



Dr Roy Green
Chairman
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Aurizon Network Pty Ltd – FY2015 Revenue Adjustment Amounts and Increments

30 September 2015

Dear Dr Green,

Aurizon Network provides this submission to the Queensland Competition Authority (QCA) for approval, in accordance with Aurizon Network's 2010 Access Undertaking regarding proposed Revenue Adjustment Amounts and Increments for FY2015.

The Revenue Adjustment Amounts and Increments will be applied as part of the QCA's finalisation of Aurizon Network's 2014 Access Undertaking, and as such both are subject to QCA approval.

Significant over-recoveries have arisen again this year, due to the fact that in FY2015, over 225 million tonnes were railed across Aurizon Network's Central Queensland Coal Network. Aurizon Network's activities and initiatives conducted during FY2015 contributed to this outcome and therefore, Aurizon Network has included within this submission a proposed way forward for an Increment claim for FY2015.

Please contact Stephanie King on (07) 3019 3790 or stephanie.king@aurizon.com.au should you have any queries regarding the submission.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Jon Windle", with a long, sweeping underline that extends across the page.

Jon Windle
A/Vice President Regulation
Aurizon Network Pty Ltd

Aurizon Network Access Undertaking (2010)

FY2015 Revenue Adjustment Amounts and Increments **Explanatory Memorandum**

30 September 2015



Table of Contents

1	Executive Summary.....	3
2	Basis of Submission	6
3	Revenue Adjustment Amounts for FY2015.....	10
4	Adjustments to SAR	13
5	Total Actual Revenue	14
6	Claim for Increments.....	16
	Attachment A – Total Actual Revenues and Adjusted System Allowable Revenues (Schedule for Publication).....	22

1 Executive Summary

1.1 Introduction

Aurizon Network provides this submission (the FY2015 Revenue Cap submission) to the Queensland Competition Authority (QCA) for approval, detailing the Revenue Adjustment Amounts and the associated Increments for Financial Year (FY) 2015.

This submission has been prepared in accordance with the provisions detailed in Schedule F, Part B of Aurizon Network's 2010 Access Undertaking (2010AU)¹.

Under the terms of the 2010AU, Aurizon Network is:

- required to recover from (or return to) Access Holders Revenue Adjustment Amounts, comprising the difference between revenues earned (Total Actual Revenues (TAR)) and revenues allowed (System Allowable Revenues (SAR)) for the relevant Reference Tariff components; and
- able to claim for Increments to the extent that any positive differences above are directly attributable (wholly or partly) to its (or its contractors') activities or initiatives.

This submission provides the required information to substantiate Aurizon Network's Revenue Adjustment Amounts and outlines a proposed way forward for an Increment claim for FY2015.

1.2 Revenue Adjustment Amounts

The Revenue Adjustment Amounts include the:

- AT₂₋₄ Reference Tariff components for Blackwater, Goonyella, Moura, Newlands and Goonyella to Abbot Point (GAPE) systems; and
- AT₅ and EC Reference Tariff components for the Blackwater and Goonyella systems.

This submission details the:

- returns to Access Holders for the Blackwater, Goonyella and Newlands systems; and
- recovery from Access Holders for the Moura system.

Aurizon Network is not seeking a recovery from, or return to Access Holders for the GAPE system for FY2015 as a result of Take-or-Pay triggering in this system.

This submission does not seek adjustments for the Maintenance Cost Index (MCI), the Consumer Price Index (CPI) or electricity connection costs, as these are being considered as part of the QCA's assessment of the 2014DAU.

¹ Clause 3.2 in respect of the Revenue Adjustment Amounts and Clause 3.3 in respect of the Increments

The Revenue Adjustment Amounts are summarised in Table 1 below², with further detail provided in Section 3, 4 and 5 and within Attachment A.

System	AT ₂₋₄ \$m	AT ₅ \$m	Total \$m
Blackwater	(8.3)	4.7	(3.7)
Goonyella	(19.1)	(7.0)	(26.1)
Moura	2.8	n/a	2.8
Newlands	(0.6)	n/a	(0.6)
GAPE	-	n/a	-
Total	(25.3)	(2.3)	(27.6)

Table 1 FY2015 Revenue Adjustment Amounts

Consistent with the process outlined in the 2015 Draft Amending Access Undertaking (2015 DAAU), the difference between actual and revised transitional SARs is intended to be returned to, or recovered from, Access Holders via an adjustment to future allowable revenues. This will form part of the finalisation of the 2014 Draft Access Undertaking (2014DAU). Further details on the application of the 2015 DAAU are provided in Section 2.3.

1.3 Increments

In FY2015, over 225 million tonnes were railed across the Central Queensland Coal Region (CQCR), significantly exceeding the QCA-approved transitional system forecasts in the Blackwater and Goonyella systems. This resulted in an over-recovery of SAR in these systems. This achievement reflects the sustained effort and aligned planning by all supply chain participants including mines, ports, train operators and Aurizon Network. A material component of the improvement in system performance has resulted from activities and initiatives undertaken by Aurizon Network or in partnership with other supply chain participants.

With respect to the above, Aurizon Network could seek approval from the QCA of Increments of up to \$9.6 million, equal to 2% of the total AT₂₋₄ System Allowable Revenue for these systems, as provided for under Schedule F, Part B, Clause 3.3 of the 2010AU³.

