



2010 Access Undertaking

FY 2012-13 Annual Review of Reference
Tariffs

March 2012

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, which would have an effect on System Allowable Revenues and Reference Tariffs in the forthcoming year(s):

- 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 2010/11 year;
- Revised connection costs due to the revised electric gross-tonne-kilometre (gtk) forecasts for the 2012/13 year for the Blackwater and Goonyella systems;
- The revenue adjustment amounts as a result of the Revenue Adjustment Amount (Revenue Cap) Submission submitted to the QCA on 29 September 2011.

Taken together, these adjustments will affect System Allowable Revenues and Reference Tariffs for 2012/13. The Submission includes commentary 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 will 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 3 February 2012, QR Network sought an extension to the due date for lodgement of the Submission to 28 March 2012 on the basis that outstanding matters associated with 2010/11 Take or Pay amounts would not be resolved before the end of February 2012, and that it was reasonable and necessary to reflect the resolution of these matters in the Reference Tariffs for 2012/13. These matters are explained in the Revenue Cap submission. The QCA accepted QR Network's request for an extension in its approval of the 2010-11 Revenue Cap Application on 24 February 2012.

As at the date of the Submission, the matters associated with 2010/11 Take or Pay amounts are yet to be resolved. The matters relate to the following:

- Transfer of entitlements, the Access Holder's position has been rejected; and
- Capping of UT3 Take or Pay amounts, the Access Holder's position has been accepted.

The matters are discussed in detail in the Revenue Cap submission. The matters have proceeded to expert determination in accordance with the relevant provisions of the Standard Access Agreement, and a formal decision is expected during April 2012.

Consistent with the February letter to the QCA, the Submission has been prepared consistent with the QCA's approval of the Revenue Cap submission. To the extent that the expert determination changes the Revenue Adjustment Amounts approved by the QCA, the QCA will be informed via an addendum to this submission to reflect the impact of the decision on the Revenue Cap Adjustment Amounts and subsequent changes to the relevant Reference Tariff components. This approach will assist the QCA in making a decision on the Reference Tariffs by the 4 July 2012 deadline required under clause 3.1.2 of Schedule F, Part B.

In view of the above, the Submission represents compliance by QR Network with Clause 3.1.1 in respect of the 2012/13 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 2012/13 have been adjusted to reflect:

- (a) A variation to the applicable System Allowable Revenue for the relevant Year due to an adjustment to 2nd 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.

The System Allowable Revenues for 2012/13 have been 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 Amounts.

1.4 Form of Submission

The Submission details the methodology, data and assumptions used to determine the revision to Reference Tariffs for the 2012/13 Year, being the 2nd year subsequent to the year covered by the 2010/11 Revenue Cap submission.

The Reference Tariff variations cover the AT₂₋₄ Reference Tariff components for the Blackwater, Goonyella, Moura and Newlands systems, and the AT₅ 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 impact on the System Allowable Revenues as a result of the adjustments to Maintenance and Operating Costs, in accordance with Clause 3.4.1(b).
- Section 4 sets out the revised System Forecasts for 2012/13 and the subsequent impact on the System Allowable Revenues as a result of these revised forecasts.
- Section 5 aggregates all the abovementioned non-Revenue Cap impacts and shows their combined impact on System Allowable Revenues and Reference Tariffs.
- Section 6 sets out the 2010/11 Revenue Cap adjustments and their impacts on System Allowable Revenues and Reference Tariffs.

The Systems Forecasts for the Newlands and Goonyella systems exclude activity associated with the Goonyella to Abbot Point Expansion (GAPE) project. A separate Draft Amending Access Undertaking (DAAU) including tonnage forecast has been prepared for these traffics.

Details as to the monthly profiling of the System Forecasts are provided at Attachment A. The 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 and the 2011/12 Reference Tariff Variation Submission 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;

- 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;
- 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 for each system in the Central Queensland Coal region (CQCR) for the 2012/13 year are summarised in the table below.

System	System gtk (,000gtk)
Blackwater	33,156,845
Goonyella	33,123,213
Moura	3,877,217
Newlands	3,494,066
Total	73,651,340

Details as to the monthly profiling of the System Forecasts are provided at Attachment A. A discussion of the methodology and information relied at arriving at the proposed System Forecasts 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 2012/13 are inclusive of the Revenue Cap adjustments for 2010/11.

