

ASX Announcement

29 April 2016

QCA Final Decision on Aurizon Network's 2014 Draft Access Undertaking

The Queensland Competition Authority (QCA) published its Final Decision yesterday evening on Aurizon Network's 2014 Draft Access Undertaking (2014DAU).

The Final Decision comprises:

- the components of the 'building blocks' that comprise Aurizon Network's Maximum Allowable Revenue (MAR) submission; and
- The way in which Aurizon Network must provide and manage access to the Central Queensland Coal Network to all relevant stakeholders.

The Final Decision has specified an overall maximum revenue of \$3.925 billion over the period of the Undertaking, which compares to the QCA's Consolidated Draft Decision of \$3.927 billion. The Final Decision also confirms the Weighted Average Cost of Capital (WACC) remains at 7.17%, in line with the Consolidated Draft Decision.

The Final Decision outlines the process for recovering the difference between past years' transitional revenues and the MAR detailed in the QCA's Final Decision. This involves the recovery of revenue over financial years 2016 and 2017. Aurizon Network is currently reviewing this process to understand the quantum of the recovery.

The QCA has continued to apply a revenue deferral for Wiggins Island Rail Project (WIRP) customers which do not rail during the 2014-2017 regulatory period. The QCA has indicated in its Final Decision that the deferral amount is Net Present Value (NPV) neutral. The QCA has recognised the ability for Aurizon Network to seek QCA approval for a recovery mechanism for the revenue deferral as WIRP volumes increase.

Aurizon Network will complete further detailed analysis and consider all parameters of the Final Decision for MAR and policy matters and respond accordingly through the regulatory process. Aurizon Network expects to be in a position to provide a further update to the market once this analysis has been undertaken.

Building Block	QCA Final Decision \$m					QCA Consolidated Decision December 2015 \$m
	FY14	FY15	FY16	FY17	Total UT4	
Return on Capital (WACC)	343	344	412	417	1,515	1,533
Return of Capital (Depreciation)	280	290	353	364	1,288	1,268
Maintenance Costs	194	208	196	207	805	800
Operating Costs	188	192	212	213	805	805
Tax	25	40	38	41	144	141
Inflation	(154)	(73)	(144)	(145)	(515)	(522)
Working Capital	3	3	3	3	12	12
Capital Carryover Adjustment	(30)	(32)	(33)	(34)	(129)	(110)
Total adjusted MAR	849	973	1,037	1,066	3,925	3,927

* There may be minor differences due to rounding

For more information

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