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QUEENSLAND COMPETITION AUTHORITY

11 APR 2011

DATE RECEIVED



**QR NATIONAL**  
NETWORK SERVICES

Mr John Hall  
Chief Executive Officer  
Queensland Competition Authority  
GPO Box 2257  
Brisbane QLD 4001

Dear John

### **System Forecast**

Please find attached QR Network Pty Ltd's ("QR Network") proposed variations to Reference Tariffs applicable to the Central Queensland Coal Region; and also the associated variations in System Allowable Revenues required under Schedule F, Part A, Clause 2.2.1(b)(ii) of the 2010 Access Undertaking (the Undertaking).

The attached Reference Tariff Variation (System Forecasts) submission has been prepared taking into consideration the following assumptions:

- The QCA approves QR Network's prior submission to extend the lodgement date for this matter until 11 April 2011; and
- The QCA approves amounts included in QR Network's submissions on the 2009-10 Revenue Cap Adjustment Amount, the 2009-10 Opening Asset Value and the Capital Carry-over Account Balance.

### *Specific points about QR Network's claim*

QR Network has prepared the varied Reference Tariff on an aggregate System Forecast of 209.9 million tonnes per annum. The proposed tonnage forecasts for regulatory pricing purposes have been compiled from an estimated range of potential system throughputs. This range extends from 202 to 220 mtpa. QR Network has nominated the estimates around the midpoint of this range because of continuing uncertainty about a number of recent events.

These include:

- ongoing coal availability due to remnant flooding in mining operations and concerns about coal producers ability to return to full production due to environmental restrictions;
- offshore events impacting coal demand patterns for central Queensland coal; and
- updates and clarity on expected demand over the next month from mining companies - this will better inform the likely tonnage forecast outcome.

QR Network recognises that the uncertainty around some inputs from key stakeholders may warrant a revision to the System Forecasts.

As the Undertaking requires the QCA to make a determination on the revised Reference Tariffs by 4 July 2011, QR Network will work with the QCA to expedite the consideration of, and any necessary revisions to the System Forecasts arising from the consultation process.

QR Network's submission contains detailed modelling which supports the revision of System Allowable Revenues and the proposed Reference Tariffs. In line with previous practices, QR Network requests that the QCA not disclose these models.

If you have any questions on this matter please feel free to contact Dean Gannaway on 3235 2055.

Sincerely,



David Collins  
A/ Chief Executive Officer  
QR Network Pty Ltd

11 April 2011





# 2010 Access Undertaking

FY 2011/12 Annual review of Reference  
Tariffs  
April 2011



# 1. Introduction

## 1.1 Background

QR Network's 2010 Access Undertaking (the 2010 Undertaking), approved by the Queensland Competition Authority (QCA) on 1 October 2010, includes a requirement for QR Network to submit an Annual Review of Reference Tariffs to the QCA. This Reference Tariff Variation Submission (the Submission) is provided to set out the methodology, data and assumptions required to gain the QCA's approval of the relevant variations.

The Submission is required to include the following information, which would have an effect on System Allowable Revenues and Reference Tariffs in the forthcoming year(s):

- The finalisation of the Capital Expenditure Carryover Account and adjustments to the assumed opening asset value (and lives);
- The maintenance and operating cost adjustments as a result of the difference between the actual and forecast Maintenance Cost Index (MCI) and Consumer Price Index (CPI) for the 2009/10 year;
- Revised connection costs due to the revised electric gross-tonne-kilometre (electric gtk) forecasts for the 2011/12 year for the Blackwater and Goonyella systems;
- The adjustment of the train specifications used in the pricing modelling for Minerva and Rolleston traffics (Blackwater System) for the final two years of the 2010 Access Undertaking; and
- The revenue adjustment amounts as a result of the Revenue Adjustment Amount (Revenue Cap) Submission submitted to the QCA on 30 November 2010.

Together, these adjustments will affect System Allowable Revenues in 2011/12 and 2012/13 and Reference Tariffs for 2011/12.<sup>1</sup> The Submission includes commentary

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<sup>1</sup> While the Reference Tariffs will be affected in 2012/13, QR Network does not intend to provide these figures as they will be subject to change and approval in QR Network's Reference Tariff Variation Submission for the 2011/12 revenue cap.



on the individual components outlined above and shows their impact on the relevant System Allowable Revenues and Reference Tariffs.

## **1.2 Revised Date for Submission**

Clause 2.2.1(b)(ii) of Part A requires that QR Network submit a variation of a Reference Tariff, subject to Clause 2.2.3, by 28 February prior to each Year of the Term, in accordance with SubClause 3.1.1 of Part B.

On 14 February 2011, QR Network sought an extension to the due date for lodgement of the Submission on the basis that the QCA would not approve the 2010 Revenue Cap Submission by the due date for lodgement, and that it was reasonable and necessary to reflect the QCA's decision in the Submission. On 25 February 2011, the QCA approved an extension to the due date for the Submission to 28 March 2011.

On 22 March 2011, QR Network sought a further extension to the due date for lodgement of the Submission to 11 April 2011. Although the QCA is yet to formally approve this request, the Submission has been lodged in accordance with this revised timeframe.

As at the date of the Submission, the QCA is yet to approve the 2010 Revenue Cap Submission or the UT2 Capital Carry-over Account Balance Submission. Accordingly, this submission assumes the QCA's approval of the Revenue Adjustment Amounts and the Capital Carryover Account Balance as submitted.

As a result of the above, the Submission represents compliance by QR Network with sub-clause 3.1.1 of Part B in respect of the 2011/12 year.

## **1.3 2010 Undertaking Requirements**

Clause 2.2.8 requires that where QR Network submits a variation of a Reference Tariff in accordance with Clause 2.2.1(b)(ii), the variation must:

- nominate the Reference Tariff to be varied; and

include details of the methodology, data and assumptions used to vary the Reference Tariff.

