



Mr George Passmore
Queensland Competition Authority
Level 27, 145 Ann Street
Brisbane QLD 4001

Aurizon Network – FY2022 Annual review of Reference Tariffs – Variation of electric connection and transmission charges and Electric Energy Charge

17 March 2021

Dear George,

Aurizon Network's Annual Review of Reference Tariffs for the Financial Year commencing 1 July 2021 and ending 30 June 2022 (**FY22 ARRT**) was submitted to the QCA on 26 February 2021 in accordance with Schedule F, Clause 4.1 of the 2017 Access Undertaking (**UT5**).

UT5 provides a process through which Aurizon Network can:

- › update its Electric Operating Expenditure Allowance to reflect a change in the pricing of one or more Distribution Entities and/or Transmission Entities (Schedule F, Clause 5.2(b)); and
- › seek QCA approval to update its electric energy (**EC**) charge (Schedule F, Clause 2.2(a)).

The purpose of this submission is to amend the FY22 ARRT, specifically the:

- › AT5 Allowable Revenues and Reference Tariffs; and
- › EC Reference Tariff,

for the Blackwater and Goonyella Coal Systems, to reflect the latest information received from Transmission Network Service Providers (**TNSP**) and the Clean Energy Regulator.

Aurizon Network is submitting this update now, to enable this to be included within the QCA's consideration of the FY22 ARRT and Reference Tariffs from 1 July 2021.

Aurizon Network has outlined all required amendments within the following Appendix A and has provided amended copies of UT5 in clean and mark-up form. Updated financial models supporting the proposed amendments will be provided directly to the QCA. Aurizon Network claims confidentiality over the financial models as they contain customer specific information.

Should you have any queries in relation to this submission, please do not hesitate to contact Michael Bray on michael.bray@aurizon.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Jon Windle", written over a light blue horizontal line.

Jon Windle
Manager Regulation Network
Aurizon Network Pty Ltd

Appendix A: Amendments to the FY22 ARRT submission

At the time of Aurizon Network's FY22 ARRT submission, Aurizon Network had received neither the final forecast of the FY22 connection and transmission charges, nor the environmental RET liabilities from the Clean Energy Regulator. Consequently, Aurizon Network's FY2022 TNSP costs and electric energy charges reflected the cost forecasts provided for in FY2021¹.

Aurizon Network received updated pricing notifications:

- › from the Clean Energy Regulator, on 3 March 2021; and
- › from TNSPs, on 15 March 2021.

The remainder of this submission outlines the amendments and impact of these pricing notifications on AT5 Allowable Revenues, AT5 Reference Tariffs and EC charges proposed within the FY22 ARRT.

1. Adjustments to FY22 TNSP costs and impact on AT5 Allowable Revenues and Reference Tariffs

Aurizon Network's FY22 ARRT outlined Aurizon Network's proposed amendments to the FY2022 TNSP costs. These changes were outlined in Table 19 of the FY22 ARRT submission. Aurizon Network has amended Table 19 to reflect the latest pricing advice received from TNSPs on 15 March 2021.

These amendments result in a \$0.01 reduction of the AT5 Reference Tariff for both the Blackwater and Goonyella Coal Systems.

Updates to Table 19 FY2022 TNSP costs (\$m)

System	Current	FY22-ARRT	Amended	Variance
Blackwater	27.1	26.4	26.2	(0.9)
Goonyella	33.1	31.7	31.2	(1.9)
Total (\$m)	60.2	58.1	57.4	(2.8)

2. Adjustments to Electric Energy Charge

Aurizon Network's FY22 ARRT outlined Aurizon Network's proposed amendments to the FY2022 Electric Energy Charges. These changes were outlined in Tables 20 - 22 of the FY22 ARRT submission. Aurizon Network has amended each of these tables to reflect the latest pricing advice received from the Clean Energy Regulator on 3 March 2021 and the updated variable connection costs from the TNSPs on 15 March 2021.

Updates to Table 20 FY2022 Electric Energy Charges (\$m)

Electric Energy (\$m)	Current	FY22-ARRT	Amended	Variance
FY2022	63.5	51.6	53.9	(9.7)

For the purpose of setting a revised EC tariff for FY2022, Aurizon Network has taken into consideration of the proposed FY2022 volume reset.

¹ Aurizon Network, Annual Review of Reference Tariffs – FY2022, pg, 19.

The resulting EC tariff is as follows:

Updates to Table 21 FY2022 EC Tariff

EC Tariff (\$'000 egtk)	Current	FY22-ARRT	Amended	Variance
FY2022	0.90	0.83	0.87	(0.03)

Schedule F, clause 2.2(e) requires Aurizon Network to separately identify the Environment Compliance Charge and Variable Connection Charge within the proposed EC Reference Tariff. The relevant amounts are as follows:

Amended Table 22 Composition of proposed electric energy charge

Cost component	\$m	\$/'000 egtk
Consumption and Supply	36.0	0.58
Environment Compliance Charge	12.8	0.21
Variable Connection Charge	5.1	0.08
Total	53.9	0.87

3. Adjustments to AT5 Allowable Revenues and Reference Tariffs

Changes to the FY22 TNSP costs flow through to AT5 Allowable Revenues and Reference Tariffs for both the Blackwater and Goonyella Coal Systems.

Aurizon Network’s proposed Allowable Revenues for FY2022 were outlined in Table 28 of the FY22 ARRT submission. Aurizon Network has amended the AT5 Allowable Revenues outlined in Table 28 to reflect the updated TNSP costs. Aurizon Network submits the following adjusted Allowable Revenues to the QCA for approval:

Updates to Table 28 Proposed Allowable Revenues – FY2022

System	AT2-4	FY22-ARRT-AT5	Amended AT5
Blackwater	352.2	75.0	74.8
Goonyella	277.2	71.5	71.0
Moura	51.9	–	--
Newlands	34.1	–	--
GAPE	124.9	–	--
Total (\$m)	840.3	446.6	145.9

Aurizon Network’s proposed Reference Tariffs for FY2022 were outlined in Table 29 of the FY22 ARRT submission. Aurizon Network has amended the AT5 and EC Reference Tariffs outlined in Table 29 to reflect the updated TNSP costs and the updated environmental RET liabilities from the Clean Energy Regulator.

Aurizon Network submits the following adjusted Reference Tariffs to the QCA for approval:

Updates to Table 29 Proposed Reference Tariffs – FY2022

System	AT1	AT2	AT3	AT4	AT5	EC	QCA Levy	IE Pass Through Costs
Blackwater	0.99	2,429.76	7.18	2.56	2.97	0.87	0.0033	0.01485
Goonyella	0.68	1,539.39	5.09	1.03	1.96	0.87	0.0033	0.01485
Moura	1.84	719.63	11.11	1.80	--	--	0.0033	0.01485
Newlands	1.91	325.41	8.78	1.11	--	--	0.0033	0.01485
GAPE	1.54	15,106.30	1.24	1.91	--	--	0.0033	0.01485