

Aurizon Network 2025 UT5 DAAU

Draft decision

June 2026

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Contents

OVERVIEW	2
Aurizon Network's 2025 UT5 DAAU	2
Draft decision	2
Next steps	2
1 OUR INVESTIGATION	3
1.1 Background	3
1.2 Aurizon Network's 2025 UT5 DAAU	3
1.3 Regulatory task	4
2 DRAFT DECISION	7
2.1 The proposed package of arrangements	7
2.2 Structure of the report	10
3 ALLOWABLE REVENUES	12
3.1 Assessing Aurizon Network's allowable revenues	12
3.2 Summary of appropriate allowable revenues	20
4 OPERATING COST ALLOWANCE	21
4.1 Overview of our assessment	21
4.2 Non-electric CQCN opex	24
4.3 Insurance costs	40
4.4 Allocation to non-coal services	49
4.5 Electric opex allowance	50
4.6 Contingent projects	52
5 MAINTENANCE COST ALLOWANCE	53
5.1 Direct maintenance costs	53
5.2 Indirect maintenance	55
6 REGULATORY ASSET BASE AND ASSOCIATED RETURNS	59
6.1 Approach to rolling forward the RAB	59
6.2 Capital indicator values	61
6.3 Indexation of the RAB	62
6.4 Depreciation amounts	64
6.5 Rate of return	73
7 REFERENCE TARIFF INPUTS	78
7.1 Approach to establish reference tariffs	78
7.2 Volume forecasts	81
7.3 Processes to review and vary reference tariffs	84
7.4 Reset updates to the reference tariffs	87
8 CONTRACT VOLUME-BASED PRICING AND TAKE OR PAY	92

8.1	Contract volume-based pricing	93
8.2	Calculating an access holder's take or pay liability	101
8.3	End-of-year adjustment process	103
8.4	Interaction with access agreements	105
9	MANAGING ALLOCATED CAPACITY	108
9.1	Rolling renewals of access agreements	108
9.2	Transfer process	110
9.3	Considering allocated capacity before an expansion	114
10	CAPACITY OF THE CQCN	117
10.1	The annual capacity assessment process	117
10.2	The network development plan	122
10.3	The maintenance and renewals approval process	123
11	CONTINUOUS IMPROVEMENT GROUP	126
11.1	Establishing the CIG and the steering committee	126
11.2	Framework for developing CI projects	127
11.3	Review of the CIG framework and application of the innovation mechanism	131
11.4	Commitments to limit empty wagons	133
12	REPORTING	135
12.1	Annual compliance reporting	135
12.2	Independent expert's performance reporting	136
12.3	Collection, quality and reporting of data	138
13	OTHER AMENDMENTS TO THE 2017 AU	140
	GLOSSARY	143
	REFERENCES	145
	APPENDIX A: STAKEHOLDER SUBMISSIONS	146
	APPENDIX B: AMENDMENTS TO THE DAAU	147
	APPENDIX C: SYSTEM MAR AND REFERENCE TARIFFS	169
	APPENDIX D: SYSTEM INDICATIVE RAB AMOUNTS	177
	APPENDIX E: APPROVED ASSET LIVES	180

Submissions

Closing date for submissions: 20 August 2026

Public involvement is an important element of our decision-making processes. Therefore, we invite submissions from interested parties. We will take account of all submissions received within the stated timeframes. Submissions, comments or inquiries regarding this paper should be directed to:

Queensland Competition Authority

GPO Box 2257, Brisbane Qld 4001

Tel (07) 3222 0555

www.qca.org.au/submissions

Confidentiality

In the interests of transparency, and to promote informed consultation, we intend to make all submissions publicly available. However, if a person making a submission believes that information in it is confidential, they should claim confidentiality over the relevant information (and state the basis for that claim). We will assess confidentiality claims in accordance with the Queensland Competition Authority Act 1997. Among other things, we will assess if disclosure of the relevant information is likely to damage a person's commercial activities, and we will consider the public interest.

Claims for confidentiality should be clearly noted on the front page of a submission, and relevant sections of the submission marked as confidential. The submission should also be provided in both redacted and unredacted versions. In the redacted version, all information claimed as confidential should be removed or hidden. In the unredacted version, all information should be exposed and visible. These measures will make it easier for us to make the remainder of the document publicly available. A confidentiality claim template is available at www.qca.org.au/submission-policy.

The template gives guidance on the type of information that may help us to assess a confidentiality claim. We encourage stakeholders to use this template when making confidentiality claims.

Public access to submissions

Subject to any confidentiality constraints, submissions will be available for public inspection at our Brisbane office or on our website at www.qca.org.au. If you experience any difficulty gaining access to documents, please contact us on **07 3222 0555**.

Overview

Aurizon Network's 2025 UT5 DAAU

On 22 December 2025, Aurizon Network submitted its 2025 UT5 draft amending access undertaking (2025 UT5 DAAU) for our assessment. Aurizon Network's 2025 UT5 DAAU represents a package of arrangements that has been developed in consultation with its customers.

As required under s 143 of the *Queensland Competition Authority Act 1997* (QCA Act), we have published Aurizon Network's 2025 UT5 DAAU, sought submissions, and considered the DAAU having regard to the matters mentioned in s 138(2) of the QCA Act.

Draft decision

Our draft decision is to refuse to approve Aurizon Network's 2025 UT5 DAAU, for the reasons detailed in this document. We have outlined how we consider the 2025 UT5 DAAU should be amended in order for it to be approved.

We have assessed the appropriateness of all aspects of Aurizon Network's 2025 UT5 DAAU in accordance with our statutory requirements. In making this draft decision, we have had regard to the matters mentioned in s 138(2) of the QCA Act and have considered all views presented in stakeholder submissions received.

This draft decision is intended to provide interested parties with insight into our preliminary views and encourage further contributions by way of submissions, including further justification from Aurizon Network to support its proposal. Our assessment may change when we make our final decision, which will be informed by submissions made in response to this draft decision.

Next steps

We invite submissions from interested parties by 20 August 2026. All submissions we receive by this date will be taken into consideration before we make our final decision. Stakeholders are encouraged to provide focused, detailed responses to our preliminary views. Where possible, information and evidence should be provided in support of arguments advanced in submissions.

1 Our investigation

1.1 Background

Aurizon Network operates and manages the Central Queensland Coal Network (CQCN), a 2,670-kilometre rail network serving the Bowen Basin coal region. It comprises four major coal systems – Newlands, Goonyella, Blackwater and Moura – and one connecting system – Goonyella to Abbott Point.

The CQCN is a declared service for the purposes of Queensland's third-party access regime established under Part 5 of the *Queensland Competition Authority Act 1997* (QCA Act).¹ Because of this declaration, Aurizon Network (as the access provider for the declared service) and access seekers are subject to various rights and obligations under the QCA Act. The access regime also provides for the development of an access undertaking,² which is intended to establish binding provisions to guide negotiation for access.

The terms and conditions under which Aurizon Network provides access to the CQCN are currently governed by the 2017 access undertaking (2017 AU), which is due to expire on 30 June 2027.³

Under the QCA Act, Aurizon Network can submit a draft amending access undertaking (DAAU) to amend the approved access undertaking.⁴

1.2 Aurizon Network's 2025 UT5 DAAU

On 22 December 2025, Aurizon Network submitted its 2025 UT5 DAAU for our assessment.

Through the 2025 UT5 DAAU, Aurizon Network seeks to amend the existing regulatory arrangements that set out the terms and conditions under which it will provide access to the CQCN.

The 2025 UT5 DAAU is the outcome of detailed consultation and negotiation between Aurizon Network and the Rail Working Group of the Queensland Resources Council (QRC), which represents a cross-section of customers. Aurizon Network also engaged more broadly with customers (including non-coal customers) and other supply chain participants such as railway operators⁵ and the independent expert in developing its 2025 UT5 DAAU.⁶

As a result, Aurizon Network stated that the 2025 UT5 DAAU comprises many elements that were the subject of negotiation and form part of a 'package deal'.⁷ Aurizon Network considered that the proposed package of arrangements provides additional benefits to customers beyond existing arrangements.⁸ Amongst other things, it considered that additional benefits were provided through amendments related to:

- the management of allocated capacity throughout the CQCN

¹ Section 250 of the QCA Act defines the declared service as the use of a coal system for providing transportation by rail.

² The QCA Act defines an access undertaking as a written undertaking that sets out details of the terms on which an owner or operator of the service undertakes to provide access to the service, whether or not it sets out other information about the provision of access to the service.

³ Unless an earlier terminating date is triggered in accordance with the 2017 AU.

⁴ QCA Act, s 142(1).

⁵ An operator of rolling stock on a railway, including an access holder's nominated train operator.

⁶ Aurizon Network, sub 1, pp 10-16.

⁷ Aurizon Network, sub 1, p 15-16.

⁸ Aurizon Network, sub 1, p 4.

- capacity assessment processes
- continuous improvement initiatives
- information provision and reporting obligations
- take or pay arrangements.

Aurizon Network considered that the benefits provided to customers justified its proposed allowable revenues and reference tariffs.⁹

It also proposed an extension to the access undertaking for 10 years, so that the proposed package of arrangements would apply until 30 June 2037.

1.3 Regulatory task

In assessing Aurizon Network's 2025 UT5 DAAU under s 142 of the QCA Act, we may approve the DAAU only if we consider it appropriate to do so having regard to the matters mentioned in s 138(2) of the QCA Act, and if the conditions mentioned in s 138(3) have been met.

If we refuse to approve Aurizon Network's 2025 UT5 DAAU, we must provide a written notice stating the reasons for the refusal and the way in which we consider it is appropriate for Aurizon Network to amend the DAAU.¹⁰

1.3.1 Process matters

In accordance with s 138(3) of the QCA Act, we may only approve Aurizon Network's 2025 UT5 DAAU where it has been published and submissions have been sought and considered.

On 23 December 2025 we published Aurizon Network's 2025 UT5 DAAU, along with a notice of investigation and statement of regulatory intent. After we invited submissions on the 2025 UT5 DAAU, we received 17 submissions by the due date of 17 March 2026. They are listed at Appendix A.

Of those submissions, 15 were letters of support for the package of arrangements provided by the 2025 UT5 DAAU.¹¹ This support was generally subject to our review of allowable revenues and reference tariffs.¹² Some stakeholders also reserved their right to make further submissions in relation to:

- the proposed take or pay arrangements
- interactions between the 2025 UT5 DAAU and any future amendments proposed to resolve matters relating to GAPE and Newlands capacity.¹³

We also received submissions from:

- the QRC, outlining its concerns that Aurizon Network's proposal inflated non-electric operating expenditure and seeking assurances with regards to assets Aurizon Network proposed to remove from the regulatory asset base (RAB)¹⁴

⁹ Aurizon Network, sub 1, p 5.

¹⁰ QCA Act, s 142(3).

¹¹ Anglo American, sub 2; Aurizon Holdings, sub 3; Aurizon Operations, sub 4; BMA, sub 5; Ensham Resources, sub 6; Glencore, sub 7; Jellinbah Mining, sub 8; Lake Vermont Resources, sub 9; Middlemount Coal, sub 10; Peabody Energy Australia, sub 11; Peabody Energy Australia PCI (C&M Management), sub 12; Pembroke Olive Downs, sub 13; Stanmore Entities, sub 14; Whitehaven Project, sub 15; Yarrabee Coal Company, sub 16.

¹² This included any amendments to nominal payloads, loading times and forecast gross tonne kilometres (gtk).

¹³ Some stakeholders supported the 2025 UT5 DAAU but reserved their right to make submissions on any future DAAU to the extent that it affects GAPE and Newlands pricing or alters the positions established under the 2025 UT5 DAAU.

¹⁴ QRC, sub 18.

- Anglo American, outlining its concerns with proposed changes to take or pay arrangements and the introduction of an economic life constraint for the Moura system earlier than 2055.¹⁵

1.3.2 Assessment approach

We may only approve the 2025 UT5 DAAU if we consider it appropriate to do so having regard to the factors set out in s 138(2) of the QCA Act (see Box 1).¹⁶

In assessing Aurizon Network's 2025 UT5 DAAU, we have considered Aurizon Network's proposed regulatory arrangements afresh, having regard to s 138(2) of the QCA Act in every aspect of this draft decision and considering all stakeholder submissions received.

Application of the s 138(2) criteria can give rise to competing considerations. Where this occurs, we have weighed up the competing considerations as appropriate.

Treatment of consensus positions

Consensus amongst stakeholders is a relevant consideration in our assessment of Aurizon Network's 2025 UT5 DAAU. The significance of this factor will depend (amongst other things) on the stakeholders involved in developing consensus positions, the level of support expressed by stakeholders, and the matters involved. Consequently, the greater and more widespread the support from stakeholders, the more weight we give to consensus positions.

However, we would not be performing our statutory role if we accepted the 2025 UT5 DAAU merely because it reflects an agreed position between Aurizon Network and the QRC's Rail Working Group, nor can we focus our assessment only on those parts that are in dispute. In deciding whether it is appropriate to approve the DAAU, we must have regard to a range of matters,¹⁷ including the interests of parties who are not necessarily represented by those reaching agreement, such as railway operators, future access seekers and non-coal customers. Our broader considerations also include the public interest. Accordingly, while stakeholder consensus is persuasive, it is not decisive.

We have received submissions in support of the 2025 UT5 DAAU from a majority of coal producers.¹⁸ Submissions in support of the 2025 UT5 DAAU emphasised that support is based on the specific package of arrangements submitted, stating that the DAAU contains an acceptable outcome for access seekers, access holders and their customers, which justifies the financial outcomes it secures for Aurizon Network.¹⁹ Related parties of Aurizon Network – Aurizon Holdings and Aurizon Operations – also made submissions in support of the 2025 UT5 DAAU.²⁰

We recognise that Aurizon Network's proposal represents a package of arrangements and our views on aspects of the proposed package may have implications for overall support.

¹⁵ Anglo American, sub 17. These views were also expressed in the letter of support received from Anglo American.

¹⁶ In addition, we may approve the draft access undertaking only if we are satisfied the proposed undertaking is consistent with any access code for the service and not inconsistent with a ruling relating to the service that is in effect under Part 5, Division 7A of the QCA Act (s. 139(3) (a), (b) of the QCA Act). There are no applicable access codes or rulings in effect under Division 7A.

¹⁷ Section 138(2) of the QCA Act.

¹⁸ As discussed in section 1.3.1, 15 letters of support were submitted for the package of arrangements provided by the 2025 UT5 DAAU, subject to our review of allowable revenues and reference tariffs.

¹⁹ BMA, sub 5; Ensham Resources, sub 6; Glencore, sub 7; Jellinbah Mining, sub 8; Lake Vermont Resources, sub 9; Middlemount Coal, sub 10; Peabody Energy Australia, sub 11; Peabody Energy Australia PCI (C&M Management), sub 12; Pembroke Olive Downs, sub 13; Stanmore Entities, sub 14; Whitehaven Project, sub 15; Yarrabee Coal Company, sub 16.

²⁰ Aurizon Holdings Limited, sub 3; Aurizon Operations Limited, sub 4.

Box 1: Section 138(2) of the QCA Act

We may approve a DAU only if we consider it appropriate to do so having regard to each of the following:

- the object of Part 5 of the QCA Act, which is to promote the economically efficient operation of, use of and investment in, significant infrastructure by which services are provided, with the effect of promoting effective competition in upstream and downstream markets²¹
- the legitimate business interests of the owner or operator of the service
- if the owner and operator of the service are different entities – the legitimate business interests of the operator of the service are protected
- the public interest, including the public interest in having competition in markets (whether or not in Australia)
- the interests of persons who may seek access to the service, including whether adequate provision has been made for compensation if the rights of users of the service are adversely affected
- the effect of excluding existing assets for pricing purposes
- the pricing principles mentioned in section 168A, which in relation to the price of access to a service are that the price should:
 - generate expected revenue for the service that is at least enough to meet the efficient costs of providing access to the service and include a return on investment commensurate with the regulatory and commercial risks involved
 - allow for multi-part pricing and price discrimination when it aids efficiency
 - not allow a related access provider to set terms and conditions that discriminate in favour of the downstream operations of the access provider or a related body corporate of the access provider, except to the extent the cost of providing access to other operators is higher
 - provide incentives to reduce costs or otherwise improve productivity.
- any other issues we consider relevant.

²¹ QCA Act, s 69E.

2 Draft decision

This draft decision sets out our preliminary assessment of Aurizon Network's 2025 UT5 DAAU.

Aurizon Network's 2025 UT5 DAAU represents a package of arrangements that has been developed with its customers. While customers generally supported much of Aurizon Network's proposed package of arrangements, this support is contingent on our:

- assessment of the computational accuracy of Aurizon Network's allowable revenue proposal and calculation of individual components²² using the agreed methodologies
- determination of an efficient cost base for non-electric operating costs (opex)
- determination of an appropriate forecast cost base for relevant plant and inventory, which is used to determine the indirect maintenance cost allowance.²³

We have assessed the appropriateness of all aspects of Aurizon Network's 2025 UT5 DAAU, in accordance with our requirements under the QCA Act.

We consider that Aurizon Network should amend its indicative allowable revenues and reference tariffs, as outlined in Appendix C.²⁴ This reflects our preliminary view that Aurizon Network's proposed non-electric opex allowance does not reflect the efficient costs incurred in providing below-rail services to coal-carrying trains.

In addition, we consider that the 2025 UT5 DAAU should reflect corrections to the provisions that enable the proposed arrangements to operate as intended, as captured in Appendix B. These corrections have been identified, or accepted, by Aurizon Network.

2.1 The proposed package of arrangements

The 2025 UT5 DAAU largely retains the arrangements set out in the existing 2017 AU, providing:

- objectives for the undertaking and behavioural obligations on Aurizon Network, which provide parties with clear expectations around how the undertaking will operate and how Aurizon Network will conduct itself under the undertaking
- ringfencing arrangements that reduce the scope for Aurizon Network to use its position or confidential information to favour its related parties to the detriment of competition in upstream or downstream markets
- a negotiation framework that sets out the process for negotiating access to the CQCN and developing an access agreement, which supports the timely negotiation of access to the CQCN on reasonable terms and conditions
- a standard access agreement, standard train operators deed and reference tariffs to assist in facilitating the timely negotiation of access on reasonable terms and conditions
- a framework for raising and resolving disputes that facilitates a robust and timely resolution of disputes related to the negotiation or granting of access rights, and the operation of the access undertaking

²² Including the regulatory asset base, WACC and forecast inflation.

²³ Aurizon Network, sub 1, pp 29-32; QRC, sub 18, pp 1-2.

²⁴ Accordingly, our draft decision is to refuse to approve the 2025 UT5 DAAU.

- pricing principles to apply when setting access charges for train services operating on the CQCN, establishing pricing limits for access charges that reflect Aurizon Network's efficient costs and protect access seekers and access holders from unfair price discrimination
- transparent processes to allocate available capacity to access seekers that prevent unfair differentiation between access seekers
- processes to manage capacity once allocated (including opportunities to transfer, relinquish or resume access rights) that provide access holders with sufficient security of access rights while establishing opportunities to make underutilised access rights available to access seekers
- a transparent and robust framework to independently assess capacity across the CQCN and consider initiatives to resolve any identified capacity deficits
- a transparent and predictable process for planning and scheduling train services, which facilitates the safe running of train services and limits Aurizon Network's ability to discriminate in favour of related parties
- principles and processes to apply when undertaking an expansion to determine the best option for providing additional capacity and to deliver the additional capacity required at an efficient cost
- procedures that support timely and efficient connection of private infrastructure owned and operated by a third party to be connected to the CQCN, which ensures infrastructure does not adversely affect the safety and operation of the CQCN
- a reporting, audit and compliance regime that provides information on Aurizon Network's performance and provides transparency and accountability around Aurizon Network's below-rail operations – underpinning the integrity of the access undertaking.

In doing so, we consider that Aurizon Network's proposed package of arrangements provides a basis for access holders and access seekers to negotiate access to the CQCN on reasonable terms and conditions.

Amendments to the 2017 AU provisions

As part of the 2025 UT5 DAAU, Aurizon Network has proposed amendments to the existing arrangements that we consider will support the efficient provision of access to, and utilisation of, the CQCN. These amendments include:

- strengthening financial accountability of contractual entitlements through amendments to the take or pay arrangements
- implementing 5-year rolling access agreements, providing greater certainty in relation to the tenure and the renewal of access rights
- improving the efficiency of, and transparency around, the process for transferring access rights between access holders and access seekers
- providing a transparent process for considering the utilisation of allocated capacity when assessing the need for an expansion
- improving the annual capacity assessment process to support a robust, timely, transparent and inclusive process for annually assessing the capacity of the CQCN
- enhancing the network development plan, as a transparent and consistent mechanism for reporting initiatives that could improve system capacity
- supporting customer involvement in, and oversight of, the process for approving maintenance, renewals and asset replacement strategy and budgets

- introducing a framework for Aurizon Network, end users and other supply chain participants to identify, develop and implement productivity and operational improvements across the CQCN
- enhancing reporting requirements to improve transparency in relation to both the utilisation of the CQCN and the processes for managing allocated capacity.

Aurizon Network has also proposed various amendments to enhance the clarity, transparency and workability of existing arrangements through, among other things, enhanced information provision and additional reporting requirements.

Separately, Aurizon Network's 2025 UT5 DAAU:

- removes certain provisions that its customers agreed were no longer required, relevant or appropriate
- includes editorial amendments to the 2017 AU that do not affect its operation, including the removal of redundant drafting linked to events that have already occurred and corrections for identified drafting errors.

Overall, we consider that these amendments support efficient investment in, and the operation and use of, the CQCN and are in the legitimate business interests of Aurizon Network, access holders and access seekers.

That said, corrections to the provisions contained within the 2025 UT5 DAAU have been identified to enable the package of arrangements to operate as intended. These corrections were identified, or accepted, by Aurizon Network.²⁵ We consider that corrections enabling the package of arrangements to operate as intended should be reflected in the 2025 UT5 DAAU, as outlined in Appendix B. These corrections have been discussed throughout our report, where relevant.²⁶

Proposed allowable revenues and reference tariffs

Aurizon Network's 2025 UT5 DAAU sets out indicative allowable revenues and reference tariffs for the regulatory period and includes mechanisms that allow Aurizon Network to update and review allowable revenues and reference tariffs.

For the most part, we consider the approaches used to establish Aurizon Network's allowable revenues throughout the regulatory period are appropriate to approve. The proposed methodologies for determining and updating many of the components underpinning Aurizon Network's allowable revenues were agreed with a majority of its customers, reflecting an alignment of interests between the parties. We have confirmed that Aurizon Network's allowable revenues have been calculated using the agreed methodologies.

However, our preliminary view is that Aurizon Network's proposed opex allowance is higher than reasonably required to reflect the efficient costs incurred in providing below-rail services to coal-carrying trains over the regulatory period.

As a result, we consider it is appropriate to amend the allowable revenues in the 2025 UT5 DAAU as outlined in Appendix C. We consider that the resulting allowable revenues provides for Aurizon Network to generate revenue that:

²⁵ Corrections were identified both through our request for information process and correspondence from Aurizon Network. Aurizon Network stated that the corrections identified in its correspondence were also provided to the Rail Working Group's legal advisors (Aurizon Network, correspondence dated 19 March 2026; response to request for information, 2 February 2026).

²⁶ Aurizon Network also identified editorial changes, which are outlined in Appendix B.

- recovers the efficient costs of providing access to the service, including a return on investment commensurate with the regulatory and commercial risks involved
- promotes the economically efficient use and operation of, and efficient investment in, the CQCN
- appropriately balances the legitimate business interests of Aurizon Network with the interests of access seekers and access holders.

Extending the term of the 2017 AU

Subject to the amendments to the 2025 UT5 DAAU outlined in Appendix B and Appendix C, we consider it appropriate to extend the term of the 2017 AU until 30 June 2037.²⁷

We consider that the proposed 10-year period provides regulatory certainty for all parties. For the reasons outlined in this draft decision, we consider that these regulatory arrangements are appropriate to govern the terms and conditions under which Aurizon Network provides access to the CQCN for the extended term of the 2017 AU.

Moreover, the QCA Act provides processes that enable amendments to the access undertaking over the course of the proposed 10-year period; that is, Aurizon Network can submit a DAAU to amend the approved access undertaking.

We note that potential future amendments to the regulatory arrangements have already been identified by Aurizon Network. For instance, Aurizon Network stated that the cost allocations and pricing for the GAPE and Newlands systems will require adjustment to reflect expected changes to the contract demand profile over the regulatory period.²⁸ Stakeholders raised concerns in relation to this matter – they considered that this issue should be addressed as part of the 2025 UT5 DAAU²⁹ and questioned how the proposed 2025 UT5 DAAU would interact with any future proposals relating to pricing and revenue recovery across the Newlands and GAPE systems.³⁰

We consider it reasonable for these matters to be considered as part of a separate process. Aurizon Network stated that it will engage on GAPE and Newlands pricing with affected customers and determine any necessary changes through a separate DAAU process.³¹ Importantly, any future DAAU will be assessed and considered in the context of the regulatory arrangements in place at the time.

2.2 Structure of the report

The remainder of this report provides our analysis on key matters raised as part of our assessment of the 2025 UT5 DAAU, including the amendments proposed by Aurizon Network, matters that attracted comment from stakeholders and any other issues identified for further consideration.

The structure of the analysis is set out in Table 1.

²⁷ 2025 UT5 DAAU, cl 2.1 and Part 12.

²⁸ Aurizon Network, *Our approach to customer engagement: Access undertaking from FY28*, 15 August 2024.

²⁹ Bravus did not endorse the 2025 UT5 DAAU due to the absence of a clear position on the interaction between the 2025 UT5 DAAU and resolution of the issue of the appropriate and equitable allocation of unrecovered GAPE and Newlands infrastructure costs (Bravus correspondence, 16 December 2025).

³⁰ For example, a number of stakeholders reserved their right to comment on such matters in the future (Glencore, sub 7, p 2; Stanmore, sub 14, p 3; Anglo American, sub 17, p 11).

³¹ Aurizon Network, *Our approach to customer engagement: Access undertaking from FY28*, 15 August 2024.

Table 1: Structure of the analysis

Assessment of Aurizon Network's proposed allowable revenues and reference tariffs	
Chapter 3	Allowable revenues
Chapter 4	Operating cost allowance
Chapter 5	Maintenance cost allowance
Chapter 6	Regulatory asset base and associated returns
Chapter 7	Reference tariff inputs
Chapter 8	Contract volume-based pricing and take or pay
Assessment of Aurizon Network's proposed amendments to 2017 AU provisions	
Chapter 9	Managing allocated capacity
Chapter 10	Capacity of the CQCN
Chapter 11	Continuous improvement group
Chapter 12	Reporting
Chapter 13	Other amendments to the 2017 AU

3 Allowable revenues

Schedule F of the 2025 UT5 DAAU outlines the allowable revenues applicable to each coal system for each year of the regulatory period. These allowable revenues underpin the reference tariffs for coal-carrying train services in those systems. In addition to this, Aurizon Network has proposed to generate revenue by charging access holders throughput payments.

Draft decision – proposed allowable revenues

Our draft decision is that it is not appropriate to approve Aurizon Network’s proposed allowable revenues.

This reflects our preliminary view that Aurizon Network’s proposed non-electric opex allowance does not reflect the efficient costs incurred in providing below-rail services to coal-carrying trains (see Chapter 4). The way we consider it is appropriate to amend the allowable revenues in the 2025 UT5 DAAU is outlined in Appendix C.

3.1 Assessing Aurizon Network’s allowable revenues

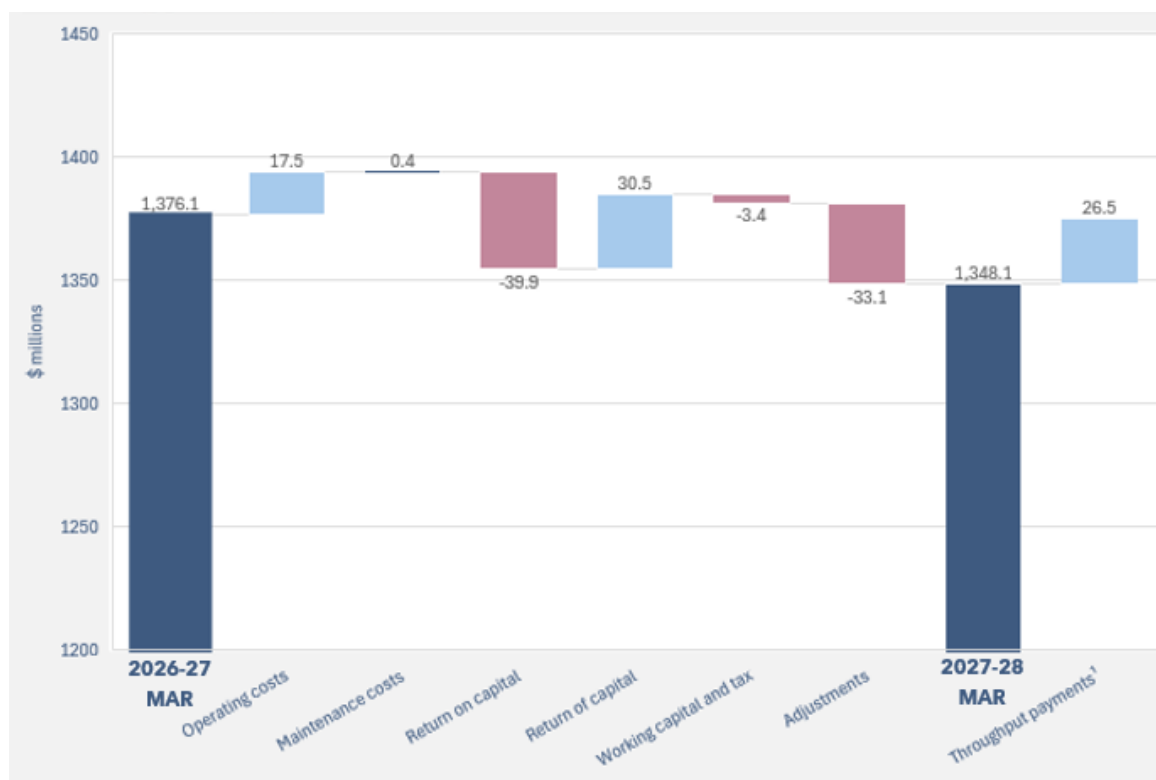
We do not consider it is appropriate to approve Aurizon Network’s proposed allowable revenues for the regulatory period.

As part of the 2025 UT5 DAAU, Aurizon Network has proposed changes to the way in which its allowable revenues are calculated, as well as changes in how it recovers revenue from access holders (see Figure 1). Aurizon Network proposed to recover revenues for the regulatory period that are:

- established using the building blocks methodology – identifying and then aggregating various cost components related to the provision of access to the CQC³²
- generated from throughput payments that are charged to access holders.

³² Aurizon Network, sub 1, p 26.

Figure 1: Change in Aurizon Network’s proposed revenue from 2026–27 to 2027–28



¹ Revenue from throughput payments is a forecast based on forecast volumes.

Many of these changes are supported by the vast majority of Aurizon Network’s customers, as part of the overall package of arrangements. However, this support is contingent on our:

- assessment of the computational accuracy of Aurizon Network’s allowable revenue proposal and calculation of individual components,³³ using the agreed methodologies
- determination of an efficient cost base for non-electric operating costs (opex)
- determination of an appropriate forecast cost base of relevant plant and inventory, which is used to determine the indirect maintenance cost allowance.³⁴

Aurizon Network's proposed indicative allowable revenues for each coal system, as well as forecast revenue from throughput payments, for the first reset period are outlined in Table 2.

Table 2: Aurizon Network’s proposed indicative allowable revenues – by system (\$ million)

	2027-28	2028-29	2029-30	2030-31	2031-32
Blackwater system	601.1	629.7	649.6	655.9	660.6
Goonyella system	489.0	509.7	522.8	535.2	549.8
Moura system	81.3	85.4	89.3	93.1	96.3
Newlands system	63.8	68.4	71.0	73.8	76.2
GAPE system	112.9	116.0	117.6	119.6	119.0
Total allowable revenue	1,348.1	1,409.2	1,450.3	1,477.5	1,502.0
Forecast throughput payments	26.5	27.2	27.9	28.7	29.5

³³ Including the regulatory asset base, weighted average cost of capital (WACC) and forecast inflation.

³⁴ Aurizon Network, sub 1, pp 29-32; QRC, sub 18, p 1.

Note: All figures are nominal. Numbers may not add due to rounding. Aurizon Network's proposed allowable revenues include electric and non-electric allowable revenues. Revenue from throughput payments is a forecast. Source: Aurizon Network's submitted models.

We have assessed the appropriateness of all aspects of Aurizon Network's proposed allowable revenues, including whether the agreed methodologies and policies used to determine Aurizon Network's allowable revenues are appropriate to approve.³⁵

3.1.1 Allowable revenue

Aurizon Network's proposed build-up of cost components related to the provision of access to the CQC is outlined in Table 3.

Table 3: Aurizon Network's proposed building block components (\$ million)

Building block component	2017 AU	2025 UT5 DAAU				
	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Operating costs	212.4	229.9	235.1	242.3	249.8	256.8
Maintenance costs	222.9	223.3	231.3	236.6	241.5	246.6
Return on capital	519.4	479.4	480.8	479.5	476.9	473.8
Return of capital	325.9	356.4	397.2	424.0	440.4	455.2
Working capital	3.8	3.9	4.0	4.1	4.2	4.3
Tax allowance	58.6	55.1	60.8	63.8	64.7	65.2
Adjustments*	33.1	–	–	–	–	–
Total	1,376.1	1,348.1	1,409.2	1,450.3	1,477.5	1,502.0

* Adjustments reflect approved legacy adjustments only.

Note: All figures are nominal. Numbers may not add due to rounding.

Source: Aurizon Network's submitted models.

We have assessed each of the individual components underpinning Aurizon Network's allowable revenues proposal in further detail throughout this draft decision (see Figure 2).³⁶

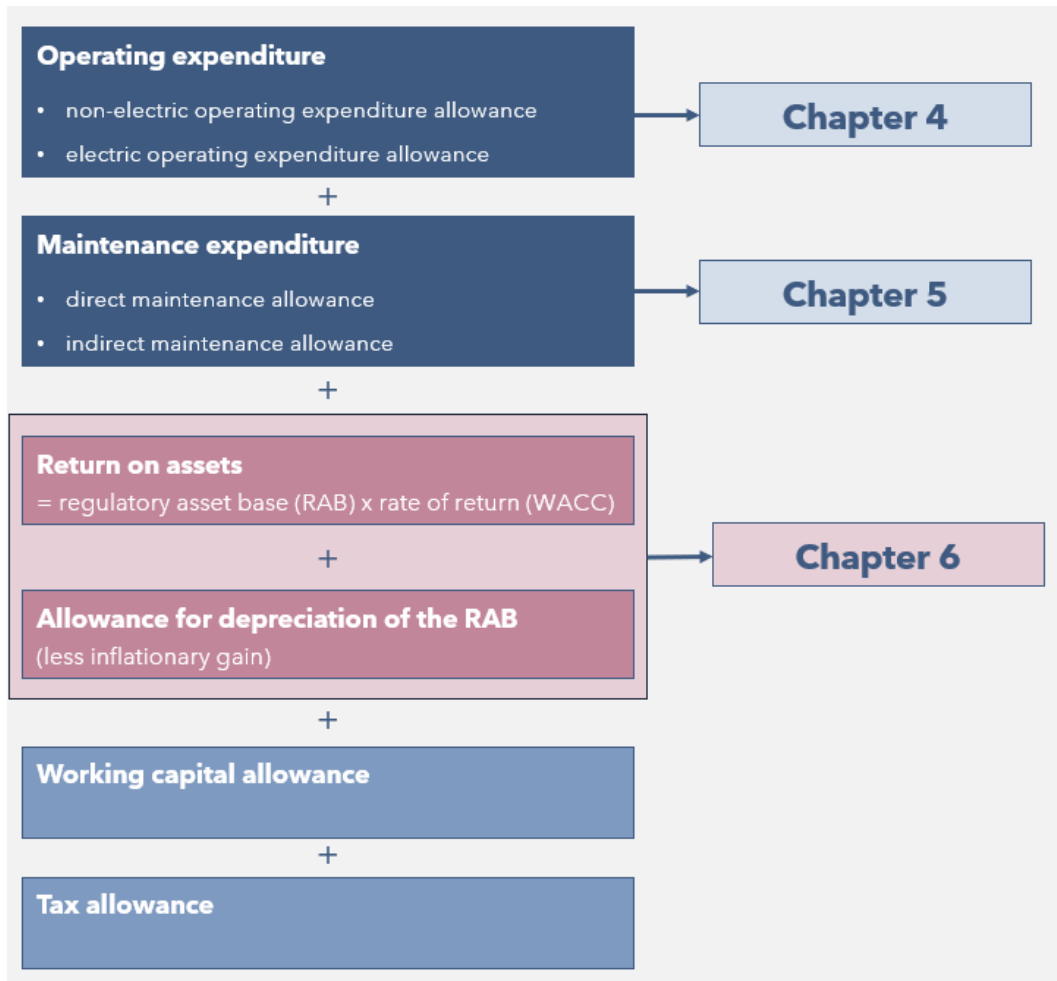
We consider that the agreed approaches used to determine Aurizon Network's allowable revenues are appropriate to approve. We also consider that Aurizon Network's calculation of its allowable revenues is appropriate and reflects the methodologies that have been agreed with its customers.

However, our preliminary view is that Aurizon Network's proposed non-electric opex allowance does not reflect the efficient costs incurred in providing below-rail services to coal-carrying trains over the regulatory period.

³⁵ Having regard to the statutory criteria outlined in s 138(2) of the QCA Act.

³⁶ Our draft decision on Aurizon Network's proposed allowable revenues has been informed by Aurizon Network's 2025 UT5 DAAU proposal and supporting documentation, submissions received from stakeholders and an assessment by Arcadis, an independent consultant engaged by the QCA.

Figure 2: Components used to calculate Aurizon Network’s allowable revenues



Consideration of indicative values

Aurizon Network’s proposal outlines indicative allowable revenues for the regulatory period (Box 2). Therefore, our assessment necessarily focuses on how Aurizon Network proposes to determine and update the inputs used to calculate the allowable revenues for the regulatory period. The allowable revenue values referred to in this draft decision are indicative (unless otherwise specified), with many allowable revenue inputs based on forecast values, rather than final, QCA-approved amounts.

Many of the allowable revenue inputs for the second reset period are based on carry-forward values from the first reset period years, which will be progressively updated, or recalculated, in accordance with the 2025 UT5 DAAU.³⁷ Where this is the case, the presentation of our analysis focuses on the inputs for the first reset period.

³⁷ Aurizon Network, sub 1, p 32.

Box 2: Approach to establishing allowable revenues

The 2025 UT5 DAAU proposes to extend the term of the 2017 AU by 10 years, from 1 July 2027 until 30 June 2037 (the regulatory period). Aurizon Network has outlined indicative allowable revenues for each coal system for the regulatory period as part of the 2025 UT5 DAAU.³⁸

Aurizon Network has structured its proposed allowable revenues for the regulatory period into 2 defined periods:

- the first reset period is from 1 July 2027 to 30 June 2032 (2027–28 to 2031–32)
- the second reset period is from 1 July 2032 to 30 June 2037 (2032–33 to 2036–37).³⁹

The 2025 UT5 DAAU was submitted around 18 months before the first reset date. As such, the 2025 UT5 DAAU includes indicative allowable revenues for the regulatory period that are based on a range of assumptions and placeholder values that are subject to updates in accordance with the process defined in the 2025 UT5 DAAU.

Part 6A of the 2025 UT5 DAAU outlines the process to reset a defined list of allowable revenue inputs before the commencement of both the first and second reset periods (see section 7.4).⁴⁰ Aurizon Network considered that each reset provides an opportunity to provide us with updated information in respect of those specified inputs, to promote improved alignment between forecast and actual outcomes.⁴¹

We consider that this approach to establishing allowable revenues for the regulatory period is reasonable, given the proposed 10-year extension to the term of the 2017 AU.

Approach to modelling

Aurizon Network has provided us with confidential financial models to support its proposed allowable revenues and reference tariff inputs. We acknowledge that Aurizon Network's calculations rely on modelling and information that is not publicly available. In making this draft decision, we have reviewed Aurizon Network's modelling approach, including assumptions and underlying data, that it used to develop its proposed allowable revenues for the 2025 UT5 DAAU.

Aurizon Network's allowable revenues are based on financial models that use the following assumptions:

- start-of-year commissioning date for capital expenditure, for the purposes of calculating depreciation

³⁸ Aurizon Network has not proposed to amend the approach for determining the allowable revenues up to 30 June 2027, as outlined in the 2017 AU.

³⁹ Aurizon Network, sub 1, p 28.

⁴⁰ Aurizon Network, sub 1, p 28.

⁴¹ Aurizon Network, sub 1, p 28.

- mid-year revenue timing.

Aurizon Network's proposed tax allowance and working capital allowance components are a computation of its post-tax revenue model. In this regard, the approach to modelling Aurizon Network's proposed allowable revenues for the regulatory period is consistent with the existing approach used to determine allowable revenues for the 2017 AU.

Working capital allowance

We consider Aurizon Network's proposed method for calculating its working capital allowance is appropriate for developing the allowable revenues for the regulatory period.

Aurizon Network has proposed to continue applying the same modelling approach approved, and used, to calculate Aurizon Network's working capital allowance for the 2017 AU.⁴²

Working capital is required to conduct a business characterised by significant cash-flow timing differences. We consider that Aurizon Network should continue to be allowed to earn a return on this capital in a manner similar to investments.

We have reviewed Aurizon Network's pricing and revenue model and are satisfied with how Aurizon Network has calculated its working capital allowance.

Tax allowance

We consider Aurizon Network's proposed method for calculating its tax allowance is appropriate for developing the allowable revenues for the regulatory period.

Aurizon Network has proposed to continue applying the same modelling approach approved, and used, to calculate Aurizon Network's tax allowance for the 2017 AU.⁴³

This approach calculates the tax allowance as the estimated cost of corporate tax payable on annual revenue,⁴⁴ less annual tax expense, less the value of imputation credits. Aurizon Network's annual tax expense includes:

- allowances for operating and maintenance costs
- interest tax expense, calculated using the benchmark gearing ratio and cost of debt
- tax depreciation relating to the RAB.

We have reviewed Aurizon Network's pricing and revenue model and are satisfied with how Aurizon Network has calculated its tax allowance. Aurizon Network's indicative, imputation-adjusted tax allowance is dependent on parameters such as the return on capital, which will be updated to reflect updates to these parameters.

3.1.2 Revenue from throughput payments

The 2025 UT5 DAAU provides for Aurizon Network to receive additional revenue from throughput payments, separate to allowable revenues calculated using the building block methodology (Box 3).

⁴² 2025 UT5 DAAU, Part 12.

⁴³ 2025 UT5 DAAU, Part 12.

⁴⁴ Using a standard 30% corporate tax rate.

Box 3: Throughput payment rates

Throughput payment rate 1

The 2025 UT5 DAAU entitles Aurizon Network to receive additional revenue from charging the TP1 reference tariff input on each access holder's throughput for that year, on a net tonne basis.⁴⁵ TP1 is derived from a throughput payment base rate, which is initially set at \$0.06 per net tonne for 2027-28 and then indexed annually throughout the regulatory period.⁴⁶

A throughput payment volume floor is applied, which revises the TP1 base rate if the aggregate gross tonne kilometres (gtk) forecast is less than 180 million net tonnes. This is to ensure that a minimum expected revenue amount is to be collected from throughput payments.⁴⁷ Under these circumstances, the TP1 input is derived as follows:

$$TP1_t = TP \text{ Base Rate}_t \times \left(\frac{180 \text{ million nt}}{CQCN \text{ Net Tonne Forecast}} \right)$$

Throughput payment rate 2

The 2025 UT5 DAAU entitles Aurizon Network to receive additional revenue from charging the TP2 reference tariff input for each access holder's throughput for that year, on a thousand net tonne kilometre basis.⁴⁸

The TP2 input is based on the expected revenue to be obtained from throughput payment rate 1, divided by the volume forecast applicable to the relevant coal system. Consequently, the TP2 rate will be specific to each coal system.⁴⁹

The TP2 input for the relevant coal system is derived as follows:

$$TP2_t = \frac{TP1_t * Gtk \text{ Forecast expressed in net tonnes}}{Gtk \text{ Forecast expressed in thousand net tonne kilometres}} \times TP \text{ Adjustment Factor}$$

TP2 is subject to an empty wagon performance adjustment (TP adjustment factor). The adjustment is determined with reference to comparing the annual empty wagon factor in the measurement year⁵⁰ with an applicable baseline empty wagon factor⁵¹.

Where the annual empty wagon factor in the measurement year:

- exceeds the applicable baseline empty wagon factor, the adjustment factor will be 1.1 (effectively increasing TP2 by 10%)
- does not exceed the applicable baseline empty wagon factor, the adjustment factor will be 0.9 (effectively decreasing TP2 by 10%).⁵²

The effect of the empty wagon adjustment factor means that the TP2 rate will always be scaled by either 0.9 or 1.1.

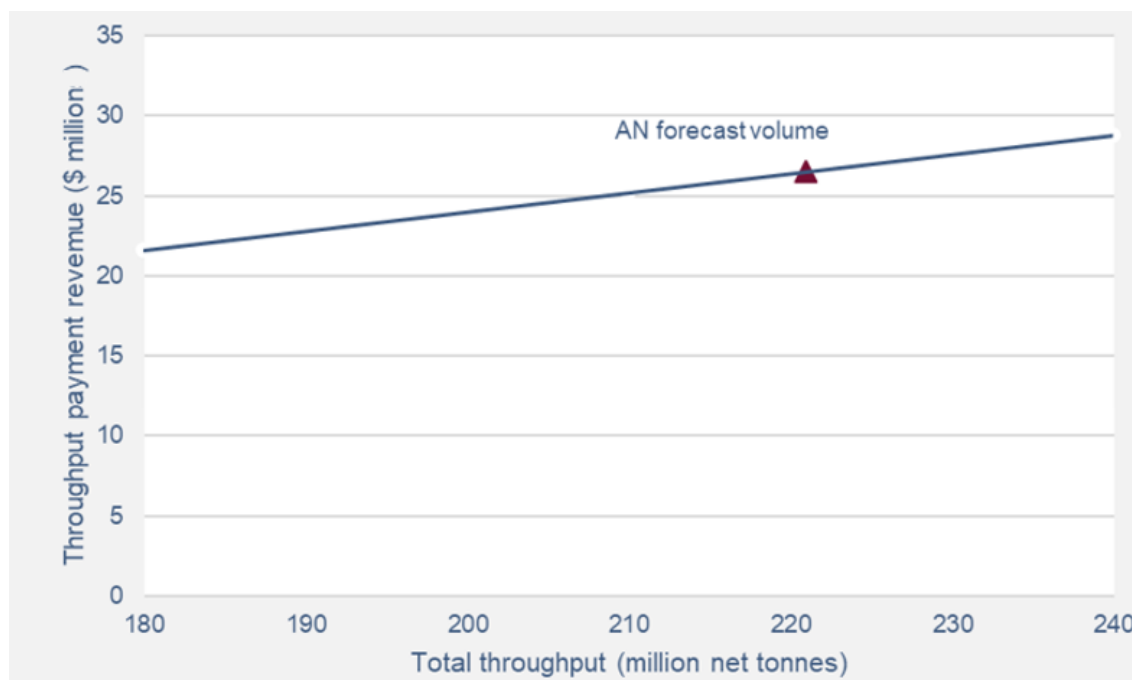
⁴⁵ 2025 UT5 DAAU, Sch F, cl 2.4(a)-(d).

⁴⁶ The throughput payment base rate is subject to annual indexation (to be applied on 1 July in each year), which is calculated in accordance with changes in the consumer price index (CPI) published for the preceding 12-month period ending in the December quarter.

The throughput payments are not designed to recover particular costs or obtain a set level of revenue, but rather are payment rates that are levied on coal-handling services for volumes railed in each coal system.

As such, the amount of annual revenue that Aurizon Network will obtain from throughput payments over the regulatory period will be dependent on, among other things, the volume of coal-handling services railed across the CQCN for that particular year. Figure 3 shows how the revenue obtained from the throughput payment rates will vary with changes to throughput.

Figure 3: Throughput payment revenues received under different throughput scenarios



Note: These scenarios have not sought to apply an empty wagon performance adjustment.

Aurizon Network submitted that this adjustment to cash flows provides it with additional compensation for the negotiated package of arrangements.⁵³ Aurizon Network submitted that the throughput payment arrangements are in lieu of the uplift to the benchmark WACC, which forms part of the existing arrangements.⁵⁴

We have considered Aurizon Network’s proposed throughput payments in the context of the overall package of arrangements contained in the 2025 UT5 DAAU. We note that the vast majority of customers support the package of arrangements. In this regard, we consider that the customers are not incentivised to support a mechanism that increases costs without receiving corresponding benefits.

We also consider that these arrangements offer an incentive to improve productivity across the CQCN. The throughput payments provide direct financial incentives for Aurizon Network to support improved throughput performance and to assist in reducing the number of empty wagons

⁴⁷ Aurizon Network, sub 1, p 88.

⁴⁸ 2025 UT5 DAAU, Sch F, cl 2.4(e).

⁴⁹ Aurizon Network, sub 1, p 87. A cross-system train service will be subject to the relevant TP2 rate for the ntk it operates within each relevant coal system (2025 UT5 DAAU, Sch F, cl 2.3(a)(iv)).

⁵⁰ The annual empty wagon factor is the total number of empty wagons departing from nominated loading facilities in a coal system as a percentage of wagons presented to those facilities in a calendar year.

⁵¹ The applicable baseline empty wagon factor is determined with reference to the empty wagon performance in past years.

⁵² 2025 UT5 DAAU, Sch F, cl 2.5.

⁵³ Aurizon Network, sub 1, p 87.

⁵⁴ Aurizon Network, sub 1, p 22.

departing from loading facilities. Aurizon Network submitted that these arrangements will provide an improved throughput performance incentive when compared to an uplift to the rate of return.⁵⁵

We have not identified any material detriments to competition, including barriers to entry, arising from these arrangements.

Performance rebate capping

The 2025 UT5 DAAU retains the rebate mechanism that requires Aurizon Network to pay an annual financial rebate to users who are affected by a failure on Aurizon Network's part to meet its performance standards.⁵⁶

Aurizon Network has proposed amendments to the existing arrangements to effectively cap the rebate mechanism at 50% of the throughput payments for that year. Where the value of the performance rebate exceeds 50% of the throughput payment for a given year, Aurizon Network will be entitled to recover the value of the performance rebate payment above the threshold through a variation to allowable revenues at the next annual review of reference tariffs.⁵⁷

We consider that these arrangements are reasonable, noting that the performance rebate cap has been developed based on Aurizon Network's engagement with its customers. The performance rebate cap serves to limit the downside risk for Aurizon Network associated with retaining the performance rebate mechanism. Aurizon Network submitted that the incentive framework overall will strongly encourage the promotion of throughput and productivity within the CQCN.⁵⁸

3.2 Summary of appropriate allowable revenues

Based on our analysis as set out in this draft decision, we consider it appropriate to amend the 2025 UT5 DAAU allowable revenues to reflect the efficient costs incurred in providing below-rail services to coal-carrying trains over the regulatory period.

Our preliminary view is that it is appropriate to reduce Aurizon Network's proposed non-electric opex allowance by \$24.8 million over the first pricing period, as outlined in Chapter 4.

The resulting indicative allowable revenues calculated for each coal system for each year of the regulatory period are presented in Appendix C, along with separate calculations for electric rail infrastructure in the Blackwater and Goonyella systems.

We consider that the resulting allowable revenues provide for Aurizon Network to generate revenue that:

- recovers the efficient costs of providing access to the service, including a return on investment commensurate with the regulatory and commercial risks involved
- promotes the economically efficient use and operation of, and efficient investment in, the CQCN
- appropriately balances the legitimate business interests of Aurizon Network with the interests of access seekers and access holders.

⁵⁵ Aurizon Network, sub 1, p 87.

⁵⁶ 2025 UT5 DAAU, cl 7A.6. A rebate is payable to an end user when the independent expert identifies there has been a performance shortfall caused by an Aurizon Network performance breach.

⁵⁷ 2025 UT5 DAAU, cl 7A.6(c),(e),(f). The performance rebate cap adjustment will not apply to any performance rebate amount in respect of a wilful act or omission of Aurizon Network resulting in an Aurizon Network performance breach (as determined by the independent expert).

⁵⁸ Aurizon Network, sub 1, p 92.

4 Operating cost allowance

Aurizon Network’s proposed allowable revenues include an operating cost (opex) allowance for non-electric and electric expenditure.

Draft decision – proposed operating cost allowance

Our draft decision is that it is not appropriate to approve Aurizon Network’s proposed opex allowance.

We consider that Aurizon Network’s proposed opex allowance is higher than reasonably required to reflect the efficient costs incurred in providing below-rail services to coal-carrying trains over the regulatory period.

We consider it appropriate to reduce Aurizon Network’s proposed opex allowances as set out in Table 5. We consider these opex allowances:

- enable Aurizon Network to generate expected revenue that is at least enough to meet the efficient costs of providing below-rail services to coal-carrying trains
- appropriately balance Aurizon Network's legitimate business interests with the interests of access seekers and access holders.

4.1 Overview of our assessment

Aurizon Network’s proposed opex allowance for the first reset period is outlined in Table 4.

Table 4: Aurizon Network’s proposed opex allowance (\$ million)

	2027-28	2028-29	2029-30	2030-31	2031-32
Direct and indirect CQCN opex	74.5	75.2	77.7	80.4	82.6
CQCN corporate overheads	61.3	63.2	65.2	67.3	69.3
Insurance costs	14.6	15.1	15.6	16.1	16.6
Electric opex	79.5	81.6	83.8	86.1	88.3
Total	229.9	235.1	242.3	249.9	256.8

Note: All figures are nominal. Numbers may not add due to rounding.
Source: Aurizon Network’s submitted models.

Aurizon Network’s non-electric opex consists of:

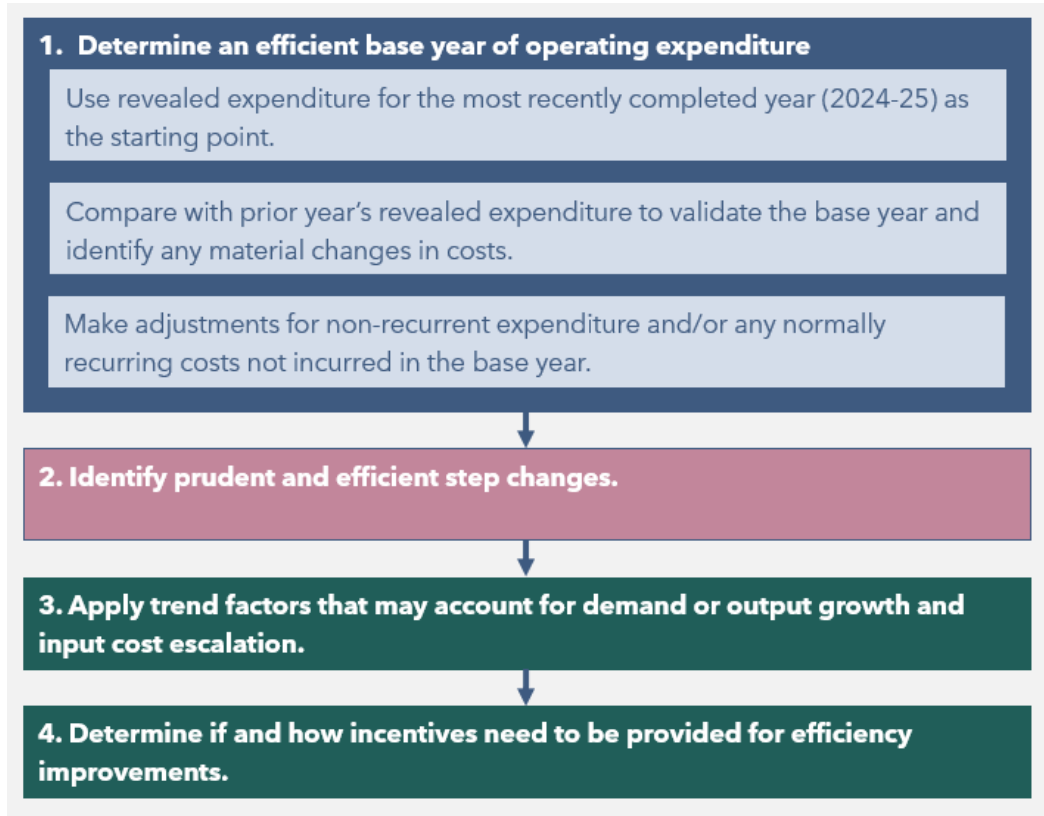
- direct and indirect CQCN opex⁵⁹
- CQCN corporate overheads

⁵⁹ That is, costs that are directly or indirectly related to operating the CQCN.

- insurance costs.

Aurizon Network has used a base-step-trend approach (see Figure 4) to develop its forecast of direct and indirect CQCN opex and CQCN corporate overheads for the first reset period. Collectively, we refer to these cost components as Aurizon Network’s non-electric CQCN opex.

Figure 4: Aurizon Network’s proposed base-step-trend approach



Source: Aurizon Network, sub 1, pp 140-141.

Separately, Aurizon Network has determined its allowance for insurance costs based on an actuarial assessment of its stand-alone commercial insurance and self-insurance costs.

We accept that the general approach proposed by Aurizon Network is appropriate for establishing its non-electric opex allowance. The application of the base-step-trend approach offers a clear and proven framework for determining a non-electric CQCN opex allowance, which is sufficient for Aurizon Network to prudently and efficiently operate its business throughout the regulatory period.

However, we acknowledge that such an approach may not be practical for determining an appropriate allowance for insurance costs, as Aurizon Network:

- does not have a separable insurance program, with coverage provided as part of the enterprise insurance program
- has experienced a substantial increase in its insurance costs since its last approved allowance,⁶⁰ with the key factors driving this increase largely beyond Aurizon Network’s control (such as the conditions in the global insurance market, increased materials costs and greater prevalence of adverse weather events).

⁶⁰ Determined as part of our final decision on Aurizon Network’s 2017 DAU. See QCA, [Aurizon Network’s 2017 draft access undertaking](#), final decision, December 2018.

