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QLD COMPETITION AUTHORITY

29 NOV 2010

DATE RECEIVED

30 November 2010

Mr John Hall
Chief Executive Officer
Queensland Competition Authority
GPO Box 2257
Brisbane Qld 4001

Dear John

2009/10 Revenue Cap

In accordance with Clause 3.2.6, Part B of Schedule F of QR Network's 2008 Access Undertaking, please find attached a submission concerning proposed Revenue Adjustment Amounts for the 2009/10 year.

Calculations of the Revenue Adjustment Amounts are in accordance with Clause 3.2, Part B of Schedule F and incorporate the 2009/10 Adjustment Charges approved by the QCA on 29 October 2010. If approved by the QCA, the Revenue Adjustment amounts will be applied in the determination of Reference Tariffs for the 2011/12 year.

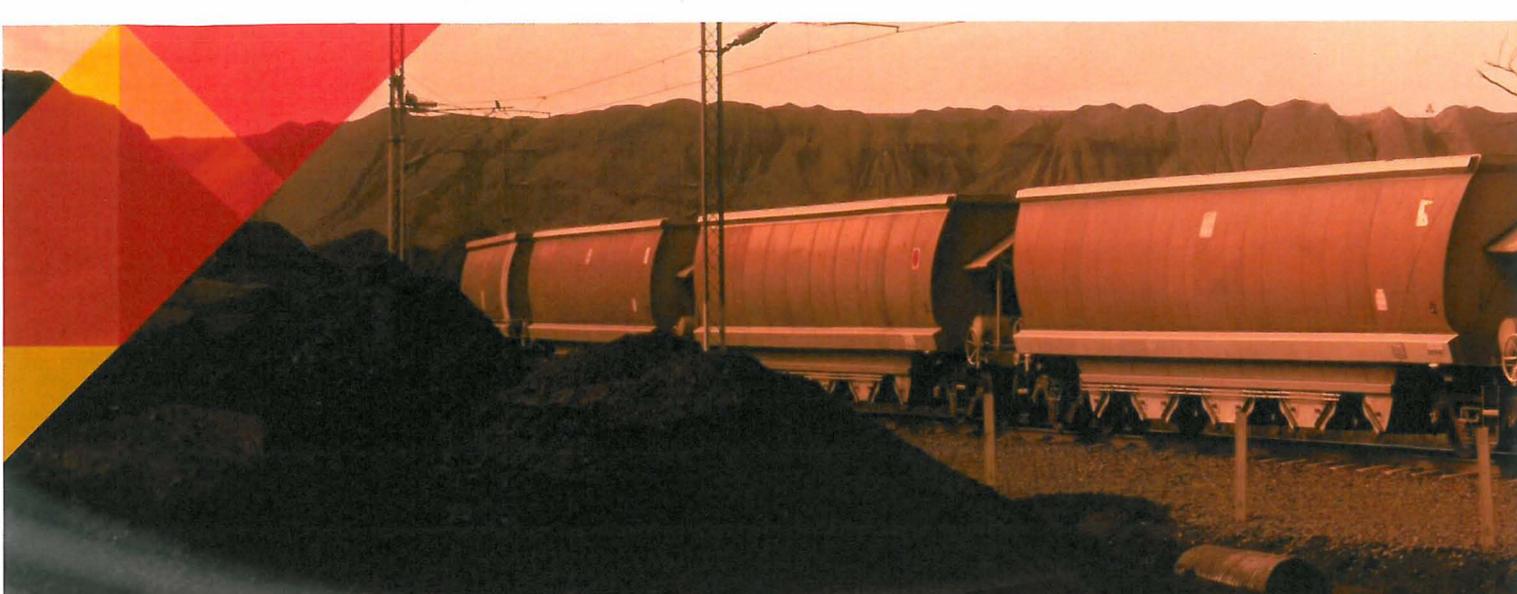
The submission explains the relevant components of the calculations and provides both an attachment and supporting financial models. The submission document and attachment (but not the financial models) are presented in a manner which are suitable for publication, should the QCA choose to do so, in accordance with Clause 3.2.10.

Please contact Greg Selkirk on (07) 3235 5250 should you have any queries regarding the submission.

