Queensland Competition Authority

Queensland Rail 2025 draft access undertaking: West Moreton

Addendum to the decision

May 2025

We wish to acknowledge the contribution of the following staff to this report:

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Contents

Decision – West Moreton

This document is an addendum to our decision on Queensland Rail's 2025 draft access undertaking (DAU) that we published on 24 March 2025. It covers the West Moreton access matters that were addressed in Appendices B to E of that decision document.

As stated in our March document, our decision is to refuse to approve Queensland Rail's DAU submitted on 10 November 2023 (the 2025 DAU). In accordance with section 136(5) of the *Queensland Competition Authority Act 1997* (the QCA Act), this document:

- explains why we consider it is not appropriate to approve the West Moreton tariff-related matters in Schedules D and E of the 2025 DAU, having regard to the factors in section 138(2) of the QCA Act
- sets out the way in which we consider it is appropriate to amend Schedules D and E of the DAU.[1]

We consider the West Moreton reference tariff proposed in the 2025 DAU is not appropriate to approve, primarily as it is based on outdated volume forecasts – neither the forecast demand nor the necessary capacity is likely to eventuate.

We have said repeatedly that it would be best if Queensland Rail and its customers agreed on access terms for West Moreton, including costs, service standards and mechanisms for developing a reasoned and prudent strategy for managing the system.

However, all relevant parties who commented on the discussion paper we published in December 2024 wanted us to set a reference tariff. Yancoal said in its most recent submission that it only wanted a reference tariff if it included a subsidy. We consider that the reference tariff can form the basis for the parties to negotiate a subsidy, but it is not appropriate for us to impose a price that does not recover Queensland Rail's efficient costs.

We have determined that $37.60 per thousand gross tonne kilometres ('000 gtk) is a reference tariff that would recover Queensland Rail's efficient costs and that we would therefore be prepared to approve.[2] We have also set out amendments to the non-price terms of access, many of which reflect consensus between West Moreton parties.

The above summary should not be relied on as a substitute for the detailed analysis in the main body of this document.

Way forward

It is now open to Queensland Rail to resubmit its 2025 DAU, with the benefit of our March 2025 decision document and this addendum, which together set out the way in which we consider it is appropriate to amend the 2025 DAU, pursuant to section 136(5)(b) of the QCA Act.

[1] We also require some West Moreton-specific amendments to the main body of the DAU.
[2] This price will be subject to adjustments to inflation and the regulated rate of return, as set out in section 2.5.6 of this addendum. It differs from the price in Appendix B of our March 2025 decision document due to adjustments for inflation, capitalised losses and allocation of the asset base, which are also discussed in section 2.5.6.

We will consider any resubmitted DAU, having regard to the criteria in section 138(2).[3] If Queensland Rail resubmits soon enough, and we find it is appropriate to approve the DAU, we will endeavour to have it take effect on 1 July 2025, to replace the 2020 undertaking.

[3] Pursuant to s. 138(3), we will publish the resubmitted DAU and provide a brief opportunity for comment.

1 Our investigation

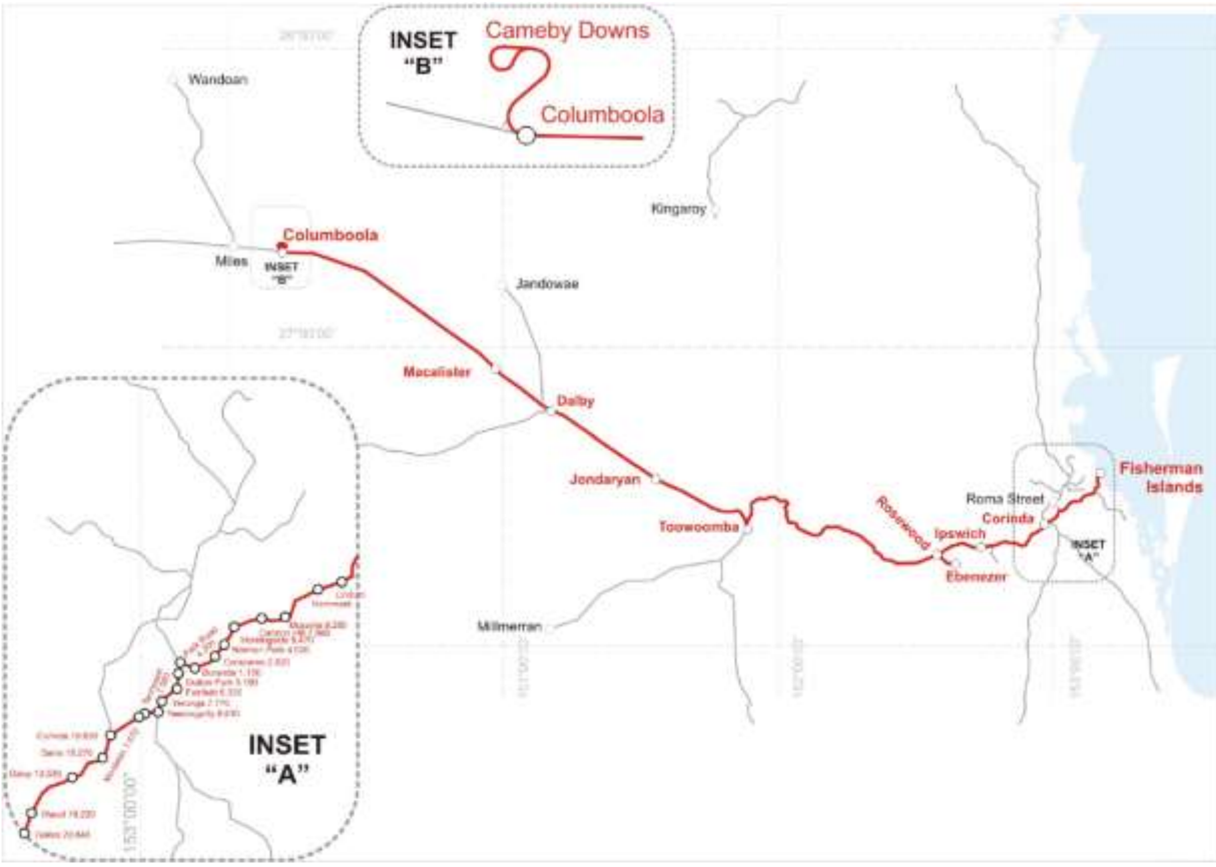
1.1 Background

Queensland Rail owns and operates a 6,600 kilometre rail network, including the commuter lines in south-east Queensland and the West Moreton system. Queensland Rail provides access to declared services for the purposes of Queensland's third-party access regime established under Part 5 of the QCA Act.

Queensland Rail's 2020 access undertaking (AU2) came into effect on 1 July 2020. It sets out the terms and conditions under which Queensland Rail provides access to the declared services on its rail infrastructure. It also outlines the process required for an access seeker to negotiate access to the services, and the way disputes in relation to access are to be resolved. The 2020 access undertaking will expire on 30 June 2025.[4]

On 10 November 2023, Queensland Rail submitted the 2025 DAU to us for approval in accordance with section 136 of the QCA Act. It is intended that the new undertaking will take effect immediately after AU2 expires, as the 2025 access undertaking (AU3).

