

File Ref: 819375

22 April 2015

Mr Alex Kummant
Executive Vice President
Aurizon Network Pty Ltd
GPO Box 456
Brisbane QLD 4001

Dear Mr Kummant

Decision on transitional reference tariffs for Wiggins Island Rail Project (WIRP) train services to Wiggins Island Coal Export Terminal (WICET)

In December 2014, Aurizon Network sought our approval for new transitional reference tariffs for WIRP train services to WICET for 2014–15, with indicative tariffs also for 2015–16 and 2016–17.

We note Aurizon Network has also submitted:

- an extension Draft Amending Access Undertaking (DAAU)—with transitional tariffs for 2015–16 for the Blackwater and Moura systems (including for WIRP train services)
- as part of its August 2014 draft access undertaking (2014 DAU) proposal—arrangements, including tariffs, for the WIRP train services.

We have considered each of these proposals separately noting that each proposal made by Aurizon Network is different in some respect.

We have assessed Aurizon Network's application for new transitional reference tariffs for WIRP train services in accordance with clause 6.4.2(g) of Aurizon Network's 2010 access undertaking (UT3). We have decided to approve Aurizon Network's proposed transitional reference tariffs for new WIRP reference train services for 2014–15, as set out in the December 2014 proposal. We also accept Aurizon Network's proposal that these reference tariffs are transitional only given that UT4 has not yet been concluded. We intend that the final tariffs will need to be 'trued-up' when UT4 is concluded.

We have not approved transitional reference tariffs for train services beyond 2014–15 as set out in the December 2014 proposal. We consider that any such approval is not permitted by clause 6.4.2(g)(i) of the 2010 access undertaking, as these proposed transitional tariffs extend beyond the term of the undertaking and hence are necessarily not consistent with the undertaking, moreover, per clause 6.4.2(j). We consider that the proposed reference tariffs cannot be amended to make them consistent with the undertaking given the expiry of the undertaking, so they should not be resubmitted.

We are considering transitional WIRP reference tariffs for 2015–16 as part of the extension DAAU Aurizon Network submitted in March 2015. If the DAAU is approved, we would expect those transitional WIRP tariffs to

apply, hence any further proposal under clause 6.4.2 at this time would be unnecessary and also inconsistent with the undertaking as amended.

Given the significance and materiality of the issues associated with the pricing of WIRP train services, we consider it appropriate to consider longer term tariff arrangements as part of the UT4 approval processes. In this regard, we are expecting to make a supplementary draft decision on WIRP train services in May 2015 as one of the draft decisions for the 2014 DAU.

The supplementary draft decision will consider relevant aspects of Aurizon Network's 2014 DAU proposal and December 2014 WIRP pricing proposal and all stakeholder submissions provided to date in relation to WIRP train services. We would like to make it very clear that our decision not to provide guidance on the 2015–16 and 2016–17 tariffs, as proposed by Aurizon Network in December 2014, should not be read that we necessarily prefer a 2014 DAU pricing approach over UT3. We have yet to make a decision on the pricing arrangements which are to apply, although we are aware of the position of Aurizon Network that the UT3 principles should apply and that this view is strongly held by some stakeholders.

In this respect, we will consider the extent to which UT3 should be used as a benchmark in order to promote commercial certainty as a relevant consideration. However in making our decision on the longer term pricing arrangements for WIRP train services, we must also balance this with the statutory factors in the QCA Act.

This letter constitutes a written notice stating the reasons for QCA's decision for the purposes of clause 6.4.2(i)(ii) of the 2010 AU. We will publish this letter on our website, for the information of stakeholders.

Should Aurizon Network staff wish to discuss this matter, they should contact Darren Page on (07) 3222 0535.

Yours sincerely



John Hindmarsh
Chief Executive Officer