Regards,



Michael Carter
Chief Executive Officer
QR Network Pty Ltd



QR Network Access Undertaking (2008)

Revenue Adjustment Amounts
(2009/10 Revenue Cap)
November 2010

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Attachments

- A. Revenue Adjustment Amounts – summary sheet

Provided concurrently with submission (not for publication)

- Models supporting various adjustments to Total Actual Revenues, including Adjustment Charge and rebate models
- Models supporting various adjustments to System Allowable Revenues, including information on electric traction and connection charges
- Take or Pay model

1. Introduction

1.1 Background

Schedule F of QR Network's 2008 Access Undertaking (the 2008 Undertaking) set out the form of regulation to apply to coal-carrying Train Services on the Central Queensland Coal Region (CQCR).

QR's first revenue cap submission, being for the 2006/07 year (the 2007 submission), was submitted to the Queensland Competition Authority (QCA) on 30 November 2007. The submission was approved by the QCA on 24 March 2008, and the Reference Tariff variation contained in the 2007 submission was implemented on 1 July 2008 for the 2008/09 year.

QR Network's 2007/08 revenue cap submission (the 2008 submission) was submitted to the QCA on 31 October 2008 and subsequently approved on 20 February 2009. The Revenue Adjustment Amounts contained in the 2008 submission were reflected in Reference Tariffs contained in the Draft Amending Access Undertaking for the 2008 QR Network Access Undertaking (the Schedule F Amendments) approved by the QCA on 30 June 2010, with the Reference Tariffs being backdated to 1 July 2009 for the 2009/10 year.

QR Network's 2008/09 revenue cap submission (the 2009 submission) was submitted to the QCA on 28 August 2009 and approved on 20 November 2009. The Revenue Adjustment Amounts contained in the 2009 submission were reflected in Reference Tariffs contained in the same Schedule F Amendments, with the Reference Tariffs being implemented on 1 July 2010 for the 2010/11 year.

The Reference Tariffs for the 2009/10 and 2010/11 years, incorporating the 2007/08 and 2008/09 Revenue Adjustment Amounts, were also approved in the 2010 QR Network Access Undertaking (the 2010 Undertaking) from the Commencement Date for the Reference Tariffs of 1 July 2009.

1.2 Revenue Adjustment Amounts

The Schedule F Amendments contained revised arrangements for the variation of Reference Tariffs associated with revenue cap. Clause 3.2.1 required that the following matters be addressed by QR Network, for each relevant Individual Coal System Infrastructure:

- Calculation of an AT₂₋₄ Revenue Adjustment Amount;
- Calculation of an AT₅ Revenue Adjustment Amount; and
- An Increment.

This fourth revenue cap submission, being for the 2009/10 year, represents compliance by QR National with Clause 3.2.6 which required QR Network to submit the Revenue Adjustment Amounts and Increments (if any) to the QCA:

- By 30 September after the end of each Year of the Term of the 2008 Undertaking; or
- 30 days after the QCA's approval of the Adjustment Charges relating to the relevant Year,

whichever is applicable.

Clause 3.2.2 required that for the purposes of determining the Revenue Adjustment Amounts, Adjusted System Allowable Revenues shall be adjusted for:

- a) The components relating to QR Network's maintenance costs, adjusted to reflect:
 - (i) Maintenance costs associated with branchlines for new loading facilities; and
 - (ii) The difference between the actual and forecast MCI less the approved X-Factor.
- b) The components relating to the recovery of QR Network's:
 - (i) Cost of electric energy for traction; and
 - (ii) Costs associated with the connection of QR Network's electric traction system to an electricity transmission or distribution network,

adjusted to reflect the difference between actual and forecast costs.

- c) The components relating to the recovery of QR Network's operating costs (other than maintenance costs) adjusted to reflect the difference between actual and forecast CPI less the approved X-Factor.

1.3 Form of submission

This submission details the methodology, data and assumptions used to determine the Revenue Adjustment Amounts and the Increments. The Revenue Adjustment Amounts cover the AT₂₋₄ Reference Tariff components for the Blackwater, Goonyella, Moura and Newlands systems, and the AT₅ and EC Reference Tariff components for the Blackwater and Goonyella systems, for the 2009/10 year.

This submission sets out a step-by-step explanation of the relevant components of the calculation of the Revenue Adjustment Amounts and Increments, consistent with Clause 3.2, as follows:

- Section 2 sets out the calculation of the Adjusted System Allowable Revenues for AT₂₋₄ and AT₅ in accordance with Clause 3.2.2.
- Section 3 sets out the calculation of the Revenue Adjustment Amounts, including Total Actual Revenues, for AT₂₋₄ and AT₅ in accordance with Clauses 3.2.1(a), 3.2.3, 3.2.4 and 3.2.5.
- Section 4 sets out the calculation of the Increments, in accordance with Clauses 3.2.1(b) and 3.3. In this regard, QR Network confirms that no Increment is being claimed for any CQCR system.

