

Michael Carter
Executive General Manager

Mr John Hall
Chief Executive Officer
Queensland Competition Authority
GPO Box 2257
Brisbane Qld 4001

Dear John,

PROPOSED REFERENCE TARIFF VARIATION – 2007/08 REVENUE CAP

I refer to my letter dated 31 July 2008 regarding QR Network's preliminary submission of a draft amending undertaking for a new Reference Train Service for the Minerva mine (Minerva DAU).

In accordance with Subclause 3.3.7, Part A of Schedule F of QR's 2005 Access Undertaking and the QCA's letter dated 21 August 2008 in response to my letter, please find attached a submission by QR Network Pty Ltd, on behalf of QR, concerning a proposed Reference Tariff variation for the 2009/10 year (in respect of the revenue cap adjustment for the 2007/08 year). The variation is calculated in accordance with Clause 3B, Part B of Schedule F and, if approved, will be applied to Reference Tariffs from 1 July 2009.

The submission explains the relevant components of the calculation and provides both a number of attachments and supporting financial models. The submission document and attachments (but not the financial models) are presented in a manner which are suitable for publication, should the QCA choose to do so, in accordance with Paragraph 3.3.7(b).

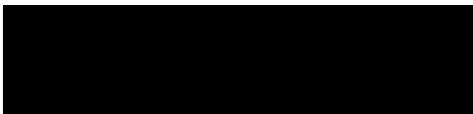
The submission has been prepared based upon two scenarios:

1. The QCA's approval of the Minerva DAU submitted to the QCA on 30 October 2008; and
2. The Minerva DAU is not approved.

A detailed explanation of these scenarios and QR Network's recommendations with respect to the 2009/10 Reference Tariffs are contained in the submission.

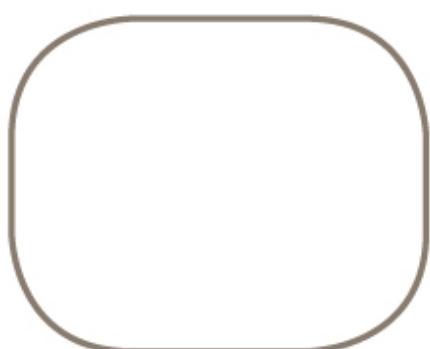
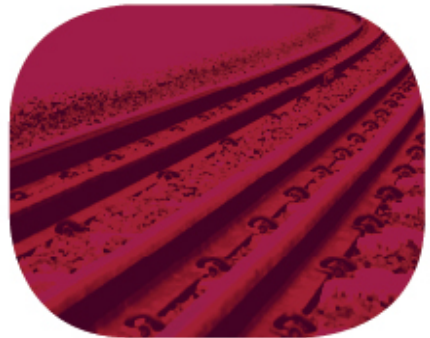
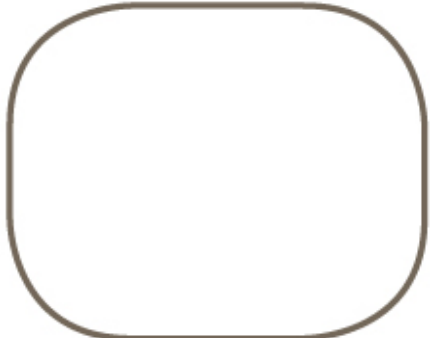
Please contact Greg Selkirk on 3235 5250 should you have any queries regarding the submission.

Yours faithfully



Michael Carter
Executive General Manager
QR Network Pty Ltd

31 October 2008



QR Access
Undertaking (2005)
*Proposed Reference
Tariff Variation
(2007/08 Revenue Cap)
October 2008*



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Attachments

- A. Reference Tariff variation model – summary sheet
- B. Summary paper on the methodology for determining
UT1 and UT2 Take or Pay

Provided concurrently with submission (not for publication)

- QR Network billing model
- Revenue Adjustment model
- Model for Blackwater and Goonyella system transfer fees
- Model for cross-system traffics
- UT1/UT2 Take or Pay model and peer review report prepared
by Booz Allen Hamilton

1. Introduction

1.1 Background

Schedule F of Queensland Rail (QR's) 2005 Access Undertaking (the 2005 Undertaking) sets out the form of regulation to apply to coal-carrying Train Services on the Central Queensland Coal Region (CQCR).

QR's first revenue cap submission, being for the 2006/07 year, was submitted to the Queensland Competition Authority (QCA) on 30 November 2007. Following comments from stakeholders and QR's response the submission was approved by the QCA on 24 March 2008. The Reference Tariff variation contained in the submission was implemented on 1 July 2008 for the 2008/09 year.

1.2 Reference Tariff Variation

Subparagraph 3.3.1(b)(ii) of Part A of Schedule F requires QR to submit a Reference Tariff variation to the QCA within sixty (60) days after the end of each Year of the Term of the 2005 Undertaking unless an extension of time is approved by the QCA in accordance with Subclause 3.3.3. In this regard:

- On 31 July 2008 as part of its preliminary submission on a draft amending undertaking for Train Services from the Minerva mine (Minerva DAU), QR Network Pty Ltd (QR Network), on behalf of QR, requested an extension of time to submit the variation to 31 October 2008.
- The cover letter to the preliminary Minerva DAU indicated that if a formal Minerva DAU was not approved by the QCA by 31 October 2008 then this submission would be prepared consistent with two (2) scenarios:
 1. That the formal Minerva DAU is approved and is consistent with the preliminary Minerva DAU. In this scenario, the Revenue Adjustment Amount would be adjusted consistent with the formal Minerva DAU which was expected to be submitted to the QCA by 31 October 2008.
 2. That the Minerva DAU is not approved. In this scenario, the Revenue Adjustment Amount would be adjusted consistent with the methodology approved by the QCA for the 2007 submission.

Consistent with the preliminary Minerva DAU, the different scenarios are only in respect of the AT₁₋₄ Revenue Adjustment Amount for Blackwater where the Minerva mine, which is operated from by diesel Train Services only, is proposed to be included. For Scenario 1 specifically, QR Network confirms that the Minerva DAU was formally submitted to the QCA on 30 October 2008 and accordingly under this scenario this Revenue Adjustment Amount has been adjusted consistent with the formal Minerva DAU.

QR Network proposed that if the Minerva DAU is approved but is not consistent with the preliminary Minerva DAU then it will work with the QCA to revise this submission consistent with the QCA's determination.

On 21 August 2008 the QCA approved QR's application for an extension of time.

This second revenue cap submission represents compliance by QR Network, on behalf of QR, with Subparagraph 3.3.1(b)(ii) of Part A as modified by Subclause 3.3.3.

Subclause 3.3.7 of Part A requires that where QR submits a variation in accordance with Subparagraph 3.3.1(b)(ii), the variation must:

- Nominate the Reference Tariff to be varied;
- Include details of the methodology, data and assumptions used to vary the Reference Tariff; and
- Include details of and reasons for any amount used in preparing that variation in lieu of an Increment having been determined by the QCA.

QR Network was to have sought the QCA's approval of QR's proposed Reference Tariff variation in respect of its revenue cap arrangements for the 2007/08 year as set out in the table at Section 4.3 below. The variation would have been added to the nominated System Allowable Revenues and Reference Tariff components for QR Network as at 1 July 2009 for the 2009/10 year. The Reference Tariffs inclusive of the variation would have been published on QR's web-site, and relevant Access Holders and Access Seekers would have been advised, on or before 30 June 2009 in accordance with Subclause 3.3.8(c) of Part A.

However, QR Network notes that the Reference Tariffs to be varied, being for the 2009/10 year, are beyond the term of both the 2005 Undertaking and QR Network's 2008 Access Undertaking (the 2008 Undertaking) and therefore Reference Tariffs for this period are yet to be established. QR Network's proposal to address this issue is discussed in detail at Section 4.3 below.

