



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

December 2023 Newlands-GAPE Pricing DAAU

1 December 2023

Dear George,

Aurizon Network is pleased to submit to the Queensland Competition Authority (**QCA**) a Draft Amending Access Undertaking (**DAAU**) to amend the 2017 Access Undertaking (**UT5**) to implement variations to the pricing and access arrangements for the Newlands and GAPE Systems (**the December 2023 GAPE-Newlands Pricing DAAU**).

This submission is made following the QCA's final decision (on 23 November 2023), to refuse to approve Aurizon Network's April 2023 GAPE-Newlands Pricing DAAU (**Final Decision**). The QCA's decision to refuse approval of the April 2023 GAPE-Newlands Pricing DAAU, means that it is necessary for Aurizon Network to submit a new voluntary DAAU to the QCA under s.142(1) of the Queensland Competition Authority Act (1997) (**QCA Act**).

Consistent with clause 142(3) of the QCA Act, the Final Decision sets out the reasons for the QCA's decision and the amendments that are required for the DAAU to be considered appropriate to approve.

This December 2023 GAPE-Newlands Pricing DAAU has been prepared to comply with the required amendments in the Final Decision. The amendments are summarised as:

- applying a causation-based approach to allocate future asset replacement and renewals expenditure in the rail corridor shared between GAPE System and Newlands System users, with details provided within Attachment A;
- including an amount of \$81.4 million (at 1 July 2023)¹ associated with the deferred Newlands System Infrastructure Enhancements (NSIE) with:

¹ The amount of \$81.4 million has been determined with reference to the RAB roll-forward value of the deferred NSIE amounts had those deferrals ceased and that amount been included in Reference Tariffs from 1 July 2017.

- an initial amount of \$46.2 million of the deferred capital component of the NSIE being included in the Newlands System Reference Tariff from 1 July 2023; and
- a subsequent amount of \$32.7 million included from 1 July 2024.
- the value of the Regulatory Asset Base will be reduced to reflect the remaining balance of the deferred NSIE amounts (i.e. excluding the \$81.4 million) which will take effect as an adjustment to the opening value of the RAB for the FY24 RAB Roll-Forward report prepared under Schedule E, Clause 1.3(b) of the approved undertaking (**UT5**); and
- Reference Tariffs in the Newlands and GAPE Systems continue to be determined with reference to forecast volumes with the approved FY24 volume forecasts being used to determine the Newlands System and GAPE System Reference Tariffs.

For clarity, and to ensure consistency with the FY24 tariffs for other Coal Systems, the FY24 GAPE and Newlands Reference Tariffs outlined in this December 2023 GAPE-Newlands Pricing DAAU have been calculated with reference to the Preliminary Limited Update Inputs. As required by UT5, any differences in the Allowable Revenue resulting from the Preliminary Limited Update Inputs and the recently approved Limited Update Inputs will be reflected in the Adjusted Allowable Revenue as contemplated in Schedule F, Clause 4.3(c)(ca).

Aurizon Network considers this approach is also consistent with customer expectations under the 2019 UT5 DAAU that Reference Tariffs in FY24 would be determined with reference to the Preliminary Limited Update Inputs. The changes proposed in the December 2023 GAPE-Newlands Pricing DAAU do not alter the Limited Input Values and therefore there is no requirement for Newlands and GAPE Reference Tariffs to be updated in this DAAU to reflect the QCA approved Limited Input Values.

As definitions in the December 2023 GAPE-Newlands Pricing DAAU refer to the renewals allocation methodology in this DAAU, it is necessary to restate the methodology included in the April 2023 GAPE-Newlands Pricing DAAU in the attachment to this submission.

This submission and its contents are not subject to a claim of confidentiality.

A mark-up of the current approved access undertaking amended in the way the QCA considers appropriate is provided with this submission.

The associated revenue and tariff models will be provided to the QCA concurrently with this submission and are subject to a confidentiality claim.

Should you have any questions or require further information, please do not hesitate to contact Jon Windle at Jon.Windle@aurizon.com.au.

Kind regards,



Dan Kearney
Head of Finance and Regulation

Attachment A.

Allocation Methodology for Asset Replacement and Renewals Expenditure on the Newlands Shared Rail Corridor.

This December 2023 GAPE and Newlands Pricing DAAU applies a causation-based methodology for allocating costs and revenue from Asset Replacement and Renewals Expenditure on the Shared Rail Corridor by applying the variable cost percentage allocators in Table 1.

The allocation methodology includes the following procedures:

- *Step 1. Identify the RAB within which the replacement asset financially resides.*

This step establishes the percentages that will be applied in allocating the fixed costs to the relevant coal system in step 3.

- *Step 2. Determine the variable costs for each activity*

This step applies the variable cost percentages in Appendix A to determine the variable cost for each asset activity.

- *Step 3. Allocate the fixed costs to the respective RAB*

The fixed costs represent those costs that are not identifiable as being variable with usage and represent the residual of the total costs less variable costs for each activity. The fixed costs for each activity are then allocated to the relevant coal system proportionally with where the replaced asset financially resides (as identified in step 1).

- *Step 4. Allocate the Forecast Variable Renewal Costs for Each Activity to the Relevant Coal System*

The forecast variable costs for the forthcoming year are allocated to the relevant coal system Capital Indicator using that coal system's percentage of forecast gtk over the Shared Rail Corridor.

