24 January 2014

Dr Malcolm Roberts
Chairman
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Dear Dr Roberts

Aurizon Network's (AN's) Response to stakeholder submissions on the 2013 Draft Access Undertaking (DAU)

BHP Billiton Mitsubishi Alliance (BMA) and BHP Billiton Mitsui Coal (BMC) supports the Queensland Resources Council (QRC) submission responding to AN's November 2013 response submission to stakeholder submissions on the 2013 DAU.

As you are aware, we have worked collaboratively with the QRC, as part of the QRC's DAU Steering Committee and Working Group. We have also participated in industry discussions direct with AN.

We fully endorse the QRC's submission dated 20 January 2014. We request you consider the QRC's response submission, the QRC's original submission and our previous 2013 DAU submission together as comprising BHP Billiton's full response on issues of concern arising from AN's 2013 DAU.

Without restating the issues raised in the above documents, we would like to identify a concern with the manner in which AN has sought to move away from the current QCA approved modelling methodology to a new modelling methodology applied by the Australian Energy Regulator. In its original documentation, AN only referenced its departure from the existing approved depreciation methodology. AN indicated this departure would have a negligible revenue impact of less than 1% of AN's total Maximum Allowable Revenue (MAR).

The sheer size and complexity of the 2013 DAU, combined with the fact that a heavily redacted regulatory model was not made publicly available until December 2013, meant that industry was not able to interrogate AN's modelling methodology until January 2013. We were then somewhat surprised to discover that the amended modelling methodology applied by AN in the 2013 DAU results in a net increase in AN's MAR of between 3.4% and 3.7% (if you exclude GAPE on the basis that its depreciation profile did not change). In revenue terms, this translates to between $153M to $166M of "windfall" revenue for AN without any demonstrable change in the efficiency or management of its network business.

Given the amended modelling approach results in such a material adverse impact to industry, we request the Authority carefully consider the merits of AN's proposed modelling approach. In the absence of any commercial reasoning (resulting in a financial or operational benefit to industry), we recommend the Authority reject AN's modelling approach and continue to apply the modelling approach applied by the Authority in UT1, UT2 and UT3.

If you have any queries or require more information, please contact Tanya Boyle on telephone 3329 2348 or mobile 0459812257.

Yours sincerely

[redacted]

Neil Buckley
Senior Manager, Outbound Supply Chain
BHP Billiton