

**Aurizon Network  
2017 Access Undertaking  
Updates to Reset Schedule F Preliminary Values**

**February 2023**



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# 1. Executive Summary

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## 1.1 Overview

This submission builds on:

- the Reset Schedule F Preliminary Values submitted to the Queensland Competition Authority (QCA) on 29 July 2022 (**Preliminary Submission**);
- the QCA's Draft Decision on the Reset Schedule F Preliminary Values, published on 17 November 2022; and
- Aurizon Network's response to the QCA's Draft Decision, submitted on 20 January 2023.

As foreshadowed in the above submissions, Aurizon Network is seeking to update the Reset Schedule F Preliminary Values proposed for FY2024 to FY2027 (**Reset Period**) to account for known outcomes and regulatory decisions. This approach was supported by the Queensland Resources Council in their submission on 23 December 2022 in response to the QCA Draft Decision.

Aurizon Network is also proposing updated Gtk Forecasts, which reflect the outcomes of engagement with End User mining customers.

Aurizon Network's 2017 Access Undertaking (**UT5**) provides that (subject to QCA approval) these values will form the basis of the FY2024 Gtk Forecasts, Allowable Revenues and Reference Tariffs for each Coal System. Please note that the values for subsequent years of the Reset Period will be updated:

- when Aurizon Network submits the 'final' Schedule F Reset Values (the Limited Update Inputs<sup>1</sup>) to complete the reset process by 31 July 2023; and
- through the Annual Review of Reference Tariff process in Schedule F of UT5.

This submission is intended to be read in conjunction with the Preliminary Submission and covers only those values that Aurizon Network is seeking to update.

Please note that capitalised terms within this submission have the meaning given to those terms in UT5, unless the context otherwise requires.

## 1.2 Preliminary System Forecasts

In establishing the preliminary System Forecasts for each Coal System in the Central Queensland Coal Network (**CQCN**), Aurizon Network's Preliminary Submission carried over the QCA approved volume forecasts for FY23 into each year of the Reset Period.

In November 2022, Aurizon Network engaged individually with End Users, seeking to understand their future coal tonnage forecasts for the Reset Period. The primary focus of this engagement was on

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<sup>1</sup> Limited Update Inputs include time-sensitive inputs such as the Reset WACC and Reset Inflation Rate, the Indirect Maintenance Cost Allowance and the Non-Electric Operating Expenditure Allowance and associated Tax and Working Capital Allowances.

FY2024, noting that the UT5 Annual Review of Reference Tariff process provides an opportunity to revise coal volume forecasts for the remaining years of the Reset Period.

The updated preliminary System Forecasts for each year of the Reset Period reflects the aggregate of all Origin / Destination pairings in each Coal System. These are summarised in Table 1 and Table 2 below as both million Net Tonnes (**mnt**) and Gross Tonne Kilometres (**GTK**) respectively.

**Table 1 Net Tonnes – Updated Preliminary System Forecasts – FY2024 to FY2027**

System	FY2024	FY2025	FY2026	FY2027
Blackwater	54.3	54.3	54.3	54.3
Goonyella	108.0	108.0	108.0	108.0
Moura	11.8	11.8	11.8	11.8
Newlands	16.4	16.4	16.4	16.4
GAPE	17.2	17.2	17.2	17.2
<b>Total</b>	<b>207.8</b>	<b>207.8</b>	<b>207.8</b>	<b>207.8</b>

**Table 2 GTK'000 – Updated Preliminary System Forecasts – FY2024 to FY2027**

System	FY2024	FY2025	FY2026	FY2027
Blackwater	31,564,059	31,564,059	31,564,059	31,564,059
Goonyella	34,710,988	34,710,988	34,710,988	34,710,988
Moura	3,100,730	3,100,730	3,100,730	3,100,730
Newlands	3,563,898	3,563,898	3,563,898	3,563,898
GAPE	8,991,152	8,991,152	8,991,152	8,991,152
<b>Total</b>	<b>81,930,826</b>	<b>81,930,826</b>	<b>81,930,826</b>	<b>81,930,826</b>

Please refer to section 3 of this submission for further information on the volume forecasting methodology and a comparison against the annualised 'actual' volumes for FY2023.

### 1.3 Preliminary Allowable Revenue

The QCA's Draft Decision on the Preliminary Submission considered that Aurizon Network's proposed approach was appropriate for the majority of revenue and pricing inputs; the exception being the preliminary Debt Risk Premium (**DRP**). The updates proposed in this submission are consistent with the approach outlined in the Preliminary Submission.

For clarity, this submission does not propose any changes to either the:

- preliminary Reset Weighted Average Cost of Capital (**WACC**) of 8.18%, noting that the QCA Draft Decision:
  - » considered the WACC base rate and preliminary Reset Risk Free Rate to be appropriate; and
  - » adopted the preliminary Reset **DRP** as a placeholder; or
- preliminary Reset Inflation Rate of 3.05%.

UT5 requires Aurizon Network to submit the Limited Update Inputs to the QCA prior to 31 July 2023, at which point the Reset WACC and Reset Inflation Rate will be updated.

Aurizon Network has presented the updated preliminary CQCN Allowable Revenue for each year of the Reset Period in Table 3 below. These updates reflect known outcomes and regulatory determinations that were made following the Preliminary Submission, including (but not limited to):

- QCA's decisions on the FY2022 Revenue Adjustment Amounts<sup>2</sup> and the Minerva DAAU;
- outcomes of the FY2024 Maintenance and Renewal Strategy and Budget (**MRSB**) engagement with the Rail Industry Group (**RIG**);
- Aurizon Network's FY2022 capital expenditure claim submission; and
- latest pricing advice from third parties, specifically the Independent Expert.

**Table 3 CQCN System – Updated Preliminary Allowable Revenues (\$m)**

CQCN (\$m)	FY2024	FY2025	FY2026	FY2027
Return on Capital*	493.7	498.9	504.7	508.1
Return of Capital minus Inflation	249.5	265.8	297.6	310.9
Direct Maintenance Costs	164.1	174.9	175.8	179.5
Indirect Maintenance Costs	17.5	17.3	16.7	16.4
Electric Operating Expenditure	71.1	71.1	71.1	71.1
Non-Electric Operating Expenditure	135.1	135.1	135.1	135.1
Tax Allowance	49.2	50.5	54.9	55.6
Adjustments <sup>^</sup>	62.7	31.6	32.3	33.1
<b>Updated Preliminary Allowable Revenue</b>	<b>1,243.0</b>	<b>1,245.1</b>	<b>1,288.2</b>	<b>1,309.8</b>
<b>Variance from 29 July 2022 Submission</b>	<b>68.4</b>	<b>41.3</b>	<b>43.4</b>	<b>48.5</b>

\* Includes Working capital amounts.

<sup>^</sup> Adjustments are described in section 5.1 of this submission.

Aurizon Network has outlined the preliminary AT2-4 and AT5 Allowable Revenues for each Coal System and for each year of the Reset Period in the tables below.

**Table 4 Blackwater System - Preliminary Allowable Revenues (\$m)**

Blackwater (\$m)	AT1	AT2-4	AT5
FY2024	32.7	416.2	94.2
FY2025	33.7	411.8	97.3
FY2026	34.8	429.3	98.7
FY2027	35.8	448.3	101.2

<sup>2</sup> On 20 January 2023, Aurizon Network submitted its amended FY2022 Revenue Adjustment Amounts proposal in compliance with the QCA's decision (so as to ensure the other aspects of the QCA's decision could operate without delays arising). Aurizon Network reserved its rights in relation to the proper interpretation of the Report Date and has lodged an application with the Supreme Court of QLD to appeal the QCA decision.

**Table 5 Goonyella System - Preliminary Allowable Revenues (\$m)**

Goonyella (\$m)	AT1	AT2-4	AT5
FY2024	24.9	319.9	86.3
FY2025	25.7	343.4	76.3
FY2026	26.5	358.0	78.2
FY2027	27.3	369.1	80.5

**Table 6 Moura System - Preliminary Allowable Revenues (\$m)**

Moura (\$m)	AT1	AT2-4	AT5
FY2024	6.0	64.1	--
FY2025	6.2	61.8	--
FY2026	6.3	64.6	--
FY2027	6.5	65.6	--

**Table 7 Newlands System - Preliminary Allowable Revenues (\$m)**

Newlands (\$m)	AT1	AT2-4	AT5
FY2024	7.2	35.8	--
FY2025	7.4	37.1	--
FY2026	7.6	40.1	--
FY2027	7.8	44.0	--

**Table 8 GAPE - Preliminary Allowable Revenues (\$m)**

GAPE (\$m)	AT1	AT2-4	AT5
FY2024	14.5	141.3	--
FY2025	15.0	129.6	--
FY2026	15.4	128.7	--
FY2027	15.9	107.7	--

Aurizon Network has provided further information relating to each of the preliminary Allowable Revenue inputs in Section 4 of this submission.

Updated Reference Tariffs have also been calculated for the QCA Levy and the IE Passthrough Cost having regard to the updated volume forecast. These amounts do not form part of Aurizon Network's Allowable Revenue.

## 1.4 Preliminary Reference Tariffs

The combination of the preliminary System Forecasts and Allowable Revenues results in the following preliminary Reference Tariffs for each Coal System and for each year of the Reset Period.