Figure 1: Queensland Rail's West Moreton system



Source: Queensland Rail.

[4] Unless an earlier terminating date is triggered under AU2.

1.2 Queensland Rail's 2025 DAU

An access undertaking for a service means a written undertaking that sets out details of the terms on which an owner or operator of the service undertakes to provide access to the service.[5]

Queensland Rail's 2025 DAU sets out the proposed terms and conditions under which Queensland Rail will provide access to the services covered by the undertaking during its term. The term of the DAU commences on the DAU's approval date until its expiry on 30 June 2030, unless an earlier terminating event arises.

Queensland Rail's proposed regulatory arrangements largely reflect the current regulatory arrangements, set out in the 2020 undertaking. Queensland Rail submitted that it was only seeking changes from the 2020 undertaking on an exceptions basis, where it considered improvements could be made.[6] As part of these arrangements, Queensland Rail proposed that a reference tariff continue to apply to coal handling services on the West Moreton route service.[7]

1.3 Our regulatory task

Submissions

In accordance with section 136 of the QCA Act, we are required to consider the 2025 DAU and either approve it or refuse to approve it.[8] As part of our assessment, we must publish the 2025 DAU and consider relevant submissions on it (ss. 138(3)(c) and (d)).

On 14 November 2023, we published the 2025 DAU, a notice of investigation and a Statement of Regulatory Intent, and invited submissions from interested parties.[9] The rounds of submissions over the course of our investigation are summarised in Table 1 (Appendix D provides a full list of submissions and the numbers allocated to them for reference purposes).

Table 1: Rounds of submissions received during the investigation

Consultation round	Date of the request	Date due	Number received
Comment on the DAU	14 Nov 2023	2 Feb 2024	9
Further (responsive) submissions	5 Feb 2024	14 Mar 2024	7
Comment on the draft decision	6 June 2024	23 July 2024	7
Collaborative submissions	30 July 2024	8 Nov 2024	5
Comment on the discussion paper	20 Dec 2024	7 Feb 2025	5
Comment on West Moreton access	24 Mar 2025	14 Apr 2025	3

[5] QCA Act, Sch. 2.
[6] Queensland Rail, sub. 1, p. 3.
[7] The West Moreton route service means the use of the West Moreton system and the Metropolitan system, as declared under s. 84(1)(b) of the QCA Act.
[8] If we refuse to approve the 2025 DAU, we must provide a written notice stating the reasons for the refusal and the way in which we consider it is appropriate to amend the 2025 DAU (s. 136(5)).
[9] The Statement of Regulatory Intent outlines our intended approach to managing information-gathering processes, stakeholder consultation and assessment timeframes throughout our investigation. Section 146 of the QCA Act provides for us to issue a notice of investigation to commence an investigation for deciding whether to approve the DAU. A notice of investigation states our intention to conduct the investigation and invites interested parties to make written submissions on the proposed DAU. On 23 November 2023, we published a list of topics to assist stakeholders in preparing their submissions.

Addendum

This addendum is to be read in conjunction with the decision on non-tariff matters that is set out in Chapters 1 to 7 of our March 2025 decision. We gave parties a further chance to comment on our draft positions on West Moreton access terms, which were set out in Appendices B to E of the March 2025 decision document. This addendum is our final decision on those West Moreton access terms, and together this addendum and the March 2025 decision represent our final decision on all of Queensland Rail's 2025 DAU, in accordance with sections 136(4) and (5) of the QCA Act.

Factors affecting approval

Section 138 of the QCA Act outlines the factors affecting the approval of a DAU. In particular, we may approve the 2025 DAU only if we consider it appropriate to do so having regard to each of the matters set out in section 138(2).

This addendum to the decision outlines our assessment of the West Moreton access terms in the 2025 DAU (Schedules D and E), having regard to the matters in section 138(2) of the QCA Act and to all submissions that we received within the consultation periods.

In assessing the 2025 DAU, we have considered all aspects of the undertaking having regard to the section 138(2) factors. In some cases, the assessment of whether it is appropriate to approve the 2025 DAU, having regard to the factors affecting approval, gave rise to competing considerations. In such cases, we weighed up the competing considerations as appropriate.

Human rights considerations

The following human rights may be relevant to our decision for the purposes of the *Human Rights Act 2019* (HR Act), pursuant to section 58(1)(b) of the HR Act:

- rights potentially related to climate change (right to life, equality and non-discrimination and right of children to protection of their best interests)
- the right to freedom of movement (for passengers in Queensland).

Our decision is unlikely to limit any of the rights mentioned above, particularly as:

- for rights potentially related to climate change – these rights are unlikely to be limited by a decision concerning approval of an access undertaking, as any such decision would likely not have a material effect on the volume of coal exported and consumed overseas, which primarily depends on market factors such as demand and price
- for the right of freedom of movement – the effect of the final decision is likely to be positive or neutral.

This decision is therefore compatible with human rights under section 8(a) of the HR Act.

2 West Moreton access

Queensland Rail has proposed reference tariffs for coal haulage on the West Moreton route service (the West Moreton reference tariff). The two systems that comprise the declared route service (the West Moreton and Metropolitan systems) connect mines in southern Queensland with the coal export terminal at the Port of Brisbane.

We consider a West Moreton coal reference tariff of $37.60/'000 gtk ($14.02 per net tonne[10]) will recover Queensland Rail's efficient costs at our best forecast of coal volumes and is appropriate to approve, having regard to the criteria in section 138(2) of the QCA Act. We also require some amendments to the non-price terms, including the process for cooperation on maintenance and capital planning, an annual true-up for capital expenditure, and volume triggers for reviewing the reference tariff.

At the same time, we encourage Queensland Rail and its customers to continue their efforts to find consensus on terms that suit their respective risk and service preferences. These may include a reasoned and prudent strategy for delivering capacity, and other price and non-price terms of access. These matters can be implemented through a draft amending access undertaking (DAAU) or, if the parties move quickly, agreed amendments to any resubmitted 2025 DAU.

In several sections of this addendum, we draw on the material in our discussion paper and Appendices B to E of our decision.[11] We provide references to the discussion paper or decision in many places, rather than repeating all their content.

Table 2: West Moreton access terms (Schedules D and E) – summary

Queensland Rail proposal	Clause	QCA decision/position
Appropriate use of reference tariffs		
Queensland Rail proposed to include a West Moreton reference tariff in the 2025 DAU.[12] Stakeholders also said the undertaking should include a West Moreton reference tariff, albeit with some conditions.[13]	Sch. D, cl. 3	We consider it is appropriate to develop a reference tariff. See section 2.2.
Sustainable West Moreton capacity		
Queensland Rail proposed two capacity scenarios: • scenario 1a with tonnages peaking at 9.6 mtpa • scenario 2 with tonnages peaking at 7.5 mtpa.[14]		The tonnages forecast under scenario 2 are achievable, should Queensland Rail implement measures to deliver the specified works programs with fewer possession hours. See section 2.3.

