



Professor Roy Green
Queensland Competition Authority
Level 27
145 Ann Street
BRISBANE QLD 4000

24 March 2017

Dear Roy

Aurizon Network Pty Ltd (Aurizon Network) – Request for Public Workshop

Further to my recent call I am writing to request that as part of its investigation as to whether or not to approve Aurizon Network's 2017 Draft Access Undertaking the QCA Board hold a public workshop in relation to Aurizon Network's WACC submission.

This would be an innovative approach in the context of the Australian regulatory landscape but one which we believe would facilitate an effective, transparent and timely delivery of the 2017 Draft Access Undertaking.

As you will appreciate, the calculation of a WACC for Aurizon Network will form part of the QCA's final decision on the 2017 Draft Access Undertaking. This is of critical importance to our business as it is a key driver of regulatory revenue.

For that reason, we are keen to ensure the QCA board understands the core elements of our WACC submission. We believe that holding a public workshop where the QCA Board can engage directly and address questions to Aurizon Network will assist the QCA board to properly understand, test and consider Aurizon Network's submission.

We acknowledge written submissions have an important role to play in the regulatory process. However, given the complex nature of the WACC argument there is a risk that without the opportunity for discussion of the key points, there can be information which is misunderstood or not properly considered. We believe that with interactive debate, the key questions which affect this important regulatory issue can be addressed in a very efficient and effective manner.

As a result, we would like to propose a public workshop at which Aurizon Network would present its WACC arguments and the QCA board would have the opportunity to test those arguments through a question and answer process ahead of the QCA's draft decision.

Our proposal is modelled on regulatory processes utilised in offshore jurisdictions where there is precedent for expert testimony to be given directly to regulatory bodies. For example, in the US, the Surface Transportation Board (STB), which regulates rail pricing, holds one-day workshops to enable the board members to directly test the regulatory submission in a manner that promotes an efficient regulatory outcome.

The key elements of the process we would propose are as follows:

- Aurizon Network's economic consultant would present their WACC arguments (consistent with their written submissions, i.e., no new information is to be presented at this time);
- The QCA board would then have the opportunity to address questions directly to Aurizon Network's consultant; and
- Aurizon Network and/or its economic consultant would respond directly to those questions.

To ensure transparency:

- Customers and operators would have the opportunity to attend;
- A transcript would be taken by a professional transcription service which would be published on the QCA's website;
- Any material presented to the QCA (e.g. handouts, power point presentations) would also be published on the QCA website; and
- If customers or operators wished to have a similar opportunity to present their WACC arguments, this could be facilitated via the same process at the same workshop.

We believe the advantages of the workshop are that it:

- Facilitates an efficient and transparent process to ensure the QCA board is fully briefed on key elements of Aurizon Network's WACC arguments;
- Allows the QCA board to use its significant economic expertise to directly test Aurizon Network's WACC arguments;
- Enables the QCA board's questions be dealt with in an efficient manner;
- Enhances consultation and ensures a fair hearing, supporting accountability and confidence in regulatory decision making;
- Assists in progressing the economic debate on an important topic in a timely and efficient manner, in circumstances where the last QCA public WACC forum occurred in 2013 and was focussed on general principles relating to market based parameters, rather than firm specific matters; and
- Delivers an innovative Australian regulatory practice which should result in a more timely and efficient regulatory process.

We believe such a workshop would act as a new benchmark for assessing regulatory submissions in Australia. It is worth noting that similar models have been raised in the context of the current COAG review of the Limited Merits Review Regime in the electricity and gas sector. Submissions in that process have advocated a range of options including AER Commissioner led workshops to enable AER Commissioners to directly hear and test evidence from parties and their economic consultants.

We would be delighted to discuss this proposal further with the QCA and to receive your comments and feedback.

Yours Faithfully

Michael Fraser
Chairperson – Aurizon Network