



Ann Jones  
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Queensland Competition Authority  
Level 27, 145 Ann Street  
Brisbane QLD 4000

## **FY24 Rolleston Rebate Adjustment Amount**

7 November 2024

Dear Ann,

Aurizon Network is making this submission on its FY24 Revenue Adjustment Amount application to signal to the Queensland Competition Authority (**QCA**) and customers in the Blackwater System, Aurizon Network's expectation of preparing and submitting a Draft Amending Access Undertaking (**DAAU**) amending the FY26 Allowable Revenue in respect of the FY24 Rebate Adjustment Amounts attributable to the common corridor on the Bauhinia branchline.

In parallel with the recent variations to rebate arrangements in the Goonyella System, as reflected in the QCA's approval of the Infrastructure Rebates and GAPE RCS DAAU on 24 October 2024, Aurizon Network has been negotiating variations to the rebate arrangements for the Bauhinia Branchline.

The Bauhinia spur was originally constructed as a Customer Specific Branchline connecting the Rolleston mine loading facility to the Blackwater Coal System with railings commencing in October 2005. The Bauhinia spur was constructed subject to an Access Facilitation Deed (**AFD**), which were deemed to be reasonable Access Conditions under the Access Undertaking prevailing at the time<sup>1</sup>, to mitigate the financial risks resulting from constructing additional Rail Infrastructure where there would be no more than one Customer using that infrastructure.

Aurizon Network considers it reasonable that AFD holders assume their own volume risk in respect of rebates paid on mine specific infrastructure. However, where all or part of a Customer Specific Branchline becomes shared use, then the rebate arrangements should more closely approximate the return expectations of investment in common use infrastructure. This would be consistent with the outcomes under the current undertaking from a user funded expansion.

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<sup>1</sup> See clause 6.4(b) of the 2001 QR Access Undertaking, Volume 1, p. 42.

In respect of the relevant AFD assets on the Bauhinia branchline (**Rebate Assets**), Aurizon Network notes:

- the amounts relating to the Rebate Assets are fully socialised in the Blackwater System;
- the train services operating over the Rebate Assets are subject to the System Reference Tariff (i.e. no system premium); and
- that following cessation of the MDS Expansion Tariff a significant portion of the Rebate Assets is common Rail Infrastructure, both operationally and economically.

The AFD Holder is seeking a more equitable rebate arrangement for the common corridor component of the Rebate Assets which more closely aligns to the rental payment calculations in a User Funding Agreement.

As noted in our updated Infrastructure Rebates and GAPE RCS DAAU submitted on 12 September 2024, the discounted Reference Tariff to the mine specific component of the Rolleston AFD was excluded on the basis:

*Aurizon Network remains in negotiations with the AFD Holder on the appropriate changes to the rebate arrangements on the shared use AFD assets. These changes will likely require an amendment to schedule F to exclude those Rebates from the Revenue Adjustment Amounts. As these amendments were not considered in the 7 June DAAU, they are not within the scope of this amended DAAU and will need to be progressed as a separate DAAU once negotiations with the AFD Holder have sufficiently progressed.*

Due to the complexity of negotiating variations to rebate calculations across multiple agreements, it was not possible to complete these negotiations prior to 30 June 2024. Where these negotiations had been completed by 30 June 2024, the rebate payments in Blackwater for FY24 would have reflected these alternate arrangements and the Rebate Adjustment Amount in FY24 Revenue Adjustment Amount would be materially lower.

As a reminder, the Rebate Adjustment Amounts, are included in the Revenue Adjustment amounts to ensure that other system users should not compensate a non-railing or under-railing AFD holder for the amount of its mine specific rebateable assets, and conversely should not benefit from an over-railing AFD holder. Consequently, where the amount of rebates paid in a year is less than the allowable revenue attributable to those Rebate Assets, then the associated shortfall (underpayment) is reflected as a reduction to the Allowable Revenue Aurizon Network is entitled to earn in two years. This effectively confers the benefit of the underpayment to other system users.

Aurizon Network and the AFD Holder have been engaged in good faith negotiations to implement variations to the rebate arrangements for common use infrastructure, to align with the intended outcomes of user funded infrastructure. Subject to the expectation the QCA will accept the principle that rebates on common use infrastructure should be comparable to a user funding agreement, Aurizon Network supports the AFD Holder's proposition that it should not be unfairly disadvantaged by transferring the FY24 Rebate Adjustment amount in respect of the common corridor to other Blackwater Access Holders through a reduction in the Allowable Revenue.

Aurizon Network therefore anticipates that upon completion of negotiations for variation to the Rolleston AFDs in respect of the mine specific and common corridor components of the Rebate Assets a DAAU will be submitted which:

- increases the Blackwater Allowable Revenue in FY26 by an amount which reflects the FY24 Rebate Adjustment Amount applicable to the common corridor component and that amount is attributable to the Rebate Assets in FY26 (to ensure return of those amounts to the AFD funding entity in that year); and
- amendments are made to Schedule F, Clause 4.3(c)(viii) to exclude the Rolleston AFDs from the calculation of Adjusted Allowable Revenue (as per a User Funding Agreement).

The Blackwater FY24 Revenue Adjustment Amount includes a Rebate Adjustment Amount of \$2.44 million. Subject to the QCA approving this amount and also approving the relevant percentage of the Rebate Assets which are common user infrastructure in the pending DAAU, then the portion of the Blackwater FY24 Revenue Adjustment Amount that relates to the common use Rebate Assets would be reversed by the DAAU and reflected in the relevant future years system allowable revenues.

If you have any questions in relation to this submission please contact Dean Gannaway at [dean.gannaway@aurizon.com.au](mailto:dean.gannaway@aurizon.com.au).

Kind regards,



Jon Windle  
Manager Regulation