We note that the broad methodology for determining Aurizon Network's non-electric opex allowance has been agreed with its customers.⁶¹ However, beyond this, the parties did not reach an agreement on an appropriate allowance. The parties agreed that the final value would be subject to our review to determine the efficient cost base for these aspects of Aurizon Network's non-electric opex allowance.⁶²

The QRC outlined a number of concerns with how Aurizon Network has applied the agreed approach to derive its proposed allowance. Moreover, the QRC noted that it is not privy to the cost information underpinning Aurizon Network's proposed allowance and is relying on our detailed assessment, having regard to the cost data.⁶³

In making our draft decision, we have undertaken a detailed assessment of whether Aurizon Network's non-electric opex allowance represents the efficient operating cost base. We engaged Arcadis to provide independent technical advice to support our review. The Arcadis report is available on our website.⁶⁴

We have identified instances where we consider Aurizon Network has not provided sufficient justification for:

- recent increases in certain cost functions
- additional cost items
- changes to the allocation of cost functions.

Where recent increases in a cost function drive a material increase in the overall proposed allowance, and the increase has not been justified, we have excluded the increase from the proposed allowance. Additionally, we have identified and excluded non-recurring costs from the efficient base year. We acknowledge that it may be appropriate to include such costs as part of Aurizon Network's opex allowance if further justification is provided in response to our draft decision.

We have identified specific instances where we consider adjustments to Aurizon Network's proposed opex allowance is appropriate, as part of our analysis of:

- non-electric CQCN opex allowance (section 4.2)
- insurance costs (section 4.3)
- allocation of CQCN opex to non-coal services (section 4.4).

Our draft decision results in an overall level of non-electric opex of \$769.7 million over the first reset period, which is 3.2% less than proposed by Aurizon Network (Table 5).

Our assessment of Aurizon Network's proposed electric opex focused on the consistency of the proposed allowance with the applicable cost pass through arrangements.

We consider it is appropriate to approve Aurizon Network's proposed:

- electric opex allowance (section 0)
- contingent projects mechanism (section 4.6).

⁶¹ Aurizon Network, sub 1, p 31; QRC, sub 18, p 5.

⁶² Aurizon Network, sub 1, p 31; QRC, sub 18, p 5.

⁶³ QRC, sub 18, p 1.

⁶⁴ Arcadis, *Independent review of Aurizon Network's 2025 UT5 DAAU non-electric operating expenditure analysis*, May 2026.

Table 5: QCA draft decision – opex allowance (\$ million)

	2027-28	2028-29	2029-30	2030-31	2031-32	Total	2025 UT5 DAAU
Direct and indirect CQCN opex	74.4	75.1	77.6	80.0	82.2	389.3	390.5
CQCN corporate overheads	60.0	61.9	63.9	65.9	67.8	319.5	326.2
Insurance costs	11.8	12.2	12.6	13.0	13.4	63.1	78.0
General non-coal allocation	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)	(2.2)	-
Total non-electric opex	145.8	148.8	153.7	158.4	163.0	769.7	794.5
Electric opex	79.5	81.6	83.8	86.1	88.3	419.4	419.4
Total	225.4	230.4	237.5	244.5	251.4	1189.1	1213.9

Note: All figures are nominal. Numbers may not add due to rounding.

4.2 Non-electric CQCN opex

We do not consider it is appropriate to approve Aurizon Network’s proposed allowance for non-electric CQCN opex.

Aurizon Network’s proposed non-electric CQCN opex allowance is outlined in Table 6.

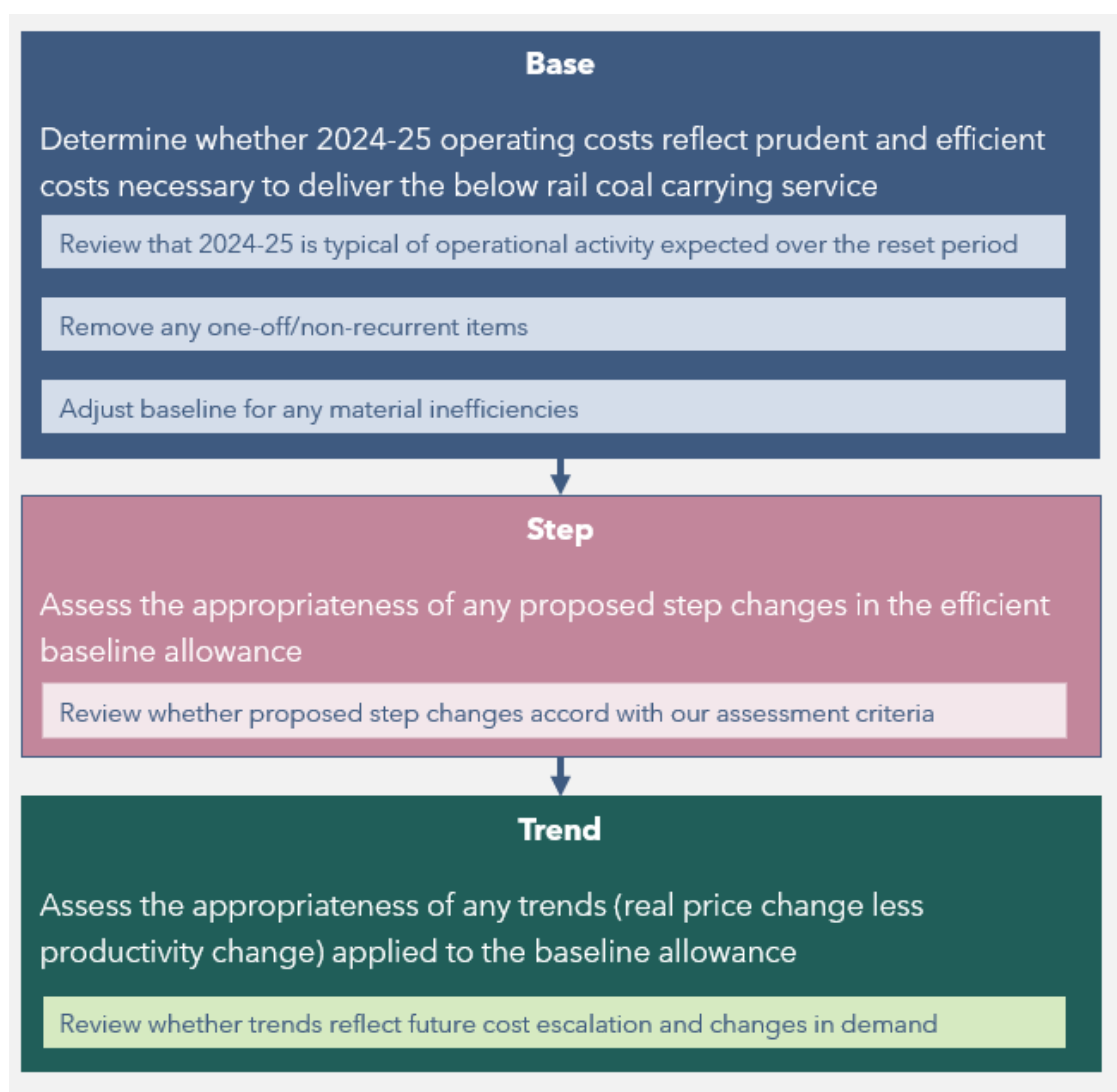
Table 6: Aurizon Network’s proposed non-electric CQCN opex allowance (\$ million)

	2027-28	2028-29	2029-30	2030-31	2031-32	Total
Base year opex (real 2024-25)	123.8	123.8	123.8	123.8	123.8	618.9
Step changes (real 2024-25)	3.3	1.8	1.8	2.1	2.1	11.1
Trend growth (nominal)	8.7	12.8	17.3	21.8	26.1	86.8
Total (nominal)	135.8	138.4	142.9	147.6	151.9	716.7

Note: Numbers may not add due to rounding.
Source: Aurizon Network’s submitted models.

We have undertaken a detailed review of Aurizon Network’s proposal, examining the base year, step changes and escalation to test for efficiency and prudence (see [Figure 5](#)).

Figure 5: Overview of our assessment approach



In applying this approach, we consider that actual non-electric opex for 2024-25 is an appropriate starting point for determining an efficient base year, noting:

- it represents the revealed expenditure for the most recently completed financial year
- it reflects a typical year for the regulatory period (that is, there are no fundamental changes to the business operating environment)
- Aurizon Network's customers agreed for 2024-25 to be the base year.⁶⁵

In determining whether 2024-25 non-electric opex is representative of an efficient base year, we have reviewed each category and functional area that establishes Aurizon Network's non-electric opex. Where actual costs incurred in 2024-25 for each category and functional area are:

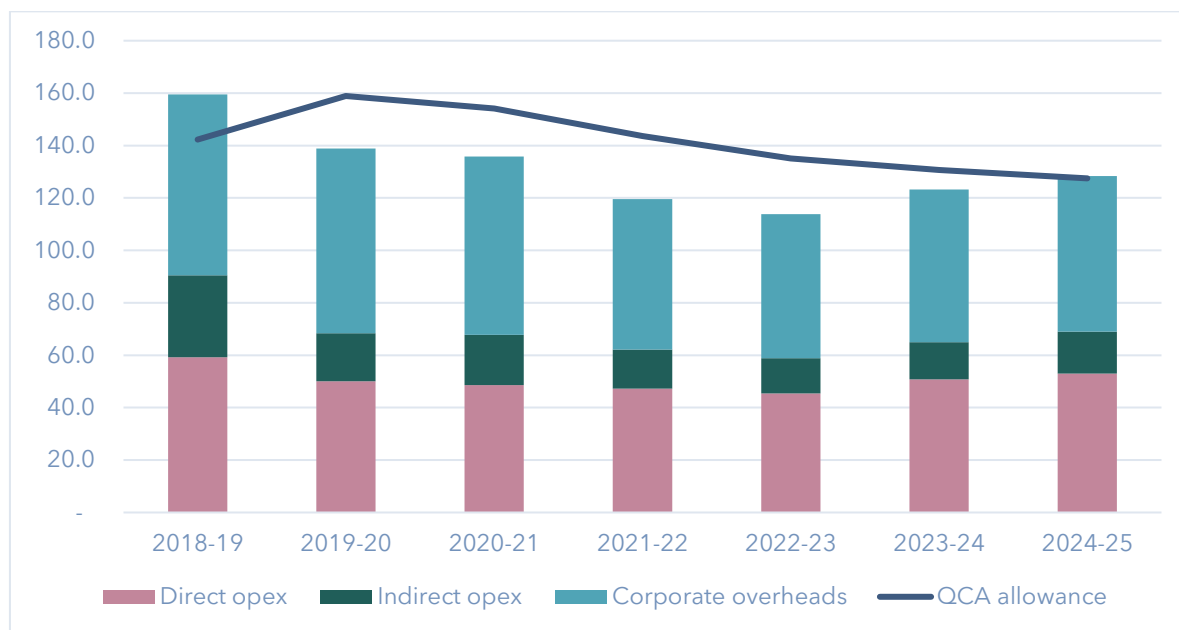
- lower than the annual costs incurred over the 2017 AU period, we accept this as the prudent and efficient revealed cost to establish the base year
- higher than the annual costs incurred over the 2017 AU period, we assess whether the increase in costs is justified and determine an appropriate base year amount using available information.

⁶⁵ Aurizon Network, sub 1, p 134.

In taking this approach, we consider Aurizon Network has had an incentive over the 2017 AU period to reveal efficiencies in the actual non-electric opex it incurs. Aurizon Network’s allowance under the 2017 AU has been based on a fixed nominal annual allowance – with an annual CPI adjustment when CPI exceeded 2.37%.⁶⁶ Aurizon Network submitted that this has imposed a strong cost constraint, incentivising it to actively manage costs below the nominal cap.⁶⁷

Indeed, Aurizon Network’s non-electric opex has decreased significantly since the start of the 2017 AU period (Figure 6).

Figure 6: Non-electric opex – actuals relative to UT5 allowance (\$ million, 2024–25 dollars)



Note: Actuals include the cost of providing access to the CQCN for non-coal-carrying train services, and no adjustment has been made for non-regulated services.

Source: Aurizon Network’s submitted models; QCA, [Aurizon Network’s 2017 draft access undertaking](#), final decision, December 2018.

In assessing Aurizon Network’s non-electric CQCN opex allowance, we have identified instances where we consider Aurizon Network has not provided sufficient justification for recent material increases in certain cost functions, additional costs items or changes to the allocation of cost functions. We have also sought to remove any non-recurring costs from 2024–25 to establish the efficient base year (Table 7).

Table 7: Key findings – Aurizon Network’s non-electric CQCN opex

Base-step-trend component	Our draft decision
Base-year direct CQCN opex (section 4.2.1)	The proposed base-year costs for direct CQCN opex are reasonable.
Base-year indirect CQCN opex (section 4.2.2)	We have identified non-recurring regulatory audit expenses (\$0.1 million).
Base-year corporate overheads (section 4.2.3)	Aurizon Network has not justified changes to the allocation of the board and CEO cost functions (\$1.1 million).

⁶⁶ The CPI adjustment has applied since 1 July 2021.

⁶⁷ Aurizon Network, sub 1, p 140.

Base-step-trend component	Our draft decision
Step changes (section 4.2.4)	Aurizon Network has not justified a step change for development of allowable revenues for the second reset period (\$0.5 million).
Trend growth (section 4.2.5)	The proposed trend-growth for the regulatory period is reasonable.

Our draft decision on an appropriate non-electric CQCX opex allowance for Aurizon Network's 2025 UT5 DAAU is outlined in Table 8.

Table 8: QCA draft decision – non-electric CQCX opex (\$ million)

	Our draft decision					Total	2025 UT5 DAAU
	2027-28	2028-29	2029-30	2030-31	2031-32		
Base year opex (real 2024-25)	122.5	122.5	122.5	122.5	122.5	612.7	618.9
Step changes (real 2024-25)	3.3	1.8	1.8	1.8	1.8	10.5	11.1
Trend growth (nominal)	8.7	12.6	17.1	21.5	25.7	85.6	86.8
Total (nominal)	134.5	137.0	141.5	145.8	150.0	708.8	716.7

Note: Numbers may not add due to rounding.

4.2.1 Efficient base-year direct CQCX opex

Direct CQCX opex relates to the operation and planning of train paths and comprises costs that are directly attributable to the provision of access to the CQCX.⁶⁸ It includes costs associated with the following functions:

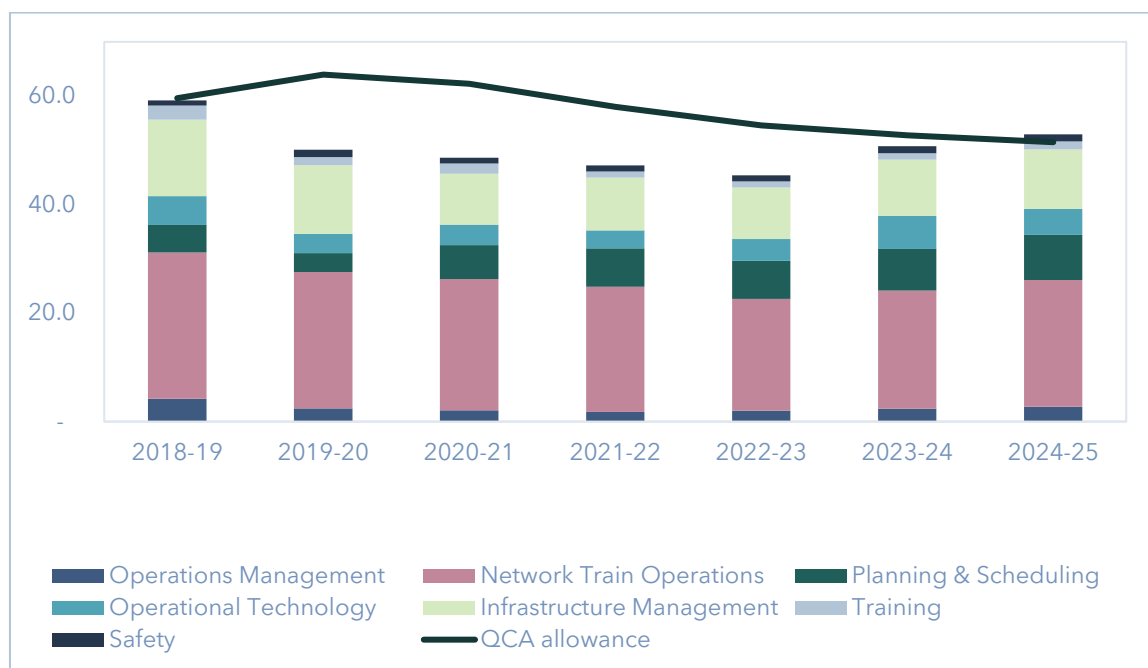
- network control, safe working and operations – controlling the movement of trains, light engines and track machines, and the safe working of these vehicles as they traverse the rail infrastructure
- operational technology – using software and hardware to plan and schedule train paths
- infrastructure management – managing the performance of assets required to deliver the declared service, including the safety, reliability and availability of the rail infrastructure.⁶⁹

Direct CQCX opex decreased from the start of the 2017 AU period until 2023-24, revealing efficiencies for all direct cost groups over this period (Figure 7). However, there was an uptick in expenditure from 2022-23. The increase is largely attributable to network train operations, which makes up over 40% of direct CQCX opex and recorded real increases of 6% in 2023-24 and 7% in 2024-25.

⁶⁸ Aurizon Network, sub 1, p 143.

⁶⁹ Aurizon Network, sub 1, p 143.

Figure 7: Direct CQCN opex – actuals relative to UT5 allowance (\$ million, 2024-25 dollars)



Note: Actuals include the cost of providing access to the CQCN for non-coal-carrying train services.
 Source: Aurizon Network’s submitted models; QCA, [Aurizon Network’s 2017 draft access undertaking](#), final decision, December 2018.

Aurizon Network submitted that it continues to experience workforce pressures amid a tightening labour market, with key pressures including rising wage costs, skills shortages and an ageing workforce.⁷⁰ In response to these pressures, Aurizon Network has implemented targeted attraction and retention initiatives, particularly in high-risk operational areas such as engineering, train control and regional roles.⁷¹

In this regard, Arcadis advised that:

- increases in FTEs associated with the train control cost centre are consistent with operational requirements
- growth in labour costs in this cost centre reflects progression within employment bands and associated on-costs (such as accommodation and allowances), which Arcadis considered typical for these roles.⁷²

Taking these factors into account, we consider the recent increases in network train operations costs are justified and actual costs in 2024-25 provide a reasonable basis for determining an efficient base year allowance for direct CQCN opex.

Aurizon Network has also reallocated costs associated with the safety partnering function – which is responsible for Aurizon Network’s workplace health and safety. Costs associated with the safety partnering function were previously allocated as corporate overhead costs. We consider that this reallocation of costs is appropriate, noting it has no net impact on Aurizon Network’s non-electric CQCN opex allowance and it enables direct cost attribution.

Aurizon Network proposed to allocate 5.1% of network train operations costs to non-coal services. This is consistent with our final decision on Aurizon Network’s 2017 DAU, where 5.1% of network

⁷⁰ Aurizon Network, sub 1, p 131.

⁷¹ Aurizon Network, sub 1, p 131.

⁷² Arcadis, *Independent review of Aurizon Network’s 2025 UT5 DAAU non-electric operating expenditure analysis*, May 2026, pp 17-18.

train operations costs were attributable to non-coal traffic, based on percentage of time spent on track.⁷³

We note there has been no material change in the percentage of time spent on track since our final decision on the 2017 DAU. Since 2020-21, this metric has ranged between 4.9% and 5.3% and it averaged 5.1% for the 5 years to 2024-25.⁷⁴ Accordingly, we consider the allocation of network train operations costs remains reasonable. We have assessed Aurizon Network’s proposed overall allocation of costs to non-coal services in section 4.4.

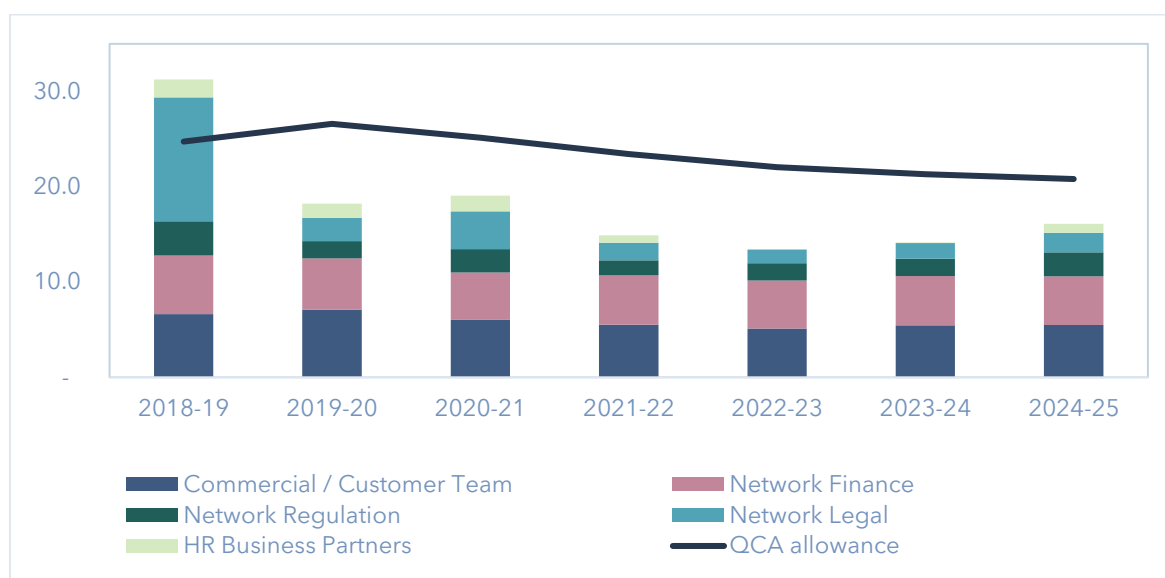
Separately, we have not identified any non-recurring costs in Aurizon Network’s proposed direct CQCN opex.

4.2.2 Efficient base-year indirect CQCN opex

Indirect CQCN opex relates to business management functions, such as commercial, regulatory, financial, human resourcing and legal tasks necessary to operate the below-rail service.⁷⁵

Since 2018-19, indirect CQCN opex has been consistently and substantially below the 2017 AU allowance and has been relatively stable, revealing efficiencies for most indirect cost groups across the regulatory period (Figure 8).

Figure 8: Indirect CQCN opex – actuals relative to UT5 allowance (\$ million, 2024-25 dollars)



Note: Actuals include costs incurred in providing regulated non-coal services and other (unregulated) services. Source: Aurizon Network’s submitted models; QCA, *Aurizon Network’s 2017 draft access undertaking*, final decision, December 2018.

However, there has been an increase in overall CQCN indirect opex since 2022-23. The main drivers of this increase are the Human Resources (HR) business partners, network legal and network regulation cost functions. Our consideration of these cost increases is outlined below.

⁷³ QCA, *Aurizon Network’s 2017 draft access undertaking*, final decision, December 2018, p 122.

⁷⁴ Aurizon Network, sub 1, p 181.

⁷⁵ Aurizon Network, sub 1, p 144.

Table 9: Key cost drivers for indirect opex in the 2024-25 base year

Functional area	Our analysis
HR business partners	Additional costs in 2024-25 reflect the reallocation of costs associated with the people partnering function – which provides operational support specific to Aurizon Network. Costs associated with the people partnering function were previously allocated as corporate overhead costs. We consider that this reallocation of costs is appropriate, noting it has no net impact on Aurizon Network’s non-electric opex allowance and it enables direct cost attribution.
Network legal	<p>The legal team provides advice on matters pertinent to Aurizon Network, in relation to the development and supply of below-rail services.</p> <p>Arcadis observed that there has been a material increase in network legal costs driven by an increase in FTEs, which have almost doubled since 2022-23. Arcadis advised that it is unclear what the driver of this increase is.⁷⁶ The increase in network legal costs in recent years appears to be a reversal of a downward trend until 2022-23.</p> <p>Nevertheless, we consider Aurizon Network’s network legal costs provide a reasonable base year estimate, noting:</p> <ul style="list-style-type: none"> • recent increases in network legal costs do not materially affect the base year outcome • Aurizon Network’s indirect CQCN opex allowance overall has been reduced below the previously approved allowance.
Network regulation	Aurizon Network has excluded the cost of preparing the regulatory submission from base year costs. We consider it appropriate to exclude these non-recurring costs from the efficient base-year costs for indirect CQCN opex.

We have also assessed the base year costs for non-recurrent expenditure. Arcadis identified \$0.1 million in regulatory audit fees that had been accrued in 2023-24 but were included in the 2024-25 base year costs.⁷⁷ This appears to be a double counting of regulatory audit expenses, and we have therefore reduced base year expenditure by \$0.1million.

In providing access to the CQCN, Aurizon Network incurs costs that are attributable to other services that are not related to the provision of the declared service (non-regulated services).⁷⁸ We consider it appropriate to only account for the allocation of these cost functions that are related to the provision of the declared service in the efficient base year costs.

Aurizon Network's proposed allocation of indirect CQCN opex functions to non-regulated services is presented in Table 10. Aurizon Network noted that the functional allocation of these costs is in alignment with the allocation applied as part of our final decision on Aurizon Network’s 2017 DAU.⁷⁹ Aurizon Network submitted that after consultation with stakeholders, it had only proposed changes

⁷⁶ Arcadis, *Independent review of Aurizon Network’s 2025 UT5 DAAU non-electric operating expenditure analysis*, May 2026, p 20.

⁷⁷ Arcadis, *Independent review of Aurizon Network’s 2025 UT5 DAAU non-electric operating expenditure analysis*, May 2026, p 24.

⁷⁸ Examples of functions and costs that do not relate to the declared service include services provided for privately owned and operated rail spurs, and design, scope and standard reviews of connecting infrastructure.

⁷⁹ Aurizon Network, sub 1, p 179.

to the functional allocations where this was necessary and sufficiently material in impact to warrant the change.⁸⁰

Table 10: Aurizon Network's proposed cost allocations to non-regulated services

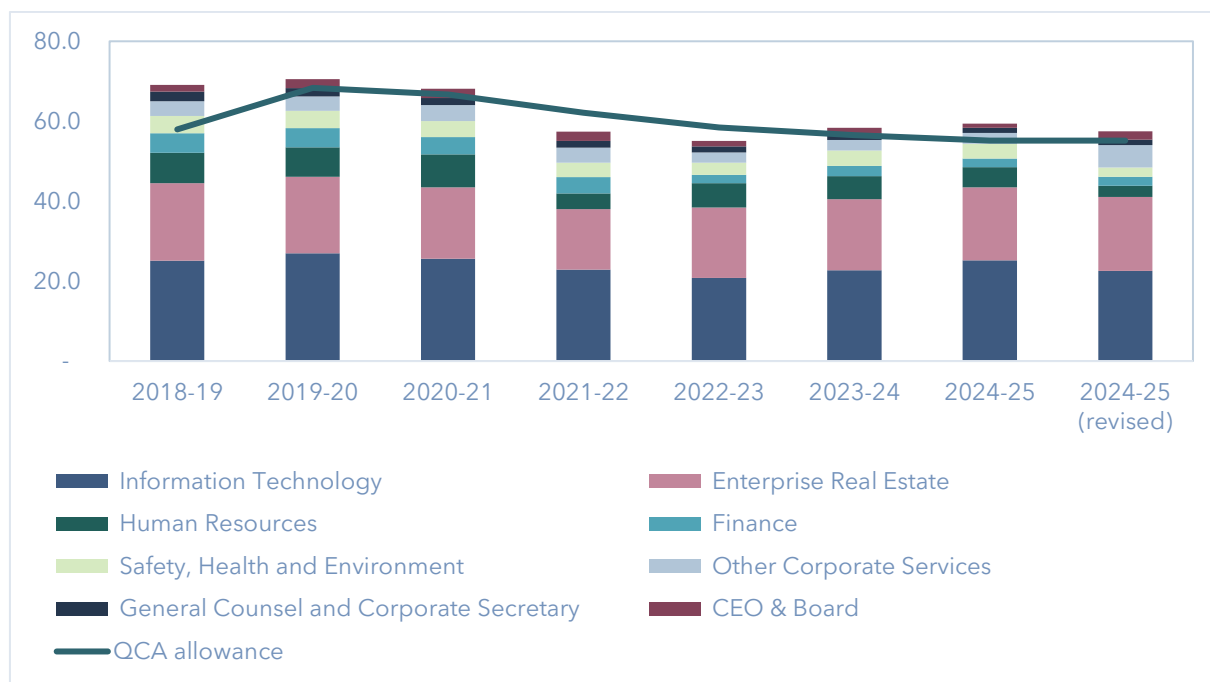
Functional area	Allocation rate (%)	Rationale for allocation in 2017 AU
Network finance	2.8	Network finance is responsible for billing, budgets, forecasting and preparing financial and statutory accounts. Functional allocation was based on staff time spent on non-regulated activities.
Network legal	10	Network legal and commercial development costs include a 10% deduction in recognition of the non-regulatory activities undertaken in these areas.
Commercial development	10	

4.2.3 Efficient base-year CQCN corporate overheads

Aurizon Network's proposed corporate overheads relate to non-operational costs incurred within the Aurizon group that Aurizon Network would reasonably incur if it operated on a stand-alone basis.

Figure 9 compares trends in Aurizon Network's allocated corporate costs over the 2017 AU period with the 2017 AU allowance, using the existing cost allocation approach. The figure also compares allocated corporate costs in 2024-25 using Aurizon Network's revised cost allocation approach. Under the existing cost allocation approach, allocated corporate costs trended downwards between 2019-20 and 2022-23 but reversed this trend from 2022-23.

Figure 9: Corporate overheads – actuals relative to UT5 allowance (\$ million, 2024-25)



Source: Aurizon Network's submitted models; QCA, *Aurizon Network's 2017 DAU*, final decision, December 2018.

⁸⁰ Aurizon Network, sub 1, p 145.

Importantly, the increase in corporate overheads in recent years does not appear to be driven by an unreasonable allocation of Aurizon Group’s corporate costs.

The existing approach for allocating Aurizon Group’s corporate costs is outlined in Table 11. Costs that are linked to labour, such as safety, health and environment costs, are allocated using FTEs. Costs that are linked to planning, asset management and risks, such as board and CEO, and general counsel and corporate secretary costs, are allocated using direct costs. Some costs, such as human resources costs, reflect a combination of these attributes and are allocated using a combination of allocators. The number of transactions is also used to allocate some finance costs, where appropriate.

Table 11 : Aurizon Network’s current approach for allocating corporate costs

Corporate function	Existing allocator – 2017 AU
Board and CEO	Direct costs
Finance	Direct costs, transactions processed, FTEs
Real estate	Property and associated costs are directly attributed. FTEs are used to allocate non-attributable costs
Human resources	Direct costs, FTEs
General counsel and corporate secretary	Direct costs
Information technology	FTEs
Safety, health and environment	FTEs
Other corporate services	Direct costs, FTEs

While Aurizon Network’s share of FTEs has increased since the start of the regulatory period, this appears to be driven mainly by the restructuring in 2017 that resulted in the transfer of the infrastructure delivery and infrastructure engineering teams to Aurizon Network.⁸¹ Since then, the allocation rate associated with FTEs has been stable.

Table 12: Corporate overhead allocation rates (%)

Allocator	2025 UT5 DAAU	2017 AU
Direct costs	20.0	24.0
FTEs	21.0	16.1
Finance – accounts payable	26.0	14.0
Finance – accounts receivable	15.0	31.0

Source: Aurizon Network’s submitted models; QCA, Aurizon Network’s 2017 DAU, final decision, December 2018.

The increase in CQCN corporate overheads since 2023–24 is mainly driven by increases in IT costs and real estate. Arcadis advised that the increase in information and communication technology (ICT) costs has been driven entirely by growth in the enterprise-wide IT cost pool.⁸²

⁸¹ QCA, *Aurizon Network’s 2017 draft access undertaking*, final decision, December 2018, pp 151-152.

⁸² Arcadis, *Independent review of Aurizon Network’s 2025 UT5 DAAU non-electric operating expenditure analysis*, May 2026, p 10.

We have assessed the appropriateness of Aurizon Network's IT costs in the context of overall increases to ICT costs incurred across Aurizon Network's cost functions.⁸³

Increases in ICT costs observed since 2022-23 have been driven largely by increases in cybersecurity costs. Arcadis identified that the enterprise-wide cyber security cost centre nearly doubled between 2022-23 and 2023-24.⁸⁴ Cyber security has become an increasingly critical focus for Aurizon Network. This has included:

- an increased investment in cyber security infrastructure and protocols to strengthen cyber resilience
- an increased focus on operational technology security, given Aurizon Network's reliance on operational systems for train control and network management
- the implementation of a multi-year cyber security transformation program.⁸⁵

We consider the uptick to be reasonable, given the evolving cybersecurity risk environment.

Arcadis considered that the overall scale and nature of 2024-25 ICT expenditure is broadly consistent with the operational requirements of a large, safety-critical rail infrastructure business. Arcadis also accepted that ICT investment is necessary to support safe and efficient network operations.⁸⁶ Continued investment in this area has been identified by Aurizon Network as a priority, as it proceeds to implement cyber security transformation initiatives.⁸⁷

However, Arcadis considered there is evidence that 2024-25 reflects a transitional year for ICT spend, during which costs were associated with the implementation and adoption of new systems and evolving operational practices. As such, Arcadis considered that the ICT costs may not represent an efficient, steady-state operating environment and recommended an adjustment of \$0.5 million (2%) to the base year IT allowance to account for this.⁸⁸

We acknowledge that Aurizon Network's ICT expenditure in recent years may represent transitional costs and that efficiencies and productivity improvements are realised as these initiatives are implemented. However, we do not consider any adjustment to ICT costs is appropriate to account for this, noting:

- Aurizon Network has proposed refinements to the allocation of IT costs, which result in a more causal allocation of corporate ICT costs and a reduction of \$2.6 million in allocated corporate ICT costs
- Aurizon Network has committed to a minimum annual cost reduction of \$2 million from corporate overheads arising from a corporate cost review it undertook in 2025
- we have not identified any specific instances of non-recurring ICT costs.

Separately, we consider that increases in real estate costs appear reasonable. This increase is partly driven by rental revaluations undertaken by an independent external valuer, which we consider reasonable given the arm's-length nature of the rental arrangement between Aurizon Group and

⁸³ Aurizon Network's ICT costs are primarily corporate overheads associated with centrally provided IT services. The remaining ICT costs are included in direct CQCX opex and are associated with ICT services in the areas of planning and scheduling and operational technology.

⁸⁴ Arcadis, *Independent review of Aurizon Network's 2025 UT5 DAAU non-electric operating expenditure analysis*, May 2026, p 27.

⁸⁵ Aurizon Network, sub 1, p 130.

⁸⁶ Arcadis, *Independent review of Aurizon Network's 2025 UT5 DAAU non-electric operating expenditure analysis*, May 2026, p 27.

⁸⁷ For instance, Aurizon Network proposed a step change to account for the recruitment of 3 dedicated cyber security specialists within its asset management team (see section 4.2.4)

⁸⁸ Arcadis, *Independent review of Aurizon Network's 2025 UT5 DAAU non-electric operating expenditure analysis*, May 2026, pp 27-28.

Aurizon Network. The residual increase is in line with recent evidence of rental inflation in Queensland.⁸⁹

Refinements to allocation of corporate overheads

To forecast corporate overheads for the regulatory period, Aurizon Network has applied a cost allocation methodology that is largely consistent with the process we reviewed as part of the 2017 DAU and is embedded in its approved costing manual.⁹⁰

However, Aurizon Network has proposed some refinements to its approach for allocating certain corporate cost functions, resulting in a reduced allocation of corporate overhead costs overall (see Figure 9). We consider these refinements are appropriate, with the exception of Aurizon Network’s proposed approach to allocating board and CEO costs (Table 13).

Table 13: Aurizon Network’s proposed refinements to the allocation of corporate overheads

Proposed change in cost allocation	Our analysis
<p>Board and CEO costs</p> <p>Change in cost allocator. Allocate costs based on a weighted average of FTEs and EBITDA.⁹¹</p> <p>Changing the allocator from direct costs leads to an increase of \$1.1 million in the allocated cost.</p>	<p>We do not consider the proposed approach to allocating Board and CEO costs has been justified by Aurizon Network.</p> <p>EBITDA exhibits some volatility over time across the different business segments of Aurizon Holdings. As observed by Arcadis, this partly reflects inherent volatility in business segments exposed to commodity markets, demand cycles or structural change.⁹²</p> <p>Further, it could be argued that some board and CEO attention would be devoted to business segments with emerging growth opportunities, and this would not necessarily be captured by the share of current revenues. For example, the QRC argued that Aurizon Holdings has stated that it has a core strategic goal to double the size of its bulk freight division by the end of this decade.⁹³ It is also unlikely the board and CEO would spend little to no time on the loss-making segments of the business, as implied by this approach.</p> <p>Taking these factors into account, we consider it is appropriate to retain direct costs as the allocator for board and CEO costs.</p>
<p>Safety and Human Resource partners</p> <p>Transfer the following cost functions from corporate overheads to CQCN indirect opex:</p> <ul style="list-style-type: none"> • People partnering (\$0.9m) • Safety partnering (\$1.3m) 	<p>We consider the proposed approach to allocating safety and human resource partners costs is appropriate.</p> <p>These functions are specific to Aurizon Network. We consider the revised allocation is appropriate, as it results in a more direct attribution of these costs. A dedicated capability within Aurizon Network will enable it to meet its increased safety obligations and workforce management requirements and support operational</p>

⁸⁹ Arcadis, *Independent review of Aurizon Network’s 2025 UT5 DAAU non-electric operating expenditure analysis*, May 2026, p 14.

⁹⁰ Aurizon Network, sub 1, p 150.

⁹¹ Aurizon Network (sub 1, p 153) considered the revised approach results in an allocation that is more consistent with what it would incur as a stand-alone business.

⁹² Arcadis, *Independent review of Aurizon Network’s 2025 UT5 DAAU non-electric operating expenditure analysis*, May 2026, p 15.

⁹³ QRC, sub 18, p 8.

Proposed change in cost allocation	Our analysis
	performance and risk management. ⁹⁴ Dedicated cost centres will be set up for these functions.
Information technology In addition to FTEs, costs for outsourced services are now allocated using metrics including number of computer devices and number of end users. Some costs are directly attributable.	We consider the proposed approach to allocating information technology costs is appropriate. Aurizon Network's proposed refinements result in a more causal allocator. These refinements also result in a lower share of ICT costs being recovered from the Network business. Refinements in the allocation approach have resulted in a reduction of \$2.6 million in allocated costs

4.2.4 Step changes

Aurizon Network's proposed step changes for the regulatory period are summarised in Table 14.

Table 14: Aurizon Network's proposed step changes (\$ million, 2024-25 dollars)

Step change	2027-28	2028-29	2029-30	2030-31	2031-32
Daily rolling plan	1.5				
OT – cyber specialists	0.7	0.7	0.7	0.7	0.7
Regulatory reset	–	–	–	0.3	0.3
Network control centre	1.1	1.1	1.1	1.1	1.1
Total	3.3	1.8	1.8	2.1	2.1

OT: operational technology

Note: Numbers may not add due to rounding. Aurizon Network's proposed step changes for OT – cyber specialists and the network control centre are continued throughout the entire reset period (until 2036-37). Additionally, Aurizon Network has proposed a \$1.5 million step change spread over 2034-35 and 2035-36 for the development of regulatory arrangements for the following regulatory term.

Source: Aurizon Network's submitted models.

We consider that proposed step changes should be material enough so that the costs could not reasonably be met by an efficient entity operating within business-as-usual budget constraints through prudent prioritisation of expenditures, or be otherwise mitigated. Step changes account for future prudent and efficient incremental costs that satisfy at least one of these requirements:

- The change is necessary to fulfil new or changed binding statutory or regulatory obligations.
- The change is reasonably required to achieve an outcome that is explicitly endorsed by customers or reflects broadly accepted changes in community expectations in relation to corporate responsibility (such as commitment to climate change mitigation).
- The change is not already funded through other components of other approved allowances (to avoid double counting of costs).
- The change represents cyclical activities that are not within annual business-as-usual budgets.

While we consider that most of the proposed step changes are reasonable, we do not consider that a step change for Aurizon Network's development of allowable revenues for the second reset period is justified. Our reasoning is set out below.

⁹⁴ Arcadis, *Independent review of Aurizon Network's 2025 UT5 DAAU non-electric operating expenditure analysis*, May 2026, pp 23-24.

Daily rolling plan – incremental licence fees

The daily rolling plan is an operational planning process supported by underlying ICT systems and tools, which has recently become a business-as-usual practice embedded in the system rules.^{95,96} The daily rolling plan initiative was developed, trialled and embedded in consultation with customers.

As part of this process, Aurizon Network trialled the use of RACE, a network planning and scheduling tool, on a daily rolling basis. Aurizon Network entered into a contractual agreement for an additional license fee for RACE Planner (of \$500,000 per annum) should the trial succeed.⁹⁷

While these additional licence fees are reflected in the non-electric opex allowance from 1 July 2027, Aurizon Network's proposed step change reflects the associated costs that are incurred by Aurizon Network before the first reset period (from 2024-25 to 2026-27). The QRC supported efficient licensing costs being included as a one-off step change, provided we conclude the cost is efficient, noting:

- Aurizon Network advised customers of the incremental licensing costs prior to their final vote on continuation of the daily rolling plan
- the 2024 approved system rules provided for Aurizon Network to recover associated prudent incremental costs through a DAAU.⁹⁸

We have assessed the proposed step change as reasonable. Taking Arcadis's advice into account, we consider the daily rolling plan represents a legitimate operational enhancement.⁹⁹ We consider that the incremental licensing costs were reasonably required to implement the daily rolling plan, which was explicitly endorsed by customers. Moreover, the incremental licensing fee is the result of a competitively negotiated arrangement.¹⁰⁰ These backdated costs have not been included in other components of Aurizon Network's allowable revenues to date.

Aurizon Network recognised that this is of a different nature to the forward-looking costs that are typically captured as a step change to the base year – but noted that the recovery of these costs would otherwise be sought via the lodgement of a DAAU.¹⁰¹ We acknowledge that capturing these costs as a step change as part of this process will reduce the administrative burden associated with submitting a separate DAAU.

Operational technology (OT) – cyber specialists

Aurizon Holdings is currently executing a multi-year cyber security transformation program, which, amongst other things, aims to protect the organisation from evolving digital threats. Aligned with this program, Aurizon Network is focusing on the protection of OT, which includes critical systems supporting network operations.¹⁰²

⁹⁵ The system rules specify the way in which Aurizon Network will plan, schedule and control the operation of train services on one or a combination of coal systems, and are approved in accordance with cl 7A.7 of the 2017 AU.

⁹⁶ Aurizon Network, sub 1, p 160. The process to trial the daily rolling plan was included in the 2024 system rules.

⁹⁷ In 2025, Aurizon Network embedded the daily rolling plan process into the approved CQCN system rules. See QCA, [Aurizon Network's 2025 review of system rules](#), decision notice, October 2025.

⁹⁸ QRC, sub 18, p 15.

⁹⁹ Arcadis, *Independent review of Aurizon Network's 2025 UT5 DAAU non-electric operating expenditure analysis*, May 2026, p 29.

¹⁰⁰ Aurizon Network, sub 1, p 160.

¹⁰¹ Aurizon Network, sub 1, p 161.

¹⁰² Including signalling equipment, electrical traction, communication networks and the control centre. Aurizon Network, sub 1, p 162.

Aurizon Network proposed a step change to account for the recruitment of 3 dedicated cyber security specialists within its asset management team. These cyber security roles are as follows:

- OT cyber security risk specialist – security architecture, asset risk treatment and governance
- OT cyber defence analyst – cyber incident detection and response
- OT cyber security engineer/architect – systems and process compliance.¹⁰³

We accept that Aurizon Network will require additional, suitably qualified personnel to address these evolving cyber security risks and maintain a secure and resilient IT environment.¹⁰⁴ We consider that the proposed step change reflects Aurizon Network's response to cyber security policies being implemented across the organisation. The QRC acknowledged the necessity of maintaining strong cyber security arrangements across Aurizon Network's information and operational technology systems.

These costs were yet to be incurred and did not directly form part of the 2024-25 base-year non-electric opex allowance.¹⁰⁵ We consider that Aurizon Network's forecast costs associated with these roles are reasonable. The proposed step change associated with hiring the cyber security specialists has been reviewed in the context of the broader ICT assessment.

Regulatory resets

Aurizon Network proposed to include the following step changes to account for additional costs incurred as part of upcoming regulatory processes:

- \$0.5 million spread over 2030-31 and 2031-32 for the development of its allowable revenues for the second reset period
- \$1.5 million spread over 2034-35 and 2035-36 for the development of regulatory arrangements for the following regulatory term, which will occur before the expiry of the 2025 UT5 DAAU term.

Aurizon Network considered that the step change for anticipated consultancy expenditure as part of these review processes is a legitimate and necessary expense.¹⁰⁶ The QRC acknowledged that Aurizon Network will incur additional costs associated with regulatory resets – but questioned the proposed allowance for the development of allowable revenues for the second reset period.¹⁰⁷

We do not accept Aurizon Network's proposed step change relating to the development of its allowable revenues for the second reset period.

Part 6A of the 2025 UT5 DAAU outlines the process for updating certain allowable revenue inputs before the start of the second reset period (see section 7.4). The updates to these inputs are largely procedural or computational in nature, with the 2025 UT5 DAAU clearly specifying the methodology that is to be applied to update those inputs. It is not clear that this process will impose material costs on Aurizon Network or require external advice, in addition to the costs it incurs as part of undertaking the annual review of reference tariffs.

¹⁰³ Aurizon Network, sub 1, pp 162-163.

¹⁰⁴ Arcadis noted that these additional roles are intended to support the protection and resilience of operational systems and are aligned with the requirements of a safety-critical rail environment. Arcadis, *Independent review of Aurizon Network's 2025 UT5 DAAU non-electric operating expenditure analysis*, May 2026, p 30.

¹⁰⁵ The cyber security roles are forecast to be allocated 100% to support costs. Aurizon Network, sub 1, p 163.

¹⁰⁶ Aurizon Network (sub 1, pp 163-164) submitted that these costs are cyclical in nature, with costs associated with preparing for the 2025 UT5 DAAU removed from the efficient base year.

¹⁰⁷ QRC, sub 18, p 14.

In addition to updating these inputs, Part 6A of the 2025 UT5 DAAU includes arrangements to provide for Aurizon Network to propose a reset change event (an adjustment to certain parameters), where a defined trigger event occurs (explained in section 7.4).

With the exception of undertaking a review of the economic life constraint of the Moura system, it is not certain that the predefined trigger events, or resulting regulatory reviews, will occur. In any case, we do not consider that a \$0.5 million step change has been justified:

- The nature of these reset change events does not justify a material increase in legal fees, given the processes for reviewing these parameters are outlined in the 2025 UT5 DAAU.
- It is unclear whether external advice would be required to update these parameters, even where a reset change event occurs.

Thus, our view is that these change events will not result in increased costs that are sufficiently material such that the costs could not reasonably be met by an efficient entity operating within its escalated business-as-usual budget constraints. The QRC submitted that it would be surprised if the external costs associated with a mid-term reset were likely to be sufficiently material to warrant a specific step allowance.¹⁰⁸

In any case, the 2025 UT5 DAAU provides for Aurizon Network to submit a DAAU to vary the relevant components of the non-electric opex allowance where a material change in circumstances results in actual costs for those components exceeding the corresponding allowance provided.¹⁰⁹ This process provides an opportunity for Aurizon Network to propose any required step changes, based on a more informed forecast of additional costs resulting from any reset change events.

We consider that the \$1.5 million step change spread over 2034-35 and 2035-36 for the development of regulatory arrangements for the following regulatory term is reasonable. Legal and consultancy services are a feature of these types of cyclical regulatory reviews, which will result in an increase in costs that is not within annual business-as-usual budgets. We consider that Aurizon Network's forecast additional cost is reasonable, having regard to the costs incurred as part of its 2025 UT5 DAAU proposal.

Network control centre refurbishment

We accept Aurizon Network's proposed step change for the refurbishment of its network control centre. Aurizon Network submitted that the upgraded facility aligns with the standards expected of a modern control centre – whereas the previous fit-out, which dated back to circa 1985, is no longer fit for purpose.¹¹⁰

Arcadis considered the refurbishment to be a legitimate operational requirement rather than discretionary enhancement. The proposed refurbishment is understood to address asset condition, functionality and operational requirements, including the need to support staff working in a high-reliability, real-time control environment.

The refurbishment costs were subject to a competitive tender process. Given the building is owned by Aurizon Property, the refurbishment costs have been capitalised to the building. Aurizon Network engaged Savills to undertake an independent valuation and determine an appropriate annual charge for the network control centre refurbishment.¹¹¹

¹⁰⁸ QRC, sub 18, p 14.

¹⁰⁹ 2025 UT5 DAAU, cl 6A.3(c)(ii)(B). Aurizon Network may only submit a DAAU to vary these components where its cumulative actual costs are not more than 3% below the equivalent cumulative allowance, for the 4-year period between 1 July 2027 and 30 June 2031.

¹¹⁰ Aurizon Network, sub 1, pp 164-165.

¹¹¹ The annual charge is equivalent to the associated depreciation of the refurbishment assigned to Aurizon Network.

4.2.5 Trend growth

Aurizon Network proposed trend growth for opex for the 2025 UT5 DAAU period based on input price inflation and a compounding annual efficiency factor.

Input price inflation

Aurizon Network applied forecast changes in 2 indices to escalate its adjusted base year non-electric CQCN opex over the regulatory period:

- forecast change in the consumer price index (CPI) for non-labour opex – which comprise around 12% of Aurizon Network's direct and indirect opex and 70% of corporate overheads in the base year
- forecast change in the wage price index (WPI) for labour cost – which comprise about 88% of Aurizon Network's direct and indirect opex, and 30% of corporate overheads.

Aurizon Network's proposed cost escalators used to estimate its opex throughout the regulatory period are outlined in Table 15.

Table 15: Aurizon Network's proposed cost escalators (%)

	2027-28	2028-29	2029-30	2030-31	2031-32
CPI (for non-labour costs)	2.68	2.78	3.02	2.93	2.77
WPI (for labour costs)	3.44	3.74	3.89	3.62	3.39
Weighted average					
CQCN input costs	3.35	3.62	3.79	3.54	3.32
Corporate overheads	2.91	3.07	3.28	3.14	2.96

Source: Aurizon Network's submitted models.

Aurizon Network used a forecast of the Brisbane CPI provided by Oxford Economics.¹¹² Aurizon Network considered that this is consistent with the QCA's 2021 position paper on inflation forecasting, as it is based on a location-specific cost escalator which better reflects the underlying cost drivers for its non-labour costs than the national CPI inflation measure.¹¹³

For WPI, Aurizon Network used the All Industries Private WPI, which it considers to be more appropriate to its business and operating environment than the Queensland Treasury WPI forecasts. Aurizon Network used escalation rates in its current enterprise agreements to escalate labour costs in 2025-26 and 2026-27.

Oxford Economics projected that stronger economic and employment growth in Queensland relative to the national average would result in higher Brisbane CPI outcomes over the pricing period, relative to national CPI outcomes.¹¹⁴ Over the period, Oxford Economics projected that Brisbane CPI would average over 2.8%, which it considered would be a little over 0.1% above the national average.¹¹⁵ Over the medium to long term, Oxford Economics projected that national CPI would average close to 2.7%.

¹¹² Aurizon Network, sub 1, attachment G: Oxford Economics report.

¹¹³ Aurizon Network, sub 1, p 167.

¹¹⁴ Aurizon Network, sub 1, attachment G: Oxford Economics report, p 15.

¹¹⁵ Aurizon Network, sub 1, attachment G: Oxford Economics report, p 15.

Overall, we consider Aurizon Network's proposed input cost escalators are reasonable. We note that customers supported Aurizon Network's proposal to measure trend movements in costs by a weighted index, with WPI to be applied to the labour proportion of costs and CPI to be applied to all other costs.¹¹⁶ We consider it is reasonable to use a forecast of Brisbane CPI to escalate non-labour costs in circumstances where local cost drivers are expected to diverge from national drivers. Aurizon Network's WPI forecasts for 2027-28 and 2028-29 are largely in line with Queensland Treasury forecasts of 3.5% and 3.75% respectively.¹¹⁷ We note that Aurizon Network's non-electric opex allowance is adjusted to reflect actual CPI and WPI throughout the regulatory period, as part of the annual review of reference tariffs.

Efficiency factor

Aurizon Network proposed an ongoing annual efficiency factor of 0.5% to be applied to direct and indirect CQCX opex from 2025-26. Aurizon Network proposed to apply this adjustment by netting off the efficiency factor from the associated input cost escalation rates.

Aurizon Network did not apply the efficiency factor to corporate overheads on the basis that it has committed to a minimum annual cost reduction of \$2 million arising from a corporate cost review it undertook in 2025. Aurizon Network proposed a negative step change of \$2.9 million to corporate overheads to account for this saving.

An ongoing efficiency factor should capture efficiencies that a business at the production frontier (i.e. among the best performing comparable businesses) can expect to achieve, as the frontier shifts over time to reflect increasing productivity from improvements in technology and management practices.

We consider Aurizon Network's proposed efficiency factor is reasonable. The Australian Bureau of Statistics (ABS) estimates an annual growth rate in market sector multifactor productivity (MFP)¹¹⁸ at 0.5% on an hours worked basis over the most recent growth cycle (1998-99 to 2021-22).¹¹⁹ Separately, we consider it reasonable that Aurizon Network has developed a detailed efficiency plan for corporate overheads in lieu of an efficiency factor. The QRC's rail working group supported Aurizon Network's annual efficiency adjustments.

4.3 Insurance costs

We do not consider it is appropriate to approve Aurizon Network's proposed allowance for insurance costs.

Aurizon Network's estimated insurance costs are set out in Table 16. In 2027-28, the proposed allowance is \$5.5 million more than the existing insurance cost allowance, which is set at a fixed nominal amount of \$9.1 million per year.

¹¹⁶ QRC, sub 18, p 5.

¹¹⁷ When contrasted with the CPI forecast, this translates to forecast real wage growth of 0.8% and 1.0% respectively. Real wage growth is then forecast to moderate, declining to 0.6% in 2031-32.

¹¹⁸ Multifactor productivity (MFP) measures productivity by comparing a measure of output produced with a measure of combined inputs used to produce that output.

¹¹⁹ ABS, *Australian System of National Accounts*, 2024-25 financial year, 'Table 14: Productivity in the market sector, growth cycle analysis', accessed 16 April 2026. The ABS determines growth cycles by reference to deviations from the long-term trend in productivity growth as well as general economic conditions; it averages productivity measures over a cycle to minimise the effects of some temporary influences on productivity. The most recent growth cycle is 1998-99 to 2021-22.

Table 16: Aurizon Network’s proposed base year insurance costs (\$ million)

	2027-28	2028-29	2029-30	2030-31	2031-32
Commercial insurance (excl electric)	7.7	8.0	8.2	8.5	8.7
Self-insurance	6.8	7.1	7.4	7.6	7.9
Total	14.6	15.1	15.6	16.1	16.6

Note: All figures are nominal. Numbers may not add due to rounding.

Source: Aurizon Network’s submitted models.

Aurizon Network’s proposed risk and insurance arrangements consist of a combination of commercial insurance policies and self-insurance (for uninsured risks and below-deductible insured risks) and the cost pass-through provisions in the 2025 UT5 DAAU.¹²⁰

As part of these arrangements, Aurizon Network has proposed an insurance cost allowance developed on an actuarial basis. The estimates combine:

- insurance premium costings for corporate and relevant industrial and special risks insurance provided by Marsh McLennan Pty Ltd (Marsh)¹²¹
- actuarial estimates of the self-insured risks of the CQCN provided by Finity Consulting Pty Ltd (Finity).¹²²

Aurizon Network submitted that both Marsh and Finity applied methodologies consistent with the approach we approved as part of our final decision on the 2017 DAU.¹²³ While we accept Aurizon Network’s approach to developing its proposed insurance costs, we do not consider that Aurizon Network has justified the recovery of certain insurance costs.

For commercial insurance, we do not consider that Aurizon Network has justified:

- recovering an allowance for civil liability and professional indemnity insurance premiums
- recovering an allowance for motor vehicle insurance premiums for motor vehicles other than those listed in its fixed asset register that are not fully depreciated
- a brokerage fee above 2% of Aurizon Network’s insurance premiums
- applying an alternative CPI forecast for 2025-26 to escalate commercial insurance premiums, which is significantly higher than the long-term forecast for CPI.

For self-insurance, we do not consider that Aurizon Network has justified:

- recovering an allowance for derailment losses that have been recovered by Aurizon Network from an insurance claim under a rail operator’s insurance coverage
- applying an additional 22% loading for expenses for derailment incidents.

Our reasoning is set out sections 4.3.1 (see Table 18) and 4.3.2 respectively below.

We acknowledge that it may be appropriate to include such insurance costs as part of Aurizon Network’s opex allowance if further justification is provided in response to our draft decision. We welcome further information in response to our draft decision.

Our preliminary view of appropriate insurance costs for Aurizon Network’s 2025 UT5 DAAU is outlined in Table 17.

¹²⁰ See 2025 UT5 DAAU, Sch F, cl 5.3.

¹²¹ Aurizon Network, sub 1, attachment E: Marsh report.

¹²² Aurizon Network, sub 1, attachment F: Finity report.

¹²³ Aurizon Network, sub 1, p 171.

Table 17: QCA draft decision – non-electric insurance costs (\$ million)

	2027-28	2028-29	2029-30	2030-31	2031-32
Commercial insurance (excl electric)	6.5	6.7	6.9	7.1	7.3
Self-insurance	5.3	5.5	5.8	6.0	6.2
Total	11.8	12.2	12.6	13.0	13.4

Note: All figures are nominal. Numbers may not add due to rounding.

4.3.1 Commercial insurance costs

Whilst Aurizon Holdings has a comprehensive insurance program that includes coverage for the activities of Aurizon Network¹²⁴, Aurizon Network does not have a separable premium.¹²⁵

Marsh estimated insurance premiums for 2025–26, for the proposed level of cover, at \$7.8 million. This is around \$4.5 million higher than its fixed nominal allowance established at the start of the 2017 AU.

Marsh estimated notional premiums based on a stand-alone insurance program placed via the retail insurance market.¹²⁶ The QRC considered that the external insurance premiums estimate should be based on assumptions consistent with Aurizon’s actual practice – that Aurizon Network can insure through its Aurizon’s captive insurer. The QRC outlined its concern that this is a significant factor in Marsh’s estimated insurance premium being so much greater than Aurizon Network’s actual insurance costs over the last 6 years.¹²⁷

We do not consider that Marsh’s approach of estimating the insurance premiums for a stand-alone insurance program is the primary driver for the increase in premiums since they were last estimated in 2016. The same approach was applied (by JLT) to determine Aurizon Network’s commercial insurance policies for our 2017 DAU final decision.¹²⁸

We consider that the increase in premiums largely reflects changes in the market environments and firm-specific circumstances. For instance, Marsh reported that the insurance market went through a significant hardening phase after 2016, until about 2023.¹²⁹ Premiums for various classes of insurance have seen significant increases over this period, including those associated with directors’ and officers’ liability, industrial special risks and contract works. Marsh also referenced the high inflationary trends over this period, with the inflation rate reaching 7.8% in the December quarter of 2022.¹³⁰

We do not consider that allocating a proportion of Aurizon Group’s premiums will necessarily provide a robust estimate of Aurizon Network’s actual insurance costs over time. The insurance coverage required by Aurizon Network will differ from what other parts of Aurizon Group require. As highlighted by Marsh’s analysis, changes in the insurance market, which are out of Aurizon Network’s control, may affect the premiums of individual insurance classes in different ways.

