

QRC SUBMISSION
AURIZON NETWORK'S FY2020
VOLUME RESET DAAU
NOVEMBER 2019

1 Introduction and overview

The Queensland Resources Council (**QRC**) welcomes the opportunity to comment on Aurizon Network's FY2020 Volume Reset DAAU.

The DAAU as submitted is a result of effective consultation between Aurizon Network and the QRC (and its Rail Working Group). Aurizon Network made a number of adjustments to earlier versions of the proposed DAAU based on feedback from the QRC. QRC and the Rail Working Group members welcome this approach. QRC is unable to express an opinion on certain elements of the proposal (section 3), such as tariff calculations, and we rely on the QCA to review those elements. QRC supports all other aspects of the proposal (section 2).

2 Supported aspects of the DAAU

2.1 Update of volume forecasts and update of Reference Tariffs

QRC generally prefers that DAAU's are not used to adjust for minor variances or changes in circumstances, and notes that the revenue cap mechanism is in place to deal with differences between expected and actual volumes. However, the gaps between likely volumes and the volumes on which Reference Tariffs were based in this case is caused by unusual circumstances. The timing of the approval of UT5 was such that the normal Annual Review of Reference Tariffs did not occur ahead of the year commencing. The volume forecasts used were derived from the Final Decision on UT5 and were first developed in May of 2017. In these special circumstances, we support the resetting of volume forecasts and Reference Tariffs as proposed in the DAAU.

2.2 Acceleration of the FY2019 Revenue Cap adjustment

QRC requested that Aurizon Network include this adjustment within the DAAU, and we therefore support it. By reducing FY20 volume forecasts, Aurizon Network will avoid an expected under-recovery of revenue, which would (in the absence of the DAAU) be recovered in FY22. Revenue which would otherwise have been deferred is effectively being brought forward from FY22 to FY20. In these circumstances, QRC considers it reasonable to also bring forward the adjustment for a known over-recovery of revenue, being the FY2019 Revenue Cap Adjustment. This will also help to mitigate the impact of the volume reset. This is important to QRC members because the additional cost caused by the volume reset has retrospective application and will impact periods for which budgets have been finalised (i.e. calendar 2019 or FY2020). In these circumstances, it is important to minimise the quantum of Adjustment Charges.

2.3 Deferral of Adjustment Charges until the UT5 DAAU is approved

QRC requested that Aurizon Network include this approach within the DAAU, and we therefore support it. Adjustment Charges cause significant administrative effort for both Aurizon Network and its customers. Given that the approval of the volume reset DAAU

and the UT5 DAAU may occur within reasonably close timeframes, we consider that calculating a combined Adjustment Charge following the approval of the later of the two DAAUs is a sensible and efficient approach.

2.4 Update of payloads

We support the update of payloads for the Newlands and Blackwater systems as proposed in the DAAU.

2.5 Updates of Allowable Revenues, QCA levy and EC

We support the update of each of these items but rely on the QCA to verify the quantum of the adjustments.

3 Other aspects of the DAAU

QRC relies on the QCA to review all adjustments to Reference Tariffs and revenue allowances.