**Table 9 Blackwater System – Preliminary Reference Tariffs**

Blackwater	AT1	AT2	AT3	AT4	AT5	EC	QCA Levy	IE Pass Through Cost
FY2024	1.04	2,563.21	10.51	3.40	4.23	2.82	0.0063	0.0164
FY2025	1.07	2,641.39	10.36	3.35	4.37	2.82	0.0063	0.0164
FY2026	1.10	2,721.95	10.81	3.50	4.43	2.82	0.0063	0.0164
FY2027	1.13	2,804.97	11.30	3.66	4.54	2.82	0.0063	0.0164

**Table 10 Goonyella System – Preliminary Reference Tariffs**

Goonyella	AT1	AT2	AT3	AT4	AT5	EC	QCA Levy	IE Pass Through Cost
FY2024	0.72	1,623.94	6.41	1.33	2.59	2.82	0.0063	0.0164
FY2025	0.74	1,673.47	6.93	1.43	2.30	2.82	0.0063	0.0164
FY2026	0.76	1,724.51	7.23	1.50	2.36	2.82	0.0063	0.0164
FY2027	0.79	1,777.11	7.45	1.54	2.42	2.82	0.0063	0.0164

**Table 11 Moura System – Preliminary Reference Tariffs**

Moura	AT1	AT2	AT3	AT4	AT5	EC	QCA Levy	IE Pass Through Cost
FY2024	1.93	759.15	15.96	2.60	--	--	0.0063	0.0164
FY2025	1.99	782.30	15.35	2.51	--	--	0.0063	0.0164
FY2026	2.05	806.16	16.06	2.62	--	--	0.0063	0.0164
FY2027	2.11	830.75	16.30	2.66	--	--	0.0063	0.0164

**Table 12 Newlands System – Preliminary Reference Tariffs**

Newlands	AT1	AT2	AT3	AT4	AT5	EC	QCA Levy	IE Pass Through Cost
FY2024	2.01	343.28	8.67	1.18	--	--	0.0063	0.0164
FY2025	2.07	353.75	8.95	1.22	--	--	0.0063	0.0164
FY2026	2.13	364.54	9.63	1.31	--	--	0.0063	0.0164
FY2027	2.20	375.66	10.52	1.43	--	--	0.0063	0.0164

**Table 13 GAPE – Preliminary Reference Tariffs**

GAPE	AT1	AT2	AT3	AT4	AT5	EC	QCA Levy	IE Pass Through Cost
FY2024	1.62	15,464.32	1.55	3.22	--	--	0.0063	0.0164
FY2025	1.67	15,464.32	1.41	2.58	--	--	0.0063	0.0164
FY2026	1.72	15,464.32	1.35	2.55	--	--	0.0063	0.0164
FY2027	1.77	15,464.32	1.38	1.32	--	--	0.0063	0.0164

It should be noted that for each year of the Reset Period:

- Reference Tariffs are impacted by changes in the proposed System Forecasts, which are lower for all Coal Systems compared to the Preliminary Submission;
- the preliminary QCA Levy reflects the value of the QCA forecast regulatory fees for FY2023 as notified to Aurizon Network on 27 June 2022, but updated for the revised volume forecast;
- the preliminary IE Pass Through Cost has been updated to reflect the IE's estimate of its FY2024 charges and prior year over recovery adjustment, as notified to Aurizon Network on 1 February 2023; and
- the preliminary EC Tariff is consistent with the FY2023 EC Tariff approved by the QCA on 16 November 2022. UT5 provides that the EC Tariff can be updated in May of each year. Aurizon Network intends to provide an update to the FY2024 EC Tariff as part of this process and will take into account any over or under recovery from FY2023.

## 2. Introduction

### 2.1 Overview

On 29 July 2022, Aurizon Network submitted the Reset Schedule F Preliminary Values to the QCA for approval. The purpose of this submission is to update the proposed Reset Schedule F Preliminary Values to account for known outcomes and regulatory decisions made following the Preliminary Submission.

The intent of doing so is to:

- provide the QCA with the best available information with which to establish FY2024 System Forecasts, Allowable Revenues and Reference Tariffs; and
- minimise the quantum of any reconciliation that will be required upon QCA approval of the Reset Schedule F Values (**Final Reset Values**).

Please refer to Aurizon Network's Preliminary Submission<sup>3</sup> for a more detailed overview of the regulatory process pertaining to the UT5 Reset.

### 2.2 Amendments to Schedule F and Schedule K

Aurizon Network has amended Schedule F to provide:

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

for each Coal System and for each year of the Reset Period. Schedule K has also been amended to outline the relevant Allowable Revenue values for each Coal System.

The QCA Draft Decision on the Preliminary Submission considered that Aurizon Network's approach to establishing the Reset Schedule F Preliminary Values was appropriate for most of the revenue and pricing inputs; the exception being the preliminary DRP.

Aurizon Network has outlined its proposed updates to each of the Reset Schedule F Preliminary Values in Table 14 below.

**Table 14 Proposed updates to Reset Schedule F Preliminary Values**

Component	Description	Proposed Update to the Preliminary Submission
Reset WACC	The preliminary Reset WACC for the Reset Period has been set at 8.18% and is a function of:	No update is required at this stage. The values of both the Rf and DRP (and hence, the final Reset WACC) will be updated prior to 31 July 2023 when Aurizon Network submits the Reset Schedule F Values to the QCA.

<sup>3</sup> <https://www.qca.org.au/wp-content/uploads/2022/08/aurizon-network-preliminary-reset-values-proposal-redacted.pdf>

Component	Description	Proposed Update to the Preliminary Submission
	<ul style="list-style-type: none"> <li>the preliminary Reset Risk Free Rate (<b>Rf</b>), which has been set at 3.474%; and</li> <li>the preliminary Debt Risk Premium (<b>DRP</b>), which has been set at 2.60%.</li> </ul>	
Reset Inflation Rate	The preliminary forecast inflation rate for the Reset Period has been set at 3.05%.	No update is required at this stage. The Reset Inflation Rate will be updated prior to 31 July 2023 when Aurizon Network submits the Reset Schedule F Values to the QCA.
Regulatory Asset Base ( <b>RAB</b> ) values	<p>Aurizon Network has prepared the forecast value of the RAB for each year of the Reset Period having regard to:</p> <ul style="list-style-type: none"> <li>QCA-approved RAB Rollforward to FY21; plus</li> <li>Estimated RAB value for FY22 – FY27.</li> </ul>	<p>The estimated RAB values for each Coal System have been updated to reflect the following:</p> <p>Capital expenditure forecasts for:</p> <ul style="list-style-type: none"> <li>FY22 reflects the capex claim submitted to the QCA on 19 September 2022;</li> <li>FY23 reflects the FY23 MRSB forecast approved by the RIG (no change); and</li> <li>In compliance with 7A.11.4(d) for Newlands and GAPE and 7A.11.4(c) for all other systems, Aurizon Network submits an updated Capital Indicator for FY24 - FY27, which reflects the FY24 MRSB.</li> </ul> <p>Inflation for:</p> <ul style="list-style-type: none"> <li>FY22 has been updated to the actual inflation rate of 7.3%;</li> <li>FY23 updated to 6.75% consistent with the short-term RBA inflation rate forecasts (as outlined in the February 2023 Statement on Monetary Policy);</li> <li>FY24 – FY27, Aurizon Network has retained the preliminary Reset Inflation Rate of 3.05% (no change).</li> </ul> <p>Outcomes of the Minerva DAAU, approved by the QCA on 16 February 2023.</p>
Depreciation Allowances	Depreciation on the RAB has been calculated using QCA-endorsed asset lives and that where relevant, the rolling 20-year asset life has been reset from FY24.	The value of the depreciation allowance has been updated to reflect the revised capital expenditure forecasts and inflation outcomes.
Direct Maintenance Costs	Reflects the forecast direct maintenance costs for the UT5 Reset Period.	In compliance with 7A.11.4(a), Aurizon Network submits an updated Maintenance Indicator for FY24 – FY27. The Maintenance Indicator reflects the FY24 MRSB for all Coal Systems, which was approved by a Special Majority of End Users on 14 February 2023.
Indirect Maintenance Cost Allowance	<p>The Indirect Maintenance Cost Allowance is comprised of a:</p> <ul style="list-style-type: none"> <li>Return on Plant – based on Aurizon Network’s asset register of the plant required to deliver</li> </ul>	No update is required at this stage. The Indirect Maintenance Cost Allowance will be updated prior to 31 July 2023 to reflect the Reset WACC.