¹²⁴ Aurizon has a comprehensive insurance program in place, which includes cover for Aurizon’s property and general liability exposures through placement via a wholly owned captive insurance company (named Iron Horse Insurance Company). Aurizon Network, sub 1, attachment E: Marsh report, p 2.

¹²⁵ Aurizon Network, sub 1, p 171.

¹²⁶ Aurizon Network, sub 1, attachment E: Marsh report, p 12.

¹²⁷ QRC, sub, 18, pp 19-20.

¹²⁸ JLT, *Conceptual insurance program design and pricing: For Aurizon Network Access Undertaking 2017*, September 2016.

¹²⁹ This has resulted in a reduction in the availability of market capacity/insurers, imposing premium increases/retention increases and coverage cutbacks. See Aurizon Network, sub 1, attachment E: Marsh report, p 20.

¹³⁰ Aurizon Network, sub 1, attachment E: Marsh report, p 21.

Although establishing Aurizon Network’s benchmark commercial insurance costs based on a stand-alone insurance program is not representative of its actual arrangements, we consider that adopting a stand-alone assumption is reasonable in this instance. This will produce an estimate of insurance costs at the upper-bound of efficient costs. Marsh’s estimated notional premiums are based on:

- levels of cover consistent with Aurizon Network’s current level of cover under Aurizon Holdings’ insurance program
- deductibles that are in line with what would normally be expected to be carried by a company such as Aurizon Network for the appropriate risk of each insurance class.¹³¹

We have assessed whether the level of coverage and the underwriting information underpinning Marsh’s estimated premiums is reasonable for each policy (Table 18). We consider it is appropriate to reduce the annual commercial costs by \$1.1 million (in 2025-26 dollars), to reflect:

- excluding the civil liability and indemnity insurance premium
- a reduction in consultancy services fee – adjusted to be set at 2% of Aurizon Network’s insurance premiums
- a reduction in motor vehicle insurance – limiting insurance coverage to assets classed as motor vehicles in Aurizon Network’s fleet that have not been fully depreciated.

¹³¹ Aurizon Network, sub 1, attachment E: Marsh report, p 12.

Table 18: Assessment of Marsh’s insurance premium estimates (\$ million, 2025–26 dollars)

Class of insurance	Proposed premium	Our assessment
Industrial special risks	2.32	<p>The policy covers physical loss or damage to assets. It is based on the declared value of specified assets and assumes a deductible of \$0.5 million for any one claim, increasing to \$5 million for any one claim for rollingstock. The policy limit is \$200 million (or \$50 million for rollingstock).</p> <p>We consider the underwriting assumptions that underpin Marsh’s assessment are reasonable.¹³² The declared values for these assets have increased significantly since 2016. Aurizon Network confirmed that the values represent those assets that are owned by Aurizon Network only and are necessary for the provision of the declared service. Marsh also concluded that property insurance premiums have increased by around 90% over this time, due to the hard market.¹³³</p> <p>We consider that it is appropriate to approve the insurance premium allowance for industrial special risks.</p>
General liability	0.89	<p>The policy covers legal liability to third parties for claims arising from personal injury or property damage. It is based on estimated revenue, payroll and employees for 2025–26. It assumes a deductible of \$4 million for each claim and a policy limit of \$350 million.</p> <p>We consider that the underwriting assumptions that underpin Marsh’s assessment are reasonable. The declared values for revenue, payroll and number of employees broadly reflect those submitted by Aurizon Network in support of its regulatory proposal. Marsh reported that estimated increases in revenue and wages over this period are factors that have resulted in an increase in the estimate of this premium.¹³⁴</p> <p>We consider that it is appropriate to approve the insurance premium allowance for general liability.</p>
Directors’ and officers’ liability	1.94	<p>The policy indemnifies officers of Aurizon Network (or Aurizon Network itself) for losses in the event of legal action for alleged wrongful acts. It assumes a combined policy limit of \$100 million. Deductibles are assumed to be \$0.25 million for company reimbursement claims and \$7.5 million for securities claims.</p> <p>We note that the level of coverage underpinning Marsh’s assessment has been reduced, with the value of deductibles increased. Marsh reported that directors and officers liability premiums have increased by around 500% since 2016, as a result of the hard market.¹³⁵</p> <p>We consider that it is appropriate to approve the insurance premium allowance for directors and officers liability.</p>

¹³² The declared values for buildings, plant and machinery, contents, stock, dwellings, network assets and rolling stock were identified through an annual review process facilitated by the Aurizon insurance team.

¹³³ Aurizon Network, sub 1, attachment E: Marsh report, p 21. Aurizon Network, response to request for information, 8 May 2026.

¹³⁴ Aurizon Network, sub 1, attachment E: Marsh report, p 20.

¹³⁵ Aurizon Network, sub 1, attachment E: Marsh report, p 21.

Class of insurance	Proposed premium	Our assessment
Civil liability professional indemnity	0.46	<p>The policy provides cover for third party financial loss resulting from a breach of professional duties or services. It is based on a limit of indemnity of \$20 million. The notional premium is a percentage of the fee revenue of \$3 million, which Aurizon Network derives from professional services to third parties and assumes a deductible of \$0.25 million.</p> <p>We do not consider that Aurizon Network has demonstrated it is required to provide any professional services (of the type for which civil liability and professional indemnity insurance is required) as part of its provision of the declared service, or that any such costs should be directly recovered through reference tariffs.</p> <p>Aurizon Network identified examples of services and activities that it undertakes in respect of the CQCN, which it considered requires it to hold professional indemnity insurance.¹³⁶ These activities are attributable to services provided to specific parties. It is not clear that these activities are directly attributable to the provision of the declared service on standard terms, or that the associated additional costs are unable to be recovered via other arrangements with the relevant third parties.</p> <p>We consider that Aurizon Network has not justified including civil liability and indemnity insurance premiums as part of its opex allowance.</p>
Corporate travel	0.01	<p>The policy covers business travel by employees. It is based on the number of local and overseas trips per annum. The corporate travel insurance premium has decreased since our 2017 DAU final decision, reflecting a decrease in corporate travel over this period.</p> <p>We consider that it is appropriate to approve the insurance premium allowance for corporate travel.</p>
Consultancy services	0.30	<p>This represents the cost of engaging an insurance consulting firm for brokerage services.</p> <p>The QRC considered it is inappropriate to provide a separate provision for the notional cost to Aurizon Network if it were required to manage an external insurance program on a stand-alone basis.¹³⁷</p> <p>We consider that an allocation of Aurizon Group’s brokerage fee is more representative of an efficient allocation of Aurizon Group’s consultancy services costs to be recovered from Aurizon Network. We have reviewed the brokerage fee for the enterprise insurance program on a group-wide basis and the insurance premiums associated with those policies. We consider that a brokerage fee of 2% of total premiums is justified for estimating Aurizon Network’s brokerage fee.</p> <p>We consider that Aurizon Network has not justified a brokerage fee above 2% of its insurance premiums (\$0.13 million) for consultancy services.</p>
Contract works	0.87	<p>The policy covers material damage and third-party liability associated with contract work. It is based on Aurizon Network’s declared total annual contract value and deductibles of \$0.1 million (or \$0.5 million for major perils and named cyclones). Third party liability cover is based on a policy limit of \$20 million and is subject to a deductible of \$0.25 million.</p>

¹³⁶ Aurizon Network, response to request for information, 24 March 2026 and 17 April 2026. These include engineering studies, compliance reports to third parties, risk management advice, design of third-party rail infrastructure and worksite protection services.

¹³⁷ QRC, sub 18, p 22. The QRC submitted that Aurizon Network should continue to be allocated a share of Aurizon’s insurance management costs, using a causal allocator wherever possible.

Class of insurance	Proposed premium	Our assessment
		<p>We consider that the underwriting assumptions that underpin Marsh’s assessment are reasonable. The declared construction contract value relates to a range of construction activities including the asset renewals and construction works on Aurizon Network’s facilities. The estimated annual contract level has increased significantly since 2016. Marsh concluded that this increase in insurance premiums reflects increased construction values and the hardening insurance phase since 2016.¹³⁸</p> <p>We consider that it is appropriate to approve the insurance premium allowance for contract works.</p>
Motor vehicle	0.90	<p>Marsh’s insurance premium estimate is based on insuring a fleet of 940 motor vehicles, with a deductible of \$5,000.</p> <p>We consider it is appropriate to base Aurizon Network’s motor vehicle insurance premiums on motor vehicles listed in its fixed asset register that are not fully depreciated. We note that these assets are maintained in accordance with Aurizon Network’s motor vehicle fleet procedure, which outlines the replacement criteria for the fleet.¹³⁹ We recognise that Aurizon Network holds insurance for all vehicles, including fully depreciated motor vehicles, noting that in some instances these assets continue to remain functional and Aurizon Network would incur costs in replacing or repairing these assets. However, Aurizon Network obtains a return on these assets over the depreciation life of the assets (as part of its indirect maintenance allowance). We also recognise that certain vehicles in Aurizon Network’s fleet are classified as plant (not motor vehicles) in the asset register. Aurizon Network’s industrial special risk insurance premium includes coverage for its declared value of plant.</p> <p>The QRC considered it essential that we ensure that the inclusion of an allowance for motor vehicle insurance does not ‘double count’ motor vehicle related risks.¹⁴⁰We consider that the overall opex allowance should provide Aurizon Network with sufficient revenue to efficiently manage the repair and replacement of these assets over the regulatory period.</p> <p>We consider that Aurizon Network has justified an allowance for motor vehicle insurance premiums associated with covering 550 vehicles (\$0.48 million).</p>
Marine cargo	0.08	<p>The policy covers Aurizon Network for loss or damage to goods while being transported. Based on estimated revenue and assumes a policy limit of \$10 million and deductible of \$50,000. The marine cargo insurance premium has decreased since our 2017 DAU final decision, reflecting a decrease in the coverage level applied.</p> <p>We consider that it is appropriate to approve the insurance premium allowance for marine cargo.</p>

Note: Estimated premiums include statutory charges but exclude GST.
Source: Aurizon Network, sub 1, attachment E: Marsh report, pp 12-19.

¹³⁸ Aurizon Network, sub 1, attachment E: Marsh report, p 20.

¹³⁹ Aurizon Network, *Motor vehicle fleet procedure*, effective 26 September 2024.

¹⁴⁰ QRC, sub 18, p 20.

To determine a nominal allowance for the regulatory period, Marsh has applied a forecast CPI of 3% per annum from 2026–27. We consider it is reasonable to apply a forecast of 3% based on the increase in CPI in the June quarter of 2025.¹⁴¹

Separately, Marsh has applied its assessment of the ABS’s CPI series for insurance and financial services (of 5.2% as at the March quarter of 2025) to its 2025-26 estimates. We do not consider that applying an alternative forecast for 2025–26, which is significantly higher than the long-term CPI forecast, has been justified. Increases in Aurizon Network’s insurance premium estimates have not aligned with the CPI series for insurance and financial services since the commencement of the 2017 AU. Moreover, we note that Marsh has assessed that the insurance market is currently in a softening phase, in which increased capital flows into markets and insurers chasing market share are resulting in premium reductions.¹⁴² The QRC considered that there should be a consistent CPI forecast used in the construction of forecast nominal values of the various elements of allowable revenue.¹⁴³

4.3.2 Self-insurance costs

Aurizon Network proposed a self-insurance allowance to cover uninsured risks related to tracks and associated infrastructure, and below-deductible losses on insured risks.¹⁴⁴

In relation to uninsured risks, Aurizon Network’s proposal includes coverage and estimated premiums for derailments and third-party repairs (the cost of repairing damage to the network caused by third parties, net of any recovery made against the responsible party).¹⁴⁵ In relation to below-deductible losses, Aurizon Network’s proposal includes projected losses for public liability.

To estimate allowances for these self-insured risks, Finity estimated Aurizon Network’s future losses and calculated the corresponding notional premium.

Estimating future losses

In general, we consider that Finity’s actuarial analysis and estimate of projected costs is reasonable (Table 19). In forming this view, we have assessed whether Finity’s analysis is consistent with historic cost data and exposure projections underpinning its assessment. Finity’s approach to estimating future losses for each risk is largely consistent with the approach applied to estimate the self-insurance cost allowance under the existing arrangements, with losses based on historical observations.

Table 19: Finity’s approach to estimating future losses

Approach to estimating future losses	
Derailments	For all levels of severity ¹⁴⁶ , Finity has selected average losses and derailment frequencies based on the average over the last 8 years. There has been a significant decrease in derailment frequencies since 2012-13. This improved performance is captured in Finity’s assessment, with the more recent experience

¹⁴¹ Australian Bureau of Statistics, *Consumer Price Index, Australia*, March quarter 2026, ‘Table 18: Quarterly Group, Sub-group and Expenditure Class, Weighted Average of Eight Capital Cities’, accessed 15 May 2026.

¹⁴² Aurizon Network, sub 1, attachment E: Marsh report, p 10

¹⁴³ QRC, sub 18, p 22.

¹⁴⁴ Aurizon Network, sub 1, p 174.

¹⁴⁵ In accordance with the outcomes of its engagement with customers, Aurizon Network has not claimed coverage for weather-related infrastructure damage or operational dewirements. Aurizon Network is to recover these costs on a pass-through basis via the maintenance costs claim process. (Aurizon Network, sub 1, p 175; QRC, sub 18, p 24).

¹⁴⁶ A low severity derailment is classified as costing less than \$25,000; a medium severity derailment is classified as costing between \$25,000 and \$500,000; and a high severity derailment is classified as costing more than \$500,000.

Approach to estimating future losses

taken into consideration. The selected frequencies are lower relative to previous estimates.

Third-party repairs	Based on the 8-year average to 2024-25, Finity estimated the unit cost of third-party repairs at \$245 per track km in 2024-25 dollars, which includes protest costs of \$65 per track km. ¹⁴⁷ We consider that estimated losses are reasonable, given the increase in third-party repairs in recent years. Part of this increase in costs is driven by costs relating to protest events, which were not previously incurred.
Below deductible losses for public liability	<p>To estimate below deductible losses, Finity applied an estimate of annual losses per million dollars of turnover to projected annual turnover over the regulatory period.</p> <p>Finity estimated the net cost per million dollars of turnover based on the 14-year average from 2008-09 to 2021-22.¹⁴⁸ This is a lower unit cost compared to the existing self-insurance allowance, which largely reflects a lower deductible (\$0.5 million) being applied. This assumption is consistent with general liability insurance premiums estimated as part of the commercial insurance costs, which is based on a \$4 million deductible.</p> <p>Finity excluded claims from 2022-23 to 2024-25 in deriving the long-term average because liability claims take 30 months on average to be reported and claims in these years are therefore likely to be understated.¹⁴⁹</p>

However, Aurizon Network has confirmed that Finity's estimate of historic losses included derailment incidents that have been subject to an Aurizon Network insurance claim under a rail operator's insurance coverage.^{150,151}

We do not consider it appropriate to include derailment losses that have been recovered by an Aurizon Network insurance claim, as this may lead to double counting of these costs in establishing an overall insurance and risk allowance.

The QRC considered that the potential extent of this double recovery is substantial. The QRC considered that the historic cost of all derailment events should be adjusted to reflect insurance recoveries, so that the assessed loss per incident reflects only the uninsured portion of the cost.¹⁵²

Aurizon Network provided details of derailment incidents that have been subject to an insurance claim, including the amounts paid to Aurizon Network.¹⁵³ Having regard to this additional cost information, including the amounts recovered by insurance claims, reduces Aurizon Network's average annual historic losses since 2016-17 by around 16%. Therefore, we consider a 16% general reduction in derailment self-insurance costs is appropriate to reflect previous amounts that have been paid to Aurizon Network in response to a derailment event. This will avoid any double counting of these costs.

¹⁴⁷ Aurizon Network, sub 1, attachment F: Finity report, p 29.

¹⁴⁸ Aurizon Network, sub 1, attachment F: Finity report, p 31. Historical losses are capped at an assumed deductible of \$4 million.

¹⁴⁹ Aurizon Network, sub 1, attachment F: Finity report, p 31.

¹⁵⁰ The Standard Train Operators Deed requires train operators to effect and maintain insurance (including public liability insurance) for the risks and on the terms specified in Schedule 7 of the Deed.

¹⁵¹ Aurizon Network, response to request for information, 8 May 2026.

¹⁵² QRC, sub 18, p 26. Specifically, the QRC submitted that the Marmor derailment has a material impact on the estimated self-insurance premium. The QRC submitted that financial statements indicate that this derailment is subject to an insurance claim, which would result in a large insurance recovery.

¹⁵³ Aurizon Network, response to request for information, 8 May 2026 and 18 May 2026. Aurizon Network also identified additional cost information for 2016-17 to 2018-19 that was inadvertently omitted from the information provided to Finity.

We do not consider it is appropriate to reduce the self-insurance costs to account for claims that are still being assessed, given that any potential payments remain uncertain. Rather, we consider it appropriate to take a conservative approach¹⁵⁴ to estimating self-insurance losses, to ensure that Aurizon Network's overall allowance is commensurate with the commercial and regulatory risk associated with providing access to the CQCN. Overall, we consider that this appropriately balances the legitimate business interests of Aurizon Network, access holders and access seekers.

In future, we consider it appropriate for estimates to reflect historic costs that are not subject to Aurizon Network insurance claims.

Notional premiums

To derive notional insurance premiums corresponding to the estimated future losses, Finity has applied an additional 22% loading for expenses.¹⁵⁵ The loading reflects expenses that would be included in the premium that Aurizon Network would likely be charged if it approached the market to insure this risk—allowing for claims handling expenses, commission and acquisition costs.¹⁵⁶

This loading was only applied for derailments.

While the QRC submitted that Aurizon Network should be reasonably compensated for its expenses in managing derailment losses, it did not consider an external insurer's expenses provide a reasonable benchmark for these costs.¹⁵⁷ The QRC considered that any expenses incurred in managing or co-ordinating rectification works should already be reflected in Aurizon Network's non-electric CQCN opex, which are based on actual costs.¹⁵⁸

We do not consider that the loading for expenses has been justified by Aurizon Network. We consider that any claims handling expenses costs should be managed, and accounted for, within Aurizon Network's non-electric CQCN opex allowance. Aurizon Network's allowance has been set having regard to actual expenditure incurred by Aurizon Network in recent years, and we note that Finity is not forecasting an increase in derailments. Additionally, we do not consider that Aurizon Network will incur any commission and acquisition costs as part of its self-insurance program.

4.4 Allocation to non-coal services

We do not consider it appropriate to approve Aurizon Network's proposed allocation of non-electric opex to non-coal services.

As outlined above, Aurizon Network has proposed deductions to a number of functional areas of its non-electric opex in recognition of activities that do not relate to the provision of below-rail services (non-regulated activities).

While the CQCN is predominantly used by coal-handling services, non-coal train services also use the declared service.¹⁵⁹ In allocating opex related to the provision of the declared service, we consider it appropriate to also recognise the contribution that non-coal-carrying train services make to the costs of operating the CQCN.

¹⁵⁴ We consider that a 16% reduction is conservative, noting that no insurance claims have been settled since 2019-20, and Finity noted that liability claims take 30 months on average to be reported.

¹⁵⁵ Finity submitted that this loading is based on commercial property insurance benchmarks. Aurizon Network, sub 1, attachment F: Finity report, p 4.

¹⁵⁶ Aurizon Network, response to request for information, 8 May 2026.

¹⁵⁷ The QRC considered that an external insurer will bear significant expenses in managing the claims processes and coordinating rectification works.

¹⁵⁸ The QRC, sub 18, p 27.

¹⁵⁹ Access charges for non-coal train services are within the scope of the access undertaking.

Aurizon Network has deducted 5.1% of its proposed network train operations costs (\$1.3 million in 2026-27 dollars) to specifically reflect an allocation to non-coal traffic.¹⁶⁰ However, Aurizon Network has not applied a general allocation of its non-electric opex to non-coal services consistent with existing arrangements.¹⁶¹

Aurizon Network submitted that the exclusion of non-coal activities would have no impact on the forecast of both insurance and corporate overhead costs, and hence no general allocation remains necessary.¹⁶²

We do not consider that this approach to allocating costs amongst the parties is consistent with the system-based approach for determining the incremental costs associated with providing the declared service. Therefore, we do not consider that Aurizon Network has justified not including a general allocation of its non-electric opex for non-coal carrying traffic.

We consider it appropriate to continue to apply a general but conservative non-coal allocation of aggregate non-electric opex to recognise some of the costs associated with providing access to the declared service for non-coal traffic.

The QRC considered that Aurizon Network's allocation of costs to non-coal services is unreasonably low in comparison to both the contribution of these services to Aurizon Network's overall cost base, and to the revenue earned from these services. Moreover, the QRC considered it is unreasonable to limit the costs allocated to non-coal services if this then results in Aurizon Network earning much higher profit margins on those non-coal services than it is permitted to earn on coal services.¹⁶³

Aurizon Network submitted that, based on its discussions, the methodology for allocating costs is to be consistent with the approach applied in our 2017 DAU final decision, where this remains relevant and appropriate.¹⁶⁴

Therefore, we consider it appropriate to continue to apply a general deduction of 1.15% to those functional areas of non-electric opex that are 100% allocated to coal-handling services.¹⁶⁵ We consider that this approach has regard to the impact that non-coal traffic has on the costs of operating the CQCN. It also reflects that non-coal services are not an immaterial source of revenue for Aurizon Network.

Table 20: General non-coal allocation of non-electric opex (\$ million)

	2027-28	2028-29	2029-30	2030-31	2031-32
General non-coal allocation	0.4	0.4	0.4	0.5	0.5

Note: All figures are nominal. Numbers may not add due to rounding.

4.5 Electric opex allowance

We consider it is appropriate to approve Aurizon Network's proposed electric opex allowance.

Aurizon Network's proposed electric opex allowance recovers costs associated with:

¹⁶⁰ It is not clear how any other non-electric opex relating to the provision of the declared service expressly recognises an allocation for activities that relate to non-coal traffic.

¹⁶¹ A general deduction of 1.15% is currently applied to those functional areas of non-electric opex that are 100% allocated to coal-handling services. The 1.15% represented the 4-year average proportion of non-coal access charge revenue to total access charge revenue.

¹⁶² Aurizon Network, sub 1, p 180.

¹⁶³ QRC, sub 18, pp 2, 13.

¹⁶⁴ Aurizon Network, sub 1, p 145.

¹⁶⁵ We consider that this allocation to non-coal services is conservative, noting that Aurizon Network reported (sub 1, p 182) that non-coal revenue accounts now for around 1.5% of total below rail revenue, based on a 5-year average.

- distributing electricity transmitted from the National Energy Market to the overhead power distribution infrastructure, via connections with Transmission Network Service Providers (TNSPs)
- procuring insurance for electrical feeder stations.

Transmission and connection costs

Transmission charges are payable by Aurizon Network to the TNSPs and are determined in accordance with a regulatory framework underpinned by the National Electricity Rules (NER).

Transmission services provided at about two-thirds of Aurizon Network’s connection points are prescribed under the NER and are subject to regulatory oversight by the Australian Energy Regulator (AER), which determines the associated charges. These charges are updated annually by the TNSP using a methodology that is approved by the AER and is consistent with the NER.

Aurizon Network is the sole customer for transmission services provided by the TNSP at the remaining connection points and, consistent with the NER, negotiates connection charges for these services directly with the TNSP, under a framework overseen by the AER.

Aurizon Network is to submit any updates to allowable revenues associated with a change in the pricing of distribution and transmission entities as part of the annual review of reference tariffs process.¹⁶⁶ The 2025 UT5 DAAU also provides for the true-up of any over- or under-recovery of costs associated with the connection of Aurizon Network’s electrical traction system to an electricity transmission or distribution network.¹⁶⁷ These arrangements provide for any difference between forecast and actual costs to be passed through to end users.

As a placeholder for the regulatory period, Aurizon Network proposed to apply the transmission and connection costs that were approved as part of the annual review of reference tariffs for 2025–26. These costs reflect electricity transmission and connection charges notified by the TNSP in March 2025. Aurizon Network has escalated charges for prescribed connections using the annual regulatory CPI forecast. For non-prescribed connections, Aurizon Network has escalated the charges on a quarterly basis using the latest published CPI outcomes.

We consider this approach is reasonable, noting that Aurizon Network has used the most recent estimate available, and these values will be updated before each year in the regulatory period.

Table 21: Aurizon Network's proposed transmission and connection costs (\$ million)

System	2027-28	2028-29	2029-30	2030-31	2031-32
Blackwater	42.3	43.4	44.6	45.7	47.0
Goonyella	36.6	37.5	38.5	39.6	40.6
Total	78.8	80.9	83.1	85.3	87.6

Note: All figures are nominal. Numbers may not add due to rounding.
Source: Aurizon Network’s submitted models.

¹⁶⁶ 2025 UT5 DAAU, Sch F, cl 4.1(d)(i).

¹⁶⁷ 2025 UT5 DAAU, Sch F, cl 4.4(c)(iv).

Insurance for feeder stations

Aurizon Network proposed to recover insurance costs for the electrical feeder stations required to operate electric trains within the Blackwater and Goonyella systems.¹⁶⁸ This is consistent with the costs recovered as part of the existing electric opex allowance.

Aurizon Network has updated its estimated insurance costs for feeder stations to reflect the actuarial assessment undertaken by Marsh. An annual insurance premium of \$0.63 million for 2025–26 was applied for industrial special risks associated with electrical assets.

As outlined above, we consider that it is appropriate to approve the insurance premium allowance for industrial special risks. We have confirmed that this amount has not been recovered as part of Aurizon Network's insurance cost allowance.

4.6 Contingent projects

We consider it is appropriate to approve Aurizon Network's proposed contingent projects mechanism.

Aurizon Network proposed to include a contingent projects mechanism to recover the costs of future projects, where those projects could not be sufficiently scoped at the time of Aurizon Network's 2025 UT5 DAAU submission.¹⁶⁹

A contingent project:

- must be delivered by the Aurizon enterprise, with costs allocated to Aurizon Network's business as corporate overhead in accordance with the costing manual
- is limited to the technology and real estate, as outlined within the costing manual.¹⁷⁰

The following initiatives were identified as contingent projects by Aurizon Network:

- SAP enterprise resource planning replacement
- identity management, involving the implementation of cloud-based identity access management in alignment with obligations under the relevant legislation
- operational technology, involving the security layer between enterprise information technology and operational technology systems in alignment with obligations under the relevant legislation
- operational facilities, involving projects relating to new or upgraded operational facilities.¹⁷¹

These initiatives are further described in Aurizon Network's supporting submission. The core parameters of costs, scope and timing for these projects are not yet confirmed.¹⁷²

We consider that the contingent projects mechanism will support the continued operational performance of the rail infrastructure. These arrangements provide for Aurizon Network's non-electric opex allowance to reflect these new operational practices, where those costs are prudent and efficient.

¹⁶⁸ Aurizon Network, sub 1, p 127.

¹⁶⁹ Aurizon Network, sub 1, p 186.

¹⁷⁰ 2025 UT5 DAAU, Part 12.

¹⁷¹ 2025 UT5 DAAU, Part 12.

¹⁷² Aurizon Network, sub 1, p 187. Aurizon Network submitted that governance and approval of contingent projects is via the Aurizon Investment Committee, as those projects are enterprise-delivered programs.

5 Maintenance cost allowance

Aurizon Network's proposed allowable revenues include a maintenance cost allowance, based on forecast direct and indirect maintenance costs.

Draft decision – proposed maintenance cost allowance

Our draft decision is that it is appropriate to approve Aurizon Network's proposed approach for determining:

- direct maintenance costs throughout the regulatory period (section 5.1)
- indirect maintenance costs throughout the regulatory period (section 5.2).

We consider that Aurizon Network's proposed maintenance cost allowance:

- enables Aurizon Network to generate expected revenue that is at least enough to meet the efficient costs of providing below-rail services to coal-carrying trains
- appropriately balances Aurizon Network's legitimate business interests with the interests of access seekers and access holders.

5.1 Direct maintenance costs

We consider it is appropriate to approve Aurizon Network's proposed approach for determining direct maintenance costs for the regulatory period.

Aurizon Network's 2025 UT5 DAAU provides a process to approve a maintenance and renewals strategy and budget (MRSB) on an ex ante basis with customer involvement (see Box 4).¹⁷³ Through this process, Aurizon Network's maintenance indicator is developed annually based on an approved renewals strategy and budget.¹⁷⁴

¹⁷³ Aurizon Network must provide a draft of its renewals strategy and budget to the rail industry group (RIG) and non-coal access holders and customers and engage with its members on related matters, before voting end users decide whether they will approve the strategy and budget (cl 7A.11.3).

¹⁷⁴ 2025 UT5 DAAU, cl 7A.11.5(a). If there is no approved MRSB by 14 February of that year, Aurizon Network must submit, for our review, a maintenance indicator for the purpose of the annual review of reference tariffs.

Box 4: Framework for approving maintenance, renewals and asset replacement costs

Part 7A.11 of the 2025 UT5 DAAU provides the framework for assessing and approving of maintenance, renewals and asset replacement costs, which includes.

- an annual process for the pre-approval of a maintenance strategy and budget and a renewals strategy and budget (collectively referred to as the MRSB)¹⁷⁵
- an ex post approval process by the QCA, where allowable revenues are adjusted to reflect actual maintenance and renewals expenditure.¹⁷⁶

Under this framework, Aurizon Network is to develop a MRSB that annually outlines, amongst other things, the scope and budget of maintenance and renewals work being proposed. Aurizon Network is to consult on the MRSB with the rail industry group (RIG), as well as non-coal access holders and customers.¹⁷⁷

Following consultation, Aurizon Network must submit a MRSB to the RIG for consideration.¹⁷⁸ A special majority of end users is to either:

- approve Aurizon Network's proposed MRSB
- approve an alternative MRSB
- elect to not approve any MRSB.¹⁷⁹

Once a MRSB is approved (or accepted as an approved MRSB), Aurizon Network must submit a maintenance indicator and a capital indicator to the QCA for approval (if consistent with an approved MRSB).¹⁸⁰

Where actual maintenance and capital expenditure is inconsistent with an approved MRSB, or no approved MRSB exists, we will assess the prudence and efficiency of Aurizon Network's actual expenditure, in accordance with the 2025 UT5 DAAU.¹⁸¹

Aurizon Network has forecast direct maintenance costs for the first reset period based on the maintenance cost forecasts outlined for each of the coal systems in the MRSB for 2025–26.¹⁸² The approved MRSB outlines maintenance cost forecasts for each coal system up until 2029–30. For all remaining years, Aurizon Network has set the maintenance cost forecast to the equivalent 2029–30 value for each coal system, escalated annually at 2.66%.¹⁸³

¹⁷⁵ 2025 UT5 DAAU, cl 7A.11.3. Aurizon Network may undertake maintenance or asset replacement and renewal work that is inconsistent with an approved MSB or RSB (respectively), where Aurizon Network considers it prudent and efficient or necessary, in relation to safety, reliability or performance of the rail infrastructure (cl 7A.11.3(q)).

¹⁷⁶ 2025 UT5 DAAU, cls 7A.11.6, 7A.11.7.

¹⁷⁷ 2025 UT5 DAAU, cl 7A.11.3(b)

¹⁷⁸ 2025 UT5 DAAU, cl 7A.11.3(g)

¹⁷⁹ 2025 UT5 DAAU, cl 7A.11.3(j).

¹⁸⁰ 7A.11.5. If no MRSB has been approved by 14 February, Aurizon Network must still submit the relevant indicator, and the QCA will determine it in the absence of an approved strategy.

¹⁸¹ 2025 UT5 DAAU, cl 7A.11.7; Sch E, cl 2.

¹⁸² On 14 February 2025, a special majority of end users voted to approve the FY2026 renewal strategy and budget for all coal systems.

¹⁸³ Consistent with Aurizon Network's proposed placeholder forecast of inflation – see section 6.3.1.

Aurizon Network’s forecasts for direct maintenance costs over the first reset period are outlined in Table 27.

Table 22: Aurizon Network’s forecast maintenance costs (\$ million, start of year)

	2027-28	2028-29	2029-30	2030-31*	2031-32*
Blackwater	89.2	91.6	94.1	96.6	99.0
Goonyella	82.9	86.0	89.0	91.3	93.6
Moura	18.1	18.9	19.7	20.2	20.8
Newlands	7.1	7.8	7.6	7.8	8.0
GAPE	9.4	10.3	10.0	10.3	10.5
Total	206.6	214.6	220.4	226.1	232.0

* Maintenance cost forecast values for 2030-31 and 2031-32 are derived from the 2029-30 values and are subject to escalation by the inflation forecast of 2.66%.

Note: All figures are nominal. Numbers may not add due to rounding.

Source: Aurizon Network’s submitted models.

We consider it appropriate to use the direct maintenance cost forecasts in the most recently approved MRSB at the time of Aurizon Network’s regulatory submission as a placeholder for the maintenance cost forecasts for the regulatory period. These forecasts are developed by Aurizon Network in consultation with the RIG and are based on the best information available at the time. Aurizon Network noted that this approach to establishing a placeholder for forecast maintenance costs is consistent with the approach under the 2017 AU.¹⁸⁴

Aurizon Network is to submit its proposed maintenance indicator for 2027-28 (as well as an indicative maintenance indicator for each year of the regulatory period) as part of the annual review of reference tariffs for 2027-28.¹⁸⁵

5.2 Indirect maintenance

We consider it is appropriate to approve Aurizon Network’s proposed approach for determining indirect maintenance costs for the regulatory period.

Aurizon Network is required to invest in a range of plant and equipment, as well as maintain sufficient inventory, to support and deliver maintenance activities across the CQCN. It is appropriate for Aurizon Network to obtain a return on those assets (not included in the RAB).

Aurizon Network’s proposed indirect maintenance cost allowance comprises a return on the forecast cost base of the relevant plant and inventory at the start of each financial year, calculated with reference to the approved WACC.

The indicative indirect maintenance cost allowance by system for the first reset period is set out in **Table 23**.¹⁸⁶

¹⁸⁴ Aurizon Network, sub 1, p 44.

¹⁸⁵ 2025 UT5 DAAU, Sch F, cl 4.1(b)(viii).

¹⁸⁶ Aurizon Network’s proposed indirect maintenance cost allowance for the second reset period are placeholder values, which align with its proposed allowance for 2031-32.

Table 23: Aurizon Network’s proposed indirect maintenance cost allowance (\$ million)

System	2027–28	2028–29	2029–30	2030–31	2031–32
Blackwater	7.3	7.3	7.1	6.7	6.4
Goonyella	7.2	7.2	6.9	6.6	6.2
Moura	1.0	1.0	1.0	1.0	1.0
Newlands	0.5	0.5	0.5	0.5	0.5
GAPE	0.7	0.7	0.7	0.7	0.6
Total	16.7	16.7	16.2	15.4	14.6

Source: Aurizon Network’s submitted models.

The indirect maintenance cost allowance is to be updated each year to reflect updates to the approved WACC, as part of the annual review of reference tariffs. Aurizon Network is to submit an update to the indirect maintenance cost allowance for the second reset period, which must reflect a reasonable forecast cost base of Aurizon Network’s plant and inventory for each year of the period.¹⁸⁷

We consider that Aurizon Network’s proposal provides an appropriate basis for estimating the indirect maintenance cost allowance. Aurizon Network has maintained the same general approach for calculating its indirect maintenance allowance as the approach applied to estimate its current allowance for indirect maintenance.

We have reviewed Aurizon Network’s forecast cost base of plant and inventory for the first reset period (sections 5.2.1 and 5.2.2) and consider it provides an appropriate basis for estimating the indirect maintenance cost allowance.

5.2.1 Forecast cost base of relevant plant

We consider that Aurizon Network’s forecast cost base of the relevant plant is reasonable for the purpose of calculating the indirect maintenance cost allowance for the first reset period.

To determine the asset base of relevant plant for each year in the first reset period, Aurizon Network has:

- used the written-down value of existing plant and equipment from its fixed asset register
- forecast expenditure on new plant in future years
- depreciated the asset base for each year until the end of the reset period, reflecting the remaining useful lives of those assets

We consider that this approach provides a reliable method to derive the value of the relevant plant. It is consistent with the approach applied for the 2017 AU period, to date.

We have reviewed Aurizon Network’s asset register and did not identify any discrepancies or inconsistencies in determining the value of existing assets in the register. In particular, we have confirmed that:

- the fixed assets identified in the register, and their associated written-down values, reflect assets that have been previously approved or are broadly consistent with forecasts accepted in recent regulatory decisions

¹⁸⁷ 2025 UT5 DAAU, cl 6A.2(c)(v).

- the written-down value of the assets in the register continue to reflect the commission date and depreciation of that asset, consistent with assigned asset lives.

Aurizon Network’s proposed opening asset value for plant and equipment over the first reset period is set out in Table 24. The reduction in the value of plant for the first reset period reflects that it is premature to specify the cost and timing of certain future plant investments at this time.¹⁸⁸

The value of plant forecast for the first reset period is broadly consistent with the previous forecast that was used to inform Aurizon Network’s current allowance for indirect maintenance. The average value of plant over the 2025 UT5 DAAU period is approximately \$174.1 million per annum, compared to an average of approximately \$174.5 million per annum forecast for 2023–24 to 2026–27. This suggests that the value of plant assets required to support maintenance activities has been relatively stable.

Table 24: Aurizon Network’s proposed opening asset value for the relevant plant (\$ million)

Year	2027-28	2028-29	2029-30	2030-31	2031-32
Opening asset value	183.8	183.9	178.1	167.7	157.2
Total return on plant	14.3	14.3	13.9	13.1	12.2

Source: Aurizon Network’s submitted models.

Aurizon Network’s forecast plant expenditure over the period is primarily associated with maintaining and replacing existing assets used in maintenance activities. Aurizon Network identified motor vehicle and truck replacements, in accordance with its fleet replacement standards, as the primary categories of forecast plant expenditure contributing to the plant asset base. Other forecast expenditure relates to road rail vehicle (RRV) inspection vehicles, sleeper wagon replacements, minor capital expenditure across civil and other disciplines, and other plant and equipment used to support maintenance activities.¹⁸⁹

Aurizon Network advised that forecast plant expenditure is informed by an internal plant strategy developed by the Network Plant engineering team, in conjunction with other operational disciplines, which consolidates expected future plant requirements across the business.¹⁹⁰ The forecast amounts are primarily informed by expected replacement requirements, estimated overhaul timing and costs, fleet replacement standards, and previous expenditure patterns across relevant operational areas.¹⁹¹

We consider that Aurizon Network has adopted a reasonable approach to forecasting plant expenditure over the first reset period, given forecasts are informed by underlying plant requirements and operational needs across the CQCN.

5.2.2 Forecast cost base of relevant inventory

We consider that Aurizon Network’s forecast cost base of relevant inventory is reasonable for the purpose of calculating the indirect maintenance cost allowance for the first reset period.

¹⁸⁸ Aurizon Network, sub 1, p 48.

¹⁸⁹ Aurizon Network, sub 1, p 47.

¹⁹⁰ Aurizon Network, response to request for information, 8 May 2026.

¹⁹¹ Forecast expenditure generally reflects like-for-like replacement of life-expired assets, overhaul programs where required, and allowances for minor tools and equipment necessary to support maintenance and renewal activities. Allowances for the second reset period are placeholder values aligned with the proposed FY2032 expenditure level (the final year of the first reset period), with future plant requirements subject to ongoing engineering and operational review and determination in the next reset process.

To forecast the value of inventory associated with maintenance activities each year, Aurizon Network has:

- forecast total below-rail inventory holdings for each year of the first reset period
- estimated the proportion of inventory attributable to CQCN maintenance activities based on actual monthly inventory consumption rates
- applied the estimated maintenance inventory consumption rate to the forecast inventory holdings to calculate the level of stock on hand that is expected to be required for maintenance purposes.¹⁹²

This approach for estimating relevant inventory is consistent with the approach applied for the 2017 AU period, to date.

We consider that maintaining a level of inventory is necessary for undertaking maintenance activities and supports the procurement of required goods in an efficient manner.

Future inventory requirements are largely driven by forecast maintenance activities – as outlined in the MRSB. We note that Aurizon Network’s forward-looking forecast of maintenance costs is relatively stable for the next 4 years, which aligns with projected inventory holdings over the first reset period (Table 25).

Table 25: Aurizon Network’s forecast inventory holdings (\$m)

Year	2027-28	2028-29	2029-30	2030-31	2031-32
Total projected inventory	77.5	77.1	77.8	77.8	77.8
Total return on inventory	2.3	2.3	2.4	2.4	2.4

Source: Aurizon Network’s submitted models.

We have reviewed Aurizon Network’s inventory register for the last 2 recorded financial years (2023-24 and 2024-25). Aurizon Network is forecasting a significant reduction (12%) to the value of inventory on hand from the average level of inventory recorded for 2024-25. This reflects a spike in inventory levels observed for 2024-25, which Aurizon Network attributed to short-term operational and market conditions rather than a structural increase in inventory requirements. This short-term increase in inventory levels did not impact Aurizon Network’s forecast of inventory on hand for the first reset period.

Aurizon Network has applied a maintenance inventory consumption rate based on the most recent complete year of observed data (2024-25) – where an estimated 38.9% of inventory on hand was consumed for CQCN maintenance purposes. We consider that the use of the most recent observed consumption data provides a reasonable basis for estimating the proportion of inventory associated with maintenance activities over the first reset period.

Overall, we consider Aurizon Network’s forecast inventory holdings are appropriate for supporting maintenance activities over the first reset period.

¹⁹² Aurizon Network, sub 1, p 48.

6 Regulatory asset base and associated returns

Aurizon Network's proposed allowable revenues include revenue to recover:

- the regulatory depreciation of the regulatory asset base (RAB), net of inflationary gain
- a return on capital, which is calculated by applying an indicative placeholder rate of return of 7.79% to the RAB.

These components for the first reset period are based on indicative RAB amounts.

Draft decision – proposed RAB and associated returns

Our draft decision is that it is appropriate to approve Aurizon Network's proposed approach to:

- rolling forward the RAB throughout the regulatory period (section 6.1)
- determining the capital indicator (section 6.2)
- indexing and depreciating the RAB throughout the regulatory period (sections 6.3 and 6.4)
- determining the rate of return (section 6.5).

In considering the 2025 UT5 DAAU overall, we consider that Aurizon Network's proposed depreciation allowance and rate of return on the RAB provides for Aurizon Network to generate revenue that:

- recovers the efficient costs of providing access to the service¹⁹³
- promotes the economically efficient investment in, and use of, the CQCN.

6.1 Approach to rolling forward the RAB

We consider it is appropriate to approve Aurizon Network's proposed methodology for determining the indicative RAB values throughout the regulatory period.

Aurizon Network has determined its opening RAB value for 2027-28 (the first year of the first reset period) by rolling forward the most recently approved RAB value¹⁹⁴ and applying the roll-forward principles as outlined in the 2017 AU.¹⁹⁵ The roll-forward principles involve:

¹⁹³ Including a rate of return commensurate with its regulatory and commercial risks.

¹⁹⁴ QCA, *RAB roll-forward 2024-25*, letter to Aurizon Network, 14 January 2026.

¹⁹⁵ Schedule E of the 2017 AU requires Aurizon Network to annually roll forward the RAB, indexed by inflation and depreciated according to approved asset schedules. Provisions in the undertaking exist for maintaining and adjusting a capital indicator amount that represents the proposed (but not yet approved) capital expenditures.

- including a capital indicator to the RAB to reflect annual forecast capital expenditure for the remaining years of the regulatory period
- indexing the assets in the RAB to account for inflation
- depreciating assets in the RAB based on the endorsed lives of the assets.

To roll forward the RAB values throughout the regulatory period (from 2027-28), Aurizon Network has adopted the same general principles but has proposed to apply these principles using a different approach for calculating the indexation and depreciation of assets. Our consideration of these matters is outlined below.

Aurizon Network's resulting indicative opening RAB values for the first reset period are outlined in Table 26. The RAB amounts for each individual coal system are presented in Appendix D.

Table 26: Aurizon Network's proposed indicative RAB amounts (\$ million)

	2027-28	2028-29	2029-30	2030-31	2031-32
Opening asset value	6,125	6,122	6,092	6,042	5,987
plus capital expenditure	372	388	395	406	417
plus inflation	163	154	144	134	125
less depreciation	538	571	589	596	601
Closing asset value	6,122	6,092	6,042	5,987	5,927

Note: All figures are nominal. Numbers may not add due to rounding.
Source: Aurizon Network's submitted models.

We consider Aurizon Network's proposed indicative RAB amounts are based on the best information available at the time of submitting the 2025 UT5 DAAU. However, we note that the values used to determine the opening RAB value for 2027-28, as well as the values applied for each of the individual components used to roll-forward the RAB throughout the regulatory period, are indicative values that are subject to change.

Before the start of the first reset period, Aurizon Network is to submit an updated forecast of the RAB amounts for the first reset period as part of the annual review of reference tariffs for 2027-28.¹⁹⁶ An update to the forecast opening asset value for 2027-28 will constitute an endorsed variation event in accordance with clause 5.2 of Schedule F.¹⁹⁷

Removal of rail infrastructure west of Burngrove

Aurizon Network proposed to remove the value of rail infrastructure west of Burngrove (in the Blackwater system) from the RAB with effect from 1 July 2027, following the cessation of coal-carrying train services from the Minerva mine.¹⁹⁸

Aurizon Network submitted that this proposal has no implications for its allowable revenues for the regulatory period, noting that these assets were previously deferred for pricing purposes following the closure of the Minerva mine.¹⁹⁹ Aurizon Network confirmed that there has been no material change in the likelihood of alternative future coal demand to use this infrastructure since then.²⁰⁰

¹⁹⁶ 2025 UT5 DAAU, cl 6A.2(b)(iv).

¹⁹⁷ 2025 UT5 DAAU, Sch F, cl 5.2(f).

¹⁹⁸ Aurizon Network, sub 1, p 42.

¹⁹⁹ QCA, *Aurizon Network's Minerva DAAU – final decision*, decision notice, 16 February 2023.

²⁰⁰ Aurizon Network, sub 1, p 42.

The QRC supported the removal of the rail infrastructure west of Burngrove from the Blackwater system RAB. However, the QRC submitted that this should not provide Aurizon Network with an opportunity to revisit the depreciated optimised replacement costs (DORC) valuation in the event of a future mine development west of Burngrove. The QRC considered that Aurizon Network should provide a clear commitment that the value of the existing assets re-entering the RAB will be no greater than the value that would have applied had those assets remained in the RAB – in the event that coal-carrying train services recommence over this infrastructure in future.²⁰¹

We do not consider that such a commitment is necessary for it to be appropriate for us to approve the 2025 UT5 DAAU, noting that the value of assets entering Aurizon Network's RAB are subject to our approval. In reviewing Aurizon Network's proposed RAB amounts, we have confirmed that these assets have been excluded from Aurizon Network's pricing model.

6.2 Capital indicator values

We consider it is appropriate to approve Aurizon Network's proposed approach for determining capital expenditure forecasts for the regulatory period.

Aurizon Network's forecasts for capital expenditure over the first reset period, which are to be used as a placeholder for the capital indicator, are outlined in Table 27.

Table 27: Aurizon Network's forecast capital expenditure (\$ million, start of year)

	2027-28	2028-29	2029-30	2030-31 ^a	2031-32 ^a
Blackwater	151.7	167.8	175.8	180.5	185.3
Goonyella	156.8	157.5	159.7	164.0	168.4
Moura	22.4	21.1	24.2	24.9	25.5
Newlands	41.1	41.2	35.5	36.4	37.4
GAPE	–	–	–	–	–
Total	372.0	387.5	395.3	405.8	416.6

^a Capital indicator values for 2030-31 and 2031-32 are derived from the 2029-30 values and are subject to escalation by the inflation forecast of 2.66%.

Note: All figures are nominal. Numbers may not add due to rounding.

Source: Aurizon Network's submitted models.

As outlined in section 5.1, Aurizon Network's 2025 UT5 DAAU provides a process to approve a maintenance and renewals strategy and budget (MRSB), on an ex ante basis with customer involvement (see Box 4).²⁰² As part of this process, Aurizon Network's capital indicator is developed annually and is to be based on an approved renewals strategy and budget.²⁰³

Aurizon Network has forecast capital expenditure for the first reset period as a proposed placeholder for the capital indicator. The forecast expenditure is based on the renewals cost forecasts outlined for each of the coal systems in the MRSB for 2025-26.²⁰⁴ The approved MRSB

²⁰¹ QRC, sub 18, pp 28-29.

²⁰² Aurizon Network must provide a draft of its renewals strategy and budget to the RIG, non-coal access holders and customers and engage with its members on related matters, before voting end users decide whether they will approve the strategy and budget (cl 7A.11.3).

²⁰³ 2025 UT5 DAAU, cl 7A.11.5(c). If there is no approved MRSB by 14 February of that year, Aurizon Network must submit, for our review, a capital indicator for the purpose of the annual review of reference tariffs.

²⁰⁴ On 14 February 2025, a special majority of end users voted to approve the FY2026 renewal strategy and budget for all coal systems.

outlines capital expenditure forecast for each coal system up until 2029–30. For all remaining years, Aurizon Network has set the capital expenditure forecast to the equivalent 2029–30 value for each coal system, escalated annually at 2.66%.²⁰⁵

We consider it appropriate to use the renewals cost forecasts in the most recently approved MRSB as a placeholder for the capital indicator values over the regulatory period. These forecasts are developed by Aurizon Network in consultation with the RIG and are based on the best information available at the time. Aurizon Network noted that this approach to establishing a placeholder for the capital indicator is consistent with the current approach under the 2017 AU.²⁰⁶

Aurizon Network is to submit its proposed capital indicator for 2027–28 (as well as an indicative capital indicator for each year of the regulatory period) as part of the annual review of reference tariffs for 2027–28.²⁰⁷

6.3 Indexation of the RAB

We consider Aurizon Network’s proposed approach to indexing the RAB is appropriate to approve.

Aurizon Network’s proposal applies an indicative inflation forecast of 2.66% for the purpose of indexing the RAB.²⁰⁸

Aurizon Network proposed to apply a different approach to indexing the assets in the RAB depending on whether the assets are included into the RAB before 1 July 2027, or from that date. These different approaches are outlined below.

6.3.1 Forecasting CPI

Aurizon Network’s 2025 UT5 DAAU outlines the methodology for forecasting inflation to apply for the regulatory period.²⁰⁹

Aurizon Network has proposed to forecast inflation for each reset period by deriving the geometric mean of the annual forecasts produced over the relevant period, using:

- a 5-year forecasting term, which matches the length of the each reset period
- short-term RBA forecasts of headline inflation for the first 2 years (i.e. using the June 2028 and June 2029 forecasts for the first reset period)²¹⁰
- a linear glide path from the RBA’s short-term forecast to a rules-based anchor-point forecast in year 5 to derive the remaining 3 years’ forecasts, (i.e. from 2029–30 to 2031–32 for the first reset period).²¹¹

We consider it is appropriate to approve Aurizon Network’s proposed methodology to forecast inflation. Aurizon Network’s proposed approach is consistent with our preferred approach to

²⁰⁵ Consistent with Aurizon Network’s proposed placeholder forecast of inflation – see section 6.3.1.

²⁰⁶ Aurizon Network, sub 1, p 50.

²⁰⁷ 2025 UT5 DAAU, Sch F, cl 4.1(b)(ix).

²⁰⁸ As expected inflation is not observable, forecast inflation is used as an estimate of expected inflation.

²⁰⁹ 2025 UT5 DAAU, Part 12.

²¹⁰ Aurizon Network will update these forecasts using the most recently published RBA statement of monetary policy at the time of the risk-free rate averaging period for each reset period.

²¹¹ Aurizon Network has proposed that the fifth-year anchor point will be set based on the second-year inflation forecast. Where the second-year forecast is less than or equal to 2% a fifth-year anchor point of 2.25% will apply. If the second-year forecast is between 2% and 3%, a fifth-year anchor point of 2.5% will apply. If the second-year forecast is greater than or equal to 3%, a fifth-year anchor point of 2.75% will apply.

forecasting inflation, as outlined in our inflation forecasting guideline.²¹² Aurizon Network submitted that its proposed approach also reflected the outcomes of its engagement with customers.²¹³

Aurizon Network's indicative inflation forecast of 2.66% for the regulatory period is to be updated before the first and second reset periods start.²¹⁴

6.3.2 Indexation of assets entering the RAB

Aurizon Network's 2025 UT5 DAAU applies different approaches to indexing assets depending on whether those assets are included into the RAB before, or from, 1 July 2027.

Indexation of assets entering the RAB before 1 July 2027

Aurizon Network's 2025 UT5 DAAU indexes all assets that enter the RAB before 1 July 2027, using the methodology applied as part of the current RAB roll-forward principles.

That is, for determining maximum allowable revenues to be recovered over the regulatory period, forecast inflation is used to index the RAB. However, as part of the annual RAB roll-forward process, estimates of forecast inflation are replaced with actual inflation.²¹⁵ Given that indexation as part of the RAB roll-forward applies actual inflation, the value of Aurizon Network's assets that enter the RAB before 1 July 2027 are preserved in real terms.

We consider that this approach to indexing the RAB is appropriate and is consistent with our inflation forecasting guidelines.²¹⁶ In particular, it is consistent with targeting a real rate of return and then compensating investors for actual inflation.²¹⁷

Aurizon Network proposed allowable revenues deducts the inflationary gain on assets entering the RAB before 1 July 2027 to ensure that compensation for inflation is not recovered twice²¹⁸ – by applying a nominal WACC and indexing the asset base.

Table 28: Inflationary gains on assets in the RAB before 1 July 2027 (\$million, mid-year)

System	2027-28	2028-29	2029-30	2030-31	2031-32
Blackwater	69.7	65.7	61.5	57.2	53.2
Goonyella	49.8	46.8	43.7	40.7	37.9
Moura	9.8	9.3	8.7	8.1	7.5
Newlands	9.1	8.8	8.4	7.9	7.5
GAPE	15.7	14.9	14.0	13.1	12.1
Total	154.2	145.4	136.2	127.0	118.2

Note: All figures are nominal. Numbers may not add due to rounding.
Source: Aurizon Network's submitted models.

²¹² QCA, *Inflation forecasting*, final position paper, October 2021, p 41.

²¹³ Aurizon Network, sub 1, p 30.

²¹⁴ 2025 UT5 DAAU, cls 6A.2(b)(ii), 6A.2(c)(iii), Sch F, cl 4.1(d).

²¹⁵ 2025 UT5 DAAU, Sch E, cl 1.1(a)(i).

²¹⁶ QCA, *Inflation forecasting*, final position paper, October 2021.

²¹⁷ Our view is that this is best achieved by providing investors with an initial real return through revenues and then compensating them for inflation by indexing the RAB with actual inflation. Although compensation is achieved through RAB indexation, the primary aim is to maintain the real value of funds invested.

²¹⁸ In assessing Aurizon Network's proposed maximum allowable revenue, we have confirmed that the inflationary gain has been deducted from proposed allowable revenues.

Indexation of assets entering the RAB after 1 July 2027

Aurizon Network's 2025 UT5 DAAU proposal does not index assets that enter the RAB after 1 July 2027 for forecast inflation. That is, the value of assets entering the RAB after 1 July 2027 are not maintained in real terms over the regulatory period.

With no indexation applying to these assets, compensation for inflation solely occurs through the nominal WACC – no deduction for inflationary gain on these assets is required as part of determining the maximum allowable revenue.

To enable Aurizon Network to earn an internal rate of return that is equivalent to assets entering the RAB before 1 July 2027, and for it to be compensated for actual inflation, Aurizon Network's proposal makes an adjustment to the RAB during the annual roll-forward process that accounts for the difference between actual and forecast inflation.²¹⁹

We consider that Aurizon Network's proposed treatment of assets that enter the RAB after 1 July 2027 is appropriate. It provides for investors to continue to be compensated for actual inflation. We note that the majority of customers have expressed support for Aurizon Network's proposed treatment of assets that enter the RAB after 1 July 2027, as part of the overall package of arrangements proposed by Aurizon Network in its 2025 UT5 DAAU.

An outcome of Aurizon Network's proposed approach is that it will front-load the recovery of depreciation of these assets. The implications of adopting a quicker recovery of the asset base are considered in section 6.4.1.

6.4 Depreciation amounts

We consider it is appropriate to approve Aurizon Network's proposed approach to depreciating the RAB.

Aurizon Network's proposed indicative depreciation allowance for the first reset period is outlined in Table 29.

Table 29: Aurizon Network's indicative depreciation amounts by system (\$million, mid-year)

System	2027–28	2028–29	2029–30	2030–31	2031–32
Blackwater	230.9	247.5	256.9	255.7	253.4
Goonyella	175.9	185.0	187.7	190.7	196.0
Moura	31.0	33.3	35.3	37.6	39.6
Newlands	25.1	27.3	28.8	30.2	31.3
GAPE	47.6	49.5	51.4	53.4	53.2
Total	510.6	542.6	560.2	567.5	573.5

Note: All figures are nominal. Numbers may not add due to rounding.
Source: Aurizon Network's submitted models.

²¹⁹ 2025 UT5 DAAU, Sch E, cl 1.1(a)(ii).

Aurizon Network's general approach to calculating the depreciation amounts involves depreciating the RAB according to the approved asset life. The approved asset life reflects:

- an endorsed asset life for the relevant assets²²⁰
- the application of an accelerated depreciation profile to the assets, which differs depending on whether the assets enter the RAB before or after 2027–28 (see section 6.4.1)
- the economic life constraint of the relevant system (see section 6.4.2).

As part of the 2025 UT5 DAAU, Aurizon Network has proposed changes to the approach for calculating depreciation that have the effect of accelerating the recovery of the RAB.

Aurizon Network submitted that there has been increasing structural uncertainty associated with the long-term demand for coal-carrying train services in the CQCN, due to a changing regulatory environment²²¹ and changing medium- to long-term demand outlook.^{222,223} Aurizon Network considered that its proposed amendments to calculating regulatory depreciation:

- adopt a more precautionary approach to longer-term demand uncertainty
- retain the expectation that Aurizon Network will recover its investments in the RAB
- provide an appropriate rebalancing of risk between current and future users
- are modest and would not materially harm customers today.²²⁴

We have considered Aurizon Network's proposed approaches for accelerating the recovery of the RAB in the context of assessing whether the overall package of arrangements in the 2025 UT5 DAAU is appropriate to approve.²²⁵

We consider there is merit in Aurizon Network seeking to mitigate the risk that it does not recover the asset base by adopting policies that accelerate the recovery of the asset base. In forming this view, we note that:

- accelerating the recovery of the asset base changes the timing of cash flows to Aurizon Network to manage this risk, but not the costs that Aurizon Network is to recover
- prolonging the recovery of the asset base may limit the options available for Aurizon Network to address (or respond to) future changes in circumstances that affect the risk of long-term structural decline in demand for the services.

