

QR Ref: MCR-25-195

Professor Flavio Menezes
Chair
Queensland Competition Authority
GPO Box 2257
Brisbane Qld 4001

Dear Professor Menezes

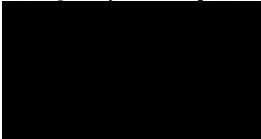
Queensland Rail's Draft Access Undertaking 3 (DAU3) – Queensland Competition Authority (QCA) March 2025 Decision

I am writing regarding the QCA's decision on DAU3, which was issued in March 2025. I understand the decision is final in relation to non-tariff matters.

However, in relation to the West Moreton System access terms, the decision provided the opportunity for further submissions. Queensland Rail is supportive of this approach, which resulted in further consultation with the West Moreton System coal companies. Attached is Queensland Rail's submission responding to the decision.

Should your officers have any questions in relation to the attached submission they can contact Queensland Rail's Manager Policy and Regulations Mr Douglas Jasch on 0488 314 741 or by email at douglas.jasch@qr.com.au.

Yours sincerely



Kat Stapleton
Chief Executive Officer

14 April 2025

Queensland Rail's Response to Request for Comments on West Moreton Access Terms Draft Access Undertaking 3 (DAU3)

14 April 2025

Commercial-In-Confidence

 QueenslandRail

Table of Contents

1. Introduction	2
2. Background	2
3. Proposed West Moreton Access Terms	3
3.1 Summary	3
3.2 Sustainable West Moreton Capacity	6
3.3 Loss Capitalisation	6
3.4 Capital Expenditure Review and True-Up Process	8
3.5 Opening Asset Base and other amendments	10
4. Other Matters	12
4.1 Treatment for increased coal volume	12
4.2 Renewals (West Moreton)	12
4.3 Negotiated Reference Tariff for Single Mine System	13
5. Conclusion	13
Attachment 1 - AECOM Memorandum to Queensland Rail	14
Attachment 2 – Proposed DAU3 Drafting in Markup	15

1. Introduction

Queensland Rail welcomes the opportunity to respond to the Queensland Competition Authority's (QCA) Final Decision on Queensland Rail's Draft Access Undertaking (DAU3). The Decision is final in respect of non-tariff matters, seeking responses to tariff matters. Submissions are due by 14 April 2025. This submission addresses key areas identified by the QCA for final consideration and comment regarding West Moreton System coal access terms.

Queensland Rail supports the inclusion of a transparent, cost-reflective reference tariff on the West Moreton System. While Queensland Rail agrees with the QCA's position to adopt an initial (Scenario 2) forecast of 7.5 mtpa, it considers that system tonnages may increase to 9.6 mtpa if all three West Moreton coal mines are producing to their stated capacity.

Queensland Rail maintains that the QCA's decision should fully account for appropriate cost recovery, system sustainability, and the long-term viability of the West Moreton System, particularly if volumes increase beyond 7.5 mtpa. Queensland Rail supports the QCA's preference to finalise a reference tariff based on the 7.5 mtpa forecast, recognising the importance of regulatory and commercial certainty.

To support this objective, Queensland Rail has extensively engaged with West Moreton users to develop a mutually beneficial reference tariff framework. The outcomes of these discussions are reflected in this submission.

2. Background

Queensland Rail submitted DAU3 and its accompanying explanatory documents to the QCA on 10 November 2023. DAU3 is intended to replace the current access undertaking (AU2) on 1 July 2025 and remain in place until 30 June 2030.

The QCA published its Final Decision on 24 March 2025 (**Decision**). The Decision was final in respect of non-tariff matters and provided draft positions on West Moreton access terms. The QCA invited further comment on West Moreton access terms by 14 April 2025. The QCA's draft positions include:

- Establishment of a reference tariff for West Moreton, with a proposed tariff of \$38.29 per '000 gtk (\$FY26) for 7.5 mtpa (still to be subject to the updating of time dependent WACC variables).
- Capacity assessment determining 7.5 mtpa as achievable, with 9.6 mtpa requiring further capital investment.
- Efficient cost allocation set at \$434.7 million for 7.5 mtpa over the five-year term.
- Introduction of annual true-up and capital review mechanisms.

Queensland Rail has engaged extensively with stakeholders throughout the DAU3 process. In developing its positions, Queensland Rail consulted with industry participants, incorporated user feedback into access terms, and considered alternative tariff structures. The collaborative process has led to refinements in the West Moreton access terms and efficiency mechanisms that address key concerns raised in the QCA's review.

3. Proposed West Moreton Access Terms

3.1 Summary

Queensland Rail supports a transparent, cost-reflective framework that provides certainty to access holders while ensuring the long-term sustainability of the West Moreton System. Throughout the DAU3 process, Queensland Rail has engaged extensively with coal end users, who have expressed a strong preference for maintaining the building block approach and have sought the QCA’s guidance in reconciling differences in reference tariff pricing and operational matters¹.

Despite concerted efforts to reach a final agreement with all users on a package of measures, some key differences remained unresolved. [REDACTED]

[REDACTED] Subsequently, Queensland Rail has largely accepted the QCA’s determination while proposing targeted amendments to improve practical workability and regulatory certainty.

While Queensland Rail accepts the majority of the proposed West Moreton access terms (including the determination of a reference tariff, investment efficiency mechanisms, and annual capital cost reconciliation) it maintains that the determination of sustainable ceiling capacity requires further consideration. Queensland Rail believes that 9.6 mtpa remains viable if operational and contingency factors are fully incorporated into the capacity assessment.

Queensland Rail has also proposed a structured approach to the settlement of the West Moreton Loss Capitalisation Account, in order to resolve the balance within the DAU3 period. The proposed mechanism balances considerations for access holders while ensuring Queensland Rail maintains regulatory and commercial certainty.

The table below outlines Queensland Rail’s position on the finalised West Moreton access terms relative to the QCA’s draft determination.

Table 1: Summary of Queensland Rail position on DAU3 West Moreton Access Terms

Issue	Description	Comments
Appropriate use of reference tariffs	The QCA agrees that including a West Moreton reference tariff is appropriate, as it is supported by stakeholders.	Accepted Queensland Rail supports the establishment of a reference tariff, that provides for a regulated return on an efficient cost base and aligns with the operational realities of the system.
Sustainable West Moreton capacity	The QCA considers 7.5 mtpa to be achievable with efficiency measures but views 9.6 mtpa as unfeasible under current constraints.	Accepted Subject to Comment Queensland Rail maintains that 9.6 mtpa is achievable under optimised operational conditions not accounted for in the QCA/Arcadis analysis. See section 3.2

¹ Yancoal Collaborative Submission QR AU3 Access Undertaking, 7 February 2025, p.2; and New Hope Ground Response to QCA Discussion Paper December 2024, 7 February 2025; p.3

