

**Aurizon Network
2017 Access Undertaking
Review of Reference Tariffs - FY2025**

February 2024



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1. Executive Summary

1.1 Overview

This submission is provided to the Queensland Competition Authority (QCA) in accordance with Schedule F, clause 4 of the 2017 Access Undertaking (UT5). It sets out the methodology, data and assumptions that have been used to review Allowable Revenues and Reference Tariffs for each Coal System.

The proposed System Forecasts, Allowable Revenues and Reference Tariffs for the Financial Year ending 30 June 2025 (FY2025) are summarised below. Please note that numbers within the tables may not add due to rounding.

1.2 System Forecasts

Aurizon Network proposes to update System Forecasts for each Coal System in the Central Queensland Coal Network (CQCN). The proposed System Forecasts were developed following consultation with Customers.

In November 2023, Aurizon Network wrote to Customers requesting that they:

- review railings data pertaining to their respective Origin / Destination pairings; and
- provide, via return email, their own coal tonnage forecasts for FY2025.

Aurizon Network received responses from coal producers representing 68% of contracted tonnage for the CQCN. Where Customers provided a volume forecast for their individual Origin / Destination pairings, Aurizon Network assessed those forecasts against both the relevant contract volume and an annualised volume forecast based on actual railings for the FY2024 year to date (YTD) (i.e. between July 2023 to January 2024).

The proposed System Forecasts for FY2025 reflect the aggregate of all Origin / Destination pairings in each Coal System. These are summarised in Table 1 below as both million Net Tonnes (mnt) and Gross Tonne Kilometres (GTK).

Table 1 Proposed System Forecasts - FY2025

System	Current QCA- Approved Forecast (mnt)	Proposed System Forecast	
		Million Net Tonnes	GTK'000
Blackwater	54.3	58.6	34,086,442
Goonyella	108.0	107.1	34,182,055
Moura	11.8	14.8	3,749,820
Newlands	16.4	19.5	4,349,056
GAPE	17.2	16.7	8,572,032
Total	207.8	216.7	84,939,404

The methodology used to arrive at the proposed System Forecasts is outlined in further detail in Section 3 of this submission.

1.3 Allowable Revenue

Aurizon Network has proposed adjustments to FY2025 Allowable Revenue inputs to reflect a range of matters, including:

- recent regulatory determinations;
- outcomes of the Maintenance and Renewal Strategy and Budget engagement with the Rail Industry Group (RIG); and
- latest pricing advice from third parties, including the QCA, electricity retailers, electrical transmission and distribution entities and the Independent Expert (IE).

The proposed Allowable Revenue for the CQCN are summarised in Table 2 below.

Table 2 Proposed Allowable Revenues - FY2025

System	AT1 (\$m)	AT2-4 (\$m)	AT5* (\$m)	Total (\$m)
Blackwater	36.3	436.5	109.9	582.7
Goonyella	25.2	364.1	92.8	482.1
Moura	7.4	66.6	--	74.0
Newlands	9.0	46.6	--	55.6
GAPE	14.2	139.9	--	154.1
Total	92.2	1,053.7	202.7	1,348.5

* At the time of drafting, Aurizon Network had not yet received the annual pricing notification from Distribution Entities and/or Transmission Entities. The notification is typically received in March and can impact the Electric Operating Expenditure Allowance. Aurizon Network may seek a further variation to the AT5 Allowable Revenue where such a change constitutes an Endorsed Variation Event.

A discussion of the respective Allowable Revenue adjustments applicable to each system is provided in Sections 4 and 5 of this submission.

1.4 Reference Tariffs

The combination of the proposed System Forecasts and proposed Allowable Revenues results in the following updated Reference Tariffs for the CQCN.

Table 3 Proposed Reference Tariffs - FY2025

System	AT1	AT2	AT3	AT4	AT5	EC	QCA Levy	IE Pass Through Cost
Blackwater	1.07	2,633.70	10.12	3.29	4.45	1.66	0.0042	0.0126
Goonyella	0.74	1,668.60	7.52	1.55	2.83	1.66	0.0042	0.0126
Moura	1.98	780.03	13.49	2.14	--	--	0.0042	0.0126
Newlands	2.06	352.72	9.14	1.27	--	--	0.0042	0.0126

System	AT1	AT2	AT3	AT4	AT5	EC	QCA Levy	IE Pass Through Cost
GAPE	1.66	15,464.32	1.59	3.40	--	--	0.0042	0.0126

Subject to QCA approval, Aurizon Network proposes that the Reference Tariffs outlined in Table 3 above be applicable from 1 July 2024.

It should be noted that:

- the proposed QCA Levy has been updated to reflect the QCA's estimate of regulatory fees for FY2024 and the revised System Forecasts outlined in this submission;
- the proposed IE Pass Through Cost has been updated to reflect the IE's estimate of its FY2025 charges (as notified to Aurizon Network on 5 February 2024); and
- both Reference Tariffs have been calculated having regard to the proposed updated FY2025 System Forecasts outlined in this submission.

Aurizon Network may seek a further variation to the QCA Levy following the QCA's announcement of its FY2025 fees for the provision of regulatory services for the rail industry.

Aurizon Network is not, at this stage, seeking any amendment to the electric energy (EC) charge for FY2025. Aurizon Network will submit updated EC tariffs in May 2024, reflecting the forward purchases made at that date.

2. Introduction

2.1 Overview of the Regulatory Process

Schedule F to UT5 provides:

- Allowable Revenues;
- System Forecasts; and
- Reference Tariffs,

for each Coal System and for each year until FY2025.

Reference Tariffs are an essential element of UT5 as they are used to determine the Access Charges payable to Aurizon Network for the provision of the declared service. They are derived directly from the Allowable Revenues and volume forecasts that are applicable to each Coal System.

Both the Allowable Revenues and volume forecasts are based on a number of assumptions made at a point in time. To ensure that the Reference Tariffs applicable to each Coal System for each year remain efficient and cost reflective, UT5 provides a process through which Aurizon Network can seek QCA approval to update a defined number of assumptions to reflect the latest available information. This process is the annual review of Reference Tariffs.

Schedule F, Clause 4 outlines all matters relevant to the Annual review of Review Tariffs, including the variations to Allowable Revenue that Aurizon Network may submit to the QCA. Aurizon Network must submit these variations to the QCA by 28 February of each Year during the Term.

A summary of each of the adjustments proposed by Aurizon Network in this submission is outlined in Table 4 below.

Table 4 Proposed adjustments impacting Allowable Revenues and Reference Tariffs

Adjustment	Clause Reference ¹	Description
Revenue Adjustment Amount (Revenue Cap)	4.1(a)(i)	The inclusion of this variation is provided for under Schedule F.4.1(a)(i). Aurizon Network's FY2023 Revenue Adjustment Amounts were approved by the QCA on 23 November 2023.
Capital Expenditure Allowable Revenue Adjustment	4.1(a)(ii)	This adjustment is determined in accordance with Schedule E, clause 5(b). It reconciles the difference in Allowable Revenues between the Capital Indicator for each Coal System (i.e. the forecast value used to set Allowable Revenues and Reference Tariffs) and the actual value of capital expenditure approved by the QCA for each year. Aurizon Network has included an indicative value of the FY2023 Capital Expenditure Allowable Revenue Adjustment within this submission, which reflects the values outlined within the FY2023

¹ All clause references are contained within Schedule F to UT5.

Adjustment	Clause Reference ¹	Description
		<p>Capital Expenditure Claim, submitted to the QCA on 19 September 2023.</p> <p>The value of this adjustment may be subject to change pending the outcome of QCA final decision on the FY2023 Capital Expenditure Claim and the associated FY2023 RAB Roll-forward.</p>
Revised volume forecasts for FY2025	4.1(b)(i)	Aurizon Network proposes a revised volume forecast for the CQCEN of 216.7 mnt. Details of the methodology used to estimate the revised volume forecasts for each Coal System are outlined in Section 3 of this submission.
Proposed Maintenance Indicator	4.1(b)(v)	On 14 February 2024, the Chair of the RIG notified Aurizon Network and the QCA that the FY2025 Maintenance Strategy and Budget proposed for all Coal Systems had been approved. The FY2025 Maintenance Indicator for each Coal System has been updated accordingly. Further detail is contained within Section 4.3.
Proposed Capital Indicator	4.1(b)(vi)	<p>On 14 February 2024, the Chair of the RIG notified Aurizon Network and the QCA that the FY2025 Renewal Strategy and Budget proposed for all Coal Systems had been approved.</p> <p>In addition, Aurizon Network proposes to include forecast capital expenditure associated with remote-control signalling (RCS) between Collinsville and Newlands Junction. This expenditure is associated with Transitional Arrangements for the Newlands System and GAPE, which were approved by the QCA on 16 November 2022.</p> <p>The FY2025 Capital Indicator for each Coal System has been updated to reflect the above outcomes. Further detail is contained within Section 4.4.</p>
Tax Allowance	4.1(b)(vii)(F)	The tax allowance is a computation of the post-tax revenue model and is updated to reflect the changes proposed within this submission.
Forecast IE Pass Through Cost	4.1(b)(viii)	The IE advised Aurizon Network of the forecast IE Pass Through Cost for FY2025 on 5 February 2024. Further detail is provided within Section 4.6.
Electric Transmission and Connection Charges	4.1(c)(ii)	Aurizon Network has updated the forecast of electricity transmission and connection charges to reflect the latest rates for 2024, escalated at CPI. Aurizon Network expects updated pricing for 2025 to be announced in March and will update these forecasts in due course. See Section 5 for further details.
Electric Energy (EC) Charge	2.2(a)	Aurizon Network is not seeking to amend the FY2025 Electric Energy (EC) charge at this stage. An update will be submitted to the QCA for approval on or about 31 May in accordance Schedule F, clause 2.2(a). Further information is outlined in Section 5.
QCA Levy		At the time of submission, the QCA had not announced its forecast regulatory fees for FY2025. The proposed FY2025 QCA Levy has been updated to reflect the most recent cost forecasts (i.e. the QCA's forecast fees for FY2024) and revised volume forecasts for FY2025. Further information is outlined in Section 5.

