to provide for the restructuring of ownership and responsibility for the rail network. These changes include:

- (a) specifying that actions under *the Infrastructure Investment (Asset Restructuring and Disposal) Act 2009 (Qld)* (the IAARD Act) will take precedence over the undertaking, where there is a conflict (clause 2.1(i));
- (b) specifying the termination date to be 30 June 2011 or, for the central Queensland coal network, until the Authority approves a subsequent access undertaking provided by QR Network (clause 2.3(d));
- (c) specifying that the 2009-10 tariffs will be back-dated to 1 July 2009 (clause 2.3(e));
- (d) providing for confidential information to be disclosed between QR Passenger and QR Network, but only for the purpose of coordinating the negotiation or provision of access (clause 3.3(d)(ii));
- (e) transferring the private infrastructure pricing arrangements from the 2010 DAU into the 2008 undertaking (clause 6.4.2(b));
- (f) deleting clause 6.4.4 on the treatment of common cost contributions, as it has been replaced by new provisions in schedule F;
- (g) ensuring that QR Network can recover retrospective tariffs where there is a customer-initiated capacity transfer (clauses 7.4.4(g)(iv) and (v));
- (h) transferring or amending definitions in part 10 of the undertaking to ensure consistency between the proposed new schedule F of the 2008 undertaking and the remainder of the 2008 undertaking. Some of the new or amended definitions are consequential to the other changes listed in (a) to (g) above; and
- (i) amending the definition of 'Escalation Date' to be consistent with the annual escalation the Authority has approved for the western system.

**Table 1: CQCR reference tariffs and System Allowable Revenues<sup>a</sup>**  
(excluding the revenue cap adjustments)

<i>Tariff Component (as at 1 July 2009)</i>	<i>Blackwater</i>	<i>Goonyella</i>	<i>Moura</i>	<i>Newlands</i>
AT <sub>1</sub> – incremental maintenance (\$/gtk)	0.78	0.54	1.45	1.51
AT <sub>2</sub> – incremental capacity (\$/train path)	1829.45	1159.06	547.99	245.28
AT <sub>3</sub> – allocative component (\$/ntk)	4.02	4.04	8.89	5.58
AT <sub>4</sub> – allocative component (\$/nt)	1.35	0.87	1.11	0.79
AT <sub>5</sub> – electric infrastructure (\$/egtk)	4.21	1.81	-	-
\$/net tonne avg (AT <sub>1-4</sub> )	3.60	2.15	2.71	2.00
<b>Premium / Discount (\$/ntk)</b>				
Rolleston	2.95			
Minerva	1.41			
Vermont		1.63		
Stanwell	-1.41			
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<i>System Allowable Revenues</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
<i>Non-electric (AT<sub>2-4</sub>)((\$m))</i>				
Blackwater	\$195.6	\$219.7	\$230.6	\$236.2
Goonyella	\$202.3	\$229.1	\$260.0	\$266.5
Moura	\$29.3	\$40.8	\$41.9	\$43.1
Newlands	\$26.2	\$29.5	\$30.3	\$31.0
<i>System Allowable Revenues</i>				
<i>Electric (AT<sub>5</sub>)((\$m))</i>				
<i>Blackwater</i>	\$57.3	\$66.7	\$65.1	\$83.0
<i>Goonyella</i>	\$61.2	\$69.3	\$78.6	\$80.6

<sup>a</sup>this table is directly comparable to the Appendix 1 table on page 91 of the Authority's June 2010 draft decision.

**Table 2: CQCR Reference Tariffs and System Allowable Revenues<sup>a</sup>**  
(including the revenue cap adjustments)

<i>Tariff Component (as at 1 July 2009)</i>	<i>Blackwater</i>	<i>Goonyella</i>	<i>Moura</i>	<i>Newlands</i>
AT <sub>1</sub> – incremental maintenance (\$/gtk)	0.78	0.54	1.45	1.51
AT <sub>2</sub> – incremental capacity (\$/train path)	1829.45	1159.06	547.99	245.01
AT <sub>3</sub> – allocative component (\$/ntk)	4.22	4.35	8.89	7.08
AT <sub>4</sub> – allocative component (\$/nt)	1.43	0.93	1.11	1.01
AT <sub>5</sub> – electric infrastructure (\$/egtk)	4.65	2.11	-	-
\$/net tonne avg (AT <sub>1-4</sub> )	3.74	2.28	2.71	2.43
<b>Premium / Discount (\$/ntk)</b>				
Rolleston	2.95			
Minerva	1.41			
Vermont		1.63		
Stanwell	-1.41			
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<i>System Allowable Revenues</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
<i>Non-electric (AT<sub>2-4</sub>)((\$m))</i>				
Blackwater	\$203.9	\$213.0	\$230.6	\$236.2
Goonyella	\$215.3	\$235.7	\$260.0	\$266.5
Moura	\$29.3	\$42.8	\$41.9	\$43.1
Newlands	\$32.8	\$32.3	\$30.3	\$31.0
<i>System Allowable Revenues</i>				
<i>Electric (AT<sub>5</sub>)((\$m))</i>				
<i>Blackwater</i>	\$63.2	\$84.4	\$65.1	\$83.0
<i>Goonyella</i>	\$71.0	\$79.9	\$78.6	\$80.6

<sup>a</sup> This table is directly comparable to Table 1 above, except that it includes the revenue cap adjustment for 2007-08 and 2008-09