Issue	Description	Comments
Coordination and non-price terms	The QCA has suggested that the West Moreton capital program should be delivered in agreement with customers to ensure efficient management of the system.	Accepted Queensland Rail is developing Corridor Plans for each of the major systems that will help refine its capital strategy to enhance asset management, balancing risk and customer engagement.
Loss Capitalisation	The QCA's position on the treatment of the Loss Capitalisation Account would benefit from further clarification. Table 8 of the determination suggests that the balance will be incorporated into the West Moreton Regulatory Asset Base (RAB), whereas subsequent correspondence from the QCA ² indicates that the forecast balance is intended to be included in the allowable revenue and smoothed over the DAU3 period. However, the stated reference tariff does not appear to transparently reflect either of these approaches. In addition, Table 8 contains inconsistencies including mislabelled items and discrepancies in the totals presented.	Not Accepted Queensland Rail proposes a more balanced approach that considers both regulatory certainty and the interests of coal end users that would also see the full resolution of the account balance by the end of DAU3 (i.e. a refined version of the New Hope proposal). See section 3.3
Capital expenditure review process	The QCA proposes amendments to enhance customer consultation on capital investment planning.	Conditionally Accepted Queensland Rail supports a structured capital expenditure review to align with operational requirements, safety considerations, and customer expectations with some proposed changes. See section 3.4
Capital indicator review and annual true-up	The QCA supports an annual true-up process, as proposed by customers, to improve investment efficiency.	Conditionally Accepted Queensland Rail supports an annual true-up process to align actual costs with financial forecasts, ensuring transparency and efficiency. A revised version, incorporating workability amendments, has been discussed with stakeholders. See section 3.4
Accelerated depreciation to address asset stranding risk	The QCA suggests that Queensland Rail and customers negotiate contractual terms to address asset stranding and security of access.	Accepted Queensland Rail acknowledges the need to balance asset stranding risk with evolving market conditions. Queensland Rail has also provided a treatment for (coal) Renewals. See section 4.2.
Transitional provisions for reference tariff adjustments post-approval	The QCA proposes transitional provisions to allow for cost recovery adjustments after the reference tariff approval.	Accepted Queensland Rail supports transitional arrangements to manage cost adjustments.
West Moreton efficient costs	The QCA approves a total revenue requirement of \$434.7 million for 7.5 mtpa, rather than Queensland Rail's proposed \$501 million for (Scenario 1a) 9.6 mtpa.	Conditionally Accepted Queensland Rail accepts the 7.5 mtpa revenue determination (adjusted for expected variables) but retains the right to explore future capacity

² Email correspondence to New Hope, Allens and Queensland Rail, 08 April 2025

Issue	Description	Comments
		expansions. The \$501 million revenue requirement remains justified for 9.6 mtpa (Scenario 1a). See sections 3.2 and 4.1
Appropriate reference tariff	The QCA set the reference tariff at \$38.29/000 gtk for 7.5 mtpa	Conditionally Accepted Queensland Rail accepts the reference tariff subject to some rectifications (including revising the treatment of Loss Capitalisation, reflection of up-to-date West Moreton RAB roll-forwards and the updating of time-dependent WACC variables). The reference tariff will be subject to periodic adjustments based on cost variables, with ongoing true ups linked to capital reviews. A volume threshold is proposed for short run volume changes. See sections 3.3 and 4.1

Table 2: West Moreton Reference Tariff building blocks summary

Item	7.5 mtpa submission	QCA indicative estimate	Comments
Opening regulatory asset base[^]	\$535.2m, of which \$446.2m allocated to coal services	\$594.4m of which \$497.0m allocated to coal services	Roll-forward to be based on actual inflation, capital expenditure, and other relevant adjustments. The QCA's indicative estimate of the opening value needs to be reviewed to reflect up-to-date West Moreton RAB roll-forwards.
WACC[^]	7.39%	7.39%	The final WACC will reflect time-dependent variables and economic conditions
Capital Expenditure^{^^}	\$256.6m	\$223m	A 20% reduction has been applied to the DAU3 capital indicator for FY28-FY30. If Queensland Rail delivers the full capital program as submitted, the balance will be subject to the capital indicator review and true up process.
Maintenance	\$141.3m	\$141.3m	As per Queensland Rail 7.5 mtpa submission.
Operating Expenditure	\$74.6m	\$74.6m	As per Queensland Rail 7.5 mtpa submission.
Asset lives	New: 14 years Existing: 19 years	All 19 years	Queensland Rail accepts the 19-year asset life for both new and existing assets.
Appreciation[^]	RAB escalated by inflation forecast to be 3%, reducing to	RAB escalated by inflation forecast to be 3% reducing to	Consistent approach across both Queensland Rail's submission and the QCA's determination.

Item	7.5 mtpa submission	QCA indicative estimate	Comments
	2.5% for the final 2 years of the AU3 period	2.5% for the final 2 years of the AU3 period	
Metropolitan system reference tariff	Escalate by CPI	Escalate by CPI	CPI-based escalation maintained.
Allowable revenue[^]	\$428.6m	\$434.7m	Queensland Rail conditionally accepts the QCA's determination in-principle based on the proposed building blocks as the allowable revenue, subject to the relevant adjustments as above.

([^]) Subject to adjustment based on actual inflation, expenditure, and other time-dependent variables over the regulatory period.

(^{^^}) Subject to adjustment through the Capital Review process, including potential reinstatement of reductions if Queensland Rail delivers the full capital program as submitted.

3.2 Sustainable West Moreton Capacity

The QCA's assessment, based on Arcadis' analysis, suggests that 7.5 mtpa is the maximum achievable volume under current operational constraints. However, Queensland Rail maintains that 9.6 mtpa remains a viable scenario if key operational factors such as contingency allowances, alternative train paths, and operational efficiencies are fully considered.

A key concern is that the QCA's approach relies on a high-level assessment by Arcadis, which does not reflect Queensland Rail's bottom-up methodology. The assessment also does not fully account for system resilience factors such as coal train movements during Brisbane Metropolitan system closures, alternative train paths, or port loading constraints. These elements are critical in determining actual network capacity.

Queensland Rail has subsequently re-engaged Aecom Australia (**AECOM**) to review the QCA's determination as well as Arcadis' supplementary advice to the QCA.

AECOM's memorandum to Queensland Rail (**Attachment 1**) provides a structured summary of key issues raised, outlining specific areas of clarification.

Queensland Rail acknowledges that establishing a 7.5 mtpa profile is the immediate priority for providing regulatory and commercial certainty. In the interest of progressing DAU3, while Queensland Rail is no longer seeking a reference tariff approval at this stage for 9.6 mtpa, it remains essential that these capacity assumptions are properly reassessed should sustained volumes beyond 7.5 mtpa materialise.

3.3 Loss Capitalisation

The QCA's Final Decision incorporates Loss Capitalisation into the regulatory framework for the West Moreton System. While the QCA did not explicitly set out the full detail of its treatment, Table 8 of the Final Decision appears to suggest that the balance of the Loss Capitalisation Account is to be included in the West Moreton Regulatory Asset Base (**RAB**). If so, Queensland Rail assumes that the capitalised balance would be amortised over a 19-year period, consistent with the approved asset lives, and allocated to the coal-specific, rather than common network assets, for the purposes of reference tariff building blocks.

However, there appears to be a material inconsistency between Table 8 of the Decision and the QCA's subsequent correspondence³ regarding the treatment of the forecast Loss Capitalisation Account balance. The correspondence indicates that it was the QCA's intention to include the balance in the allowable revenue and smooth it over the DAU3 period, i.e. similar to the approach used for capital expenditure carryover adjustments. This interpretation differs from what is implied in Table 8, creating uncertainty for both Queensland Rail and coal end users. When Queensland Rail models the QCA's intended treatment, both including and excluding the Loss Capitalisation balance in the allowable revenue, the resulting reference tariff does not align with the QCA's published figure of \$38.29/000 gtk.

Consistent with the approach of adding the Loss Capitalisation Account balance to DAU3 allowable revenue, Queensland Rail considers that capital losses accrued under AU2 should also be fully resolved by the end of the DAU3 period. However, to achieve a more balanced approach that considers both regulatory certainty and the interests of coal end users (appropriately aligned with market conditions), Queensland Rail proposes a refined version of the New Hope recovery mechanism⁴. This approach links the recovery of the Loss Capitalisation balance to a coal price benchmark, ensuring that users are not unduly burdened during periods of weaker market conditions.