However, we consider the following matters also need to be weighed up in determining whether it is appropriate to accelerate the recovery of the asset base:

- the short-term financial implications for access holders – accelerating the recovery will initially increase the depreciation charges to be recovered from access holders
- the extent that capital costs are allocated between access holders and future access seekers over time, noting that future users that continue to use existing assets should contribute to the recovery of those assets.

²²⁰ The list of the approved asset lives is provided at Appendix E. Aurizon Network has not proposed any changes to the endorsed asset lives that were approved for the 2017 AU.

²²¹ Aurizon Network considered that the rate of change to achieve decarbonisation targets and the pathways both domestically and internationally remain highly uncertain.

²²² Aurizon Network submitted that coal export forecasts have effectively been steady state in recent years, with long-term demand uncertainty increasing the financial risks of investment in new infrastructure.

²²³ Aurizon Network, sub 1, pp 99–102.

²²⁴ Aurizon Network, sub 1, pp 100, 123.

²²⁵ In assessing the 2025 UT5 DAAU, we have given consideration to the extent that the overall package of arrangements mitigates, allocates and compensates risk.

An appropriate balance of these matters will promote the efficient use of, and investment in, the CQCN, as well as appropriately balance the legitimate interests of Aurizon Network, access holders and access seekers.

Our consideration of Aurizon Network's proposed approaches for accelerating the depreciation of the RAB are outlined below.

6.4.1 Accelerated depreciation profile

We consider it is appropriate to approve Aurizon Network's proposal to accelerate the recovery of the RAB.

Aurizon Network's 2025 UT5 DAAU applies different approaches to depreciate assets, depending on whether those assets are included into the RAB before or from 1 July 2027.

Depreciation of assets entering the RAB before 1 July 2027

For assets entering the RAB before 1 July 2027, Aurizon Network's 2025 UT5 DAAU applies an accelerated depreciation profile, using a rolling 20-year life.²²⁶

Compared to existing arrangements, Aurizon Network's proposed approach for depreciating the RAB has the effect of accelerating the recovery of those assets included in the RAB prior to the approval of the 2010 undertaking.²²⁷ Up to now, assets included before the approval of the 2010 undertaking have been depreciated on a straight-line basis over the endorsed asset lives – without applying the 20-year accelerated depreciation profile.

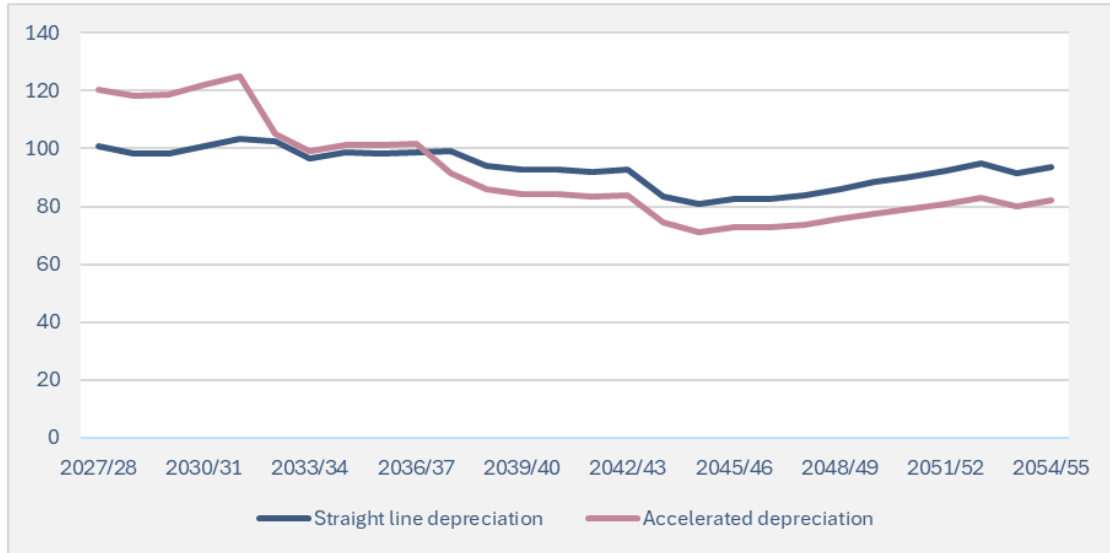
Thus, the 2025 UT5 DAAU will front-load the recovery of those assets – providing Aurizon Network with cash flows earlier than would otherwise be the case, where the life of the asset is beyond 20 years.²²⁸ In both the first and second reset period, the depreciation rate of those assets will be higher, which is offset by less depreciation in later regulatory periods (see Figure 10).

²²⁶ The lives of assets are capped at 20 years for depreciation purposes and reset at the commencement of each regulatory period. The lives of assets are to reset at 20 years (for depreciation purposes) at the reset of reference tariffs in 2032-33.

²²⁷ Since the approval of the 2010 Undertaking, a rolling 20-year accelerated depreciation profile is applied.

²²⁸ This arises due to a greater percentage of the initial asset base being returned each year when the number of time periods is reduced. For instance, the application of a rolling 20-year accelerated depreciation profile to an asset with an endorsed 50-year asset life, increases the first years' depreciation from 2% to 5%.

Figure 10: Annual depreciation amount for assets in the RAB before 1 July 2027 (\$ million)



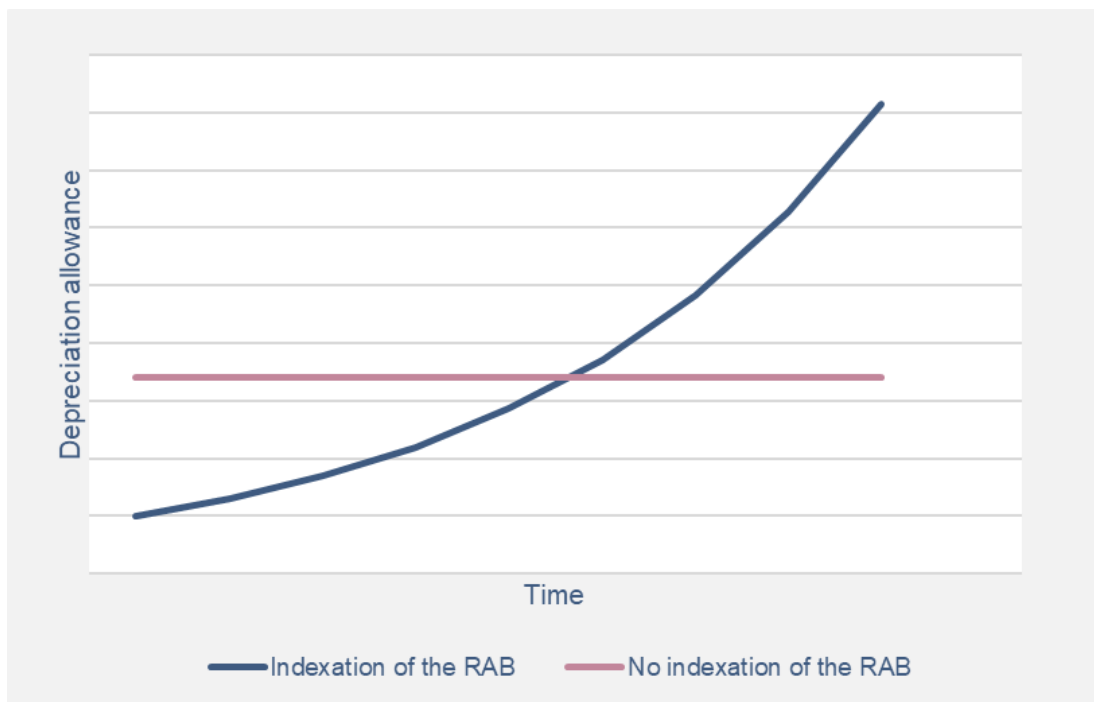
Note: All figures are nominal. To model differences in the annual depreciation amounts resulting from accelerating the depreciation profile of these assets, our analysis has set the economic life constraint for all assets at 2055. Source: QCA analysis.

Depreciation of assets entering the RAB from 1 July 2027

For assets entering the RAB from 1 July 2027, Aurizon Network has proposed to apply a straight-line depreciation profile according to the approved asset life. That is, the rolling 20-year accelerated depreciation profile will not be applied to these assets once they enter the RAB.

However, as outlined in section 6.3, Aurizon Network has proposed to not index assets entering the RAB prior to 1 July 2027, which will also front-load the recovery of depreciation of these assets (see Figure 11).

Figure 11: Stylised example of recovery of depreciation from the indexation approach



Changes to the treatment of the RAB that front-load the recovery of assets in the RAB will help mitigate the risk to Aurizon Network of not recovering the value of its RAB over the long term.

The proposed arrangements that front-load the recovery of the RAB will, considered in isolation, result in higher access charges over the regulatory period for access holders. However, accelerating the recovery of the RAB will not affect the present value of the RAB to be recovered. These arrangements will result in less depreciation allowance needing to be recovered from access charges in the years that follow this regulatory period.

We note that the majority of customers have expressed support for these arrangements, as part of the overall package of arrangements proposed by Aurizon Network in its 2025 UT5 DAAU. We consider that support for the 2025 UT5 DAAU reflects an alignment of the interests of Aurizon Network and those of its customers – with the parties having made their own assessment of the expected benefits and costs provided by the 2025 UT5 DAAU.²²⁹

In considering the 2025 UT5 DAAU overall, we are of the view that the proposed accelerated depreciation arrangements are in the interests of access seekers. Front-loading the recovery of the RAB will reduce the value of legacy assets that will need to be recovered in future years. Additionally, arrangements that mitigate risk to Aurizon Network of not recovering the value of its RAB will promote efficient investment in the CQCN.

6.4.2 Economic life constraint

Consistent with the current approach for depreciating the RAB, the 2025 UT5 DAAU applies a maximum economic life to the assets in the RAB.

A maximum economic life of 2055 is currently applied to the assets contained in each of the coal systems across the CQCN. Aurizon Network's 2025 UT5 DAAU proposal includes:

- reducing the maximum economic life of assets in the Moura system to 2048, to take effect from 1 July 2027
- maintaining the maximum economic life of assets in all other systems at 2055.

Economic life constraint of the Moura system

We consider that Aurizon Network's proposal to decrease the economic life constraint for assets in the Moura system is reasonable under the circumstances.

This proposal by Aurizon Network will in effect further front-load the recovery of assets in that system, with the effect of reducing the maximum life of assets in the Moura system to 21 years at the start of the first reset period.

In proposing this reduction, Aurizon Network outlined characteristics that it considered differentiate the Moura system from other coal systems within the CQCN, including:

- there is no interconnectivity with other coal systems
- there is a small number of operational coal mines in Moura, with system throughput predominantly represented by two coal mines
- output in the Moura system is expected to become predominantly thermal coal as the current Dawson metallurgical coal reserves deplete.²³⁰

²²⁹ We consider that customers would not be incentivised to support provisions that increase their own costs without receiving corresponding benefits.

²³⁰ Aurizon Network, sub 1, p 112.

This proposal seeks to address the uncertainty that Aurizon Network faces in relation to whether, and to what extent, resources of mines in the Moura system will continue to be developed over the long-term. Aurizon Network submitted that where demand, price or cost conditions are unfavourable, the tenement holder has the option not to develop the tenement.²³¹ Aurizon Network considered that the reported reserves from mines in the Moura system support its proposal (see Box 5).

Box 5: Evaluation of reported reserves in the Moura system

To evaluate the economic life constraint of the Moura system, Aurizon Network considered the reported reserves from mines in the system using two approaches:

- weighted average mine life (WAML) estimates based on current and known marketable reserves
- the longest-lived significant metallurgical coal mine in the Moura system.²³²

Aurizon Network commissioned Wood Mackenzie to develop WAML estimates for the Moura Coal system. Wood Mackenzie produced various WAML estimates for the Moura system, including for scenarios:

- using company-reported marketable JORC reserves, producing a WAML of 19 years
- using Wood Mackenzie's data of marketable production, producing a WAML of 22 years
- using Wood Mackenzie's data of marketable reserves, producing a WAML of 23 years.²³³

Additionally, Wood Mackenzie reported that the Dawson coal mine is expected to have the longest mine life among all coal mines in the Moura system based on Wood Mackenzie's expectation for resource to reserve conversion.²³⁴ Aurizon Network submitted that the existing metallurgical coal reserves for the Dawson complex are expected to be substantially depleted by the end of the current estimated reserve life of 23 years.²³⁵

Anglo American did not support reducing the economic life constraint for the Moura system from 2055. Anglo American submitted that Aurizon Network has not reasonably justified or established a real risk to support the proposed change in depreciation for the Moura system compared to the rest of the CQCN.²³⁶

²³¹ Aurizon Network, sub 1, p 115.

²³² Aurizon Network (sub 1, p 114) considered that the premise of the longest-lived substantive coal mine is that while the most significant mine or collection of mines continues to operate, it will likely remain economic for the owner of the facility to continue to service them.

²³³ Aurizon Network, sub 1, attachment D: Wood Mackenzie report, pp 19-21.

²³⁴ Aurizon Network, sub 1, attachment D: Wood Mackenzie report, p 17.

²³⁵ Aurizon Network, sub 1, p 114.

²³⁶ Anglo American, sub 17, pp 2, 11.

Furthermore, Anglo American submitted that reserves and resources can change from year to year, particularly as resources are 'proven up' and better understood.²³⁷ Anglo American noted that life of mine estimates are based on reserves at that time with an assumed annual production profile, which can also change due to a variety of factors.²³⁸ Aurizon Network also noted that coal mine marketable reserves are subject to periodic revision where further investment in the resource is made to convert resources to reserves.²³⁹

Anglo American submitted that it is inappropriate for Aurizon Network to reduce economic life constraints of the Moura system based on published reserves and resources at a point in time, which is subject to change in an intervening period. Anglo American considered that Moura system users would continue to pay higher tariffs based on an inappropriately shorter system life, given Aurizon Network's proposal does not reset the depreciation profile to consider updates to the life of mines in the Moura system on the same basis.²⁴⁰

We consider it reasonable to reduce the economic life constraint of assets in the Moura system to 2048 at the start of the first reset period, given that under these circumstances:

- there does not appear to be a disproportionate allocation of system capital costs between access holders and potential new entrants accessing the same infrastructure in the future
- the financial implications for access holders over the first reset period are not material.

No development projects from new entrants with coal tenements have been identified or forecast for the Moura system. While Aurizon Network's proposal will have the effect of increasing access charges over the regulatory period, the same amount of capital will be recovered from the same group of existing mines in the Moura system over the life of the asset. In this regard, Aurizon Network submitted that the costs of a reduction of the Moura system's economic life constraint will initially be borne by current users, who will then later benefit from not facing higher access charges in future.²⁴¹

Moreover, we do not consider the proposed reduction to economic life constraint will adversely affect the demand for coal carrying train services over the first reset period. Reducing the economic life constraint of the Moura system has an immaterial impact on access charges within this period, noting:

- all assets within the RAB as at 30 June 2027 are subject to the rolling 20-year asset life accelerated depreciation profile – meaning that the revised economic life constraint will not affect the rate of capital recovery for those assets during the first reset period
- while the rate of capital recovery of capital expenditure from 1 July 2027 will be increased (as it reduces the recovery period of those assets from 28 to 21 years), this does not represent a material increase in revenue over the first reset period (see Figure 12).

Reducing the economic mine life of Moura assets will result in these assets having a maximum financial life of 16 years in 2032–33. Our analysis suggests that the proposed reduction in the economic life constraint will have the most significant impact on the price for Moura system users in the second reset period (see Figure 12).

²³⁷ Anglo American (sub 17, pp 9-11) noted that coal resources increase primarily due to revised economic assumptions and new drilling information. Coal reserve and resource estimates are reviewed and reported regularly in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2012). As an example, Anglo American submitted that from 2023 to 2024, Dawson mine's reserve life increased from 13 years to 23 years, and measured and indicated resources increased from 594 mt to 754 mt. Anglo American submitted that there are considerable reserves and resources within the leases at Dawson mine.

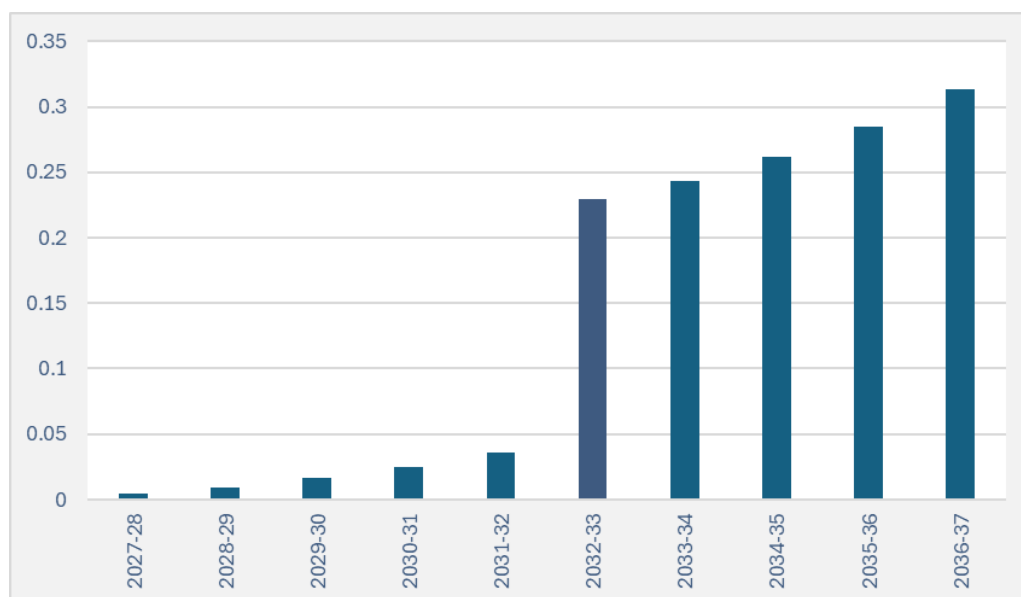
²³⁸ Anglo American, sub 17, p 10.

²³⁹ Aurizon Network, sub 1, p115.

²⁴⁰ Anglo American, sub 17, pp 10–11.

²⁴¹ Aurizon Network, sub 1, p 126.

Figure 12: Impact of reducing the economic life of assets in the Moura system (\$ per net tonne)



Note: All values are nominal. Figures reflect the estimated dollar per net tonne impact for Moura system users only. Source: QCA analysis.

Importantly, the regulatory arrangements provide for the economic life constraint of the Moura system to be extended before the second reset date. The economic life constraint to apply to the Moura system assets will be subject to detailed review before the second reset date – as the 2025 UT5 DAAU requires Aurizon Network to consult on, and revise, the Moura economic life constraint before 30 June 2031.²⁴²

In accordance with the 2025 UT5 DAAU, at that time we must either accept Aurizon Network’s proposed economic life constraint or replace it with our preferred economic life constraint – and Aurizon Network is to reflect the outcome of our decision as an endorsed variation event.²⁴³

In assessing Aurizon Network’s proposal, we have not relied on an evaluation of reported mine reserves. We do not consider that reported mine reserves will provide an accurate approach for predicting, or establishing, the economic life of Aurizon Network’s assets. For instance, we do not consider that reserve estimates are a good representation of economically extractable coal from the Moura system in the long-term, noting:

- Wood Mackenzie has forecast that production of coal mines in the Moura system will remain strong up to 2050
- Wood Mackenzie has projected the life of the Dawson mine, which accounts for roughly 40% of total tonnes, to extend up to 2095
- Aurizon Network acknowledged that the demand for coal-carrying train services in the Moura system is likely to extend beyond 2048 through the conversion of resources to reserves.²⁴⁴

We consider that economic life analysis that excludes measured and indicated resources may underestimate economic life, given reported reserves fail to recognise the rolling nature of reserve development.²⁴⁵ Therefore, relying on evaluations of mine reserves to truncate asset lives across the

²⁴² 2025 UT5 DAAU, cl 6A.5. Aurizon Network is to submit its proposed economic life constraint of the Moura system for the second reset period by 30 September 2031.

²⁴³ 2025 UT5 DAAU, cl 6A.5(d),(e).

²⁴⁴ Aurizon Network, sub 1, p 115.

²⁴⁵ Aurizon Network (sub 1, p 115) submitted that the tenement owner will likely only commit the funds necessary to develop the resource where there are reasonable prospects of that resource being extracted. Aurizon Network (sub 1, p 116) considered that where the producers in the Moura system have confidence in the ongoing demand for their products, they

CQCN may result in access holders recovering a disproportionately higher amount of the RAB, compared to new entrants that access the same infrastructure in the future.

However, for the reasons outlined above, we do not consider that Aurizon Network's proposal inappropriately shortens the economic life constraint in the Moura system in this instance.

We consider it may be appropriate to extend the economic life constraint of the Moura system, where:

- a disproportionate allocation of system capital costs will occur between access holders and potential new entrants accessing the same infrastructure in the future
- the financial implications for access holders over the first reset period are material and not commensurate with the risk associated with reduced demand for the service over the long term.

Moreover, we consider that reviewing the economic life constraint before the second reset date provides a reasonable timeframe to review whether to extend the economic life constraint. The second reset period will be the first time that the economic life constraint of 2048 will be less than the rolling 20-year accelerated depreciation profile applied to all assets entering the RAB before 2027-28.

Aurizon Network stated that where there is an increase in marketable reserves over the regulatory period and there is information supporting the likelihood that those reserves will be extracted to meet the demand for those products, the economic life constraint will be adjusted accordingly.²⁴⁶

Economic life constraint of the other systems

We consider that Aurizon Network's proposal to maintain the economic life constraint of 2055 for the other coal systems (except for the Moura system) is reasonable.

Aurizon Network submitted that it did not consider that the economic life constraint represents a point in time when services will cease to use these coal systems – and it expects the demand for coal-carrying train services in the CQCN to continue well beyond 2055.²⁴⁷ Aurizon Network considered that the expiry of the 2025 UT5 DAAU term represents an appropriate point in time for this review of whether to extend the economic life constraint for these systems beyond 2055.²⁴⁸

We consider that this is a reasonable timeframe to review whether to extend the economic life constraint. The regulatory term that follows the expiry of the 2025 UT5 DAAU term will be the first time that the economic life constraint of 2055 will be less than the rolling 20-year accelerated depreciation profile applied to all assets entering the RAB before 2027-28.

Separately, as discussed in section 7.4, the 2025 UT5 DAAU includes a change event mechanism to review the economic life of coal system assets before the second reset date.

will undertake further exploration expenditure to convert resources to reserves prior to the review of the economic life constraint.

²⁴⁶ Aurizon Network, sub 1, p 124.

²⁴⁷ Aurizon Network (sub 1, p 99) submitted that it expects the CQCN to continue to export coal well beyond the current 2055 economic life constraint, supported by demand from Indian steel production.

²⁴⁸ Aurizon Network, sub 1, p 117.

6.5 Rate of return

We consider that Aurizon Network's proposed methodology for determining the rate of return is reasonable.²⁴⁹

Aurizon Network's submission establishes an indicative placeholder rate of return of 7.79% for the first reset period, which is to be updated before 1 July 2027 in time for the commencement of the first reset period.²⁵⁰

Aurizon Network's proposal applies a nominal, post-tax WACC²⁵¹ that is based on a bottom-up build-up of estimates of individual WACC parameters. Aurizon Network has:

- generally applied approaches to calculate individual WACC parameters that are either consistent with, or result in an estimate not materially different to, methodologies endorsed as part of our rate of return review²⁵²
- proposed a hybrid trailing average approach to estimating the cost of debt.²⁵³ This differs from our preferred methodology to estimate the cost of debt outlined in our rate of return review, which may result in a materially different cost of debt estimate (see below).

A vast majority of Aurizon Network's customers have supported the proposed approach to determining the rate of return as part of the overall package of proposed arrangements. As outlined in our rate of return review, we consider that negotiated outcomes can deliver benefits that should not be interfered with, where they are legally permitted and do not create anti-competitive effects.²⁵⁴

We consider the stakeholder support for Aurizon Network's approach reflects an alignment of the interests of Aurizon Network and its customers – with both parties having assessed and accepted the expected benefits and costs, including the associated commercial and regulatory risks.²⁵⁵

Moreover, we have not identified any material detriments to competition resulting from Aurizon Network's proposed approach for estimating the rate of return, within the context of the overall package of arrangements being proposed.

On this basis, we accept Aurizon Network's rate of return proposal. However, the methods applied by Aurizon Network to calculate the individual WACC parameters in its 2025 UT5 DAAU proposal should not be interpreted as precedent for the methods that we would necessarily consider reasonable in the context of other reviews, or in other circumstances.

In making this draft decision, we have given consideration to the extent that the overall regulatory framework as proposed by Aurizon Network in its 2025 UT5 DAAU mitigates, allocates and compensates risk (see Box 6).

²⁴⁹ The rate of return compensates the investor for the time value of money and risk that they face in providing the assets that deliver the services that are subject to the regulatory regime.

²⁵⁰ Aurizon Network's 2027 UT5 DAAU proposal outlines the methodology for determining the rate of return that is to apply for the regulatory period.

²⁵¹ Aurizon Network applied the Officer WACC3 model.

²⁵² QCA, *Rate of return review*, final report, version 4, September 2024.

²⁵³ Aurizon Network (sub 1, p 73) submitted that this benchmark debt management strategy most closely aligns with the debt management strategy that they have been following.

²⁵⁴ QCA, *Rate of return review*, final report, version 4, September 2024, p 12.

²⁵⁵ We consider that customers would not be incentivised to support provisions that increase their own costs without receiving corresponding benefits.

Box 6: Risk and the 2025 UT5 DAAU²⁵⁶

The regulatory arrangements proposed by Aurizon Network as part of its 2025 UT5 DAAU affect the extent it is exposed to the risks associated with providing access to the CQCN.

Access to the CQCN is underpinned by long-term contracts between Aurizon Network and its customers. Reference tariffs are set to recover Aurizon Network's approved allowable revenues, with revenue cap and take-or-pay arrangements serving to insulate Aurizon Network from short-term fluctuations in demand from its customers.

The 2025 UT5 DAAU also contains various mechanisms that mitigate the risk of Aurizon Network not recovering the costs it incurs in providing access to the CQCN, including:

- mechanisms to update, and submit changes to, allowable revenue to reflect changes to specific cost items
- cost pass-through and insurance arrangements to account for unexpected cost shocks that are outside Aurizon Network's control
- accelerated depreciation arrangements to enable Aurizon Network to recover its capital expenditure more quickly than the functional life of the asset
- security requirements for access holders and relinquishment fees to offset the financial impact of an access holder reducing its access rights
- limited asset optimisation, which mitigates the risk that capital expenditure previously undertaken by Aurizon Network is not recovered from customers.

Additionally, the 2025 UT5 DAAU allows Aurizon Network to seek access conditions to supplement the standard terms of access, including additional requirements to address, or compensate for, particular costs or risk.

Aurizon Network can also submit a DAAU that proposes amendments to the existing regulatory arrangements to address issues as they arise.

Risk-free rate

Aurizon Network's proposed methodology estimates the risk-free rate with reference to Australian Government (nominal) bond yields with a 10-year maturity.²⁵⁷ Aurizon Network's proposal adopts daily Australian Government bond rates published by the RBA (F16 table) that are interpolated to derive a 10-year yield. This estimate is then annualised to derive an effective annual rate.²⁵⁸

²⁵⁶ This summary is not intended to be an exhaustive list of how risk is addressed in the regulatory framework.

²⁵⁷ 2025 UT5 DAAU, Part 12.

²⁵⁸ Aurizon Network, sub 1, p 58.

Aurizon Network’s proposed approach is to average the yields over a period that it nominates in advance, which is between 20 and 40 business days in length, within an eligible nomination window of 1 January to 30 April preceding the relevant reset date.²⁵⁹

This approach is largely consistent with the approach for estimating the risk-free rate outlined in our rate of return review.²⁶⁰

Equity risk premium

Aurizon Network proposed to apply an overall equity risk premium of 4.75%, where the risk-free rate is between 2% and 6%.²⁶¹

An equity risk premium of 4.75% is equivalent to an equity beta of 0.73 and a market risk premium of 6.5%. We consider that Aurizon Network’s proposed equity risk premium broadly reflects the estimates of these elements of the WACC obtained using our preferred methodology. In this regard, we note:

- a market risk premium of 6.4% is obtained using the Ibbotson approach and data up until December 2025
- an equity beta of 0.73 reflects the equity beta applied in Aurizon Network’s most recent regulatory decision (2017 DAU).²⁶²

Where the risk-free rate falls outside this range (between 2% and 6%) at the time of calculating the equity risk premium for the first and second reset periods, the 4.75% equity risk premium is to be adjusted. The adjustment is determined based on a prescriptive approach that reflects the relative change in the market risk premium value obtained using the Ibbotson²⁶³ and Wright²⁶⁴ methods. Specifically, the formula to be applied is as follows:

$$\text{Equity risk premium} = 4.75\% \times \frac{A \times 0.5 + B \times 0.5}{6.93\%²⁶⁵}$$

Where A is the market risk premium calculated using the Wright method using data at 31 December prior to the relevant reset date, and B is the market risk premium calculated using the Ibbotson method using data at 31 December prior to the relevant reset date.²⁶⁶

Aurizon Network’s proposed approach to adjusting the equity risk premium provides a way to manage risk for Aurizon Network and its customers in response to changing market conditions.²⁶⁷

²⁵⁹ 2025 UT5 DAAU, Part 12.

²⁶⁰ See QCA, *Rate of return review*, final report, version 4, September 2024.

²⁶¹ 2025 UT5 DAAU, Part 12.

²⁶² In considering Aurizon Network’s exposure to risks afresh, we do not consider that Aurizon Network’s systematic risk profile is materially different. We have had regard to the extent that Aurizon Network’s proposed regulatory arrangements mitigate risk or efficiently allocate risk to another party. Aurizon Network’s market position as the sole below-rail service provider for the coal-handling users that access the CQCN coupled with its regulatory framework provides it with stable regulatory returns. We consider that Aurizon Network has a diverse customer base that exhibits resilient demand for the CQCN. We consider that demand for access to the CQCN will be sustained as long as end customers have a sustained demand for the output of their mines – noting that the CQCN produces coal that is highly sought after in the seaborne coal market, with producers also competitive on a cost basis.

²⁶³ The Ibbotson method assumes that the average historical excess return over an appropriate historical period is a relevant estimate of the forward-looking market risk premium. For a long time series of historical returns, the resulting average market risk premium will only change slowly over time and therefore is not responsive to changes in the risk-free rate.

²⁶⁴ The Wright method assumes that the real return on equity required by investors does not change over time. Accordingly, when the risk-free rate decreases (increases), the market risk premium increases (decreases) by the same amount to maintain a stable real cost of equity over time.

²⁶⁵ 6.93 is the market risk premium calculated using the hybrid MRP approach (50% Wright and 50% Ibbotson) as at 31 December 2024.

²⁶⁶ Aurizon Network’s proposed approach applies the methods and assumptions in the AER’s published Historical Excess Returns workbook to estimate the market risk premium using the Wright and Ibbotson methods.

²⁶⁷ In circumstances where the calculated risk-free rate falls below 2%, the equity risk premium will increase above 4.75% due to a higher calculated Wright market risk premium value. Conversely, if the calculated risk-free rate rises above 6%, the

We consider this is reasonable, given that Aurizon Network is proposing to extend the term of the 2017 AU by a further 10 years, and the 2025 UT5 DAAU provides clarity about how any adjustment is to be calculated.

Gearing

Aurizon Network's proposed methodology applies a gearing ratio of 55% debt and 45% equity, which is consistent with the gearing ratio applied for the 2017 AU period, to date.

Cost of debt

Aurizon Network's proposed methodology adopts a hybrid approach to calculating the trailing average cost of debt, whereby the cost of debt would comprise:

- a 10-year base rate component that would be estimated using an on the day approach and a nominated averaging period – using the corresponding risk-free rate estimate
- a debt risk premium reflecting a BBB benchmark credit rating, calculated using the 10-year trailing average assuming an immediate transition.²⁶⁸

The initial debt risk premium to apply in the trailing average from 1 July 2027 is to be calculated using the simple average of 10 debt margin tranches, each calculated using an averaging period of 1 April to 31 March.²⁶⁹

For each year of the undertaking period, the debt risk premium will be updated based on a nominated averaging period.²⁷⁰ This update will replace the oldest debt risk premium tranche in the trailing average with the upcoming tranche.²⁷¹ The annual update of the trailing average debt risk premium will be included as part of Aurizon Network's annual review of reference tariffs.²⁷²

The hybrid trailing average approach proposed by Aurizon Network differs from our preferred methodology, as outlined in our rate of return review. Our preferred approach to estimating the cost of debt involves applying the trailing average to the entire cost of debt rather than just the debt risk premium component.²⁷³

These two different approaches may produce materially different cost of debt estimates, particularly when the cost of debt is estimated at a time where there is a significant difference between the current and historical estimates (i.e. over the last 10 years) of the risk-free rate.²⁷⁴

equity risk premium will decrease below 4.75%, due to a lower calculated Wright market risk premium, offsetting the impact of a higher risk-free rate.

²⁶⁸ The debt risk premium is calculated as the difference between the annualised yield obtained from extrapolation of the RBA's non-financial BBB rated corporate bond yield with a 10-year target tenor for 10 years for the last business day of the relevant month and the annualised yield for Commonwealth Government nominal bonds with a term to maturity of 10 years on the last business day of the relevant month (2025 UT5 DAAU, Part 12).

²⁶⁹ 2025 UT5 DAAU, Part 12.

²⁷⁰ Aurizon Network is to submit its nominated averaging period for the first reset period by 28 February 2027.

²⁷¹ The 10-year trailing average comprises 10 individual one-year debt tranches.

²⁷² 2025 UT5 DAAU, Sch F, cl 4.1(d)(ii).

²⁷³ This reflects that it may be efficient for capital-intensive infrastructure firms to stagger their debt financing to avoid needing to refinance their entire debt portfolio over a relatively short window of time to manage refinancing risk. Our preferred approach is to set the cost of debt for a regulated entity by referencing a debt management strategy of a benchmark efficient firm, as opposed to seeking to define the debt management strategy for a specific regulated entity.

²⁷⁴ For instance, using an indicative period of data up until 31 March 2026, the full trailing average cost of debt approach produces a cost of debt of 5.04% compared to 7.24% when using the hybrid trailing average cost of debt proposed by Aurizon Network. If the full trailing average cost of debt was decomposed it would comprise a trailing average base rate of 2.8%, a trailing average DRP of 2.13% and debt raising costs of 0.1%. The estimate of Aurizon Network's hybrid trailing average cost of debt comprises a base rate of 5.01% calculated using a 20-day averaging period to 31 March, a trailing average DRP of 2.13% and debt raising costs of 0.1%.

Nonetheless, we have not identified any material detriments to competition resulting from Aurizon Network's rate of return proposal, considered in the context of the supported package of arrangements. We also note that in relation to estimating the cost of debt for the regulatory period:

- Aurizon Network's proposal produces an unbiased estimate for the 10-year cost of debt when implemented over the long-term
- our analysis indicates that the BBB-rated bond yield series published by the RBA at the time of making this draft decision does not overstate Aurizon Network's recently traded bond yields.²⁷⁵

Gamma

Aurizon Network's proposed methodology applies a gamma of 0.484, which is consistent with the gamma estimate outlined in our rate of return review.²⁷⁶

²⁷⁵ Our analysis comparing the yields on Aurizon Network issued bonds over the most recent 2 years against the corporate bond yields published by the RBA indicates that the BBB-rated bond yield series published by the RBA at the time of making this draft decision does not overstate Aurizon Network's recently traded bond yields.

²⁷⁶ QCA, *Rate of return review*, final report, version 4, September 2024, pp 100-108.

7 Reference tariff inputs

Schedule F of the 2025 UT5 DAAU specifies, for each coal system, the applicable reference tariff inputs, the volume forecasts and, where applicable, the reference tariff inputs for nominated loading facilities to reflect applicable discounts for each year of the regulatory period.²⁷⁷ Schedule F also outlines arrangements for:

- annually reviewing reference tariffs throughout the regulatory period
- varying reference tariffs under specified circumstances.²⁷⁸

Draft decision – proposed reference tariff inputs

Our draft decision is that it is appropriate to approve Aurizon Network’s proposed approach to:

- establishing reference tariff inputs (see section 7.1)
- determining volume forecasts (see section 7.2)
- reviewing and varying reference tariffs throughout the regulatory period (see section 7.3)
- updating reference tariffs for the reset periods (see section 7.4).

We consider that Aurizon Network’s proposed approach to establish, review and vary the reference tariff inputs promotes the efficient use and operation of the CQCN, as well as appropriately balancing the legitimate business interests of Aurizon Network, access seekers and access holders.

However, we consider it appropriate to amend the indicative reference tariffs outlined in the 2025 UT5 DAAU to reflect our draft decision on Aurizon Network’s proposed allowable revenues (see Chapter 3).

The way we consider it is appropriate to amend the reference tariffs in the 2025 UT5 DAAU is outlined in Appendix C.²⁷⁹

7.1 Approach to establish reference tariffs

The 2025 UT5 DAAU sets out the approach to establish and update reference tariffs, and provides indicative reference tariffs for each coal system for the regulatory period.²⁸⁰

²⁷⁷ See the following clauses in the 2025 UT5 DAAU, Sch F: the Blackwater system reference tariffs, cls 7.2-7.3; the Goonyella system reference tariffs, cls 8.2-8.3; the Moura system reference tariffs, cls 9.2-9.3; the Newlands system reference tariffs, cls 10.2-10.3; the Goonyella to Abbot Point system reference tariffs, cls 11.2-11.3.

²⁷⁸ 2025 UT5 DAAU, Sch F, cls 4-5.

²⁷⁹ We have also corrected for a transpositional error identified in relation to the calculation of discounts for mine-specific infrastructure in the Goonyella system.

²⁸⁰ The existing reference tariffs, which are outlined in the 2017 AU (up until 2027-28) will continue to apply (2025 UT5 DAAU, Sch F, cl 1.2(a)).

We consider it is appropriate to approve Aurizon Network’s proposed methodology for determining reference tariffs inputs. However, we consider it appropriate for Aurizon Network to amend the indicative reference tariffs outlined in the 2025 UT5 DAAU to reflect our draft decision on Aurizon Network’s proposed allowable revenues (see Chapter 3). The indicative system reference tariffs that we consider appropriate for the regulatory period are presented in Appendix C.²⁸¹

Reference tariffs are calculated to recover the revenue Aurizon Network is entitled to earn each year from providing access to the rail infrastructure.

Reference tariffs apply to coal-carrying train services that are consistent with the characteristics of the relevant reference train service.²⁸² The reference train service is a notional train service defined by a set of characteristics.²⁸³ In addition to general reference train service characteristics, there are also further system-specific reference train service criteria that must be satisfied.²⁸⁴

Reference tariffs comprise the AT1 to AT5 reference tariff inputs, as well as additional reference tariff inputs to pass through other cost components that are not included as part of the calculation of allowable revenues (Figure 13).

Figure 13: 2025 UT5 DAAU reference tariff inputs

Inputs to recover Aurizon Network’s allowable revenue	Other reference tariff inputs
AT1 incremental maintenance tariff (levied on a gross tonne kilometre basis)	TP1 (levied on a net tonne basis)
AT2 incremental maintenance tariff (levied on a train path basis)	TP2 (levied on a net tonne kilometre basis)
AT3 allocative tariff (levied on a net tonne kilometre basis)	Independent expert fee (levied on a dollar per net tonne basis)
AT4 allocative tariff (levied on a net tonne basis)	EC tariff (levied on a dollar per electric gross tonne kilometre basis)
AT5 electric access reference tariff (levied on an (electric) gross tonne kilometre basis)	QCA levy (levied on a dollar per net tonne basis)

AT1 to AT5 reference tariff inputs

The AT1 to AT5 reference tariff inputs are calculated to recover Aurizon Network's allowable revenues, based on volume forecasts:

- AT1 and AT2 are incremental tariffs, which are calculated by escalating (by CPI) the respective tariff rates throughout the regulatory period.²⁸⁵

²⁸¹ These reference tariffs are indicative – many allowable revenue inputs are based on forecasts, and reference tariffs are subject to updates in accordance with the processes defined in the 2025 UT5 DAAU.

²⁸² 2025 UT5 DAAU, Sch F, cl 1.2.

²⁸³ 2025 UT5 DAAU, Sch F, cl 1.3. These characteristics include carrying only bulk coal, meeting specified operational characteristics (such as complying with applicable rollingstock interface standards) and operating in accordance with an access agreement on substantially the same terms as a standard access agreement.

²⁸⁴ These include system-specific operational characteristics, such as maximum train lengths, and loading and unloading facilities and times within each system. See the following 2025 UT5 DAAU Sch F clauses: Blackwater system, cl 7.1; the Goonyella system, cl 8.1; the Moura system, cl 9.1; the Newlands system, cl 10.1; the Goonyella to Abbot Point system, cl 11.1.

²⁸⁵ Consistent with the existing arrangements, Aurizon Network’s 2025 UT5 DAAU proposal has not escalated the GAPE AT2 reference tariff input, because doing so would result in a negative GAPE AT4 reference tariff input.

- AT3 and AT4 are allocative tariffs, which are set to recover the remaining non-electric allowable revenue (based on volume forecasts) after accounting for forecast revenue obtained from the incremental tariffs.
- AT5 is the electric access tariff, which is set to recover electric allowable revenue (based on volume forecasts).²⁸⁶

Aurizon Network’s proposed approach for determining these reference tariff inputs for each coal system²⁸⁷ is consistent with the existing arrangements.²⁸⁸

We consider that the 2025 UT5 DAAU provisions relating to the determination of reference tariffs provide an appropriate framework for establishing the reference tariffs to apply to coal-carrying train services during the regulatory period. This framework provides access holders with certainty that they will pay the reference tariff if it meets the reference train service characteristics and enables Aurizon Network to recover its allowable revenues in a non-discriminatory manner.

However, we consider it appropriate for Aurizon Network to amend its proposed AT1 to AT5 reference tariff inputs to reflect our decision on Aurizon Network’s allowable revenues (see chapter 3).²⁸⁹ We consider that this appropriately balancing the legitimate business interests of Aurizon Network, access holders and access seekers.

Other reference tariff inputs

Consistent with existing arrangements, the 2025 UT5 DAAU includes the following reference tariff inputs:

- the IE fee, set to recover the costs incurred by the independent expert in performing its role under the 2025 UT5 DAAU²⁹⁰
- the EC tariff, set to recover the forecast costs relating to the consumption of electric energy²⁹¹
- the QCA levy, set to recover the fees we charge for undertaking regulatory services.²⁹²

We consider Aurizon Network's proposed approach for determining these reference tariff inputs is reasonable, noting that Aurizon Network has used the most recent estimate available and these values will be updated prior to each year in the regulatory period (see **Table 30**).

Table 30: Proposed approach for determining and updating other reference tariff inputs

Tariff	Approach to establish a placeholder	Process to update tariffs
IE fee	Aurizon Network proposed to apply the cost estimate of the IE pass through cost that was approved for 2025–26 reference tariffs (escalated annually at the indicative estimate of inflation).	As part of the annual review of reference tariffs, Aurizon Network is to submit the updated IE pass through costs. ^a

²⁸⁶ 2025 UT5 DAAU, Sch F, cl 2.2. Clause 2.3 also outlines how to calculate each tariff input for cross-system train services.

²⁸⁷ Including the structure of the tariffs and calculation methodology outlined in Sch F, cl 2.2 of the 2025 UT5 DAAU.

²⁸⁸ Including the approach for calculating specified reference tariff inputs for nominated loading facilities to reflect applicable discounts, such as those associated with mine-specific infrastructure.

²⁸⁹ We have also corrected for a transpositional error identified in relation to the calculation of discounts for mine-specific infrastructure in the Goonyella system.

²⁹⁰ The independent expert is to notify Aurizon Network of the IE pass through costs forecast for the following year – which is to also account for any prior year’s under- or over-recovery of costs (2025 UT5 DAAU, cl 7A.3.4).

²⁹¹ Aurizon Network supplies electricity to electric traction train operators through its overhead distribution network on the Goonyella and Blackwater systems. Aurizon Network procures electricity through a supply agreement with an electricity retailer and recovers the cost of providing this service through the EC component of reference tariffs. Aurizon Network (sub 1, p 55) submitted that the sale of electricity does not form part of the declared service.

²⁹² The QCA levy is to be determined from year to year based on the costs incurred in performing these services (2025 UT5 DAAU, cl 6.11).

Tariff	Approach to establish a placeholder	Process to update tariffs
EC tariff	Aurizon Network proposed to apply the cost estimate of electric energy and variable connection charges that were approved for 2025-26 reference tariffs (escalated annually at the indicative estimate of inflation).	The EC tariff input is updated annually as part of the annual review of reference tariffs process. ^b
QCA levy	Aurizon Network proposed to apply the full year equivalent QCA levy for 2025-26 (escalated annually at the indicative estimate of inflation).	Once we have advised Aurizon Network of our fee for the relevant year, the review of the QCA levy is an endorsed variation event variation. ^c

a 2025 UT5 DAAU, Sch F, cl 4.1(d)(iv).

b 2025 UT5 DAAU, Sch F, cl 4.1(d)(iv).

c 2025 UT5 DAAU, Sch F, 5.2 (c).

The 2025 UT5 DAAU also includes 2 additional reference tariff inputs (TP1 and TP2),²⁹³ which represent the throughput payment rates as described in Box 3.

The throughput payment rates are to be calculated throughout the regulatory period based on the methodology outlined in Schedule F of the 2025 UT5 DAAU – which has regard to volume forecasts for that year. For the reasons outlined in section 3.1.2, we consider that it is appropriate to approve the throughput payment rates.

7.2 Volume forecasts

We consider it is appropriate to approve Aurizon Network’s proposed approach to set the volumes used to calculate reference tariff inputs.

As discussed in section 8.1, Aurizon Network has proposed to apply contract volume-based pricing as part of the 2025 UT5 DAAU, from 1 July 2027. In applying contract volume-based pricing, the reference tariff inputs are to be calculated using:

- gtk forecast for the AT1, AT5, EC, IE fee and QCA levy reference tariff inputs
- ToP gtk²⁹⁴ for the AT2, AT3 and AT4 reference tariff inputs.²⁹⁵

Aurizon Network set the gtk forecast from 1 July 2027 based on the forecasts approved as part of the 2025-26 annual review of reference tariffs as a placeholder (see Table 31).

Table 31: Aurizon Network’s placeholder volume forecasts

System	gtk ^a ('000)	ntk ^b ('000)	nt ^c (million)	egtk ^d ('000)
Blackwater	33,611,725	21,099,578	58.8	24,441,927
Goonyella	34,644,944	21,966,672	109.2	34,528,286
Moura	3,808,909	2,370,710	14.8	–
Newlands	4,646,958	2,902,008	20.8	–

²⁹³ A cross-system train service will be subject to the TP1 for the origin system and the relevant TP2 rate for the net tonne kilometres it operates within each relevant coal system (2025 UT5 DAAU, Sch F, cl 2.3(vi),(vii)).

²⁹⁴ From 1 July 2027, ToP gtk is the greater of Aurizon Network’s gtk forecast and 90% of the aggregate gtk that would be achieved if the full contracted train service entitlements are utilised (2025 UT5 DAAU, Part 12). Our view on this approach is discussed in section 8.1.

²⁹⁵ The reference tariff inputs are then converted to the relevant pricing unit specified in cl 6.9.1(b) of the 2025 UT5 DAAU.

System	gtk ^a ('000)	ntk ^b ('000)	nt ^c (million)	egtk ^d ('000)
GAPE	8,959,821	5,583,253	17.4	–
CQCN	85,672,358	53,922,221	221	58,970,213

a Gross tonne kilometres = total weight of train x distance it travels in both the loaded and empty directions. b Net tonne kilometres = weight of the coal transported x distance travelled. c Net tonnes = weight of the coal transported. d Electric gross tonne kilometres = gross tonne kilometres moved by electric trains.

Consistent with this approach, Aurizon Network proposed to establish the placeholder ToP gtk forecast from 1 July 2027 using the contracted train service entitlements for 2025–26 in each coal system (Table 32).

Table 32: Aurizon Network's placeholder ToP gtk ('000)

System	ToP gtk ('000)
Blackwater	38,806,517
Goonyella	41,247,591
Moura	3,808,909
Newlands	4,646,958
GAPE	13,674,618
CQCN	102,184,593

The 2025 UT5 DAAU requires that both the gtk forecast and ToP gtk be revised each year as part of the annual review of reference tariffs process.²⁹⁶ It also prescribes the methodology to be used to revise gtk forecasts each year. This methodology is based on the approach that Aurizon Network has (voluntarily) undertaken under the 2017 AU to update volume forecasts as part of its annual review of reference tariffs. The methodology involves Aurizon Network:

- providing end users with information relating to their individual origin–destination pairings and an opportunity for end users to provide their own tonnage forecasts
- evaluating customer responses against the relevant contract entitlements and an annualised coal tonnage forecast for the current year
- developing preliminary forecasts based on specified decision rules, applying:
 - the greater of either the contract entitlement or the annualised coal tonnage forecast, where the volume forecast provided by an end user exceeds both the contracted entitlement and the annualised coal tonnage forecast
 - the end user's volume forecast, where the volume forecast provided by an end user is below the contract volume or the annualised coal tonnage forecast
 - the annualised coal tonnage forecast, where an end user does not provide a forecast
- assessing the reasonableness of the preliminary forecast and making adjustments to determine the revised gtk forecast, providing details of any adjustments to the relevant parties.²⁹⁷

²⁹⁶ 2025 UT5 DAAU, Sch F, cl 4.1(b)(i),(ii). The first revised ToP gtk is to be submitted by 28 February 2027 to take effect from 1 July 2027.

²⁹⁷ 2025 UT5 DAAU, Sch F, cl 4.1(b)(v).

We consider that this approach to revising gtk forecast and ToP gtk throughout the regulatory period is reasonable as it provides for volumes to be established with the benefit of stakeholder input and to be based on the best information available at the time.

Forecast electric utilisation level

Under the existing arrangements, the egtk forecast that Aurizon Network submits as part of the annual review of reference tariffs is based on a forecast electric utilisation level that was first set in 2019-20. The 2025 UT5 DAAU includes amendments that provide for the forecast egtk to be set based on Aurizon Network's forecast electric utilisation level²⁹⁸ for that year.²⁹⁹

The proposed arrangements will provide for AT5 reference tariffs to reflect more up-to-date forecasts of electric utilisation from access holders in the Blackwater and Goonyella systems.³⁰⁰ We consider that establishing electric utilisation levels based on the best information available is in the interests of Aurizon Network and access holders, as this will likely reduce the materiality of the under- or over-recovery of AT5 revenues.

Separately, the 2025 UT5 DAAU has retained the electric revenue adjustment mechanism (Box 7).³⁰¹

To ensure that the electric revenue adjustment is calculated as intended, Aurizon Network proposed that the forecast electric utilisation level cannot be set below the relevant electric utilisation floor multiplied by the electric capacity factor.³⁰² We consider this approach for determining the electric utilisation level is reasonable, noting any further reduction in utilisation below this floor will trigger a revenue cap shortfall that is then used in the calculation of the electric revenue adjustment amount. This is consistent with how this mechanism works under the existing arrangements.

²⁹⁸ Aurizon Network's reasonably determined forecast of the aggregate egtk in the relevant coal system as a percentage of the system gtk forecast.

²⁹⁹ 2025 UT5 DAAU, Sch F, cl 4.1(b)(iii).

³⁰⁰ In this regard, Aurizon Network (sub 1, p 240) submitted that under the 2025 UT5 DAAU, it will be able to update the electric utilisation level to have regard to the most recent utilisation.

³⁰¹ 2025 UT5 DAAU, Sch F, cl 4.4(l).

³⁰² 2025 UT5 DAAU, Sch F, cl 4.1(b)(iii), Part 12.

Box 7: The electric revenue adjustment mechanism

The electric revenue adjustment mechanism provides for shortfalls in AT5 revenue that result from a decline in electric utilisation to be allocated and considered as part of the AT2-4 revenue adjustment amounts, under certain circumstances.³⁰³ Aurizon Network submitted that the purpose of the electric revenue adjustment is to address the risk of asset stranding where users can exercise the option to switch from electric to diesel traction without providing any contribution to the existing electric traction network.³⁰⁴

An electric revenue adjustment is to be calculated where there is an AT5 revenue shortfall for that year and a decline in electric utilisation. To determine if a decline in electric utilisation has occurred, the following 2 tests must be satisfied:

- The actual electric utilisation level for the coal system is lower than the defined electric utilisation floor for that coal system.³⁰⁵
- The aggregate actual gtk is lower than the product of the system forecast gtk, the defined electric utilisation floor and the electric capacity factor³⁰⁶ for the coal system.

7.3 Processes to review and vary reference tariffs

We consider it is appropriate to approve Aurizon Network's proposed arrangements to review and vary reference tariff inputs throughout the regulatory period.

The 2025 UT5 DAAU includes processes by which reference tariffs are reviewed and varied during the regulatory period. These processes include:

- an obligation for Aurizon Network to calculate an AT2-4 (and AT5, where applicable) revenue adjustment amount after the end of each financial year³⁰⁷
- the annual review of reference tariffs prior to the beginning of each year during the regulatory period, with reference tariff inputs to be adjusted to reflect variations to the applicable allowable revenue³⁰⁸
- processes for Aurizon Network to submit a reference tariff variation following an endorsed variation event³⁰⁹ or a review event,³¹⁰ or in circumstances where Aurizon Network considers that the variation will promote efficient investment by either in the supply chain.³¹¹

³⁰³ 2025 UT5 DAAU, Sch F, cl 4.4(a), (b).

³⁰⁴ Aurizon Network, sub 1 p 239.

³⁰⁵ The electric utilisation floor is 71% for the Goonyella system and 65% for the Blackwater system.

³⁰⁶ The electric capacity factor is the maximum capability of the electric traction on the rail infrastructure, expressed as a percentage of the average annual forecast gtk for the relevant regulatory period. The electric capacity factor is set at 98% in Goonyella and 94% in Blackwater, subject to us approving another percentage for these systems.

³⁰⁷ 2025 UT5 DAAU, Sch F, cl 4.4.

³⁰⁸ 2025 UT5 DAAU, Sch F, cl 4.1.

³⁰⁹ 2025 UT5 DAAU, Sch F, cl 5.2.

³¹⁰ 2025 UT5 DAAU, Sch F, cl 5.3.

³¹¹ 2025 UT5 DAAU, Sch F, cl 5.1(a).

While these processes largely reflect existing arrangements, amendments have been included to account for new processes being proposed as part of the 2025 UT5 DAAU. We consider that Aurizon Network's proposed amendments are reasonable, noting that:

- they relate to obligations and arrangements that have been introduced as part of the 2025 UT5 DAAU, which have the support of the vast majority of customers
- the introduced obligations and arrangements may result in Aurizon Network incurring additional costs that cannot be forecast at this time.

The processes for reviewing and varying reference tariffs provide certainty for Aurizon Network that reference tariffs will continue to reflect underlying costs, and market circumstances, as circumstances change throughout the regulatory period. Moreover, these processes provide certainty that reference tariffs will only be reviewed and varied in accordance with the circumstances and the established methodologies outlined in the 2025 UT5 DAAU. We are to approve any reviews and variations to reference tariffs in accordance with the 2025 UT5 DAAU.

We consider these arrangements provide for reference tariffs to generate expected revenue for Aurizon Network that meet the efficient costs of providing access to the CQCN,³¹² as well as balancing the legitimate interests of Aurizon Network and access holders.

Revenue adjustment amount

After the end of each year, Aurizon Network is required to submit a revenue adjustment amount for our approval. This adjustment is the difference between total actual revenues collected and the adjusted allowable revenues (the maximum allowable revenue plus any allowable adjustments) in each system.³¹³ The approved amount is recovered from, or returned to, access holders through an adjustment to the second-year allowable revenues.³¹⁴

The approach for calculating the adjusted allowable revenue for the regulatory period largely reflects existing arrangements. However, Aurizon Network proposed additional allowable revenue adjustments to account for costs that may be incurred as part of new processes being proposed as part of the 2025 UT5 DAAU, including:

- costs incurred by Aurizon Network relating to non-capital works for an approved innovation project (see section 11.3)³¹⁵
- approved incremental costs incurred by Aurizon Network relating to the continuous improvement group (CIG) (see section 11.2).³¹⁶

The approach for calculating the total allowable revenue reflects existing arrangements but also incorporates amounts resulting from the end-of-year adjustments process proposed as part of the 2025 UT5 DAAU (see section 8.3).³¹⁷

Annual review of reference tariffs

Before the beginning of each financial year during the regulatory period, the 2025 UT5 DAAU requires an annual review of reference tariffs, whereby reference tariffs are to be adjusted to reflect, amongst other things:

³¹² Including a return on investment commensurate with the regulatory and commercial risks involved.

³¹³ 2025 UT5 DAAU, Sch F, cl. 4.4.

³¹⁴ 2025 UT5 DAAU, Sch F, cl 4.5.

³¹⁵ 2025 UT5 DAAU, Sch F, cl 4.4(c)(xi).

³¹⁶ 2025 UT5 DAAU, Sch F, cl 4.4(c)(xii).

³¹⁷ 2025 UT5 DAAU, Sch F, cl 4.4(d)(iv),(v).

- any allowable revenue adjustments and an adjustment to reflect the approved capital expenditure from the previous year
- updates to forecasts of cost components underpinning allowable revenue
- variations in allowable revenue due to a performance rebate cap adjustment (see section 3.1.2).³¹⁸

The annual review of reference tariffs process largely reflects existing arrangements. However, Aurizon Network has proposed amendments to account for new processes proposed as part of the 2025 UT5 DAAU.