If Aurizon Network was to make an Increment claim, this represents recoveries from Access Holders, and is summarised in Table 2:

System	AT ₂₋₄ System Allowable Revenue \$m	Potential Increment Claim @2% \$m
Blackwater	247.2	4.9
Goonyella	234.8	4.7
Total	482.0	9.6

Table 2 FY2015 Potential Increment Amounts

² Positive amounts represent a recovery from Access Holders, negative amounts represent a return to Access Holders

³ There is no Increment in respect of AT₅ SAR

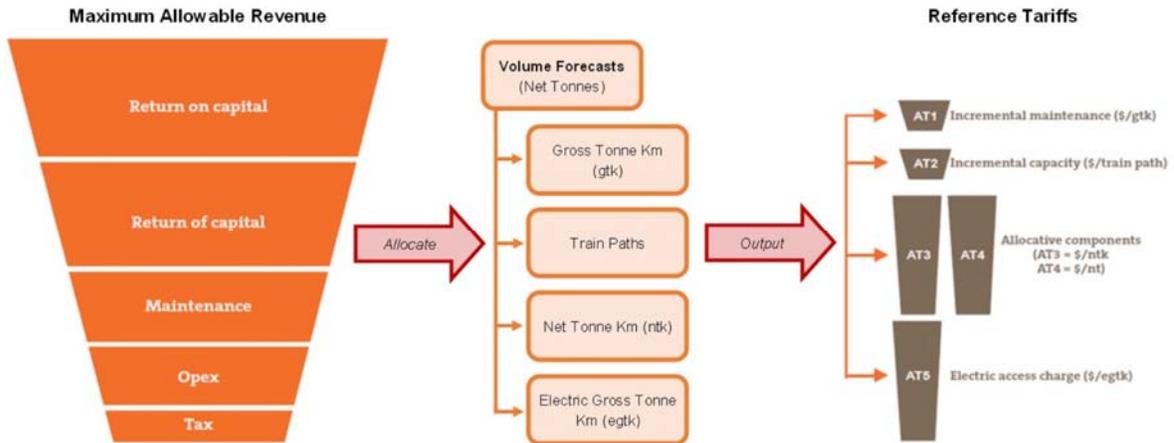
Aurizon Network is not seeking to claim the maximum Increment in this submission and instead requests clarity from the QCA on what evidence Aurizon Network would need to provide in order for the QCA to approve an Increment claim. Once this guidance is received, Aurizon Network will engage with industry on the appropriate quantum of the Increment claim for FY2015, as well as consider this guidance in the development of an Incentive Mechanism after the finalisation of the 2014DAU.

Aurizon Network also requests an extension of time for the submission of an Increment claim for FY2015, so that it has an opportunity to provide any additional information in line with the QCA's guidance. Further detail on the Increment is provided in Section 6.

2 Basis of Submission

2.1 2010AU Regulated Revenues

Aurizon Network's regulated revenues are derived using a regulatory 'building blocks' approach where capital and operating costs are aggregated into a Maximum Allowable Revenue (MAR) for each system. The approved MAR is then translated into Reference Tariffs based on approved volume forecasts using expected railings. SAR represents the allowable revenue recoverable through the AT₂₋₄ and AT₅ Reference Tariffs, which form the basis of Aurizon Network's Revenue Cap.

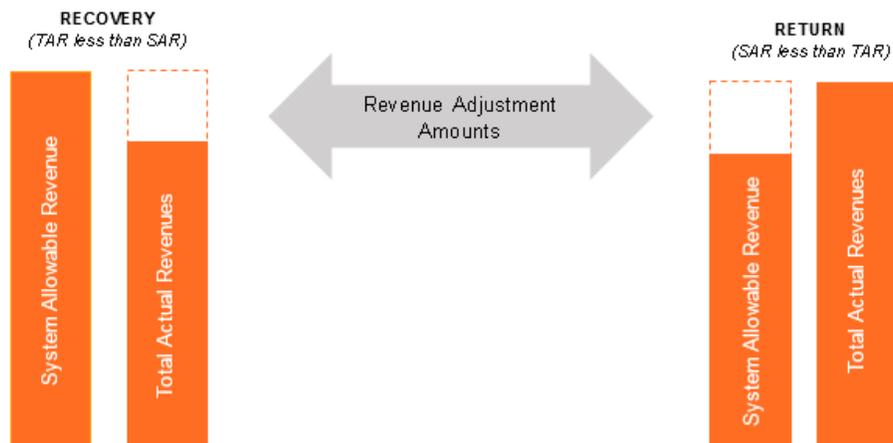


Schedule F of the 2010AU details:

- the basis on which Aurizon Network recovers revenues from Access Holders, i.e. primarily from Reference Tariffs charged for trains operated; and
- the guidelines on Take or Pay, Adjustment Charges and revenue cap to enable Aurizon Network to earn the SAR in each system in the same or subsequent years.