This proposal builds on the framework originally introduced in the development of AU2, where Loss Capitalisation was to be recovered through a calibrated premium applied above the ceiling reference tariff (following volume recovery). The core principle remains that recovery should be efficient, fair and aligned with market conditions. However, the refined mechanism ensures that cost recovery is more dynamic, reducing financial strain on users when market conditions are less favourable.

Under Queensland Rail's proposal, the Loss Capitalisation Account will continue to be escalated in line with AU2 methodology. DAU3 West Moreton Reference Tariffs will be set to fully recover Allowable Revenue based on forecast tonnages, ensuring no further capitalisation of losses in DAU3. Any balance remaining will also be reduced to zero at the conclusion of DAU3.

The proposed mechanism includes a Recovery Charge, which would only be triggered if coal prices exceed a predetermined threshold. This approach:

- Ensures the Loss Capitalisation balance is fully resolved within DAU3, rather than spreading costs over an extended period.
- Aligns recovery with favourable market conditions, protecting customers from additional costs during low-price periods.
- Introduces a review mechanism that allows adjustments for exceptional tonnage variations, providing flexibility while maintaining regulatory oversight.

The proposed Recovery Charge mechanism is structured as follows:

- 1. Escalation of Balance:** The 30 June 2025 Loss Capitalisation Account balance will continue to be escalated in the same manner as AU2.
- 2. No Further Capitalisation:** DAU3 Reference Tariffs will fully recover Allowable Revenue based on forecast tonnage, ensuring no additional losses are capitalised.
- 3. Tonnage Risk Allocation:** Queensland Rail bears risk/benefit within a reasonable tonnage range. If actual tonnages fall outside that range, an open review mechanism will apply ultimately requiring a QCA determination on appropriate adjustments rather than a rigid formula.

³ Email correspondence to New Hope, Allens and Queensland Rail, 08 April 2025

⁴ New Hope Group Response to QCA Discussion Paper DAU3 7 February 2025; Schedule 2

4. Recovery Charge Trigger:

- If, in any 12-month period ending 31 December 2025, 2026, 2027, or 2028, the Average Coal Price (based on the API5 index) exceeds the Threshold Coal Price (AUD 150/t), a Recovery Charge will apply from 1 July of the following financial year.
- If the Average Coal Price exceeds the Upper Threshold Coal Price (AUD 175/t), a higher charge applies.

5. Recovery Charge Structure:

- If the Average Coal Price is between AUD 150/t and AUD 175/t, AT1 and AT2 will increase by 5%.
- If the Average Coal Price exceeds AUD 175/t, AT1 and AT2 will increase by 10%.

6. Charge Application: The Recovery Charge will be applied as an adjustment to Allowable Revenue, impacting both Reference Tariffs and Take-or-Pay obligations.

7. Rebate Offset Mechanism: Recovery Charges will be deducted from the Loss Capitalisation Account monthly and offset against each company's Rebate Capitalisation Account. If the Recovery Charge is lower than the balance in the Rebate Capitalisation Account, no Recovery Charge will be invoiced.

[Redacted content]

Overall, this market-responsive mechanism ensures Queensland Rail can recover past losses when market conditions allow, while minimising costs to users during downturns, providing an equitable and practical pathway toward resolution of the account within DAU3.

Queensland Rail's proposed Loss Capitalisation drafting (and corresponding amendments to the reference tariff provisions) is provided in **Attachment 2**.

3.4 Capital Expenditure Review and True-Up Process

3.4.1 Background

The QCA's determination largely aligns with the capital expenditure adjustment process initially proposed by New Hope⁵, incorporating a true-up mechanism to reconcile actual capital expenditure with forecasted amounts. While Queensland Rail acknowledges the QCA's intent, it has worked extensively with stakeholders to refine the process, ensuring practical implementation while enhancing transparency and regulatory certainty.

Queensland Rail's proposed changes focus on balancing user involvement, administrative feasibility, and cost recovery accuracy, ensuring the mechanism is both effective and manageable. These changes reflect user consultation and aim to address concerns regarding workability and regulatory clarity.

3.4.2 Proposed Capital Expenditure True-Up Process

⁵ New Hope Group Response to QCA Discussion Paper DAU3 7 February 2025; Schedule 2

The adjusted mechanism incorporates a structured Capital Expenditure True-Up Process, ensuring that access charges align more closely with actual investment levels while maintaining a reasonable degree of regulatory certainty:

1. Annual Capital Expenditure Report Submission

- Queensland Rail will submit an Annual Capital Expenditure Report after the end of each financial year, detailing actual expenditure for that year, pending QCA review.

2. Comparison to Capital Indicator

- The submitted report will be compared against the forecasted capital expenditure (Capital Indicator) used to set reference tariffs. Variances exceeding \$30 million in a given financial year or a cumulative variance that is unlikely to be reduced to less than \$30 million within 12 months will trigger tariff adjustments.

3. Tariff Adjustments with a Two-Year Lag

- Adjustments to reference tariffs will be made on a two-year delay, this is both a consequence of the timing of reporting (after the end of the subject financial year) and enabling time for review and assessment.
- Example:
 - FY26 Capital Expenditure Report → Tariff adjustment applied in FY28
 - FY27 Capital Expenditure Report → Tariff adjustment applied in FY29
 - FY28 Capital Expenditure Report → Tariff adjustment applied in FY30

4. Materiality Threshold

- Variances under \$30 million in a financial year, or cumulative variances where it is likely to reduce to less than \$30m within 12 months, will not result in tariff adjustments, ensuring minor fluctuations do not cause unnecessary tariff changes.

5. Post-QCA Approval Adjustments

- Following QCA approval of capital expenditure, any differences between submitted and approved expenditure will be reconciled.

6. Capital Carryover Account

- For capital expenditure incurred towards the end of DAU3 that exceeds forecasted amounts, any difference will be carried over into the next regulatory period.
- The account ensures that investments made late in the period are appropriately reflected in future tariffs. The carryover account helps smooth tariff adjustments, providing stakeholders with more predictable pricing while still aligning costs with actual capital expenditures.

Queensland Rail's proposed drafting in markup for the amended process is provided in **Attachment 2**.

3.4.3 User Engagement Considerations

The QCA's determination addressed concerns about insufficient customer involvement in capital expenditure decisions with proposed changes emphasising greater consultation with users, the

requirement for detailed business cases, and a mechanism for preapproval. While Queensland Rail remains cautious about the risks associated with these changes, it has proposed key amendments aimed at achieving regulatory certainty and addressing the concerns raised in the decision.

These revisions are intended to enhance the transparency, user engagement, and regulatory certainty of the process, while balancing the need for greater customer involvement with the practicalities of maintaining system capacity, safety, and operational efficiency.

Key amendments include:

- **Approval by Majority:** Capital expenditure will be accepted if 60% of total votes (based on contracted train paths over the next 5 years including those likely to be renewed) held by users approve it, providing a clearer threshold.
- **Transparency in Rejections:** Users who vote against a project must provide reasons, shared with both Queensland Rail and the QCA. This increases transparency by making reasons for rejection clear to Queensland Rail as the infrastructure manager, which can help improve future projects and decision-making processes.

Queensland Rail's proposed drafting in markup for the amended process is provided in **Attachment 2**.

