



George Passmore
Director of Business Performance
Queensland Competition Authority
Level 27, 145 Ann St
Brisbane, QLD, 4001

Infrastructure Rebates and GAPE RCS Draft Amending Access Undertaking - Revised

14 June 2024

Dear George,

Aurizon Network is pleased to submit to the Queensland Competition Authority (**QCA**) a Draft Amending Access Undertaking (**DAAU**) which modifies the approved Financial Year 2025 (**FY25**) Reference Tariffs within the 2017 Access Undertaking (**UT5**) to:

1. Cease the deferral of the Goonyella to Newlands Connection Remote Control Signalling (**RCS**) investment; and
2. Reduce the relevant System Allowable Revenue and applies discounts to Reference Tariffs to selected Nominated Loading Facilities associated with Access Facilitation Deeds (**AFD**).

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

Goonyella to Newlands Connection RCS

This component of the DAAU was foreshadowed, including revenue and tariff impacts, in Aurizon Network's FY25 Annual Review of Reference Tariff submission. This outlined that the DAAU would be necessary to adjust the GAPE System Allowable Revenue to adjust the Reference Tariffs in the appropriate manner.

Aurizon Network has consistently engaged GAPE and Newlands Customers both individually and as a group, in respect of the progress of the investment of RCS in the Newlands System. This investment is an approved Transitional Arrangement and is forecast to be commissioned in July 2024. These engagements included the expected timing of project construction and implementation along with the inclusion of both the Newlands and Goonyella to Newlands Connection RCS in the FY25 GAPE Reference Tariff.

The absence of the Newlands RCS investment was the basis for originally deferring the Goonyella to Newlands Connection RCS investment. Following the commissioning of the Newlands RCS, the benefits from the complimentary Goonyella to Newlands Connection RCS will be realised, and there is no longer a basis for the continuation of the deferral. This is consistent with the QCA position expressed in its Final Decision on the proposed continuation

of capital deferrals in the April 2023 GAPE and Newland's Pricing DAAU, specifically stating that:

- *Aurizon Network is incentivised under the regulatory framework (and in the absence of commercial arrangements) to recover deferred revenue at the earliest possible opportunity); and*
- *any delay to the recovery of deferred revenue may act to increase Aurizon Network's exposure to the risk of not recovering the full amount of deferred revenue.*

Accordingly, completion of the Newlands RCS represents the earliest appropriate opportunity to cease the deferred capital recovery of the Goonyella to Newlands Connection RCS.

Infrastructure Rebates

This component of the DAAU has been prepared in response to an AFD Access Holder exercising a contractual right under the terms of the AFD to review the approach to rebates to ensure alignment with the regulatory pricing principles in the approved Access Undertaking.

Aurizon Network subsequently consulted with all affected AFD Access Holders and sought to determine which of those customers would prefer to obtain the ongoing economic benefit of directly funding mine specific infrastructure in the same manner as comparable investment in Private Infrastructure. Only those customers who have endorsed the application of the rebate as a discount to their Access Charges for Nominated Loading Points on AFD funded Rail Transport Infrastructure have been included in this DAAU.

Aurizon Network notes these endorsements are contingent on Aurizon Network and those AFD Access Holders agreeing to corresponding and complimentary amendments to relevant AFD agreements to give effect to a discount to the Access Charge. Consequently, where:

- an AFD Access Holder withdraws their preference and endorsement for a discounted Access Charge; or
- an additional AFD Access Holder makes submissions to this DAAU to elect to obtain the rebate as a discounted Access Charge;

then it may be necessary to vary this component of the DAAU as appropriate.

The Queensland Resources Council was briefed on the early thinking regarding the proposed DAAU and advised it will be desirable and necessary for the explanatory materials to this DAAU to demonstrate the impacts to other system users. The attached explanatory submission includes a detailed assessment of the equivalence of the proposed changes with Private Infrastructure discounts and the impacts of those changes on non-AFD Access Holders.

Other Adjustments

The adjustments above necessarily amend the relevant allowable revenues and tariffs for the remaining term of UT5. To give effect to these adjustments, the DAAU has updated the FY26 and FY27 inputs to account for the QCA-approved outcomes of the FY25 Annual Review of Reference Tariff (**ARRT**) process. This includes updating the FY26 and FY27 Forecast GtK to align with the approved FY25 volume forecasts. Aurizon Network notes that the FY26 and FY27 Forecast GtK may be updated in future following customer engagement with respect to the FY26 and FY27 Annual review of Reference Tariff processes.

To ensure alignment of Schedule F values and inputs across all systems, the DAAU updates all FY26 and FY27 tariffs and inputs to reflect the approved FY25 ARRT inputs and volume forecasts. Aurizon Network notes this will also assist in improving transparency of adjustments in the FY26 ARRT as they will be adjusting values and inputs that have been updated for the FY25 ARRT values and inputs. The EC tariffs for FY25 have also been updated to reflect the annual electricity energy charge submitted to the QCA for approval on 31 May 2024. If the submitted EC tariff is not approved, Aurizon Network will look to update this DAAU in line with any QCA approval at the appropriate time.

Should you have any queries in relation to this submission, please do not hesitate to contact Jon Windle at jon.windle@aurizon.com.au

Kind regards,



Dan Kearney
Head of Finance and Regulation