2012/13		
System	AT ₂₋₄ \$m	AT ₅ \$m
Blackwater	263,772,948	106,187,096
Goonyella	257,426,483	94,568,399
Moura	43,817,275	n/a
Newlands	34,561,620	n/a

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 2010/11.

2012/13						
System	AT ₁ \$	AT ₂ \$	AT ₃ \$	AT ₄ \$	AT ₅ \$	EC \$
Blackwater	0.84	1,970.11	5.54	1.88	5.39	0.88
Goonyella	0.58	1,248.18	5.47	1.17	2.85	0.88
Moura	1.56	590.12	10.17	1.27	n/a	n/a
Newlands	1.63	263.85	7.43	1.05	n/a	n/a

The AT₃ and AT₄ Reference Tariff components above do not include an adjustment to compensate for the lower AT₁ revenue associated with the lower revised Regulatory Forecast. This treatment is consistent with the QCA's Final Decision on the 2011/12 Reference Tariff Variation Submission.

Details of the Reference Tariffs and specific premiums or discounts to the Reference Tariffs, exclusive and inclusive of the Revenue Cap adjustments, are provided in the following sections. No changes are proposed to the AT₁, AT₂ 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 2012/13 within this section.

2.2 Approved System Allowable Revenues

The UT3 System Allowable Revenues for 2012/13 as at the Approval Date are shown in the table 2.1.

Table 2.1 Original Approved System Allowable Revenues

2012/13		
System	AT ₂₋₄ \$m	AT ₅ \$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

The revised System Allowable Revenues for 2012/13 approved by the QCA in the 2011-12 Annual Review of Reference Tariffs are shown in Table 2.2.

Table 2.2 Current Approved System Allowable Revenues

2012/13		
System	AT ₂₋₄ \$m	AT ₅ \$m
Blackwater	236,073,589	82,404,883
Goonyella	265,363,355	82,146,208
Moura	43,468,298	n/a
Newlands	31,320,651	n/a

2.3 Approved Reference Tariffs

The approved UT3 Reference Tariffs for 2012/13 as at the Approval Date are shown in table 2.3.

Table 2.2 Original Approved Reference Tariffs

2012/13					
System	AT ₁ \$	AT ₂ \$	AT ₃ \$	AT ₄ \$	AT ₅ \$
Blackwater	0.84	1,970.11	4.33	1.46	4.53
Goonyella	0.58	1,248.18	4.35	0.93	1.95
Moura	1.56	590.12	9.57	1.19	n/a
Newlands	1.63	263.85	6.01	0.85	n/a

The EC rate was amended \$0.88 per '000 egtk via an Endorsed Variation Event approved by the QCA in May 2011.

3. MCI and CPI Impacts on Maintenance and Operating Cost Forecasts

3.1 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.

Given that later year forecasts are determined by moving forward previous year's figures, the forecasts for 2012/13 are now updated to reflect the actual 2010/11 MCI and CPI figures.

3.2 Maintenance and Operating Cost Forecasts

Table 3.1 outlines the original and revised maintenance cost forecasts:

Table 3.1 MCI Adjustments to Maintenance Costs

Maintenance Costs	2012/13
QCA Allowance (\$2007/08)	\$156,887,395
Forecast Allowance Original (nominal values)	\$180,394,151
Forecast Allowance updated for actual 2010/11 MCI	\$182,172,309
Maintenance Cost Adjustment	\$1,778,158

The compounding effect of the 2009-10 and 2010-11 actual MCI movements and the consequential variation between the original and revised MCI forecast for 2011-12 and 2012-13 has resulted in an increase to the maintenance cost forecasts of \$1.78 million for 2012/13.

Table 3.2 outlines the original and revised operating cost forecasts.

Table 3.2 CPI Adjustments to Operating Costs

Operating Costs	2012/13
QCA Allowance (\$2007/08)	\$51,980,000
Forecast Allowance Original (nominal values)	\$56,927,976
Forecast Allowance updated for actual 2010/11 CPI	\$57,681,023
Operating Cost Adjustment	\$753,047

The compounding effect of the 2009-10 and 2010-11 actual CPI movements and the consequential variation between the original and revised CPI forecast for 2011-12 and 2012-13 has resulted in an increase to the operating cost forecasts of \$0.75 million for 2012/13.

