

File ref: 2033213

19 December 2024

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

Dear Ms Bains

**Notice of final decision: Aurizon Network's 2023-24 revenue adjustment**

On 19 December 2024, the Queensland Competition Authority approved Aurizon Network's proposed revenue adjustment amount for 2023-24 under clause 4.3(r) of schedule F of the 2017 access undertaking (UT5). The QCA determined that Aurizon Network has appropriately calculated all the revenue adjustments it proposed on 23 October 2024.

The QCA's review of the revenue adjustment is summarised in the attached decision notice. The notice includes a brief overview of the basis of our assessment and our main findings. This is a written notice for the purpose of clause 4.3(s)(i) of schedule F of UT5.

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 Pag Arao-Arao on 07 3222 0560, or by email at [pag.arao-arao@qca.org.au](mailto:pag.arao-arao@qca.org.au).

Yours sincerely

Charles Millstead  
Chief Executive Officer

# Revenue adjustment amounts 2023-24

19 December 2024

The Queensland Competition Authority's decision is to approve the 2023-24 revenue adjustment amount of \$28.3 million Aurizon Network proposed on 23 October 2024 under the 2017 access undertaking (UT5). The QCA considers that Aurizon Network has calculated the adjustment amounts in accordance with clause 4.3 of schedule F.

Each year Aurizon Network submits a proposal to refund or recoup any over- or under-recovery of its allowable revenues. The proposed adjustments are the difference between Aurizon Network's maximum allowable revenue (MAR) plus any allowable adjustments (collectively termed the adjusted allowable revenue (AAR)), and the total actual revenue (TAR) collected in that year from the approved AT2-AT5 reference tariffs.

On 23 October 2024,<sup>1</sup> Aurizon Network submitted its revenue adjustment proposal for a net recovery of \$28.3 million for 2023-24.<sup>2</sup>

## Revenue adjustment assessment process

UT5 (sch F, cl 4.3) sets out a process for assessing Aurizon Network's proposed revenue adjustment.

We will approve a proposal if we are satisfied that it has been calculated in accordance with UT5 – or we will issue a notice requiring Aurizon Network to resubmit its proposal, with amendments (sch F, cls 4.3(r), (s)).<sup>3</sup> The approved revenue amounts then adjust the second-year's system allowable revenues and corresponding AT2-AT5 reference tariffs (sch F, cl 4.4).

<sup>1</sup> UT5 requires Aurizon Network to submit its yearly revenue adjustment amounts by 31 October (UT5, sch F, cl 4.3 (m), (o)).

<sup>2</sup> Aurizon Network, [FY2024 Revenue Adjustment Amounts – Explanatory Memorandum](#), October 2024.

<sup>3</sup> Approval is also subject to consultation requirements. We have undertaken the requisite consultation (UT5, sch F, cl 4.3(q)).

If we are not reasonably satisfied that the revenue adjustment amount is calculated in accordance with clause 4.3, we must refuse to approve it. In that case, we must then issue a notice to Aurizon Network, explaining our reasons for the refusal and the way Aurizon Network is required to amend its proposal for resubmission (sch F, cl 4.3(s)(ii)).

We have closely checked Aurizon Network's application and supporting models against all available information (both publicly available and provided confidentially) to determine whether the calculations in this revenue assessment process have been performed in accordance with UT5.

## Stakeholder consultation

We invited stakeholder submissions on Aurizon Network's 2023-24 revenue adjustment proposal. We received 2 submissions in response – relating to Aurizon Network's ongoing negotiations for variations to the rebate arrangements for the Bauhinia branchline.<sup>4</sup>

## Revenue adjustment amounts for 2023-24

Aurizon Network's revenue adjustment proposal provides for a net recovery of \$28.3 million from its customers, reflecting under-recoveries in the Blackwater, Goonyella and GAPE systems, and over-recoveries in the Moura and Newlands system for the 2023-24 financial year (see Table 1 for service and system-specific over- and under-recoveries).

**Table 1: Revenue adjustment amounts 2023-24 (\$ million)**

System	AT2-4 (non-electric)	AT5 (electric)	Total
<b>Blackwater</b>	8.8	-3.5	5.4
<b>Goonyella</b>	24.1	11.7	35.8
<b>Moura</b>	-10.9		-10.9
<b>Newlands</b>	-6.7		-6.7
<b>GAPE</b>	4.7		4.7
<b>Total</b>	<b>20.1</b>	<b>8.2</b>	<b>28.3</b>

Note: Numbers may not sum due to rounding. Negative values indicate an over-recovery, and thus a system refund. Source: Aurizon Network, *FY2024 Revenue Adjustment Amounts – Explanatory Memorandum*, October 2024, p 3.