[10] The full cost of access, including $3.07 to traverse the Metropolitan system, is $17.08 per net tonne.
[11] QCA, Queensland Rail 2025 Draft Access Undertaking, discussion paper, December 2024; *Queensland Rail 2025 Draft Access Undertaking*, decision, March 2025.
[12] Queensland Rail, sub. 1, p. 5.
[13] New Hope, sub. 31, pp. 3–7; Yancoal, sub. 34, pp. 2–4. Yancoal (sub. 37, pp 1–2, 5) said a reference tariff should only be included if it was affordable.
[14] Queensland Rail, sub. 27, pp. 15–16.

Queensland Rail proposal	Clause	QCA decision/position
Coordination and non-price terms		
Queensland Rail said its capital and maintenance plan for West Moreton would reduce operational risk.[15]		A reasoned and prudent strategy, agreed with customers, is the best basis for efficient management of West Moreton. See section 2.4.1.
Queensland Rail proposed a capital expenditure review process unchanged from the 2020 undertaking.[16]	Sch. E	Amendments are appropriate to promote consultation with customers on West Moreton investment planning. See section 2.4.2.
Queensland Rail proposed triggers for review of its capital indicator.[17] Customers proposed an annual true-up process.[18]	Sch. D, cl. 3.2	An annual true-up process promotes efficient investment. See section 2.4.3.
Queensland Rail proposed a mechanism for recovering capitalised losses.[19]	Sch. D, cl. 8	Amendments are appropriate, so that recovery is dependent on coal prices. See section 2.4.4.
Queensland Rail proposed accelerated depreciation to address its asset stranding risk.[20]		Renewal rights for long-term contracts are appropriate, as they will address stranding and security of access. See section 2.4.5.
Queensland Rail proposed a volume reset if volumes fell below 7.5. mtpa.[21]	Sch. D, cl. 3.2	The tariff should be reset if volumes vary by 1 million tonnes from 7.5 mtpa. See section 2.4.6.
West Moreton efficient costs		
Queensland Rail proposed a total revenue requirement of $501 million over the five-year undertaking period, for annual volumes of 9.6 million tonnes.		Total revenue of $425.0 million over the five years is appropriate to approve for annual volumes of 7.5 million tonnes. See section 2.5 for analysis of the building blocks.
Conclusion – appropriate reference tariff		
Queensland Rail proposed a reference tariff of $32.63/'000 gtk for annual volumes of 9.6 million tonnes.[22]	Sch. D, cl. 3	A full-cost-recovery reference tariff of $37.60 is appropriate to approve for annual volumes of 7.5 million tonnes. See section 2.6.
Agreed West Moreton reference tariff		
Queensland Rail and stakeholders said it was difficult to reach an agreed outcome.[23]		The parties may be able to agree West Moreton access terms that best suit their

[15] Queensland Rail, sub. 1, pp. 9–10.
[16] Queensland Rail, 2025 DAU, Schedule E.
[17] Queensland Rail, sub. 1, p. 30.
[18] New Hope, sub. 5, pp. 26, 36–38; Yancoal, sub. 9, pp. 15, 28–29 and sub. 16, p. 7.
[19] Queensland Rail, sub. 1, pp. 54–55.
[20] Queensland Rail, sub. 1, pp. 32–37.
[21] Queensland Rail, sub. 1, pp. 55–56.
[22] Queensland Rail, sub. 1, pp. 10–12.
[23] Queensland Rail, sub. 32, pp. 4–5; New Hope, sub. 31, p. 3; Yancoal, sub. 34, p. 2.

Queensland Rail proposal	Clause	QCA decision/position
		risk and service preferences. See section 2.7.

2.1 Reference tariff proposals

Both Queensland Rail and its customers have provided tariff proposals since our draft decision was published in June 2024. Queensland Rail submitted an amended tariff proposal in November 2024, and the West Moreton customers provided suggested approaches in February and April 2025.

2.1.1 Queensland Rail's amended proposal

Queensland Rail's 2025 DAU proposed a reference tariff for coal haulage on the West Moreton system, based on forecast annual volumes of 9.6 million tonnes. We said in our draft decision that the reference tariff and related measures were not appropriate to approve because of, among other things, a lack of a reasoned and prudent strategy for West Moreton and uncertainty about both demand and capacity.[24]

After our draft decision, Queensland Rail exchanged information with its West Moreton customers and agreed with them that it would prepare an alternative scenario, for annual volumes of 7.5 million tonnes.

In its collaborative submission of November 2024, Queensland Rail included both its original 9.6 million tonne forecast (scenario 1a) and a second proposed reference tariff for 7.5 million tonnes (scenario 2).[25] The annual volumes for each scenario are shown in Table 3.

Table 3: Queensland Rail's coal volume forecasts (mtpa)

Scenario	2025-26	2026-27	2027-28	2028-29	2029-30
1a (9.6 mtpa)[a]	8.2	9.5	9.6	9.6	9.6
2 (7.5 mtpa)	6.0	6.0	7.5	7.5	7.5

a Scenario 1a is an updated version of the original tonnage estimate in Queensland Rail's DAU.
Source: Queensland Rail, sub. 27, p. 12.

For reasons set out in this chapter and the discussion paper we published in December 2024,[26] we largely focus our analysis in this addendum on volumes of 7.5 million tonnes.

Key aspects of Queensland Rail's proposed West Moreton coal reference tariff for annual volumes peaking at 7.5 million tonnes (scenario 2) include:

- an opening regulatory asset base (RAB) of $446.2 million allocated to coal services
- a weighted average cost of capital (WACC) value of 7.39%
- capital expenditure of $256.6 million
- existing assets depreciated over lives of 19 years, with 14-year lives for new assets built during the last year of the undertaking period
- maintenance expenditure of $141.3 million
- operating expenditure of $74.6 million.

[24] QCA, *Queensland Rail 2025 Draft Access Undertaking*, draft decision, June 2024.
[25] Queensland Rail, sub. 27, p. 12. For more detail on both volume scenarios, see QCA, *Queensland Rail 2025 Draft Access Undertaking*, discussion paper, December 2024, pp. 44–55.
[26] QCA, *Queensland Rail 2025 Draft Access Undertaking*, discussion paper, December 2024, pp. 42–43.

These building blocks result in a proposed reference tariff of $37.75/'000 gtk. However, this price understates Queensland Rail's proposed tariff as it excludes extra capital expenditure above the capital indicator during the 2020 undertaking period, and recovery of capitalised losses.