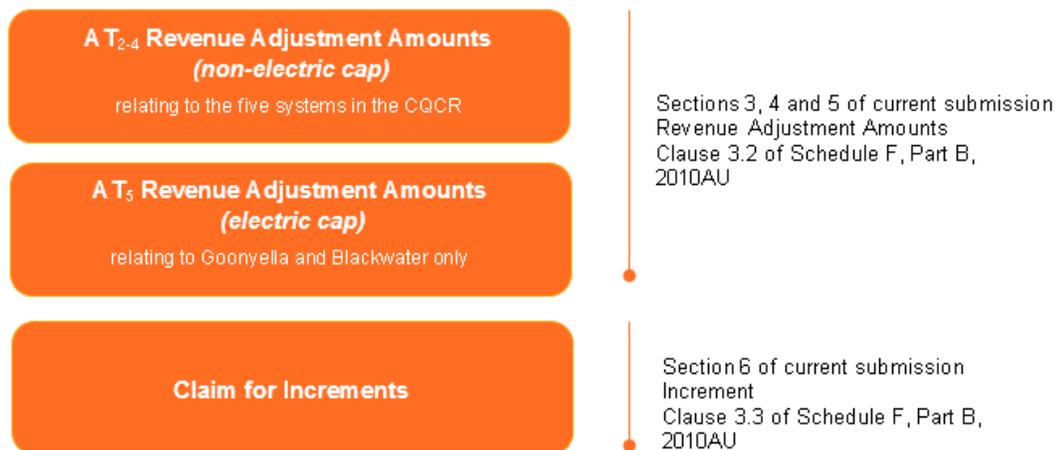
2.2 Revenue Cap Framework

Aurizon Network is required to recover from (or return to) Access Holders the Revenue Adjustment Amounts, being the difference between revenues earned (TAR) and revenues allowed (SAR) for the relevant Reference Tariff components.

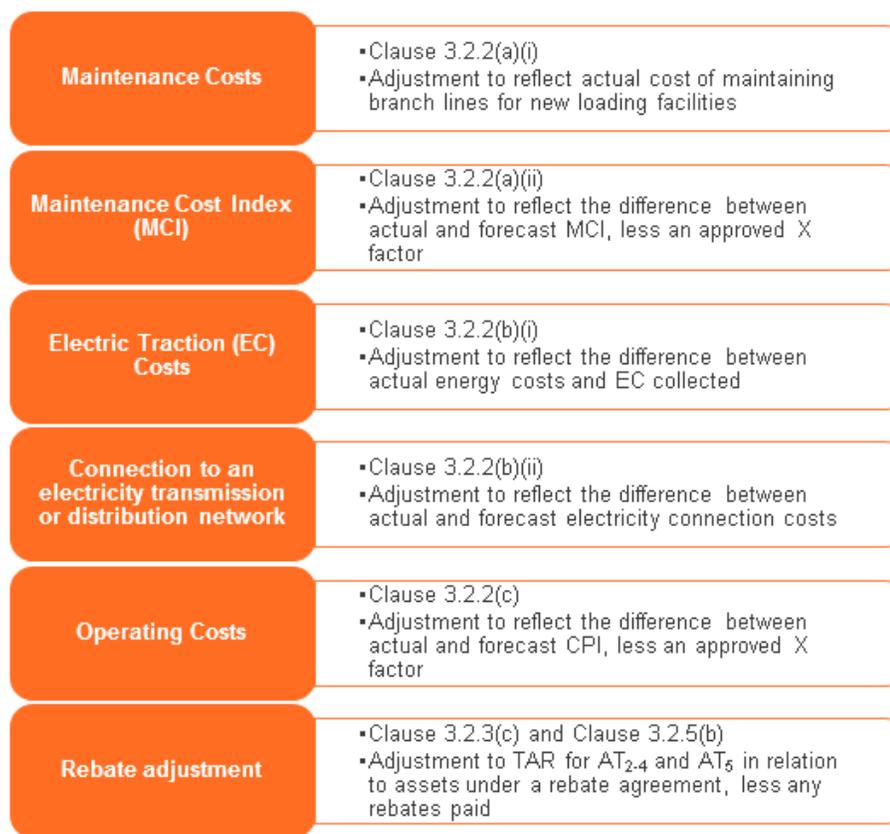


There are seven revenue caps, a 'non-electric' revenue cap (AT₂₋₄) for each of the five systems plus two 'electric' revenue caps (AT₅), one each for Blackwater and Goonyella.

The following must be addressed by Aurizon Network for each system by way of a submission to the QCA by 30 September following the relevant year:



Within the AT₂₋₄ and AT₅ Revenue Adjustment Amounts, there are six areas of allowable adjustments, provided for under Schedule F, Part B of the 2010AU.



In addition, Clause 3.3 of Schedule F, Part B of 2010AU allows Aurizon Network to claim an Increment if:

- the TAR for AT₂₋₄ is greater than the SAR for AT₂₋₄ for the relevant system; and
- the difference is the direct result of improved Below Rail network efficiency, in part or in whole, by Aurizon Network (or its contractors).

The QCA will need to be “reasonably satisfied⁴” of Aurizon Network’s rationale for the claim before allowing an Increment, the value of which may not exceed 2% of the relevant SAR.

Once the Revenue Adjustment Amounts and Increments have been approved, the FY2015 Revenue Adjustment Amounts and Increments will be adjusted for as part of the finalisation of the 2014DAU process, as outlined in the approved 2015 DAAU.

2.3 The 2015 Draft Amending Access Undertaking

During the QCA’s deliberation of the 2014DAU, and in order to provide pricing, revenue and cost certainty for Aurizon Network and access holders, Aurizon Network provided the 2015 DAAU to the QCA for approval.

The 2015 DAAU sought to:

- extend the term of the 2010AU from 30 June 2015 to 29 February 2016;
- finalise transitional revenues, volume forecasts and reference tariffs for FY2015;
 - transitional AT₂₋₄ and AT₅ SARs, volumes and reference tariffs remaining unchanged from the 2014 DAAU (adjusted for 2013 Flood review event);
 - exclude Rolleston AT₅ revenue and WIRP AT₂₋₅ revenue from TAR for FY2015 on the basis that these amounts were not included in the transitional SAR for FY2015;
 - confirm the basis on which any variation between actual and allowable revenues will be returned to, or recovered from access holders;
- establish transitional revenues, volume forecasts and reference tariffs for FY2016; and
- a range of other matters relating to FY2016 transitional tariffs.

