

20 March 2023

Mr George Passmore  
Queensland Competition Authority  
145 Ann Street  
Brisbane QLD 4000  
(Submitted via QCA Online Submission Form)

**RE: Aurizon Network Reset Schedule F Preliminary Values: Aurizon Network update**

The Queensland Resources Council (**QRC**), on behalf of the QRC's Rail Working Group, welcomes the opportunity to comment on Aurizon Network's Updates to Reset Schedule F Preliminary Values (February 2023).

In our 4<sup>th</sup> October 2022, submission, we supported updating the Reset Schedule F Preliminary Values early in 2023 to reflect recent regulatory decisions and updated forecasts (including for maintenance, renewals and volumes). Aurizon Network's updates seek to do this. While we had expected that Aurizon Network would also update the calculation of the Debt Risk Premium (and therefore WACC) based on the QCA's Draft Decision, we understand that this will be done when the final reset values are submitted in July.

The QRC's submissions of 4<sup>th</sup> October 2022 and 23<sup>rd</sup> December 2022 noted that a lack of access to Aurizon Network's models and confidential information limits the QRC's ability to comment on the Reset Schedule F Preliminary Values. QRC continues to rely upon the QCA to confirm that the preliminary, updated and, later, final reset values are appropriate.

A key concern of customers regarding the updated reset values is the substantial reduction in volume forecasts, which, if approved, will amplify the effect on tariffs of the proposed increases in allowable revenues. QRC's preference is that volume forecasts for each system reflect the most likely outcome so that revenue cap adjustments in future years are minimised. We understand that Aurizon Network's forecasts were based on confidential feedback received from customers, with that feedback then filtered and adjusted using a series of tests relating to past performance and contract levels. We have no concerns with Aurizon Network's general methodology, however, we do consider that the outcomes of the methodology need to be tested against known information or expected changes.

For example:

- If a mine or system has suffered reduced volumes as a result of an event which is not expected to be a recurring event, then the impact of that event on current year performance should not limit the future year volume forecast.
- If a mine or system is achieving growth in volumes and customers are forecasting continued growth, then, in the absence of a clear reason to conclude that the customer forecasts will not be achieved, current year performance should not limit the future forecast.

We note that the forecast in the Newlands system (16.4mt) is significantly below annualised FY23 performance (20mt). The Moura forecast (11.8mt) is also below annualised FY23 performance (12.9mt). We encourage the QCA to review all forecasts, and these in particular, to ensure that these outcomes are reasonable based on customer forecasts or on identifiable constraints which will limit the ability of customers to achieve their expected railings.

Thank you for the opportunity to provide this submission.

Yours sincerely

  
**Andrew Barger**