

Catherine Barker
Director Business Performance
Queensland Competition Authority
Level 27, 145 Ann Street
BRISBANE QLD 4000

Capital Expenditure FY16 – Amendment

27 September 2017

Dear Catherine,

Aurizon Network submitted its Capital Expenditure for the financial year July 2015 to June 2016, in October 2016. The aim of the annual Capital Expenditure submission is to recognise the prudence of invested capital and therefore allow for inclusion in the Regulatory Asset Base for recovery via coal access tariffs. The QCA review the Aurizon Network's Capital Expenditure submission using the prudence investment tests as detailed at clause 3 of Schedule A of the 2010 Access Undertaking (**UT3**).

For their review, the QCA engaged both an engineering consultant, AECOM and a financial audit consultant, RSM Bird Cameron (**RSM**). As a result of RSM's review, Aurizon Network amended its Capital Expenditure submission on 5 June 2017.

AECOM's assessment recommends the QCA reject \$1.2m of the Capital Expenditure submission made by Aurizon Network. Aurizon Network does not agree with the assessment. However, in the interest of timely completion of the QCA's assessment, Aurizon Network is further amending its Capital Expenditure submission to reflect the AECOM assessment.

To support the amended claim, please find attached the amended Capex Expenditure amounts, by Project. Please note:

- IV.00028 Autotransformer Replacement Project expenditure has been reduced by \$100,000;
- A.03742 Moura East Project expenditure has been removed (\$1,084,840); and
- Corresponding adjustments have been made to Interest During Construction (IDC).

Should you have any enquiries, please contact Kathryn Hogan on 07 3019 2513 or via email
Kathryn.Hogan@aurizon.com.au.

Kind regards,



Donna Bowman
Network Regulation Manager (Access Undertaking)
Aurizon Network

Attachment 1 – Amended Capex Claim FY16 – Information by Project

Project Number	Project Name	Capital Expenditure (excluding IDC)	IDC	Total
A.01552	Wiggins Balloon Loop	4,122,555	149,315	4,271,870
A.01631	Rocklands to Stanwell Duplications	5,313,519	107,257	5,420,776
A.01731	Dingo to Bluff Duplication	207,523,308	25,999,133	233,522,441
A.02603	NI DUARINGA FEEDER STATION	- 442,176	7,732	- 434,444
A.02620	DRAGGING EQUIP DETECTORS: COAL SYSTEMS	747,490	134,627	882,117
A.02628	COAL SYSTEM: COAL LOSS MANAGEMENT	13,490	275	13,765
A.02803	NI WOTONGA FEEDER STATION	47,492,745	11,950,811	59,443,556
A.02816	NR CQ COA: LEVEL CROSSING INVESTIGATIONS	- 74,110	- 5,301	- 79,411
A.02827	NI STH GOONYELLA (LILYVALE) PASSING LOOP	308	4	312
A.02976	North Coast Line	155,796,331	17,997,395	173,793,726
A.03323	NI ROLLESTON UPGRADE SPUR LINE 9.75 MTPA	131,477	- 37	131,440
A.03353	NI DBCT TO HPSCT SECOND ROAD	- 74,926	171	- 74,755
A.03372	FIST FASTENED SLEEPER UPGR: COAL SYSTEMS	2,531	- 321	2,210
A.03465	NR CQ COAL TRANSFORMER REFURBISHMENTS	1,383,941	- 18,252	1,365,689
A.03473	GAP 50	- 39,463	1,195	- 38,268
A.03686	WIRP1: MOURA SYSTEM UPGRADE	25,360,517	2,118,576	27,479,093
A.03735	Bauhinia North Upgrade	217,245	4,123	221,368
A.03931	NR Train Control Disaster Recovery Proj	180,212	907	181,119
A.03934	CQ Coal Formation Strengthening Project	43,751	552	44,303
A.03961	NR Operational Netwk LAN WAN Architectur	620,559	- 11,300	609,259
A.03978	NR Optical Fibre Transmission Ntwk Upgrad	166,963	1,341	168,304
A.03980	Project Pluto-Network Planning System Ph	14,418,411	1,594,535	16,012,946
A.03989	Bauhinia Electrification	149,247,831	17,852,999	167,100,830

