

Part 6: Pricing principles

6.1 Application of pricing principles

- (a) Aurizon Network will apply the pricing principles set out in this [Part 6](#) in developing Access Charges and Reference Tariffs.
- (b) To the extent that any of these pricing principles [in clauses 6.2 to 6.8](#) conflict, Aurizon Network will apply the pricing principles in the order of precedence identified below (from highest to lowest):
 - (i) **clause 6.2 to 6.5** (price differentiation [and new Reference Tariffs, including Expansions](#)); [\[Note: This provision has been amended to avoid confusion and better reflect clauses 6.3 to 6.5.\]](#)
 - (ii) **clause 6.6** (pricing limits);
 - (iii) **clause 6.7** (Rail Infrastructure utilisation); [and](#)
 - (iv) **clause 6.8** (revenue adequacy); ~~and~~
 - ~~(v) all remaining provisions of Part 6.~~ [\[Note: This provision should only need to resolve conflict between clauses 6.2 to 6.8 not every clause in Part 6.\]](#)
- (c) In this ~~Part 6~~ [Part 6](#), where Access Rights have been, or are to be, granted under an Access Agreement, the relevant Access Holder and all of that Access Holder's Train Operators will be treated as a single entity so that a reference to:
 - (i) an Access Seeker is a reference to the Access Seeker and its Train Operators collectively; and
 - (ii) an Access Holder is a reference to the Access Holder and its Train Operators collectively.
- ~~(d) For clarity, all references in this Undertaking to Access Seekers and Access Holders include Related Operators (where applicable).~~ [\[Note: This clause is unnecessary and suggests that in other contexts Access Seekers and Access Holders do not include Related Operators.\]](#)

6.2 Price differentiation

6.2.1 Limitations on price differentiation

- (a) Aurizon Network will not differentiate Access Charges between any combination of Access Seekers and Access Holders, including combinations involving only Access Seekers or only Access Holders [in a way that would constitute a breach of Aurizon Network's differentiation obligations under sections 100 or 168C of the Act, except as permitted by this Part 6.](#)

~~(b) Aurizon Network is not permitted to set charges that discriminate in favour of any:~~

~~(i) Related Operator;~~

~~(ii) Related Competitor; or~~

~~(iii) Third Party that has commercial arrangements with a Related Competitor;~~

(b) and Aurizon Network must ensure that its Access Charges for:

(i) a Related Operator;

(ii) a Related Competitor; or

(iii) a Third Party that has commercial arrangements with a Related Competitor.

in all cases such parties:

(iv) comply with this ~~Part 6~~ **Part 6**;

(v) ~~do not differentiate from~~ are equivalent to its Access Charges for Third Party ~~other~~ Access Seekers or Access Holders (as applicable) ~~in similar circumstances in a way that would constitute a breach of Aurizon Network's differentiation obligations under sections 100 or 168C of the Act;~~ and

(vi) do not have the purpose of preventing or hindering an Access Seeker's or Access Holder's Access in a way that would constitute a breach of ~~(without derogating in any way from~~ Aurizon Network's obligations under sections 104 or 125 of the Act). [Note: We have retained this clause so as to minimise the number of changes to the QCA's drafting. However, clauses 6.2.1(a) and (b) are unnecessary as the issues are already addressed elsewhere in UT4 and the Act. The discrimination aspects of the QCA's provision have also been deleted – as these too are addressed elsewhere in UT4 and the Act, and in any event were drafted inconsistently with the Act.]

6.2.2 Default application of Reference Tariff

Subject to **clause 6.2.3**, where there is an applicable Reference Tariff, the Access Charge formulated by Aurizon Network for an Access Seeker will be the Reference Tariff.

6.2.3 Price differentiation where a Reference Tariff applies

(a) Subject to ~~clause 6.13 (Access Conditions)~~, and only with the prior written approval of the QCA, Where there is an applicable Reference Tariff, the Access Charge for an Access Seeker may differ from that Reference Tariff:

(i) where:

- (A) the Access Seeker's proposed Train Services are not consistent with the characteristics of the Reference Train Service; and
- (B) those differences give rise to increased cost or risk associated with the provision of Access for the Access Seeker's Train Services as compared to a Reference Train Service; but
- (ii) only to the extent necessary to reflect any such increased costs and risks.
- ~~(a) Aurizon Network may seek to commercially negotiate and agree a reasonable Access Charge with an Access Seeker at any time that varies from the applicable Reference Tariff to recognise a material increase in cost or risk associated with the provision of Access to a Train Service that has substantially different characteristics to the Reference Train Service. However, the applicable Reference Tariff will apply unless and until any such Access Charge has been approved by the QCA. [Note: The QCA has no power under the QCA to require Aurizon Network to obtain the QCA's prior consent before negotiating with an Access Seeker. The QCA has no power to determine or approve access charges, unless there is an access dispute. The above drafting is consistent with a simplified version of what Aurizon Network originally proposed and is consistent with what has been previously approved by the QCA.]~~
- (b) If, after the Commencing Date, Aurizon Network enters into an agreement separate from the Access Agreement for a Customer Specific Branch Line which provides for Aurizon Network to earn revenue that is in addition to the ongoing Access Charge (for example, an upfront contribution or Access Facilitation Charge), Aurizon Network must exclude the cost components separately funded through the additional revenue (for example, the value of any relevant Customer Specific Branch Line to the extent supported by the additional revenue) from the cost base (including the asset base) used to determine:
 - (i) that ongoing Access Charge for Train Services using that Customer Specific Branch Line; and
 - (ii) the applicable Reference Tariff.
- (c) The rtp for a Train Service will be calculated in accordance with the following principles:
 - (i) rtp is deemed to equal one where:
 - (A) the maximum number of proposed Train Services at full utilisation exceeds the maximum number of Reference Train Services at full utilisation; and

- (B) the scheduled section running times of the proposed Train Service are the same as the nominated section running times for the Reference Train Service; and
- (ii) where **clause 6.2.3(c)(i)** does not apply, the number of reference Train Paths used by the proposed Train Service will be determined as follows:

$$rtp = \max[(A/B), (B/A)]$$
 where:
 A is the maximum number of Reference Train Services at full utilisation; and
 B is the maximum number of the proposed Train Services at full utilisation;
- (iii) the maximum number of Train Paths available for a Reference Train Service and for the proposed Train Service will be determined using a readily available simulation package; and
- (iv) for the purpose of **clauses 4.6(b)(v)** and **4.10.2(a)(iv)** (as applicable), Aurizon Network will advise the Access Seeker how it has determined the value of rtp,

unless the QCA approves, [on the request of Aurizon Network](#), an alternative methodology for the purpose of this clause, in which case rtp will be calculated in accordance with that approved alternative methodology. [\[Note: Any approval of an alternative methodology must be at the request for Aurizon Network. The QCA does not have the power to unilaterally alter the undertaking or, in any event, to do so at the request of someone other than Aurizon Network.\]](#)

6.2.4 **Price differentiation where no Reference Tariff applies**

If there is no applicable Reference Tariff (for example, because the relevant Train Service is a non-coal carrying Train Service), the Access Charge formulated by Aurizon Network for an Access Seeker may vary from the Access Charges for other Access Seekers or Access Holders. However, such variation may only be in respect of other Train Services that provide the same type of transport service (for example, transporting passengers (where the relevant Access Seeker's proposed Train Services transport passengers) or transporting the same commodity (where the relevant Access Seeker's proposed Train Services transport a commodity)) in the same geographical area as that Access Seeker's proposed Train Services, on a unit rate basis to reasonably reflect, over time:

- (a) ~~material~~ changes or differences in the cost or risk relevant to Aurizon Network providing Access; or
- (b) Changes in Market Circumstances; or

- (c) ~~material~~ limitations on Available Capacity in accordance with **clause 6.7.1(b)**. [Note: The materiality restrictions are not appropriate and are inconsistent with the Act. In addition, the application of a materiality requirement may give rise to disputes not about whether there is, for example, a change in cost or risk but rather whether that change is material. The QCA's "materiality" amendments are inconsistent with its past regulatory decisions.]