We have set out our assessment of each element of the approved adjustment amounts in the interests of completeness.

## Total actual revenues and adjustments

The TAR represents the total collected revenues made up of the system reference tariffs paid by access holders on all railed volumes in the financial year and includes cross-system traffic revenues on AT2-AT5 tariffs, any take or pay amounts payable, as well as any transfer and relinquishment fees received (sch F, cl 4.3(d)-(k)).

<sup>4</sup> Submissions were received from [Aurizon Network](#) and [Glencore](#).

Aurizon Network submitted detailed monthly data to demonstrate the calculation of the TAR.

## Take or pay, relinquishment or transfer fees, and cross-system revenues

Aurizon Network provided billing information on how it calculated the take or pay revenues under its access contracts.

Take or pay amounts were triggered in the Blackwater and GAPE systems for 2023-24, while relinquishment fees and transfer fees were payable in the GAPE and Goonyella systems. These have been included in the relevant TAR.

The take or pay amounts, relinquishment or transfer fees, and cross-system revenues for 2023-24 totalled \$47.8 million, comprising \$39.3 million from non-electric customers and \$8.5 million from electric customers.

We are satisfied that:

- the take or pay revenues were accurately calculated based on railings within a nominated month and were treated consistently
- the relinquishment fees reflect amounts paid to relinquish surplus service or access entitlements
- cross-system revenues were correctly accounted for.

Aurizon Network has correctly calculated the take or pay revenues that applied for agreements signed during each undertaking period (sch F, cl 4.3(d)(ii)).

## Total actual revenues

Including adjustments to revenues, Aurizon Network collected TAR for 2023-24 of \$1,182.5 million, including all take or pay and cross-system traffic revenues received (see Table 2). We are satisfied that Aurizon Network calculated its system and cross-system tariff revenues in accordance with the 2023-24 annual review of reference tariffs and the current approved undertaking.

**Table 2: Total actual revenues 2023-24 (including take or pay and cross-system revenues) (\$ million)**

System	AT2-4 (non-electric)	AT5 (electric)	Total
<b>Blackwater</b>	420.5	100.4	520.9
<b>Goonyella</b>	312.9	76.8	389.7
<b>Moura</b>	79.3	–	79.3
<b>Newlands</b>	50.4	–	50.4
<b>GAPE</b>	142.3	–	142.3
<b>Total</b>	<b>1,005.4</b>	<b>177.1</b>	<b>1,182.6</b>

Note: Numbers may not sum due to rounding.

Source: Aurizon Network, FY2024 Revenue Adjustment Amounts – Explanatory Memorandum, October 2024, p 14.

## Volumes

Aurizon Network's TAR is based on amounts billed against each customer's actual railings (see Table 3). Overall railings were in line with forecast railings, with the Newlands and Moura systems railing well above forecast, and Goonyella and GAPE railing below forecast.

**Table 3: Forecast and actual volumes 2023-24 (million net tonnes)**

System	Approved forecasts	Actual tonnages	Variance (%)
Blackwater	54.3	54.7	1
Goonyella	108.0	104.1	-4
Moura	11.8	14.9	26
Newlands	16.4	19.5	19
GAPE	17.2	16.3	-5
<b>Total</b>	<b>207.8</b>	<b>209.6</b>	<b>1</b>

Source: Aurizon Network, *FY2024 Revenue Adjustment Amounts – Explanatory Memorandum*, October 2024, p 7.

## System allowable revenues and adjustments

Annual system allowable revenues represent the approved amounts Aurizon Network is set to recover in each year during the term of its approved undertaking. Each system's allowable revenues are published in schedule F of UT5.

Under the revenue adjustment process (sch F, cl 4.3(c)), Aurizon Network can submit adjustments to the annual allowable revenues. Aurizon Network's 2023-24 proposal outlined its claim for the following cost adjustments to the allowable revenues.

### Maintenance cost adjustment

The maintenance cost adjustment accounts for the difference between the approved maintenance indicator and actual maintenance costs for the year, where actual maintenance costs are lower.

Aurizon Network's actual maintenance costs are those included in the annual maintenance costs claim it submitted on 20 September 2024 (which we approved on 19 December 2024).<sup>5</sup> Overall, actual maintenance costs for 2023-24 were higher than the maintenance indicator for the year. Aurizon Network has calculated a net recovery from access holders of \$16.3 million (see Table 4 for system-specific adjustments).

