



T 13 23 32
E Lana.Stockman@aurizon.com.au
W aurizon.com.au

Level 17, 175 Eagle Street
Brisbane QLD 4000 Australia

GPO Box 456
Brisbane QLD 4001 Australia

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Mr Paul Bilyk
Director
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear Paul

Aurizon Network 2013 Blackwater (AT5) Draft Amending Access Undertaking (DAAU)

I hereby advise the Authority of Aurizon Network's decision to withdraw the 2013 Blackwater (AT5) DAAU.

Aurizon Network submitted the DAAU in April 2013 in an attempt to address the prevailing electric traction pricing issue in Blackwater by proposing a new mechanism for the pricing of electric traction services. Aurizon Network will continue to consult with the QCA and industry prior to lodging any further DAAU.

On 22 November 2013, the QCA released the final decision proposing not to approve the 2013 Blackwater (AT5) DAAU.

Aurizon Network acknowledges the following views expressed by QCA in the final decision:

- The 2013 DAAU is largely consistent with the access regime's objects clause and pricing principles
- The revised AT5 mechanism on its own is not dissimilar to the existing pricing mechanism
- The 2013 DAAU is not adverse to the interests of the access provider, access seeker or the broader public interest of the Queensland community
- The regulatory Weighted Average Cost of Capital (WACC) does not compensate Aurizon Network for asset stranding risk
- The QCA does not have an in-principle issue with mechanisms such as the UUP that seek to provide revenue certainty, and that such a mechanism is similar to the existing annual revenue cap adjustment approach.

Further, we recognise the views of the QCA in relation to forecasted volumes and the UUP recovery mechanism, in particular, the socialisation of any under-recovery across both electric and non-electric users.



The UT4 Process

Aurizon Network remains mindful of the commitment of stakeholders and the Authority to ensure the timely and efficient implementation of Aurizon Network's 2013 Draft Amending Access Undertaking (2013DAU).

As such, with due respect to the regulatory process and timeline, we will continue to consult with our customers in the ensuing months with regards to sustainable electric traction pricing in Blackwater.

We will also continue to work constructively with the Authority to support its decision-making process.

Aurizon Network is committed to electric traction and will continue to focus on finding an efficient pricing mechanism and regulatory certainty to support the ongoing investment in electric traction.

Yours sincerely



Lana Stockman
Vice President Regulation