3.4.4 Key Elements of the Revised Capital Expenditure Framework

The revised process now offers users greater involvement in capital expenditure outcomes with the following key elements:

- **Increased Transparency:** Queensland Rail's annual reports will continue to provide detailed, ongoing updates to access holders, improving coordination and ensuring stakeholders are informed about investment priorities.
- **Enhanced Cost Recovery Framework:** The true-up mechanism ensures that capital costs are recovered based on actual investments, reducing tariff fluctuations while ensuring alignment with the system's evolving needs.
- **Greater User Agency:** Through enhanced consultation, users will have a clearer role in influencing Queensland Rail's investment decisions, promoting better alignment with stakeholder priorities and needs.
- **Administrative Burden:** While Queensland Rail remains revenue-neutral under this framework, the revised approach introduces a significant increase in administrative duties, due to the need for ongoing detailed user engagement, reconciliation with financial decision making, annual true-ups, the effect of QCA determinations, and tracking of adjustments across multiple regulatory periods.

3.5 Opening Asset Base and other amendments

Several elements of the QCA's determination for the proposed West Moreton building blocks contain discrepancies between the text and the data provided (see Decision Table 8)⁶. Queensland Rail has adjusted these with commentary in the below table.

⁶ QCA Decision Queensland Rail 2025 Draft Access Undertaking March 2025; p. 108

Table 3: Adjustments to the Opening Asset Base

Item	QCA \$m	Queensland Rail Adjusted \$m	Comments on QCA Numbers
2022-23 Regulated Asset Base	469.2	528.2	The layout of Decision Table 8 implies that \$469.2m is the closing value of the 2022-23 RAB but it is in fact the opening value. The QCA confirmed on 24 October 2024 it was satisfied with a \$528.2m 2022-23 closing value.
2023-24 Claimed Capital Expenditure	44.9	20.2	\$44.9m represents 2022-23 approved capital expenditure not 2023-24 claimed capital expenditure (note that 2023-24 claimed capital expenditure has subsequently been approved by the QCA on 20 March 2025).
2024-25 Proposed Capital Expenditure	20.2	51.3	\$20.2m represents 2023-24 approved capital expenditure not 2024-25 proposed capital expenditure. 2024-25 capital expenditure has been included in Queensland Rail modelling of the opening DAU3 RAB at a forecast of \$51.3m.
2023-24 Loss Capitalisation	23.1	-	Subsequent correspondence from the QCA suggests this amount should not have been included in Table 8 as their treatment of AU2 capital losses did not involve adding it to the West Moreton RAB. Queensland Rail has proposed an alternative treatment of AU2 capital losses that differs from the QCA's but similarly does not add it to the West Moreton RAB. See section 3.3.
2025 DAU Opening Regulatory Asset Base	594.4	596.9	Queensland Rail models an opening DAU3 RAB (full) of \$596.9m that incorporates the 2022-23 roll-forward (values already confirmed by the QCA) and the soon to be submitted 2023-24 roll-forward (due 18 April 2025) as well as a forecast of \$51.3m in 2024-25 capital expenditure. The QCA should review the roll-forwards to align depreciation over the remaining term of AU2 to be consistent with the specific regulatory asset classes contained in those roll-forwards.
Opening Regulatory Asset Base Allocated to Coal	497.0	499.1	Similar to the above, the QCA should adjust for the specific regulatory asset classes contained in West Moreton RAB roll-forwards, i.e. will impact AU2 depreciation, to determine an opening DAU3 RAB (coal allocated) value.

Further QCA modelling of the AU3 West Moreton reference tariff requires rectification of any AU2 roll-forward discrepancies, the removal of any accumulated AU2 capital losses (as per the treatment of Loss Capitalisation in the refined New Hope proposal) and the updating of time-dependent WACC variables.

4. Other Matters

4.1 Treatment for increased coal volume

Queensland Rail recognises the importance of providing a flexible framework to accommodate potential increases in coal volumes that are above the 7.5 mtpa reference tariff profile (adopted for DAU3) but remain short of the step-change required to transition to full capacity railings. To this end, Queensland Rail has consulted with stakeholders on an appropriate mechanism to manage the additional railings should they materialise during the undertaking period.

Should operations at New Wilkie recommence (as is expected) stakeholders have indicated a strong preference for clarity and certainty around the applicable reference tariff. In response, Queensland Rail proposes that the 7.5 mtpa West Moreton reference tariff be maintained and continue to apply up to a defined volume threshold of 8.1 mtpa. [REDACTED]

[REDACTED]. The 8.1 mtpa threshold would be monitored on the basis of a six-month rolling average of railings exceeding 4.05 mt. Loss Capitalisation provisions (see section 3.3) would be expected to apply to New Wilkie through this period.

Should volumes consistently exceed this threshold and are supported by contractual commitments of around 9.6 mtpa in total, Queensland Rail proposes that the reference tariff be reviewed through a Draft Amending Access Undertaking (DAAU). This process would allow appropriate amendments to the reference tariff and associated terms based on actual volume outcomes and longer-term forecast changes. In parallel, the proposed capital review process (see section 3.4.2) will also have to provide a mechanism for recovery of costs linked to capacity-enabling investments.

This proposed framework is intended to strike a balance between regulatory and commercial certainty for stakeholders, providing a clear path forward for both Queensland Rail and access holders in the near term.

4.2 Renewals (West Moreton)

In the QCA's determination, the QCA reaffirmed its view that user asset stranding risks beyond those considered in the reference tariff arrangements are best managed through negotiated agreements between the parties⁷. Queensland Rail agrees with this approach and has consulted on drafting to support a structured and equitable renewal process for existing West Moreton access holders.

Queensland Rail is willing to negotiate in good faith with existing coal access holders on renewal terms that provide a minimum renewal term of:

- 10 years from the expiry date of the current Access Agreement; or
- The remaining life of the mine, whichever is greater.

⁷ QCA Decision Queensland Rail 2025 Draft Access Undertaking March 2025; p.105

This framework provides flexibility to tailor agreements based on mine life forecasts to support continued operation and investment clarity for coal producers.

Queensland Rail's proposed drafting for the amended process is provided in markup within **Attachment 2**.

4.3 Negotiated Reference Tariff for Single Mine System

Queensland Rail has expressed its preference for a framework that allows for negotiated access terms in scenarios where the West Moreton System services a single coal user (over the reasonably foreseeable term)⁸. In those circumstances, Queensland Rail would aim to establish a mutually agreeable access charge that reflects the specific operational and commercial circumstances of the route or system at that time.

The move from a reference tariff to an access charge, delivered consistent with pricing principles and negotiation frameworks of DAU3, would be developed to ensure a reasonable allocation of risk between the parties. This framework would also balance regulatory oversight with the commercial flexibility required to support a single mine-operation.

On this basis, Queensland Rail has provided proposed drafting for this scenario. A DAAU would enable the undertaking changes necessary to facilitate the transition, with QCA oversight delivered through the approval process.

The provided drafting is intended to deliver regulatory and commercial certainty to users to assist in long-term planning and investment. The proposed section is provided in markup in **Attachment 2**.

5. Conclusion

Queensland Rail's finalised West Moreton access terms proposal strikes a balance between cost recovery, system efficiency, and long-term investment sustainability, albeit at the expense of increased administrative burden and other key risks highlighted through the DAU3 submission process.

Queensland Rail has identified several reference tariff building blocks within this submission that will require revision, which will impact the final headline rate.

Queensland Rail appreciates the opportunity to contribute to this process and looks forward to further collaboration with the QCA and industry participants.