As noted in the 2011 Draft Amending Access Undertaking for Electric Traction pricing QR Network is forecasting a change in transmission pricing which would trigger the 2.5% change in pricing by a transmission service provider. QR Network expects to receive its 2012-13 pricing notification from Powerlink in April 2012. These anticipated changes in costs have not been included in this submission as they are not associated with the change in the System Forecasts. In the event the change in prices does trigger the 2.5% threshold QR Network will submit to the QCA an Endorsed Variation Event consistent with the volume forecasts included in this submission.

3.3 Incremental Impact on System Allowable Revenues

The impact of these changes on the System Allowable Revenues for 2012/13, taking into account the approved variations in 2010/11 is shown in Table 3.3.

Table 3.3 MCI and CPI Adjustment Variations to SAR

Incremental Change to System Allowable Revenues 2012/13		
System	AT ₂₋₄ \$	AT ₅ \$
Blackwater	46,795	(5,017)
Goonyella	41,130	(6,828)
Moura	7,590	n/a
Newlands	12,054	n/a

4. System Forecasts

4.1 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.

4.2 Methodology for developing System Forecasts

QR Network has adopted the following summary methodology for the development of the Systems Forecasts for 2012/13:

- 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.
- Consideration of current throughput levels and relevant demand and supply side drivers of throughput;
- Tonnages were then converted to total gtk's and electric gtk's 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 gtk's were then profiled to derive System Forecasts on a monthly basis.

The tonnages and associated gtk's, including the monthly profiling and haul-by-haul split, are consistent with QR Network's 5 year forecast of below rail activity.

This submission does not include tonnage forecasts for the Goonyella to Abbott point Train Services as these will be included in the Draft Amending Access Undertaking for the Goonyella to Abbott Point Reference Tariff.

4.3 Tonnage Forecasts

The starting point for consideration of the System Forecasts for the 2012-13 year is the current throughput levels. At the time of drafting this submission, railings for the Central Queensland Coal Region at the end of February where 113.4 mtpa. On an annualised basis this equates to approximately 170 mtpa. This can be contrasted with the approved 2011-12 System Forecast of 202 mtpa.

As noted in the 2011-12 System Forecasts submission arriving at regulatory volume forecasts is a complex exercise with numerous factors and variables influencing possible outcomes. However, the most relevant factors both demand and supply side drivers. As noted in the following sections, these drivers suggest a conservative approach should be applied in determining the 2012-13 System Forecasts.

QR Network has also sought to review publicly available information regarding individual producer or industry forecasts. For reasons of commercial sensitivity and marketing there is minimal information produced by the industry which would provide or support a robust estimate of throughput forecasts. However, QR Network notes that the recent QRC Sentiment Index identified the issue that will 'very strongly' adversely impact operations over the next 12 months (score 80 or above) as being:

Global macroeconomy (80). European and to a lesser extent US debt issues and fears of a global slowdown are undermining the confidence of lenders and customers, and in turn, resources demand and capital availability.¹

The basis for these concerns is expanded in the following section on demand side factors.

¹ Queensland Resources Council (2011) State of the Sector, December.
https://www.qrc.org.au/_dbase_upl/SOS_December2011.pdf

4.3.1 Demand Side Factors

Coal demand in the 2012/13 financial year faces two significant downside risks:

- the sovereign debt issues in Europe and contagion to other economies; and
- the rebalancing of growth in China.

Euro Crisis

The challenges posed by the debt restructuring and fiscal consolidation in Europe continue to represent a significant downside risk to the global economy, despite the €130 billion bailout package to Greece approved in March. Greece remains at risk of not meeting budget targets, as IMF Managing Director Christine Lagarde said. "Risks to the program remain exceptionally high, and there is no room for slippages." ² Furthermore, these challenges are compounded because austerity measures tend to put downward pressure on economic output and therefore government revenue, making it more difficult for countries to repay debt.

Despite recent liquidity injections by the European Central Bank, the European financial sector still faces significant risks. In countries throughout Europe real estate prices have declined and in the case of Spain this has forced private banks to recapitalize.

The implications of Europe's challenges are not isolated to that region. As acknowledged by the Reserve Bank of Australia, if the downside risks in Europe are realised "...it would lead to a severe recession in Europe, which would spill over to the rest of the world through trade, financial and confidence linkages." ³

A slowdown in construction and consumption of manufactured goods in the Euro zone and other key end markets such as the United States can be expected to dampen activity in global steel markets, in turn reducing demand for metallurgical coal.