1.3 Form of submission

This submission details the methodology, data and assumptions used to determine the proposed variation. The variation will affect the AT₃, AT₄ and AT₅ Reference Tariff components for each of the Blackwater, Goonyella and Newlands systems for the 2009/10 year. No variation is proposed to Reference Tariffs for the Moura system.

The submission sets out a step-by-step explanation of the relevant components of the calculation of the variation, consistent with Clause 3B of Part B, as follows:

- Section 2 sets out the calculation of the Revenue Adjustment Amounts in accordance with Clause 3B.1.
- Section 3 sets out the calculation of the Increments, in accordance with Clause 3B.2. In this regard, QR confirms that no Increment is being claimed in respect of the 2007/08 year for any CQCR system.
- Section 4 sets out the calculation of the Revenue Adjustments in accordance with Clause 3B.3.

Attachment A provides a summary of output from QR Network's financial model that was used to calculate the Revenue Adjustment Amounts and the Revenue Adjustments for each system. Attachment B provides a summary of the methodology applied to QR Network's financial model that was used for determination of the Take or Pay adjustments.

The submission and the Attachments are presented in a format which is suitable for publication, should the QCA choose to do so, in accordance with Paragraph 3.3.7(b) of Part A.

In addition, a number of detailed financial models were prepared by QR Network and have been provided to the QCA in electronic form in support of the submission. These models include:

- QR Network's billing model.
- The Take or Pay model in respect of UT1 and UT2, together with a copy of a 'peer review' report prepared by Booz Allen Hamilton (Booz Allen) following its review of QR's Take or Pay model updates for UT2. Information on Booz Allen's review of the UT1 model was provided with the 2007 submission.
- QR Network's financial models supporting calculations of transfer fees for the Blackwater and Goonyella systems and the allocation of revenue from non-specific Train Services.

The models contain specific information on individual Train Services. QR Network requests that consistent with the 2007 submission the models are not published. Notwithstanding this request, the model outputs are summarised in the submission.

In the submission:

- Unless otherwise required for clarity, references to QR Network are in the context of QR's Below Rail activities which are regulated by the 2005 Undertaking;
- References to UT1 are to the period covered by QR's 2001 Access Undertaking (the 2001 Undertaking) effective 1 July 2001.
- References to UT2 are to the period covered by the 2005 Undertaking effective 1 July 2005 and the 2008 Undertaking approved by the QCA on 24 October 2008;
- References to UT3 are to the period covered by QR Network's 2009 Access Undertaking (the 2009 Undertaking) which is due to commence on 1 July 2009;
- References to the 2007 submission are to QR's first revenue cap submission, being for the 2006/07 year, submitted to the QCA on 30 November 2007;
- Unless expressly stated otherwise, all references to Clauses, Subclauses and Paragraphs are references to Clauses, Subclauses and Paragraphs in Part B, Schedule F of the 2005 Undertaking; and

- Defined terms used in this submission have the meaning given in the 2005 Undertaking.

QR Network confirms that consistent with the period covered by the revenue cap calculations (i.e. the 2007/08 year) this submission is being made in accordance with the 2005 Undertaking. Revenue cap calculations for the 2008/09 year will be submitted in accordance with the 2008 Undertaking.

1.4 Summary

The total of the Revenue Adjustment Amounts for 2007/08, which if approved will result in an upwards variation in Reference Tariffs for 2009/10, is \$43.2 million under Scenario 1 and \$43.6 million under Scenario 2. These amounts comprise:

- For Scenario 1 (Minerva DAU is approved), \$27.5 million for AT₂₋₄ and \$15.8 million for AT₅; and
- For Scenario 2 (Minerva DAU is not approved), \$27.8 million for AT₂₋₄ and \$15.8 million for AT₅.

(Note that the 'error' between the total of the Revenue Adjustment Amounts for Scenario 1 and its relevant components is due to rounding.)

The Revenue Adjustment Amounts for each CQCR system are summarised in the tables below.

Scenario 1

System	AT ₂₋₄ \$	AT ₅ \$
Blackwater	(7,873,685)	(5,953,180)
Goonyella	(12,996,629)	(9,799,825)
Moura	Nil	n/a
Newlands	(6,596,997)	n/a
Total	(27,467,312)	(15,753,006)

Note: small errors due to rounding.

Scenario 2

System	AT ₂₋₄ \$	AT ₅ \$
Blackwater	(8,239,129)	(5,953,180)
Goonyella	(12,996,629)	(9,799,825)
Moura	Nil	n/a
Newlands	(6,596,997)	n/a
Total	(27,832,755)	(15,753,006)

The effect on the revenue cap calculations of the QCA's approval of the Minerva DAU (i.e. between Scenarios 1 and 2) is a net decrease in the AT₂₋₄ Revenue Adjustment Amount for Blackwater of \$0.4 million.

These amounts compare with a total Reference Tariff variation per the 2007 submission of \$25.7 million, comprising \$15.7 million for AT₂₋₄ and \$10.1 million for AT₅.

2. Revenue Adjustment Amounts

2.1 Introduction

Clause 3B.1 states that:

After the end of each Year, QR will calculate the following amounts (each a "Revenue Adjustment Amount") for each relevant Individual Coal System Infrastructure:

- (a) an "AT₂₋₄ Revenue Adjustment Amount", by subtracting the System Allowable Revenue for AT₂₋₄ from the Total Actual Revenue for AT₂₋₄ for the relevant Individual Coal System Infrastructure for that Year; and*
- (b) an "AT₅ Revenue Adjustment Amount", by subtracting the System Allowable Revenue for AT₅ from the Total Actual Revenue for AT₅ for the relevant Individual Coal System Infrastructure for that Year.*

For the avoidance of doubt, a Revenue Adjustment Amount calculated under this Clause 3B.1 may be a negative or a positive number.

2.2 System Allowable Revenue

Clause 5.1 of Part A defines System Allowable Revenue as:

- (i) for AT₂₋₄ in relation to an Individual Coal System Infrastructure, the total revenue from AT₂₋₄ arising from all Access Agreements in relation to that Individual Coal System Infrastructure that QR is entitled to earn over the relevant Year, as specified in Clauses 5.4, 6.4, 7.5 and 8.5 of Part B (as amended from time to time); and*
- (ii) for the AT₅ component of Access Charges for either the Blackwater System or the Goonyella System, the total revenue from the AT₅ component of Access Charges arising from all Access Agreements in relation to that Individual Coal System Infrastructure that QR is entitled to earn over the relevant Year, as specified in Clauses 5.4 and 6.4 of Part B (as amended from time to time),*

less

(iii) for:

- paragraph (i) of this definition any revenue from AT₂₋₄; or
- paragraph (ii) of this definition any revenue from the AT₅ component of Access Charges,

that (subject to Subclauses 3.3.7A to 3.3.7C) the QCA reasonably determines that QR would have otherwise been entitled to earn under all Access Agreements in relation to that Individual Coal System Infrastructure during the relevant Year, but which QR was not entitled to earn due to its own breach of an Access Agreement or negligence in the provision of Below Rail Services, provided that if that breach or negligence resulted in the non-provision of less than 10% of the total number of Train Services scheduled under an affected Access Agreement for any month during the relevant Year then no deduction will be made for revenue that QR was not entitled to earn under that Access Agreement in connection with that breach or negligence.

With respect to sub-paragraphs (i) and (ii), System Allowable Revenues for AT₂₋₄ (all CQCR systems) and AT₅ (Blackwater and Goonyella only) for 2007/08 are provided in the table below.

System	Schedule F Clause	AT ₂₋₄ \$	AT ₅ \$
Blackwater (Scenario 1)	5.4	157,934,911	22,965,416
Blackwater (Scenario 2)	5.4	146,966,171	22,965,416
Goonyella	6.4	131,994,028	40,214,743
Moura	7.5	31,090,943	n/a
Newlands	8.5	24,953,480	n/a

With respect to sub-paragraph (iii), QR is currently not aware of any events which give rise to a deduction to System Allowable Revenue for breach of an Access Agreement or negligence by QR.

