

File ref: 2044651

15 May 2025

Ms Pam Bains
Group Executive Network
Aurizon Network
GPO Box 456
BRISBANE QLD 4001

Dear Ms Bains

Annual review of reference tariffs, 2025-26

On 15 May 2025, the Queensland Competition Authority approved Aurizon Network's proposed 2025-26 allowable revenues and reference tariffs (as submitted in its 28 February 2025 application, which was updated on 29 April 2025).

The attached notice sets out the basis for the QCA's decision, in accordance with schedule F, clause 5.5(d)(i) of the 2017 access undertaking.

Aurizon Network's proposal, including its updates, are available on our website. We will also publish this letter and decision for stakeholders' information.

I am happy to discuss any question you may have on this or any other matters. Should your staff have any specific queries, please direct them in the first instance to Pag Arao-Arao by email pag.arao-arao@qca.org.au.

Yours sincerely



Charles Millstead
Chief Executive Officer

cc: Jon Windle, Network Regulation Manager – Aurizon Network

Annual review of reference tariffs, 2025-26

15 May 2025

The Queensland Competition Authority has approved Aurizon Network's proposed adjustments impacting its allowable revenues and reference tariffs for 2025-26.

Schedule F of Aurizon Network's 2017 access undertaking (UT5) provides for Aurizon Network to seek our approval for adjustments to key inputs in its system allowable revenues and reference tariffs to be applied in the following financial year.

On 28 February 2025, Aurizon Network submitted its proposed allowable revenues and reference tariffs for 2025-26 for approval in accordance with clauses 5.1(a)(ii)(B) and 4.1 of schedule F.^{1,2} It subsequently revised this proposal to reflect information that has become available since then, including the outcome of a recent regulatory decision.³

Aurizon Network's proposal

Aurizon Network has applied adjustments to volumes, allowable revenues and reference tariffs for each coal system. These adjustments are based on schedule F provisions that allow for:

- adjusting for any under- or over-recovery of the revenues (revenue cap), and the difference between approved capital expenditures and the capital indicator in previous years (cls 4.1(a)(i)-(ii))
- updating volume forecasts – used to determine reference tariffs (cl 4.1(b)(i))

¹ Aurizon Network, [2017 Access Undertaking Review of Reference Tariffs – FY2026](#), 28 February 2025 (Aurizon Network proposal).

² The clause references included in this decision refer to provisions in schedule F of UT5, unless otherwise noted.

³ Aurizon Network, [Aurizon Network – Update to FY2026 Annual review of Reference Tariffs](#), 29 April 2025 (Aurizon Network updated proposal).

- updating the maintenance and capital indicators for each coal system to reflect the approved maintenance and renewals strategies and budgets (cls 4.1(b)(v) and 4.1(b)(vi))
- updating the tax allowance to reflect the changes proposed to revenues (cl 4.1(b)(vii)(F))
- incorporating the forecast of the independent expert pass-through costs (cl 4.1(b)(viii)) and an estimate of the QCA levy
- updating the forecast connection and transmission charges to reflect the 2025-26 pricing⁴

Aurizon Network provided the methods, data and assumptions it used to determine the proposed variations to support its initial proposal and subsequent update.

Stakeholder comments

We published details of Aurizon Network's original proposal and invited comments from stakeholders. We did not receive any submissions.

We published Aurizon Network's proposed updates in the interests of transparency but did not invite comments, given the nature of the updates made.

2017 AU criteria and QCA assessment

We are required to assess Aurizon Network's proposal against the requirement for the annual review of reference tariffs (cl 4.1). This includes having regard to whether the revised volume forecasts are reasonable (with no errors made); the submitted maintenance and capital indicators are consistent with the approved indicators; the revised tax allowance has been calculated correctly; and no errors have been made in adjustments to allowable revenues or reference tariffs.

Volume forecasts

Aurizon Network proposed to increase Central Queensland coal network (CQCN) volume forecasts from 216.7 million net tonnes (mnt) to 221 mnt.⁵

We consider that Aurizon Network's proposed updated 2025-26 volume forecasts and associated gross tonne kilometre (GTK) forecasts are reasonable, noting the forecasts have been established with the benefit of stakeholder input on proposed railings,⁶ having regard to the relevant contract volumes and an annualised forecast based on current year-to-date railings.⁷ We consider that the proposed volume forecasts are thus likely to better reflect current conditions.

Accordingly, we approve Aurizon Network's proposed volume forecasts.

⁴ Aurizon Network said it intended to submit a separate proposal updating its 2025-26 electric energy charge, on or about 31 May, in accordance with Schedule F, cl 2.2(a).

