



Ms Catherine Barker
Director – Business Performance
Queensland Competition Authority
Level 27, 145 Ann Street
BRISBANE QLD 4000

28 June 2016

Dear Catherine

Regulatory Asset Base Roll-Forward 2014-15

I am pleased to submit the Regulatory Asset Base Roll-forward Report (RAB Roll-forward) incorporating the approved capital expenditure amounts for the 2014-15 year as required under clause 9.3.2 of the 2010 Access Undertaking (2010AU).

The 2014-15 RAB Roll-forward reflects the Queensland Competition Authority's (QCA's) 12 May 2016 final decision to approve the \$614.3m claimed by Aurizon Network in the 2014-15 Capital Expenditure Report¹. The 2014-15 RAB Roll-forward is submitted under an extension request approved by the Queensland QCA².

The majority of the 2014-15 claim reflects \$457.5m relating to Wiggins Island Rail Project (WIRP). This is only a partial claim of the WIRP total project costs, consisting of project segments commissioned in 2014-15. Consistent with the QCA's Final Decision (FD) on Aurizon Network's 2014 Draft Access Undertaking (UT4), WIRP capital included in the 2014-15 RAB Roll-forward has been deferred for pricing purposes for the 2014-15 year. Of the 2014-15 WIRP claim, 94% of costs have been allocated to the WIRP system while 6% allocated to existing Blackwater and Rolleston users in line with the FD system allocations.

Incorporating the WIRP capital into the RAB via this submission has no implication on UT4 tariffs, as tariffs are based off the WIRP capital indicator. Any variances between the indicator and the timings of capex claims will be dealt with as part of capital carryover mechanism.

The 2014-15 RAB Roll-forward reflects a WACC of 7.17%, actual inflation of 1.51% and depreciation methodology consistent with FD.

¹ Refer attached 2014-15 capex claim approval by the QCA 12 May 2016

² Refer attached extension approval by the QCA on 3 June 2016

Further, as part of this submission Aurizon Network aims to finalise the 2013-14 RAB Roll-forward, which is the starting point for the 2014-15 RAB Roll-forward. Aurizon Network's 2013-14 Roll-forward submission did not cap asset lives for GAPE assets at 20 years, as a consequence regulatory depreciation of the RAB was understated. To be consistent with the FD, Aurizon Network has amended the 2013-14 Roll-forward for this oversight. This however is a presentation issue and has no implications on UT4 tariffs as the 20 year cap was applied correctly for pricing purposes. Aurizon Network has discussed this amendment with the QCA's UT4 modelling team.

A summary of the 2014-15 RAB Roll-forward is provided in Attachment A. Detailed calculations supporting the RAB Roll-forward have been provided in soft copy form. Consistent with past submissions, Aurizon Network requests that the supporting models are not published.

There was no value attributable to the disposals or transfer of assets relevant RAB for the 2014-15 year. A summary of assets disposed is included in Attachment B.

In accordance with 2010AU clause 9.6(c), the 2014-15 RAB Roll-forward report is accompanied by signed Responsibility Statements from both the Aurizon Network Chief Executive Officer and one Independent Director of Aurizon Network.

Should you have any concerns please don't hesitate to contact Michelle De Saram on Michelle.DeSaram@aurizon.com.au.

Regards

A black rectangular redaction box covering the signature of Lana Stockman.

