

13 June 2013

QLD COMPETITION AUTHORITY

Mr Malcolm Roberts
Chairman
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

14 JUN 2013

DATE RECEIVED

Dear Mr Roberts

Re: Aurizon Network's 2013 Blackwater Electric Traction Pricing Draft Amending Access Undertaking

Reference is made to Aurizon Network's draft amending access undertaking (DAAU) proposal (dated 24 April 2013) for amendment to the pricing arrangements for electric traction services in the Blackwater system in the approved 2010 access undertaking.

Stanwell Corporation Limited (Stanwell) strongly supports consideration of mechanisms that would result in more efficient pricing of the Blackwater electric traction network.

Stanwell does not, however, believe that the proposed Pricing Principles as a whole should be endorsed until more detail has been provided. Whilst the current proposal may potentially lower rail network costs, Stanwell has a number of concerns with Aurizon's proposals. These are detailed under:

1. Pricing Principles

In its covering letter to the QCA, Aurizon stated that it is seeking "approval of a set of principles" to fix what is seen as a problem with current electric traction pricing.

Whilst Stanwell considers the articulation and adoption of 'pricing principles' as an essential first step in ultimately determining regulatory price paths, it is not the end of the process; such principles need to be converted into the actual prices. In the event the QCA endorsed the principles there would still need to be a review of how those principles are articulated into actual charges.

In other words, Aurizon's proposals address only one part of any review into AT5 charges. There is no detail in the Aurizon submission about the level of AT5 charges and how they might, over the course of the UT4 and UT5 regulatory periods, demonstrate economic efficiency.

Stanwell endorses the adjustment of electric traction charges to:

- o remove any bias between electric and diesel traction; and
- o provide a fixed price path for the next regulatory period.

Stanwell notes that, Aurizon is aware that it could achieve the price path proposed for the first four years by instituting lower prices without the need for QCA intervention.

2. Under Utilisation Payment (UUP)

There is insufficient detail in the Aurizon proposal to fully understand, and therefore support or otherwise, the imposition of an UUP. Questions that remain unanswered include:

- How would any such charge be levied or credited? Yearly, every four years?
- Would there be any discrimination between long and short customers?
- How would customers that enter or leave the network during the UT4 and UT5 periods be treated?

Stanwell believes that there is scope for Aurizon to be exposed to some volume risk and in return accept some reward where budgeted volumes are exceeded. For example, Aurizon is aware that it could achieve the lower price path proposed and therefore encourage a great take up of electric traction without the need for QCA intervention.

Stanwell would encourage the QCA to consider incorporating some level of “revenue at risk” to further incentivise Aurizon to increase customer utilisation of the electric traction system. This would involve understanding how such an arrangement would interact with the existing regulatory framework.

3. Form

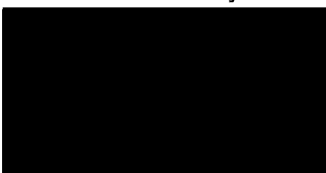
As noted above, Aurizon proposes an amendment to the pricing arrangements for electric traction services in the Blackwater system to take effect over the UT4 and UT5 regulatory periods.

In Stanwell’s view, Aurizon’s proposal is deficient in not providing all of the specific and formal drafts of proposed amendments to the approved 2010 access undertaking which would be necessary to give effect the amendments required. At this stage, interested parties are restricted to responding to a general proposal by Aurizon rather than the specific detail of the application.

Both the QCA and interested parties would need this detail in order to adequately and fully respond to the implications of Aurizon’s proposals, and certainly before any final determination by the QCA.

Should you require further information in respect of matters raised in Stanwell’s submission, please contact Michael Sinclair on [REDACTED] or email michael.sinclair@stanwell.com.

Yours sincerely



Tanya Mills
Acting Executive General Manager, Energy Trading and Commercial Strategy