⁵ Aurizon Network also included monthly GTK forecasts for the Blackwater system (set out in Schedule F, cl 12) that take into account expected pathing available and seasonal factors. Aurizon Network proposal, pp 3, 9.

⁶ Aurizon Network said it requested that customers review railing data and provide their own coal tonnage forecasts for 2025-26 and received responses representing around 70 % of the contracted tonnage for the CQCN. Aurizon Network proposal, p 9.

⁷ Where a customer forecast was available, Aurizon Network generally applied the customer forecast unless it exceeded both the contract volume and the alternative forecast (and in that event, Aurizon Network applied the higher of contract volume or the alternative). This year, Aurizon Network made an additional adjustment for one customer, which we consider reasonable in the circumstances. Where there was no customer forecast, Aurizon Network used the forecast based on actual railings, capped at the contract amount and adjusted for known events.

Table 1: Volume forecasts, 2025-26

	Current (mnt)	Proposed (mnt)	Variance (mnt)
Blackwater	58.6	58.8	0.2
Goonyella	107.1	109.2	2.1
Moura	14.8	14.8	0.0
Newlands	19.5	20.8	1.3
GAPE	16.7	17.4	0.7
Total	216.7	221.0	4.3

mnt: million net tonnes. Note: Numbers may not sum due to rounding.

Source: Aurizon Network proposal, pp 3, 9.

Capital expenditure

UT5 allows for an adjustment to reconcile the difference between the approved capital expenditure and the capital indicator for the year in which that relevant capital expenditure was incurred (cl 4.1(a)(ii) and calculated in accordance with sch E, cl 5(b)).

Aurizon Network has calculated the capital expenditure allowable revenue adjustment as the difference between the 2023-24 capital indicator and the Aurizon Network's 2023-24 capital expenditure claim, accrued at the discount rate. We approved Aurizon Network's 2023-24 capital expenditure claim in full.⁸

We are satisfied Aurizon Network has accurately calculated the adjustment amounts.

Capital indicator

Aurizon Network proposed capital indicator allowances that reflect its user-approved renewals strategy and budgets for all systems⁹ adjusted to take account of revised pricing arrangements for a customer utilising mine-specific infrastructure (in Blackwater) (Table 2).¹⁰

⁸ QCA, [Aurizon Network's 2023-24 capital expenditure claim](#), decision notice, December 2024.

⁹ Aurizon Network, [FY26 Final Draft Proposal Maintenance and Renewals Strategies and Budgets](#), January 2025 (Aurizon Network MRSB).

¹⁰ Aurizon Network proposal, pp 14-17, Aurizon Network updated proposal, p 4.

Table 2: Capital indicator 2025-26, by coal system (start of year)^a

	Current (\$m)	Proposed (\$m)	Variance (\$m)
Blackwater	153.4	122.4	-31.0
Goonyella	117.4	128.0	10.6
Moura	22.4	28.4	6.1
Newlands^b	36.1	24.3	-11.8
GAPE		6.3	6.3
Total	329.2	309.4	-19.8

a In its updated proposal, Aurizon Network amended the proposed capital indicator for Blackwater to remove forecast expenditure associated with the mine-specific infrastructure (\$0.1 million). This change was also included in Aurizon Network's (revised) submitted models. Note: Numbers may not sum due to rounding
Source: Aurizon Network updated proposal, pp 1, 3-4.

We are required to approve a capital indicator allowance where it is consistent with an approved renewals strategy and budget as described in clause 7A.11.4(c)(ii) of UT5 (cl. 4.1(e)(iii)).

We therefore approve the revised capital indicator for 2025-26. We accept the revised capital indicator (in Blackwater) reflects up-to-date information, and is not materially different to the previously approved strategy and budget in any event.

Maintenance indicator allowance

UT5 provides for adjustments to the maintenance indicators to reflect approved maintenance strategies and budgets (cl 4.1(b)(v)), and in accordance with cls 7A.11.3 and 7A.11.4 of UT5).

Aurizon Network proposed maintenance indicator allowances that are consistent with maintenance strategies and budgets users proposed (and Aurizon Network accepted) (Table 3) adjusted to take account of revised pricing arrangements for a customer utilising mine-specific infrastructure.^{11,12}

Table 3: Maintenance indicator direct 2025-26, by coal system^a

	Current (\$m)	Proposed (\$m)	Variance (\$m)
Blackwater	89.6	92.8	3.2
Goonyella	84.9	88.5	3.5
Moura	18.6	19.2	0.5
Newlands	7.7	7.6	-0.1
GAPE	10.8	10.0	-0.8
Total	211.6	218.0	6.4

a In its updated proposal, Aurizon Network amended the proposed capital indicator for Blackwater to remove forecast expenditure associated with the mine-specific infrastructure (\$1 million). This change was also included in Aurizon Network's (revised) submitted models. Note: Numbers may not sum due to rounding
Source: Aurizon Network updated proposal, p 3.