In addition, (in accordance with Clauses 3.1.1 and 3.1.3) the Reference Tariffs for 2011/12 shall be adjusted to reflect:

- (a) a variation to the applicable System Allowable Revenue for the relevant Year due to an adjustment to 2<sup>nd</sup> Year System Allowable Revenue in accordance with Clause 3.4; and
- (b) a variation to the applicable System Allowable Revenue for the relevant Year and each subsequent Year during the Term in accordance with Clause 3.1.2; and
- (c) the difference between the finalised balance of the Capital Expenditure Carryover Account at 1 June 2009 and the forecast used for determining the Reference Tariffs, including any adjustments necessary to reflect the difference between the assumed opening asset value (and lives) and those accepted by the QCA as part of the first roll-forward of the Regulatory Asset Base.

The System Allowable Revenues for 2011/12 and 2012/13 will also be adjusted in accordance with Clause 3.4.1(b) to reflect the actual change in the MCI and CPI less the approved X-Factors as used in the calculation of the approved Revenue Adjustment Amount.

#### **1.4 Form of Submission**

The Submission details the methodology, data and assumptions used to determine the revision to Reference Tariffs for the 2011/12 year, being the 2<sup>nd</sup> year subsequent to the year covered by the 2009/10 Revenue Cap Submission.

The Reference Tariff variations cover the AT<sub>2-4</sub> Reference Tariff components for the Blackwater, Goonyella, Moura and Newlands systems, and the AT<sub>5</sub> Reference Tariff components for the Blackwater and Goonyella systems.

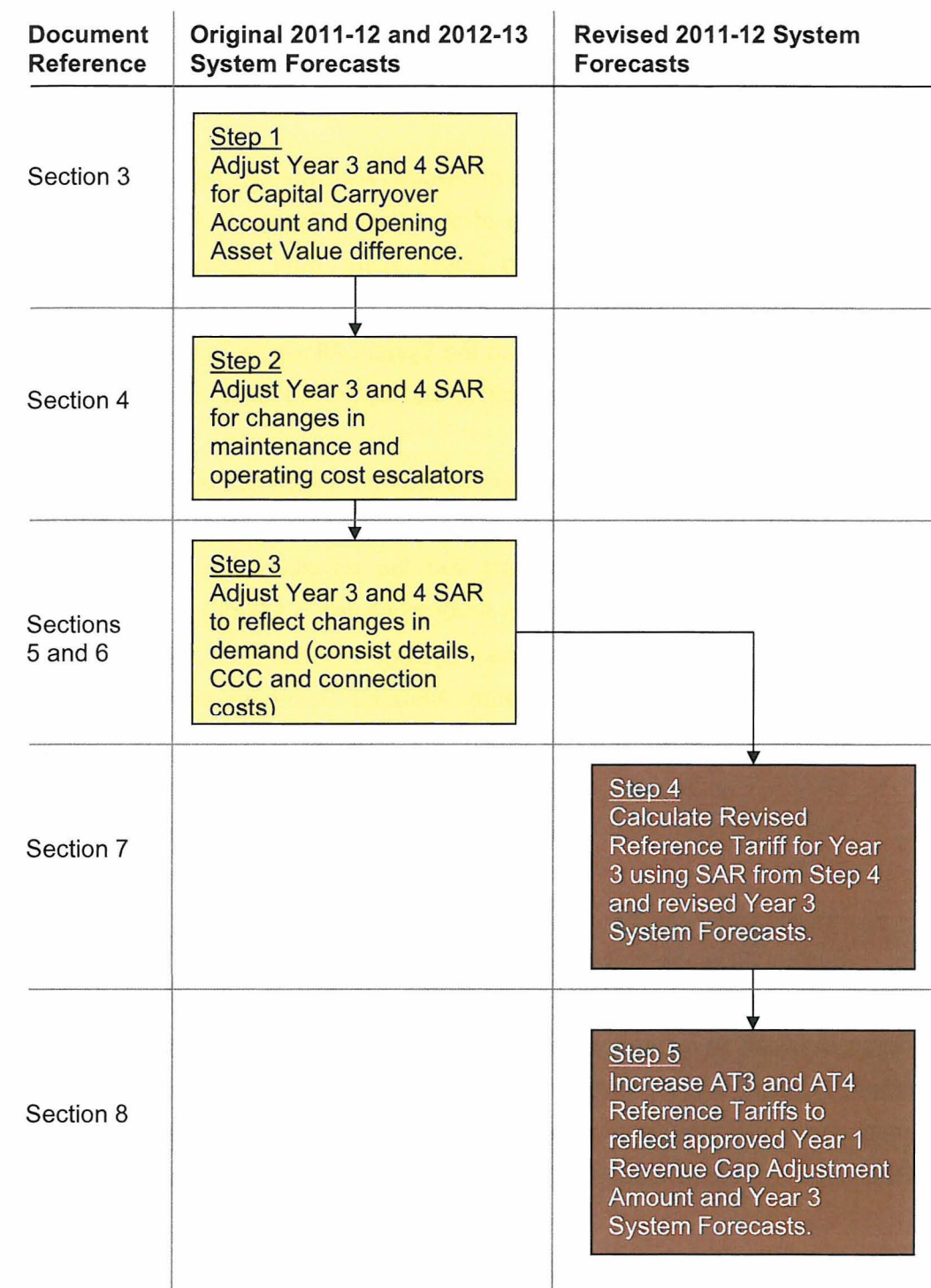


The Submission sets out a step-by-step explanation of the relevant components of the Reference Tariff variations as follows:

- Section 2 sets out the System Allowable Revenues and Tariffs approved by the QCA for UT3.
- Section 3 sets out the impacts on System Allowable Revenues as a result of the finalisation of the balance of the Capital Carryover Account at 1 June 2009 and assumed opening asset value (and lives) adjustments, in accordance with Clause 3.1.3.
- Section 4 sets out the impact on the System Allowable Revenues as a result of the adjustments to Maintenance and Operating Cost, in accordance with Clause 3.4.1(b).
- Section 5 sets out the impact on the System Allowable Revenues as a result of the revised connection cost and contribution to common costs (CCC) due to the revised volume forecast and the adjustment to the Minerva and Rolleston train specifications, in accordance with 3.1.2(c)(i).
- Section 6 sets out the revised System Forecasts for 2011/12 and the subsequent impact on the System Allowable Revenues as a result of these revised forecasts.
- Section 7 aggregates all the above mentioned non-revenue cap impacts and shows their combined impact on System Allowable Revenues and Reference Tariffs.
- Section 8 sets out the 2009-10 revenue cap adjustments and their impacts on System Allowable Revenues and Reference Tariffs.