2.3 Total Actual Revenue

2.3.1 Introduction

Clause 5.1 of Part A defines Total Actual Revenue as:

- (i) *for AT₂₋₄ in relation to an Individual Coal System Infrastructure, the total revenue from AT₂₋₄ (including the amount of any Take or Pay amounts, Relinquishment Fees and transfer fees under Subclause 7.4.4 of the Undertaking which QR is entitled to be paid but, for the avoidance of doubt, less the amount of any reductions of those amounts in accordance with the Undertaking, and with the revenue from the AT₂ component calculated to reflect any variations made pursuant to clause 4 of Part A) arising from all Access Agreements in relation to that Individual Coal System Infrastructure that QR has actually earned over the relevant Year (whether or not actually collected by QR); and*
- (ii) *for the AT₅ component of Access Charges for each of the Blackwater System or the Goonyella System, the total revenue from the AT₅ component of Access Charges arising from all Access Agreements in relation to that Individual Coal System Infrastructure that QR has actually earned over the relevant Year (whether or not actually collected by QR),*

provided that:

- (iii) *in calculating the Take or Pay amounts, Relinquishment Fees and transfer fees under Subclause 7.4.4 of the Undertaking which QR is entitled to be paid for the purposes of determining the Total Actual Revenue for AT₂₋₄ under paragraph (i), QR is deemed to have contracted on the terms of the relevant Standard Access Agreement (as defined under the Undertaking or the 2001 Undertaking, as applicable) that applied on the date of execution or renewal of an Access Agreement except for:*
 - *those Access Agreements which have been altered from that form in accordance with the terms of the Undertaking or the 2001 Undertaking (as applicable) which applied on that date, for which QR's entitlement will be calculated to reflect the terms of such Access Agreements;*

- *a New Access Agreement to the extent entered into as part of transferring Access Rights from an Old Access Agreement executed under or prior to the 2001 Undertaking, pursuant to Paragraph 7.4.4(f) of the Undertaking, which has not been renewed after the Commencing Date, for which QR's entitlement to Take or Pay amounts and Relinquishment Fees will be calculated on the basis that QR has contracted on the terms of:*
 - (A) for an Old Access Agreement executed under the 2001 Undertaking, the relevant Standard Access Agreement (as defined under the 2001 Undertaking) that applied on the date of execution of that Old Access Agreement; or*
 - (B) for an Old Access Agreement executed prior to the 2001 Undertaking, the terms of that Old Access Agreement; and*
- *for the avoidance of doubt, an Access Agreement executed prior to the 2001 Undertaking, for which QR's entitlement will be calculated to reflect the terms of that Access Agreement.*

With respect to Subparagraphs (i) and (ii), Total Actual Revenues for AT₂₋₄ (all CQCR systems) and AT₅ (Blackwater and Goonyella only) for 2007/08 have been determined in accordance with the following methodology:

- Revenue amounts from each of the AT₂₋₄ and AT₅ Reference Tariff components have been extracted from QR Network's billing model (refer Section 2.3.2). The model contains the amounts invoiced in accordance with the Access Agreement between QR Network and QRNational Coal, currently the only operator of coal-carrying Train Services on the CQCR.
- Adjustments have then been made for:
 - Non-system specific Train Services operating across the Goonyella and Blackwater systems, including Train Services operating from the Minerva mine for Scenario 2, for which re-allocations of Total Actual Revenue are required (refer Section 2.3.3); and
 - Take or Pay, Relinquishment Fees and transfer fees which QR Network earned during the 2007/08 year (refer Section 2.3.4).

2.3.2 Revenue per QR's billing system

The revenue amounts per QR Network's billing model are summarised in the table below for 2007/08.

System	AT ₂₋₄ \$	AT ₅ \$
Blackwater*	135,467,478	17,352,827
Goonyella	104,004,862	31,694,908
Moura	27,861,853	n/a
Newlands	18,256,105	n/a

* Excluding Minerva (refer discussion at Section 2.3.3).

QR Network confirms that billing revenue for AT₂ on the Blackwater systems includes the capacity multiplier earned in accordance with Clause 4 of Part A.

A copy of the billing model has been provided to the QCA concurrently with this submission.

2.3.3 Adjustments for non-specific Train Services

The 2005 Undertaking allocates coal carrying Train Services in the CQCR between four (4) systems - Newlands, Goonyella, Blackwater and Moura.

Reference Tariffs developed for these systems assume that Train Services operate specifically within a system. However, it is possible that Train Services operate non-specifically, either between systems or partly on non-system infrastructure.

In this regard, a number of non-specific Train Services operated during the 2007/08 year. Access Charges for these Train Services have been negotiated outside the existing Reference Tariff structure. The Train Services operated:

- From the Minerva mine to the Port of Gladstone via the Blackwater system. These Train Services operated throughout the 2007/08 year.
- From the Moorvale, Coppabella and Hail Creek mines in the Goonyella system to Abbot Point Coal Terminal (APCT) in the Newlands system via the North Coast Line (NCL). The Moorvale and Coppabella Train Services also

operated throughout the 2007/08 year, whereas the Hail Creek Train Services operated only from January to April 2008.

- From the Blair Athol and Carborough Downs mines in the Goonyella system to Gladstone via the Blackwater system. These Train Services operated only from January to April 2008 and February to April 2008 respectively.

In relation to these Train Services, a reallocation of Access Charges to the AT_{2-4} Reference Tariff components for Goonyella, Blackwater and Newlands is required as the revenue was recorded as AT_1 for either the Blackwater system (for Minerva, Blair Athol and Carborough Downs) or the Newlands system (for Moorvale, Coppabella and Hail Creek).

A key principle of the reallocation is that revenues should be appropriately matched against the infrastructure (capital and maintenance) costs associated with providing access to each system's infrastructure. The allocation should also reflect the existing pricing principles in Part 6 and Schedule F of the Undertaking, QR's obligations in Clause 3.5.1 of Part A regarding the structure of Access Charges and the QCA's determinations regarding the 2007 submission.

Adjustments for each of the Train Services have been determined in accordance with these principles and the methodologies set out below. Detailed calculations supporting allocations for the Train Services other than Scenario 2 for Minerva (which is based on the CCC formula) are contained in financial models provided to the QCA concurrently with this submission.

Minerva mine

As indicated in the 2007 submission, revenue for these Train Services was earned at a rate per GTK negotiated prior to 29 June 2007. This revenue was reflected in QR's billing system only as AT_1 notwithstanding that the amount recovered exceeded the long run incremental cost of providing access. The notional AT_{2-4} components of this revenue were not reflected in the billing model.

In addition and as indicated above, QR Network submitted the Minerva DAU to the QCA on 30 October 2008. In the absence of the QCA's approval the Minerva DAU, this submission has been prepared consistent with two (2) scenarios:

1. That the Minerva DAU is approved. In this scenario, the Revenue Adjustment Amount has been adjusted consistent with the Minerva DAU.
2. That the formal submission is not approved and that no Reference Tariff is applicable for Minerva Train Services in 2007/08. In this scenario, the Revenue Adjustment Amount has been adjusted consistent with the methodology approved by the QCA for the 2007 submission.

In summary, under Scenario 1 an adjustment has been made to the Total Actual Revenue for AT₂₋₄ for Blackwater to reflect the revenue that QR would be entitled to collect if the Minerva DAU is approved. Under Scenario 2 an adjustment has been made to the Total Actual Revenue for AT₂₋₄ for Blackwater consistent with the methodology approved for the 2007 submission, being by reference to the minimum Contribution to Common Costs (CCC) in accordance with Subclause 4.1.1 which is consistent with the methodology for determining the UT2 Reference Tariffs for the Blackwater system.

