



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

Aurizon Network – Further updates to UT5 Reset Schedule F Preliminary Values

3 April 2023

Dear George,

Aurizon Network submits to the Queensland Competition Authority (**QCA**), minor amendments to the Reset Schedule F Preliminary Values (**Preliminary Values**), which were submitted on 27 February 2023.

The proposed amendments reflect recent outcomes and regulatory decisions, including:

- the QCA's decision of 23 March 2023, relating to the FY2022 Capital Expenditure Claim;
- the notification of prescribed transmission prices for FY2024, received from a Transmission Network Service Provider (**TNSP**) on 20 March 2023; and
- the receipt (on 7 March 2023) of more detailed asset information relating to the Carmichael Private Incremental Costs.

Aurizon Network sees value in incorporating these amendments within a final decision on the Preliminary Values as this will help to minimise the extent of any reconciliation of the FY2024 pricing outcomes against the 'final' Reset Schedule F Values.

Aurizon Network would appreciate the QCA's consideration of these updates when making a decision on the UT5 Reset Schedule F Preliminary Values.

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

Yours sincerely,

A handwritten signature in black ink, appearing to read "Kearney".

Dan Kearney
Head of Finance and Regulation
Aurizon Network Pty Ltd

Amendment 1: FY22 Capex Claim final decision

Aurizon Network is seeking to amend the following aspects of the Preliminary Values to reflect the QCA's final decision on the FY22 Capital Expenditure Claim. Specifically:

- Forecast Regulatory Asset Base values; and
- FY22 Capital Expenditure Allowable Revenue Adjustment.

As noted in its submission to the QCA on 27 February 2023, the above values were calculated based on the capital expenditure claim submitted to the QCA 19 September 2022. Aurizon Network seeks to amend the Preliminary Values to reflect:

- variances in Interest During Construction; and
- the reallocation of \$180,000 in expenditure from bridge ballast undercutting to system track upgrades.

The amended forecast RAB roll-forward values are outlined below. Aurizon Network notes that there is no material change to the FY2024 opening RAB roll-forward value for the CQCN. When rounded to the nearest \$million, this remains at \$6,162m:

Table 1 Forecast RAB Roll-forward Values – Blackwater System

Blackwater (\$m)	FY2022 [^]	FY2023 [^]	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
Closing	2,650.2	2,721.3	2,752.6	2,788.7	2,821.0	2,843.1

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

Table 2 Forecast RAB Roll-forward Values – Goonyella System

Goonyella (\$m)	FY2022 [^]	FY2023 [^]	FY2024	FY2025	FY2026	FY2027
Opening	1,713.3	1,794.4	1,895.0	1,927.8	1,968.5	2,013.5
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
Closing	1,794.4	1,895.0	1,927.8	1,968.5	2,013.5	2,049.7

Table 3 Forecast RAB Roll-forward Values – Moura System

Moura (\$m)	FY2022 [^]	FY2023 [^]	FY2024	FY2025	FY2026	FY2027
Opening	318.7	339.0	353.1	358.7	364.8	369.3
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
Closing	339.0	353.1	358.7	364.8	369.3	370.0

Table 4 Forecast RAB Roll-forward Values – Newlands System

Newlands (\$m)	FY2022 [^]	FY2023 [^]	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
Closing	386.2	412.7	439.2	474.7	508.9	543.5

Table 5 Forecast RAB Roll-forward Values – GAPE

GAPE (\$m)	FY2022 [^]	FY2023 [^]	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
Closing	805.7	779.7	729.6	675.4	617.1	573.4

[^] 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.

The final value of the FY2022 Capital Expenditure Allowable Revenue Adjustment is outlined below. The adjustment for each Coal System is applicable to FY2024 Allowable Revenues and Reference Tariffs only.

