

File Ref: 631331

26 September 2013

Mr Michael Carter
Chief Executive Officer
Aurizon Network Pty Ltd
GPO Box 456
BRISBANE QLD 4001

Dear ~~Mr Carter~~ *Mike*

Aurizon Network's 2013 Draft Access Undertaking Assessment Process

I am writing to you as a follow-up to my earlier letter, of 10 September 2013, regarding the QCA's process for assessing Aurizon Network's 2013 Draft Access Undertaking (UT4). The purpose of this letter is to confirm the arrangements that were discussed in the initial exploratory session in relation to your proposals for a data room, to deal with the provision of information that further supports your proposed reference tariffs, and for scheduled meetings between QCA staff and representatives of Aurizon Network to discuss specific nominated aspects of UT4.

Data Room

I welcome your suggestion for a "virtual" data room to provide QCA staff and consultants with ready access to detailed information relating to the cost build-up for your proposed UT4 reference tariffs. Your proposal is not dissimilar to arrangements we have had in place with DBCT Management Pty Ltd for some time now.

An important issue will be the timely input of that information into the data room and, as a result, to the QCA. In particular, while I note the recent provision of information supporting your UT4 maintenance costs (e.g. unit rates and quantities), this is information we routinely require when dealing with tariff applications and this has only occurred some months after you submitted your application.

I also encourage you to consider a similar arrangement for the assessment of your 2012-13 capital expenditure application, which is due by the end of October.

Scheduled Meetings

It is helpful that the initial exploratory session between QCA staff and Aurizon Network representatives has identified a schedule of topics and dates to discuss a range of issues (see **Attachment 1**).

This schedule of topics builds on useful dialogue that our staff has had subsequent to the lodgement of UT4, for example the public release of documents that had been identified as confidential and, as mentioned above, gaining a deeper understanding of the cost build-up underlying your tariff proposals.

I anticipate that these information gathering processes will continue, and will be unaffected by this latest round of discussions you have now proposed.

I also recognise that this schedule of topics does not include the list of matters that both Aurizon Network and the QRC have identified as outstanding matters to be negotiated. The QCA would like to continue to provide clear air to allow Aurizon Network to complete these negotiations, and to find an agreed position on, key matters with its customers – thereby avoiding the need for us to be unnecessarily involved in matters that can be commercially resolved between two parties.

It was envisaged that this might result in the speedy approval of a replacement undertaking. However, I am not encouraged by the comprehensive and mutually exclusive set of outstanding issues identified in the separate letters of 22 August 2013 from Aurizon Network and the QRC. This is likely to make the achievement of a 30 June 2014 deadline more challenging.

Moreover, while I support the scheduled meetings and your on-going customer negotiations as a way of finding solutions to a broad range of issues, I reiterate that the QCA cannot be bound by the outcomes of those separate processes. The QCA may have regard to the outcomes of our meetings and positions agreed between stakeholders in informing its views on particular matters, and it will weigh all arguments and information provided in reaching its decision on those matters. Indeed, the QCA will assess the proposed UT4 in accordance with the *Queensland Competition Authority Act 1997* and, in doing so, will remain mindful of the interests of all stakeholders.

I would expect that any outcomes of the meetings and the negotiations that involve Aurizon Network agreeing to amend elements of UT4 subsequently would be fully documented in submissions or correspondence to the QCA, which we would expect to release publicly as part of our consultation processes on the proposal.

In the interests of transparency, I propose to publish this letter, and the Attachment, on the QCA's website.

Should you wish to discuss this matter, please contact me on (07) 3222 0500.

Yours sincerely

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Mark Gray
Chief Executive Officer

cc: Mr John Short, Senior Vice President - National Policy, Aurizon

QCA / AURIZON NETWORK - UT4 SCHEDULE OF DISCUSSIONS

26 September

1. Dispute resolution processes
2. Regulatory audit processes
3. Regulatory period

3 October

1. Access Seeker / Access Holder
2. Capex processes
3. Condition Based Assessment

10 October

1. Network Capacity
2. Part 7
3. Publishable Model

17 October

1. Definitions
2. Part 4

24 October

1. Standard Agreements
2. Other Pricing matters

31 October

1. Ballast undercutting
2. MCI
3. Equity raising costs