The total value of the adjustment to Total Actual Revenue for the Minerva Train Service is an increase of \$13.5 million under Scenario 1 and \$2.2 million under Scenario 2. Note that under Scenario 1 the System Allowable Revenue is also adjusted upwards by \$11.0 million reflecting the allowable revenues associated with the track sections between Burngrove junction (being at the edge of the CQCR) and the Minerva mine.

Moorvale, Coppabella and Hail Creek mines

As indicated in the 2007 submission, revenue for these diesel Train Services was earned at a rate per GTK reflecting arrangements for APCT-bound traffics negotiated prior to 29 June 2007.

For the 2006/07 year revenue for the Moorvale Train Service was reflected in QR's billing system only as AT₁ notwithstanding that the amount recovered exceeded the incremental cost of providing access. The notional AT₂₋₄ components of this revenue were not reflected in the billing model. Accordingly, for the 2007 submission a proportional allocation was made between the Goonyella system and the NCL based on train kilometres. This methodology was approved by the QCA.

QR Network confirms that an equivalent rate had been negotiated for the Coppabella and Hail Creek Train Services, however no revenue was earned during the 2006/07 year.

For this submission, further information is available to allow the allocation of this revenue (which is reflected in the billing model as AT₁ for Newlands) between three line sections:

- From either:
 - The Moorvale and Coppabella mines to the junction with the NCL (revenue allocated to the Goonyella system). This revenue has been allocated to the Goonyella system on the following basis:
 - AT₂ for the North Goonyella cluster (charged per train path and including a capacity multiplier);
 - AT₃ for the North Goonyella cluster (charged per net tonne kilometre) for the distance travelled in the Goonyella system; and
 - AT₄ for the North Goonyella cluster (charged per net tonne) in proportion to the train kilometres travelled on the Goonyella system relative to the total kilometres between the mines and APCT.

or

 - The Hail Creek mines to the junction with the NCL (revenue allocated to the Goonyella system). This revenue has been allocated to the Goonyella system on the following basis:
 - AT₂ for the Central Goonyella cluster (charged per train path and including a capacity multiplier);
 - AT₃ for the Central Goonyella cluster (charged per net tonne kilometre) for the distance travelled in the Goonyella system; and
 - AT₄ for the Central Goonyella cluster (charged per net tonne) in proportion to the train kilometres travelled on the Goonyella system relative to the total kilometres between the mines and APCT.
- From the junction of the NCL and the Newlands system to APCT (revenue allocated to the Newlands system). This revenue has been allocated to the Newlands system on the following basis:

- The unallocated revenue (i.e. after allocation to Goonyella) has then been allocated between NCL and Newlands in proportion to the train kilometres travelled;
- QR Network notes that there is no minimum CCC for Newlands in accordance with Subclause 4.1.1. Accordingly, for the purposes of an allocation of revenue between AT₁ and AT₂₋₄ the Newlands revenue has been apportioned as follows:
 - To AT₁, in accordance with the AT₁ Reference Tariff component for the Newlands system; and
 - The balance of the revenue to AT₂₋₄.
- From the junction of the Goonyella system and the NCL to the junction of the NCL and the Newlands system (revenue allocated to NCL). This allocation is effectively the balance of revenue after the allocations to Goonyella and Newlands.

This methodology varies from the 2007 submission in that revenue not allocated to the Goonyella system was deemed to be earned by the NCL and not further allocated between the NCL and the Newlands system.

The total value of the adjustment to Total Actual Revenue for Goonyella and Newlands for AT₂₋₄ for these Train Services is \$1.6 million and \$0.4 million respectively. No adjustment is required to Total Actual Revenue for AT₅ for these Train Services as they were diesel hauled.

Blair Athol and Carborough Downs mines

Similar to the APCT-bound traffics, revenue for these electric Train Services from the Goonyella system to Gladstone was earned at a rate per GTK and is reflected in the billing model as AT₁ for Blackwater.

However, unlike the arrangements for APCT-bound traffics negotiated prior to 29 June 2007, these arrangements were negotiated subsequent to the QCA's approval of the Proposed Schedule F Amendment. QR Network confirms that whilst the revenue was charged as AT₁, the access charge was developed (and has been allocated between the Goonyella and Blackwater systems) consistent with Clause 3.5.1 of Part A, Schedule F and QR Network's proposals for cross-system traffic for Schedule F of the 2009 Undertaking.

In summary:

- AT₂ revenue (which is charged per train path) has been charged where the Train Service has utilised a capacity-constrained section of the relevant system. In respect of Blair Athol and Carborough Downs, AT₂ has been charged in respect of each cluster traversed.
- AT₃ revenue (which is charged per net tonne kilometre) has been charged based on the train kilometres travelled in the relevant system. Note that AT₃ is not charged in the North Blackwater consistent with the Reference Tariff for this cluster.
- AT₄ revenue (which is charged per net tonne) has been charged between systems based on the train kilometres travelled.
- AT₅ revenue (which is charged per electric gross tonne kilometre) has been charged based on the train kilometres travelled in the relevant system.

For charging purposes, allocations have been required of train kilometres between the West Goonyella, South Goonyella and North Blackwater clusters for Blair Athol and the North Goonyella and North Blackwater clusters for Carborough Downs. In addition, QR Network confirms that the methodology is consistent with, but not the same as, the methodology proposed for the 2009 Undertaking as the 2009 Undertaking proposes a single Reference Tariff for each system.

The total value of the adjustment to Total Actual Revenue for the Train Services is \$0.8 million for AT₂₋₄ and \$0.5 million for AT₅ for Blackwater and \$0.5 million for AT₂₋₄ and \$0.2 million for AT₅ for Goonyella.

2.3.4 Adjustments for Take or Pay, Relinquishment Fees and transfer fees

With respect to Sub-paragraph (iii), an adjustment for Take or Pay, Relinquishment Fees and transfer fees QR is entitled to earn for the 2007/08 year has been made in accordance with the methodology below.

Pre-UT1 Take or Pay

For Take or Pay amounts on Access Agreements executed prior to UT1 (also known as 'grandfathered' Train Services), QR confirms it was not entitled to earn any Take or Pay amount.

UT1 and UT2 Take or Pay

For UT1 and UT2 Take or Pay amounts:

- A financial model has been developed by QR Network to calculate UT1 and UT2 Take or Pay for the 2007/08 financial year. A copy of the financial model has been provided to the QCA concurrently with this submission.
- For UT1, the model reflects both the Variable and Annual Take or Pay (VTP and ATP, respectively) components by haul and by cluster within each system in the CQCR. In this regard:
 - A paper prepared by QR which summarises the methodology applied in the model for determining both VTP and ATP under the UT1 arrangements is provided at Attachment B. The discussion in the paper is equivalent to the discussion in the 2007 submission. The methodology is consistent with Part 5 of Schedule 3 of the UT1 Standard Access Agreement, which in turn is consistent with Clause 3.2, Part A of Schedule F of the UT1 document and QR National Coal's Access Agreement for UT1 Train Services.
 - The model for UT1 Take or Pay was independently reviewed by Booz Allen on behalf of QR. A copy of Booz Allen's peer review report was provided to the QCA as part of the 2007 submission.
- For UT2, the model reflects only the ATP component by haul and by cluster within each system in the CQCR. In this regard:
 - A paper prepared by QR which summarises the methodology applied in the model for determining ATP under the UT2 arrangements is also provided at Attachment B. The methodology is consistent with Part 5 of Schedule 3 of the UT2 Standard Access Agreement, which in turn is consistent with Clause 2.2 of the UT2 document and QR National Coal's Access Agreement for UT2 Train Services.
 - As for UT1 Take or Pay, the changes to the model for UT2 Take or Pay have been independently reviewed by Booz Allen. A copy of Booz Allen's peer review report has been provided with the model. An extract of the conclusions from the report is re-produced below:

"In concluding this review, Booz Allen confirms that, taking due regard of the assumptions, the model reviewed appears to be correctly applying the provisions of the QR Access Undertaking – July 2005

(UT2) in respect to the calculation of "Take or Pay" against the relevant provisions under the present scenario of one "above-rail" operator."