Project Number	Project Name	Capital Expenditure (excluding IDC)	IDC	Total
A.04003	NI GAPE x110	5,724,152	685,356	6,409,508
A.04043	WIRP Electrification Works	11,191,299	1,667,111	12,858,410
A.04044	NR Upgrade CQ Coal Sys Fencing 2012/13	831	14	845
A.04074	POSS Points Condition Monitors	12,921	187	13,108
A.04111	NR Dual Telemetry Upgrade	85,233	1,536	86,769
A.04145	NR Newlands Culvert Upgrade Project	15,944	463	16,407
A.04187	NR CSEE Track Circuit Upgrade Rocklands	156,452	- 4,749	151,703
A.04190	NR Digital TI21 Track Circuit Upgrade Cop	- 1,088,124	36,875	- 1,051,249
A.04221	NR Microwave Resilience System Upgrades	7,442,954	775,704	8,218,658
A.04231	NR Ethernet to Corner - SCADA Upgrade	2,826,359	311,833	3,138,192
A.04252	NI Rolleston Flood Protection Stage 2	70,446	- 1,406	69,040
A.04254	NR Section Insulator Renewal	66,312	- 345	65,967
A.04297	NR AzS600 Axle Counters Replacement	399,999	66,560	466,559
A.04307	Culvert Asset Renewal Project Blackwater	5,727	- 116	5,611
A.04308	NR Culvert Asset Renewal Project Gnyella	3,516	31	3,547
A.04313	NR Gauge Face Lubrication Asset Renewal	333,078	2,766	335,844
A.04320	NR Optical Fibre Transmission Ntwk Upgra	3,778,047	389,142	4,167,189
A.04321	NR Central Coal UPS Upgrade Project	156,197	977	157,174
A.04322	NR CQ Access Roads - Accelerated Program	- 163,736	- 6,421	- 170,157
A.04338	NR IAMPS Upgrade	864	13	877
A.04339	NR Turnout Renewal Program 2014-15	2,249,332	45,917	2,295,249
A.04358	PACE-Possession Assessment & Capacity Ev	1,828,691	160,648	1,989,339
A.04366	NR Level Crossing Upgrades 13/14 FY	100,967	- 6,165	94,802
A.04371	DC Power Supplies CERs	248,269	22,800	271,069

Project Number	Project Name	Capital Expenditure (excluding IDC)	IDC	Total
A.04404	Energy Efficiency Study	12,454	249	12,703
A.04429	NR Burnett Highway Bridge Protect System	743,032	42,695	785,727
A.04433	Network Billing System	506,973	9,224	516,197
A.04463	NR Dynamic Speed Indicator Safety	128,728	1,739	130,467
A.04511	Accelerated Culvert Asset Renewal Projec	- 380,637	- 7,766	- 388,403
A.04516	Aurizon Network Customer Portal	3,400	40	3,440
A.04547	NR Track Upgrade Program FY15	8,374,705	- 119,073	8,255,632
A.04548	NR Weighbridge Renewal	958,808	- 26,670	932,138
A.04563	NR CQCN Structures Renewal Program FY15	1,091,162	16,176	1,107,338
A.04565	Track Ascess System (TAS)	1,592,032	60,060	1,652,092
A.04591	Network SAP PS Enhancements	- 4,621	- 169	- 4,790
A.04612	NR Formation Strengthening FY15	- 28,385	- 1,442	- 29,827
A.04621	OH Equipment Renewal FY14 to FY17 - Goon	2,967,184	- 1,014	2,966,170
A.04622	OH Equipment Renewal FY14 to FY17 - Blac	4,755,344	73,868	4,829,212
IV.00001	NR Asset Protect. Systems: Braeside WILD	22,189	267	22,456
IV.00002	NR Sleeper Renewal Program FY15	- 234,797	- 9,794	- 244,591
IV.00006	NR Cooling Channel Bridge Upgd (Phase 2)	2,317,656	85,375	2,403,031
IV.00008	NR Saraji SI22 Signal Movement	76,521	4,102	80,623
IV.00009	GIS Implementation	1,592,200	75,081	1,667,281
IV.00010	NR CQCN Corridor Sec. Civil Works 14/15	1,270,281	928	1,271,209
IV.00013	NR Points Machine Improvement Project	273,603	12,127	285,730
IV.00014	NR UTC Upgrade Program	15,242	241	15,483
IV.00025	NR Track Upgrade Program FY16	25,649,120	- 188,881	25,460,239
IV.00026	Transmission Renewal Program - Tranche 1	1,389,384	- 23,774	1,365,610

Project Number	Project Name	Capital Expenditure (excluding IDC)	IDC	Total
IV.00028	NR Autotransformer Renewal Program	2,893,210	- 64,970	2,828,240
IV.00029	NR Bridge Ballast Renewals FY15	3,590,552	146,690	3,737,242
IV.00031	NR FY16 Structure Renewal Program	9,127,213	- 80,381	9,046,832
IV.00032	NR FY16 Turnout Renewal Program	9,817,490	- 96,292	9,721,198
IV.00033	NR FY16 Sleeper Renewal Program	10,350,381	- 25,496	10,324,885
IV.00034	NR Callemondah Yard Track Upgrade	5,294,254	131,607	5,425,861
IV.00036	NR Bridge Ballast Renewals FY16	5,631,746	7,737	5,639,483
IV.00040	NR Train Detection Renewal Program	6,015,709	53,861	6,069,570
IV.00041	Connors Range 3G Coverage	2,467,343	- 37,767	2,429,576
IV.00042	Open Track Project	41,100	1,081	42,181
IV.00048	NR Formation Renewal FY16	5,661,247	- 36,424	5,624,823
IV.00052	Level Crossings FY16	6,378,121	- 107,699	6,270,422
IV.00140	NO FY16 Network Maintenance Re-Rail Prog	33,313,552	- 151,105	33,162,447
IV.00176	2015 Moura Flood Works	4,367,193	- 136,429	4,230,764
	Totals	805,638,928	81,642,467	887,281,395