2.1.2 Customers' tariff proposals

New Hope and Yancoal both proposed alternative tariff approaches in their February 2025 submissions, and they proposed further measures in their April 2025 submissions. Many of their February suggestions were similar or identical (See Table 4). Key measures included:

- a 20% reduction in the capital indicator for the final three years of the undertaking period, subject to a true-up process if actual spending exceeded the indicator amount and was assessed as prudent by us
- an efficiency dividend in maintenance and operating costs
- loss capitalisation amounts to be recovered through tariffs only where the average coal price exceeded certain thresholds
- customer consultation and approval of capital expenditure.[27]

However, New Hope's and Yancoal's suggested approaches differed in some respects. In particular, Yancoal said Queensland Rail should apply an 'affordability cap' regardless of the price calculated from the tariff building blocks.[28]

Yancoal elaborated on its affordability proposal in its April submission. It said the reference tariff should be reduced and accelerated depreciation over 19 years for all assets should be replaced with a mechanism that provided for increased tariff payments when coal prices exceeded specified thresholds. These additional payments would be applied to depreciating 'assets with the longest remaining asset lives'.[29]

Table 4: West Moreton access prices

Description	Price ($/'000 gtk)
Queensland Rail: 9.6 mtpa (scenario 1a)	$32.63
Queensland Rail: 7.5 mtpa (scenario 2 in November 2024 submission)	$37.75
Queensland Rail: 7.5 mtpa, (scenario 2 with AU2 capex adjustments)	$39.66
New Hope: 7.5 mtpa	$37.64
Yancoal 'affordability' price: 7.5 mtpa	$33.00
Full-cost-recovery reference tariff[a]	**$37.60**

a This price differs from that included in Appendix B of our March 2025 decision document because of adjustments to inflation, capitalised losses and asset allocation (see section 2.5.6).
Note: Prices are expressed in $/'000 gtk for comparison purposes. The reference tariffs recover half the revenue on a $/'000 gtk basis and half on a train path basis. The tariff components are discussed in more detail in section 2.5. All figures are in 2025–26 dollars.

[27] New Hope, sub. 31, pp. 13–16; Yancoal, sub. 34, pp. 5–7.
[28] Yancoal, sub. 34, p. 5.
[29] Yancoal, sub. 37, pp. 7–8 and 14. Yancoal proposed coal price 'affordability thresholds' of $130 and $150.

2.2 Appropriate use of reference tariffs

A reference tariff has applied for West Moreton coal services for most of the time since we approved the 2006 access undertaking for QR Network.[30] The reference tariff and related provisions in successive approved access undertakings have provided a degree of certainty for Queensland Rail and its customers and may have reduced transaction costs associated with agreeing West Moreton access terms.

However, there is no requirement that an undertaking include a reference tariff. Section 137 of the QCA Act provides that:

> An access undertaking for a service may include details of the following—
> (a) how charges for access to the service are to be calculated;

Setting a reference tariff is not like setting a regulated price; a reference tariff is the basis for negotiation, and a source of information, rather than a requirement. The parties can agree alternative terms that reflect their risk preferences and commercial interests.

In our draft decision on Queensland Rail's 2025 DAU, we found a number of areas of uncertainty about how West Moreton would operate during the undertaking period, particularly concerning capacity and demand. We said this created significant obstacles for us in applying a building blocks approach to estimate an efficient reference tariff. We encouraged Queensland Rail and its customers to work together to come up with a mutually beneficial outcome, based on a reasoned and prudent strategy for operating the rail system.[31]

Investigations for our subsequent discussion paper confirmed these concerns over a lack of sufficient capacity (the analysis of capacity is summarised in section 2.3). At that time, we considered that it was not appropriate to include a West Moreton coal reference tariff in the 2025 DAU, unless Queensland Rail and its customers could find consensus on a price and related matters that bridged the substantial differences between their respective current positions.[32]

Queensland Rail said that an undertaking without 'an appropriate reference tariff set by the QCA', among other things, failed to ensure Queensland Rail recovered at least its efficient costs of providing the service, and required Queensland Rail to provide the service at an ongoing material loss.[33]

Queensland Rail's consultant, HoustonKemp, said not having a reference tariff would hamper access and price negotiations:

> Removing the West Moreton reference tariff will likely give rise to negotiations between Queensland Rail and access seekers that are less efficient, due to both restrictions imposed by existing contracts and the extent of interdependencies between the different West Moreton coal mines.[34]

Customers also said in their February 2025 submissions that the undertaking should include a reference tariff. New Hope said 'regulatory intervention' was necessary to address Queensland Rail's

[30] A reference tariff applied from 2006 until June 2015, when the 2008 QR Network access undertaking, as applied to Queensland Rail, terminated. There was then a period of more than a year with no Queensland Rail undertaking, and no reference tariff. We approved the 2016 undertaking, including a West Moreton coal reference tariff, in October 2016.
[31] QCA, *Queensland Rail 2025 Draft Access Undertaking*, draft decision, June 2024, pp. 92–94.
[32] QCA, *Queensland Rail 2025 Draft Access Undertaking*, discussion paper, December 2024, pp. 6–9.
[33] Queensland Rail, sub. 32, pp. 4–5.
[34] Queensland Rail, sub. 32, Att. 1, p. 15.

inability to resolve commercial and pricing matters.[35] Yancoal said the lack of progress toward an agreed price demonstrated the difficulty of commercial negotiations with Queensland Rail.[36]

However, Yancoal said in its April 2025 submission that it only wanted a reference tariff if it was set at an affordable price. It said its support for various tariff elements had always been conditional on there being an 'appropriate affordability tariff'.[37]

A reference tariff is a starting point for negotiations, and not the final word on pricing that will apply. In particular, any reference tariff that does not recover Queensland Rail's efficient costs, including a return on investment commensurate with the regulatory and commercial risk of providing access, should be agreed between the parties rather than imposed by us.

Accordingly, we consider it is appropriate to develop a full-cost-recovery reference tariff, and include it in the 2025 undertaking, consistent with the approach we outlined in Appendix B of our March 2025 decision paper.

While we may be prepared to approve an access undertaking with a tariff that includes a subsidy, we would only be able to consider this where it is the result of a consensus outcome brought forward by the parties in either a resubmitted 2025 DAU or a subsequent DAAU.

Negotiations are continuing

Queensland Rail, New Hope and Yancoal all said they were still negotiating West Moreton access terms. New Hope said its negotiations had been 'more productive in recent times, resulting in "in principle" agreement of most matters'.[38] Outstanding matters included drafting of amendments to the DAU. Queensland Rail said 'some key differences' remained unresolved. It was concerned about different proposals for different users that were 'operating to a degree in the same market'.[39]

Yancoal said it had provided Queensland Rail with adjustments that would allow it to support the positions that Queensland Rail had agreed in principle with New Hope. It said it would remain open to discussions after the DAU was approved, but it expected negotiations would 'practically not occur' if there was an approved reference tariff in place.[40]

As discussed above, we consider that a reference tariff is not the end of negotiations. An agreed outcome would best balance all the parties' interests and reconcile their competing cost, revenue and reliability goals.

In the meantime, we have opted to publish this final decision on West Moreton access terms that leaves a pathway for Queensland Rail to submit an amended DAU in time for us to be able to approve it on 1 July 2025, should we consider it appropriate, having regard to the criteria in section 138(2) of the QCA Act.

Having a new undertaking in place when the current undertaking terminates provides regulatory certainty and avoids the extra cost for all parties of an investigation that extends into the new undertaking period. However, that is only one of many matters to which we will have regard as we consider whether it is appropriate to approve any DAU that Queensland Rail might resubmit in response to our decision, including this addendum.

[35] New Hope, sub. 31, p. 3.
[36] Yancoal, sub. 34, p. 2.
[37] Yancoal, sub. 37, p. 9.
[38] New Hope, sub. 35, p. 3.
[39] Queensland Rail, sub. 36, p. 3.
[40] Yancoal, sub. 37, p. 3.