Aurizon Network has applied the adjustments outlined in Table 4 to adjust Reference Tariffs and Allowable Revenues for each Coal System.

In addition to the aforementioned adjustments, this submission also discusses several matters which are subject to QCA approval and may have to be taken into consideration during FY2025. These include:

- Private Incremental Costs - Pembroke Resources; and
- Treatment of deferred 'remote-controlled signalling' capital.

Please refer to Section 5 of this submission for more information in relation to these matters.

Unless otherwise defined, capitalised terms in this submission have the meaning given to those terms in UT5.

2.2 Form of Submission

This submission outlines all matters that are relevant to the Annual review of Reference Tariffs.

Section 3	Sets out the revised System Forecasts for each Coal System and contains the methodology and assumptions used to determine them.
Section 4	<p>Outlines the proposed adjustments to Allowable Revenues, including:</p> <ul style="list-style-type: none"> • Second Year Allowable Revenue Adjustment; • Capital Expenditure Allowable Revenue Adjustment; • Revised Direct Maintenance Indicator; and • Revised Capital Indicator;
Section 5	<p>Discusses other relevant matters for consideration, including:</p> <ul style="list-style-type: none"> • Adjustment to forecast electric infrastructure and electric energy charges; • Adjustment to the forecast QCA Levy; and • Future matters that could impact final FY2025 Reference Tariffs.
Section 6	Outlines the combined impact of the proposed adjustments on Allowable Revenues and Reference Tariffs.
Appendices	<p>Appendices to this submission include:</p> <ul style="list-style-type: none"> • Waterfall charts to graphically represent movements in Allowable Revenue; • Clean and marked-up versions of UT5; and • Aurizon Network's FY25 Maintenance and Renewal Strategy and Budget.

Aurizon Network notes that this submission contains Confidential Information specific to the volume forecast outcomes for an individual Customer. A separate redacted version will be provided to the QCA in a form that is suitable for publication.

In addition, Aurizon Network has prepared detailed financial models (**the Models**) in support of this submission and has provided the Models to QCA staff in electronic form. The Models contain Confidential Information relating to individual Train Services and accordingly Aurizon Network requests that the Models are not published.

3. System Forecasts

3.1 Proposed variation to System Forecasts

UT5, Schedule F, Clause 4.1(b) provides a process through which Aurizon Network can submit revised System Forecasts to the QCA for approval prior to the beginning of each financial year.

For FY2025, Aurizon Network proposes to increase the aggregate CQC volume forecasts from 207.8 mnt to 216.7 mnt (an increase of 4.3%). The proposed changes to the System Forecasts for each Coal System are outlined in Table 5 and Table 6 below.

Table 5 Proposed Regulatory Volume Forecasts (Net Tonnes) – FY2025

Net Tonnes (million)	Current Approved Forecast	Proposed Forecast	Variance
Blackwater	54.3	58.6	4.3
Goonyella	108.0	107.1	(0.9)
Moura	11.8	14.8	2.9
Newlands	16.4	19.5	3.1
GAPE	17.2	16.7	(0.5)
Total	207.8	216.7	8.9

Table 6 Proposed Regulatory Volume Forecasts (Gross Tonne Kilometres) – FY2025

GTK'000	Current Approved Forecast	Proposed Forecast	Variance
Blackwater	31,564,059	34,086,442	2,522,382
Goonyella	34,710,988	34,182,055	(528,933)
Moura	3,100,730	3,749,820	649,090
Newlands	3,563,898	4,349,056	785,158
GAPE	8,991,152	8,572,032	(419,120)
Total	81,930,826	84,939,404	3,008,578

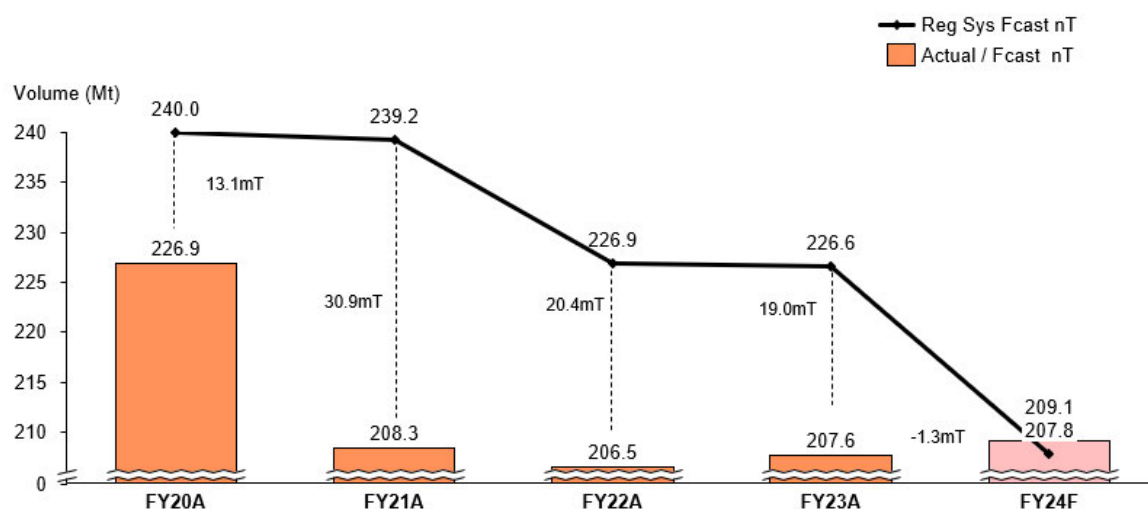
3.2 Forecasting Methodology

Figure 1 below compares the regulatory volume forecasts for the CQC to:

- the actual volumes achieved between FY20 – FY23; and
- an annualised forecast for FY24 based on an extrapolation of YTD volumes as at January 2024.

Outcomes for FY20 – FY23 illustrate that regulatory forecasts have overestimated actual railings. Consequently, Aurizon Network considers that actual volume outcomes provide a reasonable basis for establishing the proposed forecast for FY25, creating the ability for more accurate forecasts in the future.

Figure 1 Comparison of Forecast and Actual CQCN Volumes



In establishing the proposed FY2025 System Forecasts for each Coal System, Aurizon Network consulted directly with End Users and provided them with information relating to railings and regulatory forecasts for each of their respective Origin / Destination pairings.

In November 2023, Aurizon Network presented to Customers and subsequently wrote requesting that they:

- review railings data pertaining to their respective Origin / Destination pairings; and
- provide, via return email, their own coal tonnage forecasts for FY2025.

Aurizon Network received responses from coal producers representing 68% of contracted tonnage for the CQCN. Where Customers provided a volume forecast for their individual Origin / Destination pairings, Aurizon Network assessed those forecasts against both the relevant contract volume and an annualised volume forecast based on actual railings for the FY2024 year to date (YTD) (i.e. between July 2023 to January 2024).

Except for one customer, the methodology used to establish the proposed System Forecasts is as follows. Where (for each Origin / Destination pair) the volume forecast provided by the Customer:

- **exceeded** both the contract volume and the annualised forecast, Aurizon Network applied the higher of contract or the annualised forecast; or
- was **below** the contract volume or the annualised forecast, Aurizon Network applied the volume forecast provided by the Customer.

Where Customers did not provide a volume forecast for an individual Origin / Destination pairing, Aurizon Network has generally applied the FY2024 YTD annualised forecast. If required, the annualised forecast has been capped at contract volume and adjusted for known events (e.g. mine closure or ad hoc Train Services).

Aurizon Network has provided an indicative example of how this methodology is applied in practice in the table below:

Table 7 Example of forecasting methodology in practice

Customer	Did Customer Provide Forecast?	Customer Forecast	Contract	Annualised Forecast	Forecast Applied
Customer A	Yes	1,200	1,000	1,050	1,050
Customer B	Yes	1,100	1,000	1,500	1,100
Customer C	Yes	900	1,000	800	900
Customer D	Yes	600	1,000	800	600
Customer E	No	N/A	1,000	800	800
Customer F	No	N/A	1,000	1,050	1,000

[REDACTED]

[REDACTED]

[REDACTED]

Due to the commercially sensitive nature of individual customer volume forecasts, Aurizon Network is unable to provide more detailed volume information within this submission. Aurizon Network has provided all relevant information (including the forecasts provided by customers for their Origin / Destination pairings) and calculations to the QCA on a confidential basis for review.

