

File Ref: 1339524

17 December 2018

Ms Donna Bowman
Manager Network Regulation (Access Undertaking)
Aurizon Network Pty Ltd
GPO Box 456
Brisbane Qld 4001

Dear Ms Bowman

Notice of final decision Aurizon Network's 2017–18 revenue adjustment

The Queensland Competition Authority has determined that Aurizon Network has appropriately calculated all of the revenue adjustments proposed in its amended application, resubmitted on 27 November 2018. The QCA has therefore decided to approve Aurizon Network's amended revenue adjustment amount for 2017–18, as per clause 4.3(p) of Schedule F of the 2016 access undertaking.

The QCA's review of the revenue adjustment is summarised in the attached decision notice. The notice includes a brief overview of the basis of our assessment and our main findings. This is a written notice for the purpose of clause 4.3(n)(i) in Schedule F of the 2016 access undertaking.

If you have any questions about this decision notice, please contact Mark Kelso on 07 3222 0511 or by email at mark.kelso@qca.org.au

Yours sincerely



Charles Millsted
Chief Executive Officer

DECISION NOTICE

AURIZON NETWORK'S 2017–18 REVENUE ADJUSTMENT AMOUNTS

17 December 2018

The Queensland Competition Authority (QCA) has made the final decision to approve the amended 2017–18 revenue adjustment return of \$0.7 million that Aurizon Network submitted on 27 November 2018 under the 2016 Access Undertaking (2016 AU). The QCA considers that Aurizon Network has calculated the adjustment amounts in accordance with schedule F, clause 4.3 as required under schedule F, clause 4.3 (m).

2017–18 revenue adjustment amount

On 28 September 2018, Aurizon Network submitted a proposed revenue adjustment amount. After reviewing the submission, the QCA issued a draft decision on 15 November 2018 to refuse to approve the proposed revenue adjustment amount. Aurizon Network's submission and the QCA draft decision can be found on the QCA website.

QCA draft decision

The QCA's draft decision on Aurizon Network's proposed revenue adjustment for 2017–18 indicated that the QCA was satisfied with all elements of Aurizon Network's submission, other than the costs of the ground penetrating radar included in the revenue adjustment amount.¹ The QCA made this draft decision after finding the costs associated with the external contract portion of the GPR were not prudent and efficient.²

Aurizon Network's updated 2017–18 revenue adjustment submission

On 27 November 2018 Aurizon Network submitted a revised 2017–18 revenue adjustment amount. The financial information contained in this submission was the same as that contained in the submission on 28 September 2018, with the exception of an adjustment to the claim associated with the ground penetrating radar. The 27 November 2018 revised revenue adjustment submission is for a net refund of \$0.7 million for the 2017-18 financial year.³ The system-specific over- and under-recoveries are outlined in Table 1.

¹ Queensland Competition Authority, *Aurizon Network's 2017–18 revenue adjustment*, draft decision, November 2018, p. iii.

² Queensland Competition Authority, *Aurizon Network's 2017–18 revenue adjustment*, draft decision, November 2018, p. 7.

³ Aurizon Network, *FY2018 Revenue Adjustment Amounts - Explanatory Memorandum, Revised as at 27/11/2018*, p. 3.

Table 1 2017–18 revenue adjustment amounts (\$ million)

<i>System</i>	<i>Non-electric</i>	<i>Electric</i>	<i>Total</i>
Blackwater	17.1	8.1	25.2
Goonyella	-13.7	-3.2	-16.9
Moura	0.04	0	0.04
Newlands	-9.1	0	-9.1
GAPE	0.1	0	0.1
Total	-5.6	4.9	-0.7

Note: Numbers may not sum due to rounding. Negative values indicate an over-recovery, and thus a refund.

Source: Aurizon Network, FY2018 Revenue Adjustment Amounts - Explanatory Memorandum, Revised as at 27/11/2018, p. 4.

Stakeholder submissions

There were no submissions from stakeholders on the QCA draft decision. Stakeholders' comments on Aurizon Network's 28 September 2018 submission were discussed in our draft decision.⁴

QCA analysis

The QCA was satisfied with all elements of the 28 September 2018 submission, other than the ground penetrating radar costs. As the revenue adjustments that the QCA were satisfied with in the draft decision were unchanged in the 27 November 2018 submission, the QCA remains satisfied with this part of the claim. For clarity, the QCA is satisfied with Aurizon Network's:

- revenue calculations using the reference and cross-system tariffs
- take-or-pay calculations
- rebates
- condition-based assessments
- adjustments proposed to occur under UT5.

The QCA analysis of these amounts can be found in our draft decision⁵ on our website.

Aurizon Network's amended ground penetrating radar claim means the revenue adjustment amount was revised from a net refund of \$0.5 million in the original submission of 28 September 2018 to a net refund of \$0.7 million in the revised submission dated 27 November 2018. The amended claim is consistent with the adjustments recommended by the QCA in our draft decision. The QCA is satisfied with the amended costs associated with the ground penetrating radar.

Table 2 shows the breakdown of the QCA's final decision against the criteria as set out in the 2016 access undertaking.

⁴ Queensland Competition Authority, *Aurizon Network's 2017–18 revenue adjustment*, draft decision, November 2018 p.3, p. 2.

⁵ Queensland Competition Authority, *Aurizon Network's 2017–18 revenue adjustment*, draft decision, November 2018 p.3, pp.11–12.

Table 2 Aurizon Network's 2017-18 revenue adjustment amounts (\$ million)

	<i>Clause in UT4</i>	<i>QCA Final Decision</i>
Transitional allowable revenue		992.5
Condition-based assessment costs	cl. 4.3(c)(v)	0
Ground penetrating radar costs	cl. 4.3(c)(vi)	1.2
Rebates	cl. 4.3(c)(vii)	6.4
Other costs	cl. 4.3(c)(ix)	0
Transitional adjusted allowable revenue (AAR)		1,000.1
Less: total actual revenue (TAR)		
AT2-4	cl. 4.3(d)(i)	786.6
AT5	cl. 4.3(g)	163.0
Cross-system and take or pay	cl. 4.3(d)(i)(B), cl. 4.3(d)(ii), cl. 4.3(g)	51.2
Total actual revenue (TAR)		1,000.8
Revenue adjustment amount (AAR minus TAR)		(0.7)

Cost adjustment claims that will be assessed under UT5 have been excluded from Table 2. A negative value indicate an over-recovery, and thus, a refund.

Decision

For the reasons discussed above, the 2017–18 revenue adjustment as submitted by Aurizon Network on 27 November 2018, satisfies the requirements of Aurizon Network's 2016 access undertaking. The QCA's final decision is therefore to approve the revenue adjustment amount.

The QCA is satisfied that the entire amount proposed in Aurizon Network's revenue adjustment submission, as amended on 27 November 2018, has been calculated in accordance with Schedule F, clause 4.3 of the 2016 access undertaking.