6.2.5 — *Consequences if contravention of Part 6*

- (a) — ~~If an Access Holder (Aggrieved Access Holder) can demonstrate to the QCA's reasonable satisfaction that after entering into an Access Agreement with the Aggrieved Access Holder, Aurizon Network has subsequently entered into an Access Agreement with another Access Holder for a like Train Service (where a like Train Service is one that transports the same specified commodity in the same specified geographic area), and the subsequent Access Agreement contains an Access Charge in contravention of Part 6, then:~~
- (i) — ~~the QCA may direct Aurizon Network to offer the Aggrieved Access Holder either:~~
- (A) — ~~the same Access Charge; or~~
- (B) — ~~if the QCA considers appropriate, a particular Access Charge that in the QCA's view neutralises the effect of the contravention; and~~
- (ii) — ~~Aurizon Network must immediately make a legally binding offer to the Aggrieved Access Holder to give effect to the QCA's direction.~~
- (b) — ~~Aurizon Network agrees to promptly provide the QCA with all information requested by the QCA to enable the QCA to determine whether any contravention of Part 6 has occurred. [Note: The QCA's proposed clause was beyond power, as it creates a jurisdiction and powers that the QCA does not have under the Act. It also creates remedies that are inconsistent with those under the Act and usurps judicial power. In relation to the provision of information about compliance, the QCA already has sufficient powers under the QCA Act in that regard.]~~

6.3 Access Charges for new coal carrying Train Services

6.3.1 Determination of Access Charges

- (a) Where an Access Seeker ~~or Access Holder~~ seeks Access Rights for new or additional coal carrying Train Services, this **clause 6.3** (subject to **clause 6.4**) applies to determine the Access Charges payable by the Access Seeker ~~or Access Holder~~.
- (b) The Access Charges applicable for a new coal carrying Train Service will be calculated under **clause 6.3.1(c)** ~~6.3.1(e)~~ separately for non-

electric Access Charges (tariffs AT₁ to AT₄ collectively) and electric Access Charges (tariff AT₅).

(c) The Access Charges applicable for a new coal carrying Train Service will be the higher of (on a \$/ntkNT basis):

(i) the relevant Reference Tariff (including any Reference Tariff determined in accordance with **clause 6.4**) applied to that Train Service, less the [annual maximum allowable revenue \(calculated in the same manner as for the relevant Reference Tariff\) derived from the](#) Approved PIC (if any); and

(ii) the Minimum Revenue Contribution, calculated as the sum of the Incremental Costs of using any Rail Infrastructure specifically for the new coal carrying Train Service and the higher of:

(A) any applicable Expansion Costs (as determined in accordance with **clause 6.4**); and

(B) as applicable:

(1) for non-electric Access Charges, the sum of:

- the relevant AT₂ component of the relevant Reference Tariff (adjusted for any variation that will be made in accordance with **Schedule F** for that Train Service for a Cross System Train Service); and
- fifty percentage points (50%) of the AT₃ component of the relevant Reference Tariff (adjusted for any variation that will be made in accordance with **Schedule F** for that Train Service for a Cross System Train Service) for the distance that the Train Service will travel on the mainline of that Coal System; or

(2) _____ for electric Access Charges, zero.

(d) [Where an Access Charge is determined in accordance with **clause 6.3.1\(c\)**:](#)

(i) [the requirements under **clause 6.3.1\(c\)** must be reapplied to review and reset the Access Charge whenever there is a change to the relevant Reference Tariff or the Approved PIC;](#)

(ii) the relevant Access Agreement must include provisions to ensure that **clause 6.3.1(d)(i)** is given affect under the Access Agreement;

(iii) despite **clause 6.3.1(d)(ii)**:

(A) the application and reapplication of **clause 6.3.1(c)** is deemed to form part of the Reference Tariff that is applicable to the relevant Train Service; and

~~(2)~~(B) where the reapplication of **clause 6.3.1(c)** results in a different Access Charge that different Access Charge is deemed to be a change to the relevant Reference Tariff including for the purpose of **clause 6.5.2(a)**.

~~(d)~~(e) Where an Access Seeker has requested Access Rights (other than as a Renewal) that do not require an Expansion and two or more Reference Tariffs are expressed to apply in relation to the Access Rights in the relevant Coal System, then the Reference Tariff used to formulate the relevant Access Charges is that Reference Tariff which is the highest on a \$/ntkNT Basis. For clarity:

- (i) for a Cross System Train Service, this clause would be applied separately in relation to each relevant Coal System; and
- (ii) for a Renewal, the relevant Reference Tariff will be the Reference Tariff that applied or would have applied in relation to the Access Seeker's existing Access Agreement.

6.3.2 QCA approval of Private Incremental Costs

(a) ~~Without limitation, t~~The QCA may approve the ~~capital expenditure~~Private Incremental Costs associated with Private Infrastructure, on request from an Access Seeker and after submissions from Aurizon Network (if any), in accordance with this **clause 6.3.2**. ~~if t~~The QCA may approve the Private Incremental Costs if it is satisfied that those Private Incremental Costs represent the prudent and efficient value of the assets that are used to provide the relevant Train Services over Private Infrastructure.

(b) In determining ~~the~~ prudence and efficiency under **clause 6.3.2(a)** of ~~capital expenditure~~, the QCA must apply the same requirements under **Schedule E** as apply when the QCA is considering whether Aurizon Network's capital expenditure is prudent and efficient for inclusion in the Regulatory Asset Base. ~~may have regard to the following (without limitation and in the QCA's absolute discretion):~~

- ~~(i) the scope of works for a capital expenditure project (including whether the requirement for the works is prudent and efficient);~~

- ~~(ii) the standard of works for a capital expenditure project (including whether the standard could be expected to deliver the requirements for that capital expenditure project without it being overdesigned or likely to deliver a capital works project which is beyond the requirements of its scope); and~~
- ~~(iii) whether the costs of the capital expenditure project are prudent and efficient, having regard to the scope and standard of work undertaken or to be undertaken for the capital expenditure project.~~

(c) For clarity:

~~(i) When considering the amount for approval determining the amount of the Approved PIC, the QCA may refuse to approve an Access Seeker's proposal and instead a lesser amount as the Approved PIC. make such adjustments to the Private Incremental Costs as it considers appropriate to be satisfied under clause 6.3.2(a); and~~

~~(ii) the Approved PIC is zero unless and until the QCA approves the relevant Private Incremental Costs under this **clause 6.3.2.**~~

~~(e)(d) The value of the Approved PIC is to be maintained in the same way as the Regulatory Asset Base is maintained in accordance with **Schedule E.**~~

6.4 Access Charges for coal carrying Train Services that require an Expansion

6.4.1 Expansion pricing principles

- (a) Where an Access Seeker ~~or Access Holder~~ seeks Access Rights for coal carrying Train Services that require an Expansion (**Expanding User**), this **clause 6.4** applies to determine the Access Charges payable by the Expanding User.
- (b) This **clause 6.4** is intended to be read in conjunction with **Part 8** of this Undertaking and is subject to **clause 6.36.3** (use of Private Infrastructure).
- (c) The methodology set out in this **clause 6.4** will apply on an individual Coal System basis.
- (d) The remainder of this **clause 6.4** articulates the following principles (applying the definitions set out below), known as the "**Expansion Pricing Principles**":
 - (i) Expanding Users should generally pay an Access Charge that reflects at least the full incremental costs (capital and operating) of providing additional Capacity;

