

File Ref: 1487540

23 March 2023

Ms Pam Bains
Group Executive Network
Aurizon Network Pty Ltd
GPO Box 456
Brisbane Qld 4001

Dear Ms Bains

Aurizon Network's Resubmitted Concept Study DAAU—final decision

The Queensland Competition Authority (QCA) approved Aurizon Network's resubmitted concept study draft amending access undertaking (the Resubmitted Concept Study DAAU) on 23 March 2023. The attached decision notice sets out the basis for this decision.

The drafting amendments approved as part of the Resubmitted Concept Study DAAU are to be incorporated within the current approved form of UT5.

This letter and decision notice will be published on the QCA website for stakeholders' information. I am happy to discuss any question you may have on this or any other matters. Should your staff have any specific queries on the attached paper, please direct them in the first instance to Richard Creagh on 3222 0555, or by email richard.creagh@qca.org.au.

Yours sincerely



Charles Millstead
Chief Executive Officer

cc: *Jon Windle, Network Regulation Manager, Aurizon Network*

Decision notice

Aurizon Network's Resubmitted Concept Study DAAU—final decision

23 March 2023

The Queensland Competition Authority approved Aurizon Network's Resubmitted Concept Study draft amending access undertaking, under section 142(2) of the *Queensland Competition Authority Act 1997*.

Aurizon Network's Resubmitted Concept Study DAAU

The 2017 access undertaking (UT5) sets out a process to identify and resolve capacity deficits across the central Queensland coal network (CQCN). See Box 1 for further explanation of the current UT5 process for addressing capacity deficits.

In June 2022, Aurizon Network submitted a draft amending access undertaking that sought to amend this process to provide for a staged implementation of initiatives to address capacity deficits. In December 2022, the QCA released a draft decision setting out its concerns with this proposal—noting it would support revised drafting that Aurizon Network and users had developed in the meantime.¹

In January 2023, Aurizon Network withdrew its original proposal and submitted a new draft amending access undertaking (the Resubmitted Concept Study DAAU) that is based on the revised drafting. Amongst other things, Aurizon Network's Resubmitted Concept Study DAAU seeks to provide for:

- further studies to be undertaken on transitional arrangements prior to a determination on which transitional arrangements are to be implemented
- the staged implementation of transitional arrangements
- Aurizon Network to recover all reasonable costs associated with undertaking those further studies
- the independent expert to be able to recommend, and the QCA to be able to determine, not to address all of the existing capacity deficit.

Assessment approach

On 23 January 2023, Aurizon Network submitted the Resubmitted Concept Study DAAU under s. 142 of the *Queensland Competition Authority Act 1997* (QCA Act).

In accordance with s. 143 of the QCA Act, we have published Aurizon Network's Resubmitted Concept Study DAAU on our website and provided stakeholders with an opportunity to provide submissions on Aurizon Network's proposal.

We did not receive any submissions from stakeholders in relation to Aurizon Network's Resubmitted Concept Study DAAU.

¹ Information relating to our assessment of Aurizon Network's original proposal is available on our [website](#).

In making this draft determination, we have had regard to the matters mentioned in s. 138(2) of the QCA Act. 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.

Box 1: UT5 process for addressing capacity deficits

UT5 includes a process to identify and resolve capacity deficits across the CQCN.

As part of this process, the independent expert is to undertake an initial capacity assessment report (ICAR) and identify whether an existing capacity deficit (ECD)² exists for each coal system.

Where the independent expert's initial capacity assessment reveals an ECD in a coal system, UT5 requires:

- Aurizon Network to consult with relevant stakeholders to identify and consider which transitional arrangements could effectively and efficiently address an identified ECD, or whether affected parties would prefer not to do anything to address an ECD³
- Aurizon Network to submit a detailed report showing the outcome of its analysis and consultation on the ECD and outlining the transitional arrangements it considers would most effectively and efficiently address an ECD⁴
- the independent expert to review Aurizon Network's report and make a recommendation to the QCA with respect to which of the transitional arrangements it considers will most effectively and efficiently resolve an ECD, where end users and Aurizon Network do not reach an agreement⁵
- the QCA to make a determination as to which of the transitional arrangements will most efficiently and effectively resolve an ECD.⁶

Aurizon Network must do everything reasonably necessary to implement the transitional arrangements determined by the QCA in a prudent and diligent manner to resolve an ECD.⁷

Assessment and decision

Our decision is to approve Aurizon Network's Resubmitted Concept Study DAAU, having regard to the relevant statutory criteria.

Aurizon Network's proposed amendments to UT5 have been developed in conjunction with end users, and have largely been agreed between Aurizon Network and those users.

We consider Aurizon Network's Resubmitted Concept Study DAAU provide for processes that promote economically efficient investment in the CQCN and are in the interests of Aurizon Network, access holders and access seekers. This includes:

- retaining a process within UT5 for implementing effective and efficient arrangements to resolve ECDs identified across the CQCN

² An ECD occurs where the deliverable network capacity of a coal system is less than the number of train paths required to meet train service entitlements.

³ UT5, cl. 7A.5(a)(ii).

⁴ UT5, cl. 7A.5(a)(iii).

⁵ UT5, cl. 7A.5(d).

⁶ UT5, cl. 7A.5(e).

⁷ UT5, cl. 7A.5(f).

- providing for further expansion studies to be undertaken, and taken into consideration, when determining the transitional arrangements that will most efficiently and effectively resolve an ECD⁸
- providing for Aurizon Network to recover the prudent and efficient costs of undertaking an expansion study where required under a UT5 process (regardless of whether that expansion proceeds) and thereby enabling Aurizon Network to recover the efficient costs of providing access to the service
- providing for the staged implementation of the transitional arrangements, whereby transitional arrangements may be implemented in the future and at different times, and so may enable investment in capacity of the CQCN to be more reflective of access holders' demand for the service
- providing for the independent expert to recommend, and for us to determine, not to address an ECD in full, or until certain conditions arise. This promotes efficient investment in the CQCN, noting:
 - the capacity benefits obtained from certain transitional arrangements may rely on the prior implementation of other transitional arrangements
 - costs associated with providing additional capacity may be inefficient where demand for the additional capacity does not warrant further investment
- providing for the independent expert to consider the most recent annual capacity assessment⁹ when making a recommendation in relation to which proposed transitional arrangements it considers will most effectively and efficiently resolve the ECD
- clarifying that the pricing principles to apply to an expansion undertaken to resolve an ECD are set out in Part 6 and Schedule F of UT5.¹⁰

Next steps

The Resubmitted Concept Study DAAU proposes amendments to a previously approved form of UT5, which has subsequently been amended as part of our assessment and approval of Aurizon Network's Minerva DAAU.¹¹

We consider it is appropriate for the amendments approved as part of the Resubmitted Concept Study DAAU to be applied to the current approved form of UT5.

⁸ In developing recommended transitional arrangements, Aurizon Network identified alternatives that it considered could assist in resolving the ECD, but it considered further information would be required to properly assess the potential costs, benefits and risks. Aurizon Network, *Detailed Response to the Initial Capacity Assessment Report*, March 2022.

⁹ The annual capacity assessment will provide up-to-date analysis of the deliverable network capacity. This will provide for more informed decisions as to whether transitional arrangements are efficient and effective in addressing an ECD.

¹⁰ These pricing principles provide a framework for the appropriate allocation of costs between the relevant parties and are consistent with the pricing principles set out in s. 168A of the QCA Act.

¹¹ Information relating to our assessment and approval of Aurizon Network's Minerva DAAU is available on our [website](#).