

9 November 2017

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(submitted via QCA Online Submission Form)

RE: Aurizon Network Review Event – 2017 Tropical Cyclone Debbie

The Queensland Resources Council (**QRC**) welcomes the opportunity to comment on Aurizon Network's September 2017 Review Event submission.

QRC does not have access to the detailed information which supports Aurizon Network's submission. We therefore rely on the QCA to ensure that the costs claimed meet the requirements under Clause 5.3 of the Undertaking, including that the costs are Incremental Costs which do not include capital items or costs recoverable under insurance policies.

QRC has raised several issues directly with Aurizon Network regarding matters which were unclear in the Review Event submission. Aurizon Network's letter dated 7 November explains Aurizon Network's intentions regarding those issues, which seem to align with the QRC's expectations.

The Review Event submission suggests that the AT3 and AT4 Reference Tariffs for the six-month period commencing 1 January 2018 will be varied to reflect the Review Event, however, we note that:

- it will not be possible to vary Reference Tariffs for 2018 if Aurizon Network's Extension DAAU is not approved, and,
- if the Extension DAAU is approved, it will not be necessary to vary Reference Tariffs (as the Reference Tariffs included in the Extension DAAU already reflect the flood recovery costs).

Based on Aurizon Network's letter, we understand that Aurizon Network's expectation is that the Extension DAAU will be approved, and the variation of Reference Tariffs proposed in the Review Event submission will then become redundant. QRC has no concerns regarding that process.

Based on the above discussion, it seems that the real purpose of the Review Event submission is to gain approval of the relevant costs which will be included within the final UT5 allowable revenues, rather than to vary the Transitional Reference Tariffs. In this context, we note that:

- Some of the costs incurred relate to electrical infrastructure. Aurizon Network's letter quantifies those amounts. QRC considers that these costs should be allocated to AT5 under UT5 and, to the extent that the costs have been recovered through other reference tariff elements under transitional arrangements, the Adjustment Charge reconciliations should reallocate the cost to AT5.
- The costs claimed have been escalated at the UT4 WACC. We consider that, for escalation relating to the period from 1 July 2017, the UT5 WACC (when this is determined) should apply. We understand that Aurizon Network intends that the final costs to be recovered will be revised to reflect the UT5 WACC, and that any differences will be dealt with through Adjustment Charges.

Based on the above, we suggest that any approval of the Review Event submission should include notes to specify that the final amounts to be recovered under UT5, and the allocation of those amounts, are subject to further review as part of the UT5 assessment process.

Conclusion

Thank you for the opportunity to provide this submission.

Yours sincerely

Andrew Barger