In addition, the report refers to a number of issues which Booz Allen recommended that QR Network finalises before submission of the model to the QCA. As for the 2007 submission, QR Network addressed these recommendations in the period between the date of the report and the date of this submission.

- The parameters and assumptions used in the model have been agreed between QR Network and QRNational Coal following analysis undertaken independently by both parties.
- For the purposes of the 2007/08 year, the key parameters and their data sources are set out below.
 - QRNational Coal's Train Service Entitlements converted to gross tonne kilometres (GTKs), net tonne kilometres (NTKs) and net tonnes (NTs). This data is sourced from QRNational Coal's Access Agreement.
 - GTK forecasts for each system as approved by the QCA, sourced from Schedule F of the 2005 Undertaking.
 - Actual GTK's, NTK's and NT's for each month and the 2007/08 year, sourced from QRNetwork's billing model.
 - Train Services unable to operate due to QR Cause, sourced from QRNational Coal's service planning and train service design records.

The financial models supporting this submission have been developed by QR Network. However, for the 2007/08 year (as for the 2006/07 year) the data for each parameter in the models (including the billing model) was sourced from QRNational Coal. In the 2007 submission QR Network confirmed that it had commenced work on ensuring that for the 2007/08 and subsequent years the data – in particular those sourced directly from QRNational Coal's information systems - will be sourced from QR Network and verified by QRNational Coal (and any other Access Holder to the extent it is required to calculate Take or Pay amounts). The work is continuing and is now expected to be completed during the 2009 calendar year.

With respect to QR Cause, this parameter has been sourced from QRNational Coal's service planning and train service design records and determined in accordance with

Part 5 of Schedule 3 of the Standard Access Agreement. The Train Service design records capture planned unavailability, and are collated on a weekly basis with reference to advertised Below Rail availability and customer orders. Unplanned 'losses' are captured in real time and are assigned a cause (being QR Cause or otherwise) by QRNational Coal's service delivery supervisors or Train Service designers as actual cancellations occur and are monitored on an ongoing basis by QR Network.

The parameter includes:

- Train Services unable to be operated, including trains not scheduled due to planned unavailability of the Infrastructure (i.e. Planned Possessions); plus
- Train Services scheduled but subsequently cancelled due to unplanned unavailability (i.e. Emergency Possessions, Urgent Possessions and Force Majeure).

The identification of QR Cause is based upon specific origin/destination per week for each of the four coal systems, which is then assigned within the model for each billing period (being each month).

As indicated in the 2007 submission, due to the large amount of Train Service operating in the CQCR data on this parameter was being captured on a system-wide basis. During the 2nd half of 2007 QR Network made the appropriate upgrades to its train management systems such that data on this parameter could be captured at a Train Service level. This upgrade was commissioned during the 2007/08 year and the data capture was backdated to 1 July 2007.

In addition, the 2007 submission noted that the parameter did not include Train Services cancelled due to system performance-related causes such as speed restrictions which had a cumulative effect on QRNational Coal's ability to operate the contracted number of Train Services. QR Network confirms that for 2007/08 the parameter includes cancellations attributable to speed restrictions associated with nominated events under the Standard Access Agreement (being Planned Possessions, Emergency Possessions, Urgent Possessions and Force Majeure) which give rise to a deduction to the Take or Pay amount for QR Cause.

Adjustment to UT2 Take or Pay

Subclause 2.2.6 requires that in determining the UT2 Take or Pay amounts, QR will calculate the following for each system:

- The amount of the under-recovery inclusive of:
 - (a) The aggregate amount of Take or Pay arising from grandfathered and UT1 Access Agreements (if any);
 - (b) Any Relinquishment Fees and transfer fees; and
 - (c) Any reductions related to the fee types in (b) above; and
- The aggregate amount of Take or Pay arising from UT2 Access Agreements.

If the aggregate amount of UT2 Take or Pay exceeds the amount of the under-recovery then QR is required to calculate, for each UT2 Access Holder, the proportion of each Access Holder's Take or Pay amount relative to the capped amount and each Access Holder's UT2 Take or Pay amount will be reduced to extent of each proportion.

QR Network confirms that for 2007/08, the aggregate amount of UT2 Take or Pay exceeded the amount of the under-recovery for the Moura System. Accordingly, a pro-rata adjustment has been made to the UT2 Take or Pay amounts to reduce the under-recovery. As the adjustment was made subsequent to the end of the 2007/08 year (and after the UT2 Take or Pay amounts had been invoiced) an amount of \$202,844 is to be refunded. A proportional allocation of this amount between Access Holders has not been required as the over-recovery affects only one Access Holder (being QRNational Coal).

To facilitate reconciliation of the Take or Pay amounts to the relevant financial model which excludes the refund, the refund has been incorporated in Schedule A as an adjustment to Total Actual Revenue for the 2007/08 year.

Relinquishment Fees and transfer fees

During the 2007/08 year, a number of Access Rights were amended which gave rise to QR being entitled to earn revenue from transfer fees. Summary information on the nature of the Access Rights affected is provided below.

- On the Blackwater system a transfer fee of \$179,042 was charged; and
- On the Goonyella system a transfer fee of \$9,595 was charged.

QR Network confirms that:

- These amounts were collected during the 2008/09 year, however they were entitled to be charged during the 2007/08 year under the terms of the relevant Standard Access Agreement. Accordingly, these amounts have been included in the revenue cap calculations for 2007/08.
- The transfer fee collected for Blackwater is slightly different to the amount which QR charged for the 2007/08 year. The difference of \$9,813 is in favour of the Access Holder and relates to an error in the original calculations of the transfer fee. QR Network confirms that the error was discovered after it charged the Access Holder and it then elected not to collect the difference. However, the full amount (i.e. inclusive of the difference) of \$188,855 has been included in the revenue cap calculations as QR was entitled to earn this revenue.

The financial models supporting the transfer fees have been provided to the QCA concurrently with this submission.

During the 2007/08 year, no Access Rights were amended which gave rise to QR being entitled to earn revenue from Relinquishment Fees.

2.3.5 Total Actual Revenues

In view of the above, Total Actual Revenues for AT₂₋₄ and AT₅ for each system for 2007/08 are provided in the table below. A reconciliation of the amounts and total adjustments in this section to Total Actual Revenues is summarised at Attachment A, with full details provided in QR's financial model which is provided to the QCA concurrently with this submission.

System	AT ₂₋₄ \$	AT ₅ \$
Blackwater – Scenario 1	151,237,497	17,901,597
Blackwater – Scenario 2	139,957,908	17,901,597
Goonyella	120,939,000	31,878,940
Moura	31,090,943	n/a
Newlands	19,342,026	n/a

2.4 REVENUE ADJUSTMENT AMOUNTS FOR 2007/08

In view of the above, the Revenue Adjustment Amounts for AT₂₋₄ and AT₅ for each system, calculated in accordance with Clause 3B.1, are summarised below.

System	AT ₂₋₄ \$	AT ₅ \$
Blackwater – Scenario 1	(6,697,414)	(5,063,819)
Blackwater – Scenario 2	(7,008,263)	(5,063,819)
Goonyella	(11,055,028)	(8,335,803)
Moura	Nil	n/a
Newlands	(5,611,454)	n/a

More information on the calculation of each Revenue Adjustment Amount is provided at Attachment A, with full details provided in QR Network's financial model which is provided to the QCA concurrently with this submission.

