
2012/13 Revenue Adjustment Amounts – Submission to the QCA



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1. Introduction

1.1 Background

Schedule F of QR Network's 2010 Access Undertaking (the 2010 Undertaking) sets out the form of regulation to apply to coal-carrying train services in the Central Queensland Coal Region (CQCR).

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

The latest revenue cap submission, being for the 2011/12 year (the 2012 submission) was submitted to the QCA on 28 September 2012 and approved in January 2013. The Revenue Adjustment Amounts contained in the 2012 submission were reflected in 'transitional' Reference Tariffs which were approved by the QCA on 31st May 2013 (as part of the Draft Amending Access Undertaking (DAAU) to extend the term of the 2010 Undertaking) and implemented on 1 July 2013 for the 2013/14 year.

1.2 Form of submission

Clause 3.2.1 requires that the following matters be addressed by QR Network, for each relevant Individual Coal System Infrastructure:

- Calculation of an AT₂₋₄ Revenue Adjustment Amount;
- Calculation of an AT₅ Revenue Adjustment Amount; and
- An Increment.

This submission details the methodology, data and assumptions used to determine the Revenue Adjustment Amounts and the Increments. The Revenue Adjustment Amounts cover the AT₂₋₄ Reference Tariff components for the Blackwater, Goonyella, Moura, Newlands and GAPE systems, and the AT₅ and EC Reference Tariff components for the Blackwater and Goonyella systems, for the 2012/13 year.

A Revenue Adjustment Amount for AT₂₋₄ for the 2011/12 year has also been determined for the GAPE system. Calculations for this and the 2012/13 year are in accordance with the GAPE DAAU approved by the QCA during September 2013.

This submission sets out a step-by-step explanation of the relevant components of the calculation of the Revenue Adjustment Amounts and Increments as follows:

- Section 2 sets out the calculation of the Adjusted System Allowable Revenues for AT₂₋₄ and AT₅ in accordance with Clause 3.2.2.
- Section 3 sets out the calculation of the Revenue Adjustment Amounts, including Total Actual Revenues, for AT₂₋₄ and AT₅ in accordance with Clauses 3.2.1(a), 3.2.3, 3.2.4 and 3.2.5.
- Section 4 sets out the calculation of the Increments, in accordance with Clauses 3.2.1(b) and 3.3. In this regard, QR Network confirms that no Increment is being claimed for any CQCR system.

As per the 2012 submission, this submission does not set out the adjustments to System Allowable Revenue associated with the Revenue Adjustment Amounts, the Increments and a return on capital amount. A separate submission on these matters is expected to be made to the QCA for the 2014/15 year following the QCA's approval of the Revenue Adjustment Amounts (this submission will also include the 2011/12 Revenue Adjustment Amount for GAPE).

Attachment A provides a summary of output from QR Network's financial models that were used to calculate the Revenue Adjustment Amounts for each system. This submission and Attachment A are presented in a format which is suitable for publication, should the QCA choose to do so, in accordance with Clause 3.2.10.

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 this submission. These models include:

- QR Network's billing model;
- An 'adjustment' model;
- The Take or Pay models;
- The rebate model; and
- The MCI and CPI model.

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

QR Network has also provided billing information in relation to electricity costs and connection services. This information is provided to support the relevant adjustments to System Allowable Revenue as discussed in Section 2. As per previous submissions, QR Network confirms there are confidentiality provisions in the respective supply agreements and accordingly also requests that the information is not published.

In this submission:

- References to QR Network are to Aurizon Network Pty Ltd, the provider of access services during the 2012/13 year in accordance with the 2010 Undertaking;
- References to UT1 are to the period covered by QR's 2001 Access Undertaking effective 1 July 2001;
- References to UT2 are to the period covered by QR's 2005 Access Undertaking effective 1 July 2005 and QR Network's 2008 Access Undertaking effective 24 October 2008;
- References to UT3 are to the period covered by the 2010 Undertaking, effective 1 October 2010 including the pricing arrangements effective from 1 July 2009;
- Unless otherwise specified, all references to Clauses are references to the Clauses in Part B, Schedule F of the 2010 Undertaking; and
- Defined terms used in this submission have the meaning given in the 2010 Undertaking.

1.3 Summary

1.3.1 Basis of submission

This seventh revenue cap submission, being for the 2012/13 year, represents compliance with Clause 3.2.6 which requires QR Network to submit the Revenue Adjustment Amounts and Increments (if any) to the QCA by 30 September after the end of each Year of the Term of the 2010 Undertaking.

1.3.2 Revenue Adjustment Amounts

The combined total of the Revenue Adjustment Amounts for 2012/13 represents a net recovery from Access Holders of \$39.1 million, comprising a recovery of \$28.2 million for AT₂₋₄ and a recovery of \$10.9 million for AT₅. If approved, these Revenue Adjustment Amounts will result in a net upwards variation in Reference Tariffs for 2014/15.