Lana Stockman
Vice President Network Regulation
Aurizon Network Pty Ltd



Central Queensland Coal Region – Regulatory Asset Base Roll-forward

Total Assets
2014/15

System	Opening Asset Value 2014/15 \$	14/15 Capex \$	Plus inflation \$	less depreciation \$	Closing Asset Value 2014/15 \$	Disposals/transfers \$	Opening Asset Value 2015/16 \$
Goonyella (inc Middlemount, Hall Creek and exc Vermont)	1,447,609,925	66,314,615	22,894,889	85,378,700	1,451,440,728		1,451,440,728
Goonyella (inc WIRP exc Rolleston and Minerva)	41,927,343	10,582,455	794,099	3,472,394	49,831,504		49,831,504
Blackwater (Rolleston inc WIRP)	1,175,211,194	51,420,297	18,630,523	68,115,950	1,177,146,064		1,177,146,064
Blackwater (Minerva)	222,134,412	36,619,281	5,400,050	14,299,171	249,854,572		249,854,572
Moura	68,546,415	-	1,036,619	3,416,756	66,166,277		66,166,277
Newlands (inc NAPE and Byerwen NAPE)	252,646,693	5,364,400	3,901,869	10,790,900	251,122,063		251,122,063
GAPE (inc GSE and Byerwen GAPE)	330,542,340	3,788,534	12,984,979	9,480,003	337,835,850		337,835,850
WIRP	1,060,087,245	568,529	22,669,047	57,586,282	1,025,738,540		1,025,738,540
Goonyella (Electric)	228,550,609	384,354,008	27,552,609	-	411,906,617		411,906,617
Goonyella (Electric)	7,611,560	3,920,441	3,515,630	21,541,191	214,445,490		214,445,490
GAPE (Electric)	4,334,651	-	115,109	532,874	7,193,795		7,193,795
Blackwater (Electric)	269,610,702	586,342	65,552	231,853	4,168,351		4,168,351
WIRP (Electric)	-	673,405	4,086,156	28,894,832	245,388,368		245,388,368
Total	5,108,813,090	593,394,723	125,788,795	303,740,905	5,524,255,703	-	5,524,255,703

Note:

1. Capex converted to start of year terms . capex claim based in Mid year terms
2. WIRP capex allocations to existing Blackwater and Rolleston users is consistent with FD allocations

Central Queensland Coal Region – Asset Disposals and Transfers

Asset ID	Asset Class	Description	Location	System	Net Proceeds
244928	3203	Rway track hv	ROCKLANDSX - GRACEMERE	Blackwater	0
102246	3206	Trk tnouts hv	WOTONGAX - BLAIR ATHOL JT	Goonyella	0
105004	3206	Trk tnouts hv	WOTONGAX - BLAIR ATHOL JT	Goonyella	0
243753	3206	Trk tnouts hv	HATFIELDX - STH WALKER JCT	Goonyella	0
243756	3206	Trk tnouts hv	HATFIELDX - STH WALKER JCT	Goonyella	0
243759	3206	Trk tnouts hv	HATFIELDX - STH WALKER JCT	Goonyella	0
104708	3206	Trk tnouts hv	PRINGX - COLLINSVILLE	Newlands	0
104709	3206	Trk tnouts hv	PRINGX - COLLINSVILLE	Newlands	0
105004	3206	Trk tnouts hv	WOTONGAX - BLAIR ATHOL JT	Goonyella	0
243756	3206	Trk tnouts hv	HATFIELDX - STH WALKER JCT	Goonyella	0
104780	3206	Trk tnouts hv	ROCKLANDSX - GRACEMERE	Blackwater	0
104780	3206	Trk tnouts hv	ROCKLANDSX - GRACEMERE	Blackwater	0
104784	3206	Trk tnouts hv	ROCKLANDSX - GRACEMERE	Blackwater	0
104816	3206	Trk tnouts hv	ROCKLANDSX - GRACEMERE	Blackwater	0
104817	3206	Trk tnouts hv	ROCKLANDSX - GRACEMERE	Blackwater	0
104838	3206	Trk tnouts hv	ROCKLANDSX - GRACEMERE	Blackwater	0
104844	3206	Trk tnouts hv	ROCKLANDSX - GRACEMERE	Blackwater	0
104847	3206	Trk tnouts hv	ROCKLANDSX - GRACEMERE	Blackwater	0
104786	3206	Trk tnouts hv	ROCKLANDSX - GRACEMERE	Blackwater	0
104786	3206	Trk tnouts hv	ROCKLANDSX - GRACEMERE	Blackwater	0
104802	3206	Trk tnouts hv	GRACEMEREX - WARRENX	Blackwater	0
104802	3206	Trk tnouts hv	GRACEMEREX - WARRENX	Blackwater	0
104802	3206	Trk tnouts hv	GRACEMEREX - WARRENX	Blackwater	0
102186	3206	Trk tnouts hv	GRACEMEREX - WARRENX	Blackwater	0
104779	3206	Trk tnouts hv	GRACEMEREX - WARRENX	Blackwater	0
100645	3602	Trctn pwr distn	ROCKLANDSX - GRACEMERE	Blackwater	0
244902	3602	Trctn pwr distn	GRACEMEREX - WARRENX	Blackwater	0