3. Increment

3.1 Introduction

Clause 3B.2.1 states that:

The Increment is calculated as follows for each relevant Individual Coal System Infrastructure:

- (a) *where the Total Actual Revenue for AT_{2-4} is less than or equal to the System Allowable Revenue for AT_{2-4} for the relevant Individual Coal System Infrastructure, the Increment equals zero (0);*
- (b) *subject to Paragraph 3B.2.1(c), where:*
 - (i) *the Total Actual Revenue for AT_{2-4} is greater than the System Allowable Revenue for AT_{2-4} for the relevant Individual Coal System Infrastructure;*
 - (ii) *QR is required by Subclause 3B.3.3 of Part B to submit a variation of relevant Reference Tariffs to the QCA; and*
 - (iii) *the QCA, when considering that variation, is reasonably satisfied that the difference between the Total Actual Revenue for AT_{2-4} and the System Allowable Revenue for AT_{2-4} for the relevant Individual Coal System Infrastructure (“Difference”) has, in whole or part, arisen as a direct result of whole of coal chain activities or initiatives of QR (or its contractors) which have increased the efficiency of the Below Rail network,*
the Increment equals that proportion of the Difference, as determined by the QCA taking into account the extent to which the Difference has in whole or part arisen as a direct result of the whole of coal chain activities or initiatives of QR (or its contractors).
- (c) *In no circumstance will the Increment exceed an amount equal to two percentage points (2%) of the System Allowable Revenue for AT_{2-4} .*

3.2 Increment for 2007/08

As indicated at Section 2.4, the Revenue Adjustment Amount for AT_{2-4} is negative for the Blackwater, Goonyella and Newlands systems and is nil for the Moura system i.e. Total Actual Revenue has failed to exceed System Allowable Revenue.

Accordingly, no Increment will be sought for the 2007/08 year (i.e. in accordance with Sub-paragraph (a) the Increment equals zero (0)).

4. Revenue Adjustment

4.1 Introduction

Subclause 3B.3.1 states that:

Where a Revenue Adjustment Amount has been calculated under Clause 3B.1 of Part B the equivalent System Allowable Revenue to that used in the calculation of that Revenue Adjustment Amount for the relevant Individual Coal System Infrastructure for the Year after the Year in which that Revenue Adjustment Amount was calculated ("2nd Year System Allowable Revenue") will be adjusted in accordance with this Clause 3B.3.

Subclause 3B.3.2 states that:

A 2nd Year System Allowable Revenue shall be adjusted as follows:

- (a) for an AT_{2-4} Revenue Adjustment Amount, by subtracting from the relevant 2nd Year System Allowable Revenue:
 - (i) that AT_{2-4} Revenue Adjustment Amount less the amount of the relevant Increment; and*
 - (ii) a return on capital amount, calculated by reference to the Discount Rate as applied to the amount in Subparagraph 3B.3.2(a)(i) over the period starting on the first day of the Year in which the Revenue Adjustment Amount is calculated and ending on the last day of the Year following that Year;**
- (b) for an AT_5 Revenue Adjustment Amount, by subtracting from the relevant 2nd Year System Allowable Revenue:
 - (i) that AT_5 Revenue Adjustment Amount; and*
 - (ii) a return on capital amount, calculated by reference to the Discount Rate as applied to the amount in Subparagraph 3B.3.2(b)(i) over the period starting on the first day of the Year in which the Revenue Adjustment Amount is calculated and ending on the last day of the Year following that Year.**

Subclause 3B.3.3 states that:

Where a 2nd Year System Allowable Revenue is adjusted under this Clause 3B.3, QR shall submit a variation of the relevant Reference Tariffs to the QCA with the object of recovering from or returning to Access Holders, as the case may be, the amount of the adjustment during the relevant Year using the modeling parameters and assumptions used to determine Reference Tariffs for the relevant Year.”

4.2 Revenue Adjustment for 2007/08

In view of the above, the variations to the System Allowable Revenues for AT₂₋₄ and AT₅ for the 2009/10 year have been determined by summing the following:

- The Revenue Adjustment Amounts for each Reference Tariff component for each system (refer Section 2.4); and
- A return on capital amount, represented by QR’s weighted average cost of capital compounded annually for two (2) years.

More information on these variations is provided at Attachment A. Full details of the variations are provided in QR’s financial model which is provided to the QCA concurrently with this submission.

Accordingly, the amounts of the variations (increases) to the System Allowable Revenues for 2009/10 are as follows:

System	AT ₂₋₄ \$	AT ₅ \$
Blackwater – Scenario 1	(7,873,685)	(5,953,180)
Blackwater – Scenario 2	(8,239,129)	(5,953,180)
Goonyella	(12,996,629)	(9,799,825)
Moura	Nil	n/a
Newlands	(6,596,997)	n/a

The total amount of the variations is \$43.2 million under Scenario 1, comprising \$27.5 million for AT₂₋₄ and \$15.7 million for AT₅, and \$43.6 million under Scenario 2, comprising \$27.8 million for AT₂₋₄ and \$15.8 million for AT₅.

4.3 New System Allowable Revenues and Reference Tariffs for 2009/10

In accordance with Subclause 3B.3.1, the variation for AT₂₋₄ will be applied on an equal basis against the AT₃ and AT₄ Reference Tariff components for each system for 2009/10 using the modelling parameters and assumptions used to determine the Reference Tariffs for the year.

As indicated at Section 1.2 above, the Reference Tariffs to which the variation should be applied form part of the 2009 Undertaking which is yet to be approved by the QCA. In this regard, QR Network confirms that:

- QR Network has proposed Reference Tariffs for each system to be presented as a single schedule (subject to a selected number of variations for nominated Train Services). The effect of this is that for Blackwater and Goonyella the variations for each system will be against that system's Reference Tariff rather than the Reference Tariff for each cluster.
- QR Network proposes no change to the structure of Reference Tariffs. Accordingly, the AT₁ and AT₂ Reference Tariff components will continue to be fixed – AT₁ will represent the incremental maintenance cost of providing access and AT₂ will represent the incremental capacity cost – and accordingly will not vary. In addition, the electric charge (EC) Reference Tariff component and the QCA Levy will not vary.
- As indicated above, the variation will represent a 50% allocation between each of the AT₃ and AT₄ Reference Tariff components.
- QR Network has proposed a single AT₅ Reference Tariff component for the Goonyella and Blackwater systems. Consistent with this, the variation for AT₅ will be applied against the AT₅ Reference Tariff component for both systems using the modelling parameters and assumptions used to determine Reference Tariffs for UT3. For these systems, the variation will represent a 100% allocation against AT₅.

In view of the above, QR Network recommends that:

- The QCA accepts QR Network's proposed variations to System Allowable Revenue, being the Revenue Adjustment Amounts set out in Section 4.2 above; and
- The Revenue Adjustment Amounts, once approved by the QCA, are reflected in the Reference Tariffs approved by the QCA for the 2009 Undertaking.

QR Network's recommendation is consistent with its proposed approach for the UT3 revenue cap, in which the Revenue Adjustment Amounts only are approved subsequent to the revenue cap submission and the Reference Tariff variation is approved following submission of a further variation based on both the revenue cap submission and an annual reset of a number of modelling parameters including forecast volumes.