This process can be more readily understood from the process map in Figure 1. The process in Steps 1 and 2 hold all relevant assumptions, such as volume forecasts, constant with the currently approved System Allowable Revenues prior to calculation of the impacts of the revised System Forecasts for 2011-12 (i.e. Year 3).

**Figure 1. System Forecast Variation Process Map**



This submission and Attachment A are presented in a format which is suitable for publication should the QCA choose to do so, in accordance with Clause 2.2.8.



In addition, a number of detailed financial models have been prepared by QR Network and are provided to the QCA in electronic form in support of the Submission. The models contain specific information on individual Train Services. QR Network requests that consistent with previous Revenue Cap submissions the models are not published.

In the Submission:

- References to QR Network are to QR Network Pty Ltd, a wholly owned subsidiary of QR Limited, and trading as QR National Network Services.
- References to the Schedule F Amendments are to the revised Schedule F to the 2008 Undertaking, including new Reference Tariffs for 2009/10 and 2010/11, approved by the QCA on 30 June 2010;
- References to UT1 are to the period covered by QR's 2001 Access Undertaking effective 1 July 2001;
- References to UT2 are to the period covered by QR's 2005 Access Undertaking effective 1 July 2005 and QR Network's 2008 Access Undertaking effective 24 October 2008;
- References to UT3 are to the period covered by the 2010 Undertaking, including the pricing arrangements effective from 1 July 2009 per the Schedule F Amendments;
- Unless otherwise specified, all references to Clauses are references to the Clauses, Subclauses and Paragraphs in Part B, Schedule F of the 2010 Undertaking; and
- Defined terms used in the Submission have the meaning given in the 2010 Undertaking.

## **1.5 Summary**

### **1.5.1 System Forecasts**

The proposed System Forecasts, in gross tonne kilometres (gtk), for each system in the Central Queensland Coal region (CQCR) for the 2011/12 year are summarised in the table below.

System	System Gtk (,000gtk)
Blackwater	35,397,018
Goonyella	38,746,349
Moura	2,735,042
Newlands	3,948,680
Total	80,827,089

Details as to the monthly profiling of the System Forecasts are provided at Attachment A. A discussion of the variance between the proposed System Forecasts and the System Forecasts previously approved by the QCA for 2011/12 is provided at Section 2. A summary of the tonnage forecasts supporting each System Forecast is also provided at Section 2.

### 1.5.2 System Allowable Revenues

The proposed System Allowable Revenues for each CQCR system are summarised in the table below. These System Allowable Revenues for 2011/12 are inclusive of the revenue cap adjustments for 2009/10.

2011/12		
System	AT <sub>2-4</sub> \$	AT <sub>5</sub> \$
Blackwater	236,501,195	74,410,184
Goonyella	255,165,879	77,679,740
Moura	40,720,811	n/a
Newlands	24,931,863	n/a
Total	557,319,748	152,089,925



2012/13		
System	AT <sub>2-4</sub> \$m	AT <sub>5</sub> \$m
Blackwater	236,075,883	82,403,739
Goonyella	265,361,033	82,336,601
Moura	43,468,298	n/a
Newlands	31,320,651	n/a
Total	576,225,866	164,740,341

Details of the System Allowable Revenue, exclusive and inclusive of revenue cap adjustments, are provided in the following sections.

### 1.5.3 Reference Tariffs

The proposed Reference Tariffs for each CQCR system are summarised in the table below. These Reference Tariffs are inclusive of the revenue cap adjustments for 2009/10.

2011/12						
System	AT <sub>1</sub> \$	AT <sub>2</sub> \$	AT <sub>3</sub> \$	AT <sub>4</sub> \$	AT <sub>5</sub> \$	EC \$
Blackwater	0.82	1,922.06	4.38	1.48	5.13	0.80
Goonyella	0.57	1,217.73	4.49	0.96	2.02	0.80
Moura	1.52	575.73	11.30	1.41	n/a	n/a
Newlands	1.59	257.42	4.69	0.66	n/a	n/a

Details of the Reference Tariffs and specific premiums or discounts to the tariffs, exclusive and inclusive of the revenue cap adjustments, are provided for in the following sections of the Submission. No changes are proposed to the AT<sub>1</sub>, AT<sub>2</sub> and EC Reference Tariff components as a result of the Submission.

## 2. Approved System Allowable Revenues and Reference Tariffs for UT3

### 2.1 Introduction

The QCA originally approved QR Network's forecasts for System Allowable Revenues and Reference Tariffs for UT3 in June 2010. In order to provide guidance to stakeholders as to the incremental impacts from the proposed adjustments, QR Network reproduces the approved figures for 2011/12 and 2012/13 within this section.

### 2.2 Approved System Allowable Revenues

The approved UT3 System Allowable Revenues for 2011/12 and 2012/13 are shown in the tables below.