Component	Description	Proposed Update to the Preliminary Submission
	<p>asset activity during the Reset Period.</p> <ul style="list-style-type: none"> <li>Return on Inventory – based on the forecast level of inventory holdings for each year of the Reset Period.</li> </ul>	
Non-Electric Operating Expenditure Allowance	The Non-Electric Operating Expenditure Allowance for each year of the Reset Period reflects the amounts included in FY22 Allowable Revenues and Reference Tariffs for each Coal System.	No further changes are required.
Electric Operating Expenditure Allowance	<p>This is comprised of the:</p> <ul style="list-style-type: none"> <li>annual TNSP charges levied by electrical transmission and distribution entities; and</li> <li>costs associated insuring electrical feeder stations throughout the CQC.</li> </ul>	<p>No changes are required to the insurance cost component of this allowance.</p> <p>TNSP charges have been updated to reflect the latest forecast of TNSP charges, having regard to changes in the proposed System Forecasts.</p> <p>Aurizon Network notes that the TNSP charges are an Endorsed Variation Event under UT5 and may be updated upon receipt of any subsequent pricing notifications from TNSP.</p>
Tax Allowance	The tax allowance is a computation of Aurizon Network's post-tax revenue model.	The value of the tax allowance is a model computation and has been revised to reflect the proposed updates to other allowable revenue inputs including the updated capital expenditure values.
Working Capital Allowance	The working capital allowance is a computation of Aurizon Network's post-tax revenue model.	The value of the working capital allowance has been revised to reflect the proposed updates to other allowable revenue inputs.
System Forecasts	Reflects the proposed volume forecasts for each Coal System and for each year of the Reset Period.	System forecasts have been updated following consultation with End-Users, which commenced in November 2022. Aurizon Network has reduced its proposed system forecast in all systems, resulting in a reduction of the aggregate forecast for the CQC from 226.6 to 207.8 million net tonnes per annum.
Allowable Revenue Adjustments	<p>Aurizon Network's Preliminary Submission incorporated the following QCA-approved Allowable Revenue Adjustments:</p> <ul style="list-style-type: none"> <li>UT4 Capital Carryover;</li> <li>Reconciliation of FY2018 and FY2019 Transitional Tariffs; and</li> <li>APS Recovery.</li> </ul>	<p>No changes are required to the UT4 Carryover, Transitional Tariff reconciliation or APS Recovery. In addition, Aurizon Network has updated Allowable Revenues to account for the estimated impact of:</p> <ul style="list-style-type: none"> <li>FY22 Revenue Adjustment Amounts; and</li> <li>Capital Expenditure Allowable Revenue Adjustment for FY22.</li> </ul> <p>The FY22 Revenue Adjustment amounts for each Coal System reflect Aurizon Network's amended submission, provided to the QCA on 20 January 2023.</p> <p>Consistent with the assumptions applied when determining the forecast RAB values, the capital expenditure allowable revenue adjustment is</p>

Component	Description	Proposed Update to the Preliminary Submission
		based on the FY22 capex claim submitted to the QCA on 19 September 2022.
Carmichael Private Incremental Costs (PIC)	On 15 December 2022, the QCA approved \$44 million as the prudent and efficient value of the private incremental costs associated with the Carmichael rail loop and connecting infrastructure.	The proposed Reference Tariffs for the Newlands Coal System have been updated to reflect the PIC discount associated with the Carmichael PIC.
IE Pass Through Cost	The Preliminary Submission reflected the FY23 IE Pass Through Cost that was approved by the QCA as part of the FY23 ARRT.	The IE Pass Through Cost has been updated to reflect the latest pricing notification received from the IE on 1 February 2023.
Electric Energy (EC) Charge	The Preliminary Submission was aligned to the FY23 EC Tariff that was approved by the QCA as part of the FY23 ARRT.	The EC Tariff for the Reset Period has been updated to reflect the QCA's decision on the FY23 EC DAAU. A further update will be provided by 31 May as allowed for within UT5.
QCA Levy	The Preliminary Submission included a QCA Levy based on the QCA's estimate of its FY2023 regulatory fees, as notified to Aurizon Network on 27 June 2022.	Aurizon Network has revised the value of the QCA Levy to account for the updated volume forecast. Aurizon Network expects to receive notification of the QCA's forecast regulatory fees for FY2024 in June 2023. A further update may be submitted as an Endorsed Variation event in accordance with UT5.

## 2.3 Form of Submission

This submission outlines the proposed updates to the UT5 Reset process for FY2024 – FY2027:

<b>Section 3</b>	Sets out the updated preliminary System Forecasts for each Coal System.
<b>Section 4</b>	Outlines the proposed updates to the Allowable Revenue inputs used to determine the Reset Schedule F Preliminary Values.
<b>Section 5</b>	Outlines the proposed updates to the other relevant matters, including: <ul style="list-style-type: none"> <li>• Other Allowable Revenue Adjustments; and</li> <li>• Other Reference Tariff components including, IE Pass Through Costs, EC Tariff, QCA Levy.</li> </ul>
<b>Section 6</b>	Outlines the updated preliminary Allowable Revenues and Reference Tariffs for each Coal System and for each year of the Reset Period.
<b>Appendices</b>	Appendices to this submission include: <ul style="list-style-type: none"> <li>• Clean and marked-up versions of UT5.</li> </ul>

The form of this submission is based around the annual Review of Reference Tariff submissions to support reader familiarity. Aurizon Network has prepared detailed financial models (**the Models**) in support of this submission and will supply these 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. Updated Preliminary System Forecasts

UT5, Clause 6A.2(a)(ii)(a) provides that Aurizon Network must submit to the QCA preliminary revisions to the GtK Forecasts outlined in Schedule F for each Coal System. Aurizon Network's Preliminary Submission rolled over the QCA-approved System Forecasts for FY2023.

In November 2022, Aurizon Network commenced engagement with End Users on their future coal tonnage forecasts for the UT5 Reset Period. Aurizon Network provided End Users with individual coal tonnage information for each of their respective Origin / Destination pairings, including:

- actual net tonnes for FY2021 to FY2022;
- 12 months rolling actual net tonnes for the year to October 2022;
- an annualised forecast for FY23 based on extrapolated actual railings to end of October 2022;
- the FY2023 regulatory forecasts approved by the QCA which included customer input; and
- the coal volumes end-users supplied as part of the FY2023 volume consultation.

End Users were asked to review the information and provide feedback to inform the development of the FY2024 System Forecasts, noting that the forecasts for the remaining years can be reviewed and updated each year as part of the annual Review of Reference Tariff process.

#### 3.1 Methodology

Where End Users provided a volume forecast for their individual Origin / Destination pairings, Aurizon Network assessed those forecasts against both the relevant contract volumes, and an updated annualised volume forecast based on actual railings for FY2023 YTD (i.e. between July 2022 to January 2023).

If the volume forecast provided by the End User for each Origin / Destination pair:

- exceeded both the contract volume and the annualised forecast, Aurizon Network applied the maximum of contract volume or the annualised forecast; or
- was below the contract volume or the annualised forecast, Aurizon Network applied the volume forecast provided by the End User.

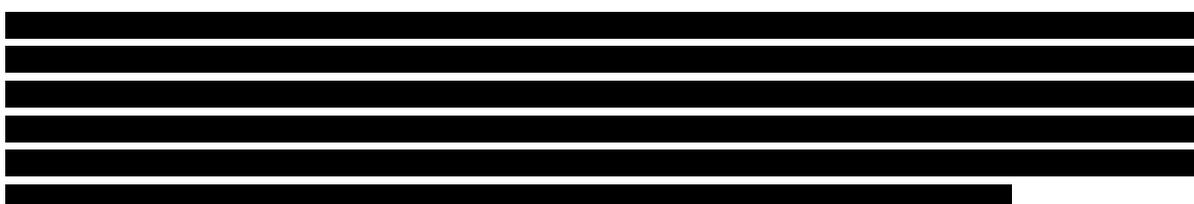
If the End User did not provide a forecast for their individual Origin / Destination pairings, the annualised forecast was generally applied, but capped at contract and adjusted for known events (e.g. mine closure or ad-hoc Train Services) if required.

In Table 15, Aurizon Network describes how this methodology is applied for each Origin / Destination pairing.

**Table 15 Overview of forecasting methodology**

End User	Forecast Provided	Customer Forecast	Contract	Annualised Forecast	Forecast Applied	Description – If End User Forecast is:
A	Yes	1,200	1,000	1,050	1,050	Higher than both Contract and Annualised = Max of Contract or Annualised

End User	Forecast Provided	Customer Forecast	Contract	Annualised Forecast	Forecast Applied	Description – If End User Forecast is:
B	Yes	1,100	1,000	1,500	1,100	Higher than Contract but less than Annualised = Use Customer Forecast
C	Yes	900	1,000	800	900	Below Contract but higher than annualised = Use Customer Forecast
D	Yes	600	1,000	800	600	Below both Contract and Annualised = Use Customer Forecast
E	No	N/A	1,000	800	800	No response - if annualised < contract, apply annualised.
F	No	N/A	1,000	1,050	1,000	No response - if annualised > contract, capped at contract.



Aurizon Network has provided the QCA with all relevant details, including the forecasts provided by End User forecasts on a confidential basis.

### 3.2 Outcomes of the forecasting methodology

The application of the forecasting methodology to each individual Origin / Destination pairing (as outlined in section 3.1 above) results in the following outcomes for each Coal System.

**Table 16 Outcomes of forecasting methodology**

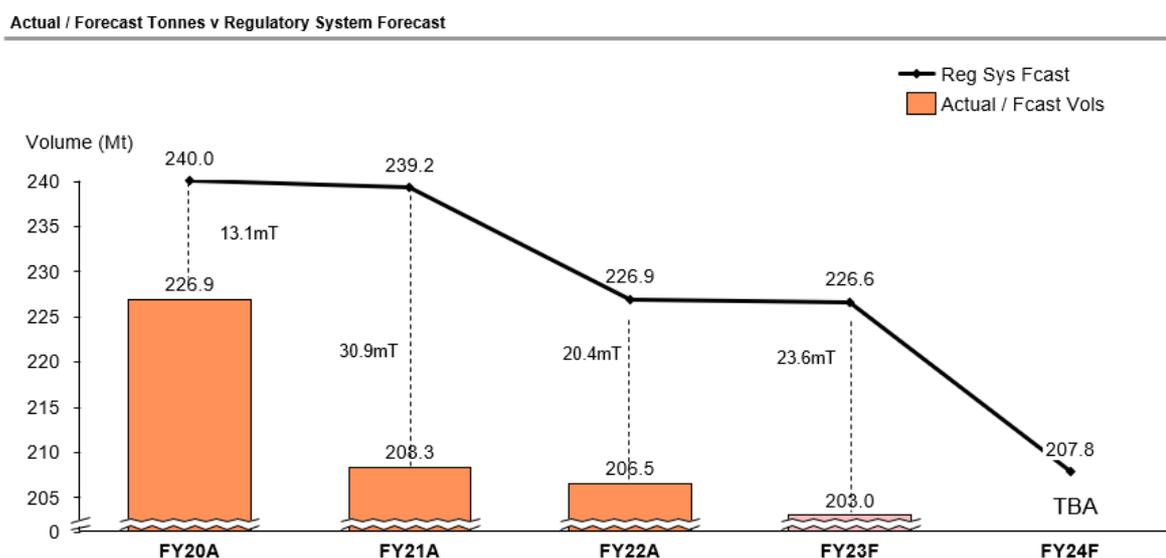
System	Current Approved Forecast (FY23)	[REDACTED]	Annualised (FY23 Actual YTD)	Proposed Forecast (FY24)
Blackwater	63.0	[REDACTED]	51.5	54.3
Goonyella	114.6	[REDACTED]	104.2	108.0
Moura	12.8	[REDACTED]	12.9	11.8
Newlands	17.1	[REDACTED]	20.0	16.4
GAPE	19.1	[REDACTED]	14.4	17.2
<b>Total</b>	<b>226.6</b>	[REDACTED]	<b>203.0</b>	<b>207.8</b>

While the proposed forecast for FY24 is lower than recent regulatory forecasts, it is broadly consistent with:

- actual volumes railed in prior years (FY21 to FY22); and
- an annualised forecast for FY23 based on actual volumes year to date (July 2022 to January 2023).