⁸ Queensland Rail's Response to the QCA's Draft Decision, 8 November 2024, p.56

Attachment 1 - AECOM Memorandum to Queensland Rail

3 April 2025

Neil Buckley (Neil.Buckley@qr.com.au)
Matthew Byrnes (Matthew.Byrnes@qr.com.au)

Dear Neil,

QCA Final Decision, AECOM Remarks

The Queensland Competition Authority (QCA) published its Final Decision¹ (Decision) on Queensland Rail's (QR) Draft Access Undertaking 3² (DAU3) on 24 March 2025. This Decision was supported by a memorandum³ of remarks made by Arcadis to support the decisions made by the QCA.

To conclude the current regulatory process for DAU3, AECOM writes this response in support of the advice and analysis that has been provided to QR throughout this process.

Table 1 lists AECOM's responses towards statements within the QCA Decision.

Table 1 AECOM Response to the QCA Decision

Statement	AECOM Response
1. <i>'However, we note that, even when using Queensland Rail's preferred assumptions, the results of the analysis by AECOM show only minor differences with Arcadis' results (Table 6)' – p98</i>	<p>AECOM's recommended approach to calculating operational capacity is stated in its Response to the QCA Discussion Paper as 'it is recommended that deriving calculations using a bottom-up methodology is a more realistic approach.' This is consistent and supportive of the approach that QR has used to conclude that sufficient operational capacity exists to support the movement of both 9.6 mtpa and 7.5 mtpa while acknowledging that the 9.6 mtpa scenario would have reduced tolerance for lost possession.</p> <p>The use of preferred assumptions in the Arcadis model was taken to evidence the inaccuracies of the Arcadis conclusions and demonstrate that despite this approach, both scenarios are achievable with up to 10% tolerance of utilisation for 7.5 mtpa.</p>

¹ Queensland Competition Authority, Queensland Rail 2025 draft access undertaking Decision, March 2025

² Queensland Rail's Collaborative Submission on Queensland Rail's Draft Access Undertaking 3 (DAU3), 8 November 2024

³ Arcadis, Answer to Queensland Rail's Response to the QCA's Discussion Paper on Queensland Rail's Draft Access Undertaking 3 (DAU3), 28 February 2025

Statement	AECOM Response
<p>2. <i>'These utilisation rates would leave very little resilience in the system to compensate for the everyday operational challenges faced on any rail system, particularly one with mixed traffics interacting with a complex metropolitan network.'</i> – p98</p>	<p>While AECOM acknowledges the 'little resilience in the system', there are several considerations that are not factored into the Arcadis model, which would decrease the capacity utilisation figures. These include:</p> <ul style="list-style-type: none"> • The existing train path allowance which QR allocated for contingency (624 hours per annum). <ul style="list-style-type: none"> ○ This consideration is supportive of the bottom-up approach taken by QR, where reasonable allowances for unplanned impacts on the system have been included in the calculations. • The continued throughput of coal trains in the metropolitan system during possession windows (see Section 1.1.1 of the AECOM Response). <ul style="list-style-type: none"> ○ During possession time allowed for metropolitan impacts, the coal trains are still able to move through the metropolitan system, albeit at a slowed and less predictable pace. ○ QR has alternate routes at its discretion should a train be impacted by the metropolitan system. <p>These factors are excluded from the operational capacity analysis both Arcadis and AECOM have provided to the QCA and, if properly considered in a detailed assessment, likely contribute towards a lower utilisation percentage required to facilitate both tonnage scenarios. In the event of Wilkie Creek mine resuming railings, it is recommended that a more detailed assessment of operational capacity be completed, factors into the above considerations.</p>

Table 2 lists AECOM's responses towards statements within the Arcadis memorandum.

Table 2 AECOM Response to the Arcadis Memo

Statement	AECOM Response
<p>1. <i>'it is apparent that QR supports the overall table and our high-level approach as evidenced by the acceptance of AECOM's incorporation of this table in their analysis'</i> – p3</p> <p>2. <i>'We would assume that referencing the spreadsheet and using it as a base for calculations means that QR agree with the underlying data in the spreadsheet'</i> – p10</p>	<p>AECOM's recommended approach to calculating operational capacity is stated in its Response to the QCA Discussion Paper as 'it is recommended that deriving calculations using a bottom-up methodology is a more realistic approach.' This is consistent and supportive of the approach that QR has used to derive sufficient operational capacity to support the movement of both 9.6 mtpa and 7.5 mtpa while acknowledging that the 9.6 mtpa scenario would have reduced tolerance for lost possession.</p> <p>The use of preferred assumptions in the Arcadis model was taken to evidence the inaccuracies of the Arcadis conclusions and demonstrate that despite this approach, both scenarios are evidenced to be achievable with up to 10% tolerance of utilisation for 7.5 mtpa.</p>

Statement	AECOM Response
3. <i>'Therefore, this calculation is not a thorough bottom-up approach, but a high level one, similar to the work of Arcadis.'</i> – p11	The original derivation of possession available and graphically presented crew size requirements to deliver the capital schedules (Figures 7-10 in the DAU3 Collaborative Submission) are the outcomes of a detailed bottom-up approach taken by QR.
4. <i>'We support the implementation of a true bottom-up approach'</i> – p11	QR has used the bottom-up assessment methodology to determine that sufficient operational capacity will be available to enable the delivery of works and movement of trains under both 9.6 mtpa and 7.5 mtpa scenarios. Both Arcadis and the QCA see benefits in more detailed analysis; however, it appears that the detailed bottom-up methodology originally used by QR has been overlooked.

AECOM appreciates QCA's recognition of the information gathered and the level of analysis provided to the QCA in order to make its Decision. AECOM will be happy to provide further input and analysis should the 9.6 mtpa tonnage scenario eventuate during the DAU3 period.

Kind regards

Susheel Prabhakar
Technical Director - Advisory
susheel.prabhakar@aecom.com
Mobile: +61 401 975 385

Attachment 2 – Proposed DAU3 Drafting in Markup

Loss Capitalisation

3.1 Calculation of the Reference Tariff

- (a) The Reference Tariff for a Reference Train Service is calculated as follows:

$$\left(AT_{1(W)} \times \frac{gtk_{(W)}}{1000} \right) + (AT_{2(W)} \times rtp_{(W)}) + \left(AT_{1(M)} \times \frac{gtk_{(M)}}{1000} \right) + (AT_{2(M)} \times rtp_{(M)}) + (QCA \text{ Levy} \times nt) + AC + TP$$

where:

AT_{1(M)} and **AT_{1(W)}** are the variable parts of the Reference Tariff specified as AT_{1(M)} and AT_{1(W)} in **clause 3(e)** (as varied, amended or replaced from time to time in accordance with this Undertaking (including, for clarity, as increased by the Recovery Charge, if any, payable under clause 8 of this Schedule D) or the QCA Act);

AT_{2(M)} and **AT_{2(W)}** are the fixed parts of the Reference Tariff specified as AT_{2(M)} and AT_{2(W)} in **clause 3(e)** (as varied, amended or replaced from time to time in accordance with this Undertaking (including, for clarity, as increased by the Recovery Charge, if any, payable under clause 8 of this Schedule D) or the QCA Act);

gtk_(W) is the gtk for the relevant Train Service relating to the West Moreton System;

gtk_(M) is the gtk for the relevant Train Service relating to the Metropolitan System;

rtp_(W) is the rtp for the relevant Train Service relating to the West Moreton System – which will be zero if the Train Service does not use the West Moreton System;

rtp_(M) is the rtp for the relevant Train Service relating to the Metropolitan System;

AC is any applicable Adjustment Charge (from time to time).