As indicated above, no increment is being claimed in respect of the 2012/13 year.

Recoveries from Access Holders have been calculated for Blackwater AT₂₋₄ and AT₅ and GAPE AT₂₋₄, whereas in the Goonyella, Moura and Newlands systems (AT₂₋₄) and the Goonyella system (AT₅), a return to Access Holders has been calculated.

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

System	AT ₂₋₄ \$m	AT ₅ \$m	Total \$m
Blackwater	20.688	13.104	33.792
Goonyella	(1.933)*	(2.169)*	(4.102)
Moura	(0.259)*	n/a	(0.259)
Newlands	(0.263)*	n/a	(0.263)
Total	18.233	10.935	29.168
GAPE	9.963	n/a	9.963
Grand Total	28.196	10.935	39.131

* Note: return to Access Holders.

In addition, a Revenue Adjustment Amount net recovery of \$0.706m has been calculated for GAPE for the 2011/12 year.

These amounts compare with Revenue Adjustment Amounts (which, for the 2007 to 2009 submissions, are inclusive of return on capital amounts) for previous submissions as follows:

Year	AT2-4 \$m	AT5 \$m	Total \$m
2007	15.7	10.1	25.8
2008	27.8	15.8	43.6
2009	4.6	28.3	32.9
2010	(6.1)*	6.0	(0.1)*
2011	19.2	30.0	49.2
2012	2.7 [#]	11.2	13.9 [#]

Notes:

*2010 net return to Access Holders.

[#] 2012 excludes GAPE.

1.3.3 Commentary

Revenue Adjustment Amounts are caused primarily by actual throughput varying from the parameters underlying the regulatory forecasts (System Forecasts) which form a key parameter for the determination of Reference Tariffs.

Throughput on all systems fell short of the relevant System Forecast. By comparison, total tonnages for the year totalled 182.3 million compared with a total tonnage equivalent to the total of the System Forecasts of 196.5 million, a shortfall of 7.2%. The System Forecasts are based on gross-tonne-kilometres (gtks) for which the actual was below the regulatory forecast by 10.5%.

A summary of regulatory forecast tonnage throughput by system compared with actual tonnages, and regulatory forecast gtks compared to actual gtks are provided in the tables below.

System	Forecast mt	Actual mt	Variance %
Blackwater	57.7	54.9	(5%)
Goonyella	99.0	97.6	(1%)
Moura	13.5	10.8	(20%)
Newlands	15.8	14.5	(8%)
GAPE	10.5	4.5	(57%)
Total	196.5	182.3	(7%)

System	Forecast gtk (bn)	Actual gtk (bn)	Variance %
Blackwater	33.2	29.8	(10%)
Goonyella	33.1	33.1	(0%)
Moura	3.9	3.0	(23%)
Newlands	3.5	3.1	(11%)
GAPE	6.3	2.6	(59%)
Total	80.0	71.6	(11%)

Selected types of Take or Pay were triggered in all systems. Take or Pay amounts were calculated strictly in accordance with the Standard Access Agreement (discussed further in Section 3). Take or Pay amounts in Blackwater and Goonyella related to variable (UT1) Take or Pay only. In Goonyella and consistent with the UT1 Standard Access Agreement, these amounts were not subject to system capping even though Total Actual Revenue for AT₂₋₄ exceeded the equivalent System Allowable Revenue. Take or Pay in Moura and Newlands included annual Take or Pay amounts which were subject to system capping. The GAPE system Take or Pay was not subject to system capping.

Accordingly, the Blackwater and GAPE systems recorded significant under-recoveries of the respective AT₂₋₄ System Allowable Revenues. In addition, Blackwater recorded an under recovery of the AT₅ System Allowable Revenue as electric gtks (egtks) were 13% below the regulatory forecast. Goonyella egtks were 4% below the regulatory forecast but this did not result in an under recovery due to adjustments to AT₅ System Allowable Revenue for electric energy and connection costs (discussed further in Section 2).

2. Adjusted System Allowable Revenues

2.1 Introduction

Clause 3.2.2 states that:

The Adjusted System Allowable Revenue for AT₂₋₄ or the AT₅ component of Access Charges is the sum of the following components of relevant System Allowable Revenue:

- a) *the component relating to the recovery of QR Network's maintenance costs, adjusted to reflect:*
 - (i) *for the maintenance costs of maintaining branchlines for new loading facilities (that became operational after the Commencing Date), \$15,000.00 per kilometre of new Track comprised in those branchlines; and*
 - (ii) *for maintenance costs to which Clause 3.2.2(a)(i) does not apply, the difference between:*
 - A. *the actual MCI value less the approved X-Factor for the relevant Year; and*
 - B. *the forecast MCI value less the approved X-Factor that was used for the purpose of determining the Reference Tariffs for the relevant Year;*
- b) *the components relating to the recovery of QR Network's:*
 - (i) *cost of electric energy for traction; and*
 - (ii) *costs associated with the connection of QR Network's electrical traction system to an electricity transmission or distribution network,*

adjusted to reflect the difference between:

 - (iii) *the actual costs for the relevant Year; and*
 - (iv) *the forecast costs used for the purpose of determining the Reference Tariffs for the relevant Year;*
- c) *the component relating to the recovery of QR Network's operating costs, excluding those costs referred to in Clause 3.2.2(a), adjusted to reflect the difference between:*
 - (i) *the actual CPI value less the approved X-Factor for the relevant Year; and*
 - (ii) *the forecast CPI value less the approved X-Factor that was used for the purpose of determining the Reference Tariffs for the relevant Year; and*
- d) *all components excluding those costs referred to in Clause 3.2.2(a), (b) or (c).*

2.2 Maintenance Costs

2.2.1 Branchlines for new loading facilities

With respect to Clause 3.2.2(a)(i), QR Network confirms that no branchlines for new loading facilities were commissioned during the 2012/13 year.

2.2.2 Maintenance Cost Index (MCI)

With respect to Clause 3.2.2(a)(ii), QR Network has calculated a net return to Access Holders of \$2.5m for AT₂₋₄ and \$0.2m for AT₅. Overall, the actual MCI for the year was less than the UT3 forecast MCI for the same year. The methodology for determining the MCI adjustment is detailed below.

The MCI is a weighted index composed of a number of separate indexes. The QCA approved the weightings in its Pricing Decision in June 2010, these weightings are set out in the table below.

	Fuel	Accommodation	Consumables	Labour	Assets
Index Weights	3.2%	1.5%	34.9%	44.5%	15.9%

Each index of the MCI was forecast over the UT3 period using forecast indexes compiled by BIS Shrapnel. The approved forecast indexes are given in the table below.

	Fuel	Accommodation	Consumables	Labour	Assets	Weighted Index	Weighted Index – X-Factor
Jan-08	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Jul-10	98.6	95.2	99.7	116.8	101.2	107.4	105.6
Jul-11	101.2	97.6	100.5	121.9	102.4	110.3	107.7
Jul-12	105.6	100.0	103.4	127.6	103.7	114.2	110.6
Jul-13	113.3	102.5	110.5	134.9	104.3	120.3	115.0

The forecast MCI value less the approved X-Factor that was used for the purposes of determining Reference Tariffs for 2012/13 was calculated using the actual MCI for 2009/10 and 2010/11 and the approved UT3 forecast indexes for 2011/12 and 2012/13.

This resulted in the MCI indexes in the table below being used for determining the 2012/13 Reference Tariffs.

	Fuel	Accommodation	Consumables	Labour	Assets	Weighted Index	Weighted Index – X-Factor
Jan-08	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Jul-10	96.6	113.1	101.8	118.1	101.2	109.0	106.7
Jul-11	109.8	115.7	102.9	121.9	102.4	111.7	108.8
Jul-12	114.6	118.5	105.9	127.6	103.7	115.6	111.7
Jul-13	122.9	121.5	113.1	134.8	104.3	121.8	116.1

At the end of the year, each index of the MCI was updated to reflect actual price movements. The actual indexes were calculated and are provided below.

	Fuel	Accommodation	Consumables	Labour	Assets	Weighted Index	Weighted Index – X-Factor
Jan-08	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Jul-10	96.6	113.1	101.8	118.1	101.2	109.0	106.7
Jul-11	105.2	115.7	105.1	123.3	102.4	112.9	109.6
Jul-12	111.8	124.7	104.2	128.7	103.7	115.6	111.6
Jul-13	112.8	121.8	104.3	137.2	104.3	119.5	114.4

For the 2012/13 year, the actual MCI less the X-Factor is 1.7 percentage points below the forecast MCI less the X-Factor.

The actual consumables index, which has a high share of the weighting at 34.9%, was much lower than the forecast consumables index by 8.8 points. The labour index which also has a high share of the weighting at 44.5% was 2.4 points higher than the forecast index. The other significant change was in the fuel index which dropped 10.1 points against the forecast. This decrease did not have a significant impact on the overall weighted index, with fuel's share of the weighting being only 3.2%.

Applying the respective forecast and actual MCI-X to the remaining systems' maintenance costs approved by the QCA (in 2007/08 dollars) gives the results summarised in the table below.

	AT ₂₋₄ \$m	AT ₅ \$m	Total \$m
QCA Approved Maintenance Cost Allowance (\$2007/08)	146.387	10.500	156.887
QCA Approved Maintenance Cost Allowance 2012/13	169.979	12.193	182.172
Adjusted Maintenance Cost Allowance 2012/13	167.435	12.011	179.446
Net Return	2.544	0.182	2.726

In view of the above, the net return for each CQCR system is summarised in the table below.