Notwithstanding the variation to the methodology applied for this one Customer, Aurizon Network considers that the proposed forecast of 107.1 mnt for the Goonyella System remains reasonable. By comparison, the extrapolation of FY24 YTD volumes would suggest annual railings of 101.5 mnt in this system.

The proposed volume forecasts for each Coal System are provided in Table 8 below. The forecasts are expressed in terms of both Net Tonnes and Gross Tonne Kilometres (GTK).

Table 8 Proposed Volume Forecasts – FY2025

System	Net Tonnes (million)	GTK'000
Blackwater	58.6	34,086,442
Goonyella	107.1	34,182,055
Moura	14.8	3,749,820
Newlands	19.5	4,349,056
GAPE	16.7	8,572,032
Total	216.7	84,939,404

The revised net tonne forecasts for each Coal System have been converted to GTK and electric GTK based on:

- The assumed Reference Train Payload for each Coal System; and

- For the Blackwater and Goonyella systems, the forecast split between diesel and electric consists, which remains aligned to the values approved by the QCA in their UT5 final decision.

The GTK forecast for the Blackwater System has been profiled to derive the monthly GTK forecasts that are required for Schedule F, clause 12.

4. Proposed Allowable Revenue Adjustments

In addition to the revised System Forecasts outlined in Section 3, Aurizon Network submits the following adjustments to FY2025 Allowable Revenues to the QCA for approval:

- Second Year Allowable Revenue adjustment associated with the FY2023 Revenue Adjustment Amount (Revenue Cap);
- Indicative FY2023 Capital Expenditure Allowable Revenue Adjustments. Aurizon Network has calculated this adjustment using the capital expenditure submitted to the QCA on 19 September 2023. At the time of drafting this submission, the QCA has not published a final decision on the FY2023 Capital Expenditure Claim. Consequently, this adjustment should be considered indicative and subject to change pending the outcome of the QCA's decision;
- Revised Direct Maintenance Indicator; and
- Revised Capital Indicator.

The impact of each of these adjustments will vary between Coal Systems and are outlined below.

4.1 Second Year Allowable Revenue Adjustment

The inclusion of this variation is permitted under Schedule F, 4.1(a)(i). On 23 November 2023, the QCA approved the FY2023 Revenue Adjustment Amounts, which are outlined in Table 9 below:

Table 9 Approved FY2023 Revenue Adjustment Amounts

System	AT2-4 (\$m)	AT5 (\$m)	Total (\$m)
Blackwater	7.8	9.1	16.9
Goonyella	4.4	14.1	18.4
Moura	1.1	--	1.1
Newlands	(4.2)	--	(4.2)
GAPE	1.0	--	1.0
Total Adjustments	9.9	23.1	33.1

Impact of the Revenue Adjustment Amounts on FY2025 Allowable Revenues

In accordance with Schedule F, Clause 4.4(b), the FY2023 Revenue Cap adjustments are applied to FY2025 Allowable Revenues (**Second Year Allowable Revenue**) including a return on capital amount calculated with reference to the applicable Discount Rate.

The impact of the Second Year Allowable Revenue Adjustment on FY2025 Allowable Revenues are outlined in Table 10 below.

Table 10 Second Year Allowable Revenue Adjustment – FY2025

System	AT2-4 (\$m)	AT5 (\$m)	Total (\$m)
Blackwater	9.2	10.7	19.9
Goonyella	5.1	16.6	21.7
Moura	1.2	--	1.2
Newlands	(5.0)	--	(5.0)

System	AT2-4 (\$m)	AT5 (\$m)	Total (\$m)
GAPE	1.1	--	1.1
Total Adjustments	11.7	27.3	39.0

4.2 Capital Expenditure Allowable Revenue Adjustment

The inclusion of this adjustment is permitted under Schedule F, 4.1(a)(ii) and calculated in accordance with Schedule E, clause 5(b). This adjustment reconciles the difference in Allowable Revenue between:

- Approved Capital Expenditure; and the
- Capital Indicator for the Year in which that relevant capital expenditure was commissioned.

The adjustment to Allowable Revenues is comprised of the following components:

- Return on capital (WACC);
- Return of capital (depreciation offset by inflation); and
- Tax depreciation.

FY2023 Capital Expenditure Allowable Revenue Adjustment

Aurizon Network's FY2023 capital expenditure claim of \$298.1 million (mid-year, including interest during construction) was submitted to the QCA on 19 September 2023.

For this submission, Aurizon Network has prepared an indicative value of the Capital Expenditure Allowable Revenue Adjustment, reflecting the difference between the Capital Indicator for FY2023, and the actual value of Aurizon Network's capital expenditure submitted to the QCA. The resulting indicative Allowable Revenue differences are then accrued at the Discount Rate (i.e. the approved WACC) for inclusion in FY2025 Allowable Revenues.

In determining the value of this adjustment, Aurizon Network has also taken into account, the extent to which the FY2024 Allowable Revenue associated with the FY2023 Capital Indicator was impacted by the Preliminary Reset Values.

The indicative Capital Expenditure Allowable Revenue Adjustments applicable to FY2025 are outlined below:

Table 11 Indicative Capital Expenditure Allowable Revenue Adjustment (\$m)

System	AT2-4 (\$m)	AT5 (\$m)	Total (\$m)
Blackwater	2.1	(0.6)	1.4
Goonyella	4.7	(1.9)	2.8
Moura	(0.4)	--	(0.4)
Newlands	1.4	--	1.4
GAPE	0.5	--	0.5
Total (\$m)	8.2	(2.5)	5.7

Aurizon Network expects the QCA to provide a final decision on the FY2023 capital expenditure claim prior to 30 June 2024. While Aurizon Network has included an indicative value of this adjustment to

provide for a transparent and complete assessment of the FY2025 Reference Tariff impacts, the values outlined in Table 11 above may need to be revised following the QCA's decision on both Aurizon Network's FY2023 Capital Expenditure Claim and the associated FY2023 RAB Roll-forward.

4.3 Maintenance Indicator

The inclusion of this adjustment is permitted under Schedule F, 4.1(b)(v). On 14 February 2024, the Chair of Rail Industry Group notified Aurizon Network of the following voting outcomes:

Table 12 FY2025 Final draft Maintenance Strategy and Budget - voting outcomes

System	Vote Outcome - Special Majority of End Users for that coal system:
Blackwater	Approved the final draft Maintenance Strategy and Budget
Goonyella	Approved the final draft Maintenance Strategy and Budget
Moura	Approved the final draft Maintenance Strategy and Budget
Newlands	Approved the final draft Maintenance Strategy and Budget
GAPE	Approved the final draft Maintenance Strategy and Budget

Aurizon Network submits the proposed Maintenance Indicator to the QCA in accordance with clause 7A.11.4(a) of UT5. Aurizon Network notes that the proposed Maintenance Indicator for all Coal Systems is consistent with the Approved Maintenance Strategy and Budget and includes the Indirect Maintenance Cost Allowance for FY2025, which has already been approved by the QCA.

A comparison between the QCA-approved Maintenance Indicator and the proposed Maintenance Indicator for FY2025 for each Coal System is as follows:

Table 13 FY2025 Maintenance Indicator – Direct (\$m)

System	Current Maintenance Indicator (\$m)	Proposed Maintenance Indicator (\$m)	Variance (\$m)
Blackwater	83.0	87.9	4.9
Goonyella	79.0	82.7	3.7
Moura	14.1	17.3	3.1
Newlands	6.1	7.6	1.5
GAPE	10.5	10.7	0.1
Total (\$m)	192.9	206.1	13.2

Aurizon Network has updated Allowable Revenues and Reference Tariffs to reflect the proposed Maintenance Indicator for FY2025.

4.4 Capital Indicator

The inclusion of this adjustment is permitted under Schedule F, 4.1(b)(vi).

Renewals Strategy and Budget

On 14 February 2024, the Chair of the Rail Industry Group notified Aurizon Network of the following voting outcomes:

Table 14 Final draft Renewals Strategy and Budget - Voting outcomes

System	Vote Outcome - Special Majority of End Users for that coal system:
Blackwater	Approved the final draft Renewals Strategy and Budget
Goonyella	Approved the final draft Renewals Strategy and Budget
Moura	Approved the final draft Renewals Strategy and Budget
Newlands	Approved the final draft Renewals Strategy and Budget
GAPE	Approved the final draft Renewals Strategy and Budget

In accordance with clause 7A.11.4(c) of the 2017AU, the proposed Capital Indicator for all Coal Systems includes the Approved Renewals Strategy and Budget.

Transitional Arrangements

On 16 November 2022, the QCA approved Transitional Arrangements for the Newlands and GAPE Systems. These Transitional Arrangements included an Expansion of remote-control signalling (RCS) between Collinsville and Newlands Junction noting:

Based on the estimated cost for implementing this transitional arrangement and the expected capacity created, we consider that the installation of remote-control signalling will form part of the overall solution for resolving the existing capacity deficit at the lowest net present cost to access holders.

As the installation of RCS is largely a demand deferred project under the commercially negotiated GAPE Deals to create the capacity needed to satisfy the GAPE contracted volumes, the costs associated with the installation of RCS between Collinsville and Newlands Junction have been added to the GAPE Capital Indicator. Aurizon Network expects RCS between Collinsville and Newlands Junction to be commissioned in July 2024 at an estimated cost of \$22 million.