TP is any applicable Take or Pay Charge (from time to time).

- (b) For the purposes of the calculation under **clause 1.1(a)**, the amounts of AT_{1(M)}, AT_{1(W)}, AT_{2(M)}, AT_{2(W)}, the QCA Levy, any Adjustment Charge and any Take or Pay Charge are GST exclusive. An Access Charge calculated based on the Reference Tariff will have an amount for GST added to it.

- (c) For the purposes of this **schedule** Error! Reference source not found., a Train Service is a one way Train Service, that is, the journey from the Nominated Loading Facility to the Nominated Unloading Facility is one Train Service, and the return journey from the Nominated Unloading Facility to the Nominated Loading Facility is a second Train Service.
- (d) For the purposes of **clause 1.1(a)**, gtk will be assessed for the relevant Train Service over the billing period for the Access Charge which is based on the Reference Tariff being calculated.
- (e) The Reference Tariff Inputs (based on an assumed 7.5 mtpa volume) from the Approval Date will be those described in clause 3.1(f).
- (f) From the Approval Date, subject to **clause** Error! Reference source not found., the amounts of the Reference Tariff inputs are as follows: [

Reference Tariff Input	\$
	A Train Service operating between Jondaryan, Macalister or Columboola and Fisherman Islands
	1 July 2025
AT _{1(M)}	
AT _{2(M)}	
AT _{1(W)}	
AT _{2(W)}	
QCA Levy	Advised/Published Annually

Note: For clarity, for future Years, the amounts referred to in AT_{1(W)} and AT_{2(W)} may be subject to an increase for the Recovery Charge (if any) calculated in accordance with clause 8 of this schedule D.

- (g) The amounts of the Reference Tariff inputs set out in **clause 1.1(e)** (other than the amount of the Recovery Charge which will be calculated in accordance with clause 8 of this Schedule D) are calculated based on, amongst other things, the following Network capacity constraints (each a **Network Capacity Constraint**):
- (i) 97 available round trip paths for contracting by coal carrying Trains per week on the West Moreton System; and
 - (ii) a total capacity of 113 round trip Train Paths per week on the West Moreton System.

For the avoidance of doubt, any amendment to the amounts of the Reference Tariff inputs arising from an amendment to the Network Capacity Constraints must occur via a draft amending access undertaking pursuant to the QCA Act.

8 Loss Capitalisation Account

8.1 Application of loss capitalisation

This **clause 8** applies from the Approval Date.

8.2 Carry forward of Loss Capitalisation Account balance from AU2

- (a) On the Approval Date, an account will be established by Queensland Rail named the "Loss Capitalisation Account". The opening balance of the Loss Capitalisation Account will be the balance of the existing account of the same name established under AU2.
- (b) The opening balance in the Loss Capitalisation Account as at the Approval Date, (including accrued interest to date, together with any further interest accruing on that balance calculated in accordance with **clause 8.3**), is recoverable in accordance with this **clause 8**.

8.3 Applying interest to Loss Capitalisation Account

- (a) The amount in the Loss Capitalisation Account will accrue interest.
- (b) The interest applying to the amount in the Loss Capitalisation Account must be calculated:
 - (i) on the basis that the interest:
 - (A) accrues and is charged from day to day; and
 - (B) is capitalised at the end of each month and will thereafter itself bear interest; and
 - (ii) at the rate equal to, for interest accruing in a month:
 - (A) the mid-point of the one month Bank Bill Swap Rate as published by the Australian Financial Markets Association (or its successor) for the Business Day immediately prior to the 21st day of the previous month; or
 - (B) if that rate is no longer published, the rate will be an appropriate equivalent rate determined by Queensland Rail (acting reasonably).

8.4 Calculation and application of Recovery Charge

- (a) The amount of the Recovery Charge will be recoverable if, over any 12-month period ending 31 December 2025, 2026, 2027 and 2028 (**Relevant Year**), the Average Coal Price for that Relevant Year exceeds the Threshold Coal Price for that Relevant Year.
- (b) Any Recovery Charge payable will apply from 1 July of the following Year (for example, if the Threshold Coal Price is exceeded for the 12 months ending 31 December 2025, the Recovery Charge will be payable from 1 July 2026).

- (c) Where a Recovery Charge is payable, each of the Reference Tariff Inputs $AT_{1(W)}$ and $AT_{2(W)}$ will be increased for the next financial year commencing 1 July, by:
 - (i) 5%, where the Average Coal Price for the Relevant Year is greater than the Threshold Coal Price but less than the Upper Threshold Coal Price for that Relevant Year; or
 - (ii) 10%, where the Average Coal Price for the Relevant Year exceeds the Upper Threshold Coal Price for that Relevant Year.
- (d) Where a Recovery Charge is payable:
 - (i) the Allowable Revenue for the relevant Year will be increased by the amount of the Recovery Charge payable;
 - (ii) Access Charges (including Take or Pay payments) will be increased by the amount of the Recovery Charge payable; and
 - (iii) the adjustment of $AT_{1(W)}$ and $AT_{2(W)}$ in accordance with clause 8.4(c) will be treated as a change in a Reference Tariff Provision approved by the QCA for the purposes of clause 18.1 of the Standard Access Agreement (including any existing Access Agreements on the terms of the Standard Access Agreement).
- (e) For clarity, where the Recovery Charge is payable it will not be effected by any adjustment or review of the Reference Tariff and will continue to be calculated and collected in accordance with this clause 8 of Schedule D.

8.5 Reduction in Loss Capitalisation Account balance

- (a) The dollar value of the amount of the Recovery Charged paid by Access Holders as calculated in accordance with clause 8.4(c) will be reduced from the balance of the Loss Capitalisation Account monthly in arrears.
- (b) The Recovery Charge will cease to be payable at the time at which the balance of the Loss Capitalisation Account is zero.
- (c) In the event of any over-recovery in respect of the Loss Capitalisation Account by Queensland Rail, the amount of that over-recovery will be refunded to the relevant Access Holder(s) by Queensland Rail.

8.6 Capital Rebates

Each month the Recovery Charge will be offset against the respective Access Seeker's Rebate Capitalisation Account and no Recovery Charge will be payable by that Access Seeker unless it exceeds the balance of the Rebate Capitalisation Account.

8.7 Unrecovered balances

Any unrecovered balances in the Loss Capitalisation Account and Rebate Capitalisation Accounts will be reduced to zero on 30 June 2030.

Insert the following definitions in Part 7 of AU3:

“Average Coal Price” means the yearly average of each weekly API 5 Price Index (FOB) published in the Argus/McCloskey’s Coal Price Index Report, expressed in Australian dollars.

“Rebate Capitalisation Account” means in recognition for previous capital funding of upgrades of the West Moreton rail network by the respective Access Holders, Queensland Rail has maintained a Rebate Capitalisation Account for each applicable Access Holder that have accrued the capital funding rebates that would have been payable to them had the AU2 reference tariff been set to earn a return on these assets (i.e. ceiling revenue)

“Recovery Charge” means the amount by which $AT_{1(W)}$ and $AT_{2(W)}$ are increased in accordance with clause 8.4(c) of Schedule D.

“Threshold Coal Price” means AUD \$150 per tonne.

“Upper Threshold Coal Price” means AUD \$175 per tonne.

[Drafting note: The Standard Form Access Agreement to be submitted as part of AU3 will be amended to allow for the Recovery Charge to be applied in a manner consistent with the drafting set out in clause 8.]

Schedule E - Maintaining the Regulatory Asset Bases

...

