



Friday, 5 February 2016

Professor Roy Green
Chair
Queensland Competition Authority
PO Box 2257
Brisbane Queensland 4001

Dear Professor Green

Asciano Response to the Aurizon Network Submission on 2014-15 Revenue Adjustment Amounts Resubmitted to the QC

Asciano welcomes the opportunity to provide comment on the Aurizon Network re-submission to the Queensland Competition Authority (QCA) on 2014-15 Revenue Adjustment Amounts (the Resubmission).

Asciano notes that Aurizon Network had submitted to the QCA on this matter in September 2015 (the Submission), but has now resubmitted its 2014-15 Revenue Adjustment Amounts documentation excluding portions of the original submission which related to the increments claim. Asciano understands that except for this exclusion the Resubmission reflects the original Submission although Asciano notes that the Resubmission has also sought to address issues raised by responses to the original Submission.

Asciano previously submitted to this regulatory process on 6 November. Asciano continues to support the positions put forward in its previous response and seeks that the QCA continue to take these positions into account when considering the Resubmission. Areas of particular concern to Asciano are outlined below.

Treatment of Rebates

Asciano remains concerned that Aurizon Network is seeking \$6.6 million of rebate recovery from access holders as Aurizon Network has over paid rebates as 2014-2015 actual volumes have been above forecast. These rebate arrangements are commercial arrangements separate from the regulatory process, but Aurizon Network seek to recover over paid rebates by socialising the recovery of these over payments through the regulatory revenue and pricing process. Asciano continues to hold these concerns and believes that the QCA should consider a more equitable rebate adjustment method in future access undertakings.

Asciano recognises that the QCA has accepted Aurizon Network's treatment of rebates as being consistent with the 2010 Access Undertaking, however, Asciano understands that the issue of the Aurizon Network treatment of rebates in the revenue cap mechanism is being reviewed as part of the broader QCA review of the Aurizon Network 2014 Draft Access Undertaking.

Forecasting

Asciano has previously argued that increased consultation with miners and train operators should result in improved forecasting. Asciano therefore welcomes the Aurizon Network position outlined in its Resubmission (page 15) that it would welcome greater input from above rail operators in relation to Aurizon Network forecasts. However, Asciano remains

MELBOURNE

Level 4, 476 St Kilda Road,
Melbourne VIC 3004 Australia
Telephone: +61 3 9248 7000
Facsimile: +61 3 9699 2869

SYDNEY

Level 6/15 Blue Street,
North Sydney NSW 2060 Australia
Telephone: +61 2 8484 8000
Facsimile: +61 2 8484 8154

Email: info@asciano.com.au
www.asciano.com

ABN: 26 123 652 862



concerned with the lack of transparency surrounding the forecast diesel and electric gross tonnes per kilometre in the Blackwater system. Given previous Aurizon Network concerns regarding the ability of the AT5 tariff to recover electric infrastructure costs in the Blackwater system Asciano believes that the forecasting approach and assumptions relating to the electric and diesel split should be more transparent.

WIRP Electric Costs

In relation to WIRP electric costs Asciano is concerned that Aurizon Network has combined Blackwater and Wiggins Island. Aurizon Network (Resubmission page 15) notes that there is no means for determining whether electricity is consumed by a train travelling to Wiggins island or other Blackwater system terminals and a cost allocation would be needed to separate the costs.

Asciano believes (and has previously argued in WIRP regulatory processes) that WIRP costs should be kept separate from Blackwater costs. Asciano believes that by combining WIRP and Blackwater recoveries the Aurizon approach acts against WIRP and Blackwater cost separation. If there is no means for determining whether electricity is consumed by a train travelling to Wiggins island or other Blackwater system terminals then Asciano believes that a cost allocation should be considered in order to separate WIRP cost from Blackwater costs.

Asciano notes that in discussing WIRP electric costs the Aurizon Network Resubmission (page 16) indicates that the 2014 Draft Access Undertaking proposes to remove the EC true-up from the revenue adjustment process and instead the the EC variation will flow through the forecast EC charge for the next year. Asciano's reading of the recent QCA consolidated draft decision on UT4 is that the QCA has not accepted this proposal. Asciano's view is that the EC and AT5 true-up should be undertaken in a manner which is consistent with the AT2 – AT4 true-up.

Conclusion

Asciano is seeking that the QCA:

- considers the treatment of rebates in future regulatory processes including the QCA assessment of the 2014 Draft Access Undertaking;
- seeks improved transparency in Aurizon Network's forecasting approach ;and
- seeks allocation of electric costs between WIRP and the Blackwater system.

If you wish to discuss this submission further please contact me on 02 8484 8056 or Ying Yeung on 07 3002 3726.

Yours faithfully



Stuart Ronan
Manager Access and Regulation