QR National confirms that unlike the 2007, 2008 and 2009 submissions, this submission does not set out the adjustments to 2nd Year System Allowable Revenue associated with the Revenue Adjustment Amounts, the Increments and a return on capital amount. A separate submission on these matters will be made to the QCA by 28 February 2011 for the 2011/12 year in accordance with Clauses 3.1 and 3.4 and following the QCA's approval of the Revenue Adjustment Amounts.

Attachment A provides a summary of output from QR National's financial models that were used to calculate the Revenue Adjustment Amounts for each system. This

submission and Attachment A are presented in a format which is suitable for publication, should the QCA choose to do so, in accordance with Clause 3.2.10.

In addition, a number of detailed financial models were prepared by QR National and have been provided to the QCA in electronic form in support of this submission. These models include:

- The Adjustment Charge models;
- The Take or Pay model; and
- The rebate model.

The models contain specific information on individual Train Services. QR National requests that consistent with the 2007, 2008 and 2009 submissions the models are not published. Notwithstanding this request, the model outputs are summarised in this submission.

QR National has also attached billing information in relation to electricity costs and connection services. This information is provided to support the relevant adjustments to System Allowable Revenue as discussed in Section 2. QR National confirms there are confidentiality provisions in the respective supply agreements and accordingly also requests that the information is not published.

In this submission:

- References to QR National are to QR Network Pty Ltd.
- References to the Schedule F Amendments are to the revised Schedule F to the 2008 Undertaking, including new Reference Tariffs for 2009/10 and 2010/11, approved by the QCA on 30 June 2010;
- References to UT1 are to the period covered by QR's 2001 Access Undertaking effective 1 July 2001;
- References to UT2 are to the period covered by QR's 2005 Access Undertaking effective 1 July 2005 and the 2008 Undertaking effective 24 October 2008;
- References to UT3 are to the period covered by the 2010 Undertaking, including the pricing arrangements effective from 1 July 2009 per the Schedule F Amendments;

- Unless otherwise specified, all references to Clauses are references to the Clauses in Part B, Schedule F of the 2008 Undertaking; and
- Defined terms used in this submission have the meaning given in the 2008 Undertaking.

QR National confirms that consistent with the period covered by the revenue cap calculations (i.e. the 2009/10 year) this submission is being made in accordance with the Schedule F Amendments approved by the QCA in June 2010 for the 2008 Undertaking. For the 2010/11 year, QR National's submission will be made in accordance with the 2010 Access Undertaking approved by the QCA on 1 October 2010.

1.4 Summary

1.4.1 Basis of submission

As indicated above, Clause 3.2.6 required QR Network to submit Revenue Adjustment Amounts to the QCA by 30 September after the end of each Year of the Term of the 2008 Undertaking, or 30 days after the QCA's approval of any Adjustment Charges relating to the relevant Year, whichever is applicable.

The QCA's approval of the Adjustment Charges for the 2009/10 year was published on 29 October 2010. Accordingly, this submission is timed to coincide with a deadline of 30 days after the QCA's approval of the Adjustment Charges.

1.4.2 Revenue Adjustment Amounts

The combined total of the Revenue Adjustment Amounts for 2009/10 represents a net return to Access Holders of approximately \$150,000, comprising a return of \$6.100 million for AT₂₋₄ and a recovery of \$5.950 million for AT₅. If approved, these Revenue Adjustment Amounts will result in net downwards and upwards (respectively) variations in Reference Tariffs for 2011/12.

As indicated above, no Increment is being claimed in respect of the 2009/10 year.

The Revenue Adjustment Amounts for each CQCR system are summarised in the table below.

System	AT ₂₋₄ \$m	AT ₅ \$m	Total \$m
Blackwater	(4.483)	(8.075)	(12.558)
Goonyella	4.304	2.125	6.429
Moura	1.824	n/a	1.824
Newlands	4.455	n/a	4.455
Total	6.100	(5.950)	0.150

Note: small errors due to rounding.

These amounts compare with Revenue Adjustment Amounts (but which are inclusive of Increments and return on capital amounts) for previous submissions as follows:

Year	AT ₂₋₄ \$m	AT ₅ \$m	Total \$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)*

* Refund.

1.4.3 Commentary

Revenue Adjustment Amounts are caused by actual throughput varying from the parameters underlying the regulatory forecasts (System Forecasts) which form a key parameter for the determination of Reference Tariffs.

