

Rio Tinto
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03 July 2019

Mr Charles Millstead
Chief Executive Officer
Queensland Competition Authority

Dear Mr Millstead

Rio Tinto submission in response to UT5 DAAU

I refer to the above DAAU (**UT5 DAAU**) lodged by Aurizon Network (**AN**) on 3 May 2019 and to your notice of investigation issued on 8 May 2019. Rio Tinto is grateful for this opportunity to respond to the QCA review of the UT5 DAAU.

I also note that Rio Tinto recently made a submission to the QCA on 14 June 2019 in response to the current Aurizon UT5 Reference Tariff DAAU and the QCA published its final decision to approve that DAAU last week. Our comments here largely reinforce and repeat those submissions.

Rio Tinto was not a producer that was directly involved with the user group that negotiated the terms of the UT5 DAAU with Aurizon Network. We have also not signed an Implementation Deed.

As the QCA is aware, following its coal asset sales program, Rio Tinto's remaining interest in relation to UT5 is primarily centred on the GAPE System, given Rio Tinto's remaining capacity on that system.

We hold our GAPE capacity subject also to a GAPE Deed.

Rio Tinto is primarily concerned to ensure that, in relation to the GAPE System, any bullet payments or rebates associated with implementing the UT5 WACC as well as any transition to the UT5 DAAU are accounted for in a manner that transparently and separately identifies the portion of any rebated amount that relates to revenue/paths in a given year. This is a matter discussed in more detail in our submission in response to the UT5 Reference Tariff DAAU.

It is not clear in the drafting, but the drafting note in Schedule F refers in most cases to "*The difference between 2017-18 transitional and approved SAR has not been accounted for*". While Rio Tinto acknowledges that the QCA has already published its position in respect of the UT5 Reference Tariff DAAU, this provided for the revenue adjustment to be reflected in amendments made to Schedule F (through amendments to tariffs and allowable revenues). Rio Tinto simply submits that, in doing so, Aurizon Network should be required to separately identify what amount of the relevant revenue adjustment relates to the difference between 2017-18 transitional tariffs and those ultimately accepted in respect of UT5. There is no reason why this cannot be done through Schedule F or by the QCA itself in its final decision.

Rio Tinto would also welcome an acknowledgement from the QCA that any approach accepted in respect of rebates under a UT5 true up or otherwise applies only to past regulated amounts and the position in relation to any other payments made under the GAPE Deed is not a matter affected by the approach adopted to the UT5 DAAU.

Subject to these limited comments, Rio Tinto supports acceptance of the UT5 DAAU by the QCA.

We would be happy to discuss any of the points above.

Kind regards,

A handwritten signature in black ink, appearing to read "Scott Rolfe", written in a cursive style.

Scott Rolfe