2011/12		
System	AT <sub>2-4</sub> \$m	AT <sub>5</sub> \$m
Blackwater	230,562,971	65,096,561
Goonyella	260,005,767	78,560,923
Moura	41,860,540	n/a
Newlands	30,277,410	n/a
Total	562,706,688	143,657,484

2012/13		
System	AT <sub>2-4</sub> \$m	AT <sub>5</sub> \$m
Blackwater	236,227,357	82,983,583
Goonyella	266,505,162	80,609,230
Moura	43,128,939	n/a
Newlands	31,034,345	n/a
Total	576,895,804	163,592,812



## 2.3 Approved Reference Tariffs

The approved UT3 Reference Tariffs for 2011/12 are shown in the table below.

2011/12						
System	AT <sub>1</sub> \$	AT <sub>2</sub> \$	AT <sub>3</sub> \$	AT <sub>4</sub> \$	AT <sub>5</sub> \$	EC \$
Blackwater	0.82	1,922.06	4.22	1.42	4.42	0.80
Goonyella	0.57	1,217.73	4.25	0.91	1.91	0.80
Moura	1.52	575.73	9.34	1.16	n/a	n/a
Newlands	1.59	257.42	5.87	0.83	n/a	n/a

### **3. Finalisation of Capital Carryover Account and the Opening Asset Life Adjustment**

#### **3.1 Introduction**

QR Network has submitted to the QCA final values for the opening asset value as at 1 July 2009 (as part of the 2008-09 Regulatory Asset Base roll-forward) and the balance of the UT2 Capital Carryover Account (this represents the net present value of the difference between the amount and timing of forecast and actual capital expenditure over the UT2 period).

These amounts have not yet been approved by the QCA at the time of lodging the Submission. In order to ensure the System Forecasts can be considered by the QCA prior to 4 July 2011 as required under Clause 3.1.2 the Submission has been prepared on the assumption that the submitted amounts will be approved.

In accordance with Schedule F Part B Clause 3.1.3 of the 2010 Access Undertaking, the System Allowable Revenues will be adjusted to cater for the difference between the finalised balance of the Capital Expenditure Carryover Account and the opening asset value at 1 June 2009 and the forecasts used for determining the Reference Tariffs. The details of this adjustment are set out below.

#### **3.2 Capital Expenditure Carryover Account**

Prior to the finalisation of the Capital Expenditure Carryover Account, the balance of the account that was used in the determination of 2010 Access Undertaking Reference Tariffs was \$5,252,644.

Upon finalisation, the balance of the Capital Expenditure Carryover Account was \$4,469,959. The variation between the forecast and the finalised balance was due to the finalisation of the 2008/09 capital expenditure claim which varied slightly from the approved forecast due in large part to the difference between the assumed and actual lives in the 2008/09 capital expenditure claim.

### 3.3 Opening Asset Value

Prior to the finalisation of the roll-forward of the Regulatory Asset Base, the opening asset value as at 1 July 2009 used in the determination of the 2010 Access Undertaking Reference Tariffs was \$3,247,126,932.

Upon finalisation of the roll-forward the opening asset value as at 1 July 2009 is \$3,247,072,383. The variation between the forecast and the finalised opening asset value is due to the finalisation of the 2008/09 capital expenditure claim which varied slightly from the approved forecast.

### 3.4 Incremental Impact on System Allowable Revenues

The impact of these changes on the System Allowable Revenues for 2011/12 and 2012/13 are shown in the tables below.

Incremental Change to System Allowable Revenues 2011/12		
System	AT <sub>2-4</sub> \$	AT <sub>5</sub> \$
Blackwater	(150,128)	(459,864)
Goonyella	(2,986,235)	1,921,113
Moura	152,065	n/a
Newlands	113,680	n/a
Total	(2,870,619)	1,461,249

Incremental Change to System Allowable Revenues 2012/13		
System	AT <sub>2-4</sub> \$	AT <sub>5</sub> \$
Blackwater	(153,881)	(592,445)
Goonyella	(3,060,891)	1,966,021
Moura	155,867	n/a
Newlands	116,521	n/a
Total	(2,942,384)	1,373,577



## 4. MCI and CPI Impacts on Maintenance and Operating Cost Forecasts

### 4.1 Introduction

Clause 3.4.1(b) requires QR Network to update the System Allowable Revenues for subsequent years to reflect the actual change in the MCI and CPI less the approved X-Factors as used in the calculation of the approved Revenue Adjustment Amounts.

The Revenue Cap Submission outlined the net recovery to QR Network from the difference between the forecast and actual CPI and MCI was \$1.54 million for maintenance costs and approximately \$290,000 for operating costs<sup>2</sup>. Given that later year forecasts are determined by moving forward previous years figures, the forecasts for 2011/12 and 2012/13 are now updated to reflect the actual 2009/10 MCI and CPI figures.

### 4.2 Maintenance and Operating Cost Forecasts

The following table outlines the original and revised maintenance cost forecasts:

Maintenance Costs	2011/12	2012/13
QCA Allowance (\$2007/08)	\$156,503,457	\$156,887,395
Forecast Allowance Original <sup>3</sup>	\$173,040,978	\$180,394,151
Forecast Allowance updated for actual 2009/10 MCI <sup>2</sup>	\$174,915,020	\$182,347,829
Maintenance Cost Adjustment	\$1,874,043	\$1,953,678

The X-factor adjusted MCI adjusted for actual 2009/10 MCI is shown in the following table. The adjustment to the 2010/11 System Allowable Revenue because of the actual 2009/10 MCI is not dealt with under this Annual Review, but will be included in the 2010/11 Revenue Adjustment Amount (2010/11 Revenue Cap).

<sup>2</sup> The net recovery amounts for 2009/10 and their resultant impacts on the System Allowable Revenue/Reference Tariff values are provided at Section 6.

<sup>3</sup> Nominal values.

<b>Maintenance Cost Index</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
Original MCI	1.0559	1.0771	1.1057	1.1498
2009-10 Updated MCI	1.0673	1.0887	1.1176	1.1623

The compounding effect from the change in MCI in 2009/10 has resulted in an increase to the maintenance cost forecasts of \$1,874,043 and \$1,953,678 for 2011/12 and 2012/13 respectively.