The significant reduction in the quantum of the Revenue Adjustment Amounts for 2009/10 relative to previous years is a function of the following matters relevant to the Schedule F Amendments:

- The reset of the System Forecasts associated with the end of the original UT2 pricing period (2009/10 being the first year of the proposed UT3 pricing period); and
- The System Forecasts for 2009/10 being aligned with actual year-to-date tonnages as at March 2010.

Throughput on all systems other than Blackwater exceeded the relevant System Forecast. In Blackwater, both the total tonnes and the proportion of tonnes hauled by electric locomotives (the diesel-electric mix) were less than in the System Forecast. QR National confirms that the shortfall of tonnes in the Blackwater system was not sufficient to trigger Take or Pay amounts for AT₂₋₄ under the relevant Access Agreements.

Accordingly, all systems other than Blackwater recorded over-recoveries of the AT₂₋₄ Reference Tariff component (and for Goonyella of the AT₅ component) whereas in Blackwater there has been an under-recovery of the AT₂₋₄ and AT₅ components.

For the avoidance of doubt, the Revenue Adjustment Amounts for both AT₂₋₄ and AT₅ reflect the 2009/10 Adjustment Charge submission which excluded revenues of \$2.8 million attributable to Past Train Services. In accordance with Clause 2.3.9, QR National was not able to recover these amounts from the relevant Access Holder, and as such the net amount is being recovered via this revenue cap submission.

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2. Adjusted System Allowable Revenues

2.1 Introduction

Clause 3.2.2 states that:

The Adjusted System Allowable Revenue for AT₂₋₄ or the AT₅ component of Access Charges is the sum of the following components of relevant System Allowable Revenue:

- a) *the component relating to the recovery of QR Network's maintenance costs, adjusted to reflect:*
 - (i) *for the maintenance costs of maintaining branchlines for new loading facilities (that became operational after the Commencing Date), \$15,000.00 per kilometre of new Track comprised in those branchlines; and*
 - (ii) *for maintenance costs to which Clause 3.2.2(a)(i) does not apply, the difference between:*
 - A. *the actual MCI value less the approved X-Factor for the relevant Year; and*
 - B. *the forecast MCI value less the approved X-Factor that was used for the purpose of determining the Reference Tariffs for the relevant Year;*

- b) *the components relating to the recovery of QR Network's:*
 - (i) *cost of electric energy for traction; and*
 - (ii) *costs associated with the connection of QR Network's electrical traction system to an electricity transmission or distribution network,*

adjusted to reflect the difference between:

 - (iii) *the actual costs for the relevant Year; and*

- (iv) *the forecast costs used for the purpose of determining the Reference Tariffs for the relevant Year;*
- c) *the component relating to the recovery of QR Network's operating costs, excluding those costs referred to in Clause 3.2.2(a), adjusted to reflect the difference between:*
 - (i) *the actual CPI value less the approved X-Factor for the relevant Year; and*
 - (ii) *the forecast CPI value less the approved X-Factor that was used for the purpose of determining the Reference Tariffs for the relevant Year; and*
- d) *all components excluding those costs referred to in Clause 3.2.2(a), (b) or (c).*

2.2 Maintenance Costs

2.2.1 Branchlines for new unloading facilities

With respect to Clause 3.2.2(a)(i), QR Network confirms that no branchlines for new unloading facilities were commissioned during the 2009/10 year.

2.2.2 Maintenance Cost Index (MCI)

With respect to Clause 3.2.2(a)(ii), QR National has calculated a net return to Access Holders of \$1.44 million for AT₂₋₄ and approximately \$106,000 for AT₅. The methodology for determining the MCI adjustment is set out below.

The MCI is a weighted index composed of a number of separate indexes. The QCA approved the weightings in its Pricing Decision in June, as follows:

	Fuel	Accommodation	Consumables	Labour	Assets
Index Weights	3.2%	1.5%	34.9%	44.5%	15.9%

Each index of the MCI was forecast over the UT3 period using forecast indexes compiled by BIS Shrapnel. The approved forecast indexes are given below.

	Fuel	Accommodation	Consumables	Labour	Assets	Weighted Index	Weighted Index – X-Factor
Jan-08	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Jul-10	98.6	95.2	99.7	116.8	101.2	107.4	105.6

At the end of the year each index of the MCI was updated to reflect actual price movements. The actual indexes were calculated and are provided below.

	Fuel	Accommodation	Consumables	Labour	Assets	Weighted Index	Weighted Index – X-Factor
Jan-08	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Jul-10	96.6	113.1	101.8	118.1	101.2	109.0	106.7

For the 2009/10 year, the actual MCI less the X-Factor is greater than the forecast MCI less the X-Factor. The difference can be explained by each component of the actual MCI rising more than each component of the forecast MCI, except for fuel.

