

File ref: 2032733

24 October 2024

Ms Pam Bains  
Group Executive Network  
Aurizon Network  
GPO Box 456  
BRISBANE QLD 4001

Dear Ms Bains

**Infrastructure rebates and GAPE RCS DAAU**

On 24 October 2024, the Queensland Competition Authority (QCA) decided to approve Aurizon Network's Infrastructure rebates and GAPE RCS DAAU, as submitted on 12 September 2024.

The QCA has made its decision in accordance with the requirements under the QCA Act, including having regard to the statutory assessment criteria. Further detail is provided in the attached decision notice, which will be published on the QCA website for stakeholders' information, along with this letter.

I am happy to discuss any questions you may have on this decision or any other matters. Should your staff have any specific queries on the attached notice, please direct them in the first instance to Pag Arao-Arao by email ([pag.arao-arao@qca.org.au](mailto:pag.arao-arao@qca.org.au)).

Yours sincerely



Charles Millstead  
Chief Executive Officer

cc: Dan Kearney, Head of Finance and Regulation – Aurizon Network  
Jon Windle, Network Regulation Manager – Aurizon Network

# Infrastructure rebates and GAPE RCS DAAU

24 October 2024

The Queensland Competition Authority approved Aurizon Network's infrastructure rebates and GAPE RCS draft amending access undertaking, as submitted on 12 September 2024, under section 142(2) of the *Queensland Competition Authority Act 1997*.

On 12 September 2024, Aurizon Network submitted a revised infrastructure rebates and GAPE RCS draft amending access undertaking (the September 2024 DAAU) under s 142 of the QCA Act.

The September 2024 DAAU seeks to amend various system volume forecasts, allowable revenues and reference tariff inputs included in Schedule F of the 2017 access undertaking (UT5). The proposed amendments reflect:

- proposed new arrangements for the treatment of mine-specific infrastructure that has been funded by customers under an access facilitation deed (AFD) – in particular, providing a price discount at nominated load points for some AFD customers
- the inclusion of previously deferred investment relating to installation of remote control signalling (RCS) in the GAPE allowable revenue and reference tariffs from 1 July 2024
- the outcomes of the 2024-25 annual review of reference tariffs, along with the 2024-25 annual electric energy charge.<sup>1</sup>

The September 2024 DAAU also includes amended drafting in Schedule E related to the proposed AFD discount.

These matters have been ventilated in previous regulatory processes, including our recent assessment of an earlier proposal (the June 2024 DAAU).<sup>2</sup> At that time, we were largely satisfied with the proposal but considered that additional drafting was necessary to operationalise the proposed new arrangements.<sup>3</sup>

<sup>1</sup> Aurizon Network, [Infrastructure rebates and GAPE RCS DAAU](#), September 2024 (Aurizon Network proposal).

<sup>2</sup> In June 2024, Aurizon Network submitted its [original proposal](#) (the June 2024 DAAU).

<sup>3</sup> QCA, [Infrastructure rebates and GAPE RCS DAAU](#), decision notice, August 2024.

## Assessment of the September 2024 DAAU

We have considered the September 2024 DAAU afresh, in accordance with the requirements of the QCA Act.<sup>4</sup> In doing so, we have had regard to all the information available to us, including the information and submissions provided as part of our previous assessment, where relevant.<sup>5</sup>

We published Aurizon Network's September 2024 DAAU on our website and invited submissions. No submissions were received.

We have had regard to the matters mentioned in s 138(2) of the QCA Act. We are of the view that the September 2024 DAAU promotes the economically efficient use of, and investment in, the Central Queensland Coal Network, while balancing the interests of Aurizon Network, access seekers and access holders.

- **The DAAU provides a discount to the access charges paid by some AFD customers.**

AFD discounts apply to nominated load points in the Blackwater and Goonyella systems.<sup>6</sup> There is also revised drafting to operationalise this approach.<sup>7</sup>

We consider it is appropriate that Aurizon Network provide an option for a discount for AFD customers, given the changes in regulatory arrangements over time and because aligning the treatment of AFDs with discounts available to private infrastructure owners provides for consistency and transparency.

