

Mr. George Passmore
Director – Business Performance
Queensland Competition Authority
Level 27, 145 Ann Street
BRISBANE QLD 4000

26 July 2022

Dear George,

FY2023 Endorsed Variation Event - Queensland Competition Authority Regulatory Fees 2022-23

I am writing to inform the Queensland Competition Authority (**QCA**) of an Endorsed Variation Event. Aurizon Network has received the following notifications from the QCA:

- 27 June 2021 – The QCA’s Regulatory Fee estimate for FY2023; and
- 30 June 2021 - A cost update on its FY2022 Regulatory Fees was received.
(collectively, the **QCA Notifications**)

The QCA Notifications constitute an endorsed variation in accordance with Schedule F, Clause 5.2 (c) of the 2017 Access Undertaking (**UT5**). Aurizon Network is seeking approval to reflect this in Allowable Revenues and Reference Tariffs for Financial Year 2023 (**FY2023**).

Regulatory requirements for submitting a Reference Tariff variation

The UT5 requirements for the submission of a Reference Tariff variation in Schedule F, clause 5.4, outline that Aurizon Network must:

- Nominate the Reference Tariff to be varied;
- Include evidence that the Endorsed Variation Event has occurred; and
- Include details of the methodology, data and assumptions used to vary the Reference Tariff.

In accordance with Schedule F, clause 5.2 (b) of UT5, a Reference Tariff variation must be submitted within 60 days of receiving a notice that constitutes an Endorsed Variation Event.

The balance of this submission provides the QCA with information that demonstrates how Aurizon Network has met the Regulatory Requirements for a Reference Tariff variation in accordance with UT5.

Methodology

FY2022 QCA Levy

The QCA’s notification dated 30 June 2022 identified the FY2022 fees to be \$1,058,000 (excluding GST) subject to the final audit and QCA board approval. This results in an under-recovery by the QCA as the original FY2022 estimate was \$581,665 excl GST. As outlined in the table below, Aurizon Network proposes to amend the proposed FY2023 QCA Levy to reconcile the difference between the QCA’s forecast and actual regulatory fees.

FY2023 Proposed QCA Levy

On 26 May 2022 the QCA approved the FY2023 Annual Review of Reference Tariffs which included recovery of the Regulatory Fee through the QCA Levy of \$0.00274/NT (**current FY2023 QCA Levy**). This reflected the latest available information in Aurizon Network’s possession at the time of that approval.

The 27 June 2022 notification outlined the QCA FY2023 Regulatory Fee estimate to be \$1,212,155 excl GST.

Effective Date of the proposed FY2023 QCA Levy

Taking into account the timing of this Endorsed Variation, Aurizon Network is proposing that the current approved FY2023 QCA Levy remain for both July and August 2022. Effective from 1 September 2022, Aurizon Network proposes a revised QCA Levy of \$0.00866/NT, which takes into account both of the QCA Notifications.

The methodology for calculating the QCA Levy for FY2023 is set out below:

Calculation

The fees are expressed in \$ and excluding GST.

QCA Levy FY2023	
QCA Regulatory Fee estimate for FY2023 (100% of total estimated costs)	\$1,212,155
QCA's under recovery in Regulatory Fees for FY2022	\$526,235
Total estimated QCA Regulatory Fee including FY2022 adjustment for FY2023	\$1,738,390
Forecast volume approved by QCA via FY2023 Annual Review of Reference Tariff (NTs)	226,569,309
Calculated QCA Levy for FY2023 (\$/NT)	\$0.00767
Current approved QCA Levy for FY2023 (\$/NT)	\$0.00274
Estimated QCA Levy billing between 1 July 2022 to 31 August 2022*	\$103,467
The remaining estimated QCA Levy from 1 September 2022 to 30 June 2023	\$1,634,923
The remaining forecast volume from 1 September 2022 to 30 June 2023 (NTs)	188,807,758
Proposed the QCA Levy from 1 September 2022 to 30 June 2023 (\$/NT)	\$0.00866

Note: Numbers are subject to rounding

* Based on current approved QCA Levy (0.00274) x monthly forecast volume (226,569,309/12) x 2

The overall purpose of this submission is to seek approval for a variation to the QCA Levy for FY2023 to account for the latest forecast of FY2023 QCA Regulatory Fees received. The relevant evidence and confidential detailed financial models supporting the above calculations are provided to the QCA as an attachment of this letter.

Should you have any questions relating to this Endorsed Variation Event please contact Sandra Xia at Sandra.xia@aurizon.com.au.

Yours sincerely,



Jon Windle
 Manager Regulation
 Aurizon Network Pty Ltd