System	AT ₂₋₄ \$m	AT ₅ \$m	Total \$m
Blackwater	0.973	0.079	1.052
Goonyella	1.169	0.103	1.272
Moura	0.212	n/a	0.212
Newlands	0.190	n/a	0.190
Total	2.544	0.182	2.726

Note that for the purposes of calculating the maintenance allowance for the GAPE system (to support the GAPE DAAU), estimates for the 2011/12 and 2012/13 years were prepared in nominal dollars for those years. No escalation for MCI for the GAPE system was therefore required. Accordingly, no adjustment for variation between forecast and actual MCI is sought for the GAPE system.

2.3 Operating Costs Consumer Price Index (CPI)

With respect to Clause 3.2.2(c), QR Network has calculated a net return to Access Holders of around \$600,000 for AT₂₋₄ only. Overall, the actual CPI for the year was less than the UT3 forecast CPI for the same year. The methodology for determining the CPI adjustment is set out below.

Forecast CPI figures for the Brisbane 'All Groups' over the UT3 period were taken from the mid-point of the Reserve Bank of Australia's forecast CPI band. The forecast CPI value less the approved X-Factor that was used for the purposes of determining the reference tariffs for 2012/13 was calculated using the actual CPI for 2009/10 and 2010/11 and the approved UT3 forecast indexes for 2011/12 and 2012/13. The forecast CPI-X was used to

escalate the QCA approved operating costs (in 2007/08 dollars) to derive the approved operating costs (in 2012/13 dollars). At the end of the year, QR Network derived the actual CPI-X which was used to escalate the QCA approved operating costs (in 2007/08 dollars) to derive an adjusted operating cost allowance.

The following table shows the actual versus forecast CPI-X values:

	Forecast CPI used for 12/13 Tariffs	Actual CPI	Forecast CPI-X used for 12/13 Tariffs	Actual CPI- X
Jul-08	100.0	100.0	100.0	100.0
Jul-09	102.0	102.0	102.0	102.0
Jul-10	105.3	105.3	104.5	104.4
Jul-11	108.6	109.3	106.9	107.5
Jul-12	111.3	110.3	108.9	108.2
Jul-13	114.1	112.5	111.0	109.8

*Note: X-factor only applied to the increase in CPI from July 2009.

The Australian Bureau of Statistics (ABS) has advised that from the September quarter 2012; all index numbers will be calculated on a new index reference period of 2011-12. This resulted in the index numbers for each index series being reset to 100.0 for the financial year 2011-12. Period-to-period percentage changes may differ slightly to those previously published due to rounding and the re-referencing by the ABS.

Applying the respective forecast and actual CPI-X to the operating costs approved by the QCA (in 2007/08 dollars) gives the following results:

	AT ₂₋₄ \$m	AT ₅ \$m	Total \$m
QCA Approved Operating Cost Allowance (\$2007/08)	51.980	n/a	51.980
QCA Approved Operating Cost Allowance 2012/13	57.681	n/a	57.681
Adjusted Operating Cost Allowance 2012/13	57.080	n/a	57.080
Net Return	0.601	n/a	0.601

In view of the above, the net return for each CQCR system is summarised in the table below.

System	AT ₂₋₄ \$m	AT ₅ \$m	Total \$m
Blackwater	0.245	n/a	0.245
Goonyella	0.256	n/a	0.256
Moura	0.046	n/a	0.046
Newlands	0.054	n/a	0.054
Total	0.601	n/a	0.601

As for MCI, for the purposes of calculating the operating costs allowance for the GAPE system (to support the GAPE DAAU), estimates for the 2011/12 and 2012/13 years were prepared in nominal dollars for those years. No escalation for CPI for the GAPE system was therefore required. Accordingly, no adjustment for variation between forecast and actual CPI is sought for the GAPE system.

2.4 Electric Energy (EC) and Connection Costs

With respect to Clause 3.2.2(b), QR Network has calculated a net return to Access Holders for the Goonyella and Blackwater systems of \$6.9 million.

With respect to EC costs, the net return is \$2.2 million represented by the difference between:

- The amounts paid to Origin Energy Limited (Origin) for the consumption of EC, per invoices raised by Origin; and
- The revenues for the 2012/13 year associated with the EC Reference Tariff components for Goonyella and Blackwater.

The calculation has been adjusted by including 'electric' revenues collected from QR Passenger Pty Ltd from electric Tilt Train services on the North Coast Line (NCL) in the Blackwater system, for which the comparable costs are reflected in the amounts paid to Origin.

With respect to connection costs, the net return is \$4.7 million represented by the difference between:

- The amounts paid to Powerlink Pty Ltd (Powerlink) for the connection of QR Network's electric infrastructure to the Powerlink network, per invoices raised by Powerlink.
- The connection cost allowances included in the calculation of the AT₅ Reference Tariff components for 2012/13.