In particular, the actual accommodation index rose substantially while the forecast index fell slightly. This was due to an incorrect calculation for the forecast accommodation index whereby the figure was derived by moving forward the 2005 index figure by the forecast Consumer Price Index (CPI) rather than the 2009 index figure. This however did not have a significant impact on the overall weighted index, with accommodation's share of the weighting being only 1.5%.

Applying the respective forecast and actual MCI-X to the maintenance costs approved by the QCA (in 2007/08 dollars) gives the results summarised in the table below.

	AT ₂₋₄ \$	AT ₅ \$	Total \$
QCA Approved Maintenance Cost Allowance (\$2007/08)	125,740,735	9,231,574	134,972,309
QCA Approved Maintenance Cost Allowance 2009/10	132,764,064	9,747,210	142,511,274
Adjusted Maintenance Cost Allowance 2009/10	134,201,906	9,852,772	144,054,678
Net Recovery	1,437,842	105,562	1,543,404

In view of the above, the net recovery for each CQCR system is summarised in the table below.

System	AT ₂₋₄ \$	AT ₅ \$	Total \$
Blackwater	550,042	45,709	595,751
Goonyella	674,119	59,854	733,973
Moura	119,891	n/a	119,891
Newlands	93,790	n/a	93,790
Total	1,437,842	105,562	1,543,404

2.3 Operating Costs Consumer Price Index (CPI)

With respect to Clause 3.2.2(c), QR National has calculated a net return to Access Holders of approximately \$291,000. The methodology for determining the CPI adjustment is set out below.

Forecast CPI figures for Brisbane over the UT3 period were taken from the mid-point of the Reserve Bank of Australia's forecast CPI band. The forecast CPI-X was used to move the QCA approved operating costs (in 2007/08 dollars) to derive the approved operating costs (in 2009/10 dollars). At the end of the year QR Network derived the actual CPI-X figure which was used to move the QCA approved operating costs (in 2007/08 dollars) to derive an adjusted operating cost allowance.

The following table shows the actual versus forecast CPI-X values:

	Forecast CPI	Actual CPI	Forecast CPI-X ¹	Actual CPI-X ¹
Jul-08	100.0	100.0	100.0	100.0
Jul-09	102.0	102.0	102.0	102.0
Jul-10	104.5	105.3	103.9	104.5

Applying the respective forecast and actual CPI-X to the operating costs approved by the QCA (in 2007/08 dollars) gives the following results:

	AT ₂₋₄ \$	AT ₅ \$	Total \$
QCA Approved Operating Cost Allowance (\$2007/08)	50,650,000	n/a	50,650,000
QCA Approved Operating Cost Allowance 2009/10 ²	52,622,311	n/a	52,622,311
Adjusted Operating Cost Allowance 2009/10 ²	52,913,309	n/a	52,913,309
Net Recovery	290,998	n/a	290,998

In view of the above, the net recovery for each CQCR system is summarised in the table below.

System	AT ₂₋₄ \$	AT ₅ \$	Total \$
Blackwater	120,689	n/a	120,689
Goonyella	122,299	n/a	122,299
Moura	22,737	n/a	22,737
Newlands	25,273	n/a	25,273
Total	290,998	n/a	290,998

¹ Note that the x-factor was only applied to the increase in CPI from July 2009.

² The risk premium allowance is not subject to the X-factor.

2.4 Electric Energy (EC) and Connection Costs

With respect to Clause 3.2.2(b), QR National has calculated a net return to Access Holders for the Goonyella and Blackwater systems of \$1.082 million.

With respect to EC costs, the net return is approximately \$103,000 represented by the difference between:

- The amounts paid to ERM energy (ERM) for the consumption of EC, per invoices raised by ERM; and
- The costs forecast for the 2009/10 year associated with the EC Reference Tariff components for Goonyella and Blackwater.

The costs have been adjusted for revenues collected from QR Passenger Pty Ltd from electric Tilt Train services on the North Coast Line (NCL) in the Blackwater system, for which the comparable costs are reflected in the amounts paid to ERM.

With respect to connection costs, the net return is approximately \$978,000 represented by the difference between:

- The amounts paid to Powerlink Pty Ltd (Powerlink) for the connection of QR National's electric infrastructure to the Powerlink network, per invoices raised by Powerlink.
- The connection cost allowances included in the calculation of the AT₅ Reference Tariff components for 2009/10.