- (ii) subject to clause 6.4.1(d)(iv), Non-Expanding Users should not experience a material increase in tariffs due to an Expansion triggered by Expanding Users;
 - (iii) if Expanding Users face a higher cost than Non-Expanding Users, a zero contribution to Aurizon Network’s Common Costs from Expanding Users is generally acceptable; and
 - (iv) an allocation of the Expansion Costs to Non-Expanding Users may be appropriate where an Expansion has clear benefits to those users; and
 - ~~(iv)~~(v) despite clauses 6.4.1(d)(i) to (iv), where an Expansion Tariff has existed for at least 10 years, that Expansion Tariff must be Socialised with the relevant System Reference Tariff.
- (e) For the purposes of this **clause 6.4**:
- (i) “**Consensus**” means ~~all 60% of~~ Expansion Stakeholders have indicated in writing to Aurizon Network that they consider that a particular draft ~~Pricing Proposal~~Cost Allocation Proposal from Aurizon Network for an Expansion represents an acceptable distribution of Expansion Costs and apportionment of Volume Risk that is consistent with the Expansion Pricing Principles – provided that in determining whether the 60% threshold has been reached the same principles will apply as would be the case for a vote of Interested Participants under clause 4 of Schedule E;
 - (ii) “**Consensus Expansion**” means an Expansion for which Consensus has been achieved by Aurizon Network under ~~clause 6.4.2~~6.4.2;
 - ~~(iii)~~ “~~Customised Expansion~~” means ~~an Expansion that is not a Consensus Expansion and that involves Substitutable TSEs~~;
 - ~~(iv)~~ “~~Endorsed Expansion~~” means ~~an Expansion that is not a Consensus Expansion and that does not involve Substitutable TSEs~~;
 - ~~(v)~~(iii) “**Expansion Cost**” has the meaning given by ~~clause 6.4.3(a)(ii)~~6.4.3(a)(ii);
 - ~~(vi)~~(iv) “**Expansion Stakeholders**” means all Expanding Users and all Non-Expanding Users for an Expansion;
 - ~~(vii)~~(v) “**Non-Expanding Users**” means ~~Access Seekers and~~ Access Holders within a Coal System that are not Expanding Users for an Expansion to that Coal System;
 - ~~(viii)~~(vi) “**Socialisation**” means the full or partial aggregation of the Expansion Costs of a new Expansion or the costs on which an existing Reference Tariff is based (and, in either case, together with volumes) with the costs and volumes associated with one or more existing Reference Tariffs for

the same Coal System in order to determine a common Reference Tariff; and

~~(ix)(vii)~~ **“Substitutable Train Service Entitlements”** or **“Substitutable TSEs”** means that an Access Holder has one or more existing Train Service Entitlements in a Coal System that can be used as an alternative to, and have the same origin as, the one or more of that Access Holder’s Train Service Entitlements with the same origin that were created by the Expansion.

6.4.2 *Consensus Expansion*

- (a) Before Aurizon Network submits a ~~Pricing Proposal~~ Cost Allocation Proposal to the QCA under **clause 6.4.3**, Aurizon Network must:
- (i) approach Expansion Stakeholders in good faith to seek to facilitate a Consensus; ~~and—Aurizon Network must~~
 - ~~(a)(ii)~~ (ii) provide reasonable information as requested by each Expansion Stakeholder in relation to the Consensus being sought. ~~to facilitate a Consensus. The QCA may participate in any consultation processes undertaken by Aurizon Network with Expansion Stakeholders at the QCA’s absolute discretion.~~
- (b) Aurizon Network must keep the QCA informed of its progress in seeking to ~~facilitate~~ ing a Consensus, ~~including providing copies of all correspondence and a summary of all verbal communications with Expansion Stakeholders as requested by the QCA.~~
- (c) Aurizon Network may cease to seek to facilitate a Consensus ~~if~~:
 - (i) if a Consensus has not been ~~reached~~ concluded by the completion of the Feasibility Study or such later time as approved by the QCA under clause 6.4.2(d); or
 - (ii) where:
 - (A) Aurizon Network forms the view (acting reasonably) that a Consensus is unlikely to be reached by that date; and
 - (B) notifies the QCA and the Expansion Stakeholders of that view,provided that a notice under clause 6.4.2(c)(ii)(B) cannot be given prior to the date 80 days after the commencement of the relevant Feasibility Study.
- ~~(c) or any Expansion Stakeholder can otherwise evidence to the QCA that a Consensus will not be achieved by that date, or any further time period has lapsed under clause 6.4.2(d), then:~~
- (d) Aurizon Network or an Expansion Stakeholder may request the QCA to extend the time under clause 6.4.2(c)(i) and, after receiving such a

request, the QCA may extend that time if the QCA determines that a Consensus will be reached by that extended time.

- ~~(i) Aurizon Network (or the Expansion Stakeholder, if applicable, copying Aurizon Network) will consult with the QCA whether further time should be allocated to facilitate a Consensus; and~~
- ~~(ii) unless the QCA responds to Aurizon Network within ten (10) Business Days requesting further time to be allocated, the Expansion must be treated by Aurizon Network as either a Customised Expansion or Endorsed Expansion (as applicable).~~
- ~~(d) If the QCA requires an extension of time under **clause 6.4.2(c)(ii)**, then Aurizon Network must continue to seek a Consensus until that time has lapsed, at which point Aurizon Network will consult with the QCA again under **clause 6.4.2(c)**. For clarity, the QCA may require multiple extensions of time to occur.~~

6.4.3 Pricing Proposal Cost Allocation Proposal

- (a) If an Expanding User seeks Access Rights for coal carrying Train Services that require an Expansion, Aurizon Network will, no later than completion of the~~as part of its~~ Feasibility Study for that Expansion, submit to the QCA a proposal with the following elements:
 - (i) a determination whether the Expansion involves any Substitutable TSEs;
 - (ii) a proposed allocation of costs¹ arising from the Expansion (including a detailed breakdown of the estimated capital, maintenance and operating costs for the Expansion) (**Expansion Costs**) between the Expansion Stakeholders (including on a Coal System basis if the Expansion relates to more than one Coal System);
 - (iii) any proposed allocation of future renewal costs for the relevant Coal System between Expansion Stakeholders;
 - (iv) a proposed apportionment of volume risk arising from the Expansion (for example e.g., arising from differences between forecast~~ed~~ and actual railings) (**Volume Risk**) between the Expansion Stakeholders (including on a Coal System basis if the Expansion relates to more than one Coal System) if applicable;
 - (v) all calculations made in applying this **clause 6.4.3**;
 - (vi) if the Expansion is not a Consensus Expansion~~an Endorsed Expansion~~;

¹ The costs arising from the Expansion will include Asset Replacement and Renewal Expenditure to the extent that it is necessary for the Expansion.

- (A) an explanation of Aurizon Network’s application of **clause 6.4.4(d)** and the proposed outcome that results from applying **clause 6.4.4(d)**; and ~~determination as to which of the following clauses will apply:~~
- ~~(B) — **clause 6.4.4(e)** — the Coal System has no existing Expansion Tariff;~~
 - ~~(1) — **clause 6.4.4(e)(ii)** — the Coal System has an Expansion Tariff, but no Socialisation will occur;~~
 - ~~(C) — **clause 6.4.4(e)(vi)** — the Coal System has one or more existing Expansion Tariffs and Socialisation will occur to the extent determined under **clause 6.4.4(e)**;~~
- ~~(vi)(B) — if the Expansion is a Customised Expansion or Endorsed Expansion, an identification of the extent to which consultation by Aurizon Network with Expansion Stakeholders has occurred and an explanation of the position of each Expansion Stakeholder with a copy of relevant correspondence; and~~
- (vii) if the Expansion is a Consensus Expansion, all relevant details of the Consensus and copies of ~~all~~ correspondence with Expansion Stakeholders confirming the Consensus; ~~and~~
- ~~(viii) — if the Expansion is a Consensus Expansion or a Customised Expansion, submission(s) by the Expanding User(s) explaining the manner in which the Pricing Proposal is consistent with the Expansion Pricing Principles and the factors set out in section 138(2) of the Act (including the conditions for any Socialisation);~~
- ~~and the resulting indicative Reference Tariffs that are proposed by Aurizon Network for the Expansion (**Pricing Proposal****Cost Allocation Proposal**) and accompanied by example Reference Tariffs prepared by Aurizon Network for illustrative purposes based on the Cost Allocation Proposal.~~
- (b) Subject to **clause 6.4.3(f)**, a Cost Allocation Proposal referred to the QCA under this Undertaking must be in the form of a request for a ruling under Division 7A, Part 5 of the Act and, except as otherwise set out in the Undertaking, the process under the Act for rulings will apply.
- (c) An application by Aurizon Network for the approval of indicative, new or varied Reference Tariffs is not required as part of a ~~Pricing Proposal~~Cost Allocation Proposal ~~and will be made to the QCA~~

~~separately at a later date~~ and the [Cost Allocation Proposal](#) does not constitute such an application.