Figure 1 below compares the regulatory volume forecasts for the CQCN to the actual volumes achieved between FY20 – FY22 and the annualised forecast for FY23. It illustrates an over-estimation of forecast volumes when compared against actuals since FY20.

**Figure 1 Comparison of actual and forecast tonnes to regulatory forecasts**



Consequently, Aurizon Network considers that actual volume outcomes provide a reasonable basis for establishing the proposed forecast for FY24.

### 3.3 Updated System Forecasts

The preliminary System Forecasts for each Coal System are provided in Table 17 below. The forecasts are expressed in terms of both Net Tonnes and Gross Tonne Kilometres (GTK).

**Table 17 Preliminary Volume Forecasts – Reset Period - FY2024 – FY2027**

System	Net Tonnes (million)	GTK'000
Blackwater	54.3	31,564,059
Goonyella	108.0	34,710,988
Moura	11.8	3,100,730
Newlands	16.4	3,563,898
GAPE	17.2	8,991,152
<b>Total</b>	<b>207.8</b>	<b>81,930,826</b>

Consistent with the Preliminary Submission, the net tonne forecasts for each Coal System have been converted to GTK and electric GTK using the Reference Train Payload for each Coal System, and the forecast split between diesel and electric consists for the Blackwater and Goonyella systems.

These values and the methodology used to determine monthly GTK forecasts for the Blackwater System remain consistent with the QCA's final decision on the FY23 annual Review of Reference Tariffs.

## 4. Updated Preliminary Allowable Revenue Components

Aurizon Network submits the following updates to the Allowable Revenue components of the Reset Schedule F Preliminary Values to the QCA for approval. Please note that this submission focuses only on the updates to the Reset Schedule F Preliminary Values. The values that are not changing are outlined within the Preliminary Submission.<sup>4</sup>

### 4.1 Forecast Regulatory Asset Base values

Aurizon Network has revised the forecast RAB values for the UT5 Reset Period to reflect updated capital expenditure and inflation forecasts. For FY2024, this results in a revised opening RAB roll-forward value for the CQCN of \$6,162m.

**Table 18 Forecast RAB Roll-forward Values – Blackwater System**

Blackwater (\$m)	FY2022 <sup>^</sup>	FY2023 <sup>^</sup>	FY2024	FY2025	FY2026	FY2027
Opening	2,570.3	2,637.5~	2,721.3	2,752.6	2,788.7	2,821.0
Capex	109.4	122.0	139.8	147.3	157.7	163.1
Inflation	195.6	186.2	88.5	89.8	91.3	92.6
minus Depreciation	225.0	224.4	197.0	201.0	216.7	233.5
<b>Closing</b>	<b>2,650.2</b>	<b>2,721.3</b>	<b>2,752.6</b>	<b>2,788.7</b>	<b>2,821.0</b>	<b>2,843.2</b>

~ The difference between FY2022 closing and FY2023 opening RAB values reflects the impact of the Minerva DAAU.

**Table 19 Forecast RAB Roll-forward Values – Goonyella System**

Goonyella (\$m)	FY2022 <sup>^</sup>	FY2023 <sup>^</sup>	FY2024	FY2025	FY2026	FY2027
Opening	1,713.3	1,794.4	1,895.0	1,927.8	1,968.4	2,013.4
Capex	96.3	118.7	109.3	126.6	142.1	142.4
Inflation	132.1	129.1	61.1	62.7	64.4	65.8
minus Depreciation	147.3	147.3	137.7	148.6	161.5	171.9
<b>Closing</b>	<b>1,794.4</b>	<b>1,895.0</b>	<b>1,927.8</b>	<b>1,968.4</b>	<b>2,013.4</b>	<b>2,049.6</b>

**Table 20 Forecast RAB Roll-forward Values – Moura System**

Moura (\$m)	FY2022 <sup>^</sup>	FY2023 <sup>^</sup>	FY2024	FY2025	FY2026	FY2027
Opening	318.7	339.0	353.1	358.7	364.8	369.4
Capex	18.3	15.3	18.1	20.3	20.5	17.6
Inflation	24.6	23.9	11.3	11.6	11.8	11.8
minus Depreciation	22.7	25.1	23.8	25.7	27.8	28.8
<b>Closing</b>	<b>339.0</b>	<b>353.1</b>	<b>358.7</b>	<b>364.8</b>	<b>369.4</b>	<b>370.0</b>

<sup>4</sup> <https://www.qca.org.au/wp-content/uploads/2022/08/aurizon-network-preliminary-reset-values-proposal-redacted.pdf>

**Table 21 Forecast RAB Roll-forward Values – Newlands System**

Newlands (\$m)	FY2022 <sup>^</sup>	FY2023 <sup>^</sup>	FY2024	FY2025	FY2026	FY2027
Opening	358.8	386.2	412.7	439.2	474.7	508.9
Capex	20.1	19.7	22.2	29.4	28.7	29.7
Inflation	25.9	26.7	21.3	23.0	24.7	26.6
minus Depreciation	18.5	20.0	17.0	16.9	19.2	21.6
<b>Closing</b>	<b>386.2</b>	<b>412.7</b>	<b>439.2</b>	<b>474.7</b>	<b>508.9</b>	<b>543.5</b>

**Table 22 Forecast RAB Roll-forward Values – GAPE**

GAPE (\$m)	FY2022 <sup>^</sup>	FY2023 <sup>^</sup>	FY2024	FY2025	FY2026	FY2027
Opening	821.9	805.7	779.7	729.6	675.4	617.1
Capex	2.2	2.1	0.6	--	--	--
Inflation	59.9	54.4	24.9	23.5	21.9	20.2
minus Depreciation	78.3	82.6	75.5	77.7	80.1	64.0
<b>Closing</b>	<b>805.7</b>	<b>779.7</b>	<b>729.6</b>	<b>675.4</b>	<b>617.1</b>	<b>573.4</b>

<sup>^</sup> Please note that the RAB values for FY2022 and FY2023 presented in the tables above are not within the UT5 Reset Period. They are provided to illustrate the transition from the QCA-approved RAB roll-forward for FY2021 to the opening RAB values for FY2024.

Aurizon Network has not made any provision for capital expenditure associated with the rectification of any Existing Capacity Deficits (**ECD**) identified by the IE within the forecast RAB values.

#### 4.1.1 Methodology

The revised forecast RAB roll-forward values have been determined having regard to the following matters:

- Applying the roll-forward methodology outlined in the 2017 Access Undertaking;
- Applying the approved RAB values for each Coal System as at FY2021 (the latest approved RAB Roll-forward);<sup>5</sup>
- Having regard to the outcomes of the QCA's final decision on the Minerva DAAU;
- Aurizon Network has estimated the roll-forward value of the RAB:
  - » For FY2022, with regard to the capital expenditure claim submitted to the QCA 19 September 2022 and an inflation rate of 7.3%, which reflects actual CPI outcomes for the year;

<sup>5</sup> QCA (2022) Decision RAB roll-forward 2020-21, 13 June. Available at: [qca-aurizon-network-roll-forward-2020-21-acceptance-letter.pdf](https://www.qca.gov.au/~/media/1/2/2/1/qca-aurizon-network-roll-forward-2020-21-acceptance-letter.pdf)

- » For FY2023, by having regard to the capital expenditure forecast as per the FY2023 MRSB and an inflation rate of 6.75%<sup>6</sup>, reflecting the RBA's February 2023 Statement on Monetary Policy inflation forecast for this year; and
- » For the UT5 Reset Period (FY2024 – FY2027), by having regard to the four-year capital expenditure forecasts outlined in the FY2024 MRSB and submitted to the QCA in accordance with clause 7A.11.4(c) for Blackwater, Goonyella and Moura, clause 7A.11.4(d) for Newlands and GAPE, and the preliminary Reset Inflation Rate of 3.05%,
- depreciation rates based on previous QCA decisions and endorsed asset lives. For clarity, the rolling 20-year asset life has been reset from FY2024 as required by clause 6A.3 of UT5.

Consistent with the Preliminary Submission, Aurizon Network has not sought to include any new amounts for Equity Raising Costs within the forecast RAB values for the UT5 Reset Period, noting that this may be subject to change as a result of any finalised Transitional Arrangements, and/or reassessed as part of Aurizon Network's submission for the next regulatory period (UT6).

