

30 November 2012

Mr John Hall
Chief Executive Officer
Queensland Competition Authority

Email: rail@qca.org.au

Dear Mr Hall

2011/12 Revenue Cap

The Queensland Resources Council (QRC) appreciates the opportunity to provide this feedback on QR Network's 2011/12 revenue-cap variation application.

QR Network's 2010 Access Undertaking resulted in a number of refinements to the hybrid revenue-cap regulatory regime. This regime was originally sought by QR Network during 2006 to remove its exposure to volume risk, by means of the revenue-cap adjustment. Take or pay was also significantly strengthened at this time. Recent refinements also enable QR Network to adjust its System Allowable Revenue based on a number of factors including differences between the forecast and actual escalators applied to maintenance and operating costs, and differences between forecast and actual costs of electric energy and connection. In addition, volume forecasts are revised annually in order to minimise the size of revenue cap variations and the resulting timing difference in the receipt of revenue by QR Network. In the context of this substantial reduction in QR Network's risk profile, we welcome the QCA's discussion paper 'Risk and the Form of Regulation'.

QRC is constrained in its ability to assess the revenue cap variation application as only the QCA and QR Network have access to the information required to prepare and assess this application. As such, the process of independent verification by the QCA (which must include verification and consultation with individual coal companies) is critical. Industry relies heavily on the QCA undertaking a thorough assessment of this application, and requests that QCA maximises transparency, subject to substantiated confidentiality constraints, in order to assist end-customers to confirm and understand the nature of the proposed revenue adjustment.

We note QR Network's statement (P21 of the submission) that they will seek to recover an amount relating to a transfer between Barney Point and RG Tanna terminals 'via separate correspondence to the QCA'. We trust that if this involves a departure from the provisions of the current Access Undertaking, QCA will consult on this issue. Alternatively, if the QCA considers that consultation is not possible due to confidentiality issues, but approves QR Network's proposed approach, we would suggest that the reasons for the departure from the application of the existing provisions are explained, so that customers can understand the circumstances in which such flexibility may be offered by QR Network and approved by the QCA in the future.

The QRC is happy for this letter to be made public.

Yours sincerely



Gary Costello
Queensland Resources Council