- (d) Aurizon Network must provide to the QCA:
- (i) sufficient supporting ~~arguments or~~ information for the QCA's consideration that justify or explain Aurizon Network's approach; and
 - (ii) such further information as is requested by the QCA to enable the QCA to consider the ~~Pricing Proposal~~ [Cost Allocation Proposal](#).
- (e) The QCA must:
- (i) publish the ~~Pricing Proposal~~ [Cost Allocation Proposal](#) ([subject to requirements under the Act to protect confidential information](#));
 - (ii) invite persons (including all Expansion Stakeholders) to make submissions on the ~~Pricing Proposal~~ [Cost Allocation Proposal](#) within a reasonable time period specified by the QCA; and
 - (iii) provide Aurizon Network and Expansion Stakeholders with a draft decision and a reasonable opportunity to respond to that draft decision.
- ~~(f) Subject to **clause 6.4.3(h)** or **6.4.3(i)**, if a Pricing Proposal is referred to the QCA under this Undertaking or otherwise, Division 7A of Part 5 of the Act applies. The parties agree that any Pricing Proposal that is submitted to the QCA under this Undertaking will be made in the form of an application for a ruling under section 150F of the Act, unless the QCA requests otherwise.~~
- ~~(g) The QCA may:~~
- ~~(i) approve the Pricing Proposal; or~~
 - ~~(ii) refuse to accept the Pricing Proposal, with reasons provided to Aurizon Network.~~
- ~~(h) If the QCA approves the Pricing Proposal, the QCA may state in its ruling that it will no longer apply if there is a material change in circumstances. In such circumstances, the QCA may invite Aurizon Network to submit an updated Pricing Proposal (and application under section 150F, if applicable).~~
- ~~(i) If the QCA refuses to approve a Pricing Proposal or invites Aurizon Network to submit an updated Pricing Proposal, Aurizon Network will, if applicable, promptly submit a replacement Pricing Proposal to the QCA (and application under section 150F, if applicable).~~
- ~~(j)~~ [\(f\)](#) Aurizon Network must notify the QCA in writing immediately upon becoming aware that [any circumstances under section 150K\(2\) of the Act arise in relation to an approved Cost Allocation Proposal](#) ~~a change~~

~~in circumstances has arisen in relation to the Pricing Proposal, including any calculations or information used in the course of preparing the Pricing Proposal.~~

6.4.4 **Socialisation**~~Endorsed Expansions~~

- (a) This **clause 6.4.4** ~~only~~ applies ~~where an Expansion is not a Consensus Expansion, both for the purpose of preparing a Cost Allocation Proposal and afterwards from time to time in relation to Aurizon Network's management of Reference Tariffs.~~ ~~if an Expansion is an Endorsed Expansion. Where an Expansion is an Endorsed Expansion, an Expansion Tariff will apply that is calculated in accordance with this **clause 6.4.4**.~~
- (b) Socialisation of an ~~Endorsed~~ Expansion involves the aggregation of the Expansion Costs of ~~(and volumes relevant to) that Expansion~~ ~~a new Expansion (New Expansion)~~ with the costs ~~and volumes~~ associated with ~~an one or more~~ existing ~~Reference~~ Expansion Tariffs for the same Coal System in order to ~~create a new Reference Tariff based on those aggregated costs and volumes~~ ~~determine common Expansion Tariffs.~~
- (c) ~~Despite **clause 6.4.4(b)** or any other provision in this **clause 6.4.4**~~ ~~For an Endorsed Expansion,~~ Socialisation is assessed for ~~the AT₅ component of a Reference Tariff on a stand-alone basis and independently of all other components of a Reference Tariff~~ ~~tariffs AT₄ to AT₄ (collectively) independently from Socialisation for tariff AT₅.~~ ~~For clarity:~~
- (i) ~~The~~ iterative methodology set out in the remainder of this ~~**clause 6.4.4**~~ ~~6.4.4~~ must be applied to ~~the AT₅ component of a Reference Tariff independently of the other components of that Reference Tariff (Other Components)~~ ~~both sets of tariffs independently; and~~
- (b)(ii) ~~where one but not the other of the AT₅ component and the Other Components satisfies the requirements for Socialisation, Socialisation may still occur where the component that did not satisfy the requirements for Socialisation is reflected in a System Premium in the new common Reference Tariff resulting from Socialisation.~~
- (d) ~~If a Coal System has no existing Expansion Tariff, a~~ An Expansion Tariff for the Expansion, applicable to the Expanding User, will be calculated in accordance with ~~**clause 6.4.6(a)**~~ ~~6.4.6(b)~~, subject to ~~any Socialisation permitted in accordance with the process~~ ~~adjustment~~ under ~~**clause 6.4.5(a)(ii)**~~ ~~6.4.4(e)~~. ~~Aurizon Network must apply the methodology under **clause 6.4.5(a)(ii)** and include its associated calculations in the Cost Allocation Proposal under **clause 6.4.3(a)** based on:~~

~~(d) If a Coal System has one or more existing Expansion Tariffs, an Expansion Tariff for the Expansion will be calculated in accordance with the iterative methodology for socialising Expansions set out in clause 6.4.4(e). Aurizon Network must apply this methodology and include its associated calculations in the Pricing Proposal under clause 6.4.3(a) based on:~~

- ~~(i) the Expansion Costs after adjustment in accordance with the proposed cost allocation principles;~~
- ~~(ii) forecast volumes arising as a result of the Expansion as set out in the Feasibility Study;~~
- ~~(iii) the analysis being undertaken on a forward-looking basis, looking at the effect:
 - ~~(A) at the end of each Quarter after the earliest contracted commencement of Access by Access Holders whose Access Agreements were conditional on the relevant Expansion (**Initial Access Holders**); until and including~~
 - ~~(B) the peak point for contracted Access by the Initial Access Holders.~~~~

~~(e) Iterative methodology for socialising Expansions:~~

~~(i) **Step One:** Aurizon Network must calculate:~~

~~(A) which of the existing Expansion Tariffs applicable to the relevant Coal System is the highest on a \$/NT Basis after being adjusted in a manner consistent with the proposed cost allocation principles based on the Expansion's Projected Cost (**Highest Expansion Tariff**); and~~

~~(B) whether the Highest Expansion Tariff would, on a \$/NT Basis, decrease if the Highest Expansion Tariff and the Expansion Costs of the New Expansion were socialised (**Tariff Decrease**);~~

~~(ii) **Step Two:** If under Step One, a Tariff Decrease would not occur, then the Highest Expansion Tariff will not be socialised with the Expansion Costs of the New Expansion. A new Expansion Tariff, applicable to the New Expansion, will be established in accordance with clause 6.4.6(b). (Note: Aurizon Network and/or Expanding Users may still make submissions to the QCA to exercise its discretion under clause 6.4.6(c) to socialise the Highest Expansion Tariff with the Expansion Costs of the New Expansion, but will have the onus of establishing why socialisation should occur with~~

regard to the factors set out in section 138(2) of the Act.)

