

Aurizon Network Access Undertaking (2010)



Attachment C

Summary of Revisions to the “Reference Tariff for the GAPE System” Submission

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1. Introduction

This submission to the Queensland Competition Authority (QCA) has been prepared by Aurizon Network in accordance with its obligations to develop Reference Tariffs under Section 6.4 of the 2010 Access Undertaking (Aurizon Network's Undertaking).

The submission has been prepared as a Draft Amending Access Undertaking (DAAU). Accordingly, this submission formally withdraws and re-submits the Reference Tariffs for the GAPE System originally submitted to the QCA on 10 September 2012.

In light of submissions from customers, Aurizon Network has made the following adjustments:

- Substantial revision of the maintenance costs used to determine the GAPE Reference Tariff (Section 6.2);
- Revision of GAPE Reference Tariffs and System Allowable Revenues (Section 9);
- Removed content related to a Review Event (Section 10.2), which would be triggered should volumes materially change; and
- Removed content related to "Equity Raising Costs", i.e. Section 10.3 and 'Attachment A'.

Aurizon Network trusts that revisions will assist to expedite the QCA's consideration of the GAPE Reference Tariffs for 2011/12 and 2012/13.

1.1 September 2012 Submission

The GAPE Reference Tariff given to the QCA in September 2012 proposed a Reference Tariff that was calculated using a building blocks methodology.

One of the GAPE building blocks was an estimate of maintenance costs, which were derived using a 'top-down' approach based on rates approved by the QCA in UT3, and volumes that were contracted in the respective years. It is important to note that a considerable proportion of new GAPE System traffic (in terms of Gross Tonne Kilometres (GTK)) rails across existing infrastructure in the Goonyella and Newlands coal systems. These estimates were validated by bottom-up estimates calculated using the Network Strategic Asset Plan.

This approach resulted in a GAPE System maintenance cost estimate of \$4.1m in 2011/12 and \$14.9m in 2012/13.

2. Revisions to September 2012 Submission

In an effort to expedite the QCA's consideration of the GAPE Reference Tariffs for UT3, Aurizon Network has revised its maintenance cost methodology.

Revised maintenance costs will be based on a reasonable forecast for preventive and inspection maintenance on the Northern Missing Link, and the additional maintenance requirement on existing systems (Newlands and Goonyella) associated with the new GAPE traffic.

This approach results in a revised maintenance cost estimate of \$0.5m in 2011/12 and \$2.9m in 2012/13.

2.1 Revised GAPE Reference Tariffs

Using these revised costs, the proposed GAPE System Reference Tariffs (prior to any Revenue Cap adjustment amounts) to apply from 19 December 2011 are summarised below. There are no changes to the Goonyella or Newlands system Reference Tariffs.

GAPE system		
Reference Tariff (\$)	2011/12	2012/13
AT1 (\$ / '000 gtk)	\$1.29	\$1.33
AT2 (\$ / rtp)	\$11,949.82	\$12,248.57
AT3 (\$ / '000 ntk)	\$1.71	\$1.75
AT4 (\$ / nt)	\$4.45	\$4.56
AT5 (\$ / '000 egtk)	Nil	Nil
EC (\$ / '000 egtk)	Nil	Nil

As neither GAPE nor Newlands coal carrying Train Services are provided by electric locomotives, there is no requirement for the Reference Tariff to include AT5 or EC components.

2.2 System Allowable Revenues

As indicated previously, Aurizon Network proposes to establish an independent GAPE coal system with its own System Allowable Revenue (SAR) and revenue cap.

GAPE System Allowable Revenue AT2-AT4 (\$m)	2011/12	2012/13
September 2012	20.0	104.7
April 2013	17.5	91.7
Variance	(2.5)	(13.0)

2.3 Other

It is important to note that Aurizon Network has also removed content related to the Review Event¹ and Equity Raising Costs² from the GAPE DAAU. These changes are reflected in the updated 2010 Undertaking and GAPE Reference Tariff submission.

In light of the proposed UT3 extension to 30 June 2014, a 'Transitional Reference Tariff' has also been added to the GAPE DAAU.

All other aspects of the reference tariff, capital allocations etc are to be taken as consistent with the DAAU given to the QCA on 10 September 2012.

¹ No longer relevant given the proximity to the end of UT3.

² To be addressed as part of the UT4 process.