Proposed Capital Indicator

Aurizon Network submits the following Capital Indicator to the QCA for approval. It reflects the combined outcomes of processes established under UT5, which have already been approved by the RIG or by the QCA.

A comparison between the current Capital Indicator and the proposed Capital Indicator for FY2025 by each Coal system is outlined in the following table. Please note that these values are expressed in 'Start of Year' terms.

Table 15 FY2025 Capital Indicator (\$m, start of year)

System	Current Capital Indicator (\$m)	Proposed Capital Indicator (\$m)	Variance (\$m)
Blackwater	147.1	142.1	(5.0)
Goonyella	126.4	106.2	(20.2)
Moura	20.3	21.4	1.1

System	Current Capital Indicator (\$m)	Proposed Capital Indicator (\$m)	Variance (\$m)
Newlands	19.7	20.1	0.4
GAPE	9.7	31.9	22.2
Total (\$m)	323.2	321.7	(1.5)

Aurizon Network has updated Allowable Revenues and Reference Tariffs to reflect the proposed Capital Indicator for FY2025.

4.5 Tax Allowance

The adjustment to the tax allowance is provided for under Schedule F, 4.1(b)(vii)(F).

The tax allowance is a computation of Aurizon Network's post-tax revenue model, which is used to calculate the proposed Allowable Revenues and Reference Tariffs for FY2025. The tax allowance will be updated to reflect, and ensure consistency with, all proposed changes within this submission that impact Allowable Revenues.

4.6 Forecast IE Pass Through Cost

The inclusion of this variation is permitted under Schedule F, 4.1(b)(viii). On 5 February 2024, the Coal Network Capacity Co (CNCC) notified Aurizon Network of its forecast IE Pass Through Cost for FY2025, including an adjustment to account for an over recovery in prior periods.

Aurizon Network has provided this information in Table 16 below, including the derivation of the FY2025 IE Pass Through Cost Reference Tariff.

Table 16 FY2025 IE Pass Through Cost

Description	Value (\$m)
Estimate of expenditure to operate CNCC in FY2025	4.775
Less: Prior period over-recovery	(2.048)
Estimated Cost FY2025	2.727
CQCN volume forecast for FY2025 (mnt)	216.7
Estimated FY2025 IE Pass Through Cost (\$/nt)	0.0126

5. Other Relevant Pricing Matters

In addition to the proposed adjustments outlined in Section 4 above, there are several other matters that impact the proposed Allowable Revenues and Reference Tariffs for FY2025. These are discussed below.

5.1 Adjustments to electric infrastructure charges

The electric transmission charges paid by Aurizon Network are determined in accordance with an established regulatory framework and oversight by the AER. At the time of this submission, the forecast of FY2025 connection and transmission charges has not been received from Transmission Network Service Providers (TNSP).

Aurizon Network has updated the FY2025 TNSP cost forecast to reflect the final rates for FY2024, as notified to Aurizon Network by the relevant providers on 20 March 2023. Aurizon Network has escalated the FY2024 rates at the regulatory CPI forecast of 2.90%.

The table shows Aurizon Network's updated cost estimates for FY2025.

Table 17 FY2025 TNSP costs (\$m)

System	Current TNSP Cost Forecast (\$m)	Proposed TNSP Cost Forecast (\$m)	Variance (\$m)
Blackwater	38.7	39.4	0.7
Goonyella	32.8	33.6	0.7
Total (\$m)	71.5	73.0	1.4

The proposed TNSP cost forecasts are a key input in determining AT5 Allowable Revenues. Once Aurizon Network receives notification of the updated FY2025 connection and transmission charges from the relevant TNSP, Aurizon Network will assess whether the change constitutes an Endorsed Variation Event in accordance with UT5, Schedule F, clause 5.2(b).

5.2 Electric Energy Charge

The EC charge is set to recover the forecast costs relating to the consumption of electric energy. Aurizon Network purchases electricity in line with its progressive purchasing strategy.

UT5 includes an EC charge for FY2025, which was approved by the QCA in their October 2023 decision on Aurizon Network's Reset Schedule F Values. Aurizon Network is not seeking to amend the FY2025 EC tariff as part of this submission.

Aurizon Network proposes that the EC charge remain as follows:

Table 18 FY2025 EC charge

Electric Energy	\$ per '000 egtk
Blackwater	1.66
Goonyella	1.66

At the time of writing, Aurizon Network has locked in rates for 72% of the expected electricity requirement for FY2025. Aurizon Network notes that UT5 (Schedule F, clause 2.2(a)) provides a process whereby variations to the EC charge can be submitted to the QCA for approval 'on or about each 31 May' and 'taking into account any over or under recovery in the previous year'.

Aurizon Network intends to submit an update to the EC charge in line with UT5.

5.3 QCA Levy

The QCA Levy for each year is set to recover the fees imposed by the QCA on beneficiaries of its regulatory services.

At the time of drafting, the QCA has not announced its forecast regulatory fees for FY2025. For this submission, Aurizon Network has updated the forecast QCA Levy for FY2025 to reflect:

- the QCA's estimated regulatory fees for FY2024; and
- the proposed FY2025 volume forecast for the CQCN outlined within this submission.

The application of these inputs result in the following amendments to the QCA Levy.

Table 19 FY2025 QCA Levy

QCA Levy (\$ per NT)	Current QCA Levy	Proposed QCA Levy	Variance
Forecast Regulatory Fees (\$m)	1.3	0.9	(0.4)
CQCN Forecasts (mnt)	207.8	216.7	8.9
QCA Levy	0.0063	0.0042	(0.0021)

Aurizon Network may seek a further variation to the QCA Levy once the QCA has announced its final fees for FY2024 and forecast fees for FY2025, noting that such an announcement constitutes an Endorsed Variation under UT5.

5.4 Additional matters which may affect final FY25 Reference Tariffs

Pembroke Private Incremental Costs

The volume forecasts for the Goonyella System includes new volumes associated with the Olive Downs Complex. The Olive Downs Complex is connected to the Central Queensland Coal Network through a privately owned, 18.75 km electrified spur and rail loop. While Pembroke Resources announced on 6 June 2023 that mining at the Olive Downs Complex had commenced, the first raiiling occurred in January 2024.²

On 21 December 2023, Pembroke made an application to the QCA for the approval of Private Incremental Costs (PIC) for the Olive Downs Complex pursuant to clause 6.3.2. Consistent with clause 6.3.2(e), until such time as the QCA has approved the PIC then the Approved PIC amount is

² Source: LinkedIn, available at:

https://www.linkedin.com/feed/update/urn:li:activity:7157887964675522560?updateEntityUrn=urn%3Ali%3Afs_feedUpdate%3A%28V2%2Curn%3Ali%3Aactivity%3A7157887964675522560%29

zero. As the QCA has not yet approved the PIC values at the time of lodgement of this submission then no PIC Discount has been applied to the Reference Tariff for the Olive Downs Complex.

Where the QCA approves a PIC amount that is not zero prior to the approval of the FY2025 Reference Tariffs, this will require a variation to the Goonyella System Reference Tariffs outlined within this submission to reflect:

- the application of the PIC Discount; and
- the reduced contribution to common costs.

Aurizon Network anticipates the scale of the private infrastructure and the initial phase mine production volumes will result in a substantive PIC discount. Consequently, and concurrently with the QCA's assessment of the PIC application, Aurizon Network is evaluating the relevant Incremental Costs associated with the use of the Overhead Line Equipment and Power Distribution System, both of which are relevant to determining the Minimum Revenue Contribution for use of electric traction services.

Ending the deferral of Newlands to Goonyella Connection RCS Capital Expenditure

As discussed in section 4.4, the GAPE Capital Indicator includes amounts relating to the expected completion of Transitional Arrangements; specifically, the RCS Expansion between Collinsville and the Newlands Junction. This investment is complimentary to the prior investment made in RCS on the Goonyella to Newlands Connection (**GAPE Link**), which was approved by the QCA as a prudent and efficient investment in the FY2014 capital expenditure claim.

As the material benefit from the prior GAPE Link investment was dependent on full installation of RCS in the Newlands System, the QCA approved the deferral of the recovery of this prior investment in the UT4 Final Decision. The UT4 Final Decision states:³

“Aurizon Network maintains that the full benefits of GAPE RCS (which we approved as part of Aurizon Network's 2013-14 capital expenditure claim) will only be realised after all RCS works in the Newlands system have been completed and, for this reason, the GAPE portion of this expenditure should be deferred.”

“We accept Aurizon Network's argument that \$11.6 million of GAPE RCS expenditure from 2013–14 should be deferred (for pricing purposes).”

The completion of the installation of RCS between Collinsville and the Newlands Junction requires an end to the deferral of the GAPE Link RCS investment and its inclusion in GAPE Allowable Revenues and Reference Tariffs from FY2025.

Aurizon Network notes that the provisions in Schedule F for the Annual review of Reference Tariffs do not provide for the adjustment of the Allowable Revenue associated with the cessation of a capital deferral. This will necessitate a subsequent Draft Amending Access Undertaking (**DAAU**) to vary FY2025 Reference Tariffs.

