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## Queensland Rail's 2015 DAU – Request for comment – Addendum

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This is an addendum to the Request for comment paper prepared by QCA staff that was published on 19 January 2016.

Disclaimer: This material has been prepared by QCA staff and does not bind, nor does it represent, the views of the QCA. The material is to inform the QCA in its investigation and it follows that this paper should not be read as if any decision has been made by the QCA on the matters raised.

### The purpose of this addendum

The Request for comment paper asked, among other things, for stakeholders to comment on submissions that an adjustment amount should be calculated for the Metropolitan network ('east of Rosewood'). The Request for comment paper noted the QCA had not made a decision on whether the 2015 DAU proposed by Queensland Rail should provide for an adjustment amount; that remains the position.

To assist stakeholders in providing further submissions on this matter, staff have calculated an indicative estimate of a possible adjustment amount for the Metropolitan network. We have explained how we derived this indicative estimate in **Attachment 1**.

We emphasise this is an indicative estimate, produced only for the purpose of aiding the making of submissions. Stakeholders are invited to comment on how, if the QCA decides that there will be an adjustment amount for the Metropolitan network, such an adjustment amount should be calculated, as part of the submission on submission process.

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## ATTACHMENT 1: AN INDICATIVE ESTIMATE OF ADJUSTMENT AMOUNT FOR METROPOLITAN NETWORK

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Similar to the approach for a Draft Decision adjustment amount for the West Moreton network (west of Rosewood), we have estimated an indicative adjustment amount for the Metropolitan network (east of Rosewood) as the difference between:

- (1) an estimate of Queensland Rail's actual revenue from coal traffic on the Metropolitan network during 2013–14 and 2014–15, and
- (2) an estimate of coal allowable revenue on the Metropolitan network during 2013–14 and 2014–15.<sup>1</sup>

The resulting estimated adjustment amount for Metropolitan network is \$19.3 million as at 1 July 2015. All estimates in this Attachment are indicative.

### I. Estimation of actual revenue

The actual revenue estimate:

- (1) relates to the coal services only for the Metropolitan network that spans Rosewood to Fisherman Islands and includes coal services from the Ebenezer loading point
- (2) is the sum of the estimated revenue from access charges, take or pay (ToP) and relinquishment fees (RF).<sup>2</sup>

#### A. Access charge revenue

Access charge revenue is a product of the tariffs Queensland Rail charged during 2013–14 (\$18.56/'000gtk) and 2014–15 (\$19.14/'000 gtk) and an estimate of the actual coal railings ('000 gtk) on the Metropolitan network.

The actual railings data provided by Queensland Rail on the West Moreton network were used to derive the corresponding estimate of the railings on the Metropolitan network, based on the relative distance of the two networks.<sup>3</sup> To this estimate, the Ebenezer railings (as per Queensland Rail's 2013 DAU submission) were added.

#### B. Take or pay and relinquishment fee revenues

Estimates of the ToP and RF revenues on the Metropolitan network were derived from the West Moreton network ToP and RF data provided by Queensland Rail, based on relative distance of the two networks.

### II. Estimation of allowable revenue

The allowable revenue estimate on the Metropolitan network is the sum of:

- (1) the revenue from applying an adjusted West Moreton network tariff across the Metropolitan network, and

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<sup>1</sup> Revenues were estimated because the relevant actual data were not available at the time of preparing this estimate.

<sup>2</sup> The actual revenue components are consistent with that for the West Moreton network adjustment amount.

<sup>3</sup> For example, for the train services originating at Columboola, the actual railing estimate on the Metropolitan network = the actual railing on the West Moreton network in '000 gtk x (distance from Rosewood to Fisherman Islands/distance from Rosewood to Columboola).

- (2) the revenue from an incremental capital charge on the Metropolitan network.

### A. Revenue from adjusted West Moreton network tariff

This revenue estimate is a product of the 'expected total railings' on the Metropolitan network ('000 gtk) and an estimate of the adjusted West Moreton network tariff (\$/'000 gtk).

The expected total railings on the Metropolitan network is a sum of:

- (a) the estimated actual railings (see section IA above), and
- (b) railings underlying the estimated ToP revenue.<sup>4</sup> We considered ToP-related railings to make the allowable revenue estimate consistent with the actual revenue estimate (which included ToP revenue).

Consistent with the QCA's Draft Decision approach, West Moreton network building blocks were used to estimate an adjusted tariff to extend across the Metropolitan network for 2013–14 and 2014–15.<sup>5</sup>

### B. Revenue from incremental capital charge

This revenue estimate is a product of the Metropolitan incremental capital charge and 'expected total train paths' on the Metropolitan network.

The Metropolitan incremental capital charges for 2013–14 and 2014–15 were estimated by deflating the tariff in the QCA's 2015 Draft Decision (\$180/train path for 2015–16) by the relevant inflation rates.

The expected total train paths on the Metropolitan network is a sum of:

- (a) the train paths corresponding to the actual railings data provided by Queensland Rail on the West Moreton network
- (b) an estimate of train paths underlying the West Moreton network ToP revenue<sup>6</sup>, and
- (c) train paths relating to the Ebenezer loading point (as per Queensland Rail's 2013 DAU submission).

## III. Total adjustment amount estimate

An indicative adjustment amount for each of the years 2013–14 and 2014–15 was calculated as the difference between the estimated actual revenue and the estimated allowable revenue.

The 2013–14 adjustment amount estimate was escalated one year by WACC of 6.93 per cent to a 2014–15 value, and then added to the 2014–15 adjustment amount estimate. This sum was a mid-year cash flow. To estimate the value as at 1 July 2015, we further escalated the sum by half-year using WACC to derive the indicative total adjustment amount for the Metropolitan network of \$19.3 million as at 1 July 2015.

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<sup>4</sup> The estimated ToP related railings = estimated ToP revenue on Metropolitan network (see section IB above)/80%/the tariff charged on gtk railing/2.

<sup>5</sup> The West Moreton network building blocks included coal-allocated maintenance and operating cost allowances for 2013-14 and 2014-15 (as per the QCA's 2014 Draft Decision) and excluded incremental capex on the West Moreton network from 2002 onwards (as per the QCA's 2015 Draft Decision approach). The West Moreton network volumes used for deriving the adjusted tariff was a sum of the actual West Moreton network railings and an estimate of the railings underlying West Moreton network ToP revenue, calculated as (ToP revenue/80%/the tariff charged on gtk railing/2).

<sup>6</sup> Calculated as estimated railings underlying ToP revenue/distance (kms)/average weight of loaded and unloaded train.