

Queensland Resources Council

UT4 Submission – Capital indicator

Aurizon Network has proposed a Capital Indicator of \$1.95b for the term of UT4.

The QRC wishes to explore a change in the approach to the setting of reference tariffs which does not require the use of a four year capital indicator and four year volume forecasts. Specifically, we would like to explore an approach which moves closer to annual pricing. Given the extent of existing (UT3) and proposed annual adjustments to reference tariffs, and the effect that this has on limiting any perceived benefits of the smoothed tariff approach, we consider that this approach may no longer be useful. While true-up mechanisms ensure that any under/over recovery does not result in a permanent benefit/loss to Aurizon or (collectively) to Access Holders, we question the benefits of including in the calculation of the 2013/14 tariffs a range of projects which may or may not ultimately proceed. Also, the smoothing approach will become complex if a SUFA project is implemented, as revenue may well be derived from a SUFA project (by inclusion in the capital indicator) before the project is committed or the trust is established.