Table 20 illustrates the impact that ceasing the GAPE Link RCS deferral will have on the FY25 GAPE System Allowable Revenue and AT4 Reference Tariff. Please note that this information has been included to provide guidance to Customers and may be subject to change.

³ QCA (2016) Final Decision: Aurizon Network 2014 Access Undertaking – Vol. IV Maximum Allowable Revenue, April, p. 182.

Table 20 GAPE SAR and Reference Tariffs with Cessation of RCS Deferral

Schedule F Value	FY25 ARRT	Estimate incl GAPE Link RCS	Variance
AT2-4 Allowable Revenue (\$m)	139.9	142.7	2.8
AT4 Tariff (\$/NT)	3.40	3.57	0.17

QCA Final Decision on Newlands and GAPE Pricing DAAU

Following extensive engagement with stakeholders and the QCA, on 1 December 2023, Aurizon Network submitted a GAPE and Newlands pricing DAAU (the December 2023 DAAU) to the QCA for approval.

On 22 February 2024, the QCA issued a final decision to approve the December 2023 DAAU. Aurizon Network confirms that this FY25 Annual review of Reference Tariff submission reflects the outcomes of that decision, including:

- the application of a causation-based approach to allocate future asset replacement and renewals expenditure in the rail corridor shared between GAPE System and Newlands System users; and
- including, in the Newlands System Reference Tariffs, amounts associated with Newlands System Infrastructure Enhancements (NSIE).

The reader should note that it is the outcomes of the December 2023 DAAU (rather than the FY25 ARRT process) that is the primary driver of the Newlands and GAPE Allowable Revenue movements between FY2024 and FY2025.

5.5 Interaction between Take or Pay and the process to reconcile FY2024 Preliminary and Final Reset Values

Aurizon Network has identified a potential inconsistency within UT5 that could occur if Take or Pay were to trigger in FY2024. It is not yet known whether Take or Pay will trigger in any Coal System in FY2024.

As a result, Aurizon Network does not propose to amend UT5 at this stage. If an amending undertaking is required to address this matter, Aurizon Network expects any changes to be administrative in nature and only relevant to FY2024.

For transparency, Aurizon Network has provided further information on the interaction between Take or Pay and the reconciliation of FY2024 Preliminary and Final Reset values below.

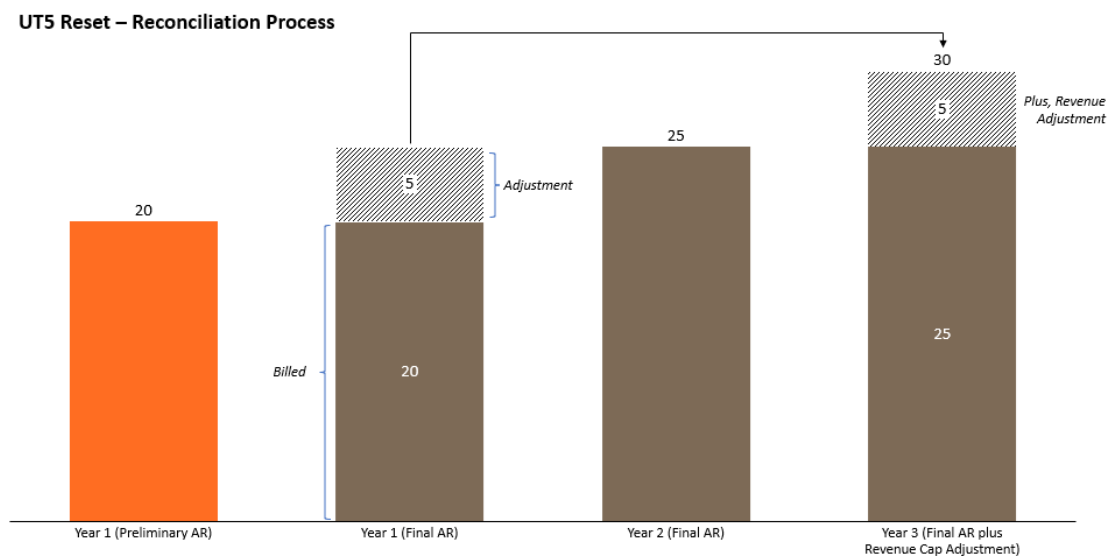
Context

- On 25 May 2023, the QCA approved Aurizon Network's Reset Schedule F Preliminary Values (**Preliminary Values**), which established preliminary Reference Tariffs, Allowable Revenues and GtK Forecasts for the UT5 Reset Period (FY2024 to FY2027).
- The Preliminary Values approved by the QCA form the basis of the Reference Tariffs that are currently in effect for FY2024.
- On 19 October 2023, the QCA approved the Reset Schedule F Values (**Final Values**), and as required by UT5, Aurizon Network updated Schedule F and Schedule K to reflect the Final Values for each year of the UT5 Reset Period.

- Clause 4.3(c)(ca) of Schedule F to UT5 provides the process through which any difference between the Preliminary Values and Final Values for FY2024 will be reconciled. This clause provides for the Revenue Adjustment Amounts (i.e. Revenue Cap) process to take into account the extent to which the Limited Update Inputs differ from the Preliminary Limited Update Inputs.
- In circumstances where Take or Pay triggers in a Coal System, and where the FY2024 AT2-4 Allowable Revenue in Schedule F reflects the Final Values instead of the Preliminary Values, it follows that part of the difference between the 'Limited Update Inputs' and the 'Preliminary Limited Update Inputs' would be recovered in FY2024 (via Take or Pay), rather than through the Revenue Adjustment Amounts.

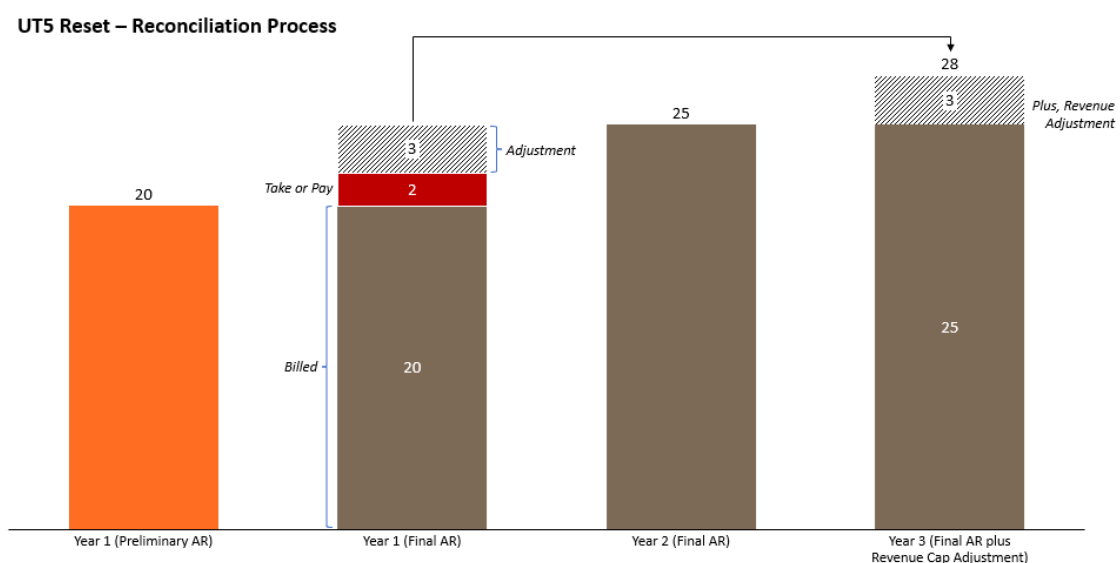
This concept is graphically represented as follows:

Figure 2 UT5 Reset Reconciliation with adjustment via Revenue Cap



NB: in Year 1, and assuming no volume variation, amount billed would be 20, with the difference between preliminary and final (i.e. 5) recovered in Year 3.

Figure 3 UT5 Reset Reconciliation with Take or Pay and partial adjustment via Revenue Cap



NB: in Year 1, and assuming no volume variation, amount billed would be 22 (20 via Access Charges and 2 via TOP) with the residual difference between preliminary and final (i.e. 3) recovered in Year 3.

Next Steps

If Take or Pay is likely to trigger in FY2024, Aurizon Network may be required to amend UT5, such that the FY2024 Allowable Revenues outlined in Schedule F will reflect the Preliminary Values rather than the Final Values. Schedule K will not require amendment and will continue to reflect the Final Values.

Aurizon Network considers that doing so, will:

- allow any Take or Pay amounts for FY2024 (if triggered) to be calculated having regard to the Preliminary Values; and
- allow the reconciliation between the Preliminary Value and Final Values for FY2024 to be given effect through the Revenue Adjustment Amounts process, as intended by Schedule F, Clause 4.3(c)(ca).

Aurizon Network notes that such an amendment would be administrative in nature and will not impact the Final Values (and associated Allowable Revenues) that were approved by the QCA on 19 October 2023.