2.3 Sustainable West Moreton capacity

A reliable estimate of expected volumes is central to calculating a building blocks price that is appropriate to approve.

Our draft decision not to approve Queensland Rail's proposed West Moreton reference tariff reflected uncertainty about whether customers would contract for the proposed volumes and whether there was capacity to provide those volumes if they were required.

After our draft decision, we sought further advice on the sustainable capacity of West Moreton. Our technical consultant, Arcadis, concluded that a reasonable scenario based on Queensland Rail's proposals would result in a system capable of hauling 6.8 mtpa consistently for the 2025 undertaking period. Arcadis noted that if work programs could be implemented to reduce possession hours sufficiently, then the 7.5 mtpa (scenario 2) appeared to be feasible.

Stakeholders generally agreed on the importance of having an accurate picture of capacity on the West Moreton system, and users appreciated the initiative of having the analysis performed. Aurizon Coal and Bulk considered it 'a thorough assessment of the maximum theoretical capacity of the WMS' and provided suggestions for future development.[41] Queensland Rail was critical of the assumptions used by Arcadis, in particular basing the estimate of the number of hours the track was available to traffic using Queensland Rail's forecast of system availability, as opposed to Queensland Rail's forecast of the number of hours where the track was under possession. However, we note that, even when using Queensland Rail's preferred assumptions, the results of the analysis prepared for Queensland Rail by its consultant, AECOM, show only minor differences with Arcadis' results. These differences do not change our overall conclusions.

As New Hope said, capacity analysis is 'a long term and complex process'.[42] We acknowledge stakeholders' point that a more granular analysis than was possible within the confines of our investigation would likely result in a more refined estimate of capacity. [43] However, we do not expect a more refined estimate of capacity to make such a difference that it would alter our overall conclusions.

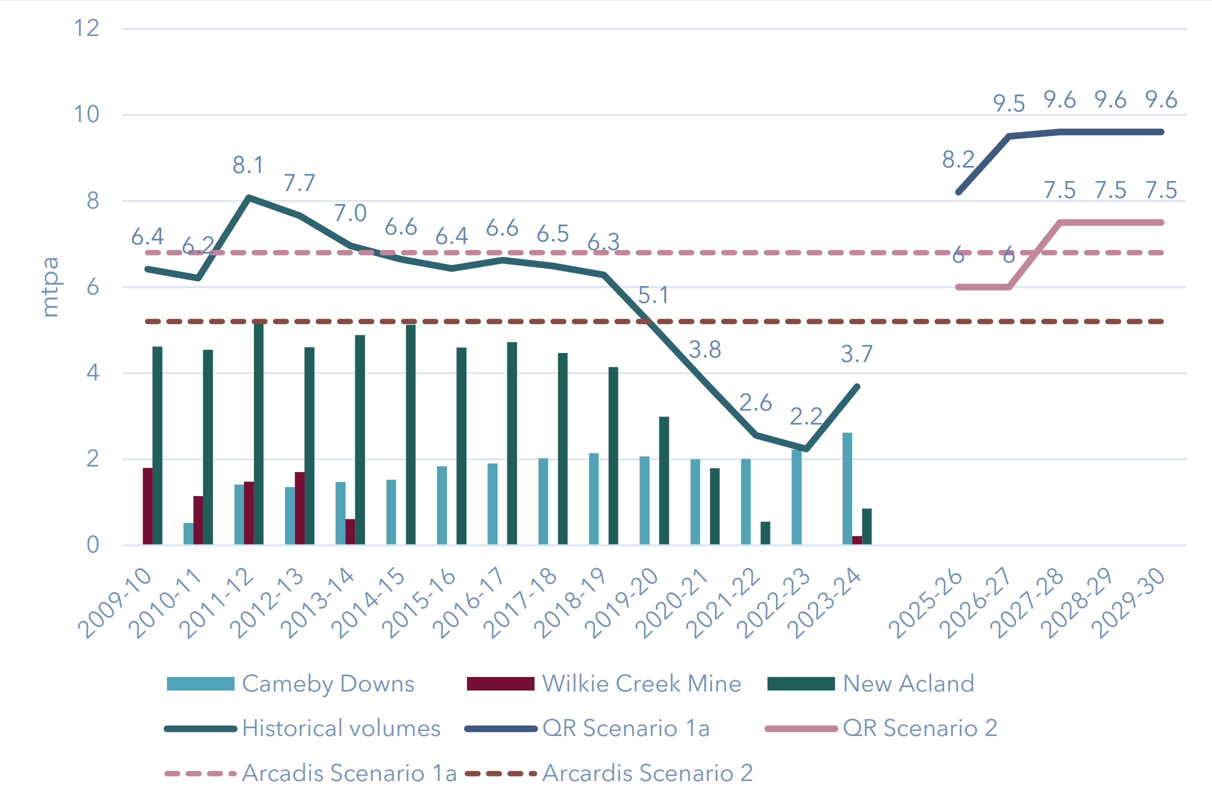
Arcadis' analysis showed Queensland Rail's planning required very high utilisation rates, which would leave very little resilience in the system to compensate for the everyday operational challenges faced on any rail system, particularly one where mixed traffics interact with a complex metropolitan network. High utilisation would also not allow for the frequent weather-related restrictions and closures, sporadic (but often lengthy) range shutdowns, floods and other unforeseen events affecting the West Moreton system.

Queensland Rail considered contracted capacity could be delivered by taking into account uncontracted ad hoc capacity.[44] However, based on the average of recent non-coal traffic volumes, this unused capacity amounts to only 0.7 mtpa. That preserved capacity (16 weekly paths) is also unable to be contracted for services other than those for which it is preserved. Accordingly, it cannot be relied upon to provided contracted coal services.

As Figure 2 shows, over the past 15 years, the West Moreton system has for only brief periods achieved coal haulage greater than Arcadis' estimates of contractable tonnage. It has never delivered the higher volumes forecast under scenario 1a.

[41] Aurizon Coal and Bulk, sub. 30, p. 1.
[42] New Hope, sub. 31, p. 7.
[43] Aurizon Coal and Bulk, sub. 30, pp. 1–2; New Hope, sub. 31, p. 7.
[44] Queensland Rail, sub. 36, p. 6.

Figure 2: Comparison of Arcadis' estimated capacity and historical performance



Note: Figures for 2025–26 to 2029–30 are Queensland Rail's forecast volume in the 2025 DAU.
Source: Queensland Government, [*Coal industry review statistical tables*], Coal production data by mine, coal type and financial year, Open Data Portal, accessed 4 October 2024.

For our purposes, based on the information provided by stakeholders and advice from Arcadis, we consider Queensland Rail's volume forecasts under its works programs as presented are either highly unlikely to be achieved, or will be very challenging to achieve. Arcadis concluded that 7.5 mtpa would be a reasonable tonnage for the system if efficiencies and programs can be implemented to reduce annual possession time by 2,500 hours.[45] This is a significant reduction – 2,500 hours is more than one-quarter of the 8,760 hours in a year. For 9.6 mtpa, so much more maintenance and other work would need to be completed, in significantly less time, that the volume would not be achievable on a sustainable basis without further capital investment – which is not currently included in Queensland Rail's proposal.

