



Mr George Passmore
Queensland Competition Authority
Level 27, 145 Ann Street
Brisbane QLD 4001

Aurizon Network – Annual review of Reference Tariffs – FY2023

Variations to forecast TNSP charges, Blackwater monthly GTK and table inconsistencies

23 March 2022

Dear George,

Aurizon Network's Annual Review of Reference Tariffs (**ARRT**) for the Financial Year commencing 1 July 2022 and ending 30 June 2022 (**FY23**) was submitted to the QCA on 28 February 2022 in accordance with Schedule F, Clause 4.1 of the 2017 Access Undertaking (**UT5**).

The purpose of this submission is to amend the FY23 ARRT as follows:

1. Update AT5 Allowable Revenues and Reference Tariffs for the Blackwater and Goonyella Coal Systems, to reflect the latest pricing information received from Transmission Network Service Providers (**TNSP**);
2. Update the monthly Blackwater System GtK forecasts (outlined in Schedule F, Clause 12) at the request of the relevant End User; noting that this change does not impact the aggregate GtK Forecast for FY23, only the profiling of that annual forecast by month; and
3. Update Table 15 and Table 17 such that the Approved Maintenance Indicator and Approved Capital Indicator are compared to the respective values included within the current FY23 Allowable Revenues (which reflected the 4-year forecast provided in the FY22 Maintenance and Renewal Strategy and Budget) rather than the Schedule K values. Please note that this inconsistency is purely cosmetic and has no impact on the Allowable Revenues and Reference Tariffs proposed in the FY23 ARRT.

Aurizon Network has outlined all required amendments within the following Appendix A and has provided amended copies of UT5 in clean and mark-up form. Updated financial models supporting the proposed amendments will be provided directly to the QCA. Aurizon Network claims confidentiality over the financial models as they contain customer specific information.

Should you have any queries in relation to this submission, please do not hesitate to contact Michael Bray on michael.bray@aurizon.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Jon Windle".

Jon Windle
Manager Regulation Network
Aurizon Network Pty Ltd

Appendix A: Amendments to the FY23 ARRT submission

Aurizon Network has outlined the rationale for and impact of each variation on the proposed FY23 Allowable Revenues and Reference Tariffs below.

1. Notice of FY23 Transmission Prices

At the time of drafting the FY23 ARRT, Aurizon Network had not received the TNSP's final notification of FY23 transmission prices. Consequently, Aurizon Network prepared the FY23 ARRT using an estimate of the FY23 TNSP costs. This estimate was calculated to reflect the combined impact of escalated FY22 rates and an expected reduction in electricity demand.

Aurizon Network received the TNSP's annual notice of FY23 transmission prices on 15 March 2022. These latest prices result in an estimated TNSP cost that is lower than the values that were originally proposed in the FY23 ARRT. As a result, Aurizon Network is seeking to amend the value of the proposed TNSP costs for both the Blackwater and Goonyella Coal Systems to be considered by the QCA.

Aurizon Network proposes to amend Table 19 within the FY23 ARRT submission to reflect the following:

Table 1 – Update to FY23 ARRT Table 19 FY2023 TNSP costs (\$m)

| System | Current FY2023 TNSP Cost Forecast (\$m) | Proposed FY2023 TNSP Cost (\$m) | | Variance (\$m) |
|--------------------|---|---------------------------------|------------------|----------------|
| | | Original Forecast | Updated Forecast | |
| Blackwater | 28.7 | 36.7 | 35.9 | 7.2 |
| Goonyella | 35.1 | 32.6 | 30.7 | (4.4) |
| Total (\$m) | 63.7 | 69.3 | 66.6 | 2.8 |

2. Adjustments to monthly Blackwater System GtK forecasts (2001AU Access Agreements)

Aurizon Network's FY23 ARRT provided updated System GtK forecasts on a monthly basis for Blackwater. These monthly forecasts are required for Access Agreements that were executed or renewed during the term of the 2001 Undertaking.

