

Mr. George Passmore
Director – Business Performance
Queensland Competition Authority
Level 27, 145 Ann Street
BRISBANE QLD 4000

26 July 2021

Dear George,

FY2022 Endorsed Variation Event - Queensland Competition Authority Regulatory Fees 2021-22

I am writing to inform the Queensland Competition Authority (**QCA**) of an Endorsed Variation Event. Aurizon Network has received the following notifications from the QCA:

- 25 June 2021 – The QCA's Regulatory Fee estimate for FY2022; and
- 30 June 2021 - A cost update on its FY2021 Regulatory Fees was received (**QCA Notifications**)

Both notifications constitute an endorsed variation in accordance with Schedule F, Clause 5.2 (c) of the 2017 Access Undertaking (**UT5**). Aurizon Network is seeking approval to reflect this in Allowable Revenues and Reference tariffs for Financial Year 2022 (**FY2022**).

Regulatory Requirement for an Endorsed Variation

The UT5 requirements for an Endorsed Variation in Schedule F, clause 5.4, outline that Aurizon Network must:

- Nominate the Reference Tariff to be varied;
- Include evidence that the Endorsed Variation Event has occurred; and
- Include details of the methodology, data and assumptions used to vary the Reference Tariff.

In accordance with clause UT5, a Reference Tariff variation must be submitted within 60 days of receiving a notice that constitutes an Endorsed Variation Event.

Methodology

FY2021 QCA Levy

The notification dated 30 June 2021 identified the FY2021 fees to be \$684,000 (excluding GST) subject to the final audit and QCA board approval. This results in an over-recovery by the QCA as the original FY2021 estimate was \$746,000 excl GST.

FY2022 Proposed QCA Levy

The 25 June 2021 notification outlined the QCA FY2022 Regulatory Fee estimate to be \$581,665 excl GST.

On the 22 June 2021 the QCA approved the FY2022 Annual Review of Reference Tariffs which included recovery of the Regulatory Fee through the QCA Levy of \$0.00327/NT (**current QCA Levy**). This was approved as there was no more current information on the QCA Regulatory Fees in Aurizon Network's possession at the time of that approval.

Taking into account the timing of this Endorsed Variation, Aurizon Network is proposing that the current QCA Levy remain for both July and August 2021. Effective from 1 September 2021, Aurizon Network proposes a QCA Levy of \$0.001194/NT, which takes into account both of the QCA Notifications.

The methodology for calculating the QCA Levy for FY2022 is set out below:

Calculation

The fees are expressed in \$ and excluding GST.

QCA Levy FY2022	
QCA Regulatory Fee estimate for FY2022 (100% of total estimated costs)	\$581,665
QCA's over recovery in Regulatory Fees for FY2021	-\$232,402
Total estimated QCA Regulatory Fee including FY2021 adjustment for FY2022	\$349,263
Forecast volume approved by QCA via FY2022 Annual Review of Reference Tariff (NTs)	226,735,176
Calculated QCA Levy for FY2022 (\$/NT)	\$0.001540
Current approved QCA Levy for FY2022 (\$/NT)	\$0.00327
Estimated QCA Levy billing between 1 July 2021 to 31 August 2021*	\$123,571
The remaining estimated QCA Levy from 1 September 2021 to 30 June 2022	\$225,692
The remaining forecast volume from 1 September 2021 to 30 June 2022 (NTs)	188,945,980
Proposed the QCA Levy from 1 September 2021 to 30 June 2022 (\$/NT)	\$0.001194

Note: Numbers are subject to rounding

* Based on current approved QCA Levy (0.00327) x monthly forecast volume (226,735,176/12) x 2

The overall purpose of this submission is to incorporate the latest QCA Regulatory Fees received and seek approval for a variation to the QCA Levy within the current approved FY2022 UT5 Reference Tariffs. The relevant evidence and confidential detailed financial models supporting the above calculations are provided to the QCA as an attachment of this letter.

Should you have any questions relating to this Endorsed Variation Event please contact Sandra Xia at Sandra.xia@aurizon.com.au.

Yours sincerely,



Jon Windle
 Manager Regulation
 Aurizon Network Pty Ltd