7 Capital expenditure reconciliation

- (a) Queensland Rail will maintain registers in which it annually records all 'Submitted to be Approved' Capital Expenditure for each Year (including identifying the relevant capital expenditure by project) in relation to the West Moreton System and Metropolitan System.
- (b) As soon as practicable following the submission of capital expenditure reports to the QCA for Years 1, 2 and 3 of the Term, Queensland Rail will advise relevant Access Holders of the quantum of the difference between the 'Submitted to be Approved' Capital Expenditure for the applicable Year and the total of the Capital Indicator for the West Moreton System and Metropolitan System (as applicable) for the corresponding Year.
- (c) Any difference identified by Queensland Rail pursuant to clause 7(b) will be treated as:
 - (i) an under recovery of revenue, where the 'Submitted to be Approved' Capital Expenditure exceeds the relevant Capital Indicator; or
 - (ii) an over recovery of revenue, where the 'Submitted to be Approved' Capital Expenditure is less than the relevant Capital Indicator.
- (d) Any under recovery or over recovery of revenue will result in an adjustment to the Reference Tariffs for the Year following the process in clause 7(b) by an amount which reflects the change in 'Allowable Revenue' for the relevant Year. The Reference Tariffs to be adjusted in accordance with this clause will be the Reference Tariffs determined by the QCA as part of its Final Decision to approve this Undertaking, or if there has been an adjustment to the Reference Tariffs in accordance with this Undertaking, the adjusted Reference Tariffs.
- (e) The adjustment to the Reference Tariffs to be made in accordance with clause 7(d) will include:
 - (i) a return on capital component, calculated as the difference between the return on capital calculated based on the Capital Indicator for the relevant Year and the return on capital that should have applied based on the 'Submitted to be Approved' Capital Expenditure for the relevant Year;
 - (ii) a depreciation component, calculated as the difference between the depreciation calculated based on the Capital Indicator for the

relevant Year and the depreciation that should have applied for the 'Submitted to be Approved' Capital Expenditure for the relevant Year; and

- (iii) a tax depreciation component, calculated as the difference between the tax depreciation calculated based on the Capital Indicator for the relevant Year and the tax depreciation that should have applied for the 'Submitted to be Approved' Capital Expenditure for the relevant Year,

with the total of those adjustments rolled forward to the Year in which the adjustments will be made at the WACC, and with those components, and the changes to the Reference Tariffs calculated using the modelling parameters and assumptions used to determine the applicable Reference Tariffs.

By way of illustration any difference between the 'Submitted to be Approved' Capital Expenditure for Year 1 and the Capital Indicator for Year 1 will result in an adjustment to the Reference Tariffs applicable from the commencement of Year 3.

- (f) The adjustment process described in clause 7 of this Schedule E will not apply if the difference between the total of the Capital Indicator and the 'Submitted to be Approved' Capital Expenditure for the relevant Year is less than \$30m or if Queensland Rail can reasonably demonstrate that the cumulative difference is likely to reduce to less than \$30m within 12 months.
- (g) For the avoidance of doubt, where an adjustment has been applied under this clause 7 in respect of any Year, the 'Allowable Revenue' difference resulting from the difference in the Capital Indicator and total 'Submitted to be Approved' Capital Expenditure for the relevant Year will be excluded from any subsequent reconciliation adjustment process under this clause 7 and clause 8.
- (h) Where there is a difference in the quantum of 'Submitted to be Approved' Capital Expenditure and Capital Expenditure that is finally approved by the QCA and:
 - (i) the commencement of a financial year for which a planned adjustment is to be included has not yet occurred, then QCA Approved Capital Expenditure will be substituted for 'Submitted to be Approved' Capital Expenditure in the calculation of the planned adjustment; or
 - (ii) the commencement of a financial year for which a planned adjustment is to be included has already occurred, then the 'Allowable Revenue' difference between QCA Approved Capital Expenditure and 'Submitted to be Approved' Capital Expenditure will be the subject of its own adjustment to be included at the commencement of the next financial year.

8 Capital expenditure carryover account

- (a) If, at the end of the last Year of the Term, the Approved Capital Expenditure for Year 4, Year 5 or any unadjusted year (due to the application of clause 7(f) of this Schedule E) of the Term differs from the relevant Capital Indicator for West Moreton System or the Metropolitan System (as applicable), the difference will be entered in the Capital Expenditure Carryover Account. The balance recorded in the Capital Expenditure Carryover Account will be deemed as:
- (i) an under recovery of revenue, where the Approved Capital Expenditure exceeds the relevant Capital Indicator; or
 - (ii) an over recovery of revenue, where the Approved Capital Expenditure is less than the relevant Capital Indicator.
- (b) The balance recorded in the Capital Expenditure Carryover Account will include:
- (i) a return on capital component, calculated as the difference between the return on capital assumed for the relevant Capital Indicator and the return on capital that should have applied for the Approved Capital Expenditure, accrued at the WACC;
 - (ii) a depreciation component, calculated as the difference between the depreciation assumed for the relevant Capital Indicator and the depreciation that should have applied for the Approved Capital Expenditure; and
 - (iii) a tax depreciation component, calculated as the difference between the tax depreciation assumed for the relevant Capital Indicator and the tax depreciation that should have applied for the Approved Capital Expenditure, and will be calculated using the modelling parameters and assumptions used to determine the relevant Reference Tariff
- (c) The balance in the Capital Expenditure Carryover Account at the end of the Term will be rolled forward at the WACC.
- (d) The balance in the Capital Expenditure Carryover Account at the end of the Term will be taken into account when determining:
- (i) in relation to the West Moreton System, Reference Tariff; and
 - (ii) in relation to the Metropolitan System, the Reference Tariff input(s) relating to (in whole or part) the Regulatory Asset Base applicable to the Metropolitan System,

when setting Reference Tariffs in the next undertaking. In the event there is no next undertaking and the Reference Tariffs last applicable under this Undertaking were set at a level such that they would generate Expected Access Revenue equal to the Approved Ceiling Revenue Limit, the portion of the balance in the Capital Expenditure Carryover Account described in clause 8(b) will be recovered from, or returned to,

Access Holders (as the case may be) in the form of a single payment following the Terminating Date.

Schedule E - Maintaining the Regulatory Asset Bases

...

2 Acceptance of capital expenditure into the Regulatory Asset Base

2.1 Requirements for acceptance of capital expenditure into the Regulatory Asset Base

- (a) The QCA will accept capital expenditure in relation to the West Moreton System (and coal-specific infrastructure on the Metropolitan System) into a Regulatory Asset Base if that capital expenditure:
 - (i) is or has been accepted by the West Moreton Users in accordance with clause 2.3(f), or
 - (ii) is or has been accepted by the QCA as:
 - (A) prudent in scope in accordance with **clause 3**;
 - (B) prudent in the standard of works in accordance with **clause 4**; and
 - (C) prudent in cost in accordance with **clause 5**; and
 - (iii) has been incurred; and
 - (iv) either:
 - (A) the capital expenditure project has been commissioned; or
 - (B) formally discontinued.

...

2.2 Assessing prudence of capital expenditure

For the purposes of **clauses 3, 4 and 5**:

- (a) the QCA:
 - (i) in assessing whether capital expenditure is prudent:
 - (A) must only consider information available, or reasonably available, to Queensland Rail at the time of making the investment decision; and
 - (B) must consider any reasons provided by West Moreton Users when casting their vote to accept or not to accept a proposed capital expenditure; and
 - (C) may, as it considers necessary...