Table 6 FY22 Capital Expenditure Allowable Revenue Adjustment

System	AT2-4 (\$m)	AT5 (\$m)
Blackwater	(3.2)	(0.5)
Goonyella	(6.3)	(0.2)
Moura	1.7	--
Newlands / GAPE	(0.8)	--
Total	(8.6)	(0.7)

Amendment 2: TNSP Costs

Aurizon Network has updated the forecast TNSP Costs for each year of the Reset Period to reflect the pricing notification received on 20 March 2023. The updated TNSP cost forecasts to be included in the Electric Operating Expenditure Allowance are as follows.

Table 7 Forecast Transmission and Connection Charges

TNSP Costs (\$m)	FY2024	FY2025	FY2026	FY2027
Blackwater	38.7	38.7	38.7	38.7
Goonyella	32.8	32.8	32.8	32.8
Total	71.5	71.5	71.5	71.5

Amendment 3: Carmichael Private Incremental Costs

In its 27 February 2023 submission, Aurizon Network updated Newlands System Reference Tariffs to reflect the QCA's decision (of 15 December 2022) to approve the Private Incremental Costs associated with the Carmichael rail loop and connecting infrastructure for the Carmichael Rail Network.

Aurizon Network applied an assumed 20-year rolling life depreciation methodology when calculating the relevant PIC discount.

On 7 March 2023, Aurizon Network received detailed information outlining the individual asset classes associated with the PIC. Aurizon Network has applied the QCA-endorsed regulatory asset lives to each of these asset classes, such that the PIC will be maintained in the same way as the RAB in accordance with Schedule E.

Aurizon Network has amended the value of the PIC discount to reflect this.

Updated Preliminary Allowable Revenues

The application of Amendments 1 to 3 above results in the following Preliminary Allowable Revenues for each Coal System.

Table 8 Blackwater System - Preliminary Allowable Revenues (\$m)

Blackwater	AT2-4 (\$m)	AT5 (\$m)
FY2024	416.2	94.6
FY2025	411.8	97.7
FY2026	429.3	99.2
FY2027	448.3	101.6

Table 9 Goonyella System - Preliminary Allowable Revenues (\$m)

Goonyella	AT2-4 (\$m)	AT5 (\$m)
FY2024	319.8	86.7
FY2025	343.3	76.8
FY2026	358.0	78.6
FY2027	369.1	80.9

Table 10 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 11 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 12 GAPE - Preliminary Allowable Revenues (\$m)

GAPE	AT2-4 (\$m)	AT5 (\$m)
FY2024	141.3	--
FY2025	129.6	--
FY2026	128.7	--
FY2027	107.7	--

Updated Preliminary Reference Tariffs

The application of Amendments 1 to 3 above results in the following Preliminary Reference Tariffs for each Coal System.

Table 13 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	4.25	2.82	0.0063	0.0164
FY2025	1.07	2,641.39	10.36	3.35	4.39	2.82	0.0063	0.0164
FY2026	1.10	2,721.95	10.81	3.50	4.46	2.82	0.0063	0.0164
FY2027	1.13	2,804.97	11.30	3.66	4.56	2.82	0.0063	0.0164

Table 14 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	2.61	2.82	0.0063	0.0164
FY2025	0.74	1,673.47	6.92	1.43	2.31	2.82	0.0063	0.0164
FY2026	0.76	1,724.51	7.23	1.50	2.37	2.82	0.0063	0.0164
FY2027	0.79	1,777.11	7.45	1.54	2.44	2.82	0.0063	0.0164

Table 15 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 16 Newlands System – Preliminary Reference Tariffs

Newlands	AT1	AT2	AT3	AT4	AT5	EC	QCA Levy	IE Pass Through Cost
FY2024	2.01	343.28	8.79	1.20	--	--	0.0063	0.0164
FY2025	2.07	353.75	9.08	1.24	--	--	0.0063	0.0164
FY2026	2.13	364.54	9.75	1.33	--	--	0.0063	0.0164
FY2027	2.20	375.66	10.62	1.45	--	--	0.0063	0.0164

Table 17 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