6. Proposed Allowable Revenues and Reference Tariffs

6.1 Approved Allowable Revenues

Schedule F to UT5, provides the Allowable Revenues for each Coal System. The current QCA-approved Allowable Revenues for FY2025 are:

Table 21 FY2025 Current Allowable Revenues

System	AT1 (\$m)	AT2-4 (\$m)	AT5 (\$m)	Total (\$m)
Blackwater	33.6	422.7	99.2	555.6
Goonyella	25.6	351.3	77.8	454.7
Moura	6.1	63.5	--	69.6
Newlands	7.4	50.0	--	57.4
GAPE	14.9	134.4	--	149.3
Total (\$m)	87.7	1,021.9	177.0	1,286.6

6.2 Aggregate adjustments to FY2025 Allowable Revenues

The aggregate adjustments (as outlined in Section 4 and Section 5) for each Coal System are:

Table 22 FY2025 Aggregate adjustments

System	AT1 (\$m)	AT2-4 (\$m)	AT5 (\$m)	Total (\$m)
Blackwater	2.7	13.8	10.7	27.2
Goonyella	(0.4)	12.8	15.0	27.4
Moura	1.3	3.1	--	4.4
Newlands	1.6	(3.4)	--	(1.8)
GAPE	(0.7)	5.5	--	4.8
Total (\$m)	4.5	31.7	25.7	61.9

* NB: variation in revenues recoverable through the AT1 Reference Tariff is driven by changes in the volume forecast.

6.3 Proposed Allowable Revenues

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

Table 23 FY2025 Proposed Allowable Revenues

System	AT1 (\$m)	AT2-4 (\$m)	AT5 (\$m)	Total (\$m)
Blackwater	36.3	436.5	109.9	582.7
Goonyella	25.2	364.1	92.8	482.1
Moura	7.4	66.6	--	74.0

System	AT1 (\$m)	AT2-4 (\$m)	AT5 (\$m)	Total (\$m)
Newlands	9.0	46.6	--	55.6
GAPE	14.2	139.9	--	154.1
Total (\$m)	92.2	1,053.7	202.7	1,348.5

6.4 Proposed Reference Tariffs

Reference Tariffs are set such that Aurizon Network can recover the approved Allowable Revenues from the approved System Forecasts.

Aurizon Network submits the following proposed FY2025 Reference Tariffs to the QCA for approval. The proposed Reference Tariffs are a function of the proposed Allowable Revenues outlined in Table 23 above, and the relevant volume metrics derived from the revised System Forecasts in Table 8.

Table 24 FY2025 Proposed Reference Tariffs

System	AT1	AT2	AT3	AT4	AT5	EC	QCA Levy	IE Pass Through Costs
Blackwater	1.07	2,633.70	10.12	3.29	4.45	1.66	0.0042	0.0126
Goonyella	0.74	1,668.60	7.52	1.55	2.83	1.66	0.0042	0.0126
Moura	1.98	780.03	13.49	2.14	--	--	0.0042	0.0126
Newlands	2.06	352.72	9.14	1.27	--	--	0.0042	0.0126
GAPE	1.66	15,464.32	1.59	3.40	--	--	0.0042	0.0126

For clarity, Aurizon Network does not propose any amendments to either the AT₁ or AT₂ Reference Tariffs.

Appendix 1: Allowable Revenue Waterfall Charts

Aurizon Network notes that the on 22 February 2024, the QCA approved the December 2023 Newlands and GAPE pricing DAAU. It should be noted that:

- the FY2024 Allowable Revenues and Reference Tariffs billed for FY2024 YTD (i.e. to February 2024) are based on the Preliminary Reset Values, and do not account for either:
 - the UT5 Final Reset Schedule F Values; nor
 - the Newlands and GAPE Pricing DAAU.

This exacerbates the perceived revenue movements between FY2024 and FY2025.

For clarity, the FY2025 Allowable Revenues outlined in this submission, reflect the outcomes of both the Final Reset, and the Newlands GAPE Pricing DAAU.

Aurizon Network has prepared the following graphics to illustrate the key drivers of revenue variation for each Coal System. For transparency, two graphics have been compared for each Coal System. Specifically, a comparison between:

- FY2024 Allowable Revenues (based on the Preliminary Values) and the values proposed within this FY2025 ARRT; and
- FY2025 Allowable Revenues (based on Final Reset and the Newlands GAPE DAAU) and the values proposed in the FY2025 ARRT.

Allowable Revenue Comparison: FY24 Prelim vs FY25 ARRT (\$m)

Figure 4 Blackwater System – FY2024 vs FY2025 ARRT (\$m)

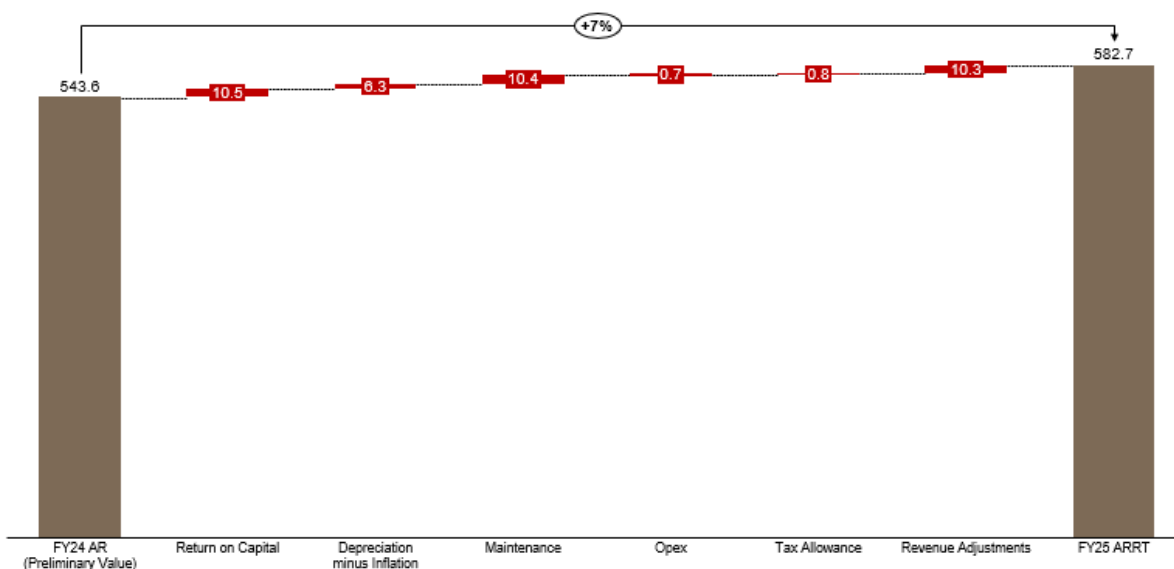


Figure 5 Goonyella System – FY2024 vs FY2025 ARRT (\$m)

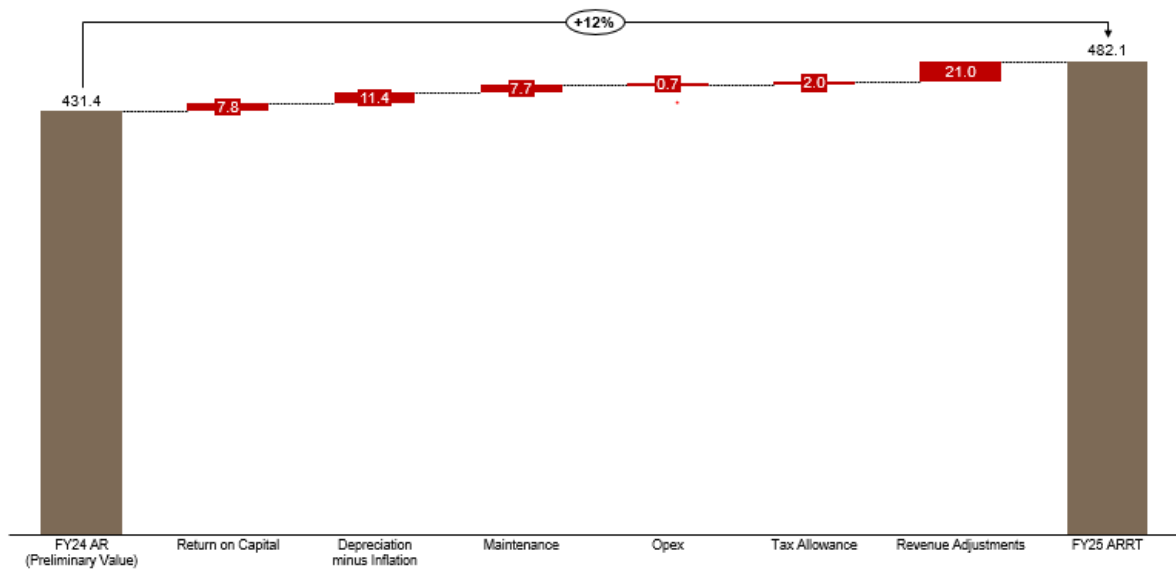


Figure 6 Moura System – FY2024 vs FY2025 ARRT (\$m)