By 28 February of each year during the regulatory period, Aurizon Network is required to submit proposed adjustments to its allowable revenue and reference tariffs arising from updates to:

- revised volume forecasts (and ToP gtk, if relevant)
- the maintenance and capital indicators
- revised tax allowance forecasts
- the WACC (see section 6.5)
- the non-electric operating expenditure allowance (see section 4.2)
- incremental costs identified in the approved budget for the CIG (see section 11.2).³¹⁹

Aurizon Network has also amended requirements that set out the information to be provided as part of the annual review of reference tariffs, which will allow us to review whether any revision to the reference tariff has been calculated accurately.³²⁰

By 30 April of each year during the regulatory period, Aurizon Network is required to submit further updates to its allowable revenue and reference tariffs that are not known before its annual review of reference tariffs submission. This includes updates to:

- the value associated with a change in the pricing of one or more distribution and/or transmission entities
- the forecast independent expert pass through costs for the year
- the forecast electric charge for the year
- the trailing average debt risk premium (see section 6.5)
- the risk-free rate and inflation rate, which are to be recalculated for the first and second reset periods only (not annually) (see sections 6.5 and 6.3.1).³²¹

Endorsed variation events

Aurizon Network must submit a reference tariff variation where it becomes aware that an endorsed variation event has occurred, as defined in the 2025 UT5 DAAU.³²² Aurizon Network proposed to incorporate additional endorsed variation events to recover costs associated with:

- undertaking a condition-based assessment,³²³ reflecting that these costs have not been included in Aurizon Network's operating expenditure allowance

³¹⁸ 2025 UT5 DAAU, Sch F, cl 4.1(a).

³¹⁹ 2025 UT5 DAAU, Sch F, cl 4.1(b)(xiii).

³²⁰ 2025 UT5 DAAU, Sch F, cl 4.1(b)(i)-(xii). Aurizon Network is to also provide indicative and non-binding allowable revenues and reference tariffs for each subsequent year within the regulatory period. Aurizon Network (sub 1, p 241) submitted that this will help to ensure that the allowable revenues and reference tariffs included within Schedule F reflect the latest available inputs and assumptions, thereby assisting all access holders with their own processes.

³²¹ 2025 UT5 DAAU, Sch F, cl 4.1(d).

³²² 2025 UT5 DAAU, Sch F, cl 5.1(a)(ii).

³²³ In accordance with cl 10.4.3 of the 2025 UT5 DAAU.

- a contingent project that has been identified as causing an incremental increase to Aurizon Network's corporate overheads (see section 4.6)
- our approval of the RAB roll-forward submitted before the start of the first and second reset periods (see section 6.1)
- the establishment of the CIG and the appointment of the continuous improvement project manager (see section 11.2)
- any other costs or events that are specified to be treated as an endorsed variation event under the 2025 UT5 DAAU.³²⁴

We may approve Aurizon Network's proposed variation to reference tariffs to reflect an endorsed variation event where we are satisfied the proposed variation reflects the change in forecast costs resulting from the occurrence of that event. Aurizon Network also proposed amendments to clarify that as part of our assessment of costs related to a contingent project or CIG event, we are to be satisfied that those costs are prudent and efficient.³²⁵

7.4 Reset updates to the reference tariffs

We consider it is appropriate to approve Aurizon Network's proposed arrangements to update reference tariff inputs before the first and second reset periods.

Part 6A of the 2025 UT5 DAAU establishes a mechanism for updating certain allowable revenue inputs and reference tariff inputs before the start of the reset periods that are not reviewed as part of the annual processes to update reference tariffs.

For the first reset period, Aurizon Network is to submit:

- a nominated debt risk premium averaging periods – which is to be used to estimate the debt risk premium throughout the first reset period (see section 6.5)
- an update of the indicative risk-free rate – using the methodology outlined in section 6.5³²⁶
- an update of the indicative inflation rate – using the methodology outlined in section 6.3.1³²⁷
- the forecast RAB values for the first reset period³²⁸
- any changes to the AT3 and AT4 inputs of applicable reference tariffs
- the depreciation allowance for the first reset period, which will reflect resetting the rolling 20-year asset life to those applicable assets (see section 6.4)
- all consequential amendments to its allowable revenues and reference tariffs.³²⁹

These matters are to be considered as part of the annual review of reference tariffs for that year.³³⁰

The same process is used to update these inputs prior to the start of the second reset period. In addition to updating for those inputs listed above, Aurizon Network is also to submit an updated indirect maintenance cost allowance forecast – using the methodology outlined in section 5.2.³³¹

³²⁴ 2025 UT5 DAAU, Sch F, cl 5.2.

³²⁵ 2025 UT5 DAAU, Sch F, cl 5.5(c)(i)(B).

³²⁶ The indicative risk-free rate is to be updated as part of the annual review of reference tariffs, in accordance with Sch F, cl 4.1(d).

³²⁷ The indicative inflation rate is to be updated as part of the annual review of reference tariffs, in accordance with Sch F, cl 4.1(d).

³²⁸ An update to the forecast opening asset value will constitute an endorsed variation event (see cl 5.2 of Sch F).

³²⁹ UT5 DAAU, cl 6A.2(b).

³³⁰ 2025 UT5 DAAU, Sch. F, cl 4.1(c). Aurizon Network is to submit these reset adjustments by 28 February of the year before the start of the reset period (2025 UT5 DAAU, cl 6A.2(b)-(c)).

³³¹ 2025 UT5 DAAU, cl 6A.2(c).

Additionally, Aurizon Network is required to notify us of its nominated reset risk-free rate averaging period, for the first and second reset periods, at least 28 days before those respective periods start.³³²

We consider it is reasonable for Aurizon Network to update these allowable revenue and reference tariff inputs before the start of the 2 reset periods, noting that Aurizon Network is proposing to extend the term of the 2017 AU by a further 10 years. Updating these inputs provides for reference tariffs to reflect the circumstances and information available before each of the reset periods. Aurizon Network considered that arrangements to update these specified inputs seek to minimise the differential between forecast and actual outcomes.³³³

The arrangements provide regulatory certainty to Aurizon Network, access holders and access seekers as to how reference tariffs and allowable revenues will be calculated in future years. Aurizon Network's reset updates are also subject to our approval, as part of the annual review of reference tariffs process.

We consider that these arrangements provide for reference tariffs to generate expected revenue for Aurizon Network to meet the efficient costs of providing access to the CQCN,³³⁴ as well as balancing the legitimate interests of Aurizon Network and access holders. We note that the majority of customers have expressed support for these arrangements as part of the overall package of arrangements proposed by Aurizon Network in its 2025 UT5 DAAU.

Reset change events

In addition to providing a mechanism for updating forecasts at the start of the reset periods, Part 6A of the 2025 UT5 DAAU also includes arrangements to revise certain parameters used in the calculation of allowable revenues, where market circumstances change prior to the start of the second reset period.

Aurizon Network has proposed 4 change events:

- review of the non-electric operating expenditure allowance
- review of the economic life constraint
- review of the economic life constraint of Moura system
- review of the cost of debt methodology.

The change event mechanism provides for Aurizon Network to propose an adjustment to certain parameters, where a defined trigger event occurs (see Table 33).

These proposed arrangements outline the process for revising these parameters, including consultation, notification and assessment requirements – with any proposed change event being subject to our approval.

Aurizon Network submitted that it would seek to reflect the outcomes of any QCA decision in respect of a change event on a forward-looking basis.³³⁵ Any change event adjustments are to be reflected in the annual review of reference tariffs process for 2032–33.³³⁶ In circumstances where a change event adjustment cannot be reflected in the annual review of reference tariffs process, the outcomes will constitute an endorsed variation event.³³⁷

³³² 2025 UT5 DAAU, cl 6A.2(a).

³³³ Aurizon Network, sub 1, p 194.

³³⁴ Including a return on investment commensurate with the regulatory and commercial risks involved.

³³⁵ Aurizon Network, sub 1, p 197.

³³⁶ 2025 UT5 DAAU, Sch F, cl 4.1(c).

³³⁷ See 2025 UT5 DAAU, cls 6A.4(b), 6A.5(c).

We consider that providing an opportunity for Aurizon Network to adjust these parameters where a defined trigger event occurs will enable those parameters to better reflect market circumstances at the time of recalculating reference tariffs for the second reset period. These arrangements will limit the risk that allowable revenues may be based on inappropriate market assumptions over the regulatory period.

The prescribed change events allow for efficiencies to be passed on to access holders, as well as enable Aurizon Network to recover any additional costs associated with the change in circumstances. We note that the vast majority of customers have expressed support for these arrangements, as part of the overall package of arrangements proposed by Aurizon Network in its 2025 UT5 DAAU.

We consider these arrangements provide for reference tariffs to generate expected revenue for Aurizon Network to meet the efficient costs of providing access to the CQCN,³³⁸ as well as appropriately balancing the legitimate interests of Aurizon Network, access holders and access seekers.

³³⁸ Including a return on investment commensurate with the regulatory and commercial risks involved.

Table 33: Aurizon Network’s proposed reset change events

Change event	Triggers for adjustment	Adjustment
Review of the non-electric operating expenditure allowance	<ul style="list-style-type: none"> Aurizon Network’s cumulative actual costs (for the period between 1 July 2027 and 30 June 2031) are more than 3% below the equivalent, relevant components of Aurizon Network’s non-electric operating expenditure allowance; or A material change in circumstances that results in actual costs exceeding the relevant components of Aurizon Network’s non-electric operating expenditure allowance.³³⁹ 	<p>Aurizon Network is to submit a DAAU seeking to update the value of the relevant components of the non-electric operating expenditure allowance.</p> <p>However, updated values cannot exceed the annual allowance for the CQCN in aggregate that would otherwise apply in the absence of a mid-term reset, except where there has been a material change in circumstances resulting in actual costs of any of the components exceeding the approved allowance.³⁴⁰</p>
Review of the economic life constraint	<ul style="list-style-type: none"> A change in law that has the effect of prohibiting the development of new coal mines within Queensland; or The development of a legally binding international treaty signed by countries that, over the preceding 5 years, were the destination in aggregate for 75% or more of Queensland’s coal exports, under which the parties commit to a net zero emissions target by a target year earlier than 2055. 	<p>Aurizon Network may propose a reduced economic life constraint for a coal system, after seeking and considering comments from affected parties in that system.</p> <p>We must either accept Aurizon Network’s proposal or replace it with our preferred economic life constraint.³⁴¹</p>
Review of the economic life constraint of Moura system	No economic life change event for the Moura system has occurred before 30 June 2031.	<p>Aurizon Network may submit a proposed economic life constraint of the Moura system to be applied for the second reset period, following a review in consultation with affected parties in the Moura system.³⁴²</p> <p>We must either accept Aurizon Network’s proposal or replace it with our preferred economic life constraint.³⁴³</p>

³³⁹ 2025 UT5 DAAU, cl 6A.3(c).

³⁴⁰ 2025 UT5 DAAU, cl 6A.3(d).

³⁴¹ In doing so, we are to have regard to the requirements under s 138 of the QCA Act, as well as the demand and supply factors relevant to the volume and profile of coal expected to be produced in that system for the period up to the economic life constraint (2025 UT5 DAAU, cl 6A.4(b)(iii)).

³⁴² 2025 UT5 DAAU, cl 6A.5(c).

³⁴³ 2025 UT5 DAAU, cl 6A.5(d).

Change event	Triggers for adjustment	Adjustment
Review of the cost of debt methodology	<p>One or more of the following occurs during the first reset period:</p> <ul style="list-style-type: none"> a downgrading of Aurizon Network’s BBB+ credit rating, or equivalent³⁴⁴ the outstanding face value of Aurizon Network issued debt is less than 45% of the RAB opening value for at least 24 consecutive months³⁴⁵ for all debt placed over a period of 36 consecutive months, the weighted average term at issuance of all debt placed over a period of 36 consecutive months is less than 7 years, where Aurizon Network is unable to place longer term debt. 	<p>Where a banking expert³⁴⁶ confirms that a cost of debt methodology change event has occurred, Aurizon Network may submit a DAAU which identifies and details variations to assumptions applied in the cost of debt methodology needed to address that change event.³⁴⁷</p> <p>Where we approve the DAAU, the amendments to the cost of debt methodology will apply in the second reset period.³⁴⁸</p>

³⁴⁴ Where the credit rating agency does not predominantly attribute the downgrading to any act or omission of Aurizon Network or a related entity.

³⁴⁵ In circumstances where Aurizon Network can produce evidence of debt placements, or prospective debt placements, that are at rates commensurate with or higher than the sum of the prevailing risk-free rate (at the time of debt placements, or prospective debt placements) and the equity margin.

³⁴⁶ Aurizon Network will appoint an independent and suitably qualified expert after consultation and agreement with a nominated representative of the Rail Working Group. Aurizon Network may also submit a DAAU together with supporting submissions as to why it believes the change event does not need the confirmation of a banking expert (2025 UT5 DAAU, cl 6A.4(c)(v)).

³⁴⁷ 2025 UT5 DAAU, cl 6A.4(c)(iv).

³⁴⁸ 2025 UT5 DAAU, cl 6A.4(c)(vi)-(vii).

8 Contract volume-based pricing and take or pay

The 2017 AU calculates system reference tariff inputs with reference to forecast volumes that reflect the expected utilisation of system entitlements.³⁴⁹

Aurizon Network's 2025 UT5 DAAU proposes amendments to apply contract volume-based pricing, where reference tariff inputs are calculated using contract volumes.³⁵⁰ In conjunction with the proposed application of contract volume-based pricing, Aurizon Network has also proposed amendments that seek to:

- adjust the steps taken to determine an access holder's take or pay liability
- implement a more streamlined approach for dealing with an under- or over-recovery of allowable revenue
- address interactions between the pricing framework contained in the 2025 UT5 DAAU and access agreements.

Draft decision – proposed contract volume-based pricing and take or pay

Our draft decision is that it is appropriate to approve Aurizon Network's proposed amendments to:³⁵¹

- introduce contract volume-based pricing (section 8.1)
- remove Aurizon Network cause from the take or pay trigger test (section 8.2.1)
- expand mine capping to include port precincts (section 8.2.2)
- establish an end-of-year adjustment process (section 8.3)
- account for different iterations of access agreements (section 8.4).

The 2025 UT5 DAAU provides a pricing framework that incentivises efficient contracting decisions and enables Aurizon Network to recover allowable revenue. The framework also promotes revenue and price stability.

We consider such a framework is in the interests of access seekers, access holders and Aurizon Network. The framework will support efficient use of, and investment in the CQCN and allow Aurizon Network to generate expected revenue that is at least enough to meet the efficient costs of providing access to the CQCN.

³⁴⁹ Where forecast volumes do not materialise, take or pay charges may be payable by those access holders who do not use their entitlements – to enable Aurizon Network to recover allowable revenue that would otherwise be foregone.

³⁵⁰ Aurizon Network (sub 1, p 208) stated that our position on the proposed amendments should not affect the negotiated package of arrangements submitted as part of the 2025 UT5 DAAU.

³⁵¹ Subject to the corrections outlined in Appendix B.

8.1 Contract volume-based pricing

Our draft decision is that it is appropriate to approve Aurizon Network's proposed amendments to determine reference tariffs from 1 July 2027, based on contractual volumes.

The proposed amendments require reference tariff inputs to be calculated using ToP gtk,³⁵² which is the greater of:

- forecast gtk
- 90% of the aggregate gtk that would be achieved for the relevant year if full contracted train service entitlements are railed for a coal system.

This differs from existing arrangements, where reference tariff inputs are based on approved gtk forecasts³⁵³ for a given year.

We consider that the proposed shift towards contract volume-based pricing strengthens the financial accountability of holding contract entitlements, thereby providing stronger incentives for access holders to efficiently manage their entitlements.

Under the existing arrangements, the costs of holding contract entitlements above real demand are socialised across the system. As reference tariffs are calculated based on expected utilisation of system entitlements, the system reference tariff will increase where an access holder does not expect to utilise their full contractual entitlements.³⁵⁴ Such arrangements may encourage access holders to maintain contract entitlements above real demand, particularly where there may be scheduling advantages³⁵⁵ and other benefits³⁵⁶ in doing so. In a capacity-constrained environment, there is a risk this could prevent access seekers with real demand from utilising the CQCN and potentially result in unnecessary expansions.

Under Aurizon Network's proposed amendments, where reference tariffs are determined using 90% of contracted gtk, reference tariffs are calculated based on relatively higher volumes (in comparison to forecast gtk) and reference tariffs will be reduced.³⁵⁷ As a result, access holders:

- raiing at contracted levels will benefit from lower reference tariffs
- underutilising contract entitlements may be exposed to a larger share of take or pay.³⁵⁸

Individual access holders will bear the financial risk associated with holding contract entitlements above actual utilisation. We consider that this will create pricing signals that better promote efficient contracting decisions, supporting efficient use of, and investment in the CQCN.

Some stakeholders held concerns with the proposed shift in costs and the risks for individual access holders. Anglo American and Yarrabee Coal Company said this represented a significant departure

³⁵² ToP gtk will apply to AT2, AT3 and AT4 charges, as these charges are subject to take or pay arrangements. The charges will be calculated with reference to ToP gtk, converted to the relevant pricing unit for each charge (for example, ToP gtk will be converted to net tonnes for the AT4 charge). See 2025 UT5 DAAU, Sch F, cl 2.2(c).

³⁵³ Converted to the relevant pricing unit for each access charge.

³⁵⁴ Allowable revenue will be divided over a smaller base, as volumes will be reduced to account for expected underutilisation of entitlements, increasing reference tariffs.

³⁵⁵ Holding entitlements above real demand could allow an access holder to retain a more favourable month-to-date, or year-to-date, utilisation position for the purpose of contested train paths. See 2025 UT5 DAAU, Sch G, cl 8.3.

³⁵⁶ For example, access holders may see benefit in holding entitlements above real demand to account for potential system losses.

³⁵⁷ Allowable revenue will be divided over a relatively larger base compared to existing arrangements (90% of contracted gtk instead of the lower forecast gtk), resulting in a lower reference tariff.

³⁵⁸ Allowable revenue will be recovered through reference tariffs and take or pay where actual gtk is less than 90% of contract gtk. Under the existing arrangements, Aurizon Network expects to recover allowable revenue through reference tariffs where actual gtk is expected to equal forecast gtk for the year.

from the current, longstanding regime – which provided regulatory certainty and had been the basis for significant mine investment and contracting decisions.³⁵⁹

Anglo American said it was rare for an access holder to significantly underutilise capacity, instead holding buffer capacity to mitigate the effects of impacts outside of its control.³⁶⁰ It considered that the impact of these factors differed amongst access holders, with mines located further from the terminal tending to experience higher exposure to such issues.³⁶¹

Further, Anglo American was of the view that the existing arrangements are valuable to access holders where major mine production events occur that result in the underutilisation of contractual entitlements. Anglo American considered that such events cannot be effectively managed through insurance and said opportunities to transfer rights in such cases was market dependent.³⁶²

We note that Aurizon Network's 2025 UT5 DAAU does not represent a complete transition to contract volume-based pricing, setting the minimum volume threshold at 90% of contract gtk, rather than 100%. Amongst other things, Aurizon Network stated that this recognised a preference amongst access holders to retain some level of socialisation for unforeseen production events and potential supply chain losses.³⁶³

Regardless, we recognise that there may be a change in the costs and risks that individual access holders face under the proposed arrangements. Individual access holders will bear the financial risk associated with holding contract entitlements above actual utilisation.

We would expect access holders to consider the financial risks when weighing up the costs and benefits of holding onto additional entitlements. It is this consideration that promotes efficient management and allocation of capacity. To the extent that an access holder continues to see value in holding additional entitlements (for example, to deal with day-of-operation losses), it will not be prevented from doing so.

While certain access holders value the extent that the existing arrangements offer a form of industry self-insurance, it is not clear that this outcome is valued or supported by all access holders. As a result, we consider that it is reasonable to allocate the financial risk associated with managing contractual entitlements to the parties who are best placed to manage this risk – individual access holders. This will support efficient use of, and investment in the CQCN, which we consider appropriately balances the interests of access holders, access seekers and Aurizon Network.

Where there is consensus amongst access holders on the need for a form of industry self-insurance, it is not clear that these arrangements would need to be implemented as part of the undertaking.

We note Anglo American also submitted supplementary arrangements to address significant mine events within the undertaking, as outlined in Box 8. We do not consider such arrangements are necessary in order for us to consider it appropriate to approve the 2025 UT5 DAAU.³⁶⁴ That said, where there is consensus amongst parties, we are open to considering supplementary arrangements that help mitigate risks identified by the parties.

³⁵⁹ Anglo American, sub 17, p 6; Yarrabee Coal Company, sub 16, p 1.

³⁶⁰ For example, it stated that day-of-operation losses including locomotive breakdowns, broken rails and train cancellations may mean an access holder does not fully utilise contract entitlements. Other factors include planned and unplanned outages, variable production, the weather, cargo assembly necessitating 'campaign style' raiing and uneven vessel arrivals at DBT. Anglo American, sub 17, p 5.

³⁶¹ Anglo American, sub 17, p 5.

³⁶² Anglo American, sub 17, p 6.

³⁶³ The 90% threshold was chosen, having regard to the average cancellation rate in the scheduled lock-down period for FY2024 of 10.7%. See Aurizon Network, sub 1, p 210.

³⁶⁴ We do not consider it necessary for the undertaking to provide mitigation for unforeseen events occurring at individual mine sites.

Box 8: Supplementary arrangements to address significant mine events, as proposed by Anglo American

Anglo American stated that if Aurizon Network's proposal to determine reference tariffs based on contractual volumes were to be approved, revisions should be made to allow Aurizon Network to adjust the ToP gtk down to take into account significant mine events that are genuinely beyond the control of the affected producer. This concept was supported by Middlemount Coal.³⁶⁵

Anglo American considered that the access undertaking could:

- specify the process and criteria to apply to determine a significant mine event
- apply system caps to avoid excessive outcomes or price shocks.

It considered that producers would still have a strong incentive to ensure adequate insurance coverage and to engage in short- and long-term transfers where possible, noting adjustments to the ToP gtk for a significant mine event would be uncertain and lagged.³⁶⁶

While such savings are not significant in the scheme of the overall CQCN system and scale of production, Anglo American said that they may genuinely be material to an affected mine owner, particularly in difficult market conditions with no alternative source of revenue.³⁶⁷

Anglo American, also considered that non-affected producers would be less exposed, than under existing arrangements.³⁶⁸

Aurizon Network has proposed to include additional arrangements to assist with the implementation of, and transition to, contract volume-based pricing. These arrangements (discussed in sections 8.1.1 to 8.1.3) include:

- providing opportunities for access holders to relinquish and transfer unwanted entitlements, without incurring a fee
- introducing progress payments to assist with the recovery of take or pay
- addressing potential unintended consequences arising through interactions with rail haulage agreements.

Separately, Aurizon Network noted that there is a risk that the proposed arrangements could weaken the incentives for access seekers to enter into long-term access agreements that reflect expected utilisation, where the supply chain had sufficient capacity for train services to be scheduled in the absence of contract entitlements.³⁶⁹ We understand that Aurizon Network has reached agreement with customers to monitor this issue throughout the regulatory period and will

³⁶⁵ Middlemount Coal, sub 10, p 2.

³⁶⁶ Anglo American, sub 17, p 8.

³⁶⁷ Anglo American, sub 17, p 9.

³⁶⁸ Anglo American, sub 17, p 8.

³⁶⁹ Aurizon Network, sub 1, pp 219-220.

address any issues that arise through a DAAU. We consider this approach reasonable, noting that no evidence was provided to suggest this outcome was likely during the term of the 2025 UT5 DAAU.

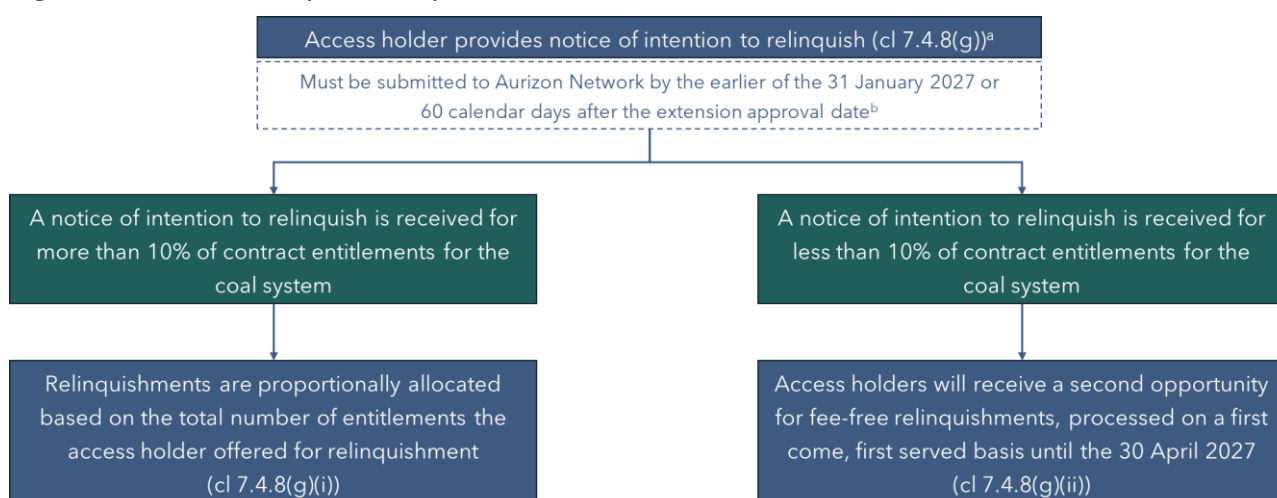
In relation to infrastructure rebates provided as part of the 2025 UT5 DAAU, Aurizon Network did not consider there to be broader consequences for rebate arrangements, where the rebates are calculated on the forecast tonnes for that origin to destination. Regardless, it said it was willing to implement fixed rebate arrangements to deal with any potential changes to the revenue profile, should the Access Facilitation Deed (AFD) holder wish to do so.³⁷⁰

8.1.1 Opportunities for fee-free relinquishments and transfers

As part of the 2025 UT5 DAAU, Aurizon Network has proposed amendments to provide access holders with an opportunity to relinquish any unwanted entitlements without incurring a fee (see Figure 14). Aurizon Network stated that these amendments were proposed recognising that contract volume-based pricing could increase the financial risk for individual access holders holding underutilised entitlements.³⁷¹

An access holder can seek to relinquish up to 25% of its contracted train service entitlements,³⁷² with a maximum of 10% of contracted entitlements to be relinquished within a coal system.³⁷³ Aurizon Network stated that these thresholds were applied to constrain relinquishments to an access holder mitigating increased financial risk and to avoid any substantial diminishment of the benefits access holders within a system will receive through lower reference tariffs.³⁷⁴

Figure 14 Fee-free relinquishment process



a Prior to providing a notice of intention, an access holder may require Aurizon Network to provide an indication of the percentage of all train service entitlements relinquished in a coal system at that time (2025 UT5 DAAU, cl 7.4.8(g)).
 b The extension approval date is the date on which the undertaking, as amended by the 2025 UT5 DAAU, is approved (2025 UT5 DAAU, Part 12).

Should access holders still hold unwanted entitlements after the relinquishment process, Aurizon Network's 2025 UT5 DAAU also includes an opportunity for fee-free long-term transfers. Such

³⁷⁰ Aurizon Network, sub 1, p 219.

³⁷¹ Aurizon Network, sub 1, p 216.

³⁷² 2025 UT5 DAAU, cl 7.4.8(g).

³⁷³ 2025 UT5 DAAU, cl 7.4.8(g)(i).

³⁷⁴ Aurizon Network, sub 1, p 216. A significant number of relinquishments could reduce contract entitlements within a system to a point where the proposed shift towards contract volume-based pricing would not produce a lower reference tariff.

transfers will be subject to the approval processes set out in Part 7 of the 2025 UT5 DAAU³⁷⁵ but must be requested and approved within the year ending 30 June 2028.³⁷⁶

We consider that the proposed fee-free relinquishment and transfer processes support access holders to manage their contractual entitlements effectively, in response to the change to contract volume-based pricing.

While these arrangements may not provide for access holders to release excess entitlements for free in every instance, we consider that the proposed process appropriately balances the interests of various access holders. Given that relinquishments can have an impact on the system reference tariff,³⁷⁷ we consider it reasonable that measures are put in place to limit the extent to which individual decisions negatively impact access holders across the system.

Anglo American considered that if the proposed contract volume-based pricing was to be approved, a transition period should be provided until at least midway through the regulatory period.³⁷⁸ Anglo American held concerns that the fee-free relinquishments and transfers would not be completely effective in enabling the release of capacity because:³⁷⁹

- relinquishment opportunities are capped, both at an access holder and system level
- transfers are market dependent, and capacity may not always be able to be readily transferred in time, or as required
- processes could result in misaligned exit rights, where access holders hold excess port rights, with limited ability to use them.

We do not consider that a significant transition period is required for access holders to adjust to contract volume-based pricing.

We consider that some access holders will continue to see value in holding entitlements above expected utilisation, including to account for mine-specific circumstances, such as arrangements at ports.

Where it is in an access holder's interests to reduce its contractual entitlements, we consider that the processes within the 2025 UT5 DAAU will facilitate this to occur in a timely manner. In this regard, we note that where an access holder wishes to relinquish more capacity than provided for under the fee-free relinquishment process, it may do so under the usual relinquishment process.³⁸⁰ While it will incur a fee,³⁸¹ this will enable it to reduce its ongoing take or pay obligations. Opportunities to transfer entitlements to other access holders may also exist.

8.1.2 Progress payments to address cash flow implications

As part of the 2025 UT5 DAAU, Aurizon Network has proposed amendments to introduce progress payments to assist with its recovery of take or pay.

Where access holders continue to see value in holding entitlements above expected utilisation, contract volume-based pricing may result in a higher proportion of Aurizon Network's allowable

³⁷⁵ 2025 UT5 DAAU, cl 7.4.5.

³⁷⁶ 2025 UT5 DAAU, cl 7.4.6(d)(iii).

³⁷⁷ Typically, a relinquishment fee is incurred to address this. Relinquishment fees are designed as an exit fee to capture the fixed cost of providing access to an access holder. The relinquishment fee is paid to ensure the fixed cost of leaving the system is not transferred to other users of the system.

³⁷⁸ Anglo American, sub 17, p 6.

³⁷⁹ Anglo American, sub 17, pp 4-5.

³⁸⁰ 2025 UT5 DAAU, cl 7.4.8.

³⁸¹ The relinquishment fee is set at 50% of the present value of aggregate take or pay charges that would have been payable for the remainder of the term of the relevant access agreement, or a lesser amount in accordance with cl 7.4.8(e) of the 2025 UT5 DAAU.

revenue being recovered through take or pay. While access holders are typically billed for most access charges on a monthly basis, existing arrangements provide for an access holder's take or pay liability to be determined and invoiced at the end of each financial year.³⁸²

Aurizon Network considered that progress payments to address cash-flow implications are necessary, where components of the regulatory financial model and contractual terms are dependent on the assumption that revenue is collected relatively uniformly across the year.³⁸³ The proposed method for determining the progress payments is outlined in Figure 15. The progress payments will occur at the end of October and February each year. Aurizon Network stated the timeframes were determined having regard to:³⁸⁴

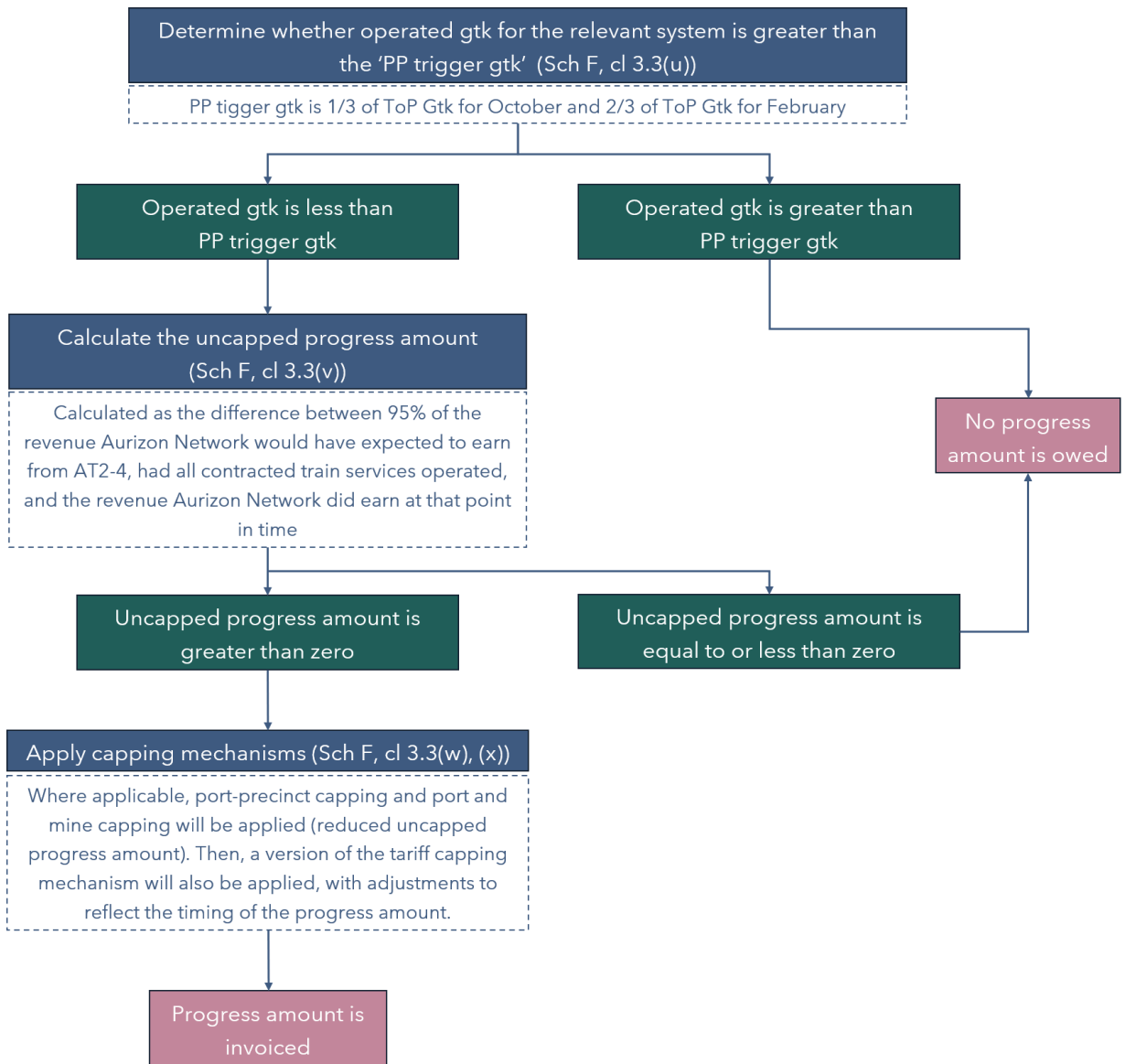
- the preference to avoid the return of progress payments if utilisation rates are higher later in the year than earlier in the year
- the expectation that if an access holder has a month of poor performance there are sufficient months in that period to recover
- the need to ensure that a progress payment is invoiced and access rights are able to be suspended for non-payment within the 6-month period for which security is held.

³⁸² 2025 UT5 DAAU, Sch F, cl 3.3(d).

³⁸³ Aurizon Network, sub 1, p 21. For example, the half-year WACC discount applied to the end-of-year free cash flow in determining allowable revenue, the working capital allowance of 0.3% of allowable revenue and holding security equivalent to 6 months of access charges.

³⁸⁴ Aurizon Network, sub 1, p 211.

Figure 15: Progress payment process



Notes: As the February amount is a year-to-date calculation, any progress payment received in October will be deducted from the amount payable (Sch F, cl 3.3(z)). Progress payments will not be invoiced if the cumulative amount of the October and February payment is less than \$100,000 (Sch F, cl 3.3(bb)). Port-precinct capping and port and mine capping are discussed in section 8.2.2. The tariff capping mechanism involves multiplying the reduced uncapped progress amount by the tariff capping rate set out in Schedule F, cl 3.3(x) of the 2025 UT5 DAAU.

We consider the proposed progress payments process is appropriate as it will allow revenue to be recovered more uniformly across the year. This will alleviate cash-flow and working-capital concerns that could potentially arise where substantial amounts of revenue are recovered through take or pay as a one-off sum at the end of each year.

We consider that these proposed arrangements provide a reasonable balance between accuracy and simplicity. The arrangements broadly reflect the steps undertaken to calculate an access holder's take or pay liability and appropriately seek to account for movements in performance over a year. However, Aurizon Network has also sought to keep the payments administratively simple by:

- not providing relief for an Aurizon Network cause – Aurizon Network considered that an allowance for this was provided in its calculation of the progress amount by only considering 95% of the revenue Aurizon Network would have expected to earn, had all contracted train services railed

- not invoicing progress payments if the cumulative amount of the October and February payment is less than \$100,000 – this was considered immaterial and unlikely to substantively contribute to working capital costs and risks
- not issuing a credit note if the February amount is less than zero – any credit will be dealt with in the calculation of the take or pay amounts at the end of the year.³⁸⁵

Importantly, take or pay liability at the end of the financial year will be adjusted for any progress amounts paid,³⁸⁶ such that Aurizon Network will not under- or over-recover take or pay for a given year.

8.1.3 Interactions with rail haulage agreements

As part of the 2025 UT5 DAAU, Aurizon Network also proposed arrangements to address potential unintended consequences that arise through interactions with rail haulage agreements between railway operators and customers (i.e. miners).

Railway operators may hold access rights on behalf of a customer. In such circumstances, the railway operator is considered the access holder and will be responsible for paying any access related charges, including any take or pay amounts owed. How these charges are then allocated between the railway operator and its customer is subject to the terms of a commercially negotiated rail haulage agreement that sits outside the regulatory framework.

In preparing its 2025 UT5 DAAU, Aurizon Network engaged with railway operators. During this engagement, concerns were raised that introducing contract volume-based pricing could result in a material increase in financial risk for a railway operator, where:

- it acted as the access holder (on behalf of its customer)
- the rail haulage agreement did not allow for the straight pass-through of the invoiced take or pay amounts.³⁸⁷

In these particular circumstances, the relevant customer may not be exposed to the same incentives to efficiently manage entitlements as others, given it will:

- benefit from the lower reference tariff that may apply under a contract volume-based pricing approach
- not be subject to increased financial accountability for holding contract entitlements, as it is the railway operator who may be exposed to a larger share of take or pay where contract entitlements are not utilised.

To deal with this matter, Aurizon Network proposed to include arrangements in the 2025 UT5 DAAU that seek to replicate the current allocation of risk between the railway operator and customer. This is achieved by:

1. applying alternative reference tariff inputs that are calculated using forecast gtk (rather than ToP gtk)³⁸⁸
2. reducing the take or pay amount owed to account for any additional revenue collected through step 1 when applying the alternative reference tariffs.³⁸⁹

The proposed arrangements will only apply where:

³⁸⁵ Aurizon Network, sub 1, p 213.

³⁸⁶ 2025 UT5 DAAU, Sch F, cl 3.3(s)-(bb).

³⁸⁷ Aurizon Network, sub 1, p 218.

³⁸⁸ 2025 UT5 DAAU, cl 6.9.4 (b)-(c). The alternative reference tariff will only be applied in relation to AT3 and AT4.

³⁸⁹ 2025 UT5 DAAU, cl 6.9.4 (d), Sch F, cl 3.3(j).

- the railway operator advises Aurizon Network that the terms of its rail haulage agreement do not allow invoiced take or pay amounts to be passed through to the customer
- the customer has not agreed to relinquish access rights commensurate to its expected utilisation
- the minimum volume threshold of 90% of contracted gtk is applied for the relevant coal system.³⁹⁰

In general, we do not consider it appropriate to give weight to potential outcomes occurring under commercially negotiated arrangements when assessing the 2025 UT5 DAAU.³⁹¹ However, in this instance, we understand that the proposed arrangements:

- ensure the proposed pricing framework will operate as intended.
- will not have adverse impacts for parties who are not subject to the rail haulage agreement³⁹²
- are transitional arrangements, intended to operate for a limited time, until either the rail haulage agreement or access agreement expires.³⁹³

Importantly, we note that stakeholders did not raise concerns with the proposed arrangements. As a result, we are minded to approve the proposed arrangements. However, we welcome stakeholder feedback on this matter.

8.2 Calculating an access holder’s take or pay liability

Our draft decision is that it is appropriate to approve Aurizon Network’s proposed amendments to the steps for calculating take or pay liability.

Schedule F of the 2025 UT5 DAAU sets out the steps involved in calculating an access holder’s take or pay liability (see **Table 34**). Aurizon Network has proposed amendments to 2 of these steps, which are discussed in detail below.

Table 34: Take or pay arrangements

Step	2025 UT5 DAAU	Steps differ from existing arrangements
1. Calculate the maximum potential take or pay for an access holder Sch F, cls 3.3(d)-(g)	The maximum potential take or pay is calculated at 100% of AT2, AT3 and AT4 access charges, based on the difference between an access holder’s contracted train service entitlements for a year and the number of train services operated in that year (excluding train services not operated due to an Aurizon Network cause ³⁹⁴).	No

³⁹⁰ 2025 UT5 DAAU, cl 6.9.4(a).

³⁹¹ This may harm certainty and predictability, both in relation to commercial arrangements and the regulatory framework.

³⁹² Aurizon Network has instead identified that a marginal benefit may be provided. This would occur if the additional revenue collected through alternative reference tariffs reduces the take or pay tariff capping rate, and in turn, the amount of take or pay to be recovered from access holders. Refer to step 4 in **Table 34**.

³⁹³ 2025 UT5 DAAU, cl 6.9.4(b).

³⁹⁴ An Aurizon Network cause includes occurrences where Aurizon Network is unable to make rail infrastructure available for the operation of train services as a result of various possessions, force majeure events or any other action by Aurizon Network that directly results in rail infrastructure not being available.

Step	2025 UT5 DAAU	Steps differ from existing arrangements
2. Determine whether take or pay has triggered for the relevant coal system Sch F, cl 3.3(h)	Access holders within a system will not be liable for take or pay where the aggregate gtk operated for that year ³⁹⁵ exceeds 100% of the ToP gtk. ³⁹⁶	Yes
3. Apply port precinct and mine capping to an access holder's maximum potential take or pay Sch F, cls 3.3(k)-(n)	Where train services for a specified origin to destination pairing exceed entitlement for that year, any additional revenue ³⁹⁷ from that pairing can be used to reduce take or pay liability associated with train services from the same origin to a different destination within the same port precinct. ³⁹⁸ Capping must initially be applied within an individual access agreement before it is applied across multiple access agreements.	Yes
4. Apply tariff capping to an access holder's port precinct and mine capped take or pay amount Sch F, cls 3.3(o)-(q)	If total revenue for a system is: <ul style="list-style-type: none"> greater than or equal to the allowable revenue for AT2-4 in relation to the relevant reference tariff, take or pay is not payable for that year less than the allowable revenue for AT2-4 in relation to the relevant reference tariff, Aurizon Network will calculate the aggregate maximum potential take or pay for a system,³⁹⁹ and if that exceeds the allowable revenue for AT2-4, then Aurizon Network will reduce each access holder's take or pay liability by that access holder's proportion of the maximum take or pay amount. 	No

8.2.1 Take or pay trigger test

The take or pay arrangements include a trigger test, which is applied to determine whether any take or pay liability exists in relation to a particular reference tariff.

As part of the 2025 UT5 DAAU, Aurizon Network proposed amendments to the trigger test, such that take or pay will not trigger where the aggregate gtk operated for that year exceeds the volume trigger of 100% of ToP gtk.⁴⁰⁰

This differs from existing arrangements in two regards:

1. The volume trigger applies ToP gtk instead of forecast gtk.

³⁹⁵ Specifically, the aggregate gtk for all coal-carrying train services, to the extent that the access charges for those train services are set by reference to the relevant system reference tariff. See 2025 UT5 DAAU, Part 12.

³⁹⁶ The trigger test will only be applied when calculating take or pay in relation to a system reference tariff.

³⁹⁷ Recovered through AT2-4 access charges.

³⁹⁸ Port precincts are defined as the Port of Abbot Point, Port of Hay Point (including Hay Point Coal Services Coal Terminal and Dalrymple Bay Coal Terminal) and the Port of Gladstone (including the RG Tanna Coal Terminal, Wiggins Island Coal Export Terminal and domestic coal terminals in the vicinity of Gladstone). See 2025 UT5 DAAU, Part 12.

³⁹⁹ After port precinct and mine capping is applied.

⁴⁰⁰ 2025 UT5 DAAU, Sch F, cl 3.3(h).

2. The volume trigger is not reduced for train services not operated due to an Aurizon Network cause.

We consider the proposed amendments are appropriate, noting that they support a framework aimed at strengthening financial accountability of contract entitlements.

In practice, the proposed amendments may increase the likelihood of take or pay triggering.⁴⁰¹ This means access holders who underutilise contract entitlements may be more likely to be liable for take or pay.⁴⁰² Importantly, take or pay relief for an Aurizon Network cause will continue to be provided when calculating an access holder's take or pay liability.⁴⁰³ Access holders will not be required to pay where underutilisation is the result of an Aurizon Network cause.⁴⁰⁴

Aurizon Network considered that the proposed amendments would provide greater revenue and price stability.⁴⁰⁵ We consider that, overall, the 2025 UT5 DAAU will reduce the extent of revenue instability.⁴⁰⁶

8.2.2 Port precinct and mine capping

Take or pay arrangements include capping mechanisms, which may reduce an access holder's take or pay liability.

As part of the 2025 UT5 DAAU, Aurizon Network proposed amendments to introduce port precinct capping. As a result, where train services operated for a specified origin to destination pairing exceed contract entitlements for that year, the additional AT2-4 revenue that Aurizon Network recovers from that pairing can be used to offset take or pay liability for train services from the same origin to a different destination within the same port precinct. The capping must initially be applied within an individual access agreement, before it is applied across multiple access agreements.

This represents a broadening of the existing mine capping arrangements, which apply for a given origin to destination pairing, rather than an origin to port precinct combination.⁴⁰⁷

We are of the view that the proposed amendments will provide users with greater flexibility as to how they manage their contractual entitlements, supporting the efficient use of the CQCN.

8.3 End-of-year adjustment process

Our draft decision is that it is appropriate to approve Aurizon Network's proposed end-of-year adjustment (EoYA) process.

⁴⁰¹ The threshold for take or pay to trigger is lower as a result of the proposed amendments.

⁴⁰² Where take or pay does not trigger, and Aurizon Network has not recovered its allowable revenue through reference tariffs, instead of recovering the revenue shortfall through take or pay, it will be socialised through adjustments to future reference tariffs (see section 7.3).

⁴⁰³ As per the calculation of maximum potential take or pay in **Table 34**.

⁴⁰⁴ See 2025 UT5 DAAU, Part 12 for the definition.

⁴⁰⁵ Aurizon Network, sub 1, p 207. With take or pay more likely to trigger as a result of the proposed amendments, Aurizon Network considered that this would reduce the likelihood of a revenue shortfall occurring (where Aurizon Network does not recover its allowable revenue). Under the existing arrangements, a revenue shortfall is socialised through the reference tariff, with a 2-year lag from when the shortfall occurs to when it is accounted for in the reference tariff (see section 7.3).

⁴⁰⁶ For example, through the proposed end-of-year adjustment process discussed in section 8.3.

⁴⁰⁷ That is, additional revenue can only be used to offset take or pay liability for access agreements with the same origin to destination pairing.

As part of the 2025 UT5 DAAU, Aurizon Network proposed to include an EoYA process to address any under- or over-recovery of revenue⁴⁰⁸ resulting from variations in utilisation rates.⁴⁰⁹

The process first requires calculation of a revenue reconciliation amount, which accounts for differences in allowable revenue and total revenue recovered through the AT1-4 access charges.⁴¹⁰ The revenue reconciliation amount is then proportionally allocated to access holders as follows:

- Where total revenue earned is less than the allowable revenue for a system (i.e. under-recovery of revenue), the revenue reconciliation amount will be recovered from access holders based on the proportion of contracted train service entitlements attributable to each access holder.⁴¹¹ Aurizon Network stated that this approach recognises that an under-recovery of revenue is expected to be associated with a material force majeure event and ensures the recovery is proportionally distributed between those impacted and not impacted by the force majeure event.⁴¹²
- Where total revenue earned is greater than allowable revenue for a system (over-recovery of revenue), the revenue reconciliation amount will be returned to access holders based on the proportion of revenue recovered from each access holder.⁴¹³ Aurizon Network said this approach recognises that access holders who have railed above their contracted train service entitlements will have contributed additional revenue to the socialised cost base compared to access holders who have operated less than their contracted entitlements.⁴¹⁴

We consider that there is merit in introducing the EoYA process proposed by Aurizon Network. While existing arrangements are in place that allow Aurizon Network to review and vary reference tariffs to address any under- or over-recovery of revenue (see section 7.3), we consider that the proposed EoYA process may improve revenue and price stability, as demonstrated in Box 9. We understand this is a preference of Aurizon Network and its customers.⁴¹⁵

Importantly, the existing arrangements will continue to remain in place to deal with sources of revenue not dealt with in the proposed EoYA process⁴¹⁶ and to account for any adjustments to Aurizon Network's allowable revenue (see section 7.3). These arrangements will account for any revenue that is recovered from (or returned to access holders) through the proposed EoYA process, to avoid double counting.⁴¹⁷

⁴⁰⁸ Aurizon Network will have under-recovered revenue where its allowable revenue for a given year is greater than the total revenue it earned. Similarly, there will be an over-recovery of revenue where its allowable revenue for a given year is less than the total revenue.

⁴⁰⁹ 2025 UT5 DAAU, Sch F, cls 4.3(a)-(e).

⁴¹⁰ Specifically, the sum of the total revenue earned from AT1 and the total actual revenue for AT2-4 calculated in accordance with Sch F cls 4.4(d)(i)-(ii) of the 2025 UT5 DAAU. See 2025 UT5 DAAU, Sch F, cl 4.3(a).

⁴¹¹ 2025 UT5 DAAU, Sch F, cl 4.3(b).

⁴¹² Aurizon Network, sub 1, p 214.

⁴¹³ Revenue recovered will reflect total actual revenue calculated in accordance with Sch F, cl 4.4(d)(i)-(ii) of the 2025 UT5 DAAU and revenue recovered through the AT1 component of access charges. See 2025 UT5 DAAU, Sch F, cl 4.3(c).

⁴¹⁴ Aurizon Network, sub 1, p 214.

⁴¹⁵ Specifically, Aurizon Network (sub 1, p 214) said it and its customers have a preference to reduce the materiality of the revenue cap adjustments, which can result in revenue and price volatility.

⁴¹⁶ For example, the EoYA process does not account for differences in revenue attributed to the AT5 access charges. Aurizon Network (sub 1, p 215) stated this was because access holders and railway operators do not expressly contract for use of electric traction; the use of electric equipment is not subject to take or pay obligations; electric consists are generally fungible between the Goonyella and Blackwater systems and can therefore be deployed across the two systems; and railway operators should not be subject to retrospective price adjustments based on a competitor's rollingstock allocation and deployment decisions after volume forecasts have been used to determine the tariff components.

⁴¹⁷ 2025 UT5 DAAU, Sch F, cl 4.4(d)(iv)-(v).

Box 9: Example of revenue and price stability provided through the EoYA process

If total revenue recovered by Aurizon Network in 2026–27 is less than the allowable revenue, there will be a revenue shortfall in 2026–27 (i.e. an under-recovery of revenue).

Without the EoYA process, there will be a 2-year lag before the revenue shortfall is accounted for through adjustments to reference tariffs:

1. By 31 October 2027, Aurizon Network submits revenue adjustment amounts for our approval. The revenue adjustment amounts account for the revenue shortfall in 2026–27.
2. By 28 February 2028, Aurizon Network submits the reference tariffs to apply in 2028–29 for our approval, which will account for, amongst other things, the approved 2026–27 revenue adjustment amounts.

Under the proposed EoYA process, the revenue shortfall can instead be directly recovered from (or returned to) access holders at the end of each year. Therefore, Aurizon Network will send out invoices to access holders to recover the revenue shortfall at the completion of 2026–27.

The revenue adjustment amounts that deal with the revenue shortfall in 2026–27 will account for the invoiced amounts, which should limit the materiality of the revenue adjustment amounts.

8.4 Interaction with access agreements

Our draft decision is that Aurizon Network’s proposed approach to deal with interactions between the access undertaking and access agreements is reasonable.

Aurizon Network identified that the proposed amendments contained in the 2025 UT5 DAAU could have consequences for access agreements. While the 2025 UT5 DAAU includes a range of amendments associated with contract volume-based pricing and take or pay arrangements, it is the pricing framework set out in the access agreement between Aurizon Network and the access holder that will ultimately determine how Aurizon Network recovers revenue.

The pricing framework contained in the standard access agreement (SAA) has changed over time. While more recent iterations of the SAA provide for the pricing framework to be updated from time-to-time to reflect the access undertaking in place, this is not the case with older iterations. As a result, different frameworks apply across access agreements. For example, the calculation of take or pay under a UT1 or UT2 access agreement is notably different to the calculation under agreements from UT3 onwards.⁴¹⁸

As part of our review, we have sought to understand the nature of the access agreements in place during the 2025 UT5 DAAU period. Aurizon Network has confirmed that the remaining UT1 access

⁴¹⁸ See QCA, *Aurizon Network’s 2017 draft access undertaking*, decision, December 2018, p 260, Table 88.

agreements will expire before the 2025 UT5 DAAU extension commencing date of 1 July 2027.⁴¹⁹ However, we understand that a limited number of UT2 and UT3 access agreements will remain in place.

As a result, we have assessed how the amendments associated with contract volume-based pricing and take or pay arrangements will apply across the UT2-UT5 SAA (see Table 35).

We consider that Aurizon Network’s proposed approach to dealing with interactions between the 2025 UT5 DAAU and the SAAs, as well as amendments to assist with the operation of the EoYA process under the UT2 SAA, are reasonable.

We are satisfied that the amendments discussed in this chapter will largely be able to operate as intended under the SAAs. While it is possible that arrangements under the UT2 SAA could result in costs associated with the UT2 access holder being socialised across the system in certain circumstances, this possibility will only be present for a limited time. While there is no evidence at present to indicate the potential impacts will be material, we welcome stakeholder feedback on this matter and whether the proposed amendments under the 2025 UT5 DAAU (related to contract volume-based pricing and take or pay arrangements) should instead commence on expiry of the UT2 access agreement.

Table 35: Application of proposed amendments across UT2-UT5 standard access agreements

Proposed amendment to the 2025 UT5 DAAU	QCA views
Contract volume-based pricing – setting reference tariffs with regard to contract volumes	It is our understanding that the proposed amendments to set reference tariffs having regard to contract entitlements will apply across all versions of the SAA (UT2-UT5). As a result, all access holders will be subject to the strengthened financial accountability for holding contract entitlements.
Contract volume-based pricing – fee-free relinquishments and transfers	It is our understanding that the proposed amendments to offer fee-free relinquishments and transfers will apply under the UT4 and UT5 SAA. Aurizon Network has said to the extent a UT2 or UT3 SAA includes the right to relinquish or transfer, the fee-free relinquishment and transfer process ⁴²⁰ will apply. ⁴²¹
Contract volume-based pricing – progress payments	It is our understanding that the proposed amendment to include progress payments will apply to the UT3-UT5 SAA. Aurizon Network has acknowledged and accepted that there may be increased working capital costs associated with a UT2 SAA. ⁴²²
Contract volume-based pricing – interactions with rail haulage agreements	It is our understanding that proposed arrangements dealing with interactions between rail haulage agreements can be applied under the UT3-UT5 SAA. While the proposed arrangements do not apply under the UT2 SAA, the arrangements are only applicable where an access holder meets certain criteria (see section 8.1.3). Aurizon Network has confirmed UT2 access holders will not meet the criteria. ⁴²³

⁴¹⁹ Aurizon Network, sub 1, p 217.

⁴²⁰ 2025 UT5 DAAU, cl 7.4.8(g).

⁴²¹ Aurizon Network, response to request for information, 8 May 2026.

⁴²² Aurizon Network, response to request for information, 8 May 2026.

⁴²³ Aurizon Network, response to request for information, 8 May 2026.

Take or pay trigger test

It is our understanding that the proposed amendments to the take or pay trigger will apply under the UT3-UT5 SAA.

As a result, take or pay may be less likely to trigger for the subset of access holders with a UT2 SAA. Should a situation occur where take or pay does not trigger for an access holder with a UT2 SAA, but does for other access holders within the system, this could lead to a redistribution of take or pay, with access holders on UT3-UT5 SAAs paying a greater share of take or pay.

The extent to which this is likely to occur is unclear. However, we consider that the materiality of any such impacts should be constrained by the number of UT2 SAA's remaining and the remaining term of such agreements.

Port precinct and mine capping

It is our understanding that the proposed amendments broadening mine capping to include port precinct capping will apply under the UT3-UT5 SAA.

We note that discrepancies already exist between the UT2 SAA and later versions of the SAA, with the UT2 SAA not providing for mine capping.

EoYA process

It is our understanding that the proposed amendment to include an EoYA process will apply under the UT3-UT5 SAA.

Aurizon Network has proposed alternative arrangements for the remaining UT2 SAA in the 2025 UT5 DAAU. Under these arrangements, the EoYA amount calculated for such access holders will be dealt with through the existing annual revenue adjustment process outlined in Schedule F, with the relevant amounts to either be added to, or subtracted from, the relevant reference tariff, from the nominated unloading facility.⁴²⁴

Aurizon Network acknowledged that this would not guarantee the amounts would be quarantined to the origin to destination pairing, but it considered that any variances would not be material, except where the access rights in that access agreement are not renewed on expiry of that agreement, in which case the amounts would be socialised in the system reference tariff.⁴²⁵

We consider that this approach should allow for an access holder on the UT2 SAA to be treated in a similar manner to other access holders.

In the event that the UT2 SAA is not renewed, we note the EoYA amount will be socialised through the system reference tariff. We note that this is not inconsistent with the treatment of an under- or over-recovery of revenue under existing arrangements (see Box 9).

⁴²⁴ Aurizon Network, sub 1, p 217; 2025 UT5 DAAU, Sch F, cl 4.3(e).

⁴²⁵ Aurizon Network, sub 1, p 217.

9 Managing allocated capacity

The 2017 AU outlines processes for managing capacity once it has been allocated to an access holder.⁴²⁶

Aurizon Network's 2025 UT5 DAAU includes a range of amendments related to the management of allocated capacity that seek to:

- provide greater certainty in relation to the tenure and the renewal of access rights by implementing 5-year rolling access agreements
- improve the efficiency of, and transparency around, the process for transferring access rights between access holders and access seekers
- provide a transparent process for considering the utilisation of allocated capacity when assessing the need for an expansion.

Draft decision – amendments related to the management of allocated capacity

Our draft decision is that it is appropriate to approve Aurizon Network's proposed amendments to the process for:⁴²⁷

- renewing access agreements (section 9.1)
- transferring access rights (section 9.2)
- considering the utilisation of allocated capacity when assessing the need for an expansion (section 9.3).

The 2025 UT5 DAAU provides a framework for managing allocated capacity that gives access holders sufficient security of access rights while also enabling the movement of access rights to meet demand. The framework provides Aurizon Network with visibility of an access holder's expected capacity requirements, which supports capacity planning.

We consider that these processes will support efficient use of, and investment in the CQCN and are in the interests of access seekers, access holders and Aurizon Network.