We note that the AFD discount only applies where individual access holders have opted to receive it, and we are satisfied that there will be no material adverse impacts on other system users. Further, Aurizon Network will be indifferent between an AFD discount and a rebate, given there will be no impact on overall revenue (notwithstanding a lower administrative burden of discounts).

We note that the AFD discount was intended to apply subject to the relevant AFD customers agreeing to corresponding and complementary amendments to relevant rebate agreements – and that suitable arrangements have been negotiated.<sup>8</sup>

- **The DAAU includes previously deferred RCS investment in the GAPE pricing RAB from 1 July 2024.**

The carried-forward value of the previously deferred RCS expenditure<sup>9</sup> as of 1 July 2024 is \$23.6 million – which increases GAPE allowable revenues by around \$2.8 million each year.<sup>10</sup>

We consider it is reasonable for Aurizon Network to recover an amount equivalent to the full value of the RCS deferral, to compensate Aurizon Network for the deferral. We are satisfied

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<sup>4</sup> QCA Act, s 143.

<sup>5</sup> We received 4 submissions on Aurizon Network's June proposal. These are available on our [website](#).

<sup>6</sup> Discounts apply in respect of the AFD infrastructure at South Walker Creek, Hail Creek and Isaac Plains. Aurizon Network said it had not applied an AFD discount at Rolleston (as it had in the June 2024 DAAU) because it had not agreed on the appropriate changes to the rebate arrangements with the AFD customer (Aurizon Network proposal, p 1).

<sup>7</sup> Aurizon Network proposal, p 1.

<sup>8</sup> Aurizon Network said it had progressed the amendments to the relevant AFD agreements and obtained the agreement of the relevant parties to proceed with submitting its proposal (Aurizon Network proposal, p 1). We understand that since then, parties have finalised amendments to relevant rebate agreements.

<sup>9</sup> This relates to RCS investment from 2013-14, with an original cost of \$11.6 million.

<sup>10</sup> Aurizon Network, [Infrastructure rebates and GAPE RCS DAAU](#), June 2024, p 4; Aurizon Network has also proposed to update GAPE system allowable revenues to reflect recent regulatory decisions.

that Aurizon Network has sought to recover this amount in line with our previous decisions<sup>11</sup> and at the earliest reasonable opportunity.

- **The DAAU updates the volume forecasts, allowable revenues and reference tariff inputs to reflect recent regulatory decisions.**

The volume forecasts, allowable revenues and reference tariff inputs reflect the values and inputs that underpinned our 2024–25 annual review of reference tariffs<sup>12</sup> and the approved electric energy charge tariff for 2024–25.<sup>13</sup>

We consider that it is in all parties' interests to use the most recent and accurate information and forecasts where available, as this may better reflect current conditions and expectations.

We have confirmed that the related revenue and tariff modelling reflects the premise and intent of each element of the proposal and the proposed amendments accurately reflect this modelling.

Further supporting analysis is set out in our decision on the June 2024 DAAU and remains relevant in our consideration of the statutory assessment criteria.<sup>14</sup>

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<sup>11</sup> In our assessment of Aurizon Network's 2017 access undertaking, we approved deferring the RCS costs (for pricing purposes) until all the RCS works in the Newlands system have been completed. See QCA, [Aurizon Network 2014 Access Undertaking – Volume IV – Maximum Allowable Revenue](#), final decision, April 2016, p 182.

In our assessment of the June 2024 DAAU, we did not consider it appropriate to make any adjustments to the carried-forward amount given the nature, expected life and treatment of the assets. See QCA, [Infrastructure rebates and GAPE RCS DAAU](#), decision notice, August 2024, p 5.

<sup>12</sup> [Annual reference tariff review](#), QCA website.

<sup>13</sup> QCA, [Electric energy charge \(EC\) 2024–25](#), June 2024.

<sup>14</sup> QCA, [Infrastructure rebates and GAPE RCS DAAU](#), decision notice, August 2024.