The table below outlines the original and revised operating cost forecasts.

<b>Operating Costs</b>	<b>2011/12</b>	<b>2012/13</b>
QCA Allowance (\$07-08)	\$51,980,000	\$51,980,000
Forecast Allowance Original <sup>4</sup>	\$55,953,351	\$56,927,976
Forecast Allowance updated for actual 09-10 CPI <sup>3</sup>	\$56,358,183	\$57,414,899
Operating Cost Adjustment	\$404,832	\$486,922

The X-factor adjusted CPI adjusted for actual 2009/10 CPI is shown in the following table. The adjustment to the 2010/11 System Allowable Revenue because of the actual 2009/10 CPI not dealt with under this Annual Review, but will be included in the 2010/11 Revenue Adjustment Amount (2010/11 Revenue Cap).

<b>Operating Cost Index</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
Original CPI	1.0389	1.0577	1.0764	1.0952
2009-10 Updated CPI	1.0447	1.0643	1.0842	1.1046

The compounding effect from the change in CPI in 2009/10 has resulted in an increase to the operating cost forecasts of \$404,832 and \$486,922 for 2011/12 and 2012/13 respectively.

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<sup>4</sup> Nominal values.

### 4.3 Incremental Impact on System Allowable Revenues

The impact of these changes on the System Allowable Revenues for 2011/12 and 2012/13 are shown in the tables below.

Incremental Change to System Allowable Revenues 2011/12		
System	AT <sub>2-4</sub> \$	AT <sub>5</sub> \$
Blackwater	826,560	48,289
Goonyella	1,002,933	73,450
Moura	179,017	n/a
Newlands	165,644	n/a
Total	2,174,154	121,739

Incremental Change to System Allowable Revenues 2012/13		
System	AT <sub>2-4</sub> \$	AT <sub>5</sub> \$
Blackwater	847,224	61,311
Goonyella	1,028,007	75,874
Moura	183,493	n/a
Newlands	169,785	n/a
Total	2,228,508	137,185



## **5. Connection Costs, Contribution to Common Costs and Minerva and Rolleston Train Service Specification Adjustments**

### **5.1 Introduction**

As a result of changes to System Forecasts for electric gtk<sup>5</sup>, the demand based elements of the connection costs charged by QR Network's electric distribution supplier for connection of electric assets to the distribution network will change. This will have an impact on the System Allowable Revenues for AT<sub>5</sub> in both Blackwater and Goonyella. Similarly, due to the changes to System Forecasts the contribution to common costs for relevant traffics will change. This results in a very minor adjustment to the total System Allowable Revenue.

Note that the requirement of the Undertaking is to only vary the System Allowable Revenue for changes in the System Forecasts and not changes in the prices of those inputs. QR Network has not been advised by its service provider of any relevant increase or decrease in connection pricing for the 2011-12 year at the time of preparing the Submission. These price changes are usually advised closer to the commencement of the relevant year. In the event the pricing notifications trigger the threshold for an Endorsed Variation Event a variation to the relevant AT<sub>5</sub> tariff will be submitted within the required timeframes.

There is also a very minor adjustment to the System Allowable Revenues due to a change to the train service specification for the Minerva and Rolleston traffics on the Blackwater System. None of these adjustments will effect Moura or Newlands System Allowable Revenues.

This section outlines the incremental impacts on System Allowable Revenues as a result of these adjustments.

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<sup>5</sup> Revised electric gtk figures are provided at Section 6.

## 5.2 Incremental Impact on System Allowable Revenues

The impact of these changes on the System Allowable Revenues for 2011/12 and 2012/13 are shown in the tables below.

Incremental Change to System Allowable Revenues 2011/12		
System	AT <sub>2-4</sub> \$	AT <sub>5</sub> \$
Blackwater	(824,211)	(39,000)
Goonyella	867,077	(306,161)
Total	42,866	(345,161)

Incremental Change to System Allowable Revenues 2012/13		
System	AT <sub>2-4</sub> \$	AT <sub>5</sub> \$
Blackwater	(844,816)	(48,710)
Goonyella	888,754	(314,523)
Total	43,938	(363,233)

The adjustment to the contribution to common costs (CCC) makes a very minor adjustment to System Allowable Revenues in total but does result in a shift of revenue between Blackwater and Goonyella. This reallocation of System Allowable Revenue between these two systems is due to Vermont's CCC calculations.

## **6. System Forecasts**

### **6.1 Introduction**

Clauses 3.1.2(a) and (b) requires that QR Network will set out:

- (a) The revised System Forecast for each Individual Coal System Infrastructure; and
- (b) Details of the methodology, data and assumptions used to estimate the revised System Forecast.

The revised System Forecasts, profiled on a monthly basis, are provided at Attachment A and summarised below and at Section 1.5.

Details of the methodology, data and assumptions used to estimate the revised System Forecasts are provided below.

### **6.2 Methodology for developing System Forecasts**

QR Network has adopted the following summary methodology for the development of the Systems Forecasts for 2011/12:

- A tonnage forecast was developed for each CQCR System, based on feedback from:
  - The Goonyella supply chain, in respect of Newlands and Goonyella; and
  - The Capricornia supply chain, in respect of Blackwater and Moura.
- Tonnages were then converted to total gtps and electric gtps on the basis of:
  - The Reference Train for each CQCR system; and
  - For Blackwater, an estimate of the split between diesel and electric consists expected to operate during the year.
- Total gtps were then profiled to derive System Forecasts on a monthly basis.



For the avoidance of doubt, System Forecasts for Newlands and Goonyella exclude traffics associated with the GAPE project, for which a separate Draft Amending Undertaking (DAU) is being prepared for submission to the QCA in the second half of the 2011 calendar year.