QR National has assumed no contribution to connection costs from electric Tilt Train services. The total value of the EC revenues from the Tilt Train has been applied to the EC adjustment, given the application of the adjustments (i.e. all against AT₅) and hence there is no difference to the revenue cap calculations by splitting these revenues.

2.5 Adjusted System Allowable Revenues for 2009/10

In view of the above, the Adjusted System Allowable Revenues are summarised in the tables below for 2009/10.

AT₂₋₄

System	Per Schedule F Amendments \$m	Adjustments \$m	Adjusted \$m
Blackwater	203.854	0.671	204.525
Goonyella	215.332	0.796	216.128
Moura	29.314	0.143	29.457
Newlands	32.769	0.119	32.888

AT₅

System	Per Schedule F Amendments \$m	Adjustments \$m	Adjusted \$m
Blackwater	63.230	0.378	63.608
Goonyella	71.005	(1.354)	69.651

A reconciliation of the amounts and total adjustments in this section is also summarised at Attachment A.

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3. Revenue Adjustment Amounts

3.1 Introduction

3.1.1 Total Actual Revenue for AT_{2-4}

Clause 3.2.3(a) states that the Total Actual Revenue for AT_{2-4} is the sum of:

Total revenue from AT_{2-4} for coal carrying Train Services that operated on the Individual Coal System in the Year, calculated using:

- (i) *for a Train Service that is a Reference Train Service and is not a Cross System Train Service, the AT_2 , AT_3 and AT_4 components of the relevant Reference Tariff; or*
- (ii) *for a Train Service to which Clause 4.2 applies, that part of the AT_2 , AT_3 and AT_4 components of the relevant Reference Tariff relating to that Individual Coal System allocated in accordance with the method used in the calculation of the relevant System Allowable Revenue as set out in Clause 4.2(g);*
- (iii) *for a Train Service that varies from the Reference Train Service due to it not complying with:*
 - A. *Clause 1.3.1(f) of Part A, the AT_2 component of the Access Charge (where the Access Charge varies from the Reference Tariff in accordance with Clause 3.2 of Part A) and the AT_3 and AT_4 components of the relevant Reference Tariff; or*
 - B. *any other part of Clause 1.3 or 1.4 of Part A, other than Clause 1.3.1(f) of Part A (with which it complies), the AT_2 , AT_3 and AT_4 components of the relevant Reference Tariff; and*
- (iv) *for a Train Service for which Clause 4.3 applies, the amount of the AT_2 , AT_3 and AT_4 components of the relevant Access Charge, that QR Network has actually earned over the relevant Year (whether or not actually collected by QR Network)”*

In addition, Clauses 3.2.3(c) and (d) state that the Total Actual Revenue for AT_{2-4} should also include:

- (c) *the System Allowable Revenue for AT₂₋₄ in relation to the applicable Individual Coal System which is attributable to assets under an agreement described by Clause 6.5.2(d)(i) of the Undertaking for the payment of a rebate less any rebate which is paid under that agreement.*
- (d) *any revenue from AT₂₋₄ that QR Network would have been entitled to earn under an Access Agreement in relation to the individual Coal System Infrastructure during the relevant Year but for QR Network's breach of that Access Agreement or negligence in the provision of Below Rail Services to the extent that such events of breach or negligence resulted in the non-provision of 10% or more of the total number of Train Services for any single origin-destination pair during the relevant Year.*

3.1.2 Total Actual Revenue for AT₅

Clause 3.2.5 states that the Total Actual Revenue for AT₅ is the sum of:

- (a) *total revenue from the AT₅ component of Access Charges arising from all Access Agreements in relation to coal carrying Train Services for the Central Queensland Coal Region that QR Network has actually earned over the relevant Year (whether or not actually collected by QR Network), calculated using:*
 - (i) *for a Train Service for which Clause 4.3 applies, the amount of the AT₅ components of the relevant Access Charges; or*
 - (ii) *if paragraph (i) does not apply, the AT₅ component of the relevant Reference Tariff; and*
- (b) *the System Allowable Revenue for AT₅ in relation to Central Queensland Coal Region which is attributable to assets under an agreement described by Clause 6.5.2(d)(i) of the Undertaking for the payment of a rebate less any rebate which is paid under that agreement.*
- (c) *any revenue from AT₅ that QR Network would have been entitled to earn under an Access Agreement in relation to the individual Coal System Infrastructure during the relevant Year but for QR Network's breach of that Access Agreement or negligence in the provision of Below Rail Services to the extent that such events of breach or negligence resulted in the non-provision of 10% or more of the total number of Train Services for any single origin-destination pair during the relevant Year.*

3.2 Adjustment Charges

With respect to Clause 3.2.3(a), access revenues for 2009/10 are as per QR National's Adjustment Charge model which is summarised in the table below.