## 4.2 Capital Expenditure Forecasts

As noted in section 4.1.1 above, Aurizon Network has updated the capital expenditure forecasts to reflect the FY24 MRSB for each Coal System. Noting that a Special Majority of End Users approved the FY24 MRSB for the Blackwater, Goonyella and Moura Systems, but elected not to approve the FY24 MRSB for the Newlands System and GAPE, Aurizon Network submits the proposed Capital Indicator to the QCA in accordance with clauses 7A.11.4(c) and 7A.11.4(d) of UT5.

The updated capital expenditure forecasts for the UT5 Reset Period are outlined below, noting that the values for FY2025 – FY2027 will be reviewed as part of future MRSB processes.

**Table 23 Forecast Capital Expenditure - Non-Electric (Mid-Year \$)**

Non-Electric Capex (\$m)	FY2024	FY2025	FY2026	FY2027
Blackwater	139.9	145.9	153.6	148.8
Goonyella	102.9	118.1	125.9	125.4
Moura	18.8	21.1	21.3	18.3
Newlands <sup>^</sup>	23.1	30.6	29.8	30.9
GAPE	0.6	0.0	0.0	0.0
<b>Total</b>	<b>285.3</b>	<b>315.7</b>	<b>330.7</b>	<b>323.3</b>

<sup>^</sup> Please note the commentary in section 4.2.1

**Table 24 Forecast Capital Expenditure - Electric (Mid-Year \$)**

Electric Capex (\$m)	FY2024	FY2025	FY2026	FY2027
Blackwater	5.5	7.3	10.4	20.8
Goonyella	10.8	13.6	21.9	22.7
<b>Total</b>	<b>16.4</b>	<b>20.9</b>	<b>32.3</b>	<b>43.5</b>

The forecast capital expenditure outlined within the below Tables does not include any potential capital amounts required in response to the IE identification of ECD's within the relevant Coal Systems. There

<sup>6</sup> Please note that the RAB values will be updated for actual CPI as part of the annual RAB Roll-forward process.

is the ability to adjust the forecast capital expenditure annually through the ARRT process, which Aurizon Network expects to do so once the appropriate approvals for those amounts have been received from the QCA.

#### 4.2.1 Allocation of renewal expenditure between Newlands and GAPE Services

Under the current QCA approved asset allocation methodology, Asset Renewal and Replacement Expenditure in the Newlands Coal System which is common to both GAPE and Newlands services is assigned to the Coal System that the renewed or replaced asset currently financially resides. At the time of preparing this updated Preliminary Reset Values submission, the identification of individual assets by Coal System RAB and disaggregation of forecast capital expenditure to the relevant Coal System RAB is unavailable.

Given the age profile of GAPE infrastructure enhancements relative to the Newlands RAB assets, the forecast capital expenditure is expected to be strongly weighted to assets in the Newlands RAB. Therefore, the forecast Asset Renewal and Replacement Expenditure in the Newlands Coal System has initially been assigned to Newlands. These forecasts will be updated in subsequent regulatory processes, including the Annual Review of Reference Tariffs where asset identification information becomes available or there is a change in the asset allocation methodology.

Aurizon Network acknowledges the ongoing engagement with the Newlands / GAPE Working Group to resolve various matters relating to the allocation of capital renewal expenditure between Newlands and GAPE Train Services. To the extent that Aurizon Network and the Working Group resolve these matters, Aurizon Network will seek to reflect this agreed outcome through the appropriate regulatory process. This may require an amendment to the capital and maintenance indicators outlined in Table 27 and Table 23.

### 4.3 Depreciation Allowance

Aurizon Network submits an updated depreciation allowance for the UT5 Reset Period, noting that the changes reflect the updates to capital expenditure and inflation outcomes.

For clarity, Aurizon Network's updated depreciation allowance does not seek any change to the calculation methodology, which remains as per the Preliminary Submission.

**Table 25 Return of Capital minus Inflation - Non-Electric**

Non-Electric Depreciation (\$m)	FY2024	FY2025	FY2026	FY2027
Blackwater	88.2	89.3	101.5	115.1
Goonyella	62.5	70.4	79.7	87.2
Moura	12.0	13.6	15.4	16.3
Newlands	8.2	7.4	9.0	10.8
GAPE	50.4	54.0	58.0	44.3
<b>Total</b>	<b>221.3</b>	<b>234.8</b>	<b>263.6</b>	<b>273.7</b>

**Table 26 Return of Capital minus Inflation - Electric**

Electric Depreciation (\$m)	FY2024	FY2025	FY2026	FY2027
Blackwater	17.2	18.7	20.4	22.3
Goonyella	11.1	12.3	13.6	14.9

Electric Depreciation (\$m)	FY2024	FY2025	FY2026	FY2027
<b>Total</b>	<b>28.3</b>	<b>31.0</b>	<b>34.0</b>	<b>37.3</b>

#### 4.4 Direct Maintenance Costs

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 FY24 MRSB, which was approved by a Special Majority of End Users on 14 February 2023.

Aurizon Network submits the following updated direct maintenance cost forecasts for the UT5 Reset Period, noting that the values for FY2025 – FY2027 will be reviewed as part of future MRSB processes.

**Table 27 Direct Maintenance Costs - Non-Electric**

Non-Electric Maintenance (\$m)	FY2024	FY2025	FY2026	FY2027
Blackwater	62.9	68.1	68.3	69.6
Goonyella	59.9	63.0	64.0	64.7
Moura	13.2	13.1	13.6	13.6
Newlands	5.1	5.7	5.5	5.9
GAPE	8.7	9.7	9.3	10.1
<b>Total</b>	<b>149.7</b>	<b>159.5</b>	<b>160.7</b>	<b>164.0</b>

**Table 28 Direct Maintenance Costs - Electric**

Electric Maintenance (\$m)	FY2024	FY2025	FY2026	FY2027
Blackwater	7.0	7.2	7.4	7.5
Goonyella	7.4	8.1	7.7	7.9
<b>Total</b>	<b>14.4</b>	<b>15.4</b>	<b>15.2</b>	<b>15.5</b>

#### 4.5 Electric Operating Expenditure Allowance

Aurizon Network submits the following Electric Operating Expenditure Allowance for the UT5 Reset Period.

**Table 29 Electric Operating Expenditure Allowance**

Electric OPEX (\$m)	FY2024	FY2025	FY2026	FY2027
Blackwater	38.4	38.4	38.4	38.4
Goonyella	32.7	32.7	32.7	32.7
<b>Total</b>	<b>71.1</b>	<b>71.1</b>	<b>71.1</b>	<b>71.1</b>

The electric operating expenditure allowance for the UT5 Reset Period is comprised of the:

- forecast cost of transporting electricity from generators to overhead power infrastructure via connections with the Powerlink and Ergon Energy networks - the Transmission Network Service Provider (**TNSP**) costs; and
- Insurance costs for feeder stations.

For clarity, Aurizon Network's updated proposal relates to expected changes in the forecast TNSP costs. Aurizon Network does not propose any changes to the insurance costs component of this allowance outlined in the Preliminary Submission.

#### 4.5.1 TNSP Costs

Aurizon Network has updated the forecast TNSP Costs for each year of the Reset Period to reflect the updated volume forecasts. The updated TNSP costs are outlined in Table 30 below.

**Table 30 Forecast Transmission and Connection Charges**

TNSP Costs (\$m)	FY2024	FY2025	FY2026	FY2027
Blackwater	38.2	38.2	38.2	38.2
Goonyella	32.4	32.4	32.4	32.4
<b>Total</b>	<b>70.6</b>	<b>70.6</b>	<b>70.6</b>	<b>70.6</b>

A change to TNSP charges constitutes an Endorsed Variation Event in accordance with UT5, Schedule F, clause 5.2 (b). TNSP pricing notifications have historically been received in March of each year. Aurizon Network will engage with the QCA to determine the appropriate process for incorporating updated TNSP charges within the preliminary Allowable Revenues and Reference Tariffs.

## 4.6 Tax Allowance

The tax allowance is a computation of Aurizon Network's post-tax revenue model using a methodology consistent with the QCA's 2018 Decision. Aurizon Network's tax depreciation forecasts have been revised for consistency with the updated regulatory asset base forecasts, which are outlined in section 4.1 of this submission.

Aurizon Network submits the following updated tax allowance for the UT5 Reset Period.

**Table 31 Tax Allowance - Non-Electric**

Non-Electric Tax (\$m)	FY2024	FY2025	FY2026	FY2027
Blackwater	16.8	16.3	18.0	19.9
Goonyella	11.8	12.7	13.8	14.5
Moura	3.1	3.3	3.5	3.6
Newlands	1.7	1.5	1.7	1.9
GAPE	11.1	11.6	12.1	9.3
<b>Total</b>	<b>44.4</b>	<b>45.3</b>	<b>49.1</b>	<b>49.3</b>

**Table 32 Tax Allowance - Electric**

Electric Tax (\$m)	FY2024	FY2025	FY2026	FY2027
Blackwater	2.7	3.0	3.3	3.7
Goonyella	2.1	2.3	2.5	2.6

<b>Total</b>	<b>4.8</b>	<b>5.2</b>	<b>5.8</b>	<b>6.4</b>
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## 4.7 Working Capital

The working capital allowance is a computation of Aurizon Network's post-tax revenue model and is determined using the same methodology approved in the QCA's 2018 Decision.

Aurizon Network submits the following working capital allowance for the UT5 Reset Period.

