

Mr Mark Gray  
Chief Executive Officer  
Queensland Competition Authority  
Level 27  
145 Ann Street  
Brisbane, Qld 4000

24 October 2013

Dear Mr Gray,

### **Wesfarmers Curragh Pty Ltd (WCPL) submission in response to UT4**

WCPL welcomes the opportunity to comment on Aurizon Network's (AN) 2013 Draft Access Undertaking (UT4).

WCPL has had significant input into the submission made by the Queensland Resources Council (QRC) dated 10 October 2013 and supports and endorses the entirety of that submission. Accordingly, WCPL requests that the QCA not approve UT4.

WCPL would like to reiterate a number of the key concerns raised by the QRC in its submission and provide some comments on the Blackwater electric traction charges proposed under UT4 (an issue not considered in the QRC submission).

#### **1. Expansions process**

WCPL's experience with the Wiggins Island Rail Project negotiations highlighted to WCPL the importance of securing an effective expansion process regime in UT4. In WCPL's view the Wiggins Island Rail Project negotiations were unnecessarily protracted and industry participants lacked any real negotiating power.

WCPL does not consider that the 'negotiations-based' model proposed by AN in UT4 is workable or reasonable given AN's monopoly power. WCPL does not consider SUFA to be a real alternative to AN funding. WCPL is in favour of an expansions process with greater regulation that promotes objectivity and efficiency and with a meaningful suite of expansion funding options.

#### **2. Pricing principles**

WCPL endorses the pricing principles proposed by the QRC. In particular, WCPL considers it prudent that the calculation of tariffs for expansions reflect a 'user pays' or 'cost causative' approach so that new or expanding users pay at least a charge that reflects the incremental cost of additional capacity provided to meet their needs. This will ensure that existing users like WCPL are not required to pay more than the stand-alone costs originally secured.

#### **3. Weighted Average Cost of Capital (WACC)**

The 8.17% WACC sought by AN under UT4 is unreasonable, an ambit position and not justified by market parameters. Consistent with the expert advice obtained by the QRC, WCPL supports a more reasonable WACC of 5.65%. A WACC near to this level reflects the limited risk which AN is exposed to.

#### **4. Ringfencing and protections against conflicts**

WCPL has significant concerns about the lessening of AN's ringfencing obligations from those contained in UT3. This is particularly the case given AN's increased involvement in other critical multi-user infrastructure and its recent public acknowledgment of its intention to rely on an integrated model to leverage its business. UT4 must contain a comprehensive coverage of protection against conflicts to ensure that stakeholder confidence in AN is maintained. WCPL encourages the QCA to adopt the expansive and robust approach proposed by the QRC in its submission.

#### **5. Master-planning**

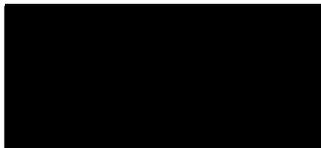
Our experience of master planning in the Blackwater coal chain is that it has been ineffective. The coal chain would benefit from a master plan process that was transparent, realistic and regularly updated.

#### **6. Electric Traction Charges**

The QRC submission did not consider AN's proposal for electric traction charges under UT4. WCPL refers the QCA to WCPL's submissions on the second DAUU submitted WCPL on 10 June 2013 and incorporates those submissions by reference.

WCPL confirms that this submission may be made publically available.

Yours sincerely



**Ben Pentelow**  
**Manager Coal Sales and Infrastructure**