

## Transition of regulatory arrangements as agreed with the ACCC – 2011 part year compliance assessment

AGREED APPROACH	DETAIL
<p><b>PART YEAR 1 JULY 2011 TO 31 DECEMBER 2011 COMPLIANCE ASSESSMENT</b></p> <ol style="list-style-type: none"> <li>1. Compliance will be assessed over the 1 July 2011 to 31 December 2011 period (compliance period).</li> <li>2. The assessment will be undertaken by the ACCC and compliance will be assessed in accordance with the 2011 HVAU subject to some exceptions as described.</li> <li>3. ARTC will submit to the ACCC by 30 April 2012 (extension approved to 31 May 2012) documentation in accordance with section 4.10 and Schedule G of the 2011 HVAU.</li> <li>4. ARTC will submit documentation detailing the initial RAB in relation to other Segments (not ascribed a regulatory asset value in accordance with the NSWRAU in force as at the time immediately preceding the commencement date of the 2011 HVAU).</li> </ol>	<p style="text-align: center;"><b>CEILING LIMIT</b></p> <ol style="list-style-type: none"> <li>1. <b>Access revenue</b> included will be that arising in the compliance period and otherwise determined in accordance with the 2011 HVAU.</li> <li>2. <b>Operating expenditure</b> will be that incurred by ARTC during the compliance period, and otherwise determined in accordance with the 2011 HVAU.</li> <li>3. <b>Depreciation</b> will be determined as follows:             <ol style="list-style-type: none"> <li>a. With respect to assets included in the initial RAB (see RAB ROLL FORWARD 1 below), on the basis of:                 <ul style="list-style-type: none"> <li>• part year pro-rata (50%)</li> <li>• the approved 2011 remaining mine life estimate under the 2011 HVAU as at 1 July 2011</li> <li>• 50% of CPI as determined under the 2011 HVAU</li> </ul> </li> <li>b. With respect to assets commissioned during the compliance period, on the basis of:                 <ul style="list-style-type: none"> <li>• date of commissioning as at 1 October 2011</li> <li>• Capital Expenditure incurred in accordance with the 2011 HVAU</li> <li>• the approved remaining mine life estimate as at 1 July 2011 under the 2011 HVAU (adjusted to reflect the date of commissioning).</li> </ul> </li> </ol> </li> <li>4. <b>Return</b> will be determined as follows:             <ol style="list-style-type: none"> <li>a. With respect to assets included in the initial RAB (in accordance with the 2011 HVAU), by application of 50% of the approved Rate of Return under the 2011 HVAU to the average of the initial RAB Floor Limit and the RAB Floor Limit (with respect to those assets) as at 31 December 2011.</li> <li>b. With respect to assets commissioned during the compliance period, return will be calculated on the basis of:                 <ul style="list-style-type: none"> <li>• date of commissioning as at 1 October 2011</li> <li>• Capital Expenditure incurred in accordance with the 2011 HVAU</li> <li>• Disposals arising in accordance with the 2011 HVAU</li> <li>• Interest cost incurred during construction up until date of commissioning and otherwise in accordance with the 2011 HVAU.</li> <li>• the approved Rate of Return under the 2011 HVAU.</li> </ul> </li> </ol> </li> </ol>

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	<p style="text-align: center;"><b>RAB ROLL FORWARD</b></p> <ol style="list-style-type: none"> <li>1. <b>Initial RAB</b> <ol style="list-style-type: none"> <li>a. In relation to those segments that have been ascribed a regulatory asset value in accordance with the NSWRAU in force as at the time immediately preceding 1 July 2011 will be the closing value of the RAB approved by IPART as a result of the pre – 1 July 2011 compliance assessment above.</li> <li>b. In relation to other segments will be the value as at 1 July 2011, to be approved by the ACCC, on the basis of a roll-forward of the asset values proposed by ARTC (to apply as at 1 July 2008) in its Hunter Valley Access Undertaking application in April 2009 and accepted by the ACCC, in accordance with the roll-forward methodology prescribed in the NSWRAU (which is largely the same as the corresponding methodology prescribed under the 2011 HVAU).</li> </ol> </li> <li>2. <b>RoR</b> will be, with respect to assets included in the initial RAB, 50% of the approved Rate of Return under the 2011 HVAU.</li> <li>3. <b>Revenue</b> included will be that arising in the compliance period and otherwise determined in accordance with the 2011 HVAU.</li> <li>4. <b>Operating expenditure</b> will be that incurred by ARTC during the compliance period and otherwise determined in accordance with the 2011 HVAU.</li> <li>5. <b>Capital Expenditure</b> incurred during the compliance Period and otherwise in accordance with the 2011 HVAU.</li> <li>6. <b>Disposals</b> arising during the compliance period and otherwise in accordance with the 2011 HVAU.</li> <li>7. <b>Interest cost incurred during construction</b> up until date of commissioning of the relevant assets and otherwise in accordance with the 2011 HVAU.</li> <li>8. <b>Net Capex * (1 + 0.5 * RoR)</b> will be determined on the basis of the date of commissioning of assets as prescribed in CEILING LIMIT 4(b) above.</li> </ol> <p style="text-align: center;"><b>RAB FLOOR LIMIT ROLL FORWARD</b></p> <ol style="list-style-type: none"> <li>1. <b>RAB Floor Limit as at Commencement Date</b> will be the Initial RAB as determined at RAB ROLL FORWARD 1 above.</li> <li>2. <b>CPI</b> will be 50% of CPI as determined under the 2011 HVAU.</li> <li>3. <b>Capital Expenditure</b> incurred during the compliance period and otherwise in accordance with the 2011 HVAU.</li> <li>4. <b>Disposals</b> arising during the compliance period and otherwise in accordance with the 2011 HVAU.</li> <li>5. <b>Interest cost incurred during construction</b> up until date of commissioning of the relevant assets and otherwise in accordance with the 2011 HVAU.</li> <li>6. <b>Depreciation</b> as determined at CEILING LIMIT 3 above.</li> </ol>

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	<p style="text-align: center;"><b>UNDERS &amp; OVERS ACCOUNT</b></p> <ol style="list-style-type: none"> <li>1. ARTC will determine the <b>total unders and overs amount</b> by reconciliation of Access revenue arising in the compliance period and otherwise determined in accordance with the 2011 HVAU, against the Ceiling Limit determined as above.</li> <li>2. ARTC will determine <b>allocations</b> of the total unders and overs amount to each relevant Constrained Coal Customer for the compliance period and otherwise in accordance with the 2011 HVAU.</li> <li>3. The starting balance (as at 1 July 2011) of each <b>Constrained Coal Customer Account</b> will be zero, unless an amount accruing from the pre – 1 July 2011 compliance assessment is agreed by ARTC and the Constrained Coal Customer to act as the relevant starting balance.</li> <li>4. ARTC will <b>reconcile</b> Constrained Coal Customer Accounts for the compliance period and otherwise in accordance with the HVAU.</li> </ol>