

STAKEHOLDER NOTICE

22 December 2014

Wiggins Island Rail Project (WIRP) proposed pricing treatment

In August 2014 as part of the consultation process for the resubmitted 2014 draft access undertaking (DAU), we released a paper from Aurizon Network that outlined its proposal for the pricing and revenue treatment of WIRP.

Based on the consultation process for this paper, we sent Aurizon Network a letter seeking a separate and more comprehensive tariff proposal for WIRP (see Attachment 1).

Since then, Aurizon Network has provided us with a new submission that proposes reference tariffs for the Blackwater and Moura systems accounting for the additional revenues and volumes arising from WIRP. We note that Aurizon Network has sought approval for new reference tariffs under pricing principles in the 2010 access undertaking. For transparency and clarity we have initially published this submission within the 2014 DAU section of our website, as this is where other submissions regarding WIRP reside.

We have been advised by Aurizon Network that information relating to revised volumes estimates used for the basis of pricing have been redacted for confidentiality reasons. We are assessing this confidentiality claim and a further update will be provided in due course.

Aurizon Network's application can be downloaded from our website www.qca.org.au/2014-DAU.

We are seeking submissions from stakeholders on this application by 30 January 2015.

File Ref: 797212

26 November 2014

Mr Alex Kummant
Chief Executive Officer
Aurizon Network Pty Ltd
GPO Box 456
Brisbane QLD 4001

Dear Mr Kummant

Wiggins Island Rail Project (WIRP) proposed revenue and pricing

I refer to the WIRP pricing treatment included in the 2014 Draft Access Undertaking (2014 DAU) and, in particular your request for us to make a decision on future tariffs.

By way of background I note that as part of the consultation process for the resubmitted 2014 DAU, we released a paper titled Wiggins Island Rail Project — Proposed Revenue and Pricing Treatment. On 30 September we also released our draft decision on maximum allowable revenue for the 2014 DAU period.

Based on the consultation process to date, and the broad range of diametrically opposed views we have received, we consider it premature to form a view on tariff treatment for WIRP as part of the forthcoming draft decision on the 2014 DAU (Policy and Pricing).

Instead, we propose Aurizon Network develop a separate and more comprehensive tariff proposal for WIRP that can be used for stakeholder consultation. In particular, we request that the proposal considers, amongst other things:

- the final estimated cost for the WIRP arrangements, as we understand there may be some change from the costs included in the 2014 DAU proposal
- most recent estimates of ramp-up tonnages for the WIRP infrastructure
- information on whether WIRP has been the subject of any form of previous customer voting
- Aurizon Network's perspective on the socialisation of WIRP, including what agreements or understandings it may have had with existing and new customers about the consideration of an expansion tariff for the project
- the rationale for allocation of one seventh of the costs of WIRP to existing customers, in the event that an expansion tariff is considered.

We look forward to working with you on this matter with a view to making a draft decision on this issue in the first half of 2015.

If you have any questions in relation to this matter, please contact Ms Tania Homan on (07) 3222 0504.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'John Hindmarsh', is written over the text 'Yours sincerely'.

John Hindmarsh
Chief Executive Officer