- (iii) ~~Step Three: If under Step One, a Tariff Decrease would occur, then the Highest Expansion Tariff will be socialised with the Expansion Costs of the New Expansion to determine a common Expansion Tariff (**Socialised Tariff**).~~
- (iv) ~~Step Four: Aurizon Network must calculate whether the remaining next Highest Expansion Tariff for the relevant Coal System on a \$/NT basis would decrease if that next Highest Expansion Tariff and the Socialised Tariff as referred to in Step Three were socialised (**Tariff Decrease**).~~
- (v) ~~Step Five: Aurizon Network will repeat Steps Three to Five until either there is no further Tariff Decrease or all Expansion Tariffs have been socialised. Where socialisation occurs in a previous iteration of Steps Three to Five, references to Expansion Costs of the New Expansion in Step Three will be taken to be references to the costs associated with the Socialised Tariff from the last iteration.~~
- (vi) ~~Step Six: Once the iteration in Steps Three to Five has been completed, the common Expansion Tariff for the new Expansion and the other socialised Expansions will be the Socialised Tariff from the last iteration, subject to adjustment under **clause 6.4.4(f)**.~~
- (f) ~~If, following the application of **clauses 6.4.4(c)** or **6.4.4(e)**, the new or varied Expansion Tariff is lower than the System Reference Tariff for the Coal System on a \$/NT Basis, Aurizon Network must include a positive contribution to its Common Costs in the Expansion Tariff that has the effect of increasing the Expansion Tariff and reducing the System Reference Tariff so that these Reference Tariffs are equivalent on a \$/NT Basis. The contribution to Aurizon Network's Common Costs will be calculated based on contracted volumes. The contribution to Aurizon Network's Common Cost will be assessed for Tariffs AT₁ to AT₄ (collectively) independently from Tariff AT₅.~~

6.4.5 Socialisation process

- (a) Where more than one Reference Tariff applies for a Coal System, Aurizon Network may:
 - (i) Socialise an Expansion Tariff with the System Reference Tariff after the Expansion Tariff has been in place for at least 10 years and will affect that Socialisation through a draft amending access undertaking submitted to the QCA for approval; or

(ii) Socialise any of those Reference Tariffs at any time by submitting a draft amending access undertaking to the QCA for approval after applying the following steps:

(A) **Step One:** Aurizon Network must calculate:

(1) which of the existing Reference Tariffs applicable to the relevant Coal System is the highest on a \$/ntk Basis (provided that where Socialisation is being applied in relation to a New Expansion, the existing Reference Tariffs are determined after being adjusted in a manner consistent with the proposed cost allocation principles for that New Expansion and based on the projected Expansion Costs and volumes) (**Highest Tariff**); and

(2) whether the Highest Tariff would, on a \$/ntk Basis, decrease if the costs and volumes on which the Highest Tariff is based and, as applicable:

- the Expansion Costs (and volumes) of the New Expansion; or
- the costs and volumes on which the next highest existing Reference Tariff applicable to the relevant Coal System on a \$/ntk Basis,

were Socialised (**Tariff Decrease**).

(B) **Step Two:** If under Step One, a Tariff Decrease:

(1) would not occur, then the relevant Socialisation examined under Step One must not proceed and, where Step One was applied in relation to a New Expansion, a new Expansion Tariff, applicable to the New Expansion, will be established in accordance with **clause 6.4.6(a)**; or

(2) would occur, then the relevant Socialisation examined under Step One must proceed with the establishment of a new aggregated Reference Tariff (**Socialised Tariff**).

- (C) Step Three: Aurizon Network must apply Step One and Step Two to the remaining next Highest Expansion Tariff (if any) for the relevant Coal System on a \$/ntk Basis and the proposed Socialised Tariff as referred to in Step Two (B) to determine if any further Socialisation should occur.
- (D) Step Four: Aurizon Network will repeat Step Three until no further Socialisation is required or possible in accordance with Step Two.
- (b) Nothing in **clause 6.4.5(a)** prevents Socialisation with the approval of the QCA regardless of the circumstances described under **clause 6.4.5(a)(i) or (ii)**.
- (c) For clarity, where **clause 6.4.5(a)(ii)** is applied in relation to a new Expansion, the process under **clause 6.4.5(a)(ii)** is only applied for the purpose of determining the Cost Allocation Proposal. Any Socialisation approved as part of that Cost Allocation Proposal will only occur after a new or amended Reference Tariff is approved by the QCA as contemplated under **clause 6.5.1**.

6.4.5 — Customised Expansions

- ~~(a) — Where an Expansion is a Customised Expansion, the Expanding Users will submit a proposed Reference Tariff to Aurizon Network (copying the QCA) that gives effect to the Expansion Pricing Principles, taking into account the extent of any agreement between Expansion Stakeholders.~~
- ~~(b) — The QCA will determine the Reference Tariffs for the Customised Expansion in its consideration of the Pricing Proposal.~~

6.4.6 Reference Tariffs

- ~~(a) — Any applicable Reference Tariff determined under this **clause 6.4** will apply instead of the System Reference Tariff for that Coal System.~~
- ~~(b)(a) — Every Expansion Tariff must have a separate:

 - (i) relevant Allowable Revenue (adjusted to recognise all revenue that Aurizon Network receives from all sources that enables it recover the costs of the Expansion); and
 - (ii) Gtk Forecast based on 100% contracted volumes,
 that can be used to calculate that Expansion Tariff under **Schedule F**. For clarity, an Expansion Tariff will be calculated based on contracted volumes and, when a Take or Pay applies to the Expansion, it will be calculated in accordance with **clause 3.3(n)** of **Schedule F**.~~
 - (c) ~~Notwithstanding any provision of this **clause 6.4**, the QCA may determine (in its sole discretion) the level of any Expansion Tariff and the extent to which Socialisation of any Expansion should occur. Any~~

~~such determination must have regard to the requirements of section 138(2) of the Act and will be final and binding on Aurizon Network.~~

~~(d) At a later date, Aurizon Network must prepare and submit to the QCA a draft amending access undertaking for the applicable Reference Tariff. The draft amending access undertaking must have an applicable Reference Tariff determined in accordance with this clause 6.4 and approved by the QCA.~~

~~(e)~~(b) If ~~an~~two (2) or more Expansion Tariffs ~~continue to exist~~s for any Coal System, Aurizon Network must undertake a review in consultation with the QCA at least once every twelve (12) Months, whether Socialisation of any of those Expansion Tariffs should occur in accordance with clause 6.4.5.

6.4.7 Allocation of Asset Replacement and Renewal Expenditure

- (a) Subject to **clause 6.4.6(a)**, all Asset Replacement and Renewal Expenditure in respect of capital expenditure projects relating to a Coal System must only be included in the capital costs relevant to the calculation of the System Reference Tariff.
- (b) To the extent that Asset Replacement and Renewal Expenditure is necessary for an Expansion to which an Expansion Tariff applies or will apply, then that Asset Replacement and Renewal Expenditure will be treated as part of the cost of that Expansion, subject to any applicable Cost Allocation Proposal accepted by the QCA under clause 6.4.3 ~~for the purposes of calculating the Expansion Tariff to be approved by the QCA.~~

6.4.8 Indicative Access Charge

- (a) Where **clause 6.4** applies in respect of an Expansion and the applicable Reference Tariff has not yet been determined, this does not affect Aurizon Network's obligations to negotiate Access and enter into an Access Agreement provided that Aurizon Network may enter into an Access Agreement with the relevant Access Seeker on the basis of an indicative Access Charge (taking into account any applicable ~~Pricing Proposal~~Cost Allocation Proposal accepted by the QCA under **clause 6.4.3**) subject to the Access Agreement including provisions which provide that after the applicable Reference Tariff is determined:
 - (i) the Access Agreement will be amended to include an Access Charge based on that Reference Tariff; and
 - (ii) the Access Seeker and Aurizon Network will account to each other for any under or over recovery of Access Charges during the period when the indicative Access Charge was applied.

6.4.9 Interaction with Access Charges for new or additional coal carrying Train Services that involve the use of Private Infrastructure

- (a) Where a new or additional coal carrying Train Service involves the use of Private Infrastructure, **clause 6.4.4** and **clause 6.3.1(c)** must be applied concurrently for the purposes of setting an Access Charge.