A discussion of each of the steps above is provided below.

### 6.3 Tonnage Forecasts

The tonnage forecasts are set out in the table below, together with the tonnage forecasts previously approved by the QCA.

2011/12			
System	Approved mt	Proposed mt	Variance mt
Blackwater	64.6	63.6	(1.0)
Goonyella	124.9	115.8	(9.1)
Moura	16.4	13.0	(3.4)
Newlands	17.5	17.5	Nil
Total	223.5	209.9	(13.6)

The proposed tonnage forecasts for regulatory pricing purposes have been compiled from an estimated range of potential system throughputs. This range extends from 202 to 220 mtpa. QR Network has nominated the estimates around the midpoint of this range on the basis of continuing uncertainty regarding a number of recent events. These include:

- the potential of ongoing coal availability issues from remnant flooding in mining operations and concerns about an inability to fully discharge at some mines due to environmental restrictions; and
- The potential for softer demand from offshore events impacting demand patterns for central Queensland coal; and
- further updates and clarity on expected demand over the next month from mining companies is expected that should better inform the likely tonnage forecast outcome.

The upper bound is also close to nominal contracted tonnage levels and it would be prudent to incorporate a degree of conservatism in the regulatory forecasts to mitigate Take or Pay liabilities being triggered on the basis of factors which may be outside of the control of the Access Holder (i.e. system wide weather related impacts which do not trigger a below rail (QR Network) force majeure declaration but broadly disrupt mine production).

In addition, these forecasts do not include any volumes associated with current major projects such as GAPE. Volumes for these projects will be incorporated into the submission to the QCA seeking approval of the Reference Tariffs associated with the GAPE project.

Comments on system specific variances between each of the CQCR systems are discussed further below.

#### Blackwater

Blackwater tonnages for 2011/12 are marginally lower than the forecast previously provided to the QCA, at 63.6 million.

No increases in contracted capacity are expected for the 2011/12 year.

Tonnages for the 2010/11 year are currently forecast at 53.2 million, a reduction of around 15% on the forecast approved by the QCA. The difference between the 2010/11 revised forecast and the 2011/12 is represented by the 2010 flood event which, for Take or Pay purposes, is attributable to below rail (QR Network) cause.

#### Goonyella

Goonyella tonnages for 2011/12 are around 8% lower than the forecast previously provided to the QCA, at 115.8 million.

The forecast is consistent with recent estimates provided by the Goonyella supply chain planning team and validated against evidence provided by the Integrated Logistics Company (ILC).

The proposed forecasts are in excess of those assumed by recent ILC advice which are lower than the previous QR Network forecasts and are due to operational losses (above rail and at the port). QR Network considers the ILC forecasts incorporate rigidities in vessel berthing associated with the turn of arrival principles in the terminal regulations. QR Network believes that significant progress will be made to improve operational efficiencies within the Goonyella System in the 2011-12 year with all stakeholder's incentives sufficiently aligned to pursue those efficiencies.

Tonnages for the 2010/11 year are currently forecast at 95.1 million, a reduction of around 15% on the forecast approved by the QCA. The difference between the 2010/11 revised forecast and the 2011/12 forecast is as per the Blackwater system.

#### Moura

Moura tonnages for 2011/12 are around 20% lower than the forecast previously provided to the QCA, at 13.0 million.

The significantly lower tonnages are represented by:

- A correction to the regulatory modelling errors associated with long hauls in the Moura system. The regulatory model previously had assumed these longer hauls (from the Dawson and Baralaba mines) to be originating from the shorter haul Callide and Boundary Hill mines. If corrected, the equivalent tonnages for Moura would have been around 14 million.
- Lower-than-expected utilisation of longer (Blackwater-sized) trains, in turn this has been driven by loading issues at the Dawson mine for whom the longer passing loops were constructed.

Tonnages for the 2010/11 year are currently forecast at 10.5 million, a reduction of around 25% on the forecast approved by the QCA adjusted for the modelling errors.

No increases in contracted capacity are expected for the 2011/12 year.



## Newlands

No change is proposed to the forecast previously submitted to the QCA.

No increases in contracted capacity are expected for the 2011/12 year other for GAPE. As previously stated, a separate DAU is being prepared for these traffics which will include additional traffics from the Newlands system.

### **6.4 Diesel/Electric Split**

In the Goonyella system, for AT<sub>5</sub> pricing purposes it has been assumed that 100% of all trains operated are electric. For 2011/12, this assumption has not changed although diesel services are expected following the completion of GAPE. In this regard, the separate DAU will address any revisions to the diesel/electric mix in this system.

In the Blackwater system, for AT<sub>5</sub> pricing purposes it is necessary to assume less than 100% as not all branches (in particular the Rolleston and Minerva branches) are electrified. For the 2009/10 year the diesel/electric mix assumed:

- 0% utilisation of electric consists on the Rolleston and Minerva branches; and
- 100% utilisation of electric consists on all other branches.

However, the under-recovery of AT<sub>5</sub> in 2010/11 was due to a number of issues affecting electric fleet deployment including:

- Limitations to two (2) electric consists per track section prior to completion of new Blackwater feeder stations at Raglan, Bluff, Daringa and Wycarbah; and
- Unreliability of train ordering by mines resulting in diesel hauled services being re-directed to mines normally serviced by electric services.

With respect to the first issue, a maximum electric consist deployment of 14 has been assumed, this is broadly equivalent to around 60% on the electrified branches (0% on the non-electrified branches). The capacity created by connection of the new

Blackwater feeder stations is expected to be realised from July 2012, this capacity will be reflected in the Reference Tariff Variation for the 2012/13 year.

## 6.5 Monthly Profiling

The monthly profiling is provided at Attachment A. As QR National Coal is currently the only Access Holder with UT1 Access Rights which are affected by the monthly system gtk forecasts, QR Network has aligned the monthly profile relative to the basis of that previously approved by the QCA in consultation with QR National Coal.