The QCA approved the 2015 DAAU on 5 June 2015 highlighting in Section 4.3 of the Final Decision that:

- any over (or under) recovery of revenues will be dealt with in the Final Decision on the 2014DAU; and
- the decision relates to the 2010AU and does not limit the QCA’s consideration of matters under the QCA Final Decision on the 2014DAU.

For clarity, it is intended that the Revenue Adjustment Amounts (and Increment) outlined in this submission will be incorporated into the finalisation of the 2014DAU.

⁴ Clause 3.3

2.4 Financial Model

A detailed financial model has been prepared and provided to the QCA in support of the FY2015 Revenue Cap submission. The model includes:

- Detailed billing data;
- The Take or Pay model; and
- calculations of the EC and rebate adjustments.

As the financial model contains specific information on individual Train Services and billing information on electricity costs, Aurizon Network claims confidentiality over the financial model. Outputs from the models are summarised in this submission.

3 Revenue Adjustment Amounts for FY2015

3.1 Revenue Adjustment Amounts

Revenue Adjustment Amounts are caused primarily by actual throughput varying from the parameters underlying the regulatory system forecasts which form a key input in the determination of Reference Tariffs.

In FY2015, over 225 million tonnes were railed across the CQCR. This achievement reflects the sustained effort and aligned planning by all supply chain participants, including mines, ports, rail operators and Aurizon Network. As a result of these railings, tonnages in Blackwater, Goonyella and Newlands exceeded the system forecast approved by the QCA as part of the 2015 DAAU and resulted in over-recoveries of the relevant SARs for these systems.

A summary of regulatory forecast tonnage throughput and GTKs by system compared with actual tonnages and GTKs are provided in Tables 3 and 4 below.

System	Forecast Tonnages (million NT)	Actual Tonnages (million NT)	Variance %
Blackwater	60.2	62.8	4%
Goonyella	106.4	119.6	12%
Moura	13.1	12.2	(7%)
Newlands	14.0	14.7	5%
GAPE	20.9	15.3	(27%)
Total	214.6	224.7⁵	5%

Table 3 FY2015 Tonnage Performance

System	Forecast GTK (billion)	Actual GTK (billion)	Variance %
Blackwater	33.7	35.3	5%
Goonyella	35.0	39.5	13%
Moura	3.5	3.3	(6%)
Newlands	3.1	3.1	(1%)
GAPE	12.5	8.3	(34%)
Total	87.8	89.5⁵	2%

Table 4 FY2015 GTK Performance

⁵ Excludes 0.9 million net tonnes and 0.6 billion GTKs to destination Wiggins Island Coal Export Terminal (WICET)

All systems with the exception of Moura and GAPE recorded an over-recovery of AT₂₋₄ SAR due to above system forecast volumes.

The Moura system recorded GTKs which were 6% lower than the system forecast resulting in an under-recovery of AT₂₋₄ revenues. Take or Pay did not trigger in Moura due to the actual GTKs being greater than the system forecast GTKs when adjusted for Aurizon Network Cause and Force Majeure cancellations.

GAPE system GTKs were 34% below the system forecast, triggering Take or Pay. The Take or Pay recovered the full extent of the AT₂₋₄ SAR under-recovery. As a result, no Revenue Adjustment Amount is required.

Whilst Blackwater GTKs were higher than the system forecast, an under-recovery of the AT₅ SAR was recorded in the system. This was due to a shortfall of electric GTKs, resulting from a lower percentage of electric trains railed compared to the system forecast.

The total of the Revenue Adjustment Amounts for FY2015, relative to FY2015 transitional SAR, represents a net return to Access Holders of \$27.6 million, comprising a return of \$25.3 million for AT₂₋₄ and a return of \$2.3 million for AT₅.

The Revenue Adjustment Amounts for 'non-electric' and 'electric' are reconciled to the SAR and TAR as outlined below in Tables 5 and 6:

AT₂₋₄

System	Adjusted System Allowable Revenues \$m	Total Actual Revenues \$m	Revenue Adjustment Amounts \$m
Blackwater	247.2	255.5	(8.3)
Goonyella	234.8	253.9	(19.1)
Moura	40.6	37.8	2.8
Newlands	35.4	36.0	(0.6)
Sub-Total	558.0	583.3	(25.3)
GAPE	114.6	114.6	-
Total	672.6	697.9	(25.3)

Table 5 Revenue Adjustment Amounts – AT₂₋₄

AT₅

System	Adjusted System Allowable Revenues \$m	Total Actual Revenues \$m	Revenue Adjustment Amounts \$m
Blackwater	94.1	89.4	4.7
Goonyella	71.9	78.9	(7.0)
Total	166.0	168.3	(2.3)

Table 6 Revenue Adjustment Amounts – AT₅

A comparison with Revenue Adjustment Amounts (excluding cost of capital adjustments) for previous submissions is presented in Table 7:

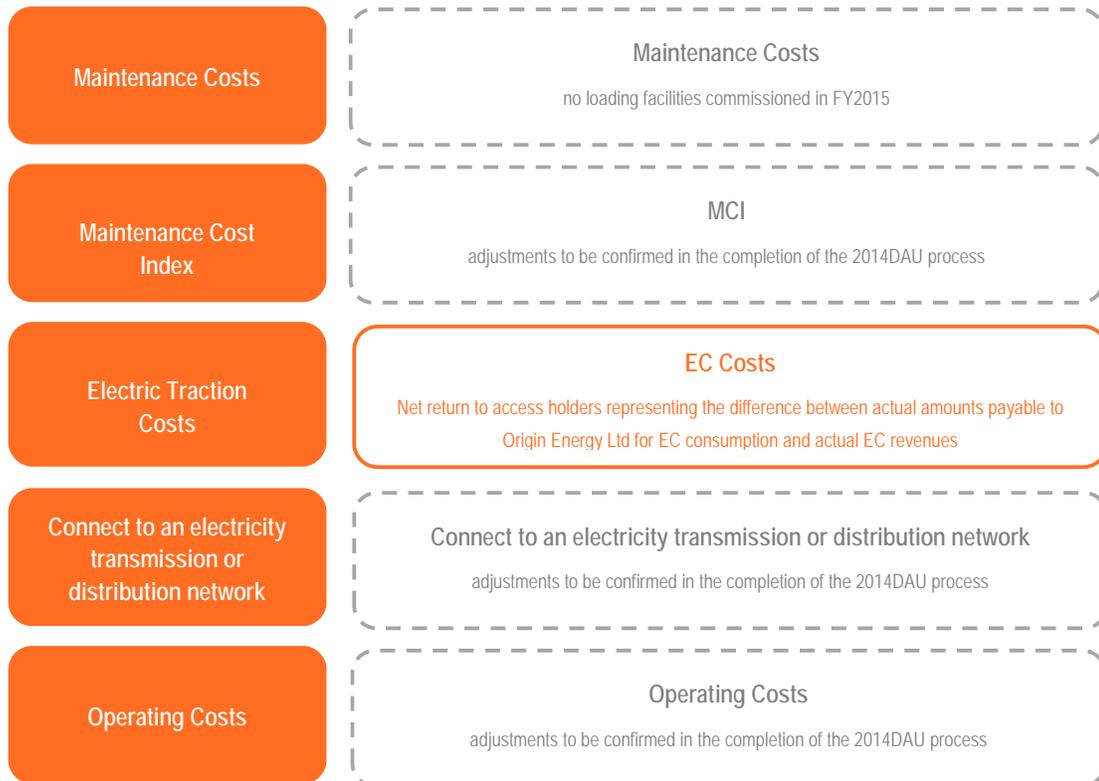
Year	AT ₂₋₄ Adjustment \$m	AT ₅ Adjustment \$m	Total Adjustment \$m
2007	15.7	10.1	25.8
2008	27.8	15.8	43.6
2009	4.6	28.3	32.9
2010	(6.1)	6.0	(0.1)
2011	19.2	30.0	49.2
2012	2.7	11.2	13.9
2013	28.2	10.9	39.1
2014	15.5	(8.5)	7.0
2015	(25.3)	(2.3)	(27.6)

Table 7 Total Revenue Adjustment Amounts – FY2007 to FY2015

4 Adjustments to SAR

The adjustments to SAR for FY2015 are limited to one of the five allowable areas, with the remaining adjustments to be confirmed under the 2014DAU process.

Further detail is located within Attachment A and is detailed in the financial model accompanying this submission.



4.1 Electric Traction Costs

Aurizon Network has calculated a net return to Access Holders of \$3.1 million for EC costs from the difference between:

- amounts paid to Origin Energy Limited for the consumption of EC as per invoices⁶; and
- EC revenues for FY2015 for Goonyella and Blackwater⁷.

Aurizon Network notes that as WIRP segments are fully integrated with the existing mainline Blackwater infrastructure, it is difficult to separate EC costs and revenues. Therefore destination WICET EC costs and revenues have been included in the calculation of the net return EC adjustment.

⁶ Gross of regeneration credits that are returned to operators

⁷ Blackwater EC revenue includes revenue collected from QR Passenger Pty Ltd for electric 'Tilt Train' services on the North Coast Line, for which the comparable costs are reflected in the amounts paid to Origin.

System	AT ₅ System Allowable Revenue Per Schedule F \$m	Adjustment \$m	Adjusted AT ₅ System Allowable Revenue \$m
Blackwater	94.2	(0.1)	94.1
Goonyella	74.9	(3.0)	71.9
Total	169.1	(3.1)	166.0

Table 8 Adjusted System Allowable Revenues – AT₅

5 Total Actual Revenue

5.1 Adjustments to Access Charges

The Access Charges payable by Access Holders for individual Train Services are set out in detail in the financial model that has been provided to the QCA with this submission.

Aurizon Network confirms that:

- Access revenues are per Aurizon Network’s billing system;
- Allocations for cross-system traffics between the Blackwater and Goonyella systems are in accordance with both the cross-system pricing rules in Schedule F and the revenue adjustment process as applied in prior years’ calculations;
- Access revenues exclude Rolleston AT₅ revenue and WIRP AT₂₋₅ revenues, consistent with the 2015 DAAU;
- Access revenues in the GAPE system include Take or Pay which capped fully to the extent of the AT₂₋₄ SAR. Take or Pay has been determined in accordance with the relevant Standard Access Agreement and has been agreed with and billed to the relevant Access Holders. A copy of the Take or Pay model has been provided to the QCA with this submission; and
- Blackwater access revenues include a transfer fee of \$0.04 million. No other relinquishment or transfer fees were collected, or were entitled to be collected, during FY2015.

5.2 Rebate Adjustments

The TAR includes the SAR for AT₂₋₄ and AT₅ for assets under a rebate agreement, less any rebates paid under that agreement. The rebate agreement includes an arrangement under an Access Facilitation Deed (AFD).