QR Network has assumed no contribution to connection costs from electric Tilt Train services. The total value of the EC revenues from the Tilt Train has been applied to the EC adjustment, and given the application of the adjustments (i.e. all against AT₅) there is no difference to the revenue cap calculations by splitting these revenues.

2.5 Adjusted System Allowable Revenues for 2012/13

In view of the above, the Adjusted System Allowable Revenues are summarised in the tables below for 2012/13.

AT₂₋₄

System	Pre Adjustments \$m	Adjustments \$m	Adjusted \$m
Blackwater	270.744	(1.218)	269.526
Goonyella	257.426	(1.424)	256.002
Moura	44.791	(0.259)	44.532
Newlands	34.932	(0.244)	34.688
Total	607.893	(3.145)	604.748
GAPE	91.686	n/a	91.686
Grand Total	699.579	(3.145)	696.434

In addition the Adjusted System Allowable Revenue for AT₂₋₄ for GAPE 2011/12 is \$17.474m. As per 2012/13 above no adjustments were required.

AT₅

System	Pre Adjustments \$m	Adjustments \$m	Adjusted \$m
Blackwater	99.385	(1.109)	98.276
Goonyella	93.281	(5.975)	87.306
Total	192.666	(7.084)	185.582

A reconciliation of the amounts and total adjustments in this section is also summarised at Attachment A.

3. Revenue Adjustment Amounts

3.1 Introduction

3.1.1 Total Actual Revenue for AT₂₋₄

Clause 3.2.3(a) states that the Total Actual Revenue for AT₂₋₄ is the sum of:

Total revenue from AT₂₋₄ for coal carrying Train Services that operated on the Individual Coal System in the Year, calculated using:

- (i) for a Train Service that is a Reference Train Service and is not a Cross System Train Service, the AT₂, AT₃ and AT₄ components of the relevant Reference Tariff; or*
- (ii) for a Train Service to which Clause 4.2 applies, that part of the AT₂, AT₃ and AT₄ components of the relevant Reference Tariff relating to that Individual Coal System allocated in accordance with the method used in the calculation of the relevant System Allowable Revenue as set out in Clause 4.2(g);*
- (iii) for a Train Service that varies from the Reference Train Service due to it not complying with:
 - A. Clause 1.3.1(f) of Part A, the AT₂ component of the Access Charge (where the Access Charge varies from the Reference Tariff in accordance with Clause 3.2 of Part A) and the AT₃ and AT₄ components of the relevant Reference Tariff; or*
 - B. any other part of Clause 1.3 or 1.4 of Part A, other than Clause 1.3.1(f) of Part A (with which it complies), the AT₂, AT₃ and AT₄ components of the relevant Reference Tariff; and**
- (iv) for a Train Service for which Clause 4.3 applies, the amount of the AT₂, AT₃ and AT₄ components of the relevant Access Charge, that QR Network has actually earned over the relevant Year (whether or not actually collected by QR Network)”*

In addition, Clauses 3.2.3(c) and (d) state that the Total Actual Revenue for AT₂₋₄ should also include:

- (c) the System Allowable Revenue for AT₂₋₄ in relation to the applicable Individual Coal System which is attributable to assets under an agreement described by Clause 6.5.2(d)(i) of the Undertaking for the payment of a rebate less any rebate which is paid under that agreement.*
- (d) any revenue from AT₂₋₄ that QR Network would have been entitled to earn under an Access Agreement in relation to the individual Coal System Infrastructure during the relevant Year but for QR Network’s breach of that Access Agreement or negligence in the provision of Below Rail Services to the extent that such events of breach or negligence resulted in the non-provision of 10% or more of the total number of Train Services for any single origin-destination pair during the relevant Year.*

3.1.2 Total Actual Revenue for AT₅

Clause 3.2.5 states that the Total Actual Revenue for AT₅ is the sum of:

- (a) total revenue from the AT₅ component of Access Charges arising from all Access Agreements in relation to coal carrying Train Services for the Central Queensland Coal Region that QR Network has actually earned over the relevant Year (whether or not actually collected by QR Network), calculated using:
 - (i) for a Train Service for which Clause 4.3 applies, the amount of the AT₅ components of the relevant Access Charges; or**

- (ii) if paragraph (i) does not apply, the AT₅ component of the relevant Reference Tariff; and
- (b) the System Allowable Revenue for AT₅ in relation to Central Queensland Coal Region which is attributable to assets under an agreement described by Clause 6.5.2(d)(i) of the Undertaking for the payment of a rebate less any rebate which is paid under that agreement.
- (c) any revenue from AT₅ that QR Network would have been entitled to earn under an Access Agreement in relation to the individual Coal System Infrastructure during the relevant Year but for QR Network's breach of that Access Agreement or negligence in the provision of Below Rail Services to the extent that such events of breach or negligence resulted in the non-provision of 10% or more of the total number of Train Services for any single origin-destination pair during the relevant Year.