9.1 Rolling renewals of access agreements

Our draft decision is that it is appropriate to approve Aurizon Network's proposed amendments to introduce rolling renewals of access agreements for coal-carrying train services.

⁴²⁶ Amongst other things, these processes provide for access holders to renew access rights that are due to expire and reduce access rights through transfers or relinquishments.

⁴²⁷ Subject to the corrections outlined in Appendix B.

Aurizon Network's 2025 UT5 DAAU includes amendments to existing arrangements⁴²⁸ that enable access holders to secure a 5-year rolling term for their access agreement.⁴²⁹ Each year, an access holder may elect to renew the agreement for a further 12 months, effectively maintaining a consistent 5-year forward term.⁴³⁰

The rolling renewal mechanism operates on an annual cycle with the following obligations:

- Aurizon Network must give an access holder an annual reminder no earlier than 9 and no later than 6 months before the anniversary of the commencement date of the rolling access agreement.⁴³¹
- an access holder must provide a rolling renewal notice⁴³² once every 12 months, which is to include confirmation that it has or is likely to secure sufficient supply chain rights, rail haulage entitlements and coal reserves to fully use the renewed rights.⁴³³
- Aurizon Network is to provide a decision within 30 days, otherwise the renewal is deemed approved.⁴³⁴
- Aurizon Network is to provide reasons if it rejects the request, which can include non-correspondence of rights as well as insufficient supply chain rights, haulage entitlements or coal reserves.⁴³⁵

After Aurizon Network submitted its 2025 UT5 DAAU, it sought corrections to the rolling renewal mechanism, which replaced the evidentiary requirement for sufficient coal reserves with sufficient mine output.⁴³⁶ We consider it appropriate to amend the 2025 UT5 DAAU to reflect Aurizon Network's correction (see Appendix B). Evidence of mine output is likely to be more readily available and better aligned to the supply-chain risks the mechanism is intended to address and is appropriate evidence to support efficient contracting.

Where an access holder's relevant mine life is less than 5 years, the renewal term may be aligned with the remaining mine life.⁴³⁷ Access holders who previously chose not to renew because they expected to reach the end of their mine life are afforded a one-time opportunity to reinstate a rolling term.⁴³⁸

We consider that Aurizon Network's proposed amendments will reduce administrative burden by moving renewals onto a streamlined annual cycle with a 5-year forward term. These arrangements will also provide Aurizon Network with greater visibility of access holders' intentions for capacity planning, potentially leading to greater asset utilisation and fewer expansions.

⁴²⁸ Under the 2017 AU, access agreements for coal carrying train services are contracted on a fixed term, capped at the lesser of 10 years or the remaining life of the mine.

⁴²⁹ The DAAU provides transitional arrangements enabling an existing access holder with less than 5 years remaining under its current access agreement to convert that agreement into a rolling access agreement.

⁴³⁰ 2025 UT5 DAAU, cl 7.3.1(f). Following discussions with the Rail Working Group, Aurizon Network sought corrections to cl 7.3.1(e) of the 2025 UT5 DAAU to clarify that there is a notice to either renew or not renew, with that notice to be given annually no later than 48 months before expiry of the relevant access agreement; and that notice will only become binding on the date that is 48 months prior to the expiry of the relevant rolling access agreement. We consider that Aurizon Network's proposed corrections to clarify this process for access holders are appropriate (see Appendix B).

⁴³¹ 2025 UT5 DAAU, cl 7.3.1(f).

⁴³² When issuing a rolling renewal notice, the access holder must include prescribed information such as operational profile, mine details, and rollingstock information)

⁴³³ 2025 UT5 DAAU, cl 7.3.1(h).

⁴³⁴ 2025 UT5 DAAU, cl 7.3.1(k), subject to information requests from Aurizon Network

⁴³⁵ 2025 UT5 DAAU, cl 7.3.1(m). The access holder may respond, after which Aurizon Network must issue a further written confirmation, and the holder may seek dispute resolution under Part 11.

⁴³⁶ See cl 7.3.1(h)(vi) in Appendix B. Aurizon Network stated (in correspondence dated 19 March 2026) that this revision to the 2025 UT5 DAAU was proposed following discussions with the Rail Working Group and for consistency with the access application process in Part 4 of the 2025 UT5 DAAU.

⁴³⁷ 2025 UT5 DAAU, cl 7.3.1(b)(ii).

⁴³⁸ 2025 UT5 DAAU, cl 7.3.1(p).

Furthermore, the proposed amendments offer access holders sufficient certainty to continue to manage their current access rights to support mine operations. We consider that allowing access holders to reassess mine life at the time of renewal, supported by evidence of mine output and other supply chain rights, is appropriate and likely to improve alignment between contracted rights and expected use. These arrangements support efficient contracting and better utilisation of the service.

Aurizon Network submitted that the proposed rolling renewals arrangements would also:

- better inform the MRSB process, as rail maintenance and renewals can be planned with higher confidence
- smooth contract profiles by reducing contract cliffs where multiple access agreements are due for expiry in close succession.⁴³⁹

Additionally, Aurizon Network submitted that the proposal does not disadvantage other access seekers because renewals must follow set notice periods and decision timeframes.⁴⁴⁰

Consistent with existing arrangements, access seekers will sit behind renewing access holders in the capacity queue. This reflects the principle that existing users should retain the opportunity to renew their existing rights, provided they comply with the procedural requirements and seek no material deviation in service entitlements.

However, a rolling access holder that fails to lodge a timely renewal notice will lose the right to a rolling renewal, and capacity not renewed will revert to available capacity.⁴⁴¹ Similarly, where changes to the requested rights exceed the definition of corresponding rights, the access holder will have to lodge a standard access application and will be treated in the same manner as any access seeker.

Overall, we consider that the proposed rolling renewal mechanism appropriately balances the interests of Aurizon Network, access seekers and access holders.

Aurizon Network did not propose changes to the renewal framework for access rights used by non-coal services, given non-coal users are subject to different contracting requirements than for coal services and have greater flexibility in the duration of their access agreements.⁴⁴²

9.2 Transfer process

Our draft decision is that it is appropriate to approve Aurizon Network's proposed amendments to the transfer process.

Part 7 of the 2025 UT5 DAAU sets out the process for an access holder to transfer its access rights to an access seeker⁴⁴³ for a specified period of time.⁴⁴⁴ As part of the 2025 UT5 DAAU, Aurizon Network has proposed amendments to the transfer process that:

- introduce a new transfer type – a streamlined transfer – to sit alongside the existing short-term and long-term transfers
- revise the steps to be undertaken before Aurizon Network can accept a transfer, including requiring the independent expert to undertake a capacity assessment

⁴³⁹ Aurizon Network, sub 1, pp 199-200.

⁴⁴⁰ Aurizon Network, sub 1, p 200.

⁴⁴¹ 2025 UT5 DAAU, cl 7.3.1(t)(ii)

⁴⁴² Aurizon Network, sub 1, p 200. See 2025 UT5 DAAU, cl 7.3.2.

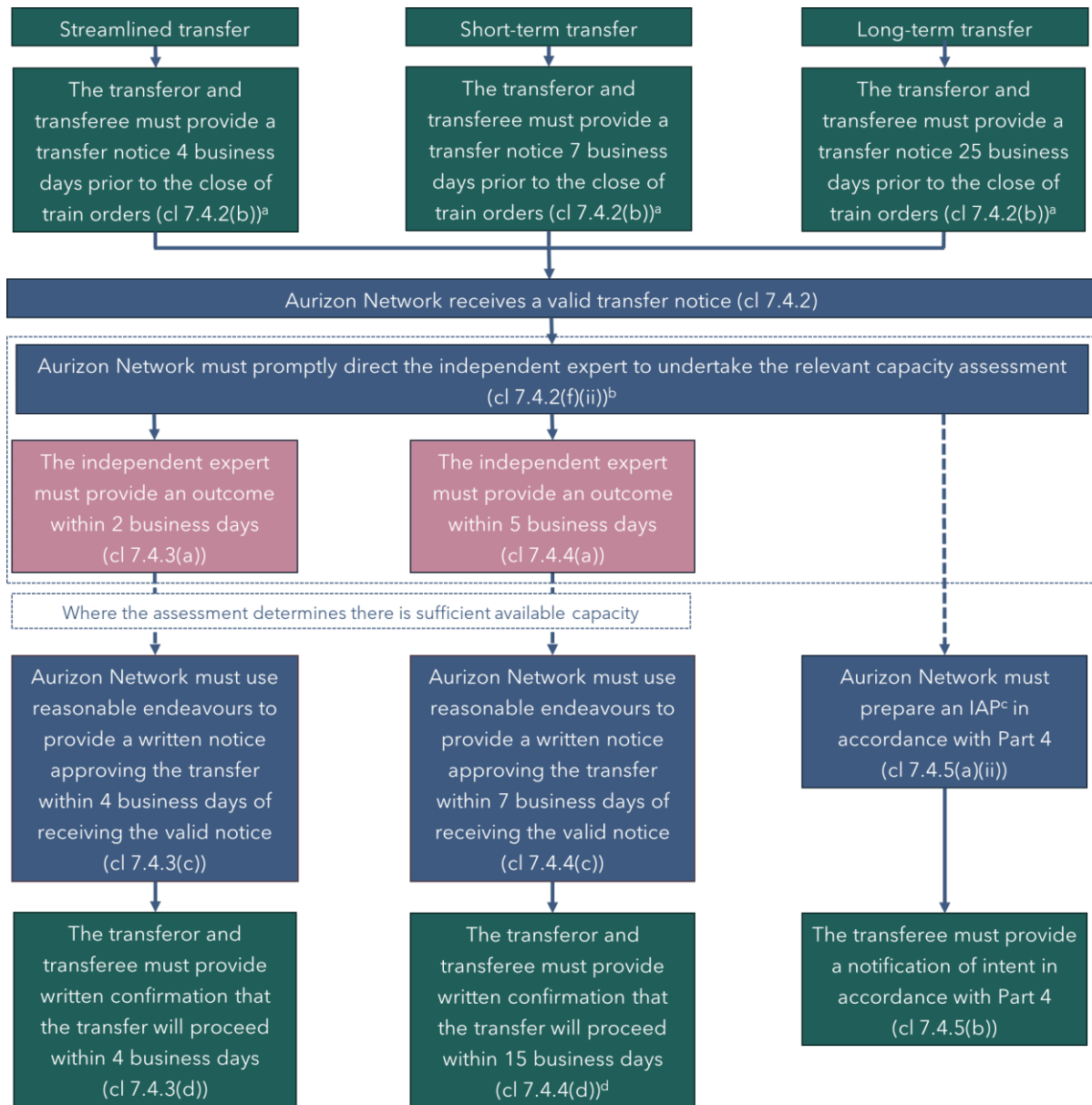
⁴⁴³ In this case, access seekers may encompass access holders who are seeking additional access rights.

⁴⁴⁴ 2025 UT5 DAAU, cls 7.4.1-7.4.6, 7.4.9 and Schedule H for explanatory diagrams.

- provide additional obligations with regards to administering the transfer process.

We consider that these amendments will provide greater flexibility in the management of access rights and improve certainty and transparency for both access seekers and access holders. The resulting transfer process is summarised in Figure 16.

Figure 16: The 2025 UT5 DAAU transfer process for each transfer type



a There is scope for Aurizon Network to accept a transfer notice submitted within a shorter timeframe, at its discretion (cl 7.4.2(a)); b Either a streamlined transfer capacity assessment or transfer capacity assessment. A copy of the transfer notice must be provided to the independent expert to assist in its assessment (cl 7.4.2(a)); c IAP stands for indicative access proposal; d The timeframe is reduced to 4 business days if the transfer is to take effect within the month in which the transfer notice is submitted.

Introduction of streamlined transfers

Aurizon Network’s 2025 UT5 DAAU includes amendments that introduce a new type of transfer, designed for simple and common transfer requests. These streamlined transfers must satisfy the following conditions:

- The transfer period can be up to 3 months long but must end at least one month prior to the existing expiry date of the access rights.
- The origin remains on (or directly connected to) the same mainline path.
- The destination is the same, or in the same port precinct, and the most recent annual capacity assessment report shows no capacity constraint at the destination.
- The transfer must be for the same nature or type of train service.
- The transfer must use the same rail infrastructure or portion of infrastructure.
- The haul is the same or shorter distance from the junction of the relevant mine-specific spur line or balloon loop to the port precinct.
- The operating plan must have been considered as part of the most recent annual capacity assessment report.
- The transferee⁴⁴⁵ must have an existing access agreement.

Consistent with the existing treatment of short-term transfers, no transfer fee will apply.⁴⁴⁶

We consider that the introduction of streamlined transfers will support an efficient transfer process. Identifying transfers that are particularly simple in nature will allow for a shorter turnaround through a more direct approval process. For example, as outlined below, the capacity assessment for a streamlined transfer is relatively simple as it will not require separate modelling and will be based only on the information contained in the transfer notice.⁴⁴⁷

Steps to be undertaken before accepting a transfer

Aurizon Network’s 2025 UT5 DAAU includes amendments to the steps to be undertaken before Aurizon Network can accept a transfer notice. These include requiring:

- capacity assessments to be undertaken by the independent expert for all transfer types
- the application of Part 4 of the 2025 UT5 DAAU when considering long-term transfers.

Capacity assessments

The proposed amendments require capacity assessments to be undertaken prior to the approval of a transfer.⁴⁴⁸ These assessments will be undertaken by the independent expert to confirm whether available capacity⁴⁴⁹ exists to facilitate the proposed transfer. The type of assessment to be undertaken will depend on the transfer type (see Table 36).

Table 36: Assessment for each transfer type

Streamlined transfers	Short-term and long-term transfers
<p>The independent expert must undertake a streamlined transfer capacity assessment, based on the latter of the most recent:</p> <ul style="list-style-type: none"> • annual capacity assessment • revision of the model inputs to the annual capacity assessment 	<p>The independent expert must undertake a transfer capacity assessment using the CQCN simulation model, based on the latter of the most recent:</p> <ul style="list-style-type: none"> • annual capacity assessment

⁴⁴⁵ The party seeking access rights.

⁴⁴⁶ 2025 UT5 DAAU, cl 7.4.3(d)(i).

⁴⁴⁷ 2025 UT5 DAAU, cl 7.4.3(a), (b). In comparison, the capacity assessment required for short-term transfers uses the CQCN simulation model and there is scope to request additional information or evidence.

⁴⁴⁸ Under the existing arrangements, capacity assessments are only required where the transfer notice seeks access rights in addition to the access rights that will be made available as part of the transfer under the current arrangements.

⁴⁴⁹ In this case, available capacity will capture the access rights nominated for transfer.

Streamlined transfers	Short-term and long-term transfers
<p>The assessment must consider up-to-date information on train loadout, track and port availability and the transferee’s load point capability.</p>	<ul style="list-style-type: none"> • revision of the model inputs to the annual capacity assessment <p>The independent expert will also be able to request additional information and evidence from the parties, to assist in its assessment.</p>

Source: 2025 UT5 DAAU, cl 12.1.

We consider that the two capacity assessments provided for in the 2025 UT5 DAAU support informed transfer decisions, with variations across them reflecting the potential complexity of each transfer type. We consider that the independent expert is best placed to undertake an independent assessment of capacity in a timely manner – drawing from its experience in undertaking the annual capacity assessment (see section 10.1).

Application of Part 4 when considering long-term transfers

In considering a long-term transfer, the proposed amendments require Aurizon Network to prepare an indicative access proposal (IAP) and negotiate the transfer in accordance with Part 4 of the 2025 UT5 DAAU.⁴⁵⁰

We consider that Part 4 of the 2025 UT5 DAAU provides a well-established framework for assessing and negotiating long-term transfers that are more complex in nature. The process under Part 4 will not apply to long-term transfers that are relatively straightforward,⁴⁵¹ with Aurizon Network clarifying that these transfers would be assessed in accordance with the short-term transfer process.⁴⁵²

We note the timeframes under Part 4 to prepare an IAP and negotiate and finalise a long-term transfer are notably longer than the period of notice parties to the transfer are required to give Aurizon Network (25 business days). However, we understand that Aurizon Network will be able to expedite the process under Part 4, meaning the target turnaround timeframe of 25 days is reasonable.⁴⁵³

After Aurizon Network submitted its 2025 UT5 DAAU, it identified that explanatory diagrams in Schedule H need to be revised to reflect this timeframe.⁴⁵⁴ We consider it is appropriate to amend the 2025 UT5 DAAU to reflect Aurizon Network’s correction (see Appendix B).

As part of our review, Aurizon Network confirmed that a long-term transfer request will be subject to both capacity assessment requirements under the IAP process in Part 4 of the 2025 UT5 DAAU, as well as the independent expert’s transfer capacity assessment under Part 7.⁴⁵⁵ Aurizon Network sought to clarify this with a correction to the 2025 UT5 DAAU requiring Aurizon Network to have regard to the independent expert’s transfer capacity assessment when developing the IAP. We consider it is appropriate to amend the 2025 UT5 DAAU to reflect Aurizon Network’s correction (see

⁴⁵⁰ 2025 UT5 DAAU, cl 7.4.5(a).

⁴⁵¹ That is, where the access rights are to be transferred to a haul that will be the same or shorter in distance from the junction of the relevant mine-specific spur line or balloon loop to the respective port precinct, and the transferee has an existing access agreement (2025 UT5 DAAU, cl 7.4.5(a)(iv)).

⁴⁵² However, the turnaround timeframe of 25 days will still apply (Aurizon Network, response to request for information, 27 February 2026).

⁴⁵³ Aurizon Network, response to request for information, 27 February 2026.

⁴⁵⁴ Aurizon Network, response to request for information, 27 February 2026.

⁴⁵⁵ Aurizon Network, response to request for information, 27 February 2026.

Appendix B).⁴⁵⁶ Our understanding is that the proposed approach will not result in unnecessary duplication, due to the inter-related nature of the assessments.⁴⁵⁷

Other administrative obligations

Aurizon Network's 2025 UT5 DAAU includes a range of other administrative amendments to the transfer process, including:

- introducing steps to deal with any issues identified in a transfer notice⁴⁵⁸
- implementing clear target timeframes for Aurizon Network's assessment of a transfer notice⁴⁵⁹
- setting out how requests for additional information or evidence will impact the transfer process⁴⁶⁰
- allowing parties to a transfer to request progress updates from Aurizon Network or the independent expert at any stage⁴⁶¹
- introducing a requirement for Aurizon Network to notify a transferee of any transferred adjustment charges that will become payable⁴⁶²
- requiring Aurizon Network to provide the parties to the transfer and the independent expert with reasons where it determines a transfer cannot occur.⁴⁶³

We consider that these amendments improve transparency and provide greater clarity around the steps to take place under various circumstances, which is of benefit to all parties.⁴⁶⁴

While the proposed amendments remove reference to ancillary access rights⁴⁶⁵ from the transfer process, we understand that the process to secure additional access rights remains practically unchanged.⁴⁶⁶

9.3 Considering allocated capacity before an expansion

Our draft decision is that it is appropriate to approve Aurizon Network's proposed amendments to consider the utilisation of allocated capacity when assessing the need for an expansion.

Part 8 of the 2025 UT5 DAAU outlines the principles and processes to apply when expanding the CQCEN. In assessing the need for an expansion, Aurizon Network is required to undertake a range of studies (see Figure 17). These studies provide a structured and transparent framework to confirm that there is sufficient demand for an expansion and assess different design and construction options for prudence and efficiency.

⁴⁵⁶ See cl 7.4.5 (a)(iv) in Appendix B.

⁴⁵⁷ Aurizon Network said the capacity assessments to be considered under Part 4 are the outcome of modelling the independent expert will undertake for its transfer capacity assessment under Part 7.

⁴⁵⁸ The 2025 UT5 DAAU includes provisions to deal with transfer notices that do not contain necessary information (2025 UT5 DAAU, cl 7.4.2(c)) and situations where Aurizon Network determines the type of transfer sought is incorrect (2025 UT5 DAAU, cl 7.4.2 (g)).

⁴⁵⁹ 2025 UT5 DAAU, cl 7.4.4(c).

⁴⁶⁰ 2025 UT5 DAAU, cl 7.4.9(a).

⁴⁶¹ 2025 UT5 DAAU, cl 7.4.2(e).

⁴⁶² 2025 UT5 DAAU, cl 7.4.6 (g).

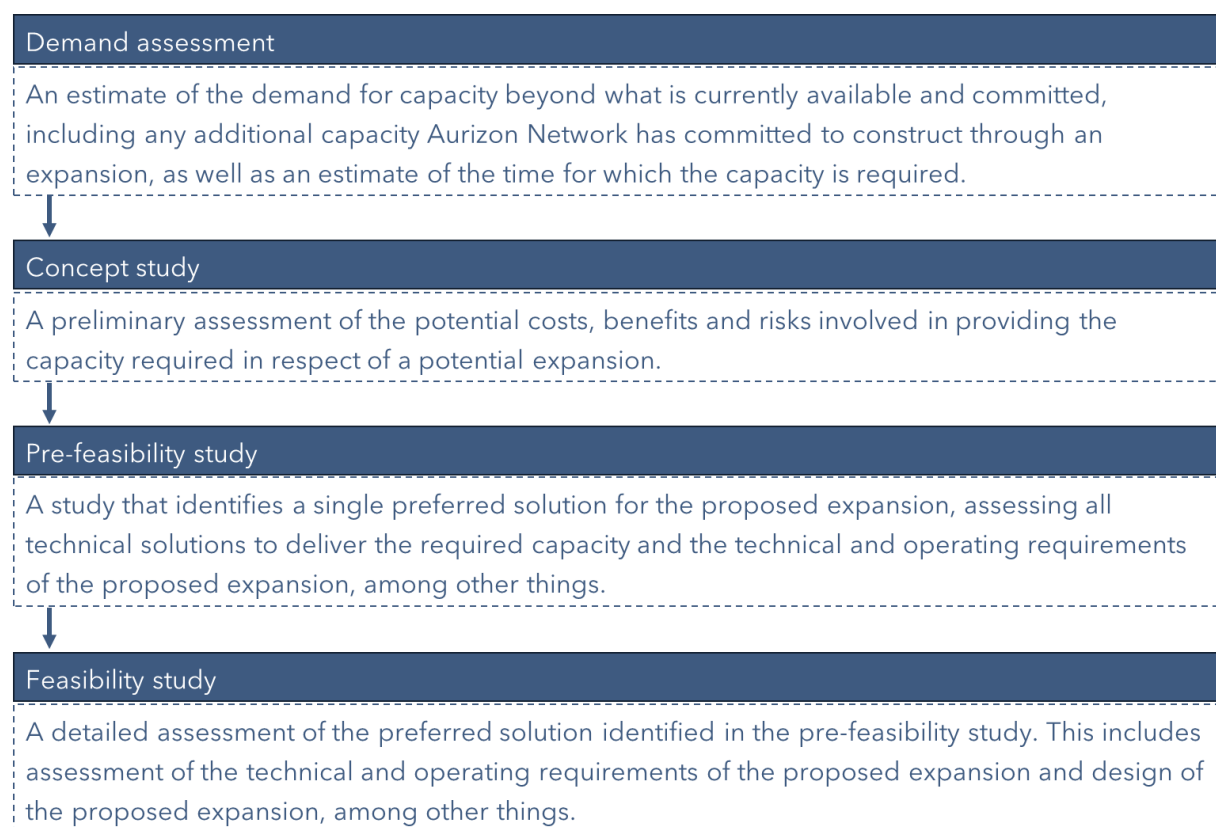
⁴⁶³ Reasons are to be provided in the form of a written notice, within 2 business days of the decision (2025 UT5 DAAU, cl 7.4.9(b)).

⁴⁶⁴ Aurizon Network's proposed amendments also indicate that an electronic platform will be created where all materials associated with a transfer request can be submitted, which should work to simplify the process for parties. 2025 UT5 DAAU, cl 7.4.1(e).

⁴⁶⁵ These are access rights that are required in addition to those to be made available through the proposed transfer.

⁴⁶⁶ Aurizon Network has confirmed that the process under Part 4 of the 2025 UT5 DAAU will be used by access seekers who are unable to secure access through the transfer process, with the queuing mechanism under cl 7.5 to apply in distributing available capacity (Aurizon Network, response to request for information, 27 February 2026).

Figure 17: Studies to inform an expansion



As part of the 2025 UT5 DAAU, Aurizon Network has proposed amendments requiring it to seek the relinquishment of access rights from access holders or consider resuming access rights before proceeding with an expansion.⁴⁶⁷

Aurizon Network is to seek offers from access holders to relinquish their existing access rights on a fee-free basis following completion of a demand assessment report but before undertaking a pre-feasibility or feasibility study or agreeing to an expansion.⁴⁶⁸ Any capacity created by the relinquishment offers will then be offered to access seekers.⁴⁶⁹

Should more relinquishment offers be provided than capacity required by expanding users, relinquishments will be prioritised based on:

1. offers that best match the needs of expanding users, having regard to the commencement date, term and location of paths to be relinquished and the expanding users supply chain rights
2. offers that best satisfy the capacity required; therefore, if earlier offers are for more capacity than required by expanding users, subsequent offers would be prioritised
3. the order in which the relinquishment offer was received.⁴⁷⁰

⁴⁶⁷ 2025 UT5 DAAU, cl 8.2.1A. While existing arrangements already require Aurizon Network to consider whether an expansion could be avoided by the resumption of access rights, the proposed amendments provide a more structured and transparent framework for this assessment.

⁴⁶⁸ 2025 UT5 DAAU, cl 8.2.1A(c).

⁴⁶⁹ 2025 UT5 DAAU, cl 8.2.1A(f). Relinquishment offers will only be deemed accepted when a binding unconditional access agreement has been entered into for the capacity created by the offer and Aurizon Network provides the user with notice (2025 UT5 DAAU, cl 8.2.1A(e)). If an access seeker only requires part of a relinquishment offer, Aurizon Network's offer will be conditional on other access seekers taking up the remaining access rights available from the relinquishment offer (2025 UT5 DAAU, cl 8.2.1A(f)).

⁴⁷⁰ 2025 UT5 DAAU, cl 8.2.1A(g).

If the relinquishment offers are for less than the capacity sought by expanding users, access seekers will be prioritised in accordance with the existing queuing mechanism.⁴⁷¹

If it is still necessary to explore an expansion after the relinquishment process, Aurizon Network's 2025 UT5 DAAU requires it to then consider resumptions following completion of the concept study but before undertaking a pre-feasibility or feasibility study or agreeing to an expansion.⁴⁷² Resumptions must be considered in accordance with the existing resumption process.

To support this process, Aurizon Network's 2025 UT5 DAAU includes amendments requiring Aurizon Network to report on the underutilisation of access rights and resumptions within the existing expansion studies:

- A demand assessment must report on any underutilised access rights on the relevant coal system for the previous 36 months and over the last 4 consecutive quarters.⁴⁷³
- A pre-feasibility or feasibility study must include details on the resumption process, including the number of information requests issued, train service entitlements resumed and where train service entitlements were not resumed, the reasons why for the relevant coal system.⁴⁷⁴

We are of the view that Aurizon Network's 2025 UT5 DAAU provides a structured and transparent process for considering the relinquishment and resumption of access rights. This process should ensure that alternative options to create capacity are appropriately considered before proceeding with an expansion, thereby reducing the likelihood of unnecessary and potentially costly expansions. If an expansion is still required, the inclusion of this process is not expected to create any significant delays in access to the CQCN.⁴⁷⁵

The process also provides access holders with sufficient security and confidence in how access rights will be handled. For example, the 2025 UT5 DAAU specifies that a relinquishment offer can only be accepted in full, unless otherwise specified in the offer or agreed in writing.⁴⁷⁶ Further, the resumption process to apply is consistent with the existing arrangements, which sets out clear trigger events for a resumption to occur and provides access holders with the opportunity to respond when resumption is being considered.

⁴⁷¹ 2025 UT5 DAAU, cl 8.2.1A(h).

⁴⁷² 2025 UT5 DAAU, cl 8.2.1A(m).

⁴⁷³ 2025 UT5 DAAU, cl 8.2.1A(b).

⁴⁷⁴ 2025 UT5 DAAU, cl 8.2.1A(n).

⁴⁷⁵ For example, Aurizon Network is required to undertake the relinquishment process until the earlier of all relinquishment offers being accepted or 90 days from when the relinquishment offers were received (2025 UT5 DAAU, cl 8.2.1A(k)). If Aurizon Network does not provide written notice to a user that its relinquishment has been accepted within 90 days of receiving the relinquishment offer, it will be deemed to be rejected (2025 UT5 DAAU, cl 8.2.1A(j)).

⁴⁷⁶ 2025 UT5 DAAU, cl 8.2.1A(d). If Aurizon Network identifies that only partial relinquishment is necessary to create required capacity, it may request an access holder's agreement for partial relinquishment.

10 Capacity of the CQCN

Part 7A of the 2017 AU establishes processes to determine whether the capacity of the CQCN is sufficient to deliver train service entitlements to access holders in order to meet Aurizon Network's contractual obligations.⁴⁷⁷ Part 7A of the 2017 AU also outlines obligations that specify how Aurizon Network is to carry out maintenance work, and that allow end user involvement in determining the maintenance, renewals and asset replacement strategy and budgets.

Aurizon Network's 2025 UT5 DAAU includes amendments to the existing arrangements that seek to:

- improve the information provided to, and transparency from, the independent expert as part of the annual capacity assessment process
- enhance the network development plan as a transparent and consistent mechanism for reporting initiatives that could improve system capacity
- support customer involvement in, and oversight of, the process for approving maintenance, renewals and asset replacement strategy and budgets.

Draft decision – amendments related to the capacity of the CQCN

Our draft decision is that it is appropriate to approve Aurizon Network's proposed amendments to:⁴⁷⁸

- the processes for assessing capacity across the CQCN (section 10.1)
- the network development plan (section 10.2)
- the process for approving maintenance, renewals and asset replacement strategy and budgets (section 10.3).

The 2025 UT5 DAAU includes transparent processes to assess capacity, resolve capacity deficits, plan maintenance and renewals works, and identify opportunities to further develop the network. Overall, these arrangements will help inform Aurizon Network of whether further capacity is required to meet its contractual obligations and assist in identifying the most efficient means of doing so. We consider that these arrangements will support the efficient operation of, use of, and investment in the CQCN and are in the interests of access holders, access seekers and Aurizon Network.

10.1 The annual capacity assessment process

Our draft decision is that it is appropriate to approve Aurizon Network's proposed amendments to the annual capacity assessment process.

⁴⁷⁷ Among other things, this involves the independent expert undertaking an annual capacity assessment.

⁴⁷⁸ Subject to the corrections outlined in Appendix B.

Clause 7A.4 of the 2025 UT5 DAAU requires the independent expert⁴⁷⁹ to annually assess deliverable network capacity across the CQCN.⁴⁸⁰ As part of this assessment, amongst other things, the independent expert is to:

- review the system operating parameters⁴⁸¹ for each coal system⁴⁸²
- provide dynamic capacity analysis and modelling⁴⁸³
- report any constraints identified that have reduced, or are likely to reduce, the deliverable network capacity of each coal system.⁴⁸⁴

Aurizon Network considered that the key role of the independent expert is the maintenance of a trusted and reliable capacity model that provides consistent outputs that reflect the current and expected future operation of the CQCN as closely as possible.⁴⁸⁵ Aurizon Network must have regard to the independent expert's most recent capacity assessment in performing any of its obligations under the approved access undertaking.⁴⁸⁶

Aurizon Network has proposed amendments to the existing provisions to:

- establish mechanisms that support effective consultation with key stakeholders and provide for information to be obtained from them
- introduce additional reporting requirements to support further transparency and the validation of the independent expert's capacity assessment
- expand the scope of the annual capacity assessment to measure and report on congestion on the network and provide for the independent expert to suggest operational and system improvements
- establish timeframes for delivering the annual capacity assessment that aligns with Aurizon Network's annual planning cycle.

We consider that these amendments support a robust, timely, transparent and inclusive process for annually assessing the capacity of the CQCN.

Consultation with supply chain stakeholders

In undertaking an annual capacity assessment, existing arrangements require the independent expert to consult with Aurizon Network and relevant access holders, access seekers, train operators and other supply chain participants on:

- relevant information that relates to the operation of train services
- the proposed system operating parameters.⁴⁸⁷

Aurizon Network's 2025 UT5 DAAU includes amendments to the existing provisions that require that the system operating parameters be made available on an unredacted basis to the relevant parties as part of this consultation process.⁴⁸⁸ This may provide for increased transparency around the

⁴⁷⁹ In accordance with the 2017 AU, the [Coal Network Capacity Company](#) was appointed as the independent expert.

⁴⁸⁰ 2025 UT5 DAAU, cl 7A.4.2(a); cl 12.7. The 2025 UT5 DAAU (cl 7A.2(a)) outlines the various factors that the independent expert is to take into account as part of its assessment of deliverable network capacity.

⁴⁸¹ System operating parameters are the assumptions on the operation of each element of the coal supply chain and the interfaces between those elements (2025 UT5 DAAU, Part 12).

⁴⁸² 2025 UT5 DAAU, cl 7A.4.2(b).

⁴⁸³ 2025 UT5 DAAU, cl 7A.4.2(i).

⁴⁸⁴ 2025 UT5 DAAU, cl 7A.4.2(j)(B).

⁴⁸⁵ Aurizon Network, sub. 1, p 222.

⁴⁸⁶ 2025 UT5 DAAU, cl 7A.4.4(d). Separately, the 2025 UT5 DAAU (cl 7A.4.3(a)) provides for the independent expert to undertake a system capacity assessment for each coal system, if requested by Aurizon Network or a special majority of end users. The independent expert's system capacity assessment is for information purposes only.

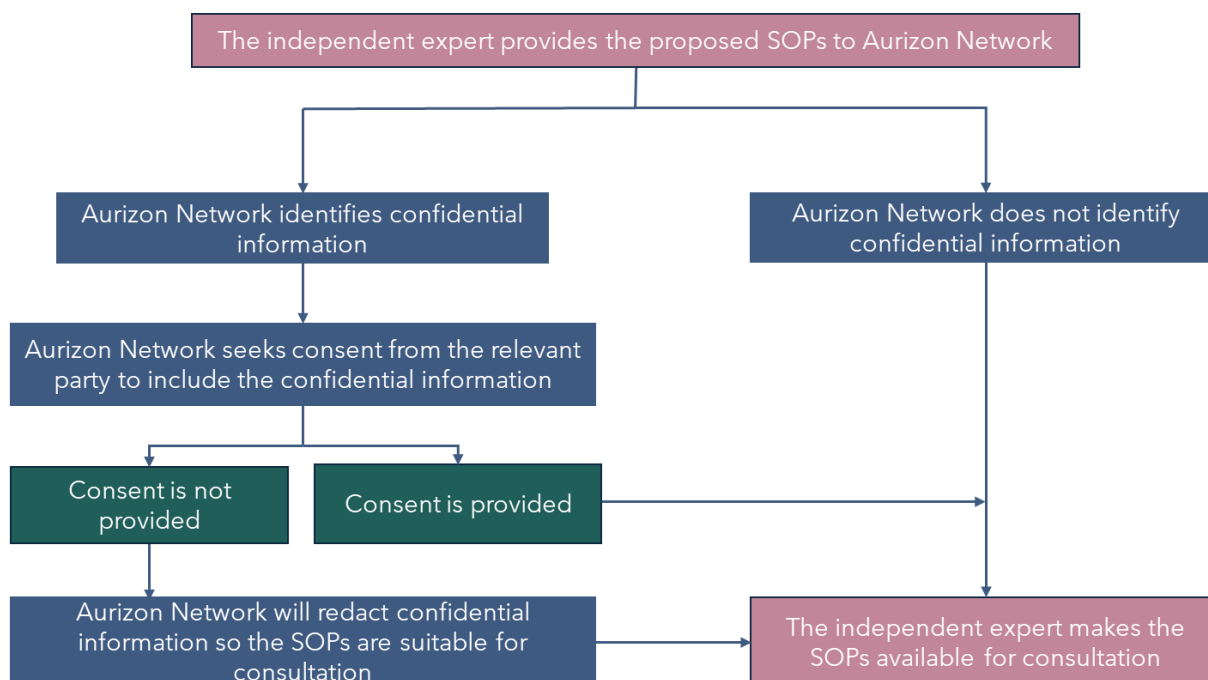
⁴⁸⁷ 2025 UT5 DAAU, cl 7A.4.2(c)(ii).

⁴⁸⁸ 2025 UT5 DAAU, cl 7A.4.2(c)(ii).

assumptions adopted by the independent expert in relation to the operation of the coal supply chain. We consider that effective consultation with relevant supply chain stakeholders on the system operating parameters will aid in delivering a more robust and transparent capacity assessment process.

Aurizon Network also proposed to include a process for it to identify whether the system operating parameters contain confidential information and prevent disclosure of such information to other parties (Figure 18).⁴⁸⁹

Figure 18: Process to determine the disclosure of the system operating parameters (SOPs)



We consider that Aurizon Network’s proposed amendments balance the benefits of administering a more informed consultation process with the need to provide safeguards for stakeholders to submit confidential information as part of the independent expert’s assessment processes.⁴⁹⁰

Information provision arrangements

To support the independent expert to undertake a robust annual capacity assessment, the 2025 UT5 DAAU outlines arrangements for the independent expert to obtain information from Aurizon Network and end users. In this regard:

- the members of the RIG are to provide information requested by the independent expert⁴⁹¹
- Aurizon Network is to promptly provide all information reasonably necessary for the preparation of an annual capacity assessment report.⁴⁹²

Aurizon Network’s 2025 UT5 DAAU includes amendments to the existing provisions to clarify that where Aurizon Network would incur additional costs or need to reprioritise work to provide the information requested, the obligation to provide the information is conditional on:

⁴⁸⁹ 2025 UT5 DAAU, cl 7A.4.2(d).

⁴⁹⁰ Aurizon Network submitted (sub 1, p 222) that information provided by stakeholders related to the system operating parameters is generally claimed as confidential by its owners.

⁴⁹¹ 2025 UT5 DAAU, cl 7A.4.2(g).

⁴⁹² 2025 UT5 DAAU, cl 7A.4.2(f).

- a special majority of end users voting in favour of Aurizon Network reprioritising its work or recovering the identified costs
- Aurizon Network being able to recover the additional costs.⁴⁹³

We consider that it is reasonable to provide end users with some oversight on the provision of information, noting any additional costs may be recovered through access charges. We are of the view that end users will be well placed to weigh up the benefits and costs of requests for further information from the independent expert, given that it is in their interests for the independent expert to undertake a robust capacity assessment.

Aurizon Network has also proposed amendments to the existing provisions that entitle the independent expert to attend RIG meetings and be provided with all information that Aurizon Network provides to the members of the RIG, to enable the independent expert to:

- understand the RIG's views on capacity related matters
- assist it to discharge its capacity related functions.⁴⁹⁴

We consider that these arrangements will further support the independent expert being well-informed in performing its functions appropriately and effectively.

Additional reporting requirements

Aurizon Network's 2025 UT5 DAAU includes additional provisions to require the independent expert to prepare a model validation report each year.⁴⁹⁵ The report will compare the independent expert's modelling used to inform its capacity assessment (from the previous year) with actual data, to determine the extent to which the model can reliably replicate the current performance of the CQCN. The model validation report will also include any relevant lessons learned by the independent expert.⁴⁹⁶

Aurizon Network submitted that some stakeholders have indicated that an annual model validation review could help to build greater stakeholder trust in the outputs of the capacity model.⁴⁹⁷

Aurizon Network also proposed amendments to the existing provisions to require the independent expert to make an unredacted version of the annual capacity assessment report and any new system operating parameters available to the RIG.⁴⁹⁸ Aurizon Network is to publish the unredacted versions of the annual capacity assessment report and the system operating parameters.⁴⁹⁹

Additionally, Aurizon Network has proposed amendments to the existing arrangements that require the independent expert to include a consultation report as part of its annual capacity assessment report. The consultation report is to outline:

- submissions received as part of consultation undertaken in relation to proposed system operating parameters
- the extent to which those submissions have been considered, including whether the submissions were incorporated into the outcomes, and if not, the reasons why.⁵⁰⁰

⁴⁹³ 2025 UT5 DAAU, cl 7A.4.2(f).

⁴⁹⁴ 2025 UT5 DAAU, cl 7A.11.2(e).

⁴⁹⁵ Redacted results are to be reported annually by the independent expert to Aurizon Network, customers and the QCA, with Aurizon Network to publish the model validation report on its website (2025 UT5 DAAU, cl 7A.4.5(c), (d)).

⁴⁹⁶ 2025 UT5 DAAU, cl 7A.4.5(a); Part 12.

⁴⁹⁷ Aurizon Network, sub 1, p 222.

⁴⁹⁸ 2025 UT5 DAAU, cl 7A.4.2(e)(iv). The existing arrangements provide for the independent expert to make its annual capacity assessment available to Aurizon Network and the QCA on an unredacted basis (see 2017 AU, cl 7A.4.1(h)).

⁴⁹⁹ 2025 UT5 DAAU, cl 7A.4.2(h).

⁵⁰⁰ 2025 UT5 DAAU, cl 7A.4.2(j)(i)(D).

Aurizon Network submitted that railway operators considered that greater transparency around how feedback on the system operating parameters is received, assessed and incorporated would improve confidence in the accuracy of the independent expert's modelling outputs.⁵⁰¹

We consider that further transparency and reporting of the outcomes from the independent expert's capacity modelling will, amongst other things, support accountability and confidence in the annual capacity assessment process.

Expanding the scope of the annual capacity assessment report

Aurizon Network's 2025 UT5 DAAU includes additional provisions to require the independent expert and Aurizon Network to develop a new measure of congestion in consultation with access holders (and their customers and train operators, where applicable).⁵⁰² Following the development of the congestion measure, the independent expert is to report its assessment of the measure for each coal system as part of its annual capacity assessment report.⁵⁰³

We consider that measuring and reporting on congestion may provide for a more informative and robust capacity assessment process. Aurizon Network noted that having more rollingstock on existing track potentially leads to greater levels of congestion, which can have a detrimental impact on railway operators' ability to continue to maintain service levels with the same level of investment.⁵⁰⁴

Aurizon Network also proposed amendments to the existing provisions to clarify that the annual capacity assessment report may include any suggested operational and system improvements⁵⁰⁵ identified by the independent expert.⁵⁰⁶

We consider that the independent expert is well placed to identify potential system and operational improvements while carrying out its roles and responsibilities under the 2025 UT5 DAAU.⁵⁰⁷ We consider that reporting any operational and system improvements suggested by the independent expert supports a transparent approach for identifying initiatives that improve the capacity of the CQCN. Aurizon Network considered that the independent expert may gain insights into factors that could improve system performance when undertaking the annual capacity assessment report, which could have benefits for supply chain stakeholders.⁵⁰⁸

Timeframes for delivering the annual capacity assessment

Aurizon Network has proposed amendments to the existing provisions to require the independent expert to provide its annual capacity assessment by 31 March each year.⁵⁰⁹ Aurizon Network confirmed that the purpose of this amendment is to provide timing certainty for processes that rely on the annual capacity assessment report.⁵¹⁰ These processes include the independent expert's

⁵⁰¹ Aurizon Network, sub 1, p 222.

⁵⁰² 2025 UT5 DAAU, Part 12. Aurizon Network (sub 1, p 222) considered it is not sufficiently clear how rail congestion should be considered when conducting capacity assessments.

⁵⁰³ 2025 UT5 DAAU, cl 7A.4.2(j)(i)(E).

⁵⁰⁴ Aurizon Network, sub 1, p 222.

⁵⁰⁵ As well as an estimation of any potential capacity benefits, where possible.

⁵⁰⁶ 2025 UT5 DAAU, cl 7A.4.2(j)(ii).

⁵⁰⁷ The independent expert is to be independent and impartial, engage appropriately qualified and experienced personnel, and have no conflict of interest (2025 UT5 DAAU, cl 7A.3.1(f)). The 2025 UT5 DAAU (cl 7A.3.3(a)) provides for the QCA to review the appointment of the independent expert if requested by Aurizon Network or a special majority of end users.

⁵⁰⁸ Aurizon Network, sub 1, p 223.

⁵⁰⁹ 2025 UT5 DAAU, cl 7A.4.2(a).

⁵¹⁰ Aurizon Network, response to request for information, 27 February 2026.

consultation on the system operating parameters and Aurizon Network's development of the network development plan.

10.2 The network development plan

Our draft decision is that it is appropriate to approve Aurizon Network's proposed amendments to the network development plan.

Clause 7A.10 of the 2025 UT5 DAAU requires Aurizon Network to publish a network development plan that outlines, amongst other things:

- the proposed scope, standard and preliminary determination of the cost of each expansion being studied or investigated by Aurizon Network
- the studies and investigations that Aurizon Network is undertaking or expects to undertake to inform the next review and update of the network development plan.⁵¹¹

Aurizon Network submitted that the purpose of the network development plan is to outline options that will, or could be, implemented in the short- to medium-term to promote increased capacity.⁵¹²

Aurizon Network has proposed amendments to:

- broaden the scope of the network development plan
- require the network development plan be updated in circumstances where the capacity of the CQCEN has been reviewed.

We consider that Aurizon Network's 2025 UT5 DAAU promotes a transparent and consistent approach to informing end users on initiatives that could improve system capacity.

Scope of the network development plan

Aurizon Network's 2025 UT5 DAAU has proposed amendments to the scope of the network development plan to include:

- Aurizon Network's preliminary views as to how to address any deliverable network capacity shortfall identified by the independent expert as part of its capacity assessment⁵¹³
- Aurizon Network's views on any operational and system improvements suggested by the independent expert's annual capacity assessment report
- details of any initiatives instigated by supply chain groups, approved innovation projects and initiatives undertaken by the continuous improvement group, where there is an expected material variance to existing capacity.⁵¹⁴

Overall, we consider that Aurizon Network's proposed amendments to the network development plan provide for access holders and access seekers to be better informed with respect to initiatives that are being considered to improve system capacity. Aurizon Network considered that the network development plan provides:

- a structured opportunity to review and communicate its position on any system improvements suggested by the independent expert

⁵¹¹ 2025 UT5 DAAU, cl 7A.10.

⁵¹² Aurizon Network, sub 1, p 224.

⁵¹³ Following consultation with the relevant parties, and only where at least 60% of relevant end users vote in favour of Aurizon Network doing so.

⁵¹⁴ 2025 UT5 DAAU, cl 7A.10(b).

- a logical and transparent platform to communicate initiatives progressed by the CIIG that have capacity or rail infrastructure implications.⁵¹⁵

Updating the network development plan

Aurizon Network's 2025 UT5 DAAU includes additional provisions that oblige it to update the network development plan:

- within 90 days of receiving the independent expert's annual capacity assessment report⁵¹⁶
- where the annual capacity assessment report has identified a deliverable network capacity shortfall, after consulting with the independent expert
- where there is an expected material variance to existing capacity, after consulting with the independent expert.⁵¹⁷

We consider that this establishes a more consistent approach in informing end users of the potential initiatives for improving system capacity. Aurizon Network has not published an update to the 2019 network development plan, which is available on its website. Updating the network development plan provides for access holders to receive more up-to-date information on potential initiatives for improving system capacity in circumstances where further consideration of these initiatives may be required.

Aurizon Network considered that the network development plan provides a transparent, process-driven mechanism to inform stakeholders of Aurizon Network's plans for future network development.⁵¹⁸

Aurizon Network has also proposed amendments to the existing provisions to clarify that the network development plan is to outline the studies and investigation that Aurizon Network is undertaking, or expects to undertake, during the next 5 years.⁵¹⁹ We consider that establishing a 5-year planning horizon for network development plans is reasonable. Aurizon Network submitted that this will better align with planning and modelling timeframes and support a more consistent and integrated approach to asset management planning across the CQCN.⁵²⁰

10.3 The maintenance and renewals approval process

Our draft decision is that it is appropriate to approve Aurizon Network's proposed amendments to the process for approving maintenance, renewals and asset replacement strategy and budgets.

Clause 7A.11 of the 2025 UT5 DAAU includes a framework for assessing and approving of maintenance, renewals and asset replacement costs, which includes:

- an annual process for the pre-approval of a maintenance strategy and budget and a renewals and asset replacement strategy and budget (collectively referred to as the MRSB)⁵²¹
- an ex post assessment approval process by the QCA, where allowable revenues are adjusted to reflect actual maintenance and renewal expenditure.⁵²²

⁵¹⁵ Aurizon Network, sub 1, p 224.

⁵¹⁶ 2025 UT5 DAAU, cl 7A.10(a)(i).

⁵¹⁷ 2025 UT5 DAAU, cl 7A.10(c).

⁵¹⁸ Aurizon Network, sub 1, p 224.

⁵¹⁹ 2025 UT5 DAAU, cl 7A.10(b)(ii).

⁵²⁰ Aurizon Network, sub 1, p 224.

⁵²¹ 2025 UT5 DAAU, cl 7A.11.3. Aurizon Network may undertake maintenance or asset replacement and renewal work that is inconsistent with an approved MRSB where it considers it is prudent and efficient or necessary, in relation to safety, reliability or performance of the rail infrastructure (cl 7A.11.3(q)).

⁵²² 2025 UT5 DAAU, cls 7A.11.6-7A.11.7.

Under this framework, Aurizon Network is to develop the MRSB in consultation with the RIG, non-coal access holders and customers.⁵²³ Following consultation, Aurizon Network must submit the MRSB to the RIG for consideration.⁵²⁴ A special majority of end users is to either:

- approve Aurizon Network's proposed MRSB (as applicable)
- approve an alternative MRSB (as applicable)
- elect to not approve any MRSB (as applicable).⁵²⁵

Where the special majority of end users vote to approve the MRSB, Aurizon Network is guaranteed to recover costs that are consistent with the approved strategy and budget.

Aurizon Network has proposed amendments to the existing arrangements to reduce the RIG voting thresholds in relation to the approval of the MRSB. Specifically, the 2025 UT5 DAAU defines a 'special majority' of end users as either:

- all of the voting end users⁵²⁶ that voted, voted in favour and those voting end users:
 - in aggregate hold at least 50% of the end user voting rights for the year; and
 - comprise at least 50% of voting end users by number at the relevant time; or
- a number of voting end users that:
 - in aggregate hold at least 75% of the end user voting rights for the year; and
 - comprise at least 60% of voting end users by number at the relevant time.⁵²⁷

Aurizon Network submitted that this amendment addresses issues encountered with the previous special majority voting methodology for the MRSB.⁵²⁸

We consider that the proposed voting thresholds are appropriate, noting that they continue to provide an equitable opportunity for all end users to be able to vote on the MRSB and are supported by customers. Under this approach, Aurizon Network is still incentivised to work with end users to reach agreement on the MRSB.

Procurement arrangements for material contracts

Aurizon Network's 2025 UT5 DAAU includes an additional requirement for Aurizon Network to provide the RIG with details of procurement activities that Aurizon Network is intending on entering into, or extending, relating to maintenance or renewal contracts that:

- have a value of greater than \$2 million (or result in an entity having contracts relating to the maintenance or renewal of the rail infrastructure collectively greater than \$2 million)
- involve a related party of Aurizon Network
- involve a 'sole source' arrangement.⁵²⁹

Moreover, Aurizon Network has proposed amendments that provide for the chair of the RIG to require that the procurement process for these contracts be managed by an external procurement expert.⁵³⁰ Aurizon Network is also required to consult with the chair of the RIG on the appointment

⁵²³ 2025 UT5 DAAU, cl 7A.11.3(b)

⁵²⁴ 2025 UT5 DAAU, cl 7A.11.3(g)

⁵²⁵ 2025 UT5 DAAU, cl 7A.11.3(j).

⁵²⁶ End users with access rights in the relevant coal system.

⁵²⁷ 2025 UT5 DAAU, Part 12.

⁵²⁸ Aurizon Network, sub 1, p 228. Aurizon Network submitted that the previous method proved to be ineffective in the smaller coal systems (such as Moura), in circumstances where a number of customers failed to provide a vote.

⁵²⁹ 2025 UT5 DAAU, cl 7A.11.4(a)(i)-(ii); Part 12.

⁵³⁰ 2025 UT5 DAAU, cl 7A.11.4 (a)(iii). The 2025 UT5 DAAU (cl 7A.11.4(b)) enables Aurizon Network to recover the costs associated with, and payable to, the external procurement expert through the relevant maintenance cost or capital expenditure approval processes.

of an external procurement expert,⁵³¹ where the material contract involves a related party of Aurizon Network.⁵³²

We consider that providing such oversight of these processes will give end users confidence that the procurement of these services is managed in an appropriate manner. Aurizon Network submitted that engagement with end users in relation to the MRSB process has matured over the years, and at the moment, such information and transparency is provided voluntarily by Aurizon Network throughout the RIG engagement process.⁵³³

⁵³¹ As well as invite the chair of the RIG to attend assessment meetings with the expert for the awarding of the contract (subject to confidentiality arrangements).

⁵³² 2025 UT5 DAAU, cl 7A.11.4 (a)(iv).

⁵³³ Aurizon Network, sub 1, p 225.

11 Continuous improvement group

Part 7B of the 2025 UT5 DAAU sets out new arrangements that provide pathways for Aurizon Network, end users and other supply chain participants to consider and advance continuous improvement (CI) projects in the CQCN.

Draft decision – amendments related to the continuous improvement group

Our draft decision is that it is appropriate to approve Aurizon Network’s proposed amendments to:⁵³⁴

- establish a continuous improvement group (CIG) and CIG steering committee (section 11.1)
- outline a framework for identifying, prioritising and recommending key improvement initiatives for implementation (section 11.2)
- include a process to review the CIG and apply alternative arrangements should the CIG be dissolved (section 11.3)
- include commitments to consider options to reduce the occurrence of empty wagons departing loading facilities, with a view to addressing the issue of running empty wagons (section 11.4).

Part 7B of the 2025 UT5 DAAU facilitates the identification, development and implementation of productivity and operational improvements across the CQCN. We consider these arrangements will support efficient operation of, and investment in, the CQCN and are in the interests of access holders and access seekers.

11.1 Establishing the CIG and the steering committee

Our draft decision is that it is appropriate to approve Aurizon Network’s proposed amendments to establish the CIG and CIG steering committee.

Part 7B of the 2025 UT5 DAAU requires that a CIG be established within 90 days from when the 2025 UT5 DAAU is approved.⁵³⁵ The CIG is to comprise members from:

- Aurizon Network
- end users for coal-carrying train services

⁵³⁴ Subject to the corrections outlined in Appendix B.

⁵³⁵ 2025 UT5 DAAU, cl 7B.2.1(a)(i).

- railway operators and coal export terminal owners.⁵³⁶

Any member of the CIG (and the CIG steering committee) may propose potential CI projects for further consideration.

For governance of the CIG, the 2025 UT5 DAAU also establishes a CIG steering committee comprising:

- 2 representatives from Aurizon Network
- a representative from 3 different end users,⁵³⁷ to be notified by the chair of the RIG
- a project manager employed by Aurizon Network (the CI PM)
- a representative of each railway operator and coal export terminal, as nominated by that operator.⁵³⁸

The role of the CIG steering committee is to:

- identify, scope, consult on, consider and prioritise continuous improvement initiatives for consideration and/or further development
- consider and determine resource allocation and recommendations for projects requiring a funding decision (including, amending, prioritising, de-prioritising and terminating projects).⁵³⁹

We consider that these arrangements provide an inclusive approach for identifying potential initiatives to improve efficiencies in the delivery of train services and their interaction with supply chains – drawing from the knowledge and experience of parties across the supply chain.

The governance arrangements enable the members of the CIG steering committee to establish clear priorities and direction in determining which initiatives should be considered or developed further. The CIG steering committee collectively represents the key groups of stakeholders that will be most affected by the potential supply chain initiatives and may consult with, and act on the instructions of, the entity they represent on the committee.⁵⁴⁰

11.2 Framework for developing CI projects

Our draft decision is that it is appropriate to approve Aurizon Network’s proposed framework for developing CI projects.

Part 7B of the 2025 UT5 DAAU introduces processes for the CIG and the CIG steering committee to propose, consider and approve CI projects for Aurizon Network’s implementation (see Figure 19).

⁵³⁶ 2025 UT5 DAAU, cl 7B.2.2(a). Aurizon Network (sub 1, p 230; response to request for information, 2 February 2026) stated that membership of the CIG is an open invitation for these parties.

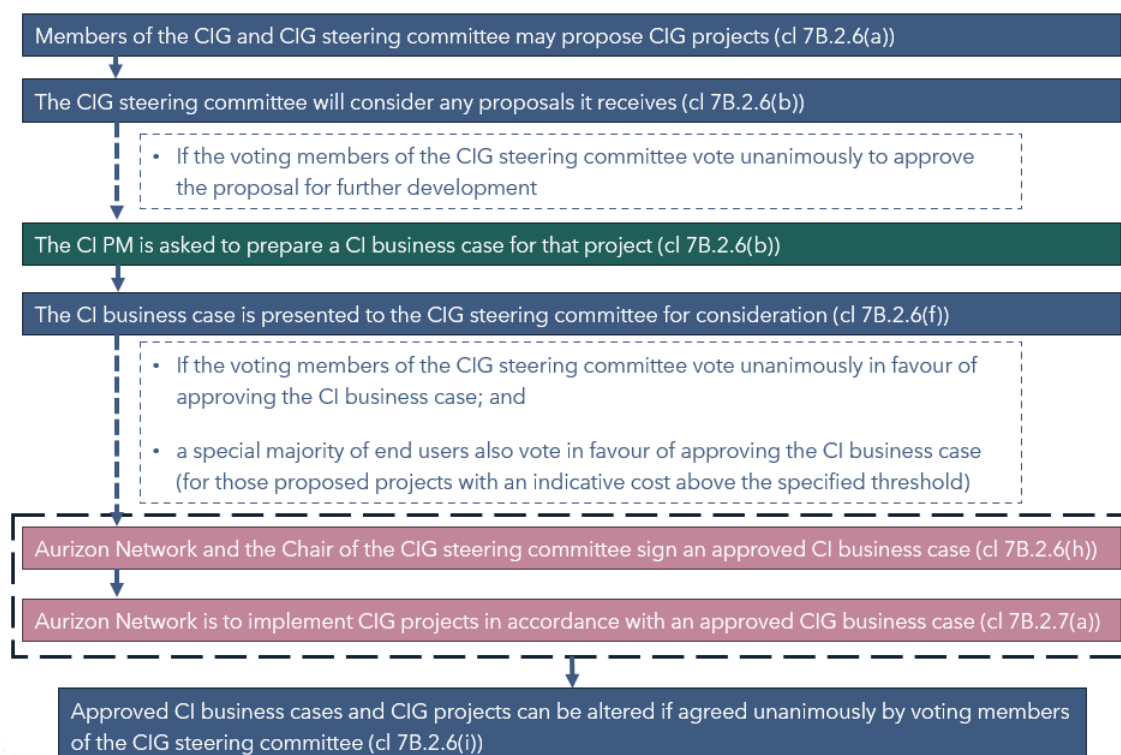
⁵³⁷ Unless a lesser number of representatives are approved by a special majority of end users.