An adjustment may be required to the extent that the rebateable revenues within SAR vary from the rebates paid under the AFD. The adjustments are equivalent to the difference between actual and regulatory forecast tonnages for the mine covered by the AFD, multiplied by the relevant rebate rate per tonne.

The adjustments for rebates represents a net recovery from Access Holders of \$6.6 million:

- \$6.5 million for non-electric assets (AT₂₋₄), split between Blackwater (\$2.9 million), Goonyella (\$3.3 million) and Newlands (\$0.3 million); and
- \$0.05 million for electric assets (AT₅) in Goonyella only.

There are no rebate arrangements covering mines in the Moura and GAPE systems and for electric infrastructure in the Blackwater system.

6 Claim for Increments

6.1 2010AU Claim for Increments

Aurizon Network's approved 2010AU⁸ states that where, for an individual system:

- the TAR for AT₂₋₄ is greater than the SAR for AT₂₋₄ for the relevant system; and
- Aurizon Network is required to submit a variation of relevant Reference Tariffs to the QCA,

the QCA will need to be reasonably satisfied, before approving an Increment not exceeding 2% of relevant SAR, that the difference is the direct result of improved Below Rail network efficiency by Aurizon Network (or its contractors⁹).

As part of the finalisation of the 2010AU process, and in recognition of the limited incentives available, the QCA requested that Aurizon Network (after an appropriate consultation process) submit a Draft Amending Access Undertaking within one year to vary the revenue cap arrangements in Schedule F to provide an incentive framework that provides Aurizon Network:

"...with an incentive to operate, and invest in, the Rail Infrastructure efficiently and to do so in a way that promotes efficiency of a coal supply chain."¹⁰

In April 2012, Aurizon Network submitted a proposal for a Draft Incentive Mechanism (DIM) to the QCA for approval. Aurizon Network consulted with stakeholders regarding the contents of the DIM, which sought to address performance measures within Aurizon Network's control and would ultimately benefit the supply chain. In July 2012, the QCA completed further consultation, which provided stakeholders with the opportunity to provide further feedback on the DIM, or propose an alternative mechanism. While stakeholder submissions were received, the QCA neither approved, rejected nor proposed an alternative incentive mechanism. In March 2015, after discussions with stakeholders and the QCA, Aurizon Network withdrew the DIM. Upon approval of the 2014DAU, Aurizon Network will look to explore an alternative DIM with industry stakeholders, with the intention of establishing a mechanism acceptable to all parties.

Over the course of the extended 2010AU period, Aurizon Network has been striving for continuous improvement, to drive efficiency and productivity across the CQCR. Whilst the 2010AU allows for the Increment as an incentive mechanism, there is no baseline in the Undertaking by which to be assessed. Aurizon Network considered that its FY2014 Revenue Adjustment submission provided sufficient explanation and justification of supply chain efficiencies that enabled the achievement of higher volume throughputs. Given the QCA's rejection of the Increment in the FY2014 Revenue Adjustment submission, Aurizon Network requests guidance from the QCA that clarifies what evidence Aurizon Network would need to provide in order for the QCA to approve an Increment claim.

As a result, Aurizon Network requests that the QCA grant an extension of time for the FY2015 Increment claim so that it has an opportunity to engage with industry and provide any additional information in line with the QCA's guidance.

⁸ Schedule F, Part B, Clause 3.3

⁹ Schedule F, Part B, Clause 3.3.1

¹⁰ Schedule F, Part B, Clause 2.6

6.2 Achievements in FY2015

For the first time, over 225 million tonnes were railed across the CQCR in FY2015. Actual volumes significantly exceeded the system forecasts, resulting in a significant over-recovery of the AT₂₋₄ SAR in Blackwater and Goonyella. The record volumes were achieved despite the significant impacts of weather events, including electrical strikes affecting the overhead systems and the impact of Tropical Cyclone Marcia. This achievement reflected the sustained effort and aligned planning by all supply chain participants, including Aurizon Network, mines, ports and train operators.

The improvement in tonnages in Blackwater and Goonyella are shown in Chart 1 below:

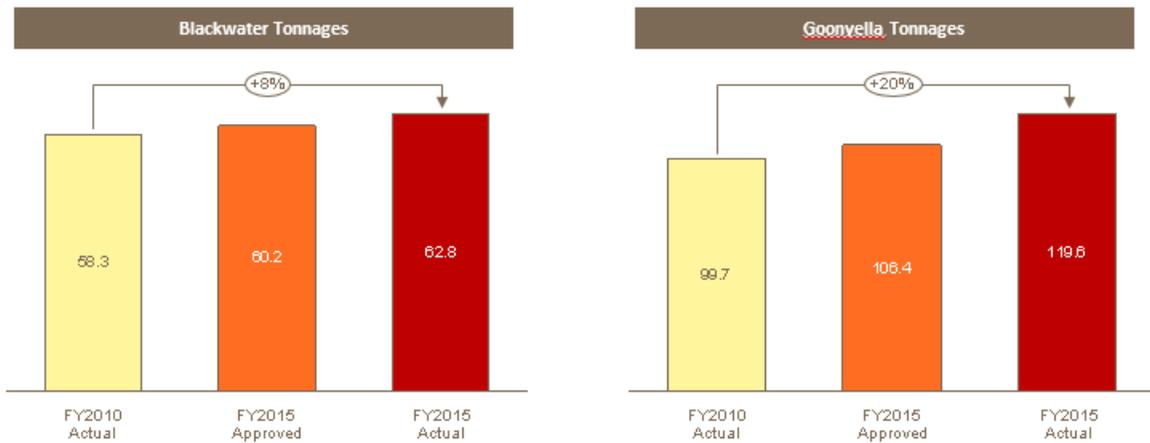


Chart 1 Blackwater and Goonyella tonnage outperformance

The difference in the throughput of the Blackwater and Goonyella systems in FY2015 is 15.8 million tonnes, or around 9% of the total tonnage associated with the relevant system forecasts. The variance between the approved forecast (in tonnes) and actual tonnages is summarised in Table 9 below:

System	FY2015 Approved Volume ¹¹ mt	FY2015 Actual Volume mt	Difference mt
Blackwater ¹²	60.2	62.8	2.6
Goonyella	106.4	119.6	13.2
Moura	13.1	12.2	(0.9)
Newlands	14.0	14.7	0.7
Sub-Total	193.7	209.3	15.6
GAPE	20.9	15.3	(5.6)
Total	214.6	224.7	10.1

Table 9 FY2015 Actual v Approved Tonnages

The tonnage improvements are directly attributed to activities and initiatives in both systems, resulting in throughput above forecast of 4% and 12% in the Blackwater and Goonyella systems respectively.

In addition to the yearly record of 225 million tonnes across the region, a number of records were set in the Blackwater and Goonyella systems in FY2015:

- monthly (seasonal) records were set in Blackwater (in three out of twelve months) and in Goonyella (in eleven out of twelve months);
- tonnages railed across the CQCR were 90% of contract or better in six months in Blackwater and eight months in Goonyella including 95% of contract or better in three months in Blackwater and two months in Goonyella;
- daily, weekly and monthly all-time throughput records were set in FY2015, including:
 - in Blackwater, a monthly record of 5.9mt set in December 2014; and
 - in Goonyella, a monthly record of 10.7mt set in June 2015.

¹¹ Per FY2015 DAAU approved by the QCA in June 2014

¹² Includes Cross System Train Services ex Goonyella System

The significant improvement in CQCR performance in FY2015 can be directly attributed to three factors:

- 1 **Increased Demand**
- 2 **Improved Efficiency**
- 3 **Below Rail Effectiveness**

Aurizon Network is a critical enabler in driving the improved efficiency and Below Rail effectiveness across the CQCR. A number of continuous improvement initiatives undertaken during FY2015 have directly contributed to the improved supply chain performance. The following achievements are examples of significant improvements realised this year:

- Safety achieved a zero Lost Time Injury Frequency Rate (LTIFR) and 3.7 Total Recordable Injury Frequency Rate (TRIFR);
- Network delays decreased by 3%;
- Longer trains enabled 1.7% increase in average payload, delivering an additional 3 million tonnes of railings;
- Network Cause cancellations as a percentage of completed services decreased by 5%;
- 1,024 more train services enabled another 8 million tonnes of railings, facilitated by a 20% decrease in closure hours; and
- The Network Maintenance Program achieved a 9% increase in scope, whilst reducing closure hours by 20%.

The following charts reflect these improvements, illustrating the trend over the last four years:

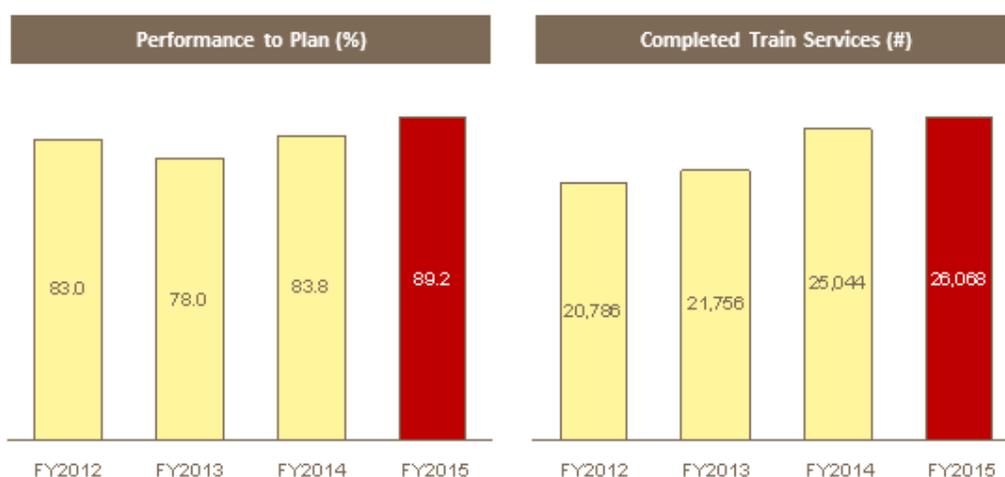


Chart 2 Improvement Trends FY2012 – FY 2015

6.3 High Level Overview of Continuous Improvement Initiatives

Aurizon Network has delivered and is in the process of delivering a significant programme of continuous improvement initiatives, directly improving the performance of the Capricornia and Northern Bowen Basin supply chains. These activities require both the allocation of existing resources away from business-as-usual activities and the procurement of additional services. Due to the revenue cap framework, benefits accrued substantially to other supply chain participants, rather than Aurizon Network.