6.5 Process for acceptance of new Reference Tariff

6.5.1 Process

- (a) Where ~~Aurizon Network is negotiating Access Charges for Access Rights and~~ a new or amended Reference Tariff is ~~to be applied~~required or permitted under **clause 6.4** ~~in respect of those Access Charges (including where an existing Reference Tariff is to be amended to be consistent with a Cost Allocation Proposal approved by the QCA),~~ Aurizon Network will submit to the QCA a draft amending access undertaking under the Act for that a proposed new or amended Reference Tariff ~~to the QCA~~. ~~The QCA will:~~
- ~~(i) publish the proposed Reference Tariff;~~
 - ~~(ii) invite persons to make submissions on the proposed Reference Tariff to the QCA within a reasonable period of time specified by the QCA; and~~
 - ~~(iii) consider any submission it receives within that period of time.~~
- (b) Without limiting the matters the QCA must consider under the Act, ~~the~~ QCA may approve a proposed new or amended Reference Tariff ~~for a new Reference Train Service~~ only if the QCA is satisfied that the proposed Reference Tariff has been prepared in a way consistent with this Undertaking.:
- ~~(i) is satisfied that the proposed Reference Tariff is consistent with this Undertaking;~~
 - ~~(ii) considers it appropriate to do so having regard to the factors listed in section 138(2) of the Act; and~~
 - ~~(iii) for a resubmitted proposed Reference Tariff, is satisfied that Aurizon Network has in all material respects addressed the matters referred to in the relevant notice by the QCA under clause 6.5.1(f).~~
- (c) If the QCA approves the proposed Reference Tariff:
- (i) it will apply from the earlier of:
 - (A) the date of the QCA's decision; and
 - (B) if Aurizon Network and the Access Seeker have entered into an Access Agreement under **clause 6.4.8**, the date of that Access Agreement,

except where the QCA specifies a later date in its decision, in which case the proposed Reference Tariff will apply from that date;

- (ii) the QCA will give Aurizon Network a notice in writing stating the reasons for its decision at the time of publishing its decision; and
- (iii) Aurizon Network must:
 - (A) publish a new version of **Schedule F** which includes the new or amended Reference Tariff; and
 - (B) advise Access Holders and Access Seekers, in respect of the Train Services to which the new or amended Reference Tariff applies, that the new or amended Reference Tariff has been approved.
- (d) If the QCA is considering refusing to approve the proposed Reference Tariff:
 - (i) it must give Aurizon Network a draft of its decision (including a statement of reasons including the way it considers the Reference Tariff should be adjusted);
 - (ii) Aurizon Network may, within twenty (20) Business Days after being given that draft decision (or such longer period as agreed by the QCA), revise the proposed Reference Tariff and/or provide additional information supporting its view that the proposed Reference Tariff should be approved; and
 - (iii) the QCA must consider that revision and/or additional information when deciding whether to approve or refuse to approve the proposed Reference Tariff.
- ~~(e) If the QCA refuses to approve the proposed Reference Tariff, the QCA must give Aurizon Network a notice of the QCA's decision (including a statement of both its reasons and the way in which it considers the proposed Reference Tariff should be amended).~~
- ~~(f) If the QCA refuses to approve the proposed Reference Tariff, Aurizon Network may resubmit the proposed Reference Tariff with amendments and **clauses 6.5.1(a) to (e)** apply to that resubmitted Reference Tariff.~~
- (g)(e) For the purposes of this **clause 6.5.1**:
 - (i) a proposed Reference Tariff submitted by Aurizon Network must include a new or reviewed Allowable Revenue and Gtk Forecast to the extent applicable to that proposed Reference Tariff; and
 - (ii) the QCA in approving a proposed Reference Tariff must also approve the new or reviewed Allowable Revenue and Gtk Forecast.

6.5.2 Access Charge review provisions

Without limitation to **clause 6.4.8**, Aurizon Network or an Access Seeker may seek to agree review provisions in an Access Agreement that is being negotiated to enable the Access Charge to be adjusted from time to time in order for those Access Charges to be consistent with changes in:

- (a) (if a Reference Tariff applies to the Train Service) the applicable Reference Tariff (including any matters under **Schedule F**); and
- (b) (if no Reference Tariff applies to the Train Service) the Access Charges agreed with other Access Seekers in respect of Train Services transporting the same commodity within the same geographical area as that Access Seeker's proposed Train Service.

A Standard Access Agreement must contain review provisions in compliance with this **clause 6.5.2**.

6.6 Pricing limits

6.6.1 Application of pricing limits

- (a) Aurizon Network will, in setting the Access Charges for an Access Seeker's proposed Train Services, establish and observe upper and lower limits for the Access Charge(s):
 - (i) for individual Train Services; and
 - (ii) for combinations of Train Services comprised of the proposed Train Services and other Train Services to the extent that they use the same Rail Infrastructure as that which would be used by the proposed Train Services,
at levels:
 - (iii) which ensure there is no Cross Subsidy between individual Train Services or combinations of Train Services (as applicable); and
 - (iv) determined in accordance with **clause 6.6.2**.
- (b) Subject to the approval of the QCA, Aurizon Network may:
 - (i) establish a new Reference Tariff; or
 - (ii) vary an existing Reference Tariff in a way,
that is inconsistent with **clause 6.6.2(a)(ii)**, for the primary purpose of promoting efficient investment by either Aurizon Network or another person in the relevant transport supply chain.

6.6.2 Setting price limits

- (a) In setting the Access Charges for an Access Seeker's proposed Train Services, Aurizon Network will do so such that, over the Evaluation Period, the Expected Access Revenue for any one of those Train Services and any combination of Train Services comprised of the proposed Train Services and other Train Services to the extent that

they use the same Rail Infrastructure as that which would be used by the proposed Train Services is:

- (i) no less than the level that will recover the expected Incremental Cost of providing Access for that Train Service or that combination of Train Services (as applicable); and
 - (ii) no more than the level that will recover the expected Stand Alone Cost of providing Access for that Train Service or that combination of Train Services (as applicable).
- (b) [If Aurizon Network includes an Access Charge in an Access Agreement that does not comply with clause 6.6.2\(a\)\(i\), then Aurizon Network will not be in breach of clause 6.6.2 provided that Aurizon Network complies with clause 6.2 in subsequently setting an Access Charge for another Access Seeker for a Train Service that transports the same specified commodity in the same specified geographic area.](#)

6.6.3 *Application of Maximum Allowable Revenue*

- (a) Without limitation to **clause 6.6.2(a)**, where it is necessary to calculate the price limit referred to in **clause 6.6.2(a)(ii)** for the purposes of setting or reviewing a Reference Tariff, the Stand Alone Cost for the Evaluation Period for the Train Services to which the Reference Tariff relates will be the Maximum Allowable Revenue.
- (b) The Maximum Allowable Revenue means the aggregate of the maximum amount of Expected Access Revenue attributable to a section of Rail Infrastructure for the relevant Train Services using that section of Rail Infrastructure over the Evaluation Period.
- (c) The Maximum Allowable Revenue will be measured such that the net present value of the cashflows associated with providing Access for the relevant Train Services over the Evaluation Period is zero. This measurement can be expressed as:

$$0 = -AV_o + \sum_{t=1}^n \frac{(MAR_t - C_t - M_t - T_t)}{(1 + ROA)^t} + \frac{AV_n}{(1 + ROA)^n}$$

where:

- AV_o is the value of assets reasonably expected to be required for the Stand Alone provision of Access for the Train Services, assessed in accordance with **clause 6.6.3(e)**, at the commencement of the Evaluation Period;
- n is the number of years in the Evaluation Period;
- t is each year within the Evaluation Period from 1 to n;
- MAR_t is the Maximum Allowable Revenue for the Train Services expressed as revenue that may be earned in each year of the Evaluation Period;

- C_t is the capital expenditure for assets reasonably expected to be required for the Stand Alone provision of Access for the Train Services in each year of the Evaluation Period;
- M_t is the Efficient Cost, including operating and maintenance costs, business and corporate overheads and QCA Levy, reasonably expected to be incurred for the Stand Alone provision of Access for the Train Services in each year of the Evaluation Period;
- ROA is the relevant rate of return commensurate with the commercial and regulatory risks involved in nominal post tax terms (with the cost of debt expressed on a before tax basis), as agreed by Aurizon Network and the QCA or, failing such agreement, as determined by the QCA;
- T is the tax expense assessed through the application of the statutory tax rate for corporations to the taxable income reasonably expected to be earned through the Stand Alone provision of Access for the Train Services in each year of the Evaluation Period, where such tax expense is reduced in each year by the application of the gamma factor, reflecting the market value of dividend imputation, as agreed by Aurizon Network and the QCA or, failing such agreement, as determined by the QCA; and
- AV_n is the value of assets reasonably expected to be required for the Stand Alone provision of Access for the Train Services, assessed in accordance with **clause 6.6.3(e)**, at the end of the Evaluation Period.
- (d) For the purpose of determining the variables under **clause 6.6.3(c)**, the assumed traffic task resulting from the Train Services over the Evaluation Period is the forecast, as reasonably determined by Aurizon Network, for the traffic task resulting from the Train Services over the Evaluation Period (including making allowance for any changes in traffic task that are expected to result from the commencement of projects that impact significantly on the traffic task).
- (e) The value of assets used in **clause 6.6.3(c)** will be determined by reference to:
- (i) the Regulatory Asset Base, as maintained in accordance with **Schedule E**; or
 - (ii) if a value cannot be determined under **clause 6.6.3(e)(i)**, the Depreciated Optimised Replacement Cost methodology.