¹¹ Aurizon Network MRSB.

¹² Aurizon Network proposal, pp 13-15, Aurizon Network updated proposal, pp 1, 3.

We are required to approve a proposed maintenance indicator allowance where it is consistent with an approved maintenance strategy and budget as described in clause 7A.11.4(a)(ii) of UT5 (cl 4.1(e)(ii)).

We therefore approve the revised maintenance indicator for 2025–26. We accept the revised maintenance indicator (in Blackwater) reflects up-to-date information and is not materially different to the previously approved strategy and budget in any event.

Other proposed adjustments

Revenue cap

Aurizon Network has proposed adjustments relating to our approval of its 2023–24 revenue adjustment proposal¹³ adjusted for outcome of our decision on the Bauhinia infrastructure rebates DAAU that in effect ‘reverses’ one component of the approved adjustment amount.¹⁴

We note the second year revenue adjustment is provided for under clause 4.1(a)(i) and consider that Aurizon Network has accurately calculated the adjustment amounts, given subsequent regulatory processes.

Electric connection and transmission costs

The proposed electric transmission and connection costs reflect notification Aurizon Network received in March 2025, confirming transmission prices for 2025–26.

We note the adjustment is provided for under clause 4.1(c)(ii) and consider that Aurizon Network has accurately calculated the adjustment amounts.

Independent expert pass-through costs and QCA levy

Aurizon Network has proposed to pass through the forecast cost to operate CNCCo (the independent expert) which includes an adjustment to account for an over-recovery in prior periods. This pass-through is permitted under cl 4.1(b)(viii), and in accordance with cl 7A.3.4 of UT5. We note Aurizon Network has accurately calculated the pass-through amount (having regard to forecast volumes).

Aurizon Network has proposed to estimate the forecast QCA levy for 2025–26 using the QCA’s forecast regulatory fees for 2024–25 (having regard to forecast volumes).

We consider both proposals reasonable, given the information available at the time.

Bauhinia infrastructure rebates DAAU

Aurizon Network updated its proposal to reflect our decision on the Bauhinia infrastructure rebates DAAU. The DAAU provided for new arrangements for mine-specific infrastructure on the Bauhinia

¹³ QCA, [Aurizon Network's 2023–24 revenue adjustment amounts](#), decision notice, December 2024.

¹⁴ QCA, [Bauhinia infrastructure rebates DAAU](#), decision notice, April 2025.

branchline that had been funded under an access facilitation deed – and amended Blackwater system allowable revenue and reference tariff inputs to operationalise the proposal.

We consider it reasonable to update the Blackwater allowable revenues and reference tariffs for 2025-26 to reflect the outcomes of a separate regulatory process, noting these had been assessed in accordance with the requirements of the QCA Act, including that the proposal is published and submissions have been sought and considered.¹⁵

System allowable revenues

We consider that Aurizon Network's updates to key variables are reflected in its financial models, its supporting materials and the corresponding changes to the system allowable revenues for 2025-26 (Table 4).

Table 4: System allowable revenues, 2025-26

	AT1 (\$m)	AT2-4 (\$m)	AT5 (\$m)	Total (\$m)
Blackwater	36.7	453.5	98.2	588.5
Goonyella	26.5	402.6	93.9	523.0
Moura	7.8	60.3	0.0	68.1
Newlands	9.8	43.8	0.0	53.6
GAPE	15.3	144.7	0.0	160.0
Total	96.1	1,105.0	192.2	1,393.2

Reference tariffs

We consider that Aurizon Network's updates to key variables are reflected in its financial models, its supporting materials and the corresponding changes to the reference tariffs for 2025-26 (Table 5).

Table 5: System reference tariffs, 2025-26

	AT1 (\$)	AT2 (\$)	AT3 (\$)	AT4 (\$)	AT5 (\$)	EC (\$)	QCA levy (\$)	IE passthrough costs (\$)
Blackwater	1.10	2,710.08	10.63	3.46	4.04	1.24	0.0045	0.02
Goonyella	0.76	1,716.99	8.69	1.79	2.85	1.24	0.0045	0.02
Moura	2.04	802.65	11.98	1.92	–	–	0.0045	0.02
Newlands	2.12	362.95	8.04	1.12	–	–	0.0045	0.02
GAPE	1.71	15,464.32	1.39	3.41	–	–	0.0045	0.02

¹⁵ We note that Aurizon Network outlined the expected impact of impact of the DAAU on the annual review of reference tariffs in its initial submission (Aurizon Network proposal, pp 19-20, 31).