Following publication of the FY23 ARRT, Aurizon Network engaged with a Customer who was seeking to better understand the basis upon which the monthly GtK forecasts for Blackwater were set. As a result of this engagement, Aurizon Network and the Customer agreed to vary the monthly forecasts to better account for seasonal factors and pathing availability over the course of the year.

Aurizon Network notes that the Customer in question is the only party impacted by this proposed amendment. Furthermore, the proposed change will not affect the aggregate Blackwater GtK Forecast for FY23 (i.e. 35,990,446) proposed by Aurizon Network. It is only the distribution of this annual forecast between months that will vary from Aurizon Network's original FY23 ARRT proposal.

As a result, Aurizon Network proposes to amend the FY23 monthly System GtK forecasts for the Blackwater System as follows.

Table 2 – Update to Blackwater System monthly GtK Forecasts (UT5, Schedule F, Clause 12)

| Month | Current | Proposed | Month | Current | Proposed |
|--------|-----------|-----------|--------|-----------|-----------|
| Jul-22 | 3,316,522 | 3,012,301 | Jan-23 | 3,404,074 | 3,090,883 |
| Aug-22 | 3,580,649 | 2,933,719 | Feb-23 | 2,876,663 | 2,724,168 |
| Sep-22 | 3,363,118 | 3,143,270 | Mar-23 | 3,254,496 | 3,248,046 |

| Month | Current | Proposed | Month | Current | Proposed |
|--------|-----------|-----------|--------|-----------|-----------|
| Oct-22 | 3,301,113 | 3,012,301 | Apr-23 | 3,125,447 | 2,724,168 |
| Nov-22 | 3,419,685 | 2,828,943 | May-23 | 3,638,788 | 3,090,883 |
| Dec-22 | 3,563,120 | 3,038,495 | Jun-23 | 3,597,007 | 3,143,270 |

3. Revised comparison of Maintenance Indicator and Capital Indicator

Aurizon Network's FY23 ARRT proposed amendments to the FY23 Maintenance Indicator and Capital Indicator to reflect the Approved FY23 Maintenance Strategy and Budget and Approved FY23 Renewals Strategy and Budget (collectively, the **Approved MRSB**).

Aurizon Network provided two comparison tables within the FY23 ARRT. Table 15 outlined the variations to the Maintenance Indicator, whereby Table 17 identified the variations to the Capital Indicator. Aurizon Network notes that within Table 15 and Table 17, the Approved MRSB values were compared to the Schedule K Values, rather than the respective values of the Maintenance Indicator and Capital Indicator that were included in the current FY23 Allowable Revenues. Aurizon Network notes that the current values reflect the four-year forecasts included within the FY22 Maintenance and Renewals Strategy and Budget.

While this inconsistency has no impact on Aurizon Network's FY23 ARRT, Aurizon Network is seeking to correct this inconsistency to ensure that the submission accurately reflects the true impact of the proposed changes.

The updates to Table 15 and Table 17 are as follows:

Table 3 - Update to FY23 ARRT Table 15 FY2023 Maintenance Indicator – Direct Maintenance Costs (\$m)

| System | Current FY2023 Maintenance Indicator (\$m) | Proposed FY2023 Maintenance Indicator (\$m) | Variance (\$m) |
|--------------------|--|---|----------------|
| Blackwater | 66.4 | 68.1 | 1.7 |
| Goonyella | 62.9 | 62.8 | (0.1) |
| Moura | 12.2 | 12.8 | 0.5 |
| Newlands | 2.8 | 2.9 | 0.1 |
| GAPE | 10.0 | 10.3 | 0.3 |
| Total (\$m) | 154.3 | 156.7 | 2.4 |