System	AT ₂₋₄ \$m	AT ₅ \$m
Blackwater	187.914	51.145
Goonyella	207.891	70.526
Moura	31.281	n/a
Newlands	36.469	n/a

The access revenues above exclude Cross System Train Services and Past Train Services, adjustments for these services are summarised in Section 3.3 below.

3.3 Access Revenues

To determine the Total Actual Revenues for each Reference Tariff component in each system, the following Train Services are to be included:

- Train Services that are Reference Train Services, per Clauses 3.2.3(a)(i) and 3.2.5(a)(ii);
- Train Services that are Cross System Train Services, per Clauses 3.2.3(a)(ii) and 3.2.5(a)(ii);
- Train Services which vary from the Reference Train Service in accordance with Clause 3.2 of Part A, in that a capacity (diesel) multiplier has been applied, per Clause 3.2.3(a)(iii)(A); and
- Train Services for which Access Charges apply which are not Reference Tariffs, per Clause 3.2.3(a)(iv) and Clause 3.2.5(a)(i).

QR National confirms that there are no Train Services to which Clause 3.2.3(a)(iii)(B) applies, being for any other Train Services which vary from the Reference Train Service.

To reflect these requirements, the access revenues per the Adjustment Charge model have been adjusted for the following:

- As indicated at Section 1.4.3 above, 2009/10 Adjustment Charges totalling \$2.8 million which were not collected as they were attributable to Past Train Services. For the purposes of this revenue cap submission the actual revenues collected, based on UT2 roll-forward rates, totalled \$5.7m (i.e. UT3 revenues should have totalled \$8.5 million) and this amount has been included in Total Actual Revenue.
- With respect to Clauses 3.2.3(a)(iv) and 3.2.5(a)(i), coal carrying Train Services operated from the Newlands system to destinations along the NCL pursuant to an Access Agreement between QR Network and the Australian Railroad Group (ARG). This Access Agreement was negotiated prior to 29 June 2007 and terminated on 30 June 2010, with access charge based upon an agreed rate per gross-tonne-kilometre. In principle, a 'contribution to common costs' for this traffic has been determined by deducting an amount attributable to the AT₁ Reference Tariff component for Newlands from the total revenues received from the operation of these Train Services. The resulting value of this adjustment is approximately \$876,000.

(QR National confirms that from 1 July 2010 a new Access Agreement has been executed with access charges for the CQCR based upon the Reference Tariff for Newlands.)

- With respect to Clause 3.2.3(a)(ii), the following Cross System Train Services, for which revenues are allocated in accordance with the relevant principles in Schedule F:
 - From the Gregory mine in the Blackwater system to Hay Point Coal Terminal via the Goonyella System;
 - From the Goonyella and Riverside mines in the Goonyella system to Abbot Point Coal Terminal in the Newlands system via the NCL; and
 - From the Norwich Park and Lake Vermont mines in the Goonyella system to Gladstone via the Blackwater system.

As indicated in the 2009 submission, access revenues for these traffics are based on a negotiated AT₁ tariff, and accordingly a contribution to common costs (AT₂₋₄ and AT₅) has been determined consistent with the 2009 submission. The total value of these adjustments is \$21.835 million.

Detailed calculations supporting adjustments for these Train Services are contained in financial models provided to the QCA concurrently with this submission.

3.4 Take or Pay, Relinquishment Fees and Transfer Fees

QR National confirms that it was not entitled to earn any Take or Pay amounts for the 2009/10 year. With respect to Take or Pay, QR Network confirms that the relevant 'trigger test' for each system was not met. In addition, no Access Rights were amended which entitled QR National to earn revenue from Relinquishment Fees.

Accordingly, Clauses 3.2.3(b) and 3.2.4 are not relevant for the purposes of this submission.

During 2009/10, one transfer occurred in the Goonyella system which entitled QR National to earn revenue from a transfer fee of approximately \$314,000 (return to Access Holders).

Notwithstanding that Take or Pay amounts were not payable, consistent with previous submissions a copy of QR Network's Take or Pay model has been provided to the QCA concurrently with this submission.