3.2 Access Revenues

With respect to Clause 3.2.3(a), access revenues for 2012/13 are as per QR Network's billing models and are summarised in the table below.

System	AT ₂₋₄ \$m	AT ₅ \$m
Blackwater	240.263	79.921
Goonyella	243.376	85.106
Moura	34.680	n/a
Newlands	30.319	n/a
Total	548.638	165.027
GAPE	39.318	n/a
Grand Total	587.956	165.027

The access revenues above exclude Cross System Train Services, coal services operated by the Bulk East Division of Aurizon Operations Pty Ltd (Aurizon Operations) and transfer fees. Adjustments for these services are summarised in Section 3.3 below.

3.3 Adjustment to Access Revenues

To determine the Total Actual Revenues for each Reference Tariff component in each system, the following Train Services are included:

- Train Services that are Reference Train Services, per Clauses 3.2.3(a)(i) and 3.2.5(a)(ii);
- Train Services that are Cross System Train Services, per Clauses 3.2.3(a)(ii) and 3.2.5(a)(ii);
- Train Services which vary from the Reference Train Service in accordance with Clause 3.2 of Part A, in that a capacity (diesel) multiplier has been applied, per Clause 3.2.3(a)(iii)(A); and
- Train Services for which Access Charges apply which are not Reference Tariffs, per Clause 3.2.3(a)(iv) and Clause 3.2.5(a)(i).

QR Network confirms that there are no Train Services to which Clause 3.2.3(a)(iii)(B) applies, being for any other Train Services which vary from the Reference Train Service.

To reflect these requirements, the access revenues per the Adjustment Charge model have been adjusted for the following:

- With respect to Clauses 3.2.3(a)(iv) and 3.2.5(a)(i), coal carrying Train Services operated from the Newlands system to destinations along the NCL (north and south of the Newlands system) pursuant to Access Agreements between QR Network and Aurizon Operations' Bulk East division (formerly the Australian Railroad Group). For destinations to the north, an agreement was negotiated prior to 29 June 2007, with access charges based upon an agreed rate per gtk. These Train Services have been recalculated by applying the Newlands Reference Tariff and the appropriate AT_{2,4} revenue has been included as an adjustment. For destinations to the south, an Access Agreement has been executed, with access charges from 1 July 2010 being based upon the Reference Tariff for Newlands.
- With respect to Clause 3.2.3(a)(ii), the following Cross System Train Services, for which revenues are allocated in accordance with the relevant principles in Schedule F:
 - From the Gregory mine in the Blackwater system to Hay Point Coal Terminal via the Goonyella system;
 - From the Lake Vermont mine in the Goonyella system to Gladstone via the Blackwater system.

For the Lake Vermont and Gregory mines, access revenues are based on the nominated Reference Tariffs, with allocation between systems in accordance with Schedule F.

Detailed calculations supporting adjustments for these Train Services are contained in financial models provided to the QCA concurrently with this submission.

3.4 Take or Pay, Relinquishment Fees and Transfer Fees

3.4.1 Take or Pay

Take or Pay amounts for Train Services within the CQCR have been determined in accordance with the relevant Standard Access Agreement.

A copy of the Take or Pay model for these Train Services is provided to the QCA concurrently with this submission. As the model includes haulage information on all Access Holders it has not been possible to share the model with them. However, the individual parameters supporting Take or Pay amounts for each Access Holder have been shared.

As indicated previously, Take or Pay was triggered in all systems. System capping was applied in the Newlands and Moura systems. There was no system capping applied in the Blackwater, Goonyella or GAPE systems. The Take or Pay in Blackwater and Goonyella related to variable (UT1) Take or Pay which is not subject to system capping under the relevant Standard Access Agreement.

Further comments on the capping of UT2 and UT3 Take or Pay amounts in the Newlands system are provided below.

QR Network confirms that consistent with past years:

- For the purposes of annual Take or Pay, railings within a nominated month which were above the relevant monthly contract entitlement were included in the total actual number of services operated during the year; and
- For the purposes of variable Take or Pay (UT1 only), railings within a nominated month which were above the relevant monthly contract entitlement were included in the total actual number of services operated during the relevant three (3) month period.

With respect to Newlands, the 2008 and 2010 Undertakings contain provisions for the capping of 'raw' UT2 and UT3 Take or Pay obligations in the event that Total Actual Revenues exceed System Allowable Revenues. However, the methodology for capping Take or Pay under the 2008 Undertaking (and associated UT2 Access Agreements) differs from the methodology under the 2010 Undertaking and associated UT3 Access Agreements.