6.7 Pricing objectives

6.7.1 *Rail Infrastructure utilisation*

(a) Aurizon Network may establish different Access Charges for non-coal carrying Train Services serving different markets or commodities to maximise the commercially viable use of Capacity while meeting, in aggregate, the Common Costs.

(b) Subject to **clause 6.7.1(c)**, if Aurizon Network can evidence to the QCA that:

(i) the Available Capacity is insufficient to satisfy the requests for Access Rights of all current and likely Access Seekers; and

(ii) an Expansion to provide additional Capacity is not commercially feasible in the circumstances,

then:

(iii) Aurizon Network may determine the highest Access Charge for a Train Service that it is likely to achieve from the current or likely Access Seekers based on the characteristics of the relevant Reference Train Service for the applicable Coal System (including the terms of the relevant Standard Access Agreement) (**Maximum Access Charge**);

(iv) the Maximum Access Charge may be quoted to all Access Seekers in respect of the Available Capacity irrespective of:

(A) any Access Seeker's ability to contribute to the Common Costs; or

(B) the Access Charges payable in existing Access Agreements for similar Train Services; and

(v) if Aurizon Network:

(A) has received Mutually Exclusive Access Applications;

(B) chooses to allocate Available Capacity to one of those Access Seekers for an Access Charge less than the Maximum Access Charge; and

(C) another of those Access Seekers is willing to pay an Access Charge equal to the Maximum Access Charge,

then, when determining the Maximum Allowable Revenue in accordance with **clause 6.6.3** for Train Services using that constrained section of Rail Infrastructure, the Access Charge for the Access Seeker will be assumed to be the Maximum Access Charge. For the purpose of **clause 6.7.1(b)(iv)(B)**, Aurizon Network does not make a choice to allocate

Available Capacity in a particular way where Aurizon Network's allocation is necessary for compliance with any Law (including any Passenger Priority Obligation or Preserved Train Path Obligation).

- (c) **Clause 6.7.1(b)** does not apply in respect of setting Access Charges in relation to Train Services for which a Reference Tariff applies. For clarity, as Reference Tariffs are intended to apply to all coal carrying Train Services, **clause 6.7.1(b)** will not apply in respect of coal carrying Train Services.

6.8 Revenue adequacy

Aurizon Network is entitled to earn revenue from the provision of Access that is at least enough to:

- (a) meet the Efficient Costs of providing Access; and
- (b) provide a rate of return on the value of assets commensurate with the regulatory and commercial risks involved.

6.9 Reference Tariffs

6.9.1 *Application of Reference Tariffs*

- (a) A Reference Tariff is one means by which Aurizon Network provides Access Seekers with information about the matters listed in sections 101(2)(a) to (c) of the Act, ~~but is not intended to fully discharge Aurizon Network's obligations under those sections.~~
- (b) Unless otherwise approved ~~or required~~ by the QCA, Aurizon Network must calculate the Access Charges for all coal carrying Train Services to which a Reference Tariff applies on a basis that comprises all of the following elements:
 - (i) an incremental maintenance component that is levied on a gtk basis – referred to as AT₁;
 - (ii) an incremental capacity component that is levied on a Train Path basis – referred to as AT₂;
 - (iii) a component that is levied on a ntk basis – referred to as AT₃;
 - (iv) a component that is levied on a nt basis – referred to as AT₄;
 - (v) an electric access tariff that is levied on an egtk basis (if appropriate) – referred to as AT₅;
 - (vi) an electric energy charge that is levied on an egtk basis (if appropriate) – referred to as EC; and
 - (vii) the QCA Levy levied on a nt basis,and including any other amount that may be included in an Access Charge in accordance with this Undertaking.

6.9.2 *Review of Reference Tariffs*

Schedule F will specify the period for which a Reference Tariff is effective and how the Reference Tariff may be reviewed during that period.

6.9.3 *Publishing updated Schedule F*

Where any matters in **clauses 7 to 12** of **Schedule F** are amended or varied from time to time, including where the QCA approves any revisions or other adjustments to Allowable Revenues, GtK Forecasts or Reference Tariffs in accordance with this Undertaking, Aurizon Network must publish a new version of those **clauses 7 to 12** of **Schedule F** which includes that amendment, variation, revision or adjustment.

6.10 **Structure of non-Reference Tariff Access Charges**

Where there is no Reference Tariff applicable for a Train Service (for example, a passenger or non-coal freight Train Service), the structure of Access Charges for that Train Service will be negotiated with the relevant Access Seeker depending on their particular requirements and, without limiting Aurizon Network's and the relevant Access Seeker's discretion to agree a structure, may include any one or more of the following:

- (a) an initial upfront component as a condition to being granted Access Rights;
- (b) an ongoing periodic fixed component independent of the level of usage of the Rail Infrastructure; and
- (c) one or more ongoing variable components based on usage of the Rail Infrastructure.

6.11 **QCA Levy**

Access Charges for any Train Service may include a QCA Levy component to be collected for the QCA by Aurizon Network. This component of Access Charges will, where applicable, be determined from year to year based on the QCA Levy levied by the QCA to Aurizon Network and allocated amongst Train Services in a manner approved by the QCA.

6.12 **Regulatory Asset Base**

Aurizon Network will maintain the Regulatory Asset Base in accordance with **Schedule E**.

~~6.13 — Access Conditions~~

~~6.13.1 — Use of Access Conditions~~

- ~~(a) — Aurizon Network and an Access Seeker, each acting reasonably, may agree to Access Conditions before the Access Seeker is granted Access Rights, to the extent that this is reasonably required in order to mitigate Aurizon Network's or the Access Seeker's exposure to any additional costs or risks associated with providing Access for the Access Seeker's proposed Train Service and which are not, or would~~

not, be included in the calculation of the Reference Tariff based on the Approved WACC.

6.13.2 Approval of Access Conditions

- (a) If Aurizon Network intends to commence negotiating Access Conditions (or continue doing so where negotiations for the provision of Access were already underway at the Approval Date) it must issue to all relevant Access Seekers, Customers and the QCA a report which details:
- (i) the Access Conditions that Aurizon Network is seeking from any Access Seeker;
 - (ii) quantification of the additional costs or risks Aurizon Network is exposed to (the **Additional Risks**), which it is seeking to mitigate through the Access Conditions;
 - (iii) why Aurizon Network's exposure to the Additional Risks would not be:
 - (A) reasonably mitigated by an Access Agreement which permits Aurizon Network to charge Access Charge(s) calculated in accordance with a Reference Tariff based on the Approved WACC and 100% take or pay commitments; or
 - (B) more efficiently mitigated through insurance or other financial instruments;
 - (iv) to the extent that the Access Conditions being sought indicate Access Charges being calculated based on:
 - (A) adjustments to cash flows, evidence that there are risks not mitigated by the other Access Conditions being sought, and the adjustments are reflective of the possible outcomes and probabilities of the outcomes as a consequence of such risks; and/or
 - (B) a Varied WACC, evidence that there is either a materially different risk-free rate or debt margin, or that, as a result of the Aurizon Network funding a capital expenditure project, Aurizon Network would have a materially different gearing ratio or credit rating, from that which was assessed at the time the Approved WACC was determined by the QCA;
 - (v) confirmation that Aurizon Network considers the proposed Access Conditions would not contravene a provision of this Undertaking or the Act.
- (b) If the QCA has reason to believe that Aurizon Network has commenced negotiating Access Conditions in respect of the provision of Access prior to providing a report as required by **clause 6.13.2(a)**, it may require Aurizon Network to:

- ~~(i) produce a report in accordance with **clause 6.13.2(a)** within ten (10) Business Days; and~~
- ~~(ii) cease negotiating Access Conditions until such a report has been provided.~~
- ~~(c) Aurizon Network and the Access Seekers may, after Aurizon Network has provided the report required by **clause 6.13.2(a)**, negotiate for sixty (60) days on the terms of those Access Conditions, provided that:
 - ~~(i) either Aurizon Network or any Access Seeker may apply to the QCA for an extension to the negotiation period (subject to the period not being extended to more than one hundred and twenty (120) days unless a majority of Access Seekers request such an extension); and~~
 - ~~(ii) an Access Seeker may refer the proposed Access Conditions to the QCA for a determination at any time during the negotiation period (although the QCA may decline to make a determination until the negotiation period has expired where it considers a prior referral is vexatious or the referring party has not engaged in the negotiation of Access Conditions in good faith).~~~~
- ~~(d) Following receipt of the report required by **clause 6.13.2(a)**, the QCA will invite and consider comments from relevant stakeholders regarding the proposed Access Conditions.~~
- ~~(e) To the extent that all Access Seekers agree to the Access Conditions sought by Aurizon Network during the period in **clause 6.13.2(c)**, the QCA will approve the proposed Access Conditions, unless the QCA is satisfied:
 - ~~(i) it would be contrary to the public interest, including the public interest in having competition in markets;~~
 - ~~(ii) it is reasonably expected to disadvantage Access Seekers, Access Holders, or other stakeholders which will not be parties to the Access Agreements containing the Access Conditions;~~
 - ~~(iii) Aurizon Network has failed to provide Access Seekers with the report required by **clause 6.13.2(a)**; or~~
 - ~~(iv) it would contravene a provision of this Undertaking or the Act.~~~~
- ~~(f) To the extent that only some or none of the Access Seekers agree to the Access Conditions sought by Aurizon Network during the period in **clause 6.13.2(c)**, the QCA may approve the proposed Access Conditions if it is satisfied that:~~

- ~~(i) the Access Conditions are reasonably required in order to mitigate Aurizon Network's exposure to the Additional Risks associated with providing Access;~~
- ~~(ii) Aurizon Network's exposure to the Additional Risks would not be:
 - ~~(A) reasonably mitigated by an Access Agreement which permits Aurizon Network to charge Access Charge calculated in accordance with a Reference Tariff based on the Approved WACC and 100% take or pay commitment; or~~
 - ~~(B) more efficiently mitigated through insurance or other financial instruments;~~~~
- ~~(iii) to the extent a proposed Access Condition includes Access Charges being based on adjustments to cash flows, there are risks not mitigated by other Access Conditions being sought, and that the adjustments are reflective of the possible outcomes and probabilities of the outcomes as a consequence of such risks;~~
- ~~(iv) the proposed Access Conditions would not be contrary to the public interest, including the public interest in having competition in markets;~~
- ~~(v) the proposed Access Conditions would not be reasonably expected to disadvantage Access Seekers, Access Holders, or other stakeholders which will not be parties to the Access Agreements containing the Access Conditions;~~
- ~~(vi) Aurizon Network has provided Access Seekers with the report required by **clause 6.13.2(a)**; and~~
- ~~(vii) the proposed Access Conditions would not contravene a provision of this Undertaking or the Act.~~
- ~~(g) To the extent that the QCA refuses to approve some or all of the Access Conditions sought by Aurizon Network:
 - ~~(i) the QCA must publish its decision regarding the Access Conditions it approves (which may include Access Conditions not initially sought by Aurizon Network); and~~
 - ~~(ii) Aurizon Network must, within 30 days of the QCA's decision, elect to either:
 - ~~(A) proceed to negotiate Access with Access Seekers on the basis of the Access Conditions which have been approved by the QCA; or~~
 - ~~(B) enter into negotiations for a separate arrangement with Access Seekers that will be regarded as entirely outside the scope of (and not covered in~~~~~~

~~any way by) this Undertaking and hence subject, in their entirety, to the application of Division 5 of Part 5 of the Act.~~

~~**6.13.3 Prohibited Access Conditions**~~

~~Aurizon Network must not seek to impose, and the QCA will not approve under **clause 6.13.2**, any Access Condition that:~~

- ~~(a) restricts Access Seekers from raising disputes with the QCA or disclosing proposed Access Conditions or other contract terms to the QCA; or~~
- ~~(b) requires Access Seekers or Access Holders, to disclose information that is confidential to one or more of them, to any other Access Holder or Access Seeker, in circumstances other than those permitted by this Undertaking; or~~
- ~~(c) results in Aurizon Network earning an Access Charge based on a Varied WACC or otherwise earning above the return provided by Reference Tariffs based on the Approved WACC, other than as approved by the QCA under **clause 6.13.2**.~~

Part 12 Definitions and Interpretation

12.1 Definitions

In this Undertaking these terms have the following meanings:

<u>\$/ntk</u>NT Basis	Converted to a single <u>\$/ntk</u> value on the basis of the applicable <u>Nominal Train Payload</u> <u>ntk</u> <u>calculated assuming that nt equals the Nominal Train Payload.</u>
Access Conditions	Conditions additional to those in the Standard Access Agreement, whether the conditions are contained in an Access Agreement or a separate agreement, that mitigate Aurizon Network's or the relevant Access Seeker's exposure to any additional costs or risks associated with providing Access for that Access Seeker's proposed Train Service(s) and which are not, or would not, be included in the calculation of the Reference Tariff based on the Approved WACC, including conditions requiring: <ul style="list-style-type: none">(a) an upfront contribution;(b) a payment of an Access Facilitation Charge;(c) a prepayment of all or part of an Access Facilitation Charge;(d) a bank guarantee or other security that is unconditional, irrevocable, payable on demand and otherwise in a form acceptable to Aurizon Network, acting reasonably, to support payment of an amount (including, for example, payment of an Access Facilitation Charge);(e) the forfeiting of any right to relinquish Access Rights that may arise under this Undertaking; or(f) Access Charges being calculated on the basis of a Varied WACC or other risk adjustments to projected cash flows; but which are not inconsistent with the Act. Such Access Conditions are subject to approval by the QCA in accordance with clause 6.13.2 of this Undertaking.
Approved PIC	For the purposes of clause 6.3 : <ul style="list-style-type: none"><u>(a) Private Incremental Costs that have been approved by the QCA as prudently and efficiently incurred in accordance with clause 6.3.26.3.1 (as maintained in accordance with clause 6.3.2(d)); or</u><u>12.1.1(b) where the QCA has not approved Private Incremental Costs under clause 6.3.2, zero unless and</u>

[until those Private Incremental Costs are approved by the QCA.](#)

ntk

The net tonne kilometres attributed to the relevant Train Service, being the ntk for the Train Service multiplied by the distance (in kilometres) from origin to destination for the Train Service as set out, from time to time, in the Access Agreement relating to that Train Service or, where there is no Access Agreement or the Access Agreement does not set out that distance, as determined by Aurizon Network (acting reasonably).

Private Efficient Cost

For the purposes of **clause 6.3**, the cost for each Year, during the period for which the relevant Reference Tariff will apply, that reflects the costs that would be reasonably expected to be incurred by a Railway Manager adopting efficient work practices in the provision of the relevant Private Infrastructure to the required service standard.

Private Incremental Costs

For the purposes of **clause 6.3**, those [capital](#) costs of providing access to the relevant Private Infrastructure, including capital (renewal and expansions) costs, that would not be incurred (including the cost of bringing expenditure forward in time) if the particular Train Service or combination of Train Services (as appropriate) did not operate, where those costs:

- (a) are assessed as Private Efficient Costs and based on the assets reasonably required for the provision of access to the relevant Private Infrastructure;
- (b) have been reviewed and ~~endorsed~~ [approved](#) by the QCA; and [\[Note: We are not sure how \(b\) is relevant given the way that this term is used. The PIC only feeds into the Approved PIC and the Approved PIC has been approved by the QCA. The QCA's drafting suggests that the PIC is approved by the QCA and then the Approved PIC is approved by the QCA. However, it is only the Approved PIC that has any direct application and it is only the Approved PIC that needs the QCA's approval.\]](#)
- (c) have been submitted to Aurizon Network by the owner or operator of the relevant Private Infrastructure for the purpose of calculating the relevant tariffs. [\[Note: We are not sure how \(c\) is relevant given the way that this definition is used.\]](#)