Attachment A
Summary
2007/08



Total Actual Revenue

	Billing model AT2 - AT4	Adjustments						Total
		Minerva Train Services	Other non- specific Train Services	Take or Pay UT1	Take or Pay UT2	UT2 Take or Pay adjustment	Transfer Fees	
Scenario 1								
Blackwater	135,467,478	13,490,229	828,039	1,060,779	202,117		188,855	151,237,497
Goonyella	104,004,862		2,104,112	14,820,431			9,595	120,939,000
Moura	27,861,853			148,381	3,283,553	(202,844)		31,090,943
Newlands	18,256,105		405,661	680,259				19,342,026
	285,590,299	13,490,229	3,337,812	16,709,850	3,485,669	(202,844)	198,450	322,609,465
Scenario 2								
Blackwater	135,467,478	2,210,640	828,039	1,060,779	202,117		188,855	139,957,908
Goonyella	104,004,862		2,104,112	14,820,431			9,595	120,939,000
Moura	27,861,853			148,381	3,283,553	(202,844)		31,090,943
Newlands	18,256,105		405,661	680,259				19,342,026
	285,590,299	2,210,640	3,337,812	16,709,850	3,485,669	(202,844)	198,450	311,329,876
	Billing model AT5							Total
Blackwater	17,352,827		548,770					17,901,597
Goonyella	31,694,908		184,031					31,878,940
Moura	n/a							
Newlands	n/a							
	49,047,736		732,801					49,780,537

System Allowable Revenue

	AT2 - AT4
Blackwater	157,934,911
Goonyella	131,994,028
Moura	31,090,943
Newlands	24,953,480
	345,973,362
Blackwater	146,966,171
Goonyella	131,994,028
Moura	31,090,943
Newlands	24,953,480
	335,004,622
	AT5
Blackwater	22,965,416
Goonyella	40,214,743
Moura	
Newlands	
	63,180,159

Revenue Adjustment Amounts

	Total (at 2007/08)	Total (at 2009/10)
Blackwater	(6,697,414)	(7,873,685)
Goonyella	(11,055,028)	(12,996,629)
Moura	-	-
Newlands	(5,611,454)	(6,596,997)
	(23,363,897)	(27,467,312)
Blackwater	(7,008,263)	(8,239,129)
Goonyella	(11,055,028)	(12,996,629)
Moura	-	-
Newlands	(5,611,454)	(6,596,997)
	(23,674,745)	(27,832,755)
	Total (at 2007/08)	Total (at 2009/10)
Blackwater	(5,063,819)	(5,953,180)
Goonyella	(8,335,803)	(9,799,825)
Moura	-	-
Newlands	-	-
	(13,399,622)	(15,753,006)

Total Revenue Adjustment Amount (for 2009/10)

Scenario 1 (43,220,317)
Scenario 2 (43,585,761)

ATTACHMENT B METHODOLOGY FOR TAKE OR PAY

UT1 TAKE OR PAY

1. Background

In accordance with the provisions Clause 3.2, Schedule F of QR's 2001 Access Undertaking (UT1) and the Access Agreement between QR Network Access (QRNA) and QRNational Coal (QRNational), QR is entitled to charge Take or Pay.

This paper summarises the methodology associated with the calculation of Take or Pay for the 2006/2007 financial year. The methodology is applicable to the majority of services contracted under the relevant Access Agreements between QRNA and QRNational.

Defined terms used in this paper have the meaning given in the Standard Access Agreement.

2. Methodology

Monthly Take or Pay charges include two components - Variable Take or Pay (VTP) and Annual Take or Pay (ATP).

2.1 VTP

VTP = Zero where:

- In the relevant Billing Period (i.e. month), the actual System gross tonne kilometres (gtks) exceeds 90% of the System Forecast (contained in Schedule F) less any gtks not achieved due to QR Cause; or
- If, in 3 continuous Billing Periods, the Access Holder in respect of the relevant Train service has railed in excess of 90% of the maximum gtks achievable under the contractual entitlement (less any gtks not achieved due to QR Cause).

(In this regard, QR Cause is a Below Rail cause in accordance with the Standard Access Agreement.)

If VTP is not equal to zero then VTP shall be 30% of the amount calculated by subtracting:

- The value derived from applying AT_3 and AT_4 of the relevant Reference Tariff to the actual net tonne kilometres (ntks) and net tonnes (nts), respectively, achieved for the relevant Train Service for the relevant Billing Period;

From

- 90% of the value derived from applying AT_3 and AT_4 of the relevant Reference Tariff to the maximum ntkms and nts, respectively, that would have been achievable for the relevant Billing Period had the full contracted entitlement been attained (less any ntkms and nts not achieved due to QR Cause).

Formula 1:

$$\text{VTP} = 30\% \text{ of } ((90\% \text{ of } (\text{Max Contracted } AT_3 + AT_4)) - (\text{Actual } AT_3 + AT_4))$$

(Note: VTP can never be less than Zero)

2.2 ATP

(Note: ATP shall not be payable for a Billing Period where the System gtps exceed 100% of the System Forecast identified for the nominated Reference Train services)

ATP is determined by:

- The aggregate amount of Take or Pay that QR would be entitled to earn from all UT1 Agreements ("Total Actual Take or Pay");

Less

The value that is 30% of the amount calculated by subtracting:

1. The value derived from applying AT_3 and AT_4 of the relevant Reference Tariff to the actual ntk and nts, respectively, achieved for the relevant Train Service for the current year up to the end of the Billing Period for which ATP is being calculated;

From

2. 100% of the value derived from applying AT_3 and AT_4 of the relevant Reference Tariff to the maximum ntk and nts, respectively, that would have been achievable for that part of the current Year up to the end of the Billing Period for which ATP is being calculated had the full contracted entitlement been attained for the relevant Train Service (less any ntk and nts not achieved due to QR Cause).

Formula 2:

$$\text{ATP} = (30\% ((\text{Max Contracted } AT_3 + AT_4 \text{ YTD}) - (\text{QR Cause } AT_3 + AT_4 \text{ YTD}) - (\text{Actual } AT_3 + AT_4 \text{ YTD}))) - \text{Net Aggregate of the Values invoiced for ATP for each previous Billing Period for the Year}$$

ATP will be only invoiced in a Billing Period where the net aggregate of the values determined for ATP for each Billing Period of the Year up to and including the relevant Billing period is equal to or greater than 25% of the value derived from applying AT_3 and AT_4 of the relevant Reference Tariff to the maximum ntk and nts, respectively, that would have been achieved for the relevant Billing Period had the full contracted entitlement been attained;

- Invoice ATP when Net Aggregate of values determined for ATP for each Billing Period of Year = or > 25% of Max Contracted.

Or

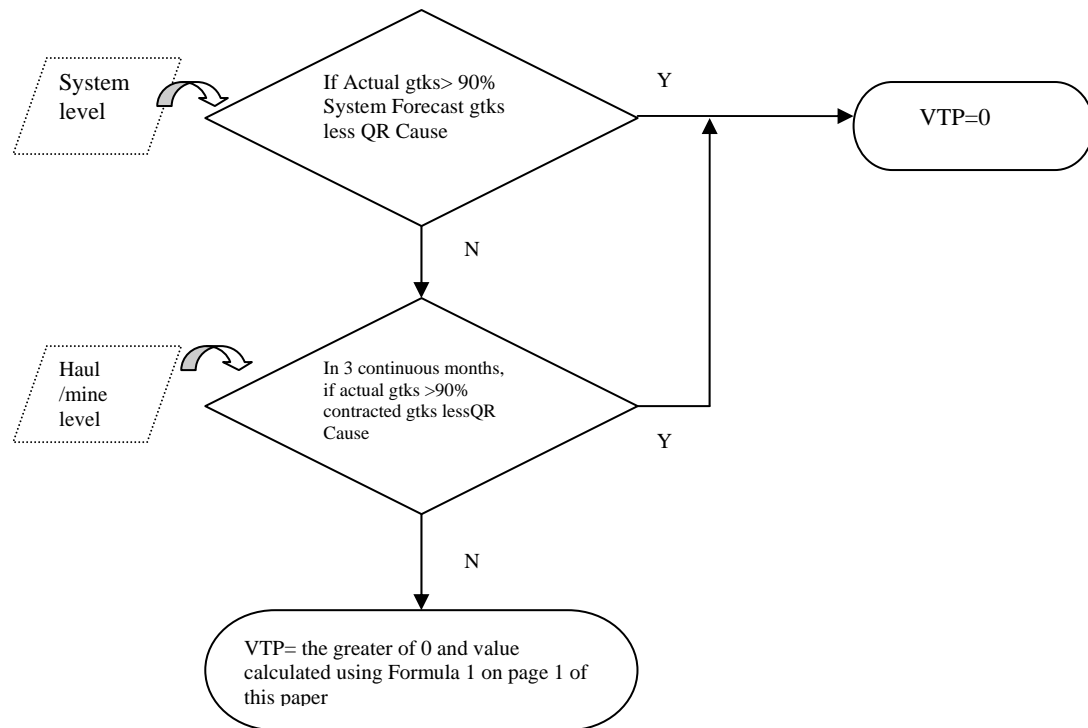
- In the final Billing Period of the Year, if the System Gtp for the Year exceeds 100% of the System Forecast for the Year (less the gtps not achieved due to QR Cause), the value of ATP shall be the value to make the net aggregate of the values determined for ATP for the Year to be equal to Zero.