² IMF Survey Online, 15 March 2012.

³ Reserve Bank of Australia, Statement on Monetary Policy, February 2012.

This will have implications for Australia's metallurgical coal exports. In 2011, the European Union accounted for 17 per cent of Australia's high quality coking coal exports, with 39 per cent destined for Asian economies with exposure to Europe via trade channels (Japan, South Korea and Taiwan).

A reduction in manufacturing activity and hence energy consumption will also adversely impact demand for thermal coal. 80 per cent of Australia's thermal coal is exported to Japan, South Korea and Taiwan.⁴

Rebalancing of Growth in China

Softer than anticipated economic growth in China poses a significant downside risk to Australian coal export volumes. China is the world's largest producer of steel, accounting for 46 per cent of global steel production in 2011⁵. Any slowdown in Chinese steel production has potential to significantly impact global steel markets and as a consequence Australian raw material export volumes.

Notably, Premier Wen has recently reduced China's official 2012 economic growth target to 7.5 per cent, down from 8 per cent, in an attempt to achieve more sustainable long term levels of growth. For China's most steel intensive sectors – construction and manufacturing – specific challenges are creating additional risks to the outlook for Australian exports of raw materials.

In the construction sector, conditions have been impacted by Chinese government policies implemented as a means of addressing an underlying issue of a growing lack of affordability. Consequently a range of indicators are signalling China's property market is in the process of a correction. Key measures of real estate prices are in trend decline while readings on land area purchased, floor space sold and developer sentiment are also suggestive of a softening market.

China's manufacturing sector is currently facing the risk of weakened demand for exports in light of the EU's slide into recession and the ongoing weakness in the US household sector characterised by persistently high rates of unemployment.

⁴ BREE, Resource and Energy Statistics, December quarter 2011.

⁵ World Steel Association

Consistent with the leverage of the steel market to the weakening construction and manufacturing sectors, annual growth in Chinese steel production declined over calendar 2011. This slowing in growth is also recognised by the China Iron and Steel Association, which has reduced its steel production growth estimate to 4 per cent in 2012, down from 8 per cent last year.

4.3.2 Supply Side Factors

The ongoing heavy rainfall which commenced later in the wet season than previous years has also caused flooding in Queensland mines. As seen during the 2011 floods, the process of removing water from flooded mines can take longer than anticipated, reducing coal volumes. Accordingly, it is anticipated that some Queensland mines will experience production difficulties associated with current rainfall well into the 2012-13 year.

Furthermore, a trend towards increased industrial action at mines poses a risk to coal volumes.

4.3.3 Summary

Due to these factors QR Network considers there is a wide interval of potential tonnage outcomes for 2012-13. In order to arrive at a reasonable point estimate for the 2012-13 year, the midpoint has been adopted between the annualised 2011-12 year to date tonnage performance of 170 mtpa and the 2011-12 approved regulatory forecasts of 202 mtpa. This approach yields an aggregate Central Queensland Coal Region System Forecast of 186 mtpa.