## 6.6 Proposed System Forecasts

The proposed System Forecasts for each CQCR system are summarised in the table below.

System	System Gtk (,000 gtk) 2011/12
Blackwater	35,397,018
Goonyella	38,746,349
Moura	2,735,042
Newlands	3,948,680
Total	80,827,089

The detailed monthly profiled System Forecasts are provided at attachment A.

## 6.7 Incremental Impact on System Allowable Revenues

The revised volume forecast for 2011/12 only affects System Allowable Revenues in respect of the distribution of the revenue across AT<sub>1</sub> through AT<sub>4</sub>. The Annual Allowable Revenues do not change because of the volume reset.

The non-electric System Allowable Revenue (i.e. revenue attributable to AT<sub>2-4</sub>) will adjust in line with a volume reset simply because a different amount of revenue will be attributable to AT<sub>1</sub>, in this case a lesser amount of AT<sub>1</sub> revenue due to a decrease in total gtk. Given that the Annual Allowable Revenue remains constant and AT<sub>1</sub>

attributable revenue drops in line with the volume forecast reset, the System Allowable Revenue attributable to  $AT_{2-4}$  will increase. It is important to note that a volume reset in 2011/12 will not affect the System Allowable Revenues in 2012/13.

The impact of these changes on the System Allowable Revenues for 2011/12 is summarised in the tables below.

Incremental Change to System Allowable Revenues 2011/12	
System	$AT_{2-4}$ \$m
Blackwater	664,824
Goonyella	1,480,422
Moura	735,083
Newlands	(238,182)
Total	2,642,147



## 7. Non-Revenue Cap Adjustment Impacts

### 7.1 Introduction

The Submission has, up to this point, dealt with the following items that would impact on the System Allowable Revenues for 2011/12 and 2012/13:

- Finalised Capital Carryover Account and Opening Asset Value Amounts;
- Revised Maintenance and Operating Cost Forecasts;
- Connection cost and consist specification adjustments; and
- Reset of Volumes for 2011/12.

The purpose of this section is to aggregate the incremental impacts from these items to show the resultant System Allowable Revenues for 2011/12 and 2012/13<sup>6</sup>. Given the proposed system forecast figures in Section 6, this section outlines the resulting Reference Tariffs for 2011/12<sup>5</sup>.

The impacts from the Revenue Cap Adjustment for 2009/10 have been specifically excluded here to reflect the nature of the modelling process and to allow the QCA and stakeholders to discern the separate impacts from the Revenue Cap and non Revenue Cap adjustments.<sup>7</sup>

### 7.2 Proposed System Allowable Revenues

The proposed System Allowable Revenues as a result of non-Revenue Cap adjustments are summarised for each CQCR system in the table below.

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<sup>6</sup> Exclusive of Revenue Cap Adjustments

<sup>7</sup> The impacts from the Revenue Cap Adjustment Amounts are covered under section 6.

System Allowable Revenues 2011/12		
System	AT <sub>2-4</sub> \$	AT <sub>5</sub> \$
Blackwater	231,080,015	64,645,986
Goonyella	260,369,964	80,249,325
Moura	42,926,705	n/a
Newlands	30,318,551	n/a
Total	564,695,236	144,895,311

System Allowable Revenues 2012/13		
System	AT <sub>2-4</sub> \$m	AT <sub>5</sub> \$m
Blackwater	236,075,883	82,403,739
Goonyella	265,361,033	82,336,601
Moura	43,468,298	n/a
Newlands	31,320,651	n/a
Total	576,225,866	164,740,341

### 7.3 Proposed Reference Tariffs

The proposed Reference Tariffs as a result of the non-Revenue Cap adjustments are summarised for each CQCR system in the table below.

2011/12						
System	AT <sub>1</sub> \$	AT <sub>2</sub> \$	AT <sub>3</sub> \$	AT <sub>4</sub> \$	AT <sub>5</sub> \$	EC \$
Blackwater	0.82	1,922.06	4.25	1.43	4.46	0.80
Goonyella	0.57	1,217.73	4.60	0.99	2.08	0.80
Moura	1.52	575.73	11.95	1.49	n/a	n/a
Newlands	1.59	257.42	5.76	0.82	n/a	n/a

The System Premium or System Discount for Train Services are set out in the table below.



2011/12	
Nominated Loading and Unloading Facilities	AT <sub>3</sub> \$
Stanwell	(1.49)
South West Blackwater	4.25
Minerva	2.49
Lake Vermont via Gladstone	0.00

Note: small errors due to rounding.

## **8. Revenue Adjustment Amounts (Revenue Cap) Impacts**

### **8.1 Introduction**

Schedule F of the 2010 Undertaking sets out the form of regulation to apply to coal-carrying Train Services on the CQCR. In broad terms, a revenue cap form of regulation applies. This allows QR Network to recover (or return) the shortfall (excess) of the difference between the actual revenue collected and the revenue it is entitled to collect.

The difference between the actual and entitled revenues for 2009/10 was outlined in QR Network's Revenue Cap Submission, submitted to the QCA on 30 November 2010. This section re-summarises the Revenue Adjustment Amounts in that submission and the resulting proposed System Allowable Revenue and Tariffs for 2011/12.

QR Network proposes to only allocate the revenue cap adjustments to the System Allowable Revenue in 2011/12 only and consequential impacts to tariffs will only be applied in 2011/12.

### **8.2 2010 Undertaking Requirements**

Clause 3.1.2(c) requires that QR Network will set out the proposed adjustments, for each Individual Coal System Infrastructure, arising from any difference between the relevant revised System Forecast and the System Forecast used for the purpose of determining the System Allowable Revenue for that Individual System Infrastructure, to:

- (i) The System Allowable Revenue for the Individual Coal System Infrastructure for each subsequent Year during the Term; and
- (ii) The Reference Tariffs for the Individual Coal System Infrastructure for the next Year.