⁵³⁸ 2025 UT5 DAAU, cl 7B.2.3(a). A quorum comprising at least one representative of Aurizon Network and the chair of the CIG steering committee must be present for all committee meetings (2025 UT5 DAAU, cl 7B.2.3(h)). The chair of the Rail Industry Group (RIG) is to be the chairperson of the CIG steering committee (2025 UT5 DAAU, cl 7B.2.3(b)). The representatives for the end users are appointed for terms of 24 months. Aurizon Network (sub 1, p 231) considered that this allows other entities’ perspectives over time and aligns with good corporate governance

⁵³⁹ 2025 UT5 DAAU, cl 7B.2.3(c)(i)-(ii).

⁵⁴⁰ 2025 UT5 DAAU, cl 7B.2.3(g).

Figure 19: Framework for proposing, considering and approving CI projects



This framework includes:

- opportunities for well-informed supply chain representatives to participate in the decision-making process to determine whether initiatives are progressed or implemented
- annual planning processes to establish priorities for the CIG to support the effective implementation of chosen initiatives
- arrangements to support the effective implementation of a project following the planning process
- arrangements that enable Aurizon Network to recover the costs associated with the CIG and CI projects.

We consider that this framework will facilitate the identification and development of initiatives to improve the efficient operation of the supply chain.

Well-informed supply chain representatives

Clause 7B.2 of the 2025 UT5 DAAU provides for any member of the CIG (and the CIG steering committee) to propose projects for development into a CI business case.⁵⁴¹ However, only voting members of the CIG steering committee have the right to vote on whether to:

- approve, reject and alter proposals for development into a CI business case
- approve, reject and alter a CI business case for the implementation of a CIG project.⁵⁴²

Voting members comprise representatives from Aurizon Network and end users on the CIG steering committee. In circumstances where a railway or coal export terminal operator is able to establish (to the satisfaction of the CI project manager) that a proposed project will have an adverse financial

⁵⁴¹ 2025 UT5 DAAU, cl 7B.2.2(b).

⁵⁴² 2025 UT5 DAAU, cl 7B.2.3(d)(i)-(ii).

impact on it, then the railway or coal export terminal representatives will also have a right to vote on whether to progress that particular project.⁵⁴³

We consider it appropriate for representatives of affected supply chain participants to give consideration to, and have a say on the progression of, projects that may have an adverse financial impact on them. All decisions and approvals of the CIG steering committee will be made by voting members only on a unanimous basis.⁵⁴⁴

The proposed framework also includes arrangements that support the supply chain representatives to be well-informed when deciding on which CI initiatives should be progressed. In developing a CIG proposal for further consideration, the 2025 UT5 DAAU requires that a business case (a CI business case) be developed with respect to that proposal.⁵⁴⁵

The CI project manager is responsible for developing the CI business case, following directions provided by the CIG steering committee.⁵⁴⁶ Amongst other things, the CI project manager is to also provide analysis, reports, advice on options and recommendations to the CIG steering committee.⁵⁴⁷ We consider that this resource will further aid the supply chain representatives to make well-informed decisions as to whether to progress proposed projects.

Moreover, the proposed framework also provides opportunities for affected parties and stakeholders to inform the development of the CI business plan. In this regard, there are obligations for:

- the CI project manager to consult with stakeholders likely to be affected by a proposed project in developing a business case⁵⁴⁸
- Aurizon Network to assist with developing the CI business plan, in collaboration with the CI project manager and any parties likely to be affected by the project, for those proposals that rely on Aurizon Network to undertake any work to deliver the project.⁵⁴⁹

Annual plan of activity and budget

The 2025 UT5 DAAU requires the CIG steering committee to develop an annual plan of activity and an associated budget each year for inclusion in Aurizon Network's annual review of reference tariffs process.⁵⁵⁰ In doing so, the:

- CIG steering committee are to review and approve an annual plan of activity for the CIG including the proposed associated budget and the funding sources for that annual plan⁵⁵¹
- voting members of the CIG steering committee are to vote on whether to approve, reject and alter the annual plan of activity for the CIG.⁵⁵²

⁵⁴³ 2025 UT5 DAAU, cl 7B.2.3(e).

⁵⁴⁴ 2025 UT5 DAAU, cl 7B.2.3(d).

⁵⁴⁵ The 2025 UT5 DAAU (cl 7B.2.6(c)) outlines the information that must be included in a CI business case. For a CI business case to be approved, it must address these matters (2025 UT5 DAAU, cl 7B.2.6(h)).

⁵⁴⁶ 2025 UT5 DAAU, cl 7B.2.3(c)(iv).

⁵⁴⁷ 2025 UT5 DAAU, cl 7B.2.5(c)(i). While Aurizon Network employs the CI project manager, voting members of the CIG steering committee will have a right to vote on approving the appointment of the CI PM (see 2025 UT5 DAAU, cl 7B.2.3(d)(vi)). The chair of the CIG steering committee will be provided with details of the identity, qualifications, experience and proposed salary of Aurizon Network's proposed CI PM (2025 UT5 DAAU, cl 7B.2.5(a)).

⁵⁴⁸ 2025 UT5 DAAU, cl 7B.2.6(e).

⁵⁴⁹ 2025 UT5 DAAU, cl 7B.2.6(d).

⁵⁵⁰ 2025 UT5 DAAU, cl 7B.2.4(a)) The annual plan of activity is to include budgets for any approved CI business case projects to be delivered that year (cl 7B.2.4(b)).

⁵⁵¹ 2025 UT5 DAAU, cl 7B.2.3(c)(iii).

⁵⁵² 2025 UT5 DAAU, cl 7B.2.3(d)(iv). An annual activity plan and associated budget must receive a unanimous vote in favour from the voting members in order to be approved (cl 7B.2.4(c)).

We consider that establishing clear direction and priorities for the CIG will support the effective implementation of these initiatives. Furthermore, we consider that the supply chain representatives who benefit from, and incur the costs of, these measures are well placed to collectively determine the CIG's priorities. Aurizon Network considered that the annual plan and budget will incorporate a consolidated view of the parties and prioritised initiatives for the year.⁵⁵³

To assist with planning and managing the progress of initiatives, the CI project manager is to:

- prepare and provide a quarterly report to the members of the CIG on the nature of the improvement projects currently being undertaken and under consideration⁵⁵⁴
- prepare an annual review report detailing the CIG's activities for the year, which is to be approved by the CIG steering committee and then provided to all CIG members⁵⁵⁵
- provide regular project progress reports to the members of the CIG steering committee, for all projects that are the subject of an approved CI business case.⁵⁵⁶

There are also arrangements that provide flexibility for the supply chain representatives to continually review the progression of proposed initiatives, reflecting that information and circumstances may change during the planning process. Specifically, the processes for developing, considering and approving CIG projects incorporate opportunities for the parties to amend the scope of projects, as well as prioritising how CIG projects are progressed. The voting members of the CIG steering committee can unanimously agree to alter:

- an approved CI business case and associated CIG project⁵⁵⁷
- an annual plan of activity during the relevant year.⁵⁵⁸

Following the completion of a CIG project, the voting members of the CIG steering committee may vote for an independent party to assess the effectiveness of the completed project against the objectives for that project set out in the approved CI business case.⁵⁵⁹

Arrangements to support project implementation

The 2025 UT5 DAAU includes arrangements to support the implementation of a project, following the approval of a CI business case. Aurizon Network's proposed framework provides for a CI project working group to be established to assist in the delivery of a CIG project.⁵⁶⁰

We consider that the establishment of these working groups on a case-by-case basis enables the group to be tailored specifically to provide the support required. This will support the effective implementation of these initiatives. Moreover, each party, with the exception of Aurizon Network, is to bear its own costs in relation to participating in the CI project working group.⁵⁶¹ This enables supply chain participants to be involved in the delivery of a CI project where it considers there is benefit in doing so, while preventing other participants from incurring additional costs as a result.

⁵⁵³ Aurizon Network, sub 1, p 231.

⁵⁵⁴ 2025 UT5 DAAU, cl 7B.2.2(c).

⁵⁵⁵ 2025 UT5 DAAU, cl 7B.2.9(a)(iv).

⁵⁵⁶ 2025 UT5 DAAU, cl 7B.2.9(a)(iii).

⁵⁵⁷ 2025 UT5 DAAU, cl 7B.2.6(i).

⁵⁵⁸ 2025 UT5 DAAU, cl 7B.2.4(d). Aurizon Network (sub 1, p 231) considered that this provides sufficient flexibility to vary, terminate or reprioritise initiatives through discussions of the CIG steering committee.

⁵⁵⁹ 2025 UT5 DAAU, cl 7B.2.7(e).

⁵⁶⁰ A CI project working group is established by unanimous vote of the voting members of the CIG steering committee. The members of the CI project working group may include operational and technical experts supplied by members of the CIG for that purpose, with membership at the discretion of the CI project manager (2025 UT5 DAAU, cl 7B.2.7(c)).

⁵⁶¹ 2025 UT5 DAAU, cl 7B.2.7(c).

The CI project manager is also to provide program management services in respect of operational or capital initiatives that are the subject of a CIG project.⁵⁶²

Recovery of costs incurred by Aurizon Network

The 2025 UT5 DAAU enables Aurizon Network to recover the costs it incurs in establishing the CIG and fulfilling its obligations as part of the CIG processes.⁵⁶³ This includes the following arrangements:

- Costs associated with the establishment of the CIG and the appointment of the CI project manager are to be recovered as a variation to reference tariffs as an endorsed variation event and added to Aurizon Network's operating expenditure allowance.⁵⁶⁴
- The forecast annual budget for the CIG is to be included within the annual review of reference tariffs for the forthcoming year, with actual costs reconciled through the revenue adjustment process in schedule F of the 2025 UT5 DAAU.⁵⁶⁵

We consider it is appropriate for Aurizon Network to be able to recover the associated costs from access holders, noting that these arrangements will promote the efficient use of the CQCN. We are of the view that the arrangements in place will help to ensure that the costs Aurizon Network recovers are reasonable, as:

- the arrangements provide the CIG steering committee with oversight of the costs Aurizon Network incurs in relation to establishing and administering CIG processes. For instance:
 - the CIG steering committee oversees the appointment of the CI project manager and the annual work program and budget of the CIG⁵⁶⁶
 - the CI project manager may not incur any cost or other than with the approval of the CIG steering committee⁵⁶⁷
- we must consider whether the relevant costs submitted by Aurizon Network for recovery as an endorsed variation event are prudent and efficient.⁵⁶⁸

11.3 Review of the CIG framework and application of the innovation mechanism

Our draft decision is that Aurizon Network's proposed arrangements to review the CIG are appropriate to approve.

The 2025 UT5 DAAU requires the CIG steering committee to undertake a review of the effectiveness of the CIG at the earlier of 1 July 2030 or 36 months after its establishment. From this review, any member of the CIG steering committee may put forward a resolution for consideration to:

- make specified changes to the operation of the CIG or CIG steering committee; or
- dissolve the CIG.⁵⁶⁹

⁵⁶² 2025 UT5 DAAU, cl 7B.2.5(c)(iii).

⁵⁶³ See 2025 UT5 DAAU, cl 7B.2.8.

⁵⁶⁴ 2025 UT5 DAAU, cl 7B.2.5(d) and Sch F, cl 5.2(g). Aurizon Network (sub 1, pp 231–32) submitted that this reflects the fact that the CIG costs will not be known and therefore cannot be included within the operating cost allowance.

⁵⁶⁵ 2025 UT5 DAAU, Sch F, cl 4.1(b)(xii) and cl 4.4(c)(xii).

⁵⁶⁶ 2025 UT5 DAAU, cl 7B.2.3(d).

⁵⁶⁷ 2025 UT5 DAAU, cl 7B.2.5(c). Except to the extent of a commitment, cost or expense expressly contemplated by an approved CI business case.

⁵⁶⁸ 2025 UT5 DAAU, Sch F, cl 5.5(c)(i)(B).

⁵⁶⁹ 2025 UT5 DAAU, cl 7B.2.10(a).

A unanimous vote in favour by the voting members of the CIG steering committee is needed for these resolutions to pass.⁵⁷⁰

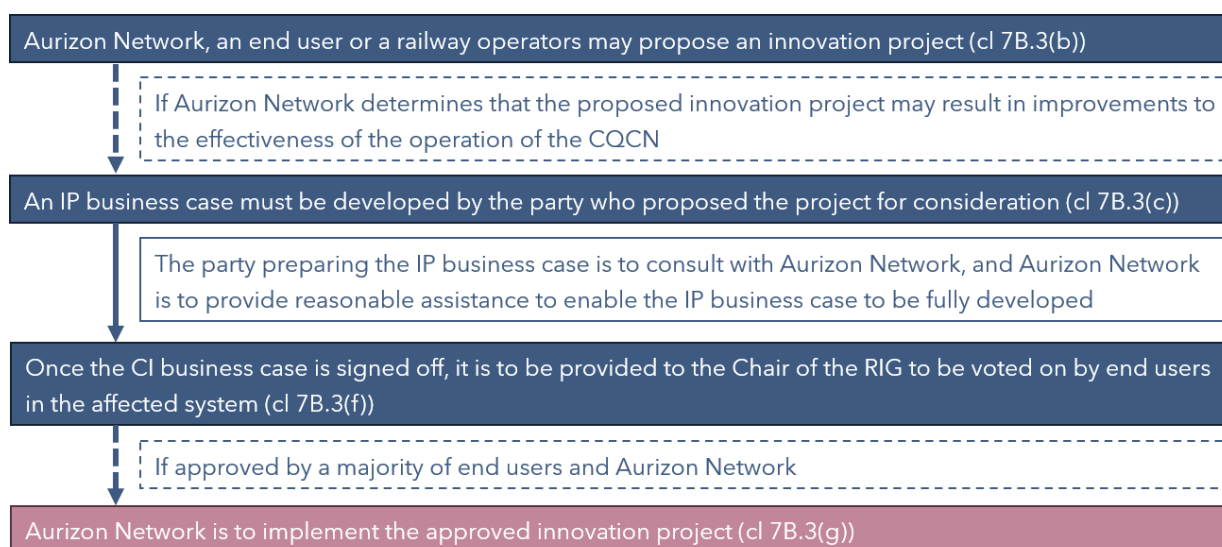
We consider that this review mechanism will provide for the CIG framework to evolve to address any issues that may arise or to make any improvements identified. Moreover, we consider the requirement for a unanimous vote to pass a resolution is appropriate, as the CIG processes will not be dissolved or amended where stakeholders find these arrangements to be beneficial. Aurizon Network considered that this process provides for the ongoing effectiveness of the CIG.⁵⁷¹

The innovation mechanism

Should a resolution be passed to dissolve the CIG, the 2025 UT5 DAAU includes the innovation mechanism framework as the primary means to develop innovation projects.⁵⁷² Similar to the CIG, Aurizon Network considered that the aim of the innovation mechanism was to promote whole-of-supply chain improvement initiatives that enhance the cost-effectiveness, operational performance and competitiveness of the CQCN.⁵⁷³

Figure 20 outlines the process for proposing, considering and approving an innovation project for development as part of the innovation mechanism.

Figure 20: The innovation mechanism framework



Note: An innovation project is a project that does not form part of business improvement undertaken in accordance with good industry practices and that may benefit Aurizon Network and/or supply chain participants by either improving supply chain performance or identifying relevant efficiencies in one or more coal systems.⁵⁷⁴

In comparison to the framework for developing CI projects, the innovation mechanism framework provides less customer oversight of how the projects are to be prioritised and developed, as well as less support for the parties to develop and consider those proposals. However, we consider that this may be appropriate in circumstances where the voting members of the CIG steering committee voted unanimously to dissolve the CIG. The innovation mechanism framework ensures that a pathway is provided under the regulatory framework for parties to propose, consider and participate in the approval of projects that may improve the operation of the CQCN and associated

⁵⁷⁰ 2025 UT5 DAAU, cl 7B.2.10(a).

⁵⁷¹ Aurizon Network, sub 1, p 232.

⁵⁷² Aurizon Network, sub 1, p 232; 2025 UT5 DAAU, cl 7B.3(a).

⁵⁷³ Aurizon Network, sub 1, p 230.

⁵⁷⁴ 2025 UT5 DAAU, Part 12.

supply chains. Moreover, the innovation mechanism framework will not impose additional costs on parties who no longer see value in maintaining the CIG.

The 2025 UT5 DAAU outlines that the costs incurred by Aurizon Network as a result of an approved innovation project are:

- to be recovered as non-electric operating expenditure allowance, where those costs relate to non-capital works⁵⁷⁵
- to be submitted by Aurizon Network as part of a capital expenditure claim, where those costs relate to capital expenditure.⁵⁷⁶

We consider it is appropriate for Aurizon Network to be able to recover the associated costs from access holders. Affected end users will have oversight of which innovation projects are to be implemented by Aurizon Network, noting that an innovation project is to be approved by a majority of end users.

11.4 Commitments to limit empty wagons

Our draft decision is that it is appropriate to approve Aurizon Network's proposed amendments to include commitments to review, and consider options to reduce, the occurrence of empty wagons departing loading facilities

As part of the 2025 UT5 DAAU, Aurizon Network has agreed to propose a CI project to gain an understanding of the causes of empty wagons departing loading facilities, and to consider options to reduce this occurring. This CI project is to be proposed for the first annual plan of activity.⁵⁷⁷

In addition, Aurizon Network has proposed obligations in the 2025 UT5 DAAU that require it to monitor the number of empty wagons departing from nominated loading facilities. Where the percentage of wagons presented to nominated loading facilities in a coal system that are departing empty increases above a baseline threshold⁵⁷⁸ for 2 consecutive calendar years, Aurizon Network is to:

- prepare and submit a report to us for consideration, setting out the reasons for the deterioration in empty wagon performance in the relevant coal system
- propose strategies and actions that could address the occurrence of empty wagons in that coal system.⁵⁷⁹

In response, we will provide recommendations on the sufficiency of the proposed strategies and actions to address the occurrence of empty wagons in respect of the relevant coal system.⁵⁸⁰

Following this, Aurizon Network is to publish the steps it intends to take to address the occurrence of empty wagons, to the extent those occurrences are under its control, having regard to our recommendations.⁵⁸¹

Overall, Aurizon Network's amendments will help to identify the extent that empty wagons are issue across the CQCN, as well as support the introduction of measures to reduce the occurrence of

⁵⁷⁵ 2025 UT5 DAAU, cl 7B.3(j).

⁵⁷⁶ 2025 UT5 DAAU, cl 7B.3(i). However, Aurizon Network (sub 1, p 232) submitted that innovation projects are generally not expected to take the form of capital projects, as these should follow either the expansion process or the existing capital renewal processes.

⁵⁷⁷ 2025 UT5 DAAU, cl 7B.2.4(f).

⁵⁷⁸ Where the annual percentage of total wagons departing from nominated loading facilities in a coal system that are empty wagons is 110% or more in comparison to the same percentage in 2024-25.

⁵⁷⁹ 2025 UT5 DAAU, cl 7B.1(a)(i).

⁵⁸⁰ 2025 UT5 DAAU, cl 7B.1(a)(ii).

⁵⁸¹ 2025 UT5 DAAU, cl 7B.1(a)(iii). Where it elects not to follow our recommendations, Aurizon Network is to outline the reasons why.

empty wagons – where this is identified as an issue that needs to be addressed. We consider that these arrangements promote the efficient use and operation of the CQCN and are in the interests of access holders and access seekers.

12 Reporting

Part 10 of the 2017 AU sets out the framework for system performance reporting, compliance reporting and associated audit requirements.⁵⁸²

Aurizon Network's 2025 UT5 DAAU includes a range of amendments that seek to enhance the clarity, transparency and workability of the existing reporting requirements.

Draft decision – amendments related to reporting provisions

Our draft decision is that it is appropriate to approve Aurizon Network's proposed amendments to:⁵⁸³

- annual compliance reporting (section 12.1)
- the independent expert's performance reporting (section 12.2)
- the collection, quality and reporting of data (section 12.3).

The 2025 UT5 DAAU includes reporting obligations that support effective compliance and performance monitoring. This provides confidence that Aurizon Network is complying with the undertaking and promotes good operating practices. Furthermore, the 2025 UT5 DAAU facilitates ongoing improvements to the quality, reliability and accessibility of information made available to stakeholders.

We consider that effective and proportionate reporting obligations promote the efficient operation of, use of, and investment in the CQCN, while balancing the interests of access holders, access seekers and Aurizon Network.

12.1 Annual compliance reporting

Our draft decision is that it is appropriate to approve Aurizon Network's proposed amendments to the annual compliance reporting requirements.

Clause 10.5 of the 2025 UT5 DAAU requires Aurizon Network to publish an annual compliance report containing quantitative information regarding its compliance with key obligations under the undertaking. The report provides transparency in relation to the administration of access applications, indicative proposals, disputes, complaints, transfers and other operational matters. It serves as an ongoing accountability mechanism, enabling stakeholders and the QCA to monitor Aurizon Network's performance and compliance in practice.⁵⁸⁴

⁵⁸² These provisions establish the obligations on Aurizon Network to prepare and publish information about network performance, demonstrate compliance with the access undertaking and facilitate appropriate assurance over reported information.

⁵⁸³ Subject to the corrections outlined in Appendix B.

⁵⁸⁴ 2025 UT5 DAAU, cl 10.5.

Aurizon Network has proposed to broaden the scope of the annual compliance report by introducing additional reporting requirements. Specifically, Aurizon Network has proposed to introduce new obligations for it to report on:

- the number of resumption trigger events occurring in each coal system and the relevant train service entitlements
- the number of information request notices and resumption notices issued
- the number of relinquishment offers received and, on an aggregated and de-identified basis, the access rights that existing access holders are prepared to relinquish
- the extent of any underutilised access rights in the relevant coal system(s), reported on an aggregated and de-identified basis over the previous 36 months and the last four consecutive quarters, where a demand assessment report has been completed
- the resumption information required to be published in pre-feasibility studies or feasibility studies (see section 9.3), where such a study has been completed
- the number and percentage of valid transfer notices responded to within the applicable timeframes under the transfer framework.⁵⁸⁵

We consider that including these metrics will provide greater visibility of how the capacity management and expansion framework operate in practice, including the frequency with which resumption-related mechanisms are triggered and the extent to which underutilised capacity is identified prior to expansion. They also enhance transparency regarding the timeliness of transfer administration.

In addition, Aurizon Network has proposed to report on electricity credited to the Blackwater and Goonyella coal systems as a result of regenerative braking.⁵⁸⁶ This amendment introduces additional visibility of energy recovered within those coal systems. The reporting obligation is expressly limited to information that is available, recognising that data collection may be subject to practical or technical constraints.

Overall, we consider that these amendments enhance transparency and support the effective monitoring of Aurizon Network's compliance with the 2017 AU.

12.2 Independent expert's performance reporting

Our draft decision is that it is appropriate to approve Aurizon Network's proposed amendments to the independent expert's performance reporting obligations.

Clause 10.8 of the 2025 UT5 DAAU requires the independent expert to prepare periodic performance reports for each coal system based on data provided by Aurizon Network. These include:

- a network performance report to assist railway operators and end users in understanding the performance of the CQCN and its alignment with contractual requirements⁵⁸⁷
- a system performance report provided to each access holder and Aurizon Network.⁵⁸⁸

The intent of the independent expert's performance reporting obligations is to support complete, comprehensive and transparent reporting on the operation of the rail infrastructure, including to assist with the independent expert's capacity assessment processes (see Chapter 10).

⁵⁸⁵ 2025 UT5 DAAU, cls 10.5.2(c)(vii-xiii), (e)(v).

⁵⁸⁶ 2025 UT5 DAAU, cl 10.5.2(f).

⁵⁸⁷ 2025 UT5 DAAU, cl 10.8.3; Aurizon Network, sub 1, p 237.

⁵⁸⁸ 2025 UT5 DAAU, cl 10.8.4.

Aurizon Network has proposed amendments to existing arrangements relating to the timing, frequency and scope of the independent expert's published reports. We consider that these amendments clarify processes and improve the timeliness and practical operation of reporting, while preserving the independent expert's role.

Network performance reporting

Under the existing arrangements, the independent expert must publish its network performance report each month.

Aurizon Network has proposed amendments to the existing arrangements to enable the independent expert to publish network performance reports as frequently as it considers appropriate, having regard to matters including the information already made available to access holders and customers by Aurizon Network.⁵⁸⁹

Additionally, Aurizon Network has proposed amendments to the scope of the reports to allow the independent expert to include such other information as it considers relevant, having regard to the requirements of stakeholders and available information.⁵⁹⁰ The independent expert may also elect not to report on an item where it considers that item is sufficiently reported on by Aurizon Network.⁵⁹¹

We consider these amendments introduce greater flexibility in relation to both the timing and scope of the independent expert's network performance reports. This better enables the independent expert to tailor the content and timing of its reports to avoid duplication and reflect stakeholder needs. Overall, we consider that these amendments support the independent expert publishing comprehensive and useful network performance reports.

System performance reporting

Under the existing arrangements, the independent expert is required to provide each access holder (and its customers, where applicable) and Aurizon Network with a monthly system performance report. The system performance report details operational information specific to that access holder, including:

- a complete record of train services and ad hoc train services requested, scheduled, delayed, cancelled or not scheduled
- the extent to which the access holder received its nominated monthly train services
- root cause analysis of delays, cancellations and shortfalls, including identification of the responsible party.⁵⁹²

Aurizon Network has proposed to replace these arrangements with a revised quarterly system-level reporting framework. The proposed framework requires the independent expert's published report to include:

- an analysis of trends identified by the independent expert
- macro-level reasons for system losses
- non-binding views on steps that could be taken to address system losses, where relevant

⁵⁸⁹ 2025 UT5 DAAU, cl 10.8.3(a)(i).

⁵⁹⁰ 2025 UT5 DAAU, cl 10.8.3(c)(x).

⁵⁹¹ 2025 UT5 DAAU, cl 10.8.3(c).

⁵⁹² 2017 AU, cl 10.8.4.

- any other matters the independent expert considers relevant, based on available information.⁵⁹³

Aurizon Network submitted that the amendments to the scope and timing of reports are in response to feedback from stakeholders.⁵⁹⁴

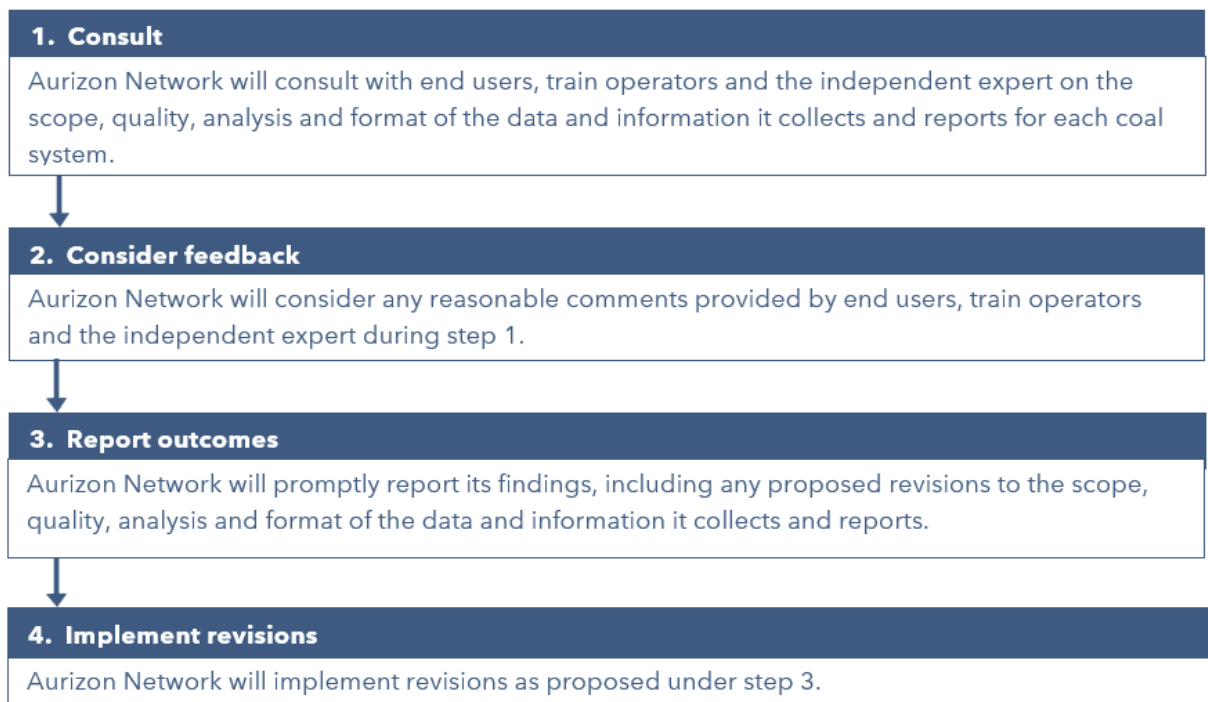
We consider that the proposed quarterly reporting framework will improve the usefulness of system-level information provided to stakeholders. The proposed amendments shift the emphasis of the published report from detailed access holder-specific operational records and root cause analysis to a more synthesised, system-level assessment of performance drivers and trends. Importantly, the amendments do not alter the provision of detailed monthly performance data to the independent expert,⁵⁹⁵ but instead revise the form and frequency of the independent expert’s system-level performance reporting to stakeholders on a quarterly basis.

12.3 Collection, quality and reporting of data

Our draft decision is that Aurizon Network’s proposed amendments to improve data collection, quality and reporting are appropriate to approve.

The 2025 UT5 DAAU includes amendments to introduce a structured process to identify and implement improvements to the scope, quality, analysis and format of data and information it collects and reports for each coal system. Promptly following the extension commencing date,⁵⁹⁶ Aurizon Network will, acting reasonably, commence the review process outlined in Figure 21.⁵⁹⁷

Figure 21: Proposed reporting review process



⁵⁹³ 2025 UT5 DAAU, cl 10.8.4(c).

⁵⁹⁴ Aurizon Network, sub 1, p 238.

⁵⁹⁵ 2025 UT5 DAAU, cl 10.8.2.

⁵⁹⁶ The extension commencing date is 1 July 2027. 2025 UT5 DAAU, Part 12.

⁵⁹⁷ 2025 UT5 DAAU, cl 10.8.5(a), (b).

We consider that introducing a structured and consultative process to improve reporting obligations will help ensure that the obligations remain aligned with the needs of end users – supporting an effective and transparent reporting framework.

The consultation process is to be undertaken no more frequently than annually and no less frequently than every two years.⁵⁹⁸ Aurizon Network submitted that this timing would allow for changes to flow through and for stakeholders to understand the benefits from those changes.⁵⁹⁹

Where Aurizon Network proposes revisions to its reporting arrangements that would give rise to additional costs, implementation is subject to approval by a special majority of end users.⁶⁰⁰ A special majority of end users may also vote to cease implementation of previously introduced revisions, in which case Aurizon Network must give effect to that outcome.⁶⁰¹ This reflects that any reasonable costs incurred by Aurizon Network as part of these revisions will be recovered through existing processes to update allowable revenues. We consider it appropriate to allow affected access holders to weigh up the benefits and costs associated with implementing any proposed revisions to the reporting arrangements.

Aurizon Network's proposed amendments clarify that this process:

- preserves existing confidentiality protections
- is not intended to expand or alter the scope of the independent expert's reporting and analysis functions under the undertaking.⁶⁰²

Aurizon Network is also required to take reasonable steps to ensure that information and reports are accurate and kept up to date, and to correct any material inaccuracies in a timely manner once identified.⁶⁰³

We consider that Aurizon Network's proposed amendments facilitate improvements to reporting practices, while maintaining appropriate safeguards in relation to cost, confidentiality and scope.

⁵⁹⁸ 2025 UT5 DAAU, cl 10.8.5(e).

⁵⁹⁹ Aurizon Network, sub 1, p 238.

⁶⁰⁰ 2025 UT5 DAAU, cl 10.8.5(c).

⁶⁰¹ 2025 UT5 DAAU, cl 10.8.5(d).

⁶⁰² 2025 UT5 DAAU, cl 10.8.5(f).

⁶⁰³ 2025 UT5 DAAU, cl 10.8.5(h).

13 Other amendments to the 2017 AU

Aurizon Network has proposed a number of other amendments to specific provisions within the 2017 AU.

We consider it is appropriate to approve these amendments. A number of these amendments reflect editorial corrections that do not alter the operation of the 2025 UT5 DAAU. Where this is not the case, we have set out our assessment of the proposed amendment in Table 37.

Table 37: Other amendments proposed by Aurizon Network

Part	Proposed amendments	Our assessment
Part 3, cl 3.6(a)-(c) of the 2017 AU	Remove provisions restricting the transfer of certain employees between Aurizon Network and related operators or competitors, including the requirement to obtain approval from a majority of end users for such transfers or secondments.	The amendment removes prescriptive requirements that customers agreed were unnecessary. ⁶⁰⁴ We consider that the ringfencing arrangements in the 2025 UT5 DAAU appropriately limit Aurizon Network's ability to use its position or information to favour related parties.
Part 3, cl 3.9(e)-(f) of the 2017 AU	Remove the provisions requiring the engagement of an independent observer to attend board meetings.	The amendment removes prescriptive requirements that customers agreed were unnecessary. We consider that the ringfencing arrangements in the 2025 UT5 DAAU appropriately limit Aurizon Network's ability to use its position or information to favour related parties. We note that end users did not nominate an independent observer after the approval of the UT5 DAAU. ⁶⁰⁵
Part 4, cl 4.11.2(b)(i)	Clarify that the interface risk assessment and interface risk management plan must be commenced during negotiations if requested or if reasonably needed prior to execution.	The amendment removes ambiguity by clarifying that either condition is sufficient.
Part 4, cl 4.11.2(d)	Clarify that Aurizon Network may request information from the access seeker or train operator to confirm the proponent can use the requested access.	The amendment improves administrative function by allowing information to be provided by the party best placed to do so.
Part 6,	Amend the definition of efficient cost (M_t) in the maximum	The amendment reflects that the QCA levy is determined on an annual basis

⁶⁰⁴ Aurizon Network, sub 1, p 242.

⁶⁰⁵ Aurizon Network, sub 1, p 242.

Part	Proposed amendments	Our assessment
cl 6.6.3(c)	allowable revenue formula to remove the inclusion of the QCA levy.	and updated separately via an endorsed variation event.
Part 7, cl 7.4.9(c)	Remove the obligation for Aurizon Network to act in a diligent and timely manner in dealing with a proposed relinquishment.	The amendment removes requirements that are not necessary, given the 2025 UT5 DAAU includes specific timeframes by which Aurizon Network must complete tasks associated with relinquishments.
Part 7A, cl 7A.8.1 of the 2017 AU	Remove the obligations for Aurizon Network to develop a proposal for a supply chain coordination entity for the CQCN.	<p>The amendment removes requirements that customers agreed were unnecessary.⁶⁰⁶</p> <p>We consider that the 2025 UT5 DAAU includes appropriate obligations in relation to supply chain coordination, including requiring Aurizon Network to:</p> <ul style="list-style-type: none"> • use reasonable endeavours to cooperate and coordinate with all elements of a supply chain⁶⁰⁷ • participate in supply chain groups.⁶⁰⁸
Part 8, cl 8.2.1(b)(ii)(B)	Reset the committed expansion funding amount from 1 July 2027 to \$37 million, with the unexpended portion set to \$0.	<p>The amendment ensures the associated socialisation arrangements remain appropriate.⁶⁰⁹ If the reset did not occur, and unexpended amounts up to 30 June 2027 were carried over, the socialisation arrangements could potentially cause a material increase in access charges for a non-expansion user, which may not be appropriate in every instance.⁶¹⁰</p> <p>Customers agreed that it was not necessary to carry over any unexpended amounts.⁶¹¹</p>

⁶⁰⁶ Aurizon Network, sub 1, p 242. In a response to a request for information, Aurizon Network stated that the supply chain coordination entity provisions were not sufficiently progressed since their inclusion, and it was agreed with customers that they were therefore no longer required (Aurizon Network, response to request for information, 27 February 2026).

⁶⁰⁷ 2025 UT5 DAAU, cl 7A.8.2(a)

⁶⁰⁸ 2025 UT5 DAAU, cl 7A.8.1(a).

⁶⁰⁹ The committed expansion funding amount is indexed by CPI each year, and any unexpended portion within a year is carried-over to the following year. Expended amounts are included in the RAB and socialised across both expanding and non-expanding users for that coal system.

⁶¹⁰ When the committed expansion funding amount is reset, it will remain relatively small compared to the overall regulatory asset base, decreasing the likelihood of a material increase in access charges.

⁶¹¹ Aurizon Network, sub 1, p 234.

Part	Proposed amendments	Our assessment
SAA: Definition of Compliant Nomination Requirements and cl 4.3 (e)(iii)(B) TOD: cls 6.1 and 6.3(a)(iii)(B) ⁶¹²	Update the standard access agreement so that changes to nominated monthly operational rights result in an automatic variation to the Train Operations Deed, rather than requiring new schedules to be issued.	The amendments simplify the process by allowing variations to occur automatically rather than requiring formal amendments or a new deed. Aurizon Network said these amendments reflect current practice. ⁶¹³

⁶¹² Consequential amendments have been made across cls 7.4.4(d), 7.4.5 and 7.4.8 of the 2025 UT5 DAAU.

⁶¹³ Aurizon Network sub 1, p 244.

Glossary

AU	access undertaking
DAU	draft access undertaking
DAAU	draft amending access undertaking
ABS	Australian Bureau of Statistics
AER	Australian Energy Regulator
AFD	Access Facilitation Deed
CI	continuous improvement
CIG	continuous improvement group
cl, cls	clause, clauses
CPI	consumer price index
CQCN	Central Queensland coal network
DORC	Depreciated Optimised Replacement Cost
DTP	Daily Train Plan
EBITDA	earnings before interest, taxes, depreciation, and amortisation
EC	electric energy charge
EoYA	end-of-year adjustment
FTE	full-time equivalent
FY	financial year
GAPE	Goonyella to Abbot Point expansion
gtk	gross tonne kilometre
IAP	indicative access proposal
ICT	information and communications technology
IE	independent expert
IT	information technology
ITP	intermediate train plan
MFP	multifactor productivity
MRP	market risk premium
MRSB	maintenance and renewals strategy and budget
MSB	maintenance strategy and budget
NER	National Electricity Rules
opex	operating expenditure

OT	operational technology
PP	progress payment
QCA	Queensland Competition Authority
QCA Act	Queensland Competition Authority Act 1997
QRC	Queensland Resources Council
RAB	regulatory asset base
RBA	Reserve Bank of Australia
RIG	Rail Industry Group
RRV	road rail vehicle
RSB	renewals strategy and budget
s, ss	section/sections of an Act
SAA	standard access agreement
SOPs	system operating parameters
sub	submission
the regulatory period	period from 1 July 2027 until 30 June 2037
TNSP	Transmission Network Service Providers
ToP	take or pay
TP1, TP2	throughput payment rate 1, throughput payment rate 2
UT1	Queensland Rail's 2001 access undertaking (approved December 2001)
UT2	Queensland Rail's 2006 access undertaking (approved June 2006, as amended)
UT3	QR Network's 2010 access undertaking (approved October 2010, as amended)
UT4	Aurizon Network's 2016 access undertaking (approved October 2016, as amended)
UT5	Aurizon Network's 2017 access undertaking
WACC	weighted average cost of capital
WAML	weighted average mine life
WPI	wage price index

References

Arcadis, [*Independent review of Aurizon Network's 2025 UT5 DAAU non-electric operating expenditure analysis*](#), May 2026.

Aurizon Network, [*Our approach to customer engagement: Access undertaking from FY28*](#), 15 August 2024.

Australian Bureau of Statistics (ABS), [*Australian System of National Accounts*](#), 2024-25 financial year, accessed 16 April 2026.

— [*Consumer Price Index, Australia*](#), April 2026, accessed 15 May 2026.

JLT, [*Conceptual insurance program design and pricing: For Aurizon Network Access Undertaking 2017*](#), September 2016.

Queensland Competition Authority (QCA), [*Aurizon Network's 2017 draft access undertaking*](#), decision, December 2018.

— [*Inflation forecasting*](#), final position paper, October 2021.

— [*Aurizon Network's Minerva DAAU – final decision*](#), decision notice, 16 February 2023.

— [*Rate of return review*](#), final report, version 4, September 2024.

— [*Aurizon Network's 2025 review of system rules*](#), decision notice, October 2025.

— [*RAB roll-forward 2024-25*](#), letter to Aurizon Network, 14 January 2026.

Appendix A: Stakeholder submissions

We received the following submissions during our investigation of Aurizon Network's 2025 UT5 DAAU. Each submission has been allocated a number that is used in this report for referencing purposes. The submissions are available on our website.

Stakeholder	Submission	Submission number	Date received
Aurizon Network	2025 UT5 DAAU supporting submission	1	22 December 2025
Anglo American Steelmaking Coal Pty Ltd	Letter of support	2	13 February 2026
Aurizon Holdings Limited	Letter of support	3	22 December 2025
Aurizon Operations Limited	Letter of support	4	22 December 2025
BM Alliance Coal Operations Pty Ltd	Letter of support	5	21 January 2026
Ensham Resources Pty Ltd	Letter of support	6	30 January 2026
Glencore Coal Assets Australia Pty Ltd	Letter of support	7	16 January 2026
Jellinbah Mining Pty Ltd	Letter of support	8	13 February 2026
Lake Vermont Resources Pty Ltd	Letter of support	9	13 February 2026
Middlemount Coal Pty Ltd	Letter of support	10	3 February 2026
Peabody Energy Australia Pty Ltd	Letter of support	11	11 February 2026
Peabody Energy Australia PCI (C&M Management) Pty Ltd	Letter of support	12	11 February 2026
Pembroke Olive Downs Pty Ltd	Letter of support	13	21 January 2026
Stanmore Entities	Letter of support	14	4 February 2026
Whitehaven Project Pty Ltd	Letter of support	15	16 March 2026
Yarrabee Coal Company Pty Ltd	Letter of support	16	19 January 2026
Anglo American Steelmaking Coal Pty Ltd	Submission on the DAAU	17	17 March 2026
Queensland Resources Council	Submission on the DAAU	18	17 March 2026

Appendix B: Amendments to the DAAU

As outlined throughout our draft decision, corrections to the provisions contained within the 2025 UT5 DAAU have been identified to enable the package of arrangements to operate as intended. We consider that the following clauses in the 2025 UT5 DAAU should be amended to reflect the drafting as outlined in Table 38.

Table 38: Amendments to the 2025 UT5 DAAU

Clause	Amended provision
Part 6	
6.8(a)	This clause 6.8 does not apply to the reset of the Reference Tariffs in accordance with Part clause 6A.
Part 6A	
6A.1(c)(i)	will be required as set out in the timeframes in clauses 6A.2 Error! Reference source not found 6A.2 and 6A.3 Error! Reference source not found 6A.3; and
Part 7	
7.3.1(e)	<p>The Rolling Access Holder will have a right to:</p> <ul style="list-style-type: none"> (i) renew the Rolling Term by providing Aurizon Network with a Rolling Renewal Notice; or (ii) end the Rolling Renewal right by giving a notice to end the Rolling Term, <p>with each respective that notice to be provided:</p> <ul style="list-style-type: none"> (iii) once in each 12-month period (the first 12-month period commencing from on the commencement date of the Rolling Access Agreement); and (iv) no later than 48 months prior to the expiry of the relevant Rolling Access Agreement each anniversary of the commencement date of the Rolling Access Agreement; <p>such dates being conditional on Aurizon Network having provided the reminder in accordance with clause 7.3.1(f). <u>The notice given under this clause 7.3.1(e) will only become binding on the Rolling Access Holder and Aurizon Network on the date that is 48 months prior to the expiry of the relevant Rolling Access Agreement.</u></p>
7.3.1(h)(vi)	confirmation that the Rolling Access Holder has sufficient or is reasonably likely to secure sufficient:

Clause	Amended provision
	<p>(A) Supply Chain Rights;</p> <p>(B) rail haulage contract entitlements; and</p> <p>(C) coal reserves output of the relevant mine,</p> <p>to fully utilise the Access Rights that are being renewed or evidence that these matters are reasonably likely to be secured in the future. It is acknowledged that where a Rolling Access Holder has previously provided details of the above Supply Chain Rights and rail haulage capacity entitlements to Aurizon Network's satisfaction that cover the relevant Rolling Term, it may be sufficient for the Rolling Access Holder to confirm on an annual basis, and to Aurizon Network's satisfaction, that there has been no change to those entitlements.</p>
7.3.1(t)(i)	a Rolling Access Holder <u>Seeker</u> may elect to renew only part of its existing Access Rights;
7.4.5(a)(iv)	<p>in respect of a Long Term Transfer:</p> <p>(A) where the Nominated Access Rights are proposed to be transferred to a haul that will be the same or shorter in distance from the junction of the relevant mine specific spur line or balloon loop to the respective Port Precinct if the Transfer is approved, and the Transferee has an existing Access Agreement, the process in Part 4 will not apply; <u>and</u></p> <p>(B) <u>Aurizon Network must have regard to the Transfer Capacity Assessment completed by the Independent Expert under clause 7.4.5(a)(i) when developing the IAP in accordance with clause 4.6(a).</u></p>
7.5.2(b)(ii)	<p>in respect of Conditional Access Rights where:</p> <p>(A) relevant Access Holders have been notified in accordance with clause 8.9.4(c) <u>8.9.5(b)(i)</u> of its Reduced Conditional Access Rights; and</p> <p>(B) an Access Application is deemed to have been lodged in respect of the reduction as a result of the Conditional Access Holder providing notice to Aurizon Network under clause 1.1(a)(i) 8.9.3(a)(ii) or clause 8.9.3(d)(ii); and</p> <p>(C) either:</p> <ol style="list-style-type: none"> (1) there is Available Capacity which is capable of satisfying that Access Application in respect of the reduction; or (2) the Conditional Access Holder referred to in clause 7.5.2(b)(ii)(B) is, in Aurizon Network's reasonable opinion, diligently pursuing the study and development of the relevant Expansion, <p>then:</p> <p>(D) the Conditional Access Holder and Affected Access Holder (as applicable) will be given priority in the Queue behind any Renewals in respect of the Access Application for that reduction; and</p> <p>(E) where there are two (2) or more Conditional Access Holders or Affected Access Holders (as applicable) affected, each Conditional Access Holder and Affected Access Holder (as applicable) will be treated as having the same position in the Queue for the purpose of negotiating and allocating the Available Capacity.</p>

Clause	Amended provision
7.5.2(d)	<p>An Access Seeker will be removed from the Queue if:</p> <ul style="list-style-type: none"> (i) the Access Seeker's Access Application has been withdrawn or the Negotiation Period for an Access Seeker has ceased in accordance with Part 4; (ii) Aurizon Network has determined not to allocate Available Capacity to an Access Seeker as a result of the operation of clause 7.2.1; (iii) the Access Seeker is a Conditional Access Holder and it has not provided notice to Aurizon Network under clause 1.1.1(a)(i) 8.9.3(a)(ii) or clause 8.9.3(d)(ii); or (iv) the Access Seeker is a Conditional Access Holder that has provided notice to Aurizon Network under clause 1.1.1(a)(i) 8.9.3(a)(ii) or clause 8.9.3(d)(ii) 8.9.4(d)(ii) but, in Aurizon Network's reasonable opinion, is not diligently pursuing the study and development of the relevant Expansion.
Part 7A	
7A.5(aa)	<p>an Access Holder voluntarily elected to relinquish any of its Access Rights as part of the consultation process that resulted in the Detailed Report and that Access Holder relinquishes those Access Rights in accordance with a relinquishment provision of its Access Agreement, a Relinquishment Fee that would otherwise be payable under the Access Agreement is not payable and Aurizon Network will not collect, and will not be deemed to collect (for the purposes of the calculation of Total Allowable Revenue under Schedule F Part 7A), any Relinquishment Fee. For clarity, there will be no relief from the obligation to pay a Relinquishment Fee payable under an Access Agreement if an Access Holder elects to relinquish Access Rights otherwise than as contemplated by this clause 7A.5(aa) 6A.1.1(a) and clauses 7.4.8(g), 7.4.8(h) and 8.2.1A-Resumptions and relinquishments to avoid all or part of an Expansion.</p>
7A.11.5(e)	<p>If Aurizon Network fails to comply with this clause 7A.11.4 <u>7A.11.5</u> then the QCA will determine the Maintenance Indicator or the Capital Indicator, as applicable.</p>
7A.11.6(a)	<p>By 30 September each Year (or such later time as reasonably requested by Aurizon Network and agreed by the QCA) in respect of the Year ending on the previous 30 June, Aurizon Network must submit to the QCA:</p> <ul style="list-style-type: none"> (i) the actual maintenance costs incurred by Aurizon Network in respect of the relevant Year, including: <ul style="list-style-type: none"> (A) all items in the Approved Maintenance Strategy and Budget that it has not undertaken; and (B) all items in respect of which it has spent at least \$2 million less than the budgeted amount; (ii) the scope of Maintenance Work undertaken during the relevant Year; and (iii) the procurement strategy and methodology used by Aurizon Network with respect to the Maintenance Work undertaken during the relevant Year, <p>for the purpose of calculating the Adjusted Allowable Revenue under clause 4.4(c) 4.3(c) of Schedule F,</p>

Clause	Amended provision
	(Maintenance Costs Claim).
Part 7B	
7B.2.2(b)	Any member of the CIG and any member of the CIG Steering Committee may propose projects for development into a CI Business Case in the manner described in clause 7B.2.7(a) <u>7B.2.6(a)</u> .
7B.2.5(c)(viii)	complete post implementation reports in accordance with clause 7B.2.7(d) <u>7B.2.7(e)</u> ; and
Part 8	
8.2.1A(a)(i)	the Access Rights required by an Access Seeker's Access Application cannot be provided in the absence of an Expansion (including, for the avoidance of doubt, in the case of a deemed Access Application under clause 1.1.1(a)(i) <u>8.9.3(d)(ii)</u>); and
8.2.1A(c)(i)(D)	constitute an irrevocable binding offer capable of acceptance by Aurizon Network in writing at any time during the period specified in clause 8.2.1A(g) <u>8.2.1A(j)</u> , (Relinquishment Offer).
8.2.1A(l)	Where: <ul style="list-style-type: none"> (i) an existing Access Holder has provided a Relinquishment Offer; and (ii) an Access Seeker has entered into an unconditional Access Agreement for those relinquished Access Rights (or, if applicable, any of those relinquished Access Rights) the subject of that Relinquishment Offer, the relinquishment will be on a fee free basis and the usual Relinquishment Fee under clause 7.4.8(d) is not payable. Aurizon Network will not collect and will not be deemed to collect (for the purpose of the calculation of Total Actual Revenue under clause 4.4(d) <u>4.3(d)</u> of Schedule F) any Relinquishment Fee.
8.2.1A(n)(ii)	the number of Train Service Entitlements resumed to meet the needs of Expanding Users <u>Access Seekers</u> pursuant to clause 8.2.1A(m); and
8.4.2(c)(i)	where Aurizon Network knows that a Deliverable Network Capacity Shortfall or Expansion Capacity Deficit (as applicable) exists and the proposed Expansion could create Capacity that would reduce or remove the Deliverable Network Capacity Shortfall or Expansion Capacity Deficit (as applicable), Conditional Access Seekers who are deemed to have lodged an Access Application under clause 1.1.1(a)(i) <u>8.9.3(a)(ii)</u> or clause 8.9.3(d)(ii) to which that Deliverable Network Capacity Shortfall or Expansion Capacity Deficit (as applicable) relates (or, as applicable, their Customers); and
8.8.2	To the extent of any inconsistency, but except for clauses 1.1.1 <u>8.9.3</u> , 8.9.3 and 8.9.4, the terms of an executed User Funding Agreement prevail over the terms of this Undertaking as between Aurizon Network and the Expansion Funders (and their Customers, if relevant).

Clause	Amended provision
Part 10	
10.5.2(c)(xiii)	where a Pre-feasibility Study or Feasibility Study has been completed in that Year, all details required under clause 8.2.1A <u>8.2.1(n)</u> ;
Part 12 – Definitions	
AT ₂₋₄ Revenue Adjustment Amount	For a Coal System, the amount calculated under clause 4.4(a) <u>4.3(a)</u> of Schedule F for that Coal System.
AT ₅ Revenue Adjustment Amount	For a Coal System, the amount calculated under clause 4.4(b) <u>4.3(b)</u> of Schedule F for that Coal System.
AT ₅ Revenue Shortfall	For a Year, where the Total Actual Revenue for AT5 (calculated under clause 4.4(j) <u>4.3(j)</u> of Schedule F) in relation to that System Reference Tariff for that Year is less than the Adjusted Allowable Revenue for AT5 (calculated under clause 4.4(c) <u>4.3(c)</u> of Schedule F) for the relevant System Reference Tariff for that Year.
AT ₅ Revenue Shortfall Amount	For a Year, where there is an AT5 Revenue Shortfall, the amount by which Total Actual Revenue for AT5 (calculated under clause 4.4(j) <u>4.3(j)</u> of Schedule F) in relation to the relevant System Reference Tariff for that Year is less than the Adjusted Allowable Revenue for AT5 (calculated under clause 4.4(c) <u>4.3(c)</u> of Schedule F) for the relevant System Reference Tariff for that Year.
Approved maintenance strategy and budget	The meaning given to that term in clause 7A.11.3(l) 7.11.3(t) .
Capacity Assessment Notice	The meaning given to that term in clause 8.9.4(c) <u>8.9.5(b)(i)</u> 8.9.5(b)(i) .
Earlier Offer	The meaning given to that term under clause 8.2.1A(g)(i)(B).
Electric Revenue Adjustment	The amount calculated under clause 4.4(l) <u>4.3(t)</u> of Schedule F.

Clause	Amended provision
Maintenance Strategy and Budget	<p data-bbox="492 196 2087 260">A document which sets out in reasonable detail for each Coal System for a Year and, subject to paragraph (f)(g), for a forecast period of not less than an additional four Years:</p> <ul style="list-style-type: none"> <li data-bbox="492 276 2049 715">(a) the strategy for Maintenance Work that Aurizon Network proposes to undertake or procure in the relevant Year on a Coal System basis and on an aggregate basis including with respect to the following categories of maintenance: <ul style="list-style-type: none"> <li data-bbox="566 355 958 379">(i) general track maintenance; <li data-bbox="566 387 1070 411">(ii) structures and facilities maintenance; <li data-bbox="566 419 920 443">(iii) other civil maintenance; <li data-bbox="566 451 1010 475">(iv) trackside systems maintenance; <li data-bbox="566 483 1025 507">(v) electrical overhead maintenance; <li data-bbox="566 515 1211 539">(vi) signalling and telecommunications maintenance; <li data-bbox="566 547 965 571">(vii) other general maintenance, <li data-bbox="566 579 909 715">(viii) and the scope for: <ul style="list-style-type: none"> <li data-bbox="640 643 909 667">(A) resurfacing; and <li data-bbox="640 675 869 715">(B) rail grinding, <p data-bbox="492 722 842 746">(Maintenance Scope of Work);</p> <ul style="list-style-type: none"> <li data-bbox="492 762 1738 786">(b) high level description of the maintenance practices used to carry out the Maintenance Scope of Work; <li data-bbox="492 802 2018 906">(c) a description of the forecast throughput impacts of the Maintenance Strategy and Budget compared against the throughput achieved and being achieved taking into account the maintenance activities that were conducted in accordance with the most recently Approved Maintenance Strategy and Budget <li data-bbox="492 914 1249 938">(d) an indicative timetable for the Maintenance Scope of Work; <li data-bbox="492 946 1223 970">(e) the key deliverables for the Maintenance Scope of Work; <li data-bbox="492 978 1496 1002">(f) the procurement strategy and methodology for the Maintenance Scope of Work; <li data-bbox="492 1010 2011 1090">(g) for the Year to which the Maintenance Strategy and Budget document relates and for each of the following two Years, a list of Material Contracts expiring in those Years; <li data-bbox="492 1098 1888 1121">(h) a high level description of the impact of the Maintenance Strategy on the Coal Systems and the Supply Chains; and <li data-bbox="492 1129 1256 1201">(i) a budget for the Maintenance Scope of Work, as determined by Aurizon Network provided however that it must: <ul style="list-style-type: none"> <li data-bbox="492 1217 1787 1241">(j) be consistent with Aurizon Network’s obligations under clauses 7A.11.1(a)(iii)(A) and 7A.11.1(a)(iii)(C); and <li data-bbox="492 1249 2033 1313">(k) not include an amount of Aurizon Network’s forecast maintenance costs for non-coal traffic in line with the QCA’s 2018 Decision allocation methodology.