- *Step 5. Allocate the Prior Year Variable Renewal Costs to the Relevant Coal System*

The variable renewal costs associated with asset replacement expenditure in prior years is added to the shared corridor asset cost base. The allowable revenue for the forthcoming year attributable to the shared corridor asset cost base is then allocated to the Allowable Revenue for the relevant coal system using that coal system's percentage of forecast gtk over the Shared Rail Corridor. For the purposes of this December 2023 DAAU, there is no prior year variable renewal costs applicable to the FY24 reference tariffs.

The QCA will, through the RAB Roll-forward report and the Annual review of Reference Tariffs process, ensure these allocations are determined in accordance with this methodology and applied to the determination of Newlands and GAPE System Reference Tariffs.

Table 1 Asset Renewals Cost Variability Percentages (%)

Discipline	Asset Type	Asset Type/Description	% Variability	WIK
Ballast	Ballast	Mainline Undercutting	75%	75%
Ballast	Ballast	Turnout Undercutting	75%	75%
Ballast	Ballast	Bridge Ballast	75%	75%
Civil	Formation	Formation	75%	0%
Civil	Formation	Design	75%	N/A
Civil	Turnout	Turnout	75%	75%
Civil	Turnout	Turnout Component Replacement - Civil	75%	75%
Civil	Turnout	Turnout Component Replacement - Points and Motors	75%	75%
Civil	Turnout	Design	75%	N/A
Track	GIJ	Glued Insulated Joint	90%	N/A
Track	Rail Curve	Rail Curve	90%	90%
Track	Rail Straight	Rail Straight	90%	90%
Track	Sleepers	Sleepers and jewelery	75%	75%
Civil	Level Crossing	Level Crossing Civil Works	25%	25%
Civil	Level Crossing	Design	25%	N/A
Control Systems	Signalling Interlocking	Signalling Interlocking, Relays to Processor Based Interlocking, Diagnostic Computers	25% ¹	50%
Structures	Bridge	Bridge Bearing	25%	25%
Structures	Bridge	Bridge Strengthening - Design	25%	25%
Structures	Bridge	Bridge Strengthening - Renewal	25%	25%
Structures	Bridge	Bridge Short Span - Design	25%	25%
Structures	Bridge	Bridge Short Span - Renewal [post 1982 install date]	25%	N/A
Structures	Culvert	Culvert Renewal [post 1982 install date] and < 600 mm formation depth	25%	0%
Structures	Culvert	Culvert Renewal [post 1982 install date] and > 600 m formation depth	10%	0%

Discipline	Asset Type	Asset Type/Description	% Variability	WIK
Track	Rail Lubricator	Rail Lubricator	50%	50%
Ballast	Ballast	Ground Penetrating Radar (GPR)	0%	N/A
Civil	Access Points	Access Points	0%	0%
Civil	Access Roads	Access Roads	0%	0%
Civil	Corridor Security & Fencing	Corridor Security & Fencing	0%	0%
Civil	Formation	Earthworks (Cutting / Embankments)	0% ²	N/A
Control Systems	Asset Protection Equipment	Integrated Asset Monitoring and Protection System (IAMPS), Rail Bearing Acoustic Measurement, Virtual Server Host, Wheel Impact Load Detector	0%	0%
Control Systems	Control System Infrastructure	Telecoms Equipment, e.g. Tower, Generator, Batteries, Dehydrator, Radome	0%	0%
Control Systems	Data Network	Below Rail Data Network Equipment, Routers, Switches, Firewalls	0%	N/A
Control Systems	Field Equipment and Cable	Signal Post Renewal	0%	0%
Control Systems	Hot Box Detector	Hot Bearing/ Wheel Detector	0%	0%
Control Systems	Level Crossing	Level Crossing Signalling Equipment	0%	0%
Control Systems	Link/Network Equipment	Below Rail Data Coms Equipment, Digital Radio System	0%	0%
Control Systems	Monitoring Equipment	Asset Protection Equipment	0%	0%
Control Systems	Network Control System	Control Centre System Support	0%	N/A
Control Systems	Network Control System	UTC System	0%	N/A
Control Systems	Power Resilience	DIEF Controller, Signalling Equipment Room Inverter	0%	N/A
Control Systems	Rail Temp Monitor	Rail Temp Monitors	0%	0%
Control Systems	Signalling Batteries	Signalling Battery Renewals	0%	N/A
Control Systems	Train Detection	AZS350U Replacement (Axle Counter)	0%	0%

Discipline	Asset Type	Asset Type/Description	% Variability	WIK
Control Systems	Transmission	Transmission Power Supply, Transmission Systems, Tetra	0%	0%
Control Systems	Transmission	Transmission System DMR, ACOM, NMS, SDH, Batteries	0%	0%
Control Systems	UTC	UTC	0%	N/A
Control Systems	Weigher	Weighing Instrument System	0%	0%
Structures	Bridge	Bridge Renewal	10%	N/A
Structures	Bridge	Design	10%	N/A
Structures	Bridge	Bridge Short Span - Renewal [pre-1982 asset]	10%	N/A
Structures	Culvert	Culvert Renewal [pre-1982 asset]	10%	0%