Ultimately, Queensland Rail and its customers are the parties best placed to further investigate capacity issues and determine the most suitable risk and service levels for the West Moreton system.

Since our draft decision was published, much of the uncertainty around the New Acland mine has been resolved, as it is no longer subject to a legal challenge.[46] Therefore, we are satisfied that there will likely be user demand for at least 7.5 mtpa (Table 5).

[45] Arcadis, Arcadis, *Review of West Moreton System Costs and Other Technical Matters in Queensland Rail's DAU3 – Addendum*, 2024, p. 5.
[46] ABC, 'Oakey Coal Action Alliance ends New Acland mine expansion legal battle', *ABC News*, 14 January 2025.

Table 5: QCA West Moreton 2025 DAU demand forecasts

Mine	Demand (mtpa)
Cameby Downs	2.5[a]
Wilkie Creek	2.1[b]
New Acland	Ramping up to 5.0[c]
Total (peak)	**9.6**

a Demand figure that Yancoal provided to the QCA.
b Inferred from demand information on Cameby Downs and New Acland.
c New Hope, *Annual Report 2024*, p. 9.

We consider 7.5 mtpa to be an achievable capacity, should Queensland Rail implement measures to deliver the works programs it has proposed, with fewer possession hours. On this basis, we consider 7.5 mtpa to be a reasonable (and the best in the circumstances) estimate of what the West Moreton system could sustain with appropriate measures.

The potential remains for demand levels of 9.6 mtpa, should the Wilkie Creek mine resume railing during the 2025 DAU period.[47] However Arcadis has advised that 9.6 million tonnes of capacity cannot be sustainably hauled.[48] New Hope recognised this in its latest submission, commenting that volumes above 7.5 million tonnes were likely to require significant capital expenditure.[49] So, should annual capacity higher than 7.5 million tonnes be required, we encourage Queensland Rail to develop a reasoned and prudent strategy with its customers, to help assess whether and how to complete the capital works necessary to achieve that volume.

2.4 Coordination and non-price terms

We consider that Queensland Rail should develop a reasoned and prudent strategy for operating the West Moreton system on a consensus basis with its customers. It should then work with those customers and other stakeholders on the most efficient way to implement that strategy, by involving them in investment decisions. There should also be an annual capital expenditure true-up and a volume reset provision.

2.4.1 Reasoned and prudent strategy

Spending is most likely to be efficient if it is based on a reasoned and prudent medium- to long-term strategy such as an asset management plan and/or a long-term operational and development plan setting out possible future investment. The strategy should preferably be agreed on a consensus basis with customers and reflect their service requirements and cost and risk preferences. Key elements should include:

- appropriate targets, such as an expected capacity, at an agreed level of reliability
- a framework for achieving the agreed targets.

This reasoned and prudent strategy should clearly articulate the approach for capital, maintenance and operating programs and be capable of being assessed by us as we consider whether

[47] At the time of writing, we have been advised by Queensland Rail that the Wilkie Creek Mine is no longer under administration. However, we are not aware of any publicly available information indicating the Wilkie Creek Mine has resumed railing coal.
[48] Arcadis, *Review of West Moreton System Costs and Other Technical Matters in Queensland Rail's DAU3 – Addendum*, 2024 p. 12.
[49] New Hope, sub. 35, p. 4.

Queensland Rail's proposal is appropriate to approve, having regard to the section 138(2) factors (including the pricing principles) of the QCA Act. It should reflect the legitimate interests of both users and Queensland Rail. As users and Queensland Rail rely on each other, it is likely that their interests will align in many circumstances. Where their objectives diverge, it is highly preferable that they negotiate trade-offs rather than leave us to determine an outcome.

The reasoned and prudent strategy will drive detailed spending plans, supported by business cases that explain how the proposed specific investments align with the strategic goals. Once there is a reasoned and prudent strategy for West Moreton, the specific spending proposals arising from that strategy should be prepared in a way consistent with the four-part approach we set out in our guideline on climate change-related spending. The approach focused on demonstrated need, consultation, consideration of options, and efficient cost (Figure 3).

Figure 3: The four key elements of a robust business case

Demonstrated need	Any spending proposal should solve an identified problem or fulfil a demonstrated need, whether it be for increasing or sustaining the service potential of the facility. This need should be demonstrated with reference to a reasoned and prudent long-term strategy and should not be ad hoc. This might be established through a quantitative approach or, where that is not possible or reasonable, through a qualitative analysis.
Consultation with customers	The proposal should have regard to customers' views, including their risk preferences. Consultation should include potential customers, where this is possible. What have customers said about their preferred approach to investment in the rail infrastructure? Have customers been provided with robust and transparent information? How have their views been taken into account when choosing the proposed approach? This consultation could be demonstrated through customer letters of support or, as is done for some regulated businesses, a customer vote process. The consultation on an individual investment may be less important than consultation on a reasoned and prudent overall strategy.
Demonstrated consideration of options	The business should show it has considered a range of alternative ways to address the identified problem. What options have been considered in assessing both the scope and standard of the planned spending? What are the pros and cons of those options? Are the options consistent with any hierarchy of options identified in the long-term strategy? The business case should explain how and why the proposed approach has been selected over the alternatives.
Efficient cost	The efficient cost should reflect value for money, rather than a simplistic choice of lowest upfront cost. Least cost should be considered over the life of an asset. Efficient cost also reflects externalities, in addition to the costs directly incurred by the regulated business and, ultimately, its customers. The upfront cost could be established through an appropriate process, such as a competitive tender.

Source: Adapted from Table 1 in QCA, *Climate change related spending*, guideline, September 2023, p. 7.

2.4.2 Capital expenditure coordination

Queensland Rail proposed a capital expenditure review and approval process in Schedule E of the 2025 DAU that is unchanged from that in the 2020 undertaking.

This provides for annual review of commissioned capital projects that are only included in the RAB once they have been found prudent in scope, standard and cost.

New Hope and Yancoal submitted that Schedule E should be amended to require Queensland Rail to:

- provide details of capital expenditure projects to customers
- consult with customers (including a vote process) before committing to significant projects
- prepare business cases that demonstrated the need for the projects and how a particular scope had been selected
- seek preapproval from us where customers did not support a proposed project, as rejection by customers would be relevant, but not determinative.[50]

The two mining companies provided the same suggested drafting of amendments to Schedule E.[51]

Aurizon Coal and Bulk endorsed this capital expenditure approval proposal and said Queensland Rail should 'investigate interest in forming an industry group to evaluate and approve the scope, benchmarks and costs of QR's maintenance and capex plans on a regular basis'. It said such a group would be similar to the Rail Infrastructure Group established under Aurizon Network's 2017 access undertaking (UT5) and the Rail Capacity Group established under ARTC's Hunter Valley Access Undertaking. [52]

Queensland Rail said in its collaborative submission that consultation on capital expenditure would 'address stakeholder concerns about capacity'. It said it would continue to work with stakeholders to agree that mechanism.[53]

In Appendix B of our March decision document, we said we considered it would promote efficient operation and use of, and investment in West Moreton infrastructure, if Queensland Rail shared information with and had regard to the views of key stakeholders, including customers and rail operators. We said Schedule E of the 2025 DAU should be amended to provide for sharing of information, consultation on projects, fully developed business cases, and a mechanism for preapproval of the scope and standard of investments. This would be similar to the model already operating effectively for Aurizon Network and its customers in central Queensland.

