

13 December 2013



Dr Malcolm Roberts  
Chairman  
Queensland Competition Authority  
Level 19, 12 Creek Street  
BRISBANE QLD 4001

Dear Malcolm

### **2013 Standard User Funding Agreement (SUFA) DAAU**

On 14 October, the QCA requested responses to the submissions it received on Aurizon Network's Draft Amending Access Undertaking on the Standard User Funding Agreement of 22 July 2013 (**2013 SUFA DAAU**). We appreciate the opportunity to provide a response.

The SUFA framework enables new arrangements and choices for access seekers in funding expansion and growth of the Central Queensland Coal Network (CQCN). SUFA has been designed to be:

- Workable – enabling provision of funding and return of cashflows
- Efficient – timely, low cost and tax efficient
- Non-prejudicial – not disadvantaging other parties or future user funded expansions
- Integral – not impact the system integrity of CQCN; and
- Flexible – on a project by project basis

Aurizon Network developed the SUFA documentation through a series of detailed consultations with coal industry representatives and the Queensland Resources Council (collectively "the QRC Working Group"). These consultations ran from late 2011, through to the lodgement of the 2013 SUFA DAAU.

The broad structure of the SUFA arrangement included in the 2013 SUFA DAAU was agreed in late 2011. This was followed by further detailed engagement with the QRC Working Group, which reviewed and extensively commented on the documentation. This process culminated in the lodgement of a DAAU in December 2012.



Following the December 2012 submission, Aurizon Network and the QRC Working Group continued to work through a list of key outstanding issues that had been identified by the customer group. This process ran from January to June this year. This process was constructive, and successfully resolved all the key issues identified by customers. Agreed positions were drafted and an improved SUFA package lodged on 22 July. Schedule 1 of the cover letter to the 2013 SUFA DAAU contains a summary of the key changes between the December 2012 and July 2013 submissions.

Throughout this period we also engaged with the QCA on the December submission. Whilst this was primarily focussed on explaining the documentation and exploring any concerns, it did assist in developing the July submission.

On 31 August 2013, the QCA received a substantial submission from the QRC and 5 other stakeholders on the 2013 SUFA DAAU. The QRC submission includes full redrafts of the suite of SUFA documents, and contains a number of new issues.

Following a review of the August submissions, Aurizon Network continues to believe that the 2013 SUFA DAAU meets the requirements of the *Queensland Competition Authority Act 1997* ('the Act'). We therefore believe that the 2013 SUFA DAAU is in a suitable form for approval by the QCA, and request that the QCA consider the DAAU against the relevant statutory criteria.

Whilst we believe the 2013 SUFA DAAU is suitable for approval, Aurizon Network acknowledges that there will be opportunities in the future to refine and simplify the current documentation.

The SUFA documentation, once approved, will be treated as any other standard agreement. In particular, as is often the case with other standard agreements, Aurizon Network expects that the approved documents will be altered by agreement to reflect the reasonable commercial requirements of its customers for specific projects. In the context of the SUFA agreements, it is expected that the contracts will be adjusted to suit the specific circumstances of the project and the individual requirements of the funding users.

In this regard, we anticipate that the negotiation of the first user funding arrangement will provide a valuable opportunity to consider the elements of SUFA which are appropriate for refinement. This process should provide actual, practical insights on how to improve SUFA, particularly if amendments to the standard are commercially agreed. Similarly, there should be opportunities for Aurizon Network and its customers to jointly support legislative changes that provide opportunities to simplify the standard documentation.

We will of course refine the SUFA documentation after either of these 2 circumstances, either by DAAU or as part of the next regulatory reset. We believe this approach will deliver enhanced and simplified documents more effectively than continued multilateral negotiation of standard arrangements without any experience of specific projects. Our commitment to improve SUFA through jointly leveraging with the industry the benefits from these future opportunities will ensure that over time SUFA continues to develop and provide the most effective mechanism for promoting and facilitating user funding.



Finally, we note that the SUFA documentation contains the Extension Infrastructure Head Lease and the Integrated Network Deed which are to be signed by Aurizon Network's infrastructure lessors (Queensland Treasury Holdings (QTH) and Queensland Rail (QR) for their respective sections of the Central Queensland Coal Network). Following the SUFA submission in December 2012 we have worked with QTH on these documents. QTH may provide a separate submission related to these documents.

This letter does not contain any commercial-in-confidence materials. As such, Aurizon Network is happy for it to be published by the QCA.

If you have any queries in relation to this letter, please contact Ian Lock on (07) 3019 1057 or [Ian.Lock@aurizon.com.au](mailto:Ian.Lock@aurizon.com.au).

Yours sincerely



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