3.5 Rebates

Pursuant to Clauses 3.2.3(c) and 3.2.5(b), Total Actual Revenues may be adjusted for:

- The System Allowable Revenue for AT₂₋₄ and AT₅ in relation to applicable Individual Coal System assets under an Access Facilitation Deeds (AFDs), being agreements described by Clause 6.5.2(d)(i) of the Undertaking for the payment of a rebate; less
- Any rebates which are paid under that agreement.

In principle, the adjustment is represented by the difference between actual and regulatory forecast tonnages, multiplied by the relevant rebate rate per tonne.

Adjustments for rebates covered under the AFDs represent a total net return to Access Holders of \$2.465 million, are applicable to the Blackwater, Goonyella and Newlands systems only (there are no AFD arrangements covering the Moura system).

QR National confirms that the rebate rates supporting the calculations are 'final draft' estimates only. These rates do not represent final rates as the calculations are yet to be finalised and agreed with the relevant AFD miners.

QR National does not expect the finalised rebates to be materially different from those assumed in the revenue cap calculations. Notwithstanding, QR National undertakes to confirm to the QCA the impact on the 2009/10 revenue cap calculations once the rates are finalised and agreed with the AFD miners.

A copy of QR National's rebate model (subject to finalisation) showing the calculations of these amounts has been provided to the QCA concurrently with this submission.

3.6 Breach of an Access Agreement or Negligence

QR National confirms that it has not received any claim for breach of an Access Agreement or negligence for either:

- Any Train Service which operated during the 2009/10 year; or
- Any Train Service which operated during a prior year,

relating to an incident which resulted in the non-provision of 10% or more of the total number of Train Services for any origin-destination pair over the relevant Year. For the avoidance of doubt, QR National confirms that it has received a claim for negligence associated with an incident in the Blackwater system in February 2010, however the number of Train Services affected by the incident were below the relevant thresholds for revenue cap purposes.

Accordingly, no adjustments to Total Actual Revenues have been made in accordance with Clause 3.2.3(d).

3.7 Total Actual Revenues

In view of the above, Total Actual Revenues for AT₂₋₄ and AT₅ for each system for 2009/10 are provided in the tables below. A reconciliation of the amounts and total adjustments in this section is also summarised at Attachment A.

AT₂₋₄

System	Adjustment Charge Model \$m	Adjustments \$m	Total Actual Revenues \$m
Blackwater	187.914	12.128	200.042
Goonyella	207.891	12.541	220.432
Moura	31.281	n/a	31.281
Newlands	36.469	0.874	37.343

AT₅

System	Access Revenues \$m	Adjustments \$m	Total Actual Revenues \$m
Blackwater	51.145	4.388	55.533
Goonyella	70.526	1.250	71.776

3.8 Revenue Adjustment Amounts for 2009/10

In view of the above, the Revenue Adjustment Amounts for AT₂₋₄ and AT₅ for each system, calculated in accordance with Clause 3.2.1, are summarised below.

AT₂₋₄

System	Adjusted System Allowable Revenues \$m	Total Actual Revenues \$m	Revenue Adjustment Amounts \$m
Blackwater	204.525	200.042	(4.483)*
Goonyella	216.128	220.432	4.304
Moura	29.457	31.281	1.824
Newlands	32.888	37.343	4.455

* Recovery

AT₅

System	Adjusted System Allowable Revenues \$m	Total Actual Revenues \$m	Revenue Adjustment Amounts \$m
Blackwater	63.608	55.533	(8.075)*
Goonyella	69.651	71.776	2.125

* Recovery

More information on the calculation of each Revenue Adjustment Amount is provided at Attachment A, with full details provided in QR National's financial models which are provided to the QCA concurrently with this submission.

4. Increment

4.1 Introduction

Clause 3.3 states that:

Subject to Subclause 3.2.2, where for an Individual Coal System Infrastructure:

- (a) the Total Actual Revenue for AT_{2-4} is greater than the System Allowable Revenue for AT_{2-4} for the relevant Individual Coal System Infrastructure;*
- (b) QR Network is required by Subclause 3.4.3 to submit a variation of relevant Reference Tariffs to the QCA; and*
- (c) the QCA,*

4.2 Increment for 2009/10

As indicated in Section 2.4, the Revenue Adjustment Amount for AT_{2-4} is positive for the Goonyella, Moura and Newlands coal systems and also for AT_5 for the Goonyella system.

Notwithstanding, given the relatively Revenue Adjustment Amount over-recoveries for each system (other than Blackwater), together with the late finalisation of both the Schedule F Amendments and the 2010 Undertaking on which the regulatory tonnage forecasts for 2010/11 are based, no Increment is being sought for the 2009/10 year.