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<sup>5</sup> Aurizon Network's maintenance cost proposal and our decision are available on our [website](#).

**Table 4: Maintenance cost adjustment by system, AT2-AT5 (\$ million)**

System	Maintenance indicator	Actual maintenance costs	Variance	Variable maintenance	Total maintenance adjustments
<b>Non-electric (AT2-AT4)</b>					
<b>Blackwater</b>	62.9	67.0	4.0	(0.3)	3.7
<b>Goonyella</b>	59.9	65.7	5.8	0.7	6.5
<b>Moura</b>	13.2	16.9	3.8	(1.3)	2.5
<b>Newlands</b>	5.1	6.5	1.4	(1.6)	(0.2)
<b>GAPE</b>	8.7	8.9	0.1	1.0	1.1
<b>Total</b>	<b>149.7</b>	<b>165.0</b>	<b>15.2</b>	<b>(1.5)</b>	<b>13.7</b>
<b>Electric (AT5)</b>					
<b>Blackwater</b>	7.0	8.1	1.1		1.1
<b>Goonyella</b>	7.4	9.0	1.7		1.7
<b>Total</b>	<b>14.3</b>	<b>17.1</b>	<b>2.8</b>		<b>2.8</b>

Note: Numbers may not sum due to rounding.

Source: Aurizon Network, FY2024 Revenue Adjustment Amounts – Explanatory Memorandum, October 2024, pp 10-11.

We confirmed that actual maintenance costs are consistent with those included within the 2023-24 annual maintenance report and that the maintenance indicator is consistent with the values approved. Therefore, we are satisfied with Aurizon Network's claim under the maintenance cost adjustment.

### Non-electric operating expenditure allowance

Aurizon Network calculates an adjustment to the component of allowable revenues relating to the recovery of the non-electric operating expenditure allowance (NOEA). This adjustment to the NOEA is based on the difference between actual and the forecast consumer price index (CPI) in UT5.

**Table 5: Non-electric operating expenditure allowance 2023-24 (\$ million)**

System	Non-electric operating expenditure allowance	NOEA adjustment
<b>Blackwater</b>	53.9	0.5
<b>Goonyella</b>	58.8	0.6
<b>Moura</b>	5.8	0.1
<b>Newlands</b>	3.6	0.0
<b>GAPE</b>	12.9	0.1
<b>Total</b>	<b>135.1</b>	<b>1.4</b>

Note: Numbers may not sum due to rounding.

Source: Aurizon Network, FY2024 Revenue Adjustment Amounts – Explanatory Memorandum, October 2024, p 11.

We have confirmed that both forecast and actual CPI used to calculate the NOEA adjustment amount are correctly applied as required in the undertaking and that actual CPI corresponds to published information.

## Electricity connection costs

The electricity connection cost adjustment accounts for the difference between forecast and actual costs incurred in connecting to an electric transmission or distribution network. This adjustment is only applicable to Aurizon Network's electrified systems.

Aurizon Network has calculated a net return to access holders of \$0.4 million (\$0.3m from the Blackwater system and \$0.1m from the Goonyella system).<sup>6</sup> This is the difference between the amounts paid to Powerlink Queensland and Ergon Energy for the connection of Aurizon Network's electric infrastructure to their respective electricity networks and the forecast costs (used for determining the AT5 reference tariff components for 2023-24).

We consider these costs have been appropriately tracked and reflect actual costs incurred.

## Rebates adjustment

To account for the difference between forecast and actual rebate payments made in 2023-24, Aurizon Network has calculated a net return to access holders of \$2.2 million (see Table 6 for system-specific rebates).

This adjustment is the difference between forecast and actual rebate payments made to access holders who have provided Aurizon Network with funds to underwrite capital investments (sch F, cl 4.3 (c)(viii) of UT5).

**Table 6: Rebate adjustment by system totals (\$ million)**

System	Amount
<b>Blackwater</b>	-2.4
<b>Goonyella</b>	0.2
<b>Newlands</b>	-
<b>Total</b>	<b>-2.2</b>

Note: Numbers may not sum due to rounding. Negative values indicate an over-recovery.

Source: Aurizon Network, FY2024 Revenue Adjustment Amounts – Explanatory Memorandum, October 2024, pp 11-12.

Aurizon Network provided a detailed model of the rebate adjustments. We have verified these amounts and are satisfied with the adjustments made.