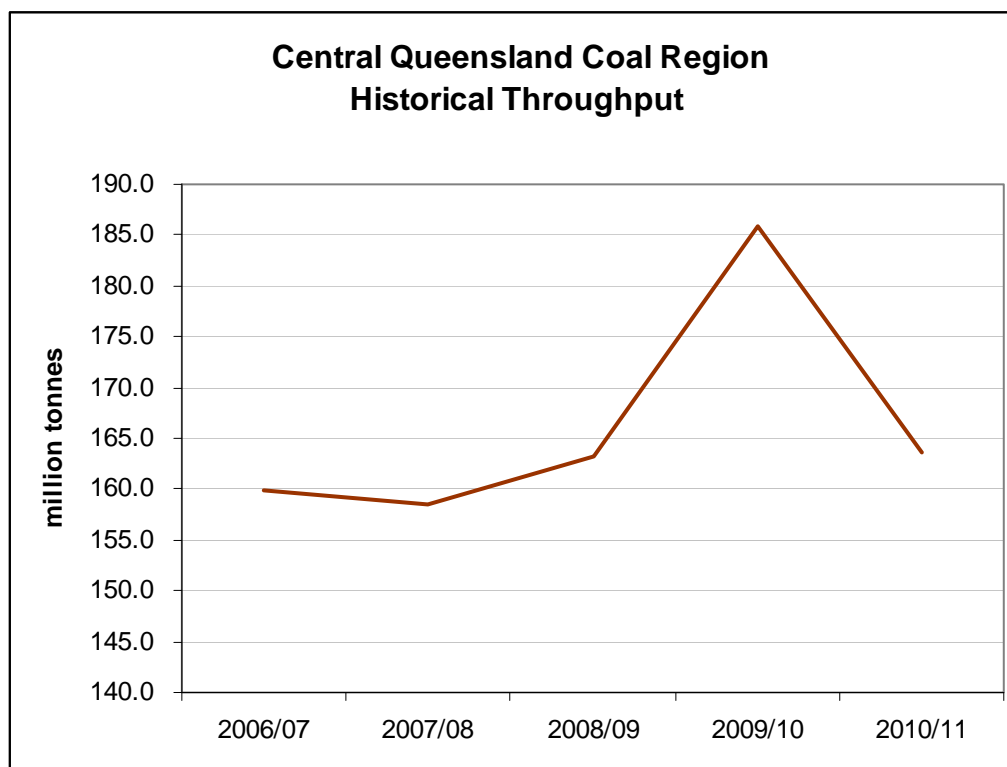
The tonnage forecasts for individual systems are set out in the table below, together with the tonnage forecasts previously approved by the QCA.

System	Annualised 2011-12 YTD Actual	2011-12 System Forecast	Proposed 2012-13 Forecasts
Blackwater	54,322,266	61,000,000	57,661,133
Goonyella	87,491,574	110,500,000	98,995,787
Moura	14,019,806	13,000,000	13,509,903
Newlands*	14,166,521	17,500,000	15,833,261
Total	170,000,167	202,000,000	186,000,084

* Excluding GAPE.

QR Network notes that as shown in the following figure the proposed forecast is commensurate with the previous record throughput performance in a post GFC recovery environment and with minimal impact from weather events.

Figure 1. Coal Tonnage Levels



The proposed volume forecasts also represent a 9.4% increase on the annualised year to date 2011-12 volumes. This is consistent with the Bureau of Resources and Energy Economics (BREE) forecast increase in thermal coal exports of 6.7%⁶ and metallurgical coal exports of 12.1%⁷. However, the metallurgical coal increase would not appear to be consistent with the recent low levels of shipping queues at the Dalrymple Bay Coal Terminal. This also points to soft demand with the terminal operating substantially below nominal weekly operating capacity.

⁶ Bureau of Resources and Energy Economics (2012) Resources and Energy Quarterly, March Quarter
<http://www.bree.gov.au/publications/resources/index.html>, Table 2, p.60

⁷ Bureau of Resources and Energy Economics (2012) Resources and Energy Quarterly, March Quarter
<http://www.bree.gov.au/publications/resources/index.html>, Table 6, p.86

QR Network has sought to arrive at a reasonable volume forecast having regard to the relevant supply and demand factors and the throughput levels under previous global economic and climatic conditions.

4.4 Diesel/Electric Split

In the Goonyella system, for AT₅ pricing purposes it has been assumed that 100% of all trains operated are electric. For 2012/13, this assumption has not changed although diesel services are expected following the completion of GAPE. In this regard, the separate DAAU will exclude any revisions to the diesel/electric mix in this system, as all GAPE traffics are proposed to be part of a new GAPE system.

In the Blackwater system, for AT₅ pricing purposes, it is necessary to assume less than 100% as not all branches (in particular the Rolleston and Minerva branches) are electrified.

The additional Blackwater feeder stations are all planned to be commissioned by June 2012. These additional feeder stations will significantly augment the capacity of the Blackwater overhead power system. QR Network has submitted to the QCA a draft amending access undertaking for changes to the access regime which would improve asset utilisation, efficiency and pricing of the Blackwater overhead power system with the objective of improving the competitiveness and sustainability of Central Queensland Coal. As this submission is still under consideration by the QCA at this time, the System Forecasts for 2012-13 have been determined with reference to expected electric train utilisation rates.

As would be expected given the aggregate System Forecasts relative to contracted Access Rights, the total gtk forecasts are lower than what might have been anticipated following commissioning of the feeder stations. Nevertheless, as shown in table 4.1 the forecast 2012-13 electric gross tonne levels are a material increase relative to previous and annualised performance YTD.