**Table 33 Working capital - Non-Electric**

<b>Non-Electric Working Capital (\$m)</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>
Blackwater	1.2	1.2	1.3	1.3
Goonyella	1.0	1.0	1.1	1.1
Moura	0.2	0.2	0.2	0.2
Newlands	0.1	0.1	0.1	0.1
GAPE	0.4	0.4	0.4	0.3
<b>Total</b>	<b>2.9</b>	<b>3.0</b>	<b>3.1</b>	<b>3.1</b>

**Table 34 Working Capital - Electric**

<b>Electric Working Capital (\$m)</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>
Blackwater	0.3	0.3	0.3	0.3
Goonyella	0.2	0.2	0.2	0.2
<b>Total</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>

## 5. Other Relevant Revenue and Pricing Matters

In addition to the Reset Schedule F Preliminary Values outlined in Section 4 above, there are several other matters that impact the preliminary Allowable Revenues and Reference Tariffs for the Reset Period.

### 5.1 Allowable Revenue Adjustments

Aurizon Network notes the Preliminary Submission outlined the impact on Allowable Revenues associated with the following adjustments:

- the UT4 Capital Carryover;
- Reconciliation of FY18 and FY19 transitional arrangements; and
- recovery of approved APS capital expenditure.

In addition to these values, Aurizon Network has updated the Preliminary Reset Values to incorporate the following:

#### 5.1.1 FY22 Revenue Adjustment Amounts

The FY22 Revenue Adjustment Amounts were not available at the time Aurizon Network provided its Preliminary Submission to the QCA.

On 15 December 2022, the QCA rejected the FY2022 Revenue Adjustment Amounts submission, taking the view that the WACC uplift did not apply from 12 November 2021 but instead from 14 March 2022 (the date upon which Network submitted its Detailed Report in response to the ICAR). On 20 January 2023, Aurizon Network submitted its amended FY22 Revenue Adjustment Amounts proposal in compliance with the QCA's Decision (so as to ensure the other aspects of the QCA's decision could operate without delays arising) and reserved its rights in relation to the proper interpretation of the Report Date.

Aurizon Network's amended submission calculated the WACC adjustment on the basis that the approved WACC increased from 5.9% to 6.3% on 14 March 2022. On the same day, Aurizon Network lodged an application with the Supreme Court of Queensland to appeal the QCA decision, seeking a declaration from the court about the proper interpretation of the definition of Report Date.

Despite Aurizon Network's concerns regarding the QCA's interpretation of the Report Date, the FY22 Revenue Adjustment Amounts will impact Allowable Revenues and Reference Tariffs for FY2024. It is therefore appropriate to make provision for the FY22 Revenue Adjustment Amounts as part of this submission.

Aurizon Network has included the following adjustments to FY2024 Allowable Revenues to provide for the recovery of the FY22 Revenue Adjustment Amounts. Consistent with clause 4.4(b) of Schedule F to UT5, the FY22 Revenue Adjustment Amounts outlined below include a return on capital amount calculated at the Approved WACC.

**Table 35 FY22 Revenue Adjustment Amounts – Non-Electric**

Non-Electric (\$m)	FY2024	FY2025	FY2026	FY2027
Blackwater	16.4	--	--	--
Goonyella	(2.1)	--	--	--

Non-Electric (\$m)	FY2024	FY2025	FY2026	FY2027
Moura	2.8	--	--	--
Newlands	1.1	--	--	--
GAPE	11.9	--	--	--
<b>Total</b>	<b>30.2</b>	<b>--</b>	<b>--</b>	<b>--</b>

**Table 36 FY22 Revenue Adjustment Amounts – Electric**

Electric (\$m)	FY2024	FY2025	FY2026	FY2027
Blackwater	(1.4)	--	--	--
Goonyella	12.4	--	--	--
<b>Total</b>	<b>11.0</b>	<b>--</b>	<b>--</b>	<b>--</b>

### 5.1.2 FY22 Capital Expenditure Allowable Revenue Adjustment

The FY22 Capital Expenditure Allowable Revenue Adjustment was not available at the time Aurizon Network provided its Preliminary Submission to the QCA. 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.

On 19 September 2022, Aurizon Network submitted its FY22 Capital Expenditure claim (FY22 Capex Claim) to the QCA for approval, with the QCA issuing a Draft Decision on 15 December 2022.

The QCA has not yet published its final decision on the FY22 Capex Claim, and for the purpose of this submission, Aurizon Network has calculated an indicative value of the Capital Expenditure Allowable Revenue Adjustment, that reflects the amounts Aurizon Network submitted to the QCA.

The difference between the Capital Indicator for FY2022 and the submitted capital expenditure for each Coal System are outlined in Table 37 below.

**Table 37 Submitted Capital Expenditure vs Capital Indicator – FY2022 (\$m)**

System	FY2022 Capital Indicator (\$m)	Submitted Capital Expenditure (\$m)	Variance (\$m)
Blackwater	113.5	109.4	(4.1)
Goonyella	117.3	96.3	(21.0)
Moura	11.5	18.3	6.9
Newlands / GAPE	24.6	22.3	(2.3)
<b>Total</b>	<b>266.9</b>	<b>246.4</b>	<b>(20.5)</b>

The resulting indicative Allowable Revenue differences are then accrued at the Discount Rate (i.e. the approved WACC) for inclusion in the preliminary FY2024 Allowable Revenues. The indicative FY2022 Capital Expenditure Allowable Revenue Adjustments applicable to FY2024 are outlined below.

**Table 38 FY22 Capital Expenditure Allowable Revenue Adjustment – Non-Electric**

System	AT2-4 (\$m)	AT5 (\$m)
Blackwater	(3.2)	(0.5)

System	AT2-4 (\$m)	AT5 (\$m)
Goonyella	(6.2)	(0.2)
Moura	1.7	--
Newlands / GAPE	(0.8)	--
<b>Total</b>	<b>(8.6)</b>	<b>(0.7)</b>

Aurizon Network expects the QCA to provide a final decision on the FY2022 capital expenditure claim prior to 30 June 2023. While Aurizon Network has included an indicative value of this adjustment to provide for a transparent and complete assessment of the preliminary FY2024 Reference Tariff impacts, this value may need to be revised following the QCA's decision on both Aurizon Network's FY2022 Capital Expenditure Claim and the associated FY2022 RAB Roll-forward.

## 5.2 Carmichael Private Incremental Costs

On 15 December 2022, the QCA approved a prudent and efficient amount of \$44 million for Private Incremental Costs (**PIC**) associated with the Carmichael rail loop and connecting infrastructure for the Carmichael Rail Network.

At the time of Aurizon Network's Preliminary Submission, the QCA had not approved a PIC value for this Rail Infrastructure. As a result, Access Charges for the relevant Train Services were determined in accordance with clause 6.3.1(c) and set at the Newlands System Reference Tariff. Aurizon Network is seeking to update the preliminary Reference Tariffs to take the Approved PIC into account.

Clause 6.3.2(f) of UT5 requires that this amount is to be maintained in the same way as the RAB is maintained in accordance with Schedule E. As a result, where the Approved PIC results in a reset of the Access Charge on a date which differs from the QCA approval date, the Approved PIC will be indexed at the Approved WACC as follows:

$$\text{Approved PIC}_{t_1} = \text{Approved PIC}_{t_0} \times (1 + \text{Approved WACC})^{t_1 - t_0 / 365}$$

Where  $t_1$  = Commencement Date of PIC Discount

$t_0$  = 15 December 2022

Approved  $\text{PIC}_{t_0}$  = \$44 million.

The Access Charge for the relevant Train Service will be effective from 1 July 2023, and for the purpose of setting the preliminary Reference Tariffs, the Approved PIC will be based on an escalated value of \$45.5 million<sup>7</sup>.

## 5.3 Forecast IE Pass Through Cost

On 1 February 2023, the Coal Network Capacity Co (**CNCC**) notified Aurizon Network of its forecast IE Pass Through Cost for FY2024, including relevant adjustments to account for a forecast under-spend, and invoicing under-recovery during FY2023.

<sup>7</sup> Representing the difference between the 'approval' date and the 'effective' date.

Aurizon Network has updated the Preliminary IE Pass Through Cost to reflect this latest notification from the CNCC, and the updated System Forecasts.

**Table 39 Preliminary IE Pass Through Cost – FY2024 to FY2027**

Description	Value (\$m)
Estimate of expenditure to operate CNCC in FY2024	4.5
Less: Expense under-spend for FY2023	(1.1)
Add: Invoicing under-recovery for FY2023	--
<b>Estimated Cost FY2024</b>	<b>3.4</b>
CQCN volume forecast (mnt)	207.8
<b>Preliminary IE Pass Through Cost (\$/nt)</b>	<b>0.0164</b>

## 5.4 Electric Energy Charge

The EC tariff is set to recover the forecast costs relating to the consumption of electric energy. On 16 November 2022, the QCA approved an EC Tariff for FY2023 of \$2.82 per eGTK'000. Aurizon Network has updated the preliminary EC Tariff for the Reset Period to align with the QCA's decision.

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

**Table 40 Composition of the preliminary electric energy charge for FY2024 to FY2027**

Cost component	\$ per eGTK'000
Consumption and Supply	2.53
Environment Compliance Charge	0.21
Variable Connection Charge	0.07
<b>Preliminary EC Tariff (\$ per eGTK'000)</b>	<b>2.82</b>

UT5 provides that the EC Tariff can be updated "on or about each 31 May during the Term".

Aurizon Network continues to make electricity purchases for FY2024 in line with its progressing purchasing policy and provide monthly updates on current and future years purchases to End-Users. Aurizon Network intends to provide an update to the FY2024 EC Tariff as part of this process and will take into account any over or under recovery from FY2023.

