

File Ref: 731640

22 May 2014

Mr Alex Kummant
Chief Executive Officer
Aurizon Network Pty Ltd
GPO Box 456
Brisbane QLD 4001

Dear Mr ~~Kummant~~ *Alex*

Draft Decision: 2013 Flood Review Event Claim

I refer to Aurizon Network's claim to pass through \$18.6 million (\$2012-13) in damage repair costs in the Blackwater and Moura systems associated with flooding in central Queensland in January 2013, which was submitted to us for approval on 30 July 2013, and revised on 4 March 2014.

On 21 May 2014, we made a draft decision not to approve the flood review event claim. In accordance with clause 2.2.7(c)(ii)(B) of Schedule F of the 2010 access undertaking, we consider the claim does not reflect the impact of the review event on the financial position of Aurizon Network (including the impact of incremental maintenance costs and incremental capital costs). Specifically, we consider the amount of \$2.54 million (\$2012-13) should be removed from the claim, as it reflects ordinary labour costs that we do not consider to be incremental costs.

The full reasons for our position are contained in the draft decision, which is attached to this letter. We will publish this letter (and the draft decision) on our website. We are seeking submissions on the draft decision from stakeholders, including Aurizon Network, by 20 June 2014.

Should Aurizon Network staff wish to discuss this matter, they should contact Leigh Spencer on 07 3222 0532.

Yours sincerely



Malcolm Roberts
Chairman