2.3 Seeking customer acceptance of capital expenditure

- (a) Queensland Rail must seek acceptance by the West Moreton Users under this clause 2.3 for:

- (i) any capital expenditure project or program of capital works within the West Moreton System anticipated to cost \$ 4 million or more (other than any capital expenditure incurred in response to an emergency) whether that cost is to be incurred in a single year, or over multiple years; or
 - (ii) any capital expenditure project or program of capital works that has previously been accepted by West Moreton Users under this clause 2.3 and either:
 - (A) has undergone a material change to the scope, standard or costs; or
 - (B) is to be commenced more than 2 years after the date that was proposed when the capital expenditure project was previously accepted.
- (b) In order to seek acceptance by the West Moreton Users of a capital expenditure project, Queensland Rail must at least 3 months prior to any funds (other than study costs) being committed to a capital expenditure project of the type described in clause 2.3(a):
 - (i) make available to West Moreton Users information on the relevant capital expenditure project which is material for assessing the prudence in the scope, standard of works and cost of the capital expenditure project, to a similar level of detail intended to be provided to the QCA when seeking acceptance of prudence (provided that Queensland Rail may require a West Moreton User to sign a confidentiality agreement on reasonable terms prior to providing it with any commercially sensitive information under this clause 2.3. Nothing in this clause 2.3(b) obliges Queensland Rail to provide confidential information of one West Moreton User to another West Moreton User); and
 - (ii) schedule a meeting with the West Moreton Users to discuss the capital expenditure project.
- (c) Queensland Rail is permitted to seek acceptance of multiple capital expenditure projects at the same time (and combine the information provided and meeting held for the purposes of clause 2.3(b) for each project), but where that occurs each such capital expenditure project will be voted on separately.
- (d) During the Voting Period:
 - (i) Queensland Rail must use reasonable endeavours to provide further information and engage in discussions with West Moreton Users where reasonably requested by a West Moreton User; and
 - (ii) each West Moreton User is to notify Queensland Rail of whether they accept or do not accept as prudent the capital expenditure project (and any failure to notify either such vote within the Voting Period, will result in that West Moreton User being deemed to have accepted the capital expenditure project as prudent).
- (e) If a West Moreton User votes:
 - (i) to not accept a capital expenditure project as prudent, it must provide its reasons for the vote to Queensland Rail and the QCA at the same time so that Queensland Rail and the QCA may understand its reasons;

- (ii) to accept a capital expenditure project as prudent, it may, but is not required to, provide any reasons for its decision.
- (f) The capital expenditure project will be considered to be accepted as prudent by the West Moreton Users for the purposes of clause 2.1(a)(i) if it is approved or deemed approved pursuant to clause 2.3(d)(ii):
 - (i) by a majority of West Moreton Users; and
 - (ii) that majority hold in aggregate at least 60% of the votes.
- (g) For a vote occurring under this clause 2.3, each West Moreton User has the number of votes equal to the aggregate Train Paths they have contracted on the West Moreton System across the next 5 Years after the Year in which the vote is occurring, subject to also including any Train Paths that are reasonably likely to be renewed or reapplied for before their expiry.
- (h) Queensland Rail must notify each of the West Moreton Users of the results of the vote for each capital expenditure project within five (5) Business Days after Queensland Rail has determined those results.
- (i) A vote resulting in non-acceptance does not prevent Queensland Rail from:
 - (i) proceeding with a capital expenditure project; and/or
 - (ii) seeking the QCA's acceptance of the same capital expenditure project.
- (j) For the purposes of this clause:
 - (i) **Voting Period** means:
 - (A) the period specified by Queensland Rail when providing information to West Moreton Users seeking acceptance, which must be at least six weeks after the first information is given; or
 - (B) such longer period as Queensland Rail and the West Moreton Users agree.
 - (ii) **West Moreton Users** means each Access Holder that has contracted coal train Access Rights on the West Moreton System.

2

...

2.10 Renewals

- (a) This **clause 2.10** will apply where all or any part of an Access Holder's existing Access Rights will expire and:
- (i) the Access Rights are in relation to the West Moreton System; and
 - (ii) the Access Holder or the Access Holder's Rolling Stock Operator (**Renewal Access Seeker**) wishes to extend or renew the term of its Access Agreement.
- (b) Where a Renewal Access Seeker submits a Renewal Application to Queensland Rail in respect of a Renewal within the Renewal Timeframe, Queensland Rail will negotiate with the Renewal Access Seeker in good faith to extend or renew the term of the relevant Access Agreement for a minimum term of:
- (i) 10 years from the expiry date of the Access Agreement; or
 - (ii) the remaining life of the relevant mine,
- whichever is greater.

2.11 Access Application for Existing Capacity

- (a) Where an Access Seeker (who is not a Renewal Access Seeker) submits an Access Application for Access Rights that can only be granted by using Capacity that will become Available Capacity on the expiry of Access Rights under an existing Access Agreement, Queensland Rail will notify:
- (i) the Access Holder for the expiring Access Agreement;
 - (ii) that Access Holder's Customer (if any); and
 - (iii) any relevant Renewal Access Seeker (if any) to whom **clause 2.11(b)** may apply,
- of Queensland Rail's receipt of that Access Application, as soon as reasonably practicable after receiving it.
- (b) Despite any other provision in this Undertaking and subject to **clause 2.11(c)**, Queensland Rail will not execute an Access Agreement with the Access Seeker referred to in **clause 2.11(a)** until the earlier of the time:
- (i) Renewal Access Seeker fails to, or cannot, submit a relevant Renewal Application to Queensland Rail in respect of the relevant Renewal within the Renewal Timeframe; or
 - (ii) where a Renewal Application has been submitted within the Renewal Timeframe, the negotiations with the Renewal Access Seeker have ended in accordance with **clause 2.7.1(b)** (subject to any extension of

time agreed in accordance with **clause 2.7.1(b)(ii)(C)** (which will apply)).

- (c) **Clause 2.11(b)** only applies where:
- (i) the clause has not been previously applied during the Term in connection with the relevant Available Capacity;
 - (ii) the relevant existing Access Agreement concerns coal carrying Train Services, other bulk mineral carrying Train Services or Train Services for carrying bulk products substantially derived from bulk minerals; and
 - (iii) the Access Rights have not previously been the subject of an Access Agreement entered into as a result of a Renewal Application which nominated a term equal to the remaining life of the relevant mine as notified in writing to Queensland Rail by the Access Rights holder at the relevant time (where it had no Customer) or otherwise the relevant Customer.
- (d) Nothing in this Undertaking prevents an Access Holder exercising contractual renewal rights set out in its Access Agreement. Exercise of such rights does not require lodgement of an Access Application.
- (e) Nothing in this **clause 2.11** obliges Queensland Rail to enter into an Access Agreement with a Renewal Access Seeker or to do so on the same terms as the relevant existing Access Agreement for the relevant existing Access Rights.

3 ...

3.5 Reference Tariffs

3.5.2 Negotiated Reference Tariff for Single Mine System

Where the West Moreton System becomes a Single Mine System:

- (a) the Reference Tariffs set out in Schedule D will no longer apply;
- (b) Queensland Rail agrees to seek to agree a new Reference Tariff with the Access Holder operating the remaining mine site on the West Moreton system; and
- (c) Queensland Rail will prepare a draft amending access undertaking for consideration by the QCA in accordance with section 142 of the QCA Act.

Part 7 Definitions

...

Renewal Access Seeker has the meaning given to that term in clause 2.9.

...

Single Mine System means all the coal carrying Train Services on the West Moreton System originate from a single mine site.