For clarification, where the net aggregate of the values determined for ATP for that part of the Year up to the end of the relevant Billing Period is less than the amount of ATP previously paid in that Year, the difference will be reflected in a reduction to the Access Charge invoiced for the relevant Billing Period, except that such reduction shall be limited to an amount that would make the sum of ATP for the Year to date no less than zero.

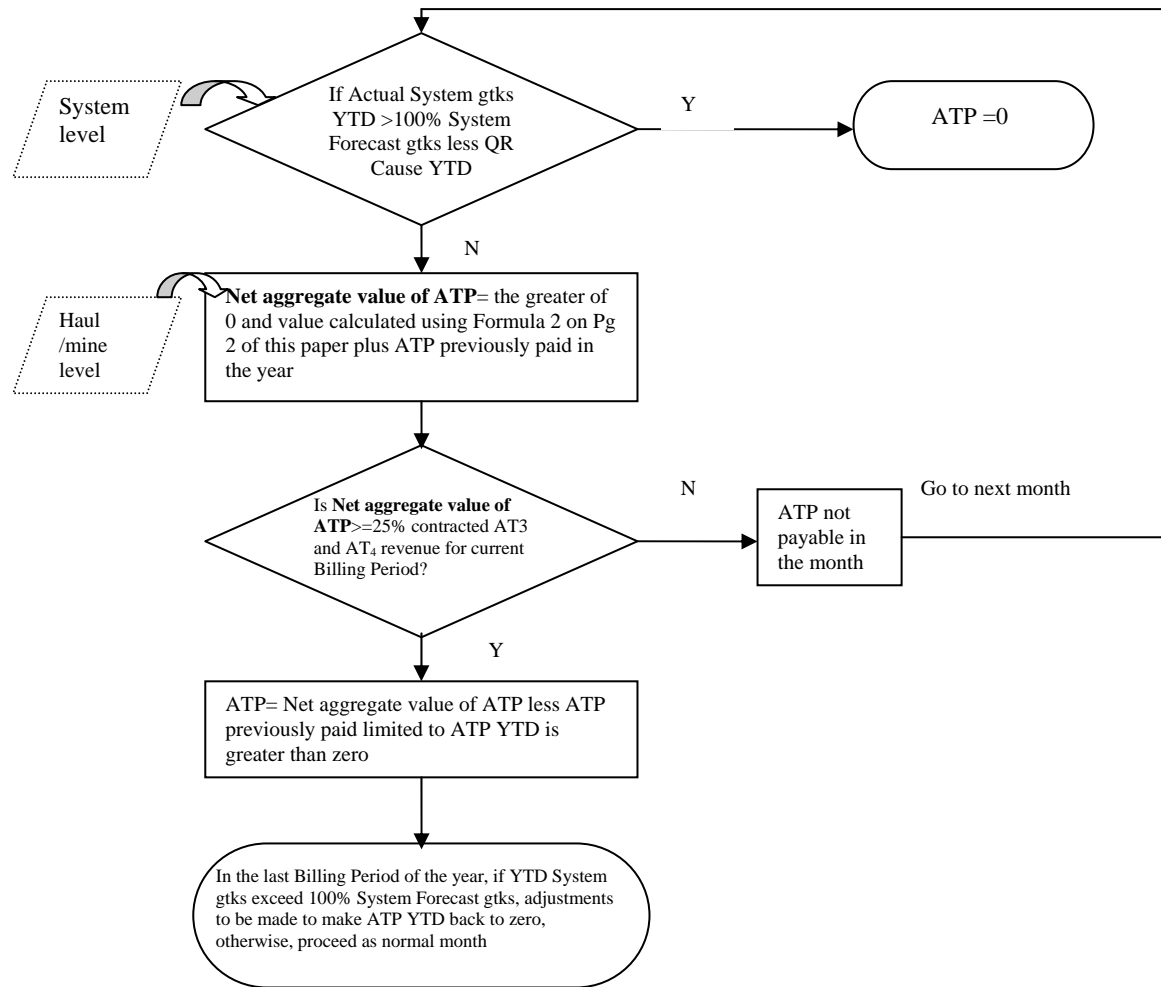
3. Key Assumptions

- Train Services negotiated prior to UT1 (grandfathered paths) attract no Take or Pay. (Note: collection of grandfathered Take or Pay is conditional upon Take or Pay being received by QRNational).
- Western system and 'cross system' Train Services are not included in the calculation. (Note: Western system traffic is excluded from the revenue cap.)
- The destination for all Goonyella system Train Services is assumed to be the Dalrymple Bay Coal Terminal.
- The destination for all Blackwater system and Moura system Train Services is assumed to be the RG Tanna Coal Terminal. (Note: any effect of amending the model for Train Services operating via the Blackwater system to Stanwell Power Station is negligible.)
- The Reference Train consists used in calculating contracted ntk's, gtks, nts and gts are sourced from the UT2 Reference Tariff model maintained by QR Network.

Flow Chart – VTP



Flow Chart – ATP (UT1)



UT2 TAKE OR PAY

1. Background

In accordance with the provisions Clause 2.2, Schedule F, Part B of QR's 2005 Access Undertaking (UT2) and with regards to the Access Agreement between QR Network (QR Network) and QRNational, QR is entitled to charge Take or Pay.

This paper summarises the methodology associated with the calculation of Take or Pay for the 2007/2008 financial year. The methodology is applicable to the majority of services contracted under the relevant Access Agreements between QR Network and QRNational.

Defined terms used in this paper have the meaning given in the Standard Access Agreement.

2. Methodology

Monthly Take or Pay charges include only one component, ie Annual Take or Pay (ATP). The Take or Pay amount is determined by multiplying:

- a. AT_2 , AT_3 and AT_4 (at the rate applicable in the final Quarter of the Year);
by
- b. The rtp, nt and ntk (as applicable) calculated by:
 - I. The rtp, nt and ntk (as applicable) that would have been achieved for the subject Year had the full contracted entitlement been railed for the relevant Train Service; less
 - II. The rtp, nt and ntk (as applicable) not railed for the subject Year due to the non operation of Train Services for a QR Cause;
Less
 - III. The rtp, nt and ntk (as applicable) railed for the subject Year.

Provided always that the amount of Take or Pay for the Year shall no be less than zero.

Note:

ATP shall not be payable for a Billing Period where, for that part of the current Year up to the end of the relevant billing Period, the System gtps exceed 100% of the System Forecast.

In accordance with Clause 2.2.6, Schedule F, Part B of QR's 2005 Access Undertaking (UT2), an adjustment to the Take or Pay for the 2007/08 financial year liability will take place where Total Revenue exceeds System Allowable Revenue for AT_{2-4} .

3. Key Assumptions

- Train Services negotiated prior to UT1 (grandfathered paths) attract no Take or Pay. (Note: collection of grandfathered Take or Pay is conditional upon Take or Pay being received by QRNational.
- Western system and 'cross system' Train Services are not included in the calculation. (Western system traffic is excluded from the revenue cap.)

- The destination for all Goonyella system Train Services is assumed to be the Dalrymple Bay Coal Terminal.
- The destination for all Blackwater system and Moura system Train Services is assumed to be the RG Tanna Coal Terminal.
- The Reference Train consists used in calculating contracted ntk, gtk, nts and gts are sourced from the UT2 Reference Tariff model maintained by QR Network.

Flow Chart – ATP (UT2)