Table 4.1 Blackwater Electric Forecast

Blackwater System	2010-11 Actual	Annualised 2011-12 YTD Actual	Proposed 2012-13 Forecasts
Electric gross tonne kilometres (000's)	10,480,640	15,720,961	19,823,358

4.5 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 provided by QR National Coal.

4.6 Proposed System Forecasts

The proposed System Forecasts for each CQCR system are summarised in table 4.2.

Table 4.2 2012-13 System Forecasts

System	System gtk (,000 gtk)
Blackwater	33,156,845
Goonyella	33,123,213
Moura	3,877,217
Newlands	3,494,066
Total	73,651,340

The detailed monthly profiled System Forecasts are provided at attachment A

5. Non-Revenue Cap Adjustment Impacts

5.1 Introduction

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

- MCI and CPI adjustments; and
- Reset of Regulatory Forecast volumes for 2012/13.

The purpose of this section is to aggregate the incremental impacts from these items to show the resultant System Allowable Revenues for 2012/13. Given the proposed System Forecast figures in Section 2, this section outlines the resulting Reference Tariffs for 2012/13.

The impacts from the Revenue Cap adjustment for 2010/11 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.

5.2 Proposed System Allowable Revenues

The proposed System Allowable Revenues as a result of non-Revenue Cap adjustments are summarised for each CQCR system in table 5.1.

Table 5.1 2012-13 System Allowable Revenues (without Revenue Adjustment Amounts)

System Allowable Revenues 2012/13		
System	AT ₂₋₄ \$m	AT ₅ \$m
Blackwater	236,120,284	82,399,726
Goonyella	265,404,584	82,139,520
Moura	43,475,888	n/a
Newlands	31,332,705	n/a

5.3 Proposed Reference Tariffs

The proposed Reference Tariffs as a result of the non-Revenue Cap adjustments are summarised for each CQCR system in table 5.1.

Table 5.2 2012-13 Reference Tariffs (without Revenue Adjustment Amounts)

2012/13						
System	AT ₁ \$	AT ₂ \$	AT ₃ \$	AT ₄ \$	AT ₅ \$	EC \$
Blackwater	0.84	1,970.11	4.98	1.68	4.16	0.88
Goonyella	0.58	1,248.18	5.55	1.19	2.49	0.88
Moura	1.56	590.12	10.10	1.26	n/a	n/a
Newlands	1.63	263.85	6.70	0.95	n/a	n/a

The System Premium or System Discount for Train Services are set out in table 5.3.

Table 5.3 2012-13 System Premiums and Discounts

2012/13	
Nominated Loading and Unloading Facilities	AT ₃ \$
Stanwell	(1.74)
South West Blackwater	2.63
Minerva	1.15
Lake Vermont via Gladstone	0.00

Note: small errors due to rounding.

6. Revenue Adjustment Amounts (Revenue Cap) Impacts

6.1 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 2010/11 was outlined in QR Network's Revenue Cap Submission, submitted to the QCA on 30 September 2011. This section re-summarises the Revenue Adjustment Amounts in that submission and the resulting proposed System Allowable Revenue and Tariffs for 2012/13.

6.2 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.

6.3 Revenue Adjustment Amounts

The combined total of the Revenue Adjustment Amounts approved by the QCA for 2010/11 represented a net recovery to Access Holders of \$49.174 million, comprising recoveries of \$19.224 million for AT₂₋₄ and \$29.951 million for AT₅. These Revenue

Adjustment Amounts will result in net upwards variations in the Reference Tariffs for 2012/13.

No Increment was claimed in respect of the 2010/11 year.

The Revenue Adjustment Amounts for each CQCR system are summarised in table 6.1. These figures include a return of capital amount as required by Clause 3.4.2, Part B of Schedule F.

Table 6.1 2010/11 Revenue Cap Adjustment Amounts

2010/11			
System	AT ₂₋₄ \$m	AT ₅ \$m	Total \$m
Blackwater	22,799,820	24,511,900	47,311,720
Goonyella	(3,125,256)	11,704,350	8,579,094
Moura	341,387	n/a	341,387
Newlands	3,228,914	n/a	3,228,914
Total	23,244,865	36,216,250	59,461,116

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 ₂₋₄ \$m	AT ₅ \$m	Total \$m
2007	15.7	10.1	25.8
2008	27.8	15.8	43.6
2009	4.6	28.3	32.9
2010	(7.4)	7.2	(0.2)

6.4 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 2012/13, are provided in the table below. For clarity, these adjustments are shown as the net change to the Reference Tariffs.