## 5.5 QCA Levy

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

On 27 June 2022, the QCA provided notification of its forecast regulatory fees for FY2023, which are outlined in Table 41 below. For each year of the UT5 Reset Period, Aurizon Network proposes to set the preliminary QCA Levy based on the QCA's latest estimate of its regulatory fees for FY2023 and the updated to have regard to the revised volume forecasts.

**Table 41 Preliminary QCA Levy – FY2024 to FY2027**

<b>Preliminary QCA Levy</b>	<b>Value (\$m)</b>
QCA Fees (FY2023)	1.30
CQCN volume forecast (mnt)	207.8
<b>Preliminary QCA Levy</b>	<b>\$0.0063</b>

## 6. Preliminary Allowable Revenues and Reference Tariffs

### 6.1 Updated Preliminary Allowable Revenues

Schedule F to UT5, provides the Allowable Revenues for each Coal System. Aurizon Network submits the following preliminary AT2-4 and AT5 Allowable Revenues for each Coal System and for each year of the Reset Period to the QCA for approval:

**Table 42 Blackwater System - Preliminary Allowable Revenues (\$m)**

Blackwater	AT2-4 (\$m)	AT5 (\$m)
FY2024	416.2	94.2
FY2025	411.8	97.3
FY2026	429.3	98.7
FY2027	448.3	101.2

**Table 43 Goonyella System - Preliminary Allowable Revenues (\$m)**

Goonyella	AT2-4 (\$m)	AT5 (\$m)
FY2024	319.9	86.3
FY2025	343.4	76.3
FY2026	358.0	78.2
FY2027	369.1	80.5

**Table 44 Moura System - Preliminary Allowable Revenues (\$m)**

Moura	AT2-4 (\$m)	AT5 (\$m)
FY2024	64.1	--
FY2025	61.8	--
FY2026	64.6	--
FY2027	65.6	--

**Table 45 Newlands System - Preliminary Allowable Revenues (\$m)**

Newlands	AT2-4 (\$m)	AT5 (\$m)
FY2024	35.8	--
FY2025	37.1	--
FY2026	40.1	--
FY2027	44.0	--

**Table 46 GAPE - Preliminary Allowable Revenues (\$m)**

GAPE	AT2-4 (\$m)	AT5 (\$m)
FY2024	141.3	--
FY2025	129.6	--

GAPE	AT2-4 (\$m)	AT5 (\$m)
FY2026	128.7	--
FY2027	107.7	--

## 6.2 Preliminary Reference Tariffs

Schedule F to UT5, provides the Allowable Revenues for each Coal System. Aurizon Network submits the following preliminary Reference Tariffs to the QCA for approval.

The preliminary Reference Tariffs are a function of the preliminary Allowable Revenues outlined in section 6.1 above, and the relevant volume metrics derived from the revised System Forecasts in Table 17.

**Table 47 Blackwater System – Preliminary Reference Tariffs**

Blackwater	AT1	AT2	AT3	AT4	AT5	EC	QCA Levy	IE Pass Through Cost
FY2024	1.04	2,563.21	10.51	3.40	4.23	2.82	0.0063	0.0164
FY2025	1.07	2,641.39	10.36	3.35	4.37	2.82	0.0063	0.0164
FY2026	1.10	2,721.95	10.81	3.50	4.43	2.82	0.0063	0.0164
FY2027	1.13	2,804.97	11.30	3.66	4.54	2.82	0.0063	0.0164

**Table 48 Goonyella System – Preliminary Reference Tariffs**

Goonyella	AT1	AT2	AT3	AT4	AT5	EC	QCA Levy	IE Pass Through Cost
FY2024	0.72	1,623.94	6.41	1.33	2.59	2.82	0.0063	0.0164
FY2025	0.74	1,673.47	6.93	1.43	2.30	2.82	0.0063	0.0164
FY2026	0.76	1,724.51	7.23	1.50	2.36	2.82	0.0063	0.0164
FY2027	0.79	1,777.11	7.45	1.54	2.42	2.82	0.0063	0.0164

**Table 49 Moura System – Preliminary Reference Tariffs**

Moura	AT1	AT2	AT3	AT4	AT5	EC	QCA Levy	IE Pass Through Cost
FY2024	1.93	759.15	15.96	2.60	--	--	0.0063	0.0164
FY2025	1.99	782.30	15.35	2.51	--	--	0.0063	0.0164
FY2026	2.05	806.16	16.06	2.62	--	--	0.0063	0.0164
FY2027	2.11	830.75	16.30	2.66	--	--	0.0063	0.0164

**Table 50 Newlands System – Preliminary Reference Tariffs**

Newlands	AT1	AT2	AT3	AT4	AT5	EC	QCA Levy	IE Pass Through Cost
FY2024	2.01	343.28	8.67	1.18	--	--	0.0063	0.0164

Newlands	AT1	AT2	AT3	AT4	AT5	EC	QCA Levy	IE Pass Through Cost
FY2025	2.07	353.75	8.95	1.22	--	--	0.0063	0.0164
FY2026	2.13	364.54	9.63	1.31	--	--	0.0063	0.0164
FY2027	2.20	375.66	10.52	1.43	--	--	0.0063	0.0164

Table 51 GAPE – Preliminary Reference Tariffs

GAPE	AT1	AT2	AT3	AT4	AT5	EC	QCA Levy	IE Pass Through Cost
FY2024	1.62	15,464.32	1.55	3.22	--	--	0.0063	0.0164
FY2025	1.67	15,464.32	1.41	2.58	--	--	0.0063	0.0164
FY2026	1.72	15,464.32	1.35	2.55	--	--	0.0063	0.0164
FY2027	1.77	15,464.32	1.38	1.32	--	--	0.0063	0.0164

## Appendix 1: Allowable Revenue Waterfall Charts

Figure 2 Allowable Revenue Waterfall – Blackwater System (\$m)

### Blackwater – Allowable Revenue Movement (FY24 Preliminary to FY24 Update)

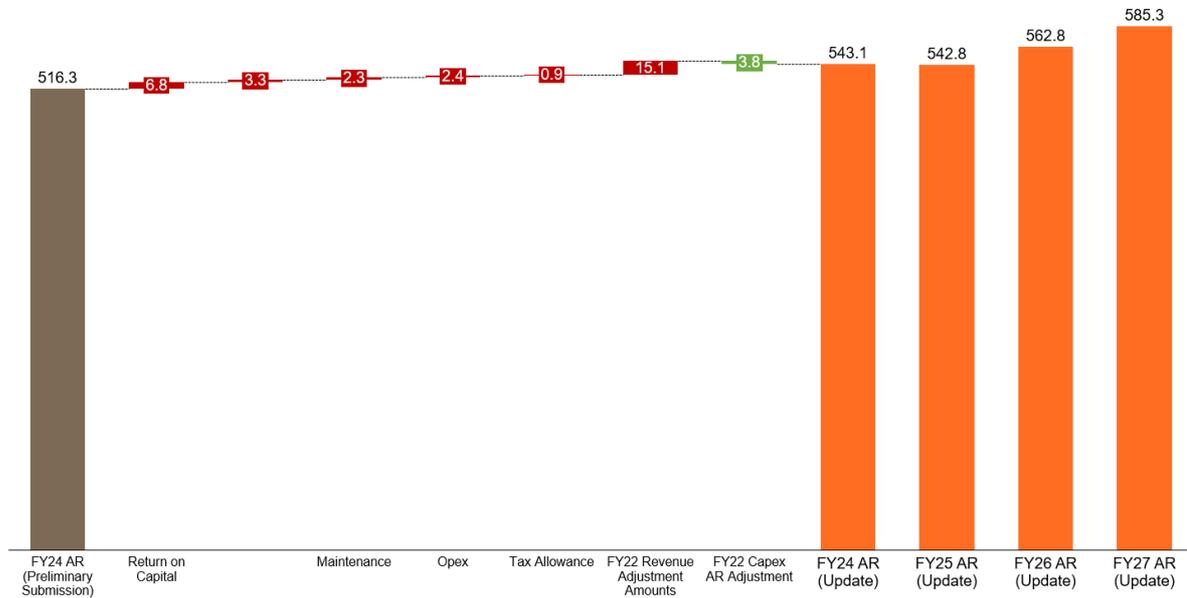


Figure 3 Allowable Revenue Waterfall – Goonyella System (\$m)

### Goonyella – Allowable Revenue Movement (FY24 Preliminary to FY24 Update)

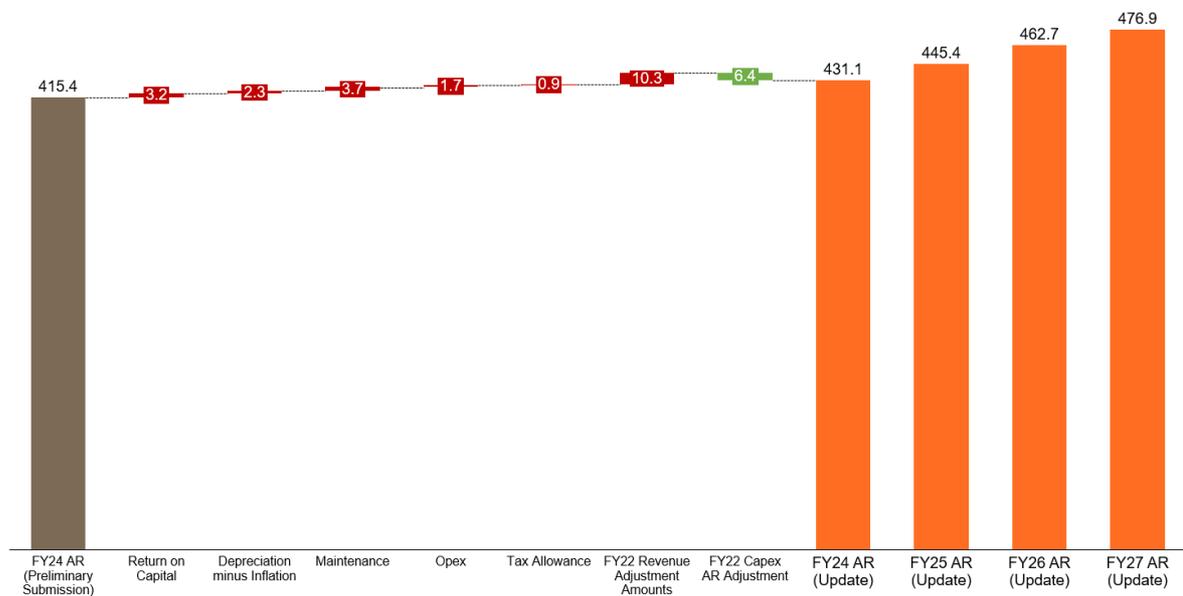


Figure 4 Allowable Revenue Waterfall – Moura System (\$m)