In particular, variations in rebates due to volume:

- Are excluded from Total Actual Revenue in calculating Take or Pay obligations under UT2 access agreements; and
- Are counted towards Total Actual Revenue in calculating Take or Pay obligations under UT3 access agreements.

This impacted Newlands system capping in 2012/13 resulting in a small excess between the relevant Total Actual Revenue and System Allowable Revenue.

QR Network confirms that, as at the date of this submission, the GAPE Take or Pay amounts based on the GAPE DAAU approved by the QCA in September 2013 for the 2011/12 and 2012/13 years and are being invoiced to Access Holders concurrently with this submission. Accordingly, these amounts are subject to review by those Access Holders for compliance with the relevant Access Agreement. QR Network undertakes to liaise with the QCA to the extent that the final amounts collected by QR Network vary following agreement with those Access Holders following this submission, including any resulting adjustments to the Revenue Adjustment Amounts.

3.4.2 Relinquishment Fees and Transfer Fees

During the 2012/13 year, a transfer fee of \$1.6m was invoiced and collected in the year relating to the Goonyella system. The Access Holder does not agree that QR Network is entitled to the amount paid and has lodged a dispute notice in accordance with the relevant Access Agreement. The Access Holder believes that no transfer fee should be payable.

It is expected that the dispute will be resolved prior to the QCA's decision on the Revenue Adjustment Amounts. Accordingly, and for the purposes of this submission, QR Network has not included the transfer fee within Total Actual Revenue. QR Network undertakes to liaise with the QCA to the extent that any amount is confirmed following agreement between QR Network and the Access Holder following this submission, including providing information on any resulting adjustments to the Revenue Adjustment amounts.

No relinquishment fees were charged during the 2012/13 year.

3.5 Rebates

Pursuant to Clauses 3.2.3(c) and 3.2.5(b), Total Actual Revenues may be adjusted for:

- The System Allowable Revenue for AT₂₋₄ and AT₅ in relation to applicable Individual Coal System assets under an Access Facilitation Deed (AFD), being agreements described by Clause 6.5.2(d)(i) of the Undertaking for the payment of a rebate; less
- Any rebates which are paid under that agreement.

In principle, the adjustment is represented by the difference between actual and regulatory forecast tonnages, multiplied by the relevant rebate rate per tonne.

Adjustments for rebates representing a total net return to Access Holders of around \$1.2 million are applicable to the Blackwater, Goonyella and Newlands systems (there are no AFD arrangements covering mines utilising the Moura or GAPE systems).

QR Network confirms that the rebate rates supporting the calculations are final rates for UT3 which were confirmed with the relevant AFD miners during 2012/13.

A copy of QR Network's rebate model showing the calculations of these amounts has been provided to the QCA concurrently with this submission.

3.6 Breach of an Access Agreement or Negligence

QR Network confirms that during the 2012/13 year it did not receive any claim for breach of an Access Agreement or negligence for either:

- A Train Service which operated during the 2012/13 year; or
- A Train Service which operated during a prior year,

relating to an incident which resulted in the non-provision of 10% or more of the total number of Train Services for any origin-destination pair over the relevant Year.

Accordingly, no adjustments to Total Actual Revenues have been made, or are expected to be made, in accordance with Clause 3.2.3(d).

3.7 Total Actual Revenues

In view of the above, Total Actual Revenues for AT₂₋₄ and AT₅ for each system for 2012/13 are provided in the tables below. A reconciliation of the amounts and total adjustments in this section is also summarised at Attachment A.

AT₂₋₄

System	Access Revenues \$m	Adjustments \$m	Total Actual Revenues \$m
Blackwater	240.263	8.575	248.838
Goonyella	243.376	14.560	257.936
Moura	34.680	10.111	44.791
Newlands	30.319	4.631	34.950
Total	548.638	37.877	586.515
GAPE	39.318	42.405	81.723
Grand Total	587.956	80.282	668.238

In addition, the Total Actual Revenue for AT₂₋₄ for GAPE 2011/12 is \$16.768m.

AT₅

System	Access		Total Actual
	Revenues	Adjustments	Revenues
	\$m	\$m	\$m
Blackwater	79.921	5.251	85.172
Goonyella	85.106	4.369	89.475
Total	165.027	9.620	174.647

3.8 Revenue Adjustment Amounts for 2012/13

In view of the above, the Revenue Adjustment Amounts for AT₂₋₄ and AT₅ for each system, calculated in accordance with Clause 3.2.1, are summarised below.

AT₂₋₄

System	Adjusted System		Revenue
	Allowable Revenues	Total Actual Revenues	Adjustment Amounts
	\$m	\$m	\$m
Blackwater	269.526	248.838	20.688
Goonyella	256.002	257.936	(1.934)*
Moura	44.532	44.791	(0.259)*
Newlands	34.688	34.950	(0.262)*
Total	604.748	586.515	18.233
GAPE	91.686	81.723	9.963
Grand Total	696.434	668.238	28.196

* Net return

In addition, the Revenue Adjustment Amount for AT₂₋₄ for GAPE for 2011/12 is a recovery of \$0.706m.