Table 6.3 2012-13 Revenue Adjustment Amount Tariff Impacts

System	AT ₃ \$	AT ₄ \$	AT ₅ \$
Blackwater	0.56	0.20	1.24
Goonyella	(0.07)	(0.02)	0.36
Moura	0.08	0.01	n/a
Newlands	0.73	0.10	n/a

As indicated above, the Revenue Adjustment Amounts affecting these Reference Tariffs are on the basis of QR Network's September 2011 which includes Take or Pay matters currently in dispute with an Access Holder.

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 table 6.4.

Table 6.4 Impact of Revenue Adjustment Amounts on Cross System Access Charge

System	AT ₃ \$	AT ₄ \$	AT ₅ \$
Lake Vermont via Gladstone	0.41	0.15	1.04
GVG	(0.04)	(0.00)	0.40

6.5 Proposed Adjustments to System Allowable Revenues

The Revenue Adjustment Amounts have been applied to the System Allowable Revenues per the Schedule F Amendments. The proposed System Allowable Revenues (inclusive of revenue and non-Revenue Cap impacts) for each CQCR system are summarised in table 6.5.

Table 6.5 2012-13 System Allowable Revenues (with Revenue Adjustment Amounts)

System Allowable Revenues 2012/13		
System	AT ₂₋₄ \$	AT ₅ \$
Blackwater	263,772,948	106,187,096
Goonyella	257,426,483	94,568,399
Moura	43,817,275	n/a
Newlands	34,561,620	n/a

6.6 Proposed Reference Tariffs

The proposed Reference Tariffs for each CQCR system (inclusive of non-Revenue Cap and Revenue Cap impacts) are summarised in table 6.6. For clarity, the cross-system traffics of Lake Vermont via Gladstone and GVG have been included.

Table 6.6 2012-13 Reference Tariffs (with Revenue Adjustment Amounts)

2012/13						
System	AT ₁ \$	AT ₂ \$	AT ₃ \$	AT ₄ \$	AT ₅ \$	EC \$
Blackwater	0.84	1,970.11	5.54	1.88	5.39	0.88
Goonyella	0.58	1,248.18	5.47	1.17	2.85	0.88
Moura	1.56	590.12	10.17	1.27	n/a	n/a
Newlands	1.63	263.85	7.43	1.05	n/a	n/a
Lake Vermont	0.78	3,218.29	5.96	1.83	4.82	0.88
GVG	0.60	1,248.18	5.51	1.68	2.99	0.88

The System Premium or System Discount for Train Services are as follows.

2012/13	
Nominated Loading and Unloading Facilities	AT ₃ \$
Stanwell	(1.74)
South West Blackwater	2.63
Minerva	1.15
Lake Vermont via Gladstone	0.49

Given the application of the Revenue Adjustment Amounts to the Reference Tariff components (i.e. to AT₃ and AT₄ only for the AT₂₋₄ Revenue Adjustment Amount and to AT₅ for the AT₅ Revenue Adjustment Amount), no changes are proposed to the AT₁, AT₂ and EC Reference Tariff components as a result of this submission.

Attachment A

Table A.1 2012/13 Monthly GTK Profile

Month	System Gtk (,000 gtk)			
	Blackwater	Goonyella	Moura	Newlands
Jul 2012	2,911,339	2,920,495	337,866	312,009
Aug 2012	2,942,987	2,940,653	324,418	321,187
Sep 2012	2,740,288	2,951,804	307,384	306,571
Oct 2012	2,885,505	2,969,033	319,934	269,671
Nov 2012	2,676,230	2,813,165	323,060	315,272
Dec 2012	2,592,421	2,656,181	302,994	277,056
Jan 2013	2,593,251	2,643,929	322,104	299,715
Feb 2013	2,340,087	2,178,661	307,022	207,514
Mar 2013	2,706,720	2,395,735	325,536	273,417
Apr 2013	2,776,567	2,799,930	327,749	289,310
May 2013	2,931,585	2,953,256	343,064	308,658
Jun 2013	3,059,865	2,900,370	336,087	313,686