The parties' submissions on Appendices B to E (the April 2025 submissions) reflected general agreement on how to increase user involvement in West Moreton infrastructure planning. Queensland Rail said it accepted our proposed approach in Appendix B to our March decision document, with some amendments to address regulatory certainty and 'enhance transparency'. These proposed changes included:

- determining approval based on support by users representing 60% of contracted train paths over the next five years, including paths 'likely to be renewed'[54]

[50] New Hope, sub. 5, p. 26; Yancoal, sub. 9, p. 20.
[51] New Hope, sub. 5, pp. 34–36; Yancoal, sub. 9, pp. 26–28.
[52] Aurizon Coal and Bulk, sub. 2, pp. 75–76.
[53] Queensland Rail, sub. 27, p. 54.
[54] Yancoal (sub. 37, p. 6) also supported including access rights 'reasonably likely to be renewed or reapplied for'. New Hope included 'reasonably likely' in its proposed drafting (sub. 35, Sch. E, cl. 2.3(f)).

- requiring users who voted against a project to provide reasons that would be shared with Queensland Rail and us.[55]

New Hope and Queensland Rail said the threshold value for seeking customer acceptance for capital expenditure should be $4 million, rather than the $20 million we included in our proposed drafting in our March 2025 decision document.[56] Yancoal said the threshold should be no more than $5 million.[57]

New Hope also said it supported the provision that we included in our March drafting, for the relevant customer to be the West Moreton user, where the access rights were held by an operator, as the customers ultimately bore the cost of access. It said this was consistent with the voting processes in central Queensland.[58]

We consider a $4 million threshold for the value of a capital project requiring customer acceptance is appropriate to include, given it is consistent with the preferences of all three parties that commented. We also consider that having the vote exercised by the end user is appropriate.

In the drafting we provided in March, we did not include capacity 'likely to be renewed' as we considered it would be difficult to assess and raised the potential for parties that did not renew to have voted on infrastructure that they did not end up using. However, given that the relevant parties support having capacity 'reasonably likely to renew' included, we consider it appropriate to adopt that approach.

We also consider it appropriate to require users that vote against a project to provide reasons. This will enable a greater understanding by all parties of the preferences of users and promote efficient investment in and use of the rail infrastructure.

Our drafting of Schedule E, clause 2 is included in Appendix C.

2.4.3 Investment triggers and reconciliation

Review provisions can be an effective way of dealing with uncertainty. They also provide an avenue to promote full recovery of efficient costs for Queensland Rail, if its efficient spending ends up being more than the amounts included in the capital indicator. Queensland Rail and its customers have each proposed review provisions to address variation in capital expenditure on West Moreton.

- Queensland Rail's 2025 DAU includes 'volume triggers' that provide for Queensland Rail to lodge a DAAU to reset the reference tariff each time a West Moreton contract is up for renewal if it is not renewed.[59]
- New Hope and Yancoal proposed an annual reconciliation or true-up to address any under- or overspend of the capital indicator, with tariffs adjusted during the term of the undertaking.[60]

Both proposals are ways of addressing a circumstance where the capital indicator reflects potential projects that may end up not being required or completed.

We recognise that there is a level of uncertainty about future demand which makes it difficult for Queensland Rail to plan its capital investments. Demand uncertainty also gives less comfort to Queensland Rail that it will recover those investments, let alone achieve a long-term return

[55] Queensland Rail, sub. 36, pp. 9–10.
[56] New Hope, sub. 35, p. 6; Queensland Rail, sub. 36, drafting of Sch. E, cl. 2.3(a)(i).
[57] Yancoal, sub. 37, p. 6.
[58] New Hope, sub. 35, pp. 5–6.
[59] Schedule D, cl. 3.2.
[60] New Hope, sub. 5, pp. 26, 36–38; Yancoal, sub. 9, pp. 15, 28–29 and sub. 16, p. 7.

commensurate with the regulatory and commercial risks of providing access. However, capital spending is planned well in advance and is unlikely to vary immediately based on fluctuations in contracted volumes.

In our December 2024 discussion paper, we said we considered it was appropriate to approve the reconciliation or true-up process suggested by New Hope and Yancoal. We said the true-up was:

> an effective alternative to Queensland Rail's proposal for triggers and enables the revenue and prices to be adjusted to reflect actual spending, without the parties having to wait for the subsequent undertaking period for the adjustments to take effect.

We consider that the 'trigger' mechanism proposed by Queensland Rail in the 2025 DAU is not appropriate to approve as it does not promote efficient investment in or operation and use of the West Moreton infrastructure. It is also not in the interests of access seekers and holders, as it may require them to pay a price that includes indicator amounts for assets that are not built.

An annual reconciliation or true-up process will be in the interests of access holders, as it will lessen the degree to which they pay a tariff that includes indicator amounts for assets that may not be built. Further, a true-up mechanism should give customers an incentive to contract early enough, and for long enough, that Queensland Rail has the certainty it needs to undertake capital investment in time to provide the access the customers require.

While an annual reconciliation or true-up process may mean more variability in pricing on a year-to-year basis, which will create some degree of uncertainty as to future prices, we consider this disadvantage is outweighed by the advantages noted above.

In Appendix D of our March decision document, we included proposed drafting for a capital expenditure true-up process that was largely consistent with drafting New Hope and Yancoal proposed in previous submissions.

In their April 2025 submissions, Yancoal supported the approach we had adopted,[61] while Queensland Rail and New Hope proposed substantial changes to that earlier drafting.[62] The approach agreed by Queensland Rail and New Hope includes a threshold of accumulated variance from the capital indicator of $30 million before a true-up is applied, and reconciliation applying when amounts have been submitted to us, rather than after they have been approved.

We consider the drafting agreed by Queensland Rail and New Hope is appropriate to adopt, as it will promote efficient investment in and use of the West Moreton infrastructure.

The reconciliation or true-up mechanism is part of a framework that includes the user forums for capital approval discussed in section 2.4.2. Both are necessary for a balanced tariff approach that provides incentives to reduce costs or otherwise improve productivity, while also generating expected revenue for the service that is at least enough to meet the efficient costs of providing access.

Drafting for the true-up mechanism in schedule E, clauses 7 and 8 is provided in Appendix C.

2.4.4 Capitalised losses and rebates

Queensland Rail's 2020 undertaking included a mechanism for capitalising the difference between Queensland Rail's full costs of providing access (the 'approved ceiling revenue limit') and the

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[61] Yancoal, sub. 37, p. 6.
[62] Queensland Rail, sub. 36, pp. 8–9,

amount of revenue that Queensland Rail actually received from the approved reference tariff and other charges.[63] The capitalised losses represent the difference between the following amounts:

- the incremental cost of providing access (described by Queensland Rail as the 'incremental (affordable) reference tariff'[64]) – calculated based on a forward-looking cost buildup that included forecast capital, maintenance and operating expenditure but excluded recovery of the sunk costs in the opening RAB
- revenue from a full-cost-recovery price – calculated from all the building blocks including a return on and of the sunk costs in the opening RAB.