Specific activities, undertaken either independently by Aurizon Network, or with train operators, coal industry customers and parties outside the coal supply chain are:

Continuous Improvement Initiatives	
Longer Trains	<p>Aurizon Network has worked with all train operators to implement extensions to the operating length of trains in Blackwater and Goonyella.</p> <p>Aurizon Network continues to work closely with all train operators to trial and implement longer than standard consists across the Blackwater, Goonyella and Newlands systems.</p> <p>Aurizon Network led a number of activities to ensure the safe and effective operation of the longer trains on the existing network and at loading and unloading facilities.</p>
Rail Lubrication	<p>Network Operations has overhauled the lubrication procedures across the system by installing over 160 new lubricators as well as improving grease refilling maintenance procedures.</p> <p>An online monitoring system has also been introduced, which can remotely monitor grease levels, lubricator status and battery levels, reducing the need for site visits. The increase in lubrication performance has lowered the coefficient of friction and will result in lower rates of rail and wheel wear for operators and provide increased factor of safety of derailment.</p>
Track & Overhead Equipment Defect Management	<p>Introduction of welding contractors to follow the Rail Telemetry Car rectifying rail defects immediately, reducing rail breaks, delays and cancellations. In addition, defects are now being managed through an online database.</p> <p>Maintenance is being performed on track exceptions and overhead equipment in the shadow of the Ballast Undercutter, to reduce closures and possession time.</p>
Drones	<p>The use of drones has enabled more thorough inspections whilst enabling concurrent train operations, enabling more train services and a more targeted proactive maintenance regime.</p>
Mechanised Track Maintenance Equipment	<p>Commissioning of the new generation of Mechanised Track Maintenance Equipment enables a significant step up in productivity whilst reducing the closure hours required to fulfil the maintenance program.</p>
Culvert Resleeving	<p>Aurizon Network has utilised the latest technology to line, rather than replace culverts, resulting in zero closure hours to complete this renewal.</p>
Network Asset Maintenance System (NAMS)	<p>NAMS will enable a more efficient and effective management of the CQCN infrastructure lowering the Total Cost of Ownership whilst providing a more reliable and robust asset.</p>
Advanced Planning Execution (APEX) and Process Alignment & Capacity Evaluation (PACE)	<p>APEX and PACE will enable a more efficient management and delivery of train control services and system possessions on the CQCN, enabling more train services.</p>

Continuous Improvement Initiatives (cont)

Wayside Systems and Supersites

The use of these systems will enable Above Rail operators to efficiently monitor their rollingstock, whilst reducing derailments.

6.4 FY2015 Potential Increment

Over the course of the extended 2010AU period, Aurizon Network has been striving for continuous improvement, to drive efficiency and productivity across the CQCR and has realised a number of significant achievements in FY2015.

The potential Increments that Aurizon Network could claim in FY2015 are set out in Table 10 below:

System	AT ₂₋₄ System Allowable Revenue \$m	Increment Claim @ 2% \$m ¹³
Blackwater	247.2	4.9
Goonyella	234.8	4.7
Total	482.0	9.6

Table 10 Potential Increments - FY2015

Aurizon Network is not seeking to claim the maximum Increment in this submission and instead requests clarity from the QCA on what evidence Aurizon Network would need to provide in order for the QCA to approve an Increment claim. Once this guidance is received, Aurizon Network will engage with industry on the appropriate quantum of the Increment claim for FY2015, as well as consider this guidance in the development of an Incentive Mechanism after the finalisation of the 2014DAU.

Aurizon Network also requests an extension of time for the submission of an Increment claim for FY2015, so that it has an opportunity to provide any additional information in line with the QCA guidance.

¹³ Claims are rounded to the nearest \$10,000

Attachment A – Total Actual Revenues and Adjusted System Allowable Revenues (Schedule for Publication)

Attachment A
Revenue Cap Adjustment
2014/15

Total Actual Revenue					System Allowable Revenue						Revenue Adjustment
	Billing models (excl Cross System Traffic)	TAR Adjustments		Total Actual Revenue	SAR per Schedule F	SAR Adjustments				Adjusted SAR	Total Refund (Recovery)
		Adjustments (inc Cross System, Take or Pay, Transfer fees)	Rebate Adjustments			MCI adjustment Maintenance Costs	CPI adjustment Operating Costs	Electric Energy Adjustment	Connection Charges Adjustment		
AT₂₋₄											
Blackwater	249,530,789	8,880,989	(2,905,827)	255,505,950	247,161,235	-	-	-	-	247,161,235	8,344,715
Goonyella	243,448,831	13,819,212	(3,342,517)	253,925,527	234,836,041	-	-	-	-	234,836,041	19,089,486
Moura	37,801,609	-	-	37,801,609	40,570,237	-	-	-	-	40,570,237	(2,768,628)
Newlands	35,434,502	846,860	(258,738)	36,022,624	35,433,700	-	-	-	-	35,433,700	588,924
GAPE	81,570,166	33,052,752	-	114,622,918	114,622,918	-	-	-	-	114,622,918	-
	647,785,897	56,599,813	(6,507,081)	697,878,629	672,624,131	-	-	-	-	672,624,131	25,254,497
AT₅											
Blackwater	80,660,545	8,719,791		89,380,336	94,184,512	-	-	(138,495)	-	94,046,017	(4,665,681)
Goonyella	76,193,302	2,767,337	(45,652)	78,914,988	74,958,168	-	-	(3,020,692)	-	71,937,476	6,977,512
Moura											
Newlands											
GAPE											
	156,853,847	11,487,129	(45,652)	168,295,324	169,142,680	-	-	(3,159,187)	-	165,983,493	2,311,831
Total Revenue Adjustment Amount (for 2014/15)											27,566,328