

Engineering Technical Assessment of Maintenance, Operating and Capital Expenditure Forecast: Addenda 1

QUEENSLAND COMPETITION AUTHORITY

17 Feb 2014



Project no: QB10185
Document title: Engineering Technical Assessment of Maintenance, Operating and Capital Expenditure Forecast: Addenda 1
Revision: 0
Date: 17 Feb 2014
Client name: Queensland Competition Authority
Project manager: Benjamin Wells
Author: Hope Stevens
File name: \\skmconsulting.com\BNEProjects\QBIF\Projects\QB10535\Deliverables\Reports\11 - Addenda\QB10535_SKM UT4 Review Addenda 1_Rev 0.docx

Sinclair Knight Merz
ABN 37 001 024 095
32 Cordelia Street
PO Box 3848
South Brisbane QLD 4101 Australia
T +61 7 3026 7100
F +61 7 3026 7300
www.globalskm.com

COPYRIGHT: The concepts and information contained in this document are the property of Sinclair Knight Merz Pty Ltd (SKM). Use or copying of this document in whole or in part without the written permission of SKM constitutes an infringement of copyright.

Document history and status

Revision	Date	Description	By	Review	Approved
0	17.02.2014	Addenda 1 to SKM's report entitled Engineering Technical Assessment of Maintenance, Operating and Capital Expenditure dated 21 January 2014	Hope Stevens	Benjamin Wells	Benjamin Wells



Contents

- 1. Introduction..... 1
- 1.1 Addendum 1 – Adjustment to operating expenditure for revised volumes 1
- 1.2 Addendum 2 – Adjustment to maintenance expenditure for revised volumes..... 2

1. Introduction

SKM was engaged by the Queensland Competition Authority (the Authority) to provide a review of Aurizon Network's forecast maintenance, operating and asset renewals costs for the Central Queensland Coal Region (CQCR) for the UT4 undertaking period.

This report is issued as Addenda 1 to correct errors within SKM's report entitled Engineering Technical Assessment of Maintenance, Operating and Capital Expenditure dated 21 January 2014. The report was released by the Authority for public comment in January 2014.

The errors relate to published values for adjustments to allowable operating and maintenance expenditure from revised volumes as per Energy Economics' forecast.

1.1 Addendum 1 – Adjustment to operating expenditure for revised volumes

SKM issued a proposed adjustment to operating expenditure for revised volumes. The proposed adjustment in SKM's report is documented in **Table 3-7** in the main report and **Table 6.9** on page 43 of **Attachment C** entitled 'Benchmarking of Specific Aspects of the Operating Expenditure Forecast'. The table noted is provided below.

	2014	2015	2016	2017
Regulation and policy costs (AN)	\$1,899,063.12	\$1,886,648.88	\$4,239,166.25	\$3,428,343.12
Regulation and policy costs (SKM)	\$1,884,601.71	\$1,848,461.06	\$1,865,868.73	\$1,925,584.09
Total adjustment required to regulation and policy (CQCR)	-\$14,461.41	-\$38,187.82	-	-
Commercial development costs (AN)	\$7,221,954.56	\$7,525,923.08	\$7,721,272.37	\$7,961,633.42
Commercial development costs (SKM)	\$7,166,959.22	\$7,373,590.25	\$7,638,441.28	\$7,873,950.41
Total adjustment required to commercial development (CQCR)	-\$54,995.35	-\$152,332.83	-\$82,831.08	-\$87,683.00

The correct values are provided in **Table 1.1** below. The impacted values are highlighted in bold text and relate to adjustments for regulation and policy costs. No changes are required to SKM's proposed adjustments for commercial development expenditure.

Table 1.1: Revision to Table 3.7 in main report and Table 6.9 in Attachment C

	2014	2015	2016	2017
Regulation and policy costs (AN)	\$1,899,063.12	\$1,886,648.88	\$4,239,166.25	\$3,428,343.12
Regulation and policy costs (SKM)	\$1,884,601.71	\$1,848,461.06	\$4,193,689.97	\$3,390,586.12
Total adjustment required to regulation and policy (CQCR)	-\$14,461.41	-\$38,187.82	-\$45,476.28	-\$37,757.00
Commercial development costs (AN)	\$7,221,954.56	\$7,525,923.08	\$7,721,272.37	\$7,961,633.42
Commercial development costs (SKM)	\$7,166,959.22	\$7,373,590.25	\$7,638,441.28	\$7,873,950.41
Total adjustment required to commercial development (CQCR)	-\$54,995.35	-\$152,332.83	-\$82,831.08	-\$87,683.00

1.2 Addendum 2 – Adjustment to maintenance expenditure for revised volumes

SKM issued a proposed adjustment to maintenance expenditure for revised volumes. The proposed adjustment in SKM's report is documented in **Table 5-9 of Attachment A** of SKM's main report entitled 'High Level and Detailed Review of Forecast Maintenance Costs'. The table noted is provided below.

	2013/14	2014/15	2015/16	2016/17
Ballast undercutting	-\$1.50	-\$5.53	\$0.00	-\$1.97
Rail grinding	-\$0.56	-\$1.45	-\$1.70	-\$1.86
Resurfacing	No adjustment required	-\$0.04	-\$3.84	-\$0.11
Track, structures and facilities	-\$0.87	-\$1.43	-\$3.23	-\$3.05
Total adjustment	-\$4.88	-\$8.44	-\$8.78	-\$7.00

The correct values are provided in **Table 1.2** below, and impacted values are highlighted in bold text. The total adjustment is not affected.

Table 1.2: Revision to Table 5-9 of Attachment A

	2013/14	2014/15	2015/16	2016/17
Ballast undercutting	-\$3.45	-\$5.53	\$0.00	-\$1.97
Rail grinding	-\$0.56	-\$1.45	-\$1.70	-\$1.86
Resurfacing	No adjustment required	-\$0.04	-\$3.84	-\$0.11
Track, structures and facilities	-\$0.87	-\$1.43	-\$3.23	-\$3.05
Total adjustment	-\$4.88	-\$8.44	-\$8.78	-\$7.00