AT₅

System	Adjusted System		Revenue
	Allowable Revenues	Total Actual Revenues	Adjustment Amounts
	\$m	\$m	\$m
Blackwater	98.276	85.172	13.104
Goonyella	87.306	89.475	(2.169)*
Total	185.582	174.647	10.935

* Net return

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

4. Increment

4.1 Introduction

Clause 3.3 states that:

Subject to Subclause 3.2.2, where for an Individual Coal System Infrastructure:

- (a) *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;*
- (b) *QR Network is required by Subclause 3.4.3 to submit a variation of relevant Reference Tariffs to the QCA; and*
- (c) *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 Network (or its contractors) which have increased the efficiency of the Below Rail network*

the Increment, for the relevant Individual Coal System Infrastructure, equals that part 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 Network (or its contractors).

4.2 Increment for 2012/13

No Increment is being sought for the 2012/13 year. Whilst Total Actual Revenue for AT_{2-4} exceeded Adjusted System Allowable Revenue for AT_{2-4} in the Goonyella, Moura and Newlands systems, QR Network is unable to attribute the Difference to any whole of coal chain activities or initiatives.

**Attachment A
Revenue Cap Adjustment
2012/13**

Total Actual Revenue

	Billing models AT ₂ (excl Cross System Traffic)	TAR Adjustments		Total TAR
		Adjustments (inc Cross System, Take or Pay, Transfer fees)	Rebate Adjustments	
Blackwater	240,262,698	11,600,789	(3,025,509)	248,837,977
Goonyella	243,375,463	10,696,179	3,863,826	257,935,468
Moura	34,680,239	10,111,010		44,791,249
Newlands	30,319,381	4,459,895	171,296	34,950,572
GAPE	39,318,596	42,404,865		81,723,461
	587,956,378	79,272,737	1,009,612	668,238,727

System Allowable Revenue

	SAR per Schedule F	SAR Adjustments			Adjusted SAR AT ₂ - AT ₄	Total (at 2012/13)
		MCI adjustment Maintenance Costs	CPI adjustment Operating Costs			
Blackwater	270,743,993	(972,743)	(244,893)		269,526,358	(20,688,381)
Goonyella	257,426,483	(1,168,533)	(256,058)		256,001,892	1,933,576
Moura	44,791,249	(212,192)	(46,566)		44,532,491	258,758
Newlands	34,931,620	(190,538)	(53,677)		34,687,406	263,166
GAPE	91,686,243	-	-		91,686,243	(9,962,782)
	699,579,588	(2,544,005)	(601,194)	-	696,434,389	(28,195,662)

Revenue Adjustment

	Billing models AT ₅ (excl Cross System Traffic)	Adjustments (inc Cross System, Take or Pay, Transfer fees)	Rebate Adjustments	Total
Goonyella	85,105,374	4,188,342	181,082	89,474,798
Moura				
Newlands				
GAPE				
	165,026,552	9,439,208	181,082	174,646,842

	SAR per Schedule F	MCI adjustment Maintenance Costs	CPI adjustment Operating Costs	Electric Energy Adjustment	Connection Charges Adjustment	Adjusted SAR AT ₅	Total (at 2012/13)
Goonyella	93,281,431	(103,557)	-	(3,401,845)	(2,469,972)	87,306,057	2,168,741
Moura							
Newlands							
GAPE							
	192,665,942	(182,487)	-	(2,226,129)	(4,675,584)	185,581,742	(10,934,899)

Total Revenue Adjustment Amount (for 2012/13)

(39,130,561)

**Attachment A
Revenue Cap Adjustment -GAPE
2011/12**

Total Actual Revenue

	Billing models AT ₂ 4 (excl Cross System Traffic)	TAR Adjustments		Total TAR
		Adjustments (inc Cross System, Take or Pay, Transfer fees)	Rebate Adjustments	
Blackwater				-
Goonyella				-
Moura				-
Newlands				-
GAPE	6,953,908	9,813,920		16,767,827
	6,953,908	9,813,920	-	16,767,827

System Allowable Revenue

	SAR per Schedule F	SAR Adjustments		Adjusted SAR AT ₂ - AT ₄	Total (at 2012/13)
		MCI adjustment Maintenance Costs	CPI adjustment Operating Costs		
Blackwater				-	-
Goonyella				-	-
Moura				-	-
Newlands				-	-
GAPE	17,473,977	-	-	17,473,977	(706,150)
	17,473,977	-	-	17,473,977	(706,150)

**Revenue
Adjustment**

Total Revenue Adjustment Amount (for 2011/12) - GAPE

(706,150)