Aurizon Network noted that it has been negotiating variations to rebate calculations for shared use assets in Blackwater<sup>7</sup> – and foreshadowed its intention to submit a draft amending access undertaking relating to the rebate adjustment amounts attributable to the common corridor on the Bauhinia branchline.<sup>8</sup>

<sup>6</sup> Aurizon Network, *FY2024 Revenue Adjustment Amounts – Explanatory Memorandum*, October 2024, p. 11.

<sup>7</sup> Aurizon Network said that had these negotiations been completed by 30 June 2024, the rebate payments in Blackwater would have reflected these alternative arrangements and the rebate adjustment amount would be materially lower.

<sup>8</sup> Aurizon Network, *FY24 Rolleston Rebate Adjustment Amount*, November 2024.

## Other adjustments

Aurizon Network has calculated a net recovery from access holders (\$27.8m for AT2-4 and \$1.9m for AT5) to account for differences in allowable revenues and tariffs developed under the schedule F reset process (noting that preliminary values applied between 25 May 2023 and 19 October 2023) (see Table 7 for system-specific amounts).<sup>9</sup>

**Table 7: Adjustment relating to the schedule F reset (final v preliminary values) by system totals (\$ million)**

System	Adjustment
<b>Non-electric (AT2-AT4)</b>	
<b>Blackwater</b>	11.3
<b>Goonyella</b>	9.6
<b>Moura</b>	1.8
<b>Newlands</b>	1.5
<b>GAPE</b>	3.5
<b>Subtotal</b>	<b>27.8</b>
<b>Electric (AT5)</b>	
<b>Blackwater</b>	1.5
<b>Goonyella</b>	0.5
<b>Subtotal</b>	<b>1.9</b>
<b>Total</b>	<b>29.7</b>

Note: Numbers may not sum due to rounding. Negative values indicate an over-recovery.

Source: Aurizon Network, FY2024 Revenue Adjustment Amounts – Explanatory Memorandum, October 2024, pp 12-13.

Aurizon Network did not claim any other adjustments – under UT5 sch F, cls 4.3(c)(i), 4.3(c)(v), 4.3(c)(vi), 4.3(c)(vii) and 4.3(c)(ix) – related to the approved WACC, the cost of audits, condition-based assessment costs, ground penetrating radar costs and other compliance costs.

<sup>9</sup> UT5 set out a two-step process to update schedule F to include allowable revenues and reference tariffs for 2023-24 to 2026-27. This provided for preliminary values to be approved, and then revised to reflect updates to some inputs – with any differences in allowable revenues dealt with under the yearly revenue adjustment process (sch F, cl 4.3(ca)). Information about our assessment of the schedule F reset is available on our [website](#).



## Summary of revenue adjustment amounts, 2023-24

System	Allowable revenues	Reset vs preliminary values	Maintenance costs adjustments	NOEA and electricity connection costs	Rebates	Adjusted allowable revenues	Total actual revenues	Revenue adjustment amounts 2023-24
<b>Non-electric (AT2-AT4)</b>								
Blackwater	416.2	11.3	3.7	0.5	-2.4	429.4	420.5	<b>8.8</b>
Goonyella	319.8	9.6	6.5	0.6	0.5	337.1	312.9	<b>24.1</b>
Moura	64.1	1.8	2.5	0.1	0.0	68.4	79.3	<b>-10.9</b>
Newlands	42.3	1.5	-0.2	0.0	0.0	43.7	50.4	<b>-6.7</b>
GAPE	142.3	3.5	1.1	0.1	0.0	147.0	142.3	<b>4.7</b>
<b>Subtotal</b>	<b>984.6</b>	<b>27.8</b>	<b>13.7</b>	<b>1.4</b>	<b>-1.9</b>	<b>1,025.5</b>	<b>1,005.4</b>	<b>20.1</b>
<b>Electric (AT5)</b>								
Blackwater	94.6	1.5	1.1	-0.3	0.0	96.9	100.4	<b>-3.5</b>
Goonyella	86.7	0.5	1.7	-0.1	-0.3	88.4	76.8	<b>11.7</b>
<b>Subtotal</b>	<b>181.3</b>	<b>1.9</b>	<b>2.8</b>	<b>-0.4</b>	<b>-0.3</b>	<b>185.3</b>	<b>177.1</b>	<b>8.2</b>
<b>TOTAL</b>	<b>1,166.0</b>	<b>29.7</b>	<b>16.4</b>	<b>1.0</b>	<b>-2.2</b>	<b>1,210.9</b>	<b>1,182.6</b>	<b>28.3</b>