### 8.3 Revenue Adjustment Amounts

The combined total of the Revenue Adjustment Amounts approved by the QCA for 2009/10 represented a net return to Access Holders of approximately \$150,000, comprising a return of \$6.100 million for AT<sub>2-4</sub> and a recovery of \$5.950 million for AT<sub>5</sub>, excluding any return on capital amount. These Revenue Adjustment Amounts will result in net downwards and upwards (respectively) variations in the Reference Tariffs for 2011/12.

No Increment was claimed in respect of the 2009/10 year.

The Revenue Adjustment Amounts for each CQCR system are summarised in the table below. These figures include a return on capital amount as required by Clause 3.4.2, Part B of Schedule F.

2009/10			
System	AT <sub>2-4</sub> \$m	AT <sub>5</sub> \$m	Total \$m
Blackwater	(5.421)	(9.764)	(15.185)
Goonyella	5.204	2.570	7.774
Moura	2.206	n/a	2.206
Newlands	5.387	n/a	5.387
Total	7.375	(7.195)	0.181

These amounts compare with Revenue Adjustment Amounts (but which are inclusive of Increments and return on capital amounts) for previous submissions as follows:

Year	AT <sub>2-4</sub> \$m	AT <sub>5</sub> \$m	Total \$m
2007	15.7	10.1	25.8
2008	27.8	15.8	43.6
2009	4.6	28.3	32.9



## 8.4 Proposed Adjustments to Reference Tariffs

These Revenue Adjustment Amounts result in an incremental change to Reference Tariffs. These incremental tariff adjustments, based on the revised System Forecast for 2011/12 are given in the table below. For clarity, these adjustments are shown as the net change to the Reference Tariffs

System	AT <sub>3</sub> \$	AT <sub>4</sub> \$	AT <sub>5</sub> \$
Blackwater	0.12	0.04	0.67
Goonyella	(0.11)	(0.02)	(0.07)
Moura	(0.65)	(0.08)	n/a
Newlands	(1.08)	(0.15)	n/a

The cross-system traffics of Lake Vermont via Gladstone and Gregory via Goonyella (GVG) have a weighted incremental change applied to their relevant Reference Tariff components, in line with cross-system pricing rules. For clarity, the incremental Reference Tariff adjustments for these traffics have been identified separately in this submission in the table below.

System	AT <sub>3</sub> \$	AT <sub>4</sub> \$	AT <sub>5</sub> \$
Lake Vermont via Gladstone	0.07	0.03	0.51
GVG	(0.09)	(0.02)	(0.03)

## 8.5 Proposed Adjustments to System Allowable Revenues

The Revenue Adjustment Amounts have been applied to the System Allowable Revenues per the Schedule F Amendments<sup>8</sup>. The proposed System Allowable Revenues (inclusive of revenue and non-revenue cap impacts) for each CQCR system are summarised in the table below.

<sup>8</sup> All revenue adjustment amounts for 2009/10 have been applied to the System Allowable Revenue for 2011/12 only.

System Allowable Revenues 2011/12		
System	AT <sub>2-4</sub> \$	AT <sub>5</sub> \$
Blackwater	236,501,195	74,410,184
Goonyella	255,165,879	77,679,740
Moura	40,720,811	n/a
Newlands	24,931,863	n/a
Total	557,319,748	152,089,925

Note: small errors due to rounding.

## 8.6 Proposed Reference Tariffs

The proposed Reference Tariffs for each CQCR system (inclusive of non-revenue cap and revenue cap impacts) are summarised in the table below. For clarity, the cross-system traffics of Lake Vermont via Gladstone and GVG have been included.

2011/12						
System	AT <sub>1</sub> \$	AT <sub>2</sub> \$	AT <sub>3</sub> \$	AT <sub>4</sub> \$	AT <sub>5</sub> \$	EC \$
Blackwater	0.82	1,922.06	4.38	1.48	5.13	0.80
Goonyella	0.57	1,217.73	4.49	0.96	2.02	0.80
Moura	1.52	575.73	11.30	1.41	n/a	n/a
Newlands	1.59	257.42	4.69	0.66	n/a	n/a
Lake Vermont	0.76	3,139.80	4.67	1.46	4.43	0.80
GVG	0.58	1,217.73	4.50	1.42	2.19	0.80

The System Premium or System Discount for Train Services are in the table below.

2011/12	
Nominated Loading and Unloading Facilities	AT <sub>3</sub> \$

Stanwell	(1.49)
South West Blackwater	4.25
Minerva	2.49
Lake Vermont via Gladstone	0.00

Given the application of the Revenue Adjustment Amounts to the Reference Tariff components (i.e. to AT<sub>3</sub> and AT<sub>4</sub> only for the AT<sub>2-4</sub> Revenue Adjustment Amount and to AT<sub>5</sub> for the AT<sub>5</sub> Revenue Adjustment Amount), no changes are proposed to the AT<sub>1</sub>, AT<sub>2</sub> and EC Reference Tariff components as a result of this submission.



## ATTACHMENT A

### Monthly System Forecasts

Month	System GtK (,000 gtk)			
	Blackwater	Goonyella	Moura	Newlands
Jul 2011	3001037	3379376	238441	363530
Aug 2011	3067169	3306430	223681	358827
Sep 2011	2871762	3223958	221591	340510
Oct 2011	2948836	3322597	225600	300176
Nov 2011	2810224	3210752	217796	326690
Dec 2011	2899334	3186754	204803	325984
Jan 2012	2939946	3246069	224464	325740
Feb 2012	2552899	2716584	221713	234571
Mar 2012	2962363	2962178	243276	319199
Apr 2012	3004939	3353857	238290	348417
May 2012	3148172	3450502	240612	371787
Jun 2012	3190338	3387293	234774	333248