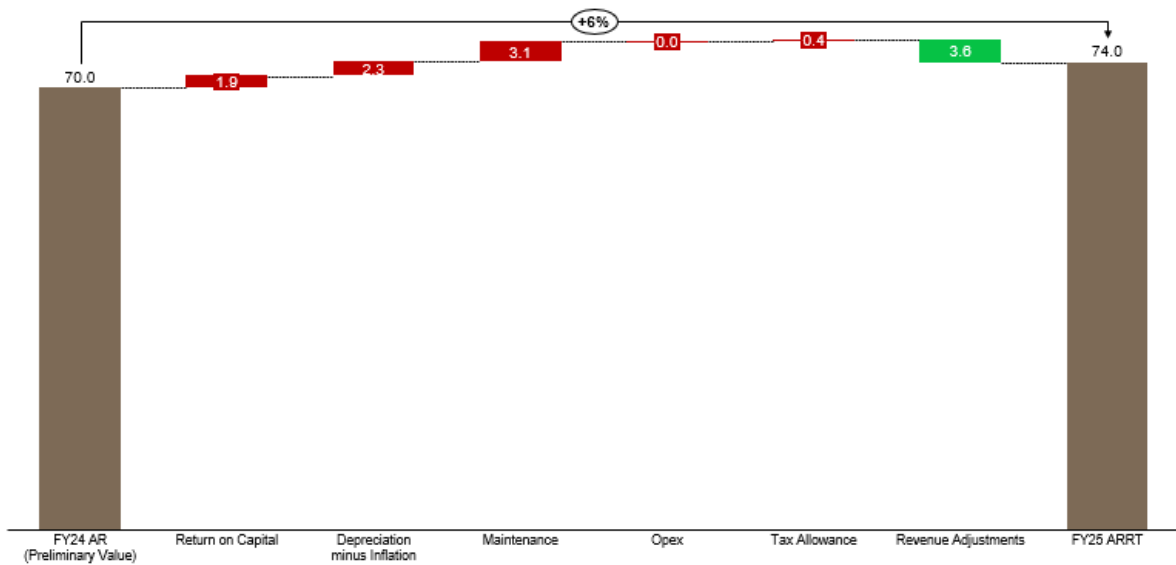


Figure 7 Newlands System – FY2024 vs FY2025 ARRT (\$m)

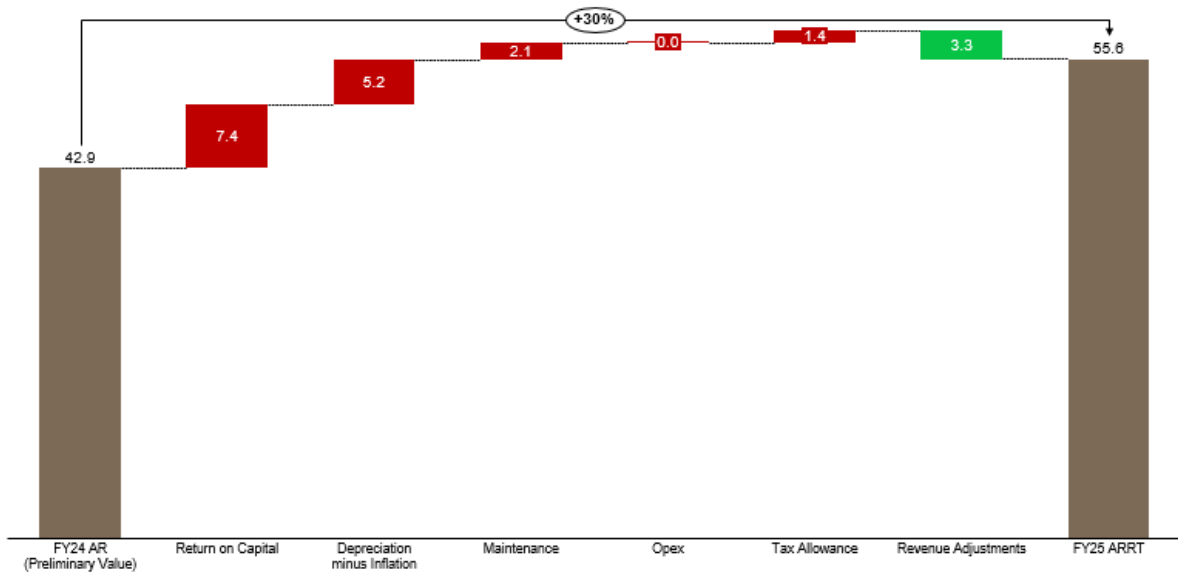
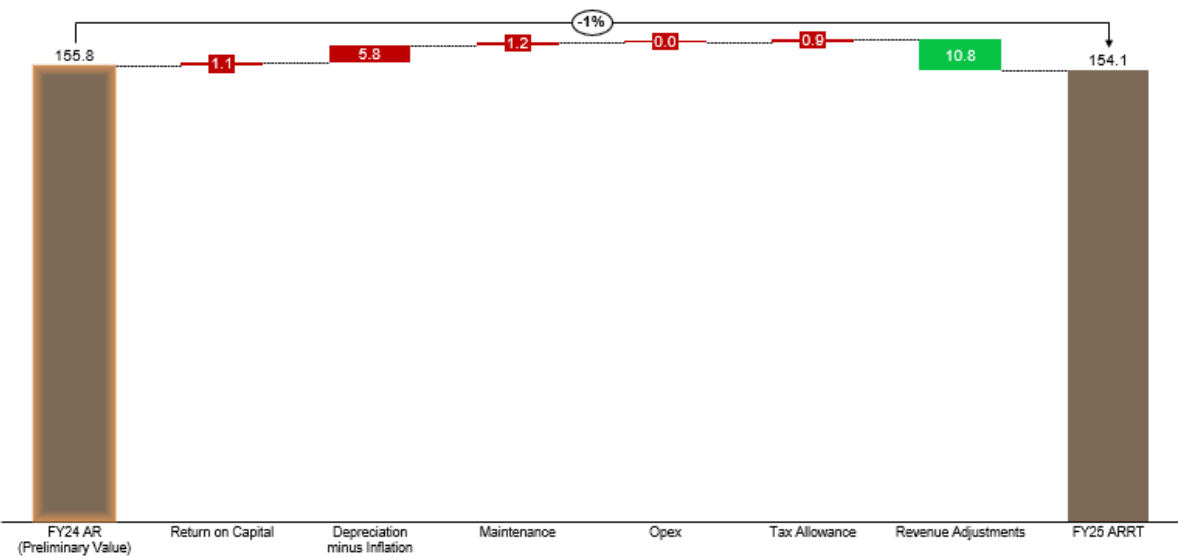


Figure 8 GAPE – FY2024 vs FY2025 ARRT (\$m)



Allowable Revenue Comparison: FY25 Final Reset and Newlands GAPE vs FY25 ARRT (\$m)

Figure 9 Blackwater – FY2025 (Final Reset and Newlands GAPE DAAU) vs FY2025 ARRT (\$m)

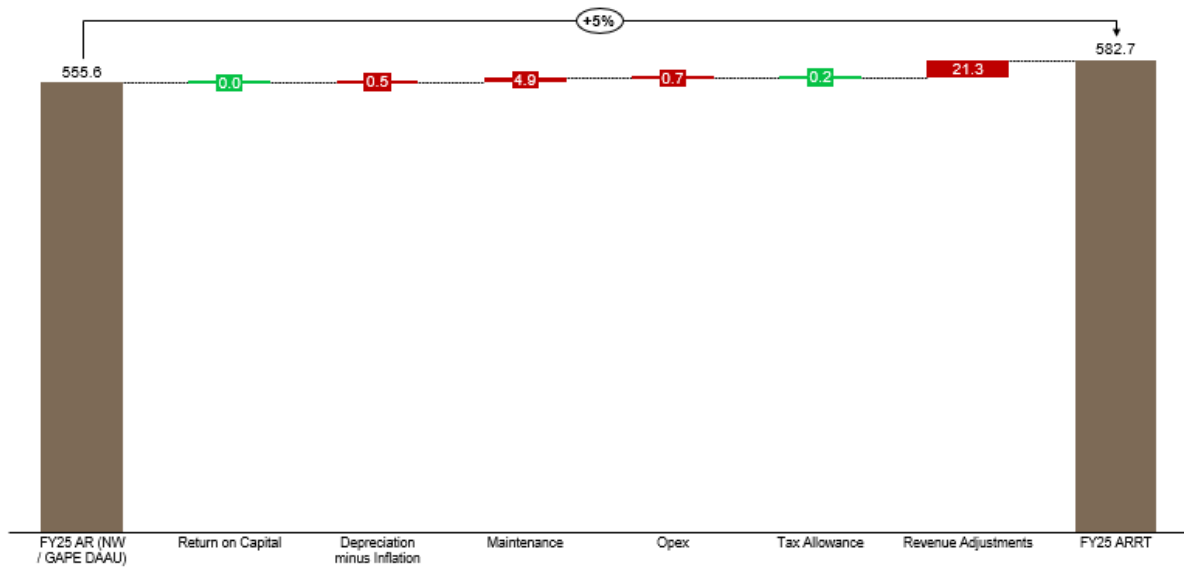


Figure 10 Goonyella – FY2025 (Final Reset and Newlands GAPE DAAU) vs FY2025 ARRT (\$m)