The capitalised amounts are therefore, in effect, deferred return on and of the opening RAB that existed at 30 June 2020 but was not included in the calculation of the incremental tariff.

As it turns out, the losses over the 2020 undertaking period are set to be at the low end of possible outcomes, given average annual railings have substantially exceeded the 2.1 million tonne forecast used when assessing the 2020 undertaking reference tariff. Overall, Queensland Rail will have recovered about 94% of the approved ceiling revenue limit over the term of the 2020 undertaking.

New Hope[65] and Yancoal[66] proposed that capitalised losses be excluded from the reference tariff to address affordability concerns. They proposed a recovery mechanism linked to average coal prices.

However, given the unrecovered amount is only a small proportion of the forecast costs over the 2025 undertaking period, we considered it appropriate to approve including the amount in the annual revenue allowance for 2025–26, to be recovered as part of the 2025–30 reference tariff. Queensland Rail's latest available forecast of the loss capitalisation balance was included in our tariff calculations for Appendix B of the March decision document, resulting in an impact of $1.25 on the reference tariff.[67]

In response to our consultation on West Moreton access terms, Queensland Rail proposed a mechanism to recover losses that was largely consistent with that proposed by New Hope and Yancoal in their previous submissions.[68] Yancoal considered that unpaid rebates from the AU2 period resulting from applying the loss capitalisation mechanism should also be considered as part of the recovery of capitalised losses.[69]

Given the parties have agreed on a mechanism that links recovery of capitalised losses to the coal price, we consider it is appropriate to approve that approach.

Drafting to address recovery of capitalised losses in Schedule D, clause 8 of the 2025 DAU is provided at Appendix C.

However, we have altered the modelling approach we used in Appendix B of our March decision document, and have not included the loss capitalisation balance as a one-off expense in the first year of the undertaking period.

As discussed in section 2.5.6, we will check that the calculations related to capitalised losses are consistent with the agreed approach when deciding whether to approve any DAU Queensland Rail may resubmit.

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[63] See the 2020 undertaking, Schedule D, cl. 8.
[64] Queensland Rail, sub. 1, p. 55.
[65] New Hope, sub, 31, pp. 13–14.
[66] Yancoal, sub. 34, pp. 6–7.
[67] Since the March decision document we understand the balance of the loss capitalisation account has fallen, so the impact will likely be less than this figure.
[68] Queensland Rail, sub. 36, pp. 6–8.
[69] Yancoal, sub. 37, pp. 6, 12–13.

Rebates and proposed amendments to the SAA

The parties' April 2025 submissions included proposed amendments to the DAU to address the treatment of rebates of past capital underwriting amounts. The submissions also included proposals for amendments to the standard access agreement related to recovery of capitalised losses.

We have not adopted those proposed amendments. Capital underwriting on West Moreton has in the past been implemented through access conditions, separate to the access agreements, that were negotiated between the parties. While they form part of the terms of access, and would be subject to dispute, these access conditions for capital underwriting have not been included in previous access undertakings or standard access agreements. We see no reason to change that approach at this time, as such arrangements would be best negotiated between the parties to these agreements.

In addition, we do not consider it is necessary or appropriate to include amendments to the standard access agreement to implement the recovery of capitalised losses. Any contractual terms to apply the recovery of the capitalised losses can be implemented by agreement between the parties, as amendments to their individual contracts.

2.4.5 Capital underwriting and renewal rights

In their submissions after our draft decision, Yancoal and New Hope both opposed the accelerated depreciation proposed by Queensland Rail in the 2025 DAU. New Hope said Queensland Rail's proposed asset lives of 19 years or less contributed $6.48 to Queensland Rail's proposed tariff of $37.86/'000 gtk at annual coal volumes of 7.5 million tonnes.[70] Neither New Hope nor Yancoal proposed any alternatives to accelerated depreciation for mitigating Queensland Rail's asset stranding risk. They also reiterated their desire for renewal rights.[71]

However, in subsequent submissions, New Hope has accepted Queensland Rail's 19-year asset lives, although it opposed Queensland Rail's proposal that new assets should have lives as short as 14 years.[72] Accelerated depreciation is discussed in more detail in section 2.5.4.

We said in our draft decision and subsequent discussion paper that measures to reduce chances of asset stranding for Queensland Rail and measures to provide security of access for its customers were linked and were best addressed by agreement between the parties.

Queensland Rail, as an owner of regulated assets, will have less incentive to invest in new infrastructure if it does not have a reasonable expectation it will recover that investment, including a return that reflects the regulatory and commercial risks of owning the asset. This reassurance for Queensland Rail could come in the form of measures such as long-term contracts or capital underwriting.

Equally, customers are less likely to be prepared to assume some or all of the risk and cost of Queensland Rail's investments if they do not expect they will receive rail access for long enough to justify their own investments, which will include the cost of assuming those risks.

Queensland Rail and New Hope said in their April 2025 submissions that they had agreed on an approach to renewal rights for West Moreton coal users. These rights are proposed to apply for

[70] New Hope, sub. 26, p. 5.
[71] New Hope, sub. 19, p. 14; Yancoal, sub. 23, p. 9.
[72] New Hope, sub. 31, p. 14; sub. 35, p. 7.

renewal terms of 10 years or the remaining life of the mine, whichever is greater. Queensland Rail and New Hope provided the same drafting to give effect to these renewal rights.[73]

We consider that the proposed renewal rights approach is consistent with our previous positions on asset stranding risk and security of access and is appropriate to approve as it appropriately balances the interests of existing access holders and new potential access seekers. In particular, the renewal provisions will provide existing access holders with some certainty that their sunk investments will be protected, which also has the effect of potentially promoting investment and competition in dependent markets. At the same time, the limited nature of the renewal provisions reduces the risks that future access seekers will be locked out from accessing the line. Relevantly, in the event that future access seekers desire access to the line, Queensland Rail would be incentivised to propose capital works in order to accommodate the increased demand.

Drafting for the West Moreton renewal rights in a new clause 2.10 in Part 2 of the 2025 DAU is provided in Appendix C.

2.4.6 Volume reset

Queensland Rail's 2025 DAU included a 'trigger' provision for a review of the reference tariff if expected annual coal haulage demand fell below 7.5 million tonnes, with Queensland Rail required to submit a DAAU to us setting out proposed amendments (Schedule D, cl. 3.2). Given the forecast volume is now 7.5 million tonnes, that threshold for submitting a revised reference tariff DAAU is no longer appropriate.

In their April 2025 submissions, Queensland Rail, New Hope and Yancoal each proposed revisions to the trigger provision, with different thresholds for revisiting the tariff. Queensland Rail said the review should only happen if volumes rose by 0.6 million tonnes, to 8.1 million tonnes. It said a DAAU process should apply if the volumes were 'supported by contractual commitments of 9.1 million tonnes in total'.[74] The miners each proposed upwards and downwards triggers – New Hope nominated 1.5 million tonnes