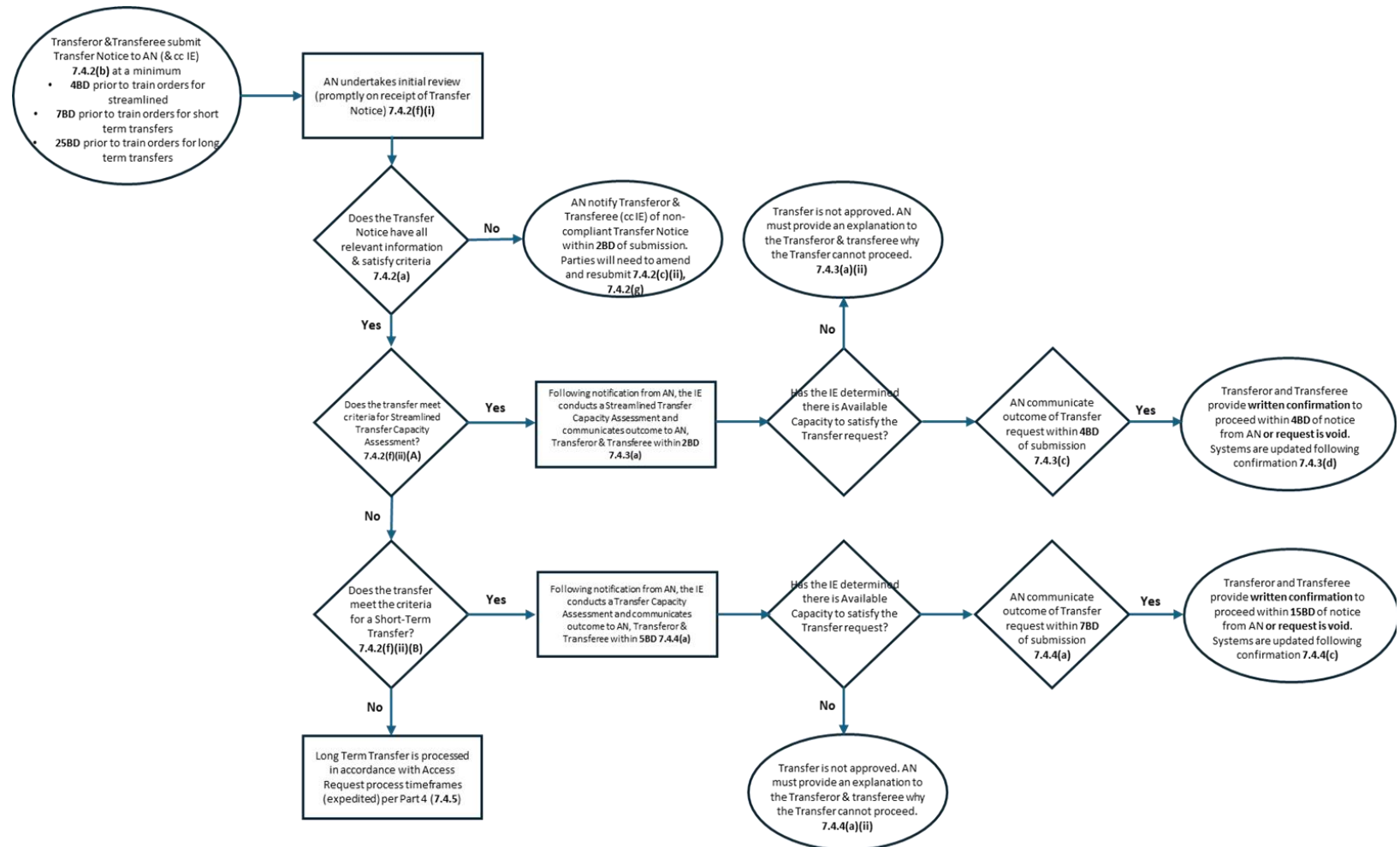
Clause	Amended provision
Rail Working Group	The rail working group <u>coordinated by</u> of the Queensland Resources Council.
Relinquishment Offer	The meaning given in clause <u>8.2.1A(c)(i)</u> 8.2.1(c)(i) , as may be amended in accordance with clause <u>8.2.1A(d)</u> 8.2.1(d) .
<u>Subsequent Offer</u>	<u>The meaning given to that term under clause 8.2.1A(g)(i)(B).</u>
Voting Members of the CIG Steering Committee	<p>(a) Where the condition in clause 7B.2.3(e) is met, Aurizon Network, the Railway Operator representatives, <u>the coal export terminal representatives</u> and the End User representatives for each Coal System on the CIG Steering Committee.</p> <p>(b) In all other cases, Aurizon Network and the End User representatives for each Coal System on the CIG Steering Committee.</p>

Schedule F

3.3(d)	<p>Subject to clauses 3.3(h) to 3.3(o)<u>3.3(g)</u> of this Schedule F inclusive, Take or Pay charges applicable to an Access Holder will be:</p> <p>(i) determined for each Year;</p> <p>(ii) invoiced for each Year following completion of that Year; and</p> <p>(iii) calculated as the amount which is 100% of the amount calculated as:</p> $(AT_2 \times rtp \times NTS) + \left(AT_3 \times \frac{ntk}{1000} \right) + (AT_4 \times nt)$ <p>where:</p> <p>(A) each of AT2, AT3 and AT4 inputs for that Access Holder's Access Charges at the rate applicable in that Year;</p> <p>(B) the nt and ntk (as applicable) are calculated by:</p> <ol style="list-style-type: none"> (1) the aggregate nt and ntk (as applicable) that would have been achieved for the relevant Year had the relevant Access Holder utilised its full contracted Train Service Entitlements; less (2) the aggregate nt and ntk (as applicable) not railed for the relevant Year due to the non-operation of Train Services for an Aurizon Network Cause; less (3) the aggregate nt and ntk (as applicable) billed for the relevant Year; and <p>(C) NTS is calculated as:</p>
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Clause	Amended provision
	<p>(1) the number of Train Services that the Access Holder would have operated for the relevant Year had the relevant Access Holder utilised its full contracted Train Service Entitlements; less</p> <p>(2) the number of those Train Services that either:</p> <p>i. were not able to be operated solely as a result of an Aurizon Network Cause; or</p> <p>ii. were billed (whether loaded or empty) during that Year,</p> <p>provided always that the amount of Take or Pay for a relevant Year must not be less than zero.</p>
3.3(j)(ii)(B)	the revenue from the AT3 and AT4 Access Charges Aurizon Network would have been entitled to collect from the Access Holder in respect of those operated Train Services if the AT3 and AT4 inputs were the relevant inputs from clauses 7.2(a), 8.2(a), 9.2(a), 10.2(a) or 11.2(a) <u>11.2</u> of this Schedule F as appropriate;
3.3(o)	Clause 3.3(p) of this Schedule F must only be applied after clauses 3.3(j), 3.3(k) and 3.3(m) of this Schedule F (if applicable) has been applied.
3.3(r)(iii)(B)	there are no capping mechanisms - ie, clauses 3.3(k), (k) to (q), (q) to (q), (q) to (m) of this Schedule F do not apply.
4.4(c)(ix)	all components excluding those costs referred to in any of clauses 4.4(c)(i) 4.3(c)(i) to (viii) of this Schedule F;
4.4(d)(ii)	the amount of all Take or Pay and, subject to clause 4.4(f) 4.3(f) and 4.4(h) 4.3(h) of this Schedule F, Relinquishment Fees and Transfer Fees which Aurizon Network would be entitled to be paid in the relevant Year under Tariff Based Access Agreements in relation to the relevant Reference Tariff (or, for a Cross System Train Service, to the extent the relevant Reference Tariff applies to the setting of Access Charges for that Cross System Train Service) calculated on the basis that Aurizon Network is deemed to have contracted on the terms of the relevant Standard Access Agreement (as defined under the Applicable Undertaking) that applied on the date of execution or renewal of an Access Agreement, except for: those Access Agreements which have been altered from the relevant Standard Access Agreement in accordance with any Approved Undertaking or as approved by the QCA, for which Aurizon Network's entitlement to Take or Pay amounts, Relinquishment Fees or Transfer Fees will be calculated in accordance with the terms of those Access Agreements;
4.4(h)	Where an Access Holder is not required to pay a Relinquishment Fee under clause 6A.1.1(a) <u>7A.5(aa)</u> of the Undertaking, the Relinquishment Fee that would have otherwise been payable but for clause 6A.1.1(a) <u>7A.5(aa)</u> of the Undertaking, will not be included in the calculation under clause 4.4(d)(ii) of this Schedule F.
4.4(m)	Aurizon Network will submit to the QCA by 31 October after the end of each Year of the Term details of the methodology, data and assumptions used to calculate the Revenue Adjustment Amounts for that Year under this clauses 4.4 4.5 4.4 4.4 and 4.5 of this Schedule F provided that if, in that October, Adjustment Charges have not yet been approved relating to the relevant Year, then Aurizon Network is only required to submit the relevant information within thirty (30) days after those Adjustment Charges have been approved.

Transfer process diagram



Throughout our investigation, Aurizon Network has submitted a number of editorial changes to the 2025 UT5 DAAU (Table 39). While we do not consider that such amendments affect the operation of the 2025 UT5 DAAU, we would be minded to approve Aurizon Network’s preferred alternative drafting to provide further clarification for the parties.

Table 39 Editorial changes to the 2025 UT5 DAAU

Clause	Proposed amended provision
Part 7	
7.3.1(r)(ii)	<p>for a period equal to or greater than 5 years;z</p> <p>(A) the Access Agreement will be renewed for a total 5 year term, when combined with the remaining term of the current Access Agreement at the time the renewal is sought in accordance with clause 7.3.1(p)z; and</p> <p>(B) the right to a Rolling Renewal in accordance with this clause 7.3.1 will be re-enlivened for that Access Agreement.</p>
7.6(a)	<p>If an Access Holder for any reason other than the occurrence of a Force Majeure Event or an Aurizon Network Cause does not:</p> <p>(i) for Cyclic Traffic, cause the operation of at least eighty five percent (85%) of the Train Services allowed under the Access Holder’s Train Service Entitlement over a period of four (4) consecutive Quarters; or</p> <p>(ii) for Timetabled Traffic, cause the operation of a Train Service on a Scheduled Train Path seven (7) or more (not necessarily consecutive) times out of any twelve (12) consecutive occasions on which that particular Scheduled Train Path exists, (Resumption Trigger Event) Aurizon Network mayz provided that the Access Holder’s failure to meet the thresholds referred to in clauses 7.6(a)(i) or 7.6(a)(ii) (as applicable) is not the result of an Existing Capacity Deficit, within forty (40) Business Days after the Resumption Trigger Event, give that Access Holder notice (Information Request Notice) which includes:</p> <p>(iii) reasonable details of the Resumption Trigger Event;</p> <p>(iv) the Access Rights for the Train Service Type which Aurizon Network considers to be underutilised Access Rights for the Train Service Type in respect of the Resumption Trigger Event;</p> <p>(v) that Aurizon Network is considering resuming the whole or part of the underutilised Access Rights for the Train Service Type to the extent of that underutilisation;</p> <p>(vi) requesting the Access Holder to demonstrate a sustained requirement for the underutilised Access Rights; and</p> <p>(vii) reasonable details of Aurizon Network’s reasonable expectation of a sustained alternative demand for the Capacity used by the Access Rights in question.</p> <p>For clarity:</p>

Clause	Proposed amended provision
	<ul style="list-style-type: none"> (viii) nothing in this clause 7.6(a) requires Aurizon Network to disclose any information that is not relevant to the Information Request Notice in respect of the Resumption Trigger Event or information that is commercially sensitive to the Aurizon Group; and (ix) Aurizon Network will not be in breach of its obligations under Part 3 when making a disclosure under this clause 7.6(a) provided that the information disclosed is relevant to the resumption in question.
Part 7A	
7A.3.1(f)	<p>The Independent Expert appointed under clauses 7A.3.1(a) or 7A.3.1(c) must:</p> <ul style="list-style-type: none"> (i) be independent and impartial; (ii) engage personnel with appropriate qualifications and practical experience having regard to the nature of the appointment (including qualifications and experience in modelling the capacity of coal chain infrastructure) provided that if the Independent Expert is a new entity, this requirement will be satisfied where the employees and personnel of the new entity are appropriately qualified and experienced; (iii) have no interest or duty which conflicts or may conflict with their function as an Independent Expert, or where it believes it has such an interest or duty, the Independent Expert must fully disclose that interest or duty by notice to the members of the Rail Industry Group, Aurizon Network and the QCA prior to their appointment; and (iv) be required to manage the confidential nature of all information and matters coming to their knowledge by reason of their appointment and performance of their duties including in accordance with the terms of any confidentiality agreement in favour of Aurizon Network and if requested, any other entity providing information under this Part 7A.
7A.5(l)(iii)	<p>if the Expansion to which the Relevant Study relates does not ultimately proceed, the Study Costs approved by the QCA in accordance with clause 7A.5(l)(ii)(B) are recoverable by Aurizon Network as a Revenue Adjustment under Schedule F, <u>clause 4.3 of Schedule F</u>. The costs will be deemed additional to Aurizon Network's Non-Electric Operating Expenditure Allowance for the Allowable Revenues in the relevant Year; and</p>
Part 7B	
7B.2.4(e)	<p>An alteration of an annual plan of activity and its associated budget and funding arrangements will be without prejudice to Aurizon Network's right to recover any costs already incurred by Aurizon Network or which Aurizon Network is legally obligated to pay (and which cannot be avoided or mitigated without liability) in accordance with the previously approved annual plan of activity and associated budget, provided such costs comply with clause 7B.2.8 Recovery of project costs 7B.2.8.</p>
Part 8	

Clause	Proposed amended provision
8.5(b)(ii)	subject to clauses 8.5(c) and 8.5(d), grant that Access Seeker a provisional allocation of the capacity detailed in the Train Service description included in the Studies Funding Agreement (Provisional Capacity Allocation).
8.9.4(c), (d)	<p>(c)^(f) Within thirty (30) days after the completion of Aurizon Network's or the Independent Expert's assessment under clause 8.9.2 (as applicable), Aurizon Network must give each Affected Access Holder a notice (Capacity Assessment Notice) which specifies:</p> <ul style="list-style-type: none"> (i) the Conditional Access Rights; (ii) the amount of the Capacity Change for each Segment of the Expansion; (iii) whether or not there is an Expansion Capacity Deficit in respect of any Segment of the Expansion; and (iv) if there is an Expansion Capacity Deficit in respect of any Segment of the Expansion, the Reduced Conditional Access Rights for each such Segment of the Expansion (calculated in accordance with the formula in clause 8.9.4(b)), including reasonable details of the calculation of the Reduced Conditional Access Rights for each Segment. <p>(d)^(c) The Conditional Access Rights in the relevant Access Agreement will be taken to be varied to the lowest of the Reduced Conditional Access Rights for a Segment of the Expansion as:</p> <ul style="list-style-type: none"> (i) specified in the Capacity Assessment Notice; or (ii) as agreed or determined through the dispute resolution process, <p>with effect on the later of:</p> <ul style="list-style-type: none"> (iii) twenty (20) Business Days from receipt by the Access Holders of the Capacity Assessment Notice; and (iv) if the Capacity Assessment Notice has been referred to the QCA for resolution of a Dispute, ten (10) Business Days after the Dispute is agreed or determined.

Part 12 – Definitions

Conditional Access Holders	The meaning given to that term in clause 8.9.2(a)-.
Conditional Access Rights	The meaning given to that term in clause 8.9.2(a)-.
Nominal Train Payload	The nominal nt that applies to the Train Service as specified under the System Reference Tariff or Expansion Tariff (such as, for the System Reference Tariffs under clause 7.2(d), 8.2(d), 9.2(c), 10.2(d) and 11.2(b) of Schedule F), as applicable.
Pre-Approval Date Coal Access Agreements	<ul style="list-style-type: none"> (a) Access Agreements in place on the day immediately prior to the Approval Date; or (b) new Access Agreements entered as part of transferring Access Rights from such Access Agreements but only to the extent that the terms of the Access Agreement described in paragraph (a) apply in respect of the relevant Access Rights-.

Clause	Proposed amended provision
Project Costs	The meaning given to that term in clause 7B.2.8(a).
Renewals Strategy and Budget	<p>A document which sets out in reasonable detail for each Coal System for a Year and, subject to paragraph (g), for a forecast period of not less than an additional 4 Years:</p> <ul style="list-style-type: none"> (a) the scope of Asset Replacement and Renewal work that Aurizon Network proposes to undertake or procure in the relevant Year on a Coal System basis and on an aggregate basis including any work that was regarded in the QCA's 2018 Decision as ballast undercutting (Renewals Scope of Work); (b) the high level practices used to carry out the Renewals Scope of Work; (c) a description of the forecast throughput impacts of the Renewals Strategy and Budget compared against the throughput achieved and being achieved taking into account the Asset Replacement and Renewal work that was conducted in accordance with the most recently Approved Renewals Strategy and Budget or if there has been no Approved Renewals Strategy and Budget, the Asset Replacement and Renewal Work that was conducted in the previous Year; (d) an indicative timetable for the Renewals Scope of Work; (e) the key deliverables for the Renewals Scope of Work; (f) the procurement strategy and methodology for the Renewals Scope of Work; (g) for the Year to which the Renewals Strategy and Budget document relates and for each of the following two Years, a list of Material Contracts expiring in those Years; (h) a high level description of the impact of the Renewals Strategy on the Coal Systems and Supply Chains; and (i) a budget for the Renewals Scope of Work, <p>as determined by Aurizon Network.</p>

Schedule A

- 3(b) In addition to the Preliminary Information and the Additional Information, the Daily Train Plan (as assessed under clause 3(c) of this Schedule A for the relevant part of the Rail Infrastructure) will be provided to an Access Seeker by Aurizon Network on request by that Access Seeker subject to:
- (i) the identity of other Access Holders not being detailed; and
 - (ii) the terms of other Access Holders' Train Service Entitlements not being detailed.
- In addition, the Intermediate Train Plan and the Daily Train Plan may not show all parts of the Rail Infrastructure, and as such may not show all Train Services that may impact on the Existing Capacity detailed. However, Aurizon Network will note those other parts of the Rail Infrastructure where interaction with other Train Services is most likely to impact on the Existing Capacity detailed.

Clause	Proposed amended provision
3(d)	Aurizon Network will provide access to relevant Network Control information in accordance with clause 7.5 of Schedule G, for the purpose of indicating actual running of Train Services against the relevant Daily Train Plan, for those days for which the Daily Train Plan has been provided under clause 3(b) <u>of this Schedule A</u> .
Schedule B	
6(f)	the information referred to in clauses 3, 4.1 to 4.3 or clauses 5.1 to 5.3 <u>of this Schedule B</u> (as applicable);
7(d)	details referred to in clause 3 <u>of this Schedule B</u> with reference to the proposed Renewal;
7(f)	<p>details of all changes (if any) in:</p> <ul style="list-style-type: none"> (i) the information referred to in clauses 3, 4.1 to 4.3 or clauses 5.1 to 5.3 <u>of this Schedule B</u> (as applicable)³; and (ii) the Operating Plan, <p>from that relating to the relevant existing Access Agreement.</p> <p><i>FN 3: A Renewal will not require any Expansion or Customer Specific Branch Line therefore clauses 4.4 and 5.4 <u>of this Schedule B</u>, as applicable, are not relevant.</i></p>
Schedule C	
1(b)	<p>An Operating Plan will adopt a three tiered presentation of information with information for the following categories:</p> <ul style="list-style-type: none"> (i) whole of network information that applies generally to the Train Services of the Access Seeker or the Access Holder (see clause 1.1 <u>of this Schedule C</u>); (ii) Coal System specific information that applies to the Train Services of the Access Seeker or the Access Holder operating in that Coal System (see clause 1.2 <u>of this Schedule C</u>) but was not provided under clause 1.3 <u>of this Schedule C</u>; and (iii) origin/destination pair specific information that applies to the Train Services of the Access Seeker or Access Holder for that origin/destination pair (clause 1.3 <u>of this Schedule C</u>) but was not provided under clauses 1.1 or 1.2 <u>of this Schedule C</u>.
1.2	<ul style="list-style-type: none"> (a) The requirement for the information under this clause 1.2 <u>of this Schedule C</u> is in addition to clause 1.1 <u>of this Schedule C</u>. (b) The following information must be provided in an Operating Plan on Coal System basis, so that the information is provided separately for each relevant Coal System (as applicable). (c) For clarity, it is not necessary to repeat information already provided under clause 1.1 <u>of this Schedule C</u>.
1.3	<ul style="list-style-type: none"> (a) The requirement for the information under this clause 1.3 <u>of this Schedule C</u> is in addition to clauses 1.1 and 1.2 <u>of this Schedule C</u>. (b) The following information must be provided in an Operating Plan on an origin/destination pair basis, so that the information is provided separately for each origin/destination pair of the relevant Train Services (as applicable).

Clause	Proposed amended provision
	(c) For clarity, it is not necessary to repeat information already provided under clauses 1.1 or 1.2 <u>of this Schedule C</u> .
2.1(f)	The IRMP must incorporate the audit, inspection and review regime under clause 4 <u>of this Schedule C</u> and must specify: <ul style="list-style-type: none"> (i) the Safeworking Procedures and Safety Standards are applicable to the proposed operation; (ii) the additional controls, including Rollingstock Interface Standards, agreed between the parties for the proposed operation; and (iii) the particular party responsible for ensuring that the various elements of the IRMP are implemented and that the IRMP remains effective in addressing the Interface Risks it was developed to address.
2.2(a)	General <ul style="list-style-type: none"> (i) The matters identified in this clause 2.2 <u>of this Schedule C</u> are the minimum environmental matters that must be addressed by the parties in an Interface Risk Assessment. The parties' assessment of Environmental Risks in an Interface Risk Assessment should not be restricted to an assessment of the matters referred to in this clause 2.2 <u>of this Schedule C</u>.
4.1(a)	The IRMP must include a right for a party to conduct, or require the conduct of, an inspection or audit in accordance with this clause 4 <u>of this Schedule C</u> to assess the other party's compliance with the IRMP, the "Applicable Safeworking Procedures" and "Applicable Safety Standards" (each as defined by the Train Operations Deed) periodically as specified in the IRMP.
4.1(b)	If a party reasonably believes that the other party has not complied, or is not complying, with any aspect of the IRMP, then that party may conduct, or require the conduct of, an inspection or audit in accordance with this clause 4 <u>of this Schedule C</u> and the process in the IRMP to assess the other party's compliance with the IRMP.
4.2(d)	The Inspecting Party is not liable for any delays or cancellation of Train Services or Claims suffered or incurred by or made or brought by or against the other party as a result of conducting the inspection or audit provided the Inspecting Party complies with this clause 4.2 <u>of this Schedule C</u> .
4.3(d)	Notwithstanding clauses 4.3(b) and 4.3(c) <u>of this Schedule C</u> Aurizon Network will not be liable to a Train Operator for any third party claims (including a claim for Consequential Loss) made against the Train Operator in relation to an inspection or audit where the third party is the Access Holder and the Access Holder has a direct contractual relationship with Aurizon Network in respect to the Access Rights to which the inspection or audit relates.
Schedule G	
3A(f)	Aurizon Network must use reasonable endeavours to agree to confidentiality obligations that: <ul style="list-style-type: none"> (i) do not prevent the disclosure of the information contained in the Capability Train Plan; and (ii) permit disclosure of information required by this Undertaking,

Clause	Proposed amended provision
	but in any event, must not agree to any confidentiality obligations that prevent disclosure of the information contained in the Capability Train Plan to the QCA, provided that Aurizon Network will be deemed to have complied with its obligations under this clause 3A(f) of Schedule G if it has requested during the negotiation of an Access Agreement that the Access Seeker agrees to confidentiality obligations in accordance with this clause 3A(f)(i) and clause 3A(f)(ii) <u>of Schedule G</u> , whether or not the Access Seeker actually agrees to the inclusion of such obligations in the Access Agreement.
4(d)(ii)	will use the decision making process in clause 8 <u>of this Schedule G</u> to allocate the Contested Train Path.
4(g)	<p>Aurizon Network must use reasonable endeavours to agree to confidentiality obligations that:</p> <ul style="list-style-type: none"> (i) do not prevent the disclosure of the information contained in the ITP; and (ii) permit disclosure of information required by the Undertaking, but (iii) in any event, must not agree to any confidentiality obligations that prevent disclosure to the QCA, provided that Aurizon Network will be deemed to have complied with its obligations under this clause 4(g) of Schedule G if it has requested during the negotiation of an Access Agreement that the Access Seeker agrees to confidentiality obligations in accordance with clause 4(g)(i) and clause 4(g)(iii) <u>of this Schedule G</u> whether or not the Access Seeker actually agrees to the inclusion of such obligations in the Access Agreement.
5.2(c)(iv)	<p>in respect of agreements entered into prior to the Approval Date of the 2016 Undertaking or, if complete disclosure is not permitted by Aurizon Network's confidentiality obligations:</p> <ul style="list-style-type: none"> (A) Aurizon Network must use all reasonable endeavours to obtain the consent of the relevant Third Party to disclose the information contained in the DTP on an unredacted basis; (B) in respect of the information for which consent is obtained under clause 5.2(c)(iv)(A) <u>of this Schedule G</u>, on an unredacted basis; and (C) in respect of the information for which consent is not obtained under clause 5.2(c)(iv)(A) <u>of this Schedule G</u>: <ul style="list-style-type: none"> (1) to the extent possible on an unredacted basis but aggregated so as to avoid disclosing the information that is confidential and unable to be disclosed; (2) to the extent not possible, on a redacted basis;
5.2(d)(iv)	provided that Aurizon Network will be deemed to have complied with its obligations under this clause 5.2(d) of Schedule G if it has requested during the negotiation of an Access Agreement that the Access Seeker agrees to confidentiality obligations in accordance with clause 5.2(d)(i) and clause 5.2(d)(ii) <u>of this Schedule G</u> , whether or not the Access Seeker actually agrees to the inclusion of such obligations in the Access Agreement.
5.4(d)	Aurizon Network may schedule the DTP in variation to the ITP:

Clause	Proposed amended provision
	<ul style="list-style-type: none"> (i) under any of clauses 5.4(c)(i) to (iii) <u>of this Schedule G</u>, without the need for consultation; (ii) under clauses 5.4(c)(iv) or (v) <u>of this Schedule G</u>, after consulting with any affected Access Holders; or (iii) under clause 5.4(c)(vi) <u>of this Schedule G</u>, after: <ul style="list-style-type: none"> (A) inviting relevant affected Access Holders to consider the modification in an appropriate forum (which may include a face to face meeting, a telephone conference or any other forum that provides the affected Access Holders with a reasonable opportunity to participate), that occurs prior to the Day of Operation; and (B) providing those affected Access Holders with a copy of the proposed modification as soon as practicable prior to the forum.
5.4(e)	Where the DTP is scheduled in variation from the ITP under this clause 5.4 <u>of this Schedule G</u> , Aurizon Network will notify any Railway Manager for Private Infrastructure that is directly connected to the Rail Infrastructure and who may be affected by those variations. The notification will be given to the Railway Manager in that person's capacity as a Railway Manager.
5.5(a)(ii)	if clause 5.5(a)(i)(A) <u>of this Schedule G</u> does not apply, as agreed among Aurizon Network and the affected Access Holders.
5.5(c)	Other than as detailed in this clause 5.5 <u>of this Schedule G</u> , once the DTP is scheduled, any changes to the plan will be reflected as deviations from the DTP, not variations to the scheduled DTP. Deviations to the DTP may occur on the Day of Operation under clause 7 <u>of this Schedule G</u> including in the event of Out Of Course Running. Those deviations will occur according to the Network Control principles in clause 7 <u>of this Schedule G</u> .
5.5(d)	For clarity, if: <ul style="list-style-type: none"> (i) a variation is requested or notified to Aurizon Network under clause 5.5(b)(ii)(A) or (B) <u>of this Schedule G</u> and Aurizon Network (acting reasonably) refuses to make that variation; and (ii) despite that refusal the relevant Access Holder seeks to operate the Train Service in accordance with that proposed variation, then any such operation of the Train Service will be treated as a deviation from the DTP caused by the relevant Access Holder.
5.5(e)	Where a variation to the DTP occurs under this clause 5.5 <u>of this Schedule G</u> , Aurizon Network will notify any Railway Manager and Infrastructure Service Providers for Private Infrastructure that is directly connected to the Rail Infrastructure who may be affected by those variations.
7.4(a)	The traffic management decision making matrix in clause 9 <u>of this Schedule G</u> will be provided to assist Network Controllers in the resolution of disputes in accordance with the general Network Control principles under clause 7.3 <u>of this Schedule G</u> .
7.4(b)	Subject to clause 7.4(c) <u>of this Schedule G</u> , where the operation of a Train Service differs from the DTP, Network Controllers will apply the traffic management decision making matrix in clause 9 <u>of this Schedule G</u> for the purposes of Network Control.

Clause	Proposed amended provision
7.4(c)	<p>Aurizon Network may depart from the traffic management decision making matrix in clause <u>9 of this Schedule G</u> in the period following a Network Incident, or a Force Majeure Event which materially affects Aurizon Network’s ability to achieve the DTP, for any of the following purposes:</p> <ul style="list-style-type: none"> (i) ensuring Aurizon Network complies with its duties and obligations under any Law relating to safety or health including the Rail Safety Act; (ii) maximising the throughput of Trains on the Rail Infrastructure; and (iii) restoring normal operations on the Rail Infrastructure, provided that Aurizon Network: (iv) only departs from the traffic management decision making matrix in clause <u>9 of this Schedule G</u> where: <ul style="list-style-type: none"> (A) it has no other options available to restore the Rail Infrastructure to normal operations; or (B) the departure is required for safety reasons, and Aurizon Network uses all reasonable endeavours to minimise the length of its departure from the traffic management decision making matrix in clause <u>9 of this Schedule G</u>, acting reasonably and having due regard to the traffic management decision making matrix in clause <u>9 of this Schedule G</u>; (v) complies with this clause <u>7 of this Schedule G</u>; and (vi) uses reasonable endeavours to return to normal Network Control procedures for resolving conflicts that arise from Out-Of-Course Running as soon as reasonably practicable after the occurrence of the Network Incident or Force Majeure Event (as applicable).
7.4(d)	<p>Where clause <u>7.4(c) of this Schedule G</u> applies, Aurizon Network will keep affected Access Holders reasonably informed of the status of the Network Incident or Force Majeure Event (as applicable) including progress towards returning to normal Network Control procedures for resolving conflicts that arise from Out Of Course Running.</p>
8.1	<p>The purpose of this clause <u>8 of this Schedule G</u> is to outline the principles that Aurizon Network will have regard to when allocating a Contested Train Path to an Access Holder for the purpose of developing the ITP (under clause <u>4 of this Schedule G</u>) with the objective of (in the following order of precedence):</p> <ul style="list-style-type: none"> (a) ensuring Aurizon Network meets its contractual obligations with Access Holders; then (b) ensuring Access Holders are not unfairly differentiated between in respect of the use of their Train Service Entitlement; then (c) maximising the throughput of Trains on the Rail Infrastructure subject to: <ul style="list-style-type: none"> (i) Operational Constraints; and (ii) other restrictions or constraints affecting the whole, or partial unavailability of, the Supply Chain.
8.2(b)	<p>For the purpose of clause <u>8.2(a)(i) of this Schedule G</u>, the extent to which a Train Service Entitlement was or has been used in respect of a particular origin to destination pair will be calculated as the greater of:</p>

Clause	Proposed amended provision
	<ul style="list-style-type: none"> (i) the number of the Train Services operated in accordance with the Train Service Entitlement for that origin to destination pair for the Relevant Period; and (ii) the number of System Paths scheduled for Train Services in accordance with Train Service Entitlement for that origin to destination pair for the Relevant Period.
8.2(c)	<p>The principles used to determine the number of System Paths scheduled or operated for the purpose of clause 8.2(b) <u>of this Schedule G</u> include the following:</p> <ul style="list-style-type: none"> (i) the point at which a schedule for Train Services is considered final will be: <ul style="list-style-type: none"> (A) as specified in the System Rules; or (B) if the System Rules do not specify that point or there are no applicable System Rules, System Paths are taken to be scheduled 48 hours prior to the Day of Operation subject to clause 8.2(c)(i) <u>of this Schedule G</u>; and (ii) the number of System Paths scheduled will be reduced by the number of scheduled System Paths not provided due to Aurizon Network Cause or a Force Majeure Event affecting Aurizon Network in the period to which the schedule applies as per clause 8.2(c)(i) <u>of this Schedule G</u>. (iii) Where the scheduled time of the Train Path (or, if appropriate, System Path) is varied in accordance with clause 5 <u>of this Schedule G</u>, that variation is not taken to involve the scheduling of more than one Train Path (or, if appropriate, System Path) unless, for clarity, that variation is a cancellation of the Train Path (or, if appropriate, System Path) in which case (subject to clause 8.2(c)(ii) <u>of this Schedule G</u>) the Train Service Entitlement is taken to be operated in respect of that cancelled Train Path. (iv) To the extent an Access Agreement requires Aurizon Network to provide to an Access Holder a reasonable alternative Train Path (or, if appropriate, System Path) or to determine whether infrastructure has not been made available due to Aurizon Network Cause or a Force Majeure Event affecting Aurizon Network, a Train Path (or, if appropriate, System Path) will be deemed to be a reasonable alternative Train Path (or, if appropriate, System Path) where it is within the same period to which the schedule applies and it is practical for the Access Holder to use it (acting reasonably).
8.2(d)	<p>The remaining balance of a Train Service Entitlement, as amended from time to time, for a particular origin to destination pair for an Access Provision Period under clause 8.2(a)(ii)(A) <u>of this Schedule G</u> is calculated as:</p> <ul style="list-style-type: none"> (i) the number of System Paths for that Access Provision Period that Aurizon Network is obliged to make available during that Access Provision Period in accordance with the Train Service Entitlement (including as amended from time to time); less (ii) the Train Service Entitlement used in the Access Provision Period to date (determined in accordance with clause 8.2(a)(i)(B) <u>of this Schedule G</u>).
8.2(e)	<p>The remaining balance of a Train Service Entitlement, as amended from time to time, for a particular origin to destination pair for the relevant Year under clause 8.2(a)(ii)(B) <u>of this Schedule G</u> is calculated as:</p>

Clause	Proposed amended provision
	<ul style="list-style-type: none"> (i) the number of System Paths for that origin to destination pair for that Year that Aurizon Network is obliged to make available during that Year in accordance with the Train Service Entitlement (including as amended from time to time); less (ii) the Train Service Entitlement for a particular origin to destination pair used in the Year to date (determined in accordance with clause 8.2(a)(i)(C) of this Schedule G).
8.3(a)	<p>Aurizon Network will determine which Access Holder is allocated a Train Path that is a Contested Train Path, using the following principles in order of precedence:</p> <ul style="list-style-type: none"> (i) Firstly, the Access Holder whose request for the Contested Train Path is within the scope of its individual Train Service Entitlement for an origin to destination pair (including any Short Term Transfers which have been effected in accordance with clause 7.4 of this Schedule G). (ii) If a Contested Train Path is not allocated in accordance with clause 8.3(a)(i) of this Schedule G, where the relevant Access Holders agree amongst themselves who should be allocated the Contested Train Path, the Contested Train Path will be allocated as agreed by the Access Holders. (iii) If there is no agreement between the relevant Access Holders under clause 8.3(a)(ii) of this Schedule G: <ul style="list-style-type: none"> (A) an Access Holder submits Train Orders for less than its Train Service Entitlement for a particular origin to destination pair for a Relevant Period (First Entitlement); and (B) that Access Holder also submits Train Orders for a different Train Service Entitlement for a particular origin to destination pair for a Relevant Period in excess of its Train Service Entitlement for that origin destination pair (Second Entitlement), then the path will be allocated to the Second Entitlement in the manner requested by the Access Holder, and that allocation will be deemed to be scheduled and operated against the First Entitlement. (iv) If there is no allocation of paths under clause 8.3(a)(iii) of this Schedule G, the Access Holder whose request for the Contested Train Path is within the scope of its relevant Train Service Entitlement adjusted for Aurizon Network Cause or a Force Majeure Event affecting Aurizon Network as follows: <ul style="list-style-type: none"> (A) the Train Paths finally scheduled, in accordance with clause 8.2(c)(i) of this Schedule G, for which Train Services did not operate due to Aurizon Network Cause or a Force Majeure Event affecting Aurizon Network Year to date; less (B) the greater of: <ul style="list-style-type: none"> (1) zero; and (2) the relevant Train Service Entitlement used for Year to date less Train Service Entitlement to date. (v) If a Contested Train Path remains unallocated after the application of clause 8.3(a)(iii) of this Schedule G, the Access Holder who is most behind for the relevant Access Provision Period, by calculating as a percentage the Train Service Entitlement for the relevant origin to destination pair used in the Access Provision Period to date as per clause 8.2(a)(i)(B) of this Schedule G plus the remaining balance of the Train Service Entitlement for that origin to destination pair for the Access Provision Period compared against the Train

Clause	Proposed amended provision
	<p>Service Entitlement for that origin to destination pair for that Access Provision Period at the commencement of the Access Provision Period or as amended from time to time.</p> <p>(vi) If a Contested Train Path remains unallocated after the application of clause 8.3(a)(v) <u>of this Schedule G</u>, the Access Holder who is most behind for the relevant Year, by calculating as a percentage the Train Service Entitlement for the relevant origin to destination pair used in the Year to date as per clause 8.2(a)(i)(C) <u>of this Schedule G</u> plus the remaining balance of the Train Service Entitlement for that origin to destination pair for the Year compared against the Train Service Entitlement for that origin to destination pair for that Year at the commencement of the Year or as amended from time to time.</p> <p>(vii) If a Contested Train Path remains unallocated after the application of clause 8.3(a)(vi) <u>of this Schedule G</u> and a Supply Chain Group has been established to manage or oversee Supply Chain logistics for multiple Access Holders, in accordance with the direction of that body.</p> <p>(viii) If a Contested Train Path remains unallocated after the application of clause 8.3(a)(vii) <u>of this Schedule G</u>, Aurizon Network may unilaterally determine which Train Service is scheduled, and will keep a record of that decision and the reasoning behind that decision. Aurizon Network will seek to ensure that, over time, no Access Holder is favoured over another and, where possible, if one Access Holder is favoured this time, taking into account the Train Service Entitlement held by an Access Holder, next time they are not favoured. In other words, if one Access Holder has an entitlement to ten (10) Train Services per week, and another Access Holder has an entitlement to twenty (20) Train Services per week, then it could not be said that favouritism was shown to the second Access Holder if they received priority over the first Access Holder on two out of three consecutive occasions.</p> <p>(ix) Aurizon Network will advise each Access Holder (and its Customers) of the Contested Train Path decision, including details of the contest and the principle that determined the result.</p>
Schedule H	
Streamlined Transfer, Short Term Transfer and Long Term Transfer	A diagram that clearly and accurately reflects the <u>clause Part 7.4 Transfer processes</u> (and showing relevant linkages to other parts of the Undertaking) is included.
Schedule I	
4(e)	For the purposes of clause 4(a), it is unreasonable for the owner of the Confidential Information to refuse to approve the disclosure of its Confidential Information by the Recipient to that Recipient's external consultants, independent advisers or, if the Recipient is an Access Seeker or Access Holder, to the Recipient's Customer or Train Operator, if the Recipient enters into a contract with the recipient of the Confidential Information which:

Clause	Proposed amended provision
	<ul style="list-style-type: none">(i) specifies:<ul style="list-style-type: none">(A) the persons employed by the recipient who may have access to any Confidential Information provided under the contract; and(B) that those persons must not disclose any Confidential Information provided under the contract to any other person unless otherwise agreed by the Recipient and the owner of the Confidential Information; and(ii) requires the recipient to execute a confidentiality deed in favour of the owner of the Confidential Information on terms and conditions substantially similar to this agreement;(iii) advises the recipient that a conflict of interest may exist with respect to the recipient providing services on a related matter to a Related Operator or Related Competitor; and(iv) requires that if the external consultant or independent advisor is also advising a Related Operator or Related Competitor in relation to the same or a related matter, the recipient to ensure that those individuals are not, and will not for as long as the information remains Confidential Information, be working for a Related Operator or Related Competitor on the same or a related matter.

Appendix C: System MAR and reference tariffs

C.1 Blackwater system

Table 40: Draft decision on 2025 UT5 DAAU reference tariff inputs – Blackwater system

Reference tariff input	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37
AT1 (\$/gtk'000)	1.16	1.19	1.22	1.25	1.29	1.32	1.36	1.39	1.43	1.47
AT2 (\$/tp)	2,862.84	2,938.99	3,017.16	3,097.41	3,179.79	3,264.37	3,351.19	3,440.32	3,531.83	3,625.77
AT3 (\$/ntk'000)	8.96	9.45	9.75	9.66	9.78	9.51	9.78	9.98	10.21	10.46
AT4 (\$/nt)	2.96	3.12	3.21	3.19	3.23	3.14	3.22	3.29	3.37	3.45
AT5 (\$/egtk'000)	4.31	4.47	4.63	4.78	4.61	4.39	4.51	4.67	4.51	4.66

Table 41: Draft decision on 2025 UT5 DAAU reference tariff inputs for train services using nominated loading facilities – Blackwater system

Loading facility	Reference tariff input	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37
Stanwell	AT3 (\$/ntk'000)	5.83	6.14	6.33	6.28	6.36	6.18	6.36	6.49	6.64	6.80
MDS	AT3 (\$/ntk'000)	7.29	7.79	8.11	9.66	9.78	9.51	9.78	9.98	10.21	10.46
	AT4 (\$/nt)	2.28	2.45	2.55	3.19	3.23	3.14	3.22	3.29	3.37	3.45
Rolleston	AT4 (\$/nt)	2.74	2.90	3.00	3.11	3.21	3.12	3.21	3.28	3.35	3.43

Table 42: Blackwater system maximum allowable revenue – non-electric

	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37
Return on capital ^a	192.3	192.7	192.3	191.3	190.5	189.7	190.0	189.9	189.7	189.1

	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37
Depreciation	198.7	213.5	221.1	217.9	220.3	206.8	213.5	217.9	224.2	231.6
Inflation	(61.5)	(58.2)	(54.6)	(51.0)	(47.8)	(44.7)	(42.2)	(39.8)	(37.5)	(35.3)
Direct maintenance costs	80.0	82.2	84.5	86.7	88.9	91.2	93.5	95.9	98.4	100.9
Indirect maintenance costs	7.2	7.2	7.0	6.7	6.3	6.3	6.3	6.3	6.3	6.3
Non-electric opex	57.2	58.4	60.3	62.2	64.0	65.9	67.9	70.3	71.8	73.6
Tax	20.9	23.6	24.9	24.2	24.5	21.8	22.9	23.4	24.5	25.5
Adjustments	–	–	–	–	–	–	–	–	–	–
Total	494.7	519.5	535.5	537.9	546.7	537.0	551.9	564.1	577.4	591.8

a Includes working capital allowance.

Table 43: Blackwater system maximum allowable revenue – electric

	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37
Return on capital ^a	25.0	24.6	24.2	23.5	22.7	22.3	22.3	22.2	22.0	22.3
Depreciation	32.2	34.0	35.9	37.8	33.1	27.4	28.1	29.6	24.6	25.9
Inflation	(8.2)	(7.6)	(6.9)	(6.2)	(5.4)	(4.8)	(4.4)	(3.9)	(3.5)	(3.1)
Direct maintenance costs	9.2	9.4	9.6	9.9	10.1	10.4	10.7	11.0	11.3	11.6
Indirect maintenance costs	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electric opex	42.6	43.7	44.9	46.0	47.3	48.5	49.8	51.1	52.5	53.9
Tax	3.7	4.1	4.5	4.8	3.9	2.9	3.0	3.3	2.4	2.6
Adjustments	–	–	–	–	–	–	–	–	–	–

	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37
Total	104.6	108.4	112.2	115.9	111.7	106.7	109.5	113.4	109.4	113.1

a Includes working capital allowance.

C.2 Goonyella system

Table 44: Draft decision on 2025 UT5 DAAU reference tariff inputs – Goonyella system

Reference tariff input	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37
AT1 (\$/gtk'000)	0.80	0.82	0.85	0.87	0.89	0.91	0.94	0.96	0.99	1.02
AT2 (\$/tp)	1,813.78	1,862.02	1,911.55	1,962.39	2,014.58	2,068.17	2,123.18	2,179.65	2,237.62	2,297.14
AT3 (\$/ntk'000)	6.55	6.87	7.05	7.21	7.40	7.31	7.53	7.72	7.86	8.08
AT4 (\$/nt)	1.35	1.41	1.45	1.48	1.52	1.50	1.55	1.59	1.62	1.66
AT5 (\$/egtk'000)	2.58	2.61	2.66	2.70	2.79	2.86	2.93	3.00	2.91	3.01

Table 45: Draft decision on 2025 UT5 DAAU reference tariff inputs for train services using nominated loading facilities – Goonyella system

Loading facility	Reference tariff input	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37
Middlemount	AT3 (\$/ntk'000)	3.92	4.01	4.07	4.12	4.17	3.98	4.04	4.09	4.13	4.18
	AT4 (\$/nt)	1.05	1.08	1.09	1.10	1.12	1.07	1.08	1.10	1.11	1.12
	AT5 (\$/egtk'000)	1.11	1.15	1.20	1.25	1.66	1.90	1.97	2.05	1.96	2.06
Caval Ridge	AT3 (\$/ntk'000)	5.58	5.90	6.07	6.23	6.42	6.41	6.62	6.81	6.96	7.18
	AT4 (\$/nt)	1.16	1.22	1.26	1.29	1.33	1.33	1.37	1.41	1.44	1.48
	AT5 (\$/egtk'000)	2.17	2.21	2.26	2.31	2.39	2.47	2.63	2.97	2.88	2.97
Olive Downs	AT3 (\$/ntk'000)	2.24	2.31	2.36	2.40	2.44	2.33	1.34	1.52	1.63	1.82

Loading facility	Reference tariff input	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37
	AT4 (\$/nt)	0.39	0.40	0.41	0.42	0.43	0.41	0.47	0.51	0.53	0.57
	AT5 (\$/egtk'000)	0.80	0.82	0.85	0.88	0.96	1.31	1.37	1.43	1.33	1.42
South Walker Creek	AT4 (\$/nt)	1.18	1.25	1.28	1.32	1.36	1.36	1.41	1.45	1.48	1.52
	AT5 (\$/egtk'000)	2.38	2.42	2.47	2.51	2.60	2.69	2.76	2.84	2.75	2.84
Isaac Plains	AT4 (\$/nt)	1.34	1.41	1.45	1.48	1.52	1.50	1.55	1.59	1.62	1.66
	AT5 (\$/egtk'000)	2.50	2.61	2.66	2.70	2.79	2.86	2.93	3.00	2.91	3.01
Hail Creek	AT4 (\$/nt)	0.13	0.27	0.30	0.34	0.37	0.50	0.54	0.58	0.61	0.65

Table 46: Goonyella system maximum allowable revenue – non-electric

	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37
Return on capital ^a	140.0	142.0	143.2	144.2	145.2	145.8	147.1	148.2	149.2	150.1
Depreciation	153.4	162.9	165.8	169.0	173.3	166.7	171.7	176.0	179.4	186.1
Inflation	(44.0)	(41.4)	(38.7)	(36.1)	(33.6)	(31.3)	(29.3)	(27.6)	(25.9)	(24.3)
Direct maintenance costs	70.6	73.3	75.6	77.6	79.6	81.6	83.8	85.9	88.1	90.4
Indirect maintenance costs	7.2	7.1	6.9	6.5	6.1	6.1	6.1	6.1	6.1	6.1
Non-electric opex	59.0	60.2	62.1	64.1	65.9	67.9	70.0	72.5	74.0	75.8
Tax	15.3	16.8	17.1	17.4	17.9	16.5	17.1	17.5	17.8	18.6
Adjustments	–	–	–	–	–	–	–	–	–	–
Total	401.4	420.8	432.1	442.7	454.4	453.4	466.4	478.7	488.8	502.9

^a Includes working capital allowance.

Table 47: Goonyella system maximum allowable revenue – electric

	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37
Return on capital ^a	19.1	19.2	19.2	19.3	19.4	19.4	19.3	19.2	19.0	19.2
Depreciation	22.5	22.1	21.9	21.7	22.7	23.4	24.3	25.6	21.5	22.6
Inflation	(5.8)	(5.4)	(5.0)	(4.6)	(4.3)	(3.9)	(3.5)	(3.2)	(2.8)	(2.5)
Direct maintenance costs	10.1	10.4	11.0	11.3	11.6	11.9	12.2	12.6	12.9	13.2
Indirect maintenance costs	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electric opex	37.0	38.0	39.0	40.0	41.1	42.2	43.3	44.4	45.6	46.8
Tax	2.7	2.7	2.6	2.6	2.8	2.9	3.0	3.2	2.5	2.6
Adjustments	–	–	–	–	–	–	–	–	–	–
Total	85.7	87.0	88.8	90.3	93.2	95.9	98.6	102.0	98.8	102.0

a Includes working capital allowance.

C.3 Moura system

Table 48: Draft decision on 2025 UT5 DAAU reference tariff inputs – Moura system

Reference tariff input	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37
AT1 (\$/gtk'000)	2.15	2.21	2.27	2.33	2.39	2.46	2.52	2.59	2.66	2.73
AT2 (\$/tp)	847.89	870.45	893.60	917.36	941.76	966.81	992.53	1,018.93	1,046.03	1,073.85
AT3 (\$/ntk'000)	14.57	15.37	16.12	16.85	17.45	16.71	16.27	16.81	17.39	17.93
AT4 (\$/nt)	2.34	2.47	2.59	2.70	2.80	2.68	2.61	2.70	2.79	2.88

Table 49: Moura system maximum allowable revenue – non-electric

	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37
Return on capital ^a	30.6	30.5	30.4	30.2	29.9	29.3	29.1	29.0	28.8	28.6
Depreciation	31.0	33.3	35.3	37.6	39.6	36.3	34.0	35.5	37.5	39.2
Inflation	(9.8)	(9.3)	(8.7)	(8.1)	(7.5)	(6.9)	(6.4)	(6.1)	(5.7)	(5.3)
Direct maintenance costs	18.1	18.9	19.7	20.2	20.8	21.3	21.9	22.5	23.0	23.7
Indirect maintenance costs	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Non-electric opex	6.5	6.6	6.8	7.0	7.2	7.5	7.7	8.0	8.1	8.3
Tax	3.8	4.1	4.5	4.8	5.1	4.5	4.0	4.2	4.5	4.7
Adjustments	–	–	–	–	–	–	–	–	–	–
Total	81.1	85.1	89.1	92.8	96.0	92.9	91.2	94.1	97.3	100.2

a Includes working capital allowance.

C.4 Newlands system

Table 50: Draft decision on 2025 UT5 DAAU reference tariff inputs – Newlands system

Reference tariff input	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37
AT1 (\$/gtk'000)	2.24	2.30	2.36	2.43	2.49	2.56	2.63	2.69	2.77	2.84
AT2 (\$/tp)	383.41	393.61	404.08	414.83	425.86	437.19	448.81	460.75	473.01	485.59
AT3 (\$/ntk'000)	9.52	10.27	10.66	11.07	11.33	10.84	11.32	11.64	11.72	12.12
AT4 (\$/nt)	1.33	1.43	1.49	1.54	1.58	1.51	1.58	1.62	1.63	1.69

Table 51: Draft decision on 2025 UT5 DAAU reference tariff inputs for train services using nominated loading facilities – Newlands system

Loading facility	Reference tariff input	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37
Carmichael mine	AT3 (\$/ntk'000)	8.40	9.14	9.52	9.93	10.34	9.97	10.44	10.76	10.84	11.24
	AT4 (\$/nt)	1.14	1.25	1.30	1.36	1.42	1.37	1.43	1.48	1.49	1.54

Table 52: Newlands system maximum allowable revenue – non-electric

	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37
Return on capital ^a	29.1	30.0	30.4	30.7	30.9	31.1	31.4	31.7	31.9	32.1
Depreciation	25.1	27.3	28.8	30.2	31.3	28.8	30.5	31.4	31.4	32.9
Inflation	(9.1)	(8.8)	(8.4)	(7.9)	(7.5)	(7.1)	(6.7)	(6.4)	(6.1)	(5.8)
Direct maintenance costs	7.1	7.8	7.6	7.8	8.0	8.2	8.4	8.6	8.8	9.1
Indirect maintenance costs	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Non-electric opex	7.9	8.1	8.3	8.6	8.8	9.1	9.4	9.7	9.9	10.2
Tax	2.9	3.2	3.4	3.7	3.9	3.4	3.7	3.8	3.8	4.0
Adjustments	–	–	–	–	–	–	–	–	–	–
Total	63.5	68.2	70.7	73.5	75.9	73.9	77.1	79.4	80.2	83.0

a Includes working capital allowance.

C.5 GAPE system

Table 53: Draft decision on 2025 UT5 DAAU reference tariff inputs – GAPE system

Reference tariff input	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37
AT1 (\$/gk'000)	1.81	1.85	1.90	1.95	2.01	2.06	2.11	2.17	2.23	2.29
AT2 (\$/tp)	11,742.67	12,087.16	12,220.61	12,413.93	12,266.52	11,397.43	10,828.60	10,960.49	9,290.31	9,434.89
AT3 (\$/ntk'000)	0.78	0.77	0.78	0.79	0.80	0.78	0.77	0.78	0.78	0.79
AT4 (\$/nt)	–	–	–	–	–	–	–	–	–	–

Table 54: GAPE system maximum allowable revenue – non-electric

	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37
Return on capital ^a	47.3	45.7	43.8	41.8	39.5	37.2	35.2	33.4	31.5	30.3
Depreciation	47.6	49.5	51.4	53.4	53.2	48.2	45.1	46.4	36.3	37.5
Inflation	(15.7)	(14.9)	(14.0)	(13.1)	(12.1)	(11.1)	(10.2)	(9.4)	(8.6)	(8.0)
Direct maintenance costs	11.6	12.6	12.3	12.6	13.0	13.3	13.6	14.0	14.4	14.7
Indirect maintenance costs	0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6
Non-electric opex	15.3	15.6	16.1	16.6	17.0	17.6	18.1	18.7	19.1	19.6
Tax	5.8	6.3	6.7	7.1	7.2	6.3	5.7	6.0	4.1	4.3
Adjustments	–	–	–	–	–	–	–	–	–	–
Total	112.5	115.5	117.1	119.1	118.5	112.1	108.1	109.7	97.4	99.1

a Includes working capital allowance.

Appendix D: System indicative RAB amounts

Table 55: Draft decision on RAB values for the Blackwater system – non-electric (\$ million)

	2027-28	2028-29	2029-30	2030-31	2031-32
Opening asset value	2,401.7	2,401.0	2,387.7	2,369.7	2,355.4
Plus capital indicator	141.7	148.0	154.9	159.0	163.2
Plus indexation	63.9	60.4	56.7	53.0	49.6
Less depreciation	206.3	221.7	229.5	226.2	228.7
Closing asset value	2,401.0	2,387.7	2,369.7	2,355.4	2,339.6

Note: All figures are nominal. Numbers may not add due to rounding. Excludes AFD assets that are subject to discounted reference tariff arrangements.

Table 56: Draft decision on RAB values for the Blackwater system – electric (\$ million)

	2027-28	2028-29	2029-30	2030-31	2031-32
Opening asset value	319.5	304.5	296.8	287.7	276.4
Plus capital indicator	10.0	19.8	20.9	21.5	22.1
Plus indexation	8.5	7.8	7.2	6.4	5.6
Less depreciation	33.4	35.3	37.2	39.2	34.3
Closing asset value	304.5	296.8	287.7	276.4	269.8

Note: All figures are nominal. Numbers may not add due to rounding. Excludes AFD assets that are subject to discounted reference tariff arrangements.

Table 57: Draft decision on RAB values for the Goonyella system – non-electric (\$ million)

	2027-28	2028-29	2029-30	2030-31	2031-32
Opening asset value	1,714.0	1,733.3	1,745.6	1,755.8	1,763.8
Plus capital indicator	132.7	138.3	142.1	145.8	149.7
Plus indexation	45.6	42.8	40.0	37.3	34.8
Less depreciation	159.0	168.9	171.9	175.2	179.7
Closing asset value	1,733.3	1,745.6	1,755.8	1,763.8	1,768.6

Note: All figures are nominal. Numbers may not add due to rounding. Excludes AFD assets that are subject to discounted reference tariff arrangements.

Table 58: Draft decision on RAB values for the Goonyella system – electric (\$ million)

	2027-28	2028-29	2029-30	2030-31	2031-32
Opening asset value	229.1	235.7	237.4	237.5	237.9
Plus capital indicator	24.0	19.2	17.7	18.2	18.6
Plus indexation	6.1	5.7	5.3	4.9	4.5
Less depreciation	23.5	23.1	22.8	22.7	23.7
Closing asset value	235.7	237.4	237.5	237.9	237.4

Note: All figures are nominal. Numbers may not add due to rounding. Excludes AFD assets that are subject to discounted reference tariff arrangements.

Table 59: Draft decision on RAB values for the Moura system – non-electric (\$ million)

	2027-28	2028-29	2029-30	2030-31	2031-32
Opening asset value	381.7	382.0	378.1	374.8	369.0
Plus capital indicator	22.4	21.1	24.2	24.9	25.5
Plus indexation	10.2	9.6	9.0	8.4	7.8
Less depreciation	32.2	34.6	36.6	39.0	41.1
Closing asset value	382.0	378.1	374.8	369.0	361.3

Note: All figures are nominal. Numbers may not add due to rounding. Excludes AFD assets that are subject to discounted reference tariff arrangements.

Table 60: Draft decision on RAB values for the Newlands system – non-electric (\$ million)

	2027-28	2028-29	2029-30	2030-31	2031-32
Opening asset value	384.3	406.8	425.8	436.2	444.9
Plus capital indicator	41.1	41.2	35.5	36.4	37.4
Plus indexation	10.2	9.8	9.3	8.9	8.4
Less depreciation	28.9	32.0	34.4	36.6	38.6
Closing asset value	406.8	425.8	436.2	444.9	452.1

Note: All figures are nominal. Numbers may not add due to rounding. Excludes AFD assets that are subject to discounted reference tariff arrangements.

Table 61: Draft decision on RAB values for GAPE – non-electric (\$ million)

	2027-28	2028-29	2029-30	2030-31	2031-32
Opening asset value	585.6	554.6	521.6	486.6	449.4
Plus capital indicator	0.0	0.0	0.0	0.0	0.0
Plus indexation	15.6	14.8	13.9	12.9	12.0
Less depreciation	46.6	47.8	48.9	50.1	49.2
Closing asset value	554.6	521.6	486.6	449.4	412.1

Note: All figures are nominal. Numbers may not add due to rounding. Excludes AFD assets that are subject to discounted reference tariff arrangements.

Appendix E: Approved asset lives

Asset type	Asset class description	Goonyella	Blackwater	Moura	Newlands
Track	Heavy	35	35	30	30
	Medium	45	45	30	30
	Light	45	45	40	44
Turnouts	Heavy	20	25	20	25
	Medium & light	20	25	20	25
Signalling	Control systems (signals)	25	25	25	25
	Electric signalling	25	25	25	25
	Level crossing protection	20	20	20	20
	Train protection systems	15	15	15	15
	Relay	30	30	30	30
	Mechanical	30	30	30	30
	Processor	30	30	30	30
	Field equipment & cables	25	25	25	25
Bridges		50	50	50	50
Culverts	Concrete – heavy	30	30	30	30
	Concrete – medium	50	50	50	50
	Steel – heavy	30	30	30	30
	Steel – medium	50	50	50	50
Earthworks	Cuttings	50	50	50	50
	Embankments	50	50	50	50
Inspection vehicles		10	10	10	10
Buildings		20	20	20	20
Access roads		38	38	38	38
Building facilities		10	10	10	10
IT	Mainframe software	10	10	10	10
	Computer systems	3	3	3	3
Training equipment		10	10	10	10
Fences		20	20	20	20
Retaining walls		20	20	20	20
Noise barriers		20	20	20	20
Floodlighting		20	20	20	20

Asset type	Asset class description	Goonyella	Blackwater	Moura	Newlands
Hard stand areas		20	20	20	20
Platforms		20	20	20	20
External road upkeep		20	20	20	20
Unsealed roads		38	38	38	38
Control system		15	15	15	15
Expensed		5	5	5	5
Other	Fixed plant	15	15	15	15
Telecommunications	Customer premises	15	15	15	15
	Data network	15	15	15	15
	Linking network	15	15	15	15
	Telephone exchange	20	20	20	20
		20	20	20	20
Electrical systems equipment		20	20	n/a	n/a
Power distribution	Traction power distribution	30	30	n/a	n/a
Ballast	Primary	8	8	8	8
	Secondary	8	8	8	8
Sleeper	28.0 t axle load	50	50	50	50
	22.5 t axle load or steel sleepers	40	40	40	40
	Timber	12	12	12	12