

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

18 July 2023

Dear George,

FY2024 Endorsed Variation Event - Queensland Competition Authority 2023-24 Regulatory Fees

I am writing in relation to correspondence received from the Queensland Competition Authority (QCA) in relation to its Regulatory Fees. Specifically, the correspondence dated:

- 30 June 2023, which outlined the QCA's fee estimate for FY2024; and
- 12 July 2023, which provided a cost update on the QCA's FY2023 fees.

The QCA's correspondence constitutes a notice under Schedule F, clause 5.1 of the 2017 Access Undertaking (UT5) of an Endorsed Variation Event. In accordance with Schedule F, clause 5.2 (b) of UT5, a Reference Tariff variation must be submitted within 60 days of receiving such a notice.

Consequently, Aurizon Network is seeking QCA approval to vary the FY2024 QCA Levy in accordance with Schedule F, Clause 5.2 (c).

1. Regulatory requirements for submitting a Reference Tariff variation

For a variation in respect of an Endorsed Variation Event, Schedule F, clause 5.4, requires that Aurizon Network must:

Reference to Schedule F, clause 5.4	Aurizon Network Comment
(a) nominate the Reference Tariff to be varied	Aurizon Network is seeking to vary the QCA Levy.
(b) include details of the methodology, data and assumptions used to vary the Reference Tariff	The methodology, data and assumptions used to vary the QCA Levy are outlined in the body of this submission.
(c) for a variation under 5.1(a)(i), include information in relation to (i) the Pricing Limits, and (ii) why the variation will promote efficient investment	Schedule F, clause 5.4(c) is not applicable to an Endorsed Variation Event.
(d) Include evidence that the Endorsed Variation Event has occurred or will occur	The QCA's correspondence of 30 June 2023 provides the required evidence event occurring.

2. Methodology

The QCA Levy for a given year is set having regard to:

- the QCA's regulatory fees for the provision of regulatory services for the rail industry;
- any over or under recovery of fees via the QCA Levy in the previous year; and
- the aggregated volume forecast for the Central Queensland Coal Network (**CQCN**).

2.1. Estimate of FY2024 Regulatory Fees

The QCA's correspondence of 30 June 2023 states that:

"...the QCA has set fees for Aurizon Network in 2023-24 of \$826,000 plus GST..."; and

"These fees represent 90% of the estimated cost of the services expected to be supplied during the year."

Aurizon Network has calculated the updated QCA Levy using an estimate that reflects 100% of the QCA's fees for FY2024, i.e., \$917,778.

2.2. Under Recovery of FY2023 Regulatory Fees

On 27 June 2022, the QCA advised Aurizon Network that its total estimated regulatory fees for FY2023 were \$1,212,155 excl GST. The QCA Levy for the year was subsequently set to recover a total of \$1,738,390, which also made provision for the under-recovery of the QCA's fees from prior years.

During the year, Aurizon Network collected \$1,604,789 from End Users through Access Charges, representing an under-recovery of **\$133,601**.

The QCA's correspondence of 12 July 2023 states that:

"...subject to final audit and QCA Board approval, the estimated fee for compliance monitoring in 2022-23 is \$1,378,953 plus GST"

Aurizon Network notes that the QCA's regulatory fees for FY2023, were approximately **\$166,798** higher than the estimate provided in June 2022.

As a result, Aurizon Network has incorporated a 'Prior Year Adjustment' of **\$300,399** within the proposed updated QCA Levy for FY2024. This adjustment will reconcile the under-recovery of the QCA's fees from prior years.

2.3. CQCN Volume Forecast for FY2024

On 26 May 2023, the QCA approved Aurizon Network's Schedule F Reset Preliminary Values, which included a volume forecast for the CQCN of 207.8 million Net Tonne (**NT**) for FY2024.

Aurizon Network confirms that it has applied this volume forecast when calculating the updated QCA Levy for FY2024.

3. Calculation

Aurizon Network's calculation of the QCA Levy for FY2024 is set out in the table below.

QCA Levy – Full Year FY2024 (ex GST)	Units	Value
FY2024 Regulatory Fees (100% of estimated costs)	\$	917,778
Prior Years Adjustment	\$	300,399
Total FY2024 Regulatory Fees (including adjustment)	\$	1,218,177
FY2024 Volume Forecast	Million NT	207.8
FY2024 QCA Levy – Full Year	\$ per NT	0.0059

3.1. Effective Date of the proposed FY2024 QCA Levy

Considering the timing of the QCA's correspondence and the fact that FY2024 has already commenced, Aurizon Network proposes that the current QCA-approved levy for FY2024 remain in effect for both July and August 2023. Aurizon Network's proposal would see:

- Access Charges for July and August 2023 continue to be billed at a rate of **\$0.0063 per NT**, which reflects the QCA Levy approved by the QCA in their decision on the Schedule F Reset Preliminary Values; and
- Effective from 1 September 2023, billed at an adjusted rate of **\$0.0058 per NT**.

In calculating the adjusted rate, Aurizon Network has assumed collection of two months of Access Charges at the current approved rate, based on a pro-rata of the annual volume forecast.

Aurizon Network's calculation of the adjusted QCA Levy for FY2024 is set out in the table below.

Proposed QCA Levy (ex GST)	Units	Rate	Value
Total FY2024 Regulatory Fees (incl adjustment)	\$		1,218,177
- Less estimated billing 1 July – 31 August 2023 [^]	\$	0.0063	(218,166)
Remaining QCA Fees 1 Sept 2023 – 30 June 2024	\$		1,000,010
Remaining Volume Forecast (Sept 2023 – June 2024)	Million NT		173.1
Proposed FY2024 QCA Levy – effective 1 Sept 2023	\$ per NT		0.0058

[^] Estimated billing for July and August is calculated by applying the current approved QCA Levy to a pro-rata of the annual volume forecast. I.e. $\$0.0063 \times ((207.8 \text{ million NT} / 12 \text{ months}) \times 2 \text{ months})$

It should be noted that in proposing a forward-looking effective date for the proposed QCA Levy, Aurizon Network is seeking to avoid the need for a further regulatory process (i.e. an Adjustment

Charge under Schedule F, clause 6). Adjustment Charges are typically required where Reference Tariff variation applies from a date prior to that of QCA approval.

Should you have any questions relating to this Endorsed Variation Event please contact Michael Bray at Michael.Bray@aurizon.com.au

Yours sincerely,



Jon Windle
Manager Regulation
Aurizon Network Pty Ltd