Ms Catherine Barker
Director Business Performance
Queensland Competition Authority
Level 27
145 Ann Street
BRISBANE QLD 4000

7 November 2017

Dear Catherine,

Aurizon Network Pty Ltd (Aurizon Network) – Review Event – 2017 Tropical Cyclone Debbie

I refer to Aurizon Network's 2017 Tropical Cyclone Debbie Review Event (**Review Event**) submission to the Queensland Competition Authority (**QCA**) on the 22 September 2017, which is currently out for consultation by the QCA, seeking comments from interested parties by 10 November 2017.

Since the publication of the Review Event submission, Aurizon Network has been engaging with interested stakeholders to brief them on its contents and provide further clarification.

Stemming from this engagement, it has become clear that stakeholders would benefit from Aurizon Network providing further information to clarify specific points. This is the purpose of this letter.

Outlined below are responses to specific questions that have been raised by stakeholders.

1. *Question: How will the proposed uplift to tariffs from 1 January 2018 work, given the current Undertaking does not extend past 31 December 2017?*

    Answer: Aurizon Network anticipates that the current approved Access Undertaking (UT4) will be extended until June 2018, covering the period of tariff adjustments resulting from the Review Event. Aurizon acknowledges this is subject to QCA approval.

    On the 28 September 2017, Aurizon Network submitted an Extension Draft Amending Access Undertaking (**Extension DAAU**), seeking to extend the current term of UT4 for a further 6 months, until 30 June 2018. It is anticipated that, subject to QCA approval, the extension of term will be in place prior to 31 December 2017.

2. *Question: Given the Extension DAAU will vary the Reference Tariffs to recover the flood costs, we assume there will be no need to vary the Reference Tariffs based on the Review Event?*

    Answer: If the QCA approves inclusion of flood costs within the Extension DAAU, there should be no need for further adjustment. However, if the flood costs approved for recovery by the QCA as part of its Review Event assessment differ from the flood costs included in the Extension DAAU, it will be dealt with through an Adjustment Charge process on approval of UT5.

3. *Question: Where repairs were made to electrical assets does Aurizon Network propose to include these within the AT5 tariff? We note that these were not included within AT5 in the Extension DAAU or within the tariffs outlined in the Review Event submission.*

   Answer: If the QCA considers it appropriate to reallocate costs to AT5, Aurizon Network will deal with this as part of the UT5 Adjustment Charge process.

   Aurizon Network's latest analysis of flood related electric costs indicates $396,905 and $12,842 (excluding escalation) for the Goonyella and Blackwater systems respectively.

4. *Question: What WACC and Inflation should apply to tariff escalation given the uplift will occur within the UT5 period, but the QCA has not yet issued a final decision on UT5?*

   Answer: Aurizon Network has applied UT4 based parameters to the tariffs, in the absence of any other approved parameters. However, if the QCA approval of UT5 requires any changes to these parameters, this will be deal with as part of the UT5 Adjustment Charge process.

Aurizon Network welcomes feedback from stakeholders and will continue to engage with stakeholders as they progress their responses to the Review Event submission leading up to the closing date specified by the QCA. In the interests of transparency to those stakeholders, Aurizon Network would appreciate if the QCA could publish this clarification letter prior to the closing date of stakeholder submissions.

Aurizon Network confirms that there is no confidential information within this letter.

If you have any questions, in relation to this correspondence, please contact Donna Bowman on (07) 3019 9507.

Kind regards,

David Collins
Head of Finance and Regulation
Aurizon Network