Table 4 - Update to FY23 ARRT Table 17 FY2023 Capital Indicator (\$m, start of year)

| System | Current FY2023 Capital Indicator (\$m) | Proposed FY2023 Capital Indicator (\$m) | Variance (\$m) |
|--------------------|--|---|----------------|
| Blackwater | 126.9 | 121.2 | (5.8) |
| Goonyella | 127.0 | 118.7 | (8.3) |
| Moura | 13.8 | 15.3 | 1.6 |
| Newlands | 25.4 | 19.7 | (5.7) |
| GAPE | -- | 2.1 | 2.1 |
| Total (\$m) | 293.2 | 277.1 | (16.1) |

Proposed adjustments to FY23 Allowable Revenues and Reference Tariffs

Aurizon Network notes that only amendment 1 (update to TNSP cost forecasts) will impact the FY23 Allowable Revenues and Reference Tariffs outlined in the FY23 ARRT. Specifically, the proposed amendments to FY23 TNSP costs will flow through to AT5 Allowable Revenues and Reference Tariffs for both the Blackwater and Goonyella Coal Systems.

Aurizon Network's proposed Allowable Revenues for FY2023 were outlined in Table(s) 2 and 28 of the FY23 ARRT submission. Aurizon Network has amended these Allowable Revenues to reflect the relevant amendments outlined above.

Aurizon Network submits the following adjusted FY23 Allowable Revenues to the QCA for approval:

Table 5 - Updates to FY23 ARRT Table 2 and Table 28 Proposed Allowable Revenues

| System | AT2-4 (\$m) | AT5 (\$m) |
|--------------------|--------------|--------------|
| Blackwater | 378.7 | 92.8 |
| Goonyella | 307.0 | 82.9 |
| Moura | 56.4 | -- |
| Newlands | 35.2 | -- |
| GAPE | 104.3 | -- |
| Total (\$m) | 881.6 | 175.7 |

Aurizon Network's proposed Reference Tariffs for FY2023 were outlined in Table(s) 3 and 29 of the FY23 ARRT submission. Aurizon Network has amended these Reference Tariffs to reflect the relevant amendments outlined above.

Aurizon Network submits the following adjusted Reference Tariffs to the QCA for approval:

Table 6 - Updates to FY23 ARRT Table 3 and Table 29 Proposed Reference Tariffs

| System | AT1 | AT2 | AT3 | AT4 | AT5 | EC | QCA Levy | IE Pass Through Costs |
|------------|------|-----------|-------|------|------|------|----------|-----------------------|
| Blackwater | 1.01 | 2,487.34 | 7.72 | 2.77 | 3.56 | 1.11 | 0.00274 | 0.01868 |
| Goonyella | 0.70 | 1,575.88 | 5.81 | 1.19 | 2.32 | 1.11 | 0.00274 | 0.01868 |
| Moura | 1.87 | 736.68 | 12.92 | 2.10 | -- | -- | 0.00274 | 0.01868 |
| Newlands | 1.95 | 333.12 | 7.09 | 0.95 | -- | -- | 0.00274 | 0.01868 |
| GAPE | 1.57 | 15,464.32 | 0.19 | 0.87 | -- | -- | 0.00274 | 0.01868 |

Forthcoming DAAU to remove Allowable Revenue associated with Rail Infrastructure west of Burngrove

With the cessation of mining operations at Minerva, Aurizon Network notes that for the foreseeable future:

- Coal Carrying Train Services will not operate between Burngrove and Nogoia; and

- All rail operations will cease on the Springsure branchline,

Aurizon Network notes that the Blackwater System AT2-AT4 Allowable Revenues that were proposed in the FY23 ARRT includes amounts associated with Rail Infrastructure west of Burngrove.

The Rail Infrastructure is not expected to be utilised by Coal Carrying Train Services during FY23. As a result, Aurizon Network intends to submit a Draft Amending Access Undertaking (**DAAU**) prior to the commencement of FY23 to reduce Blackwater System Allowable Revenues accordingly.

The resulting DAAU will seek an adjustment to Blackwater System Allowable Revenues and Reference Tariffs and, subject to QCA approval of the DAAU, Aurizon Network commits to reconciling any difference in Access Charges via Adjustment Charges that will be calculated in accordance with UT5, Schedule F, Part 6.