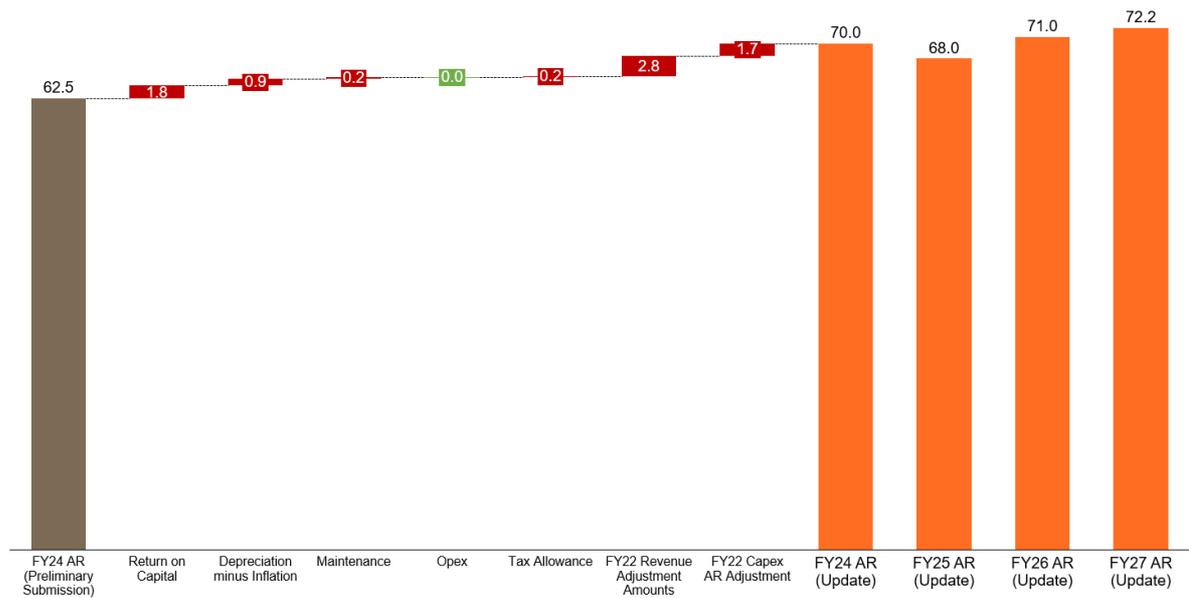
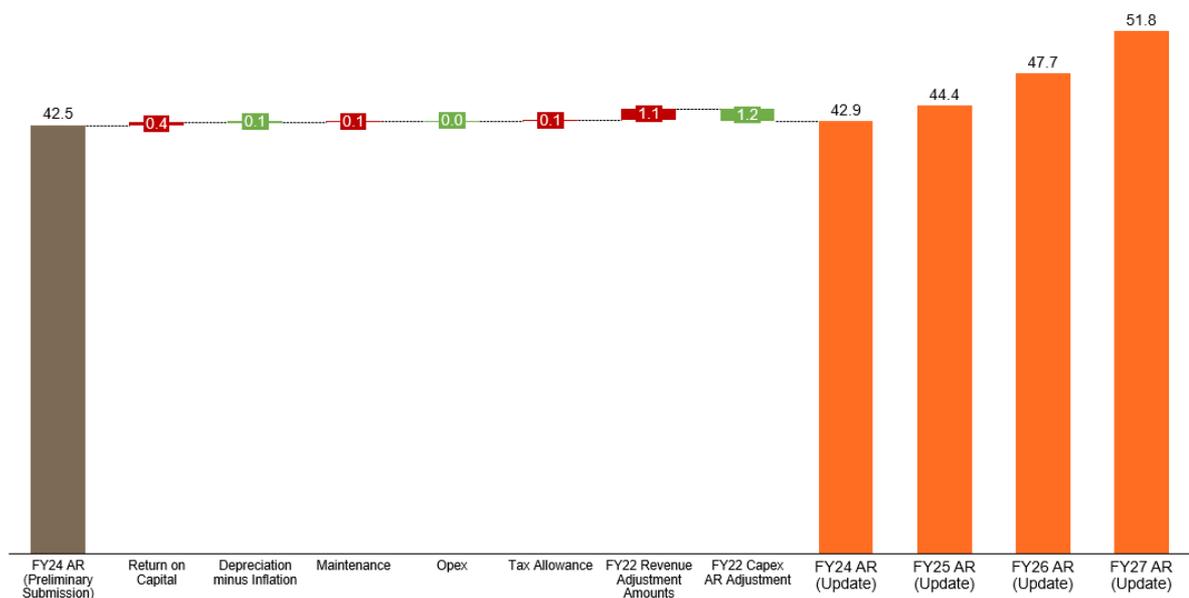
**Moura – Allowable Revenue Movement (FY24 Preliminary to FY24 Update)**

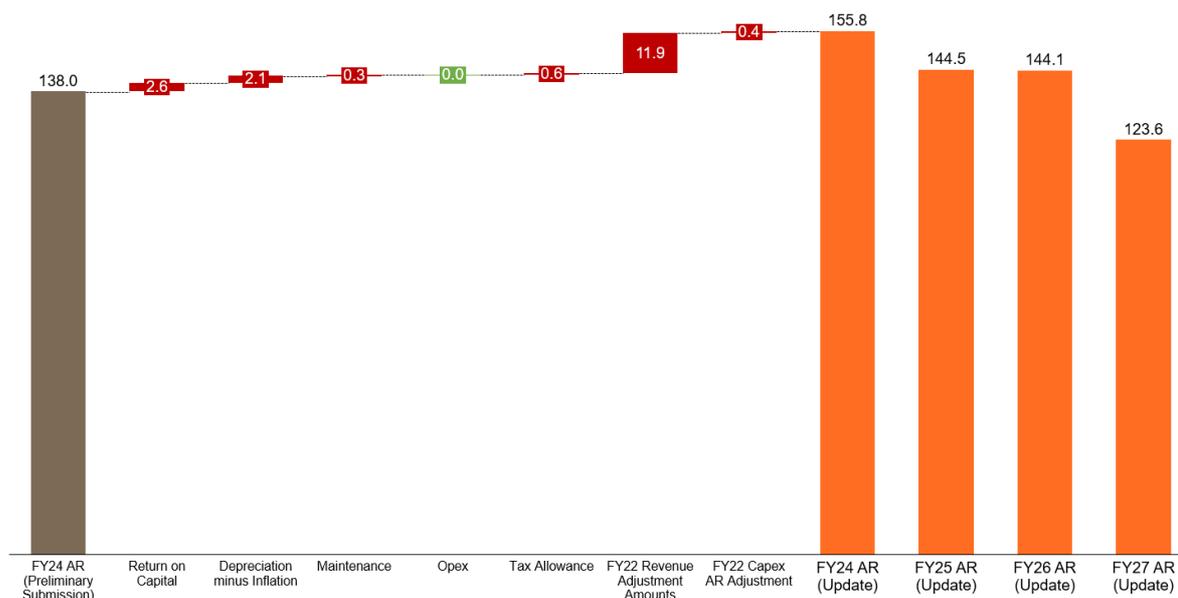
Figure 5 Allowable Revenue Waterfall – Newlands System (\$m)

**Newlands – Allowable Revenue Movement (FY24 Preliminary to FY24 Update)**

As outlined in section 4.2.1 of this submission, the allowable revenue outcomes presented in Figure 5 are subject to the resolution of various matters relating to the allocation of capital renewal expenditure between Newlands and GAPE Train Services. Aurizon Network is engaging with the Newlands / GAPE Working Group to resolve these matters and will seek to reflect any agreed outcomes through the appropriate regulatory process.

Figure 6 Allowable Revenue Waterfall – GAPE (\$m)

## GAPE – Allowable Revenue Movement (FY24 Preliminary to FY24 Update)



The reduction in GAPE Allowable Revenues in FY2027 is primarily attributable to the written down value of GAPE signalling and telecommunications assets that were approved for inclusion in the RAB in FY2012. These assets reach the end of their economic life in FY2027.

As outlined in section 4.2.1 of this submission, the allowable revenue outcomes presented in Figure 6 are subject to the resolution of various matters relating to the allocation of capital renewal expenditure between Newlands and GAPE Train Services. Aurizon Network is engaging with the Newlands / GAPE Working Group to resolve these matters and will seek to reflect any agreed outcomes through the appropriate regulatory process.

## Appendix 2: Amended 2017 Access Undertaking (clean)

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

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