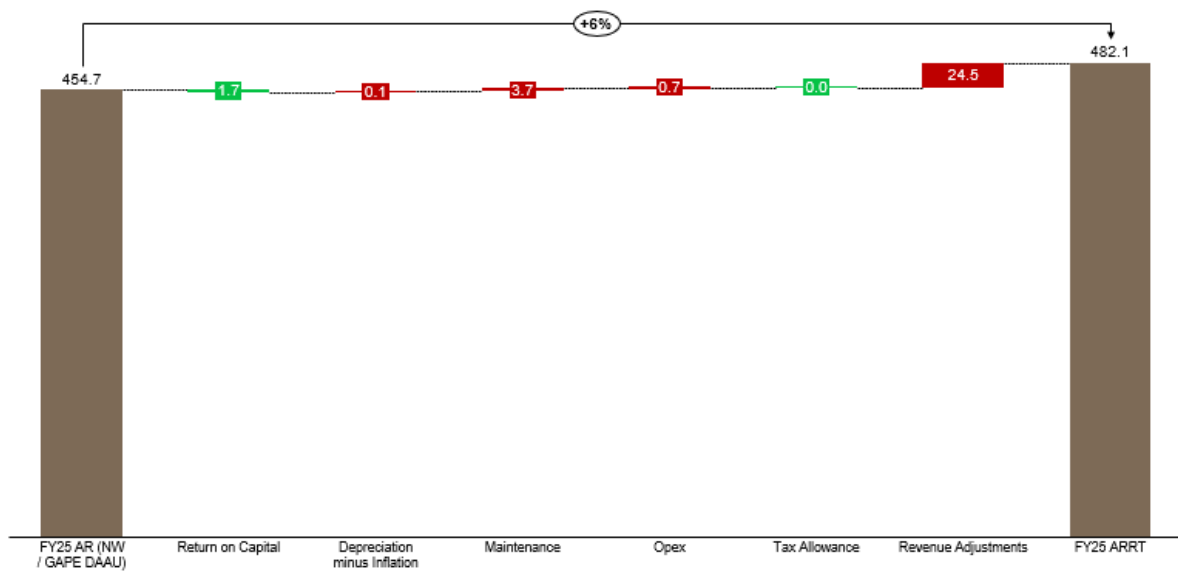


Figure 11 Moura – FY2025 (Final Reset and Newlands GAPE DAAU) vs FY2025 ARRT (\$m)

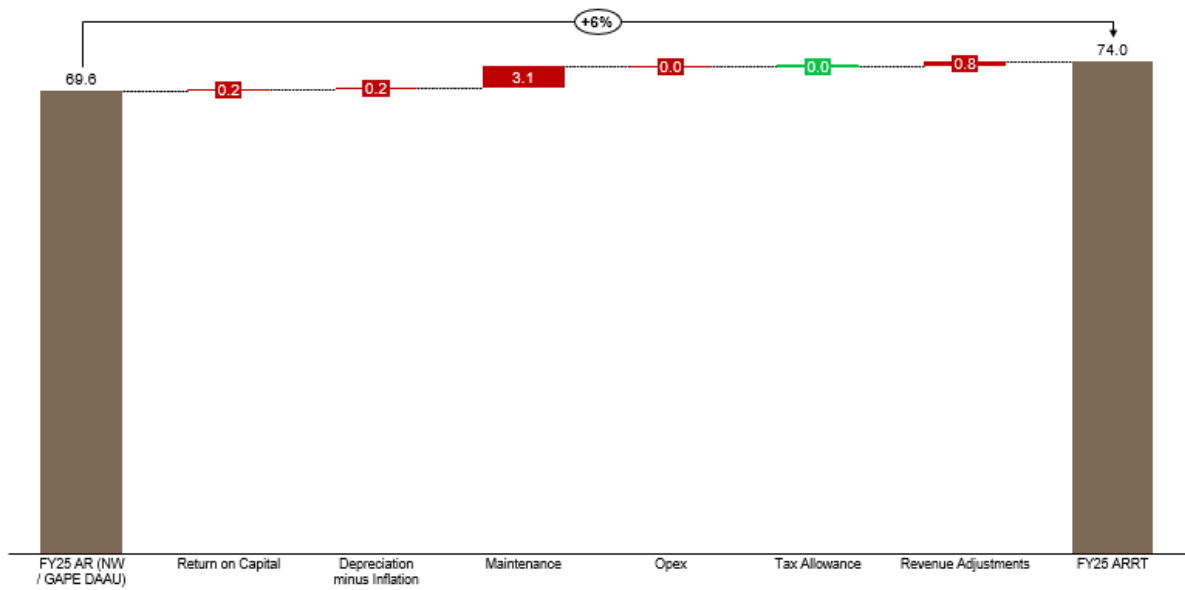


Figure 12 Newlands – FY2025 (Final Reset and Newlands GAPE DAAU) vs FY2025 ARRT (\$m)

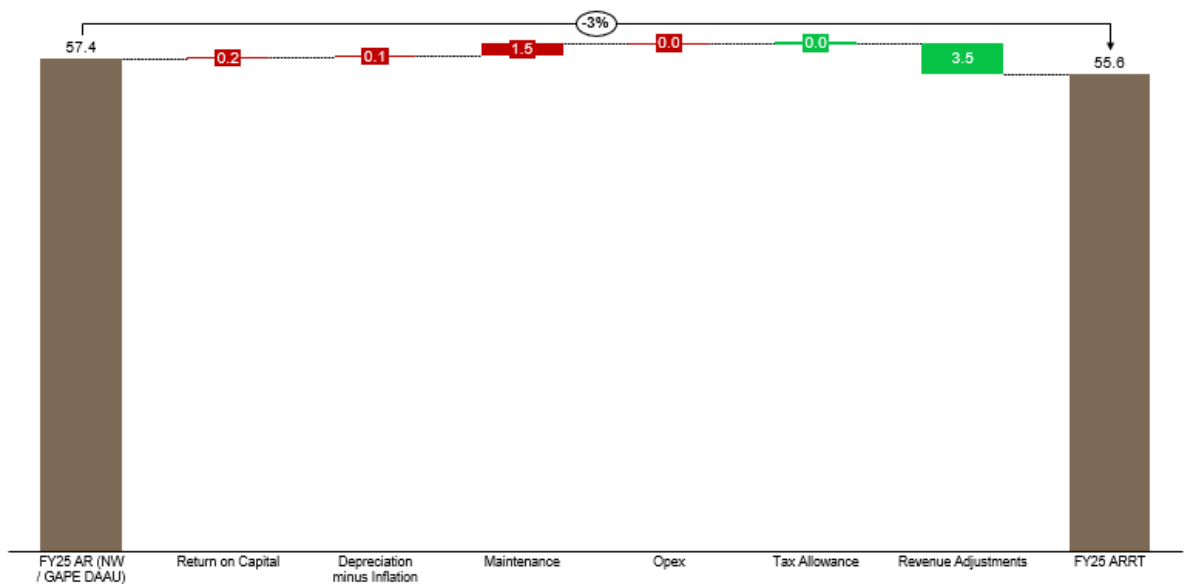
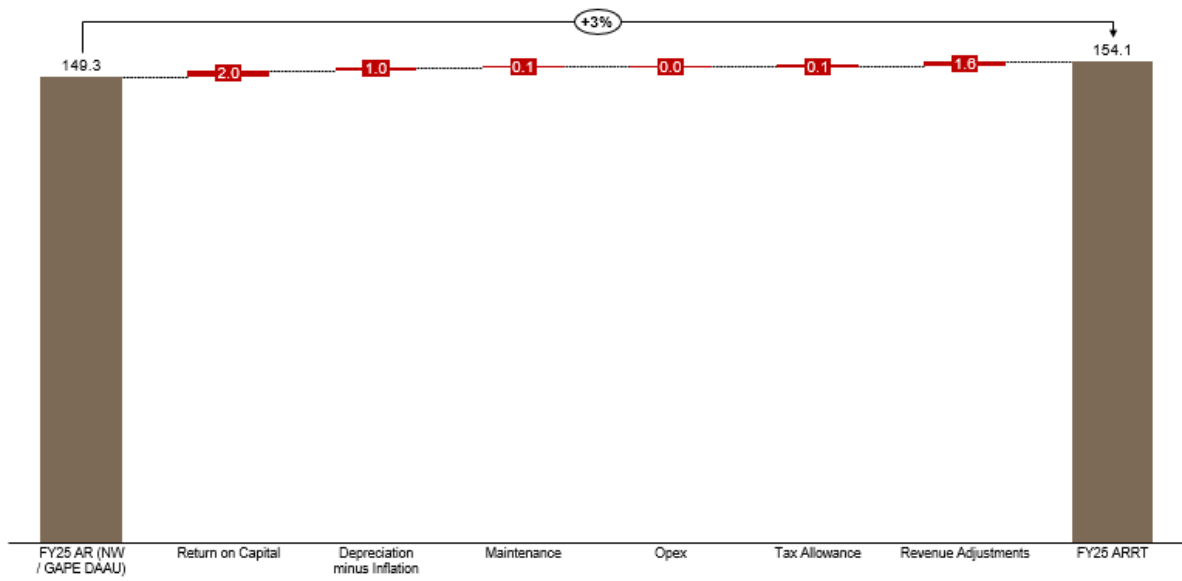


Figure 13 GAPE – FY2025 (Final Reset and Newlands GAPE DAAU) vs FY2025 ARRT (\$m)



Appendix 2: Amended 2017 Access Undertaking (clean)

Appendix 3: Amended 2017 Access Undertaking (mark-up)

Appendix 4: Maintenance and Renewal Strategy and Budget