Note: Disposals reflect assets scrapped for zero net proceeds



File Ref: 1185384

12 May 2016

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

Alex
Dear Mr Kummant

Approval: Aurizon Network's 2014–15 capital expenditure claim

On 11 May 2016, we approved Aurizon Network's revised 2014–15 capital expenditure claim for \$614.3 million to be included in the regulatory asset base (RAB), in accordance with Schedule A of the 2010 Access Undertaking. The breakdown of the approved claim is provided in Table 1 to this letter.

As you would be aware, we engaged CMT Solutions (CMT) to undertake an engineering assessment of the claim for \$614.6 million (inclusive of interest during construction) submitted in October 2015.

Overall, we found the claim to be prudent with the exception of \$0.3 million relating to axle counter replacements that are to be deferred until commissioning.

We will be publishing a copy of this letter on our website.

Yours sincerely


John Hindmarsh
Chief Executive Officer

Table 1 Approved Capital Expenditure for 2014-15 (\$)

	Claim			Adjustments		Revised Claim
	As Incurred	IDC	Commissioned	As Incurred	IDC	
Major Projects						Commissioned
Wiggins Balloon Loop	188,501,416	45,016,180	233,517,596	-	-	233,517,596
Rocklands to Stanwell Duplications	162,422,586	29,478,036	191,900,622	-	-	191,900,622
Bauhinia North Upgrade	14,733,398	1,426,931	16,160,329	-	-	16,160,329
Moura East	14,189,041	1,737,183	15,926,224	-	-	15,926,224
Sub-total (major projects)	379,846,441	77,658,331	457,504,772	-	-	457,504,772
Non-major Projects						
Track and civil	83,774,314	623,771	84,398,085	-	-	84,398,085
Corridor	5,850,364	35,170	5,885,534	-	-	5,885,534
Telecom	5,277,646	54,528	5,332,174	-	-	5,332,174
Electrical	7,765,491	41,260	7,806,751	-	-	7,806,751
Signalling and track side systems	7,749,422	446,099	8,195,521	(308,761)	(37,057)	7,849,703
Growth	10,088,869	2,264,625	12,353,494	-	-	12,353,494
Other	29,844,636	3,320,385	33,165,021	-	-	33,165,021
Sub-total (non-major projects)	150,350,742	6,785,838	157,136,580	(308,761)	(37,057)	156,790,762
Total	530,197,183	84,444,169	614,641,352	(308,761)	(37,057)	614,295,534

Queensland Competition Authority

File Ref: 1187644

3 June 2016

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


Dear Mr Kummant

Treatment of 2014-15 Regulatory Asset Base Roll-forward as part of UT4 finalisation

I refer to Aurizon Network's request of 30 May 2016 for an extension of time for its 2014–15 RAB Roll-forward, and for this to be included as part of its submission of an Undertaking in response to the Queensland Competition Authority's (QCA's) final decision on the 2014 draft access undertaking. In making this request, Aurizon Network noted that an extension would allow the 2013–14 and 2014–15 roll forwards to be finalised at the same time. Further, an extension would not have any adverse impact on stakeholders as it would not influence any pricing outcome.

I am pleased to inform you that I have approved an extension to the 2014–15 RAB roll-forward. However, noting that there is no firm date for the submission of an undertaking, and following consultation between my staff and officers from Aurizon Network, the RAB roll-forward should be submitted to the QCA no later than 30 June 2016.

Should you have any queries please contact Catherine Barker on 07 3222 0547 or catherine.barker@qca.org.au.

Yours sincerely


John Hindmarsh
Chief Executive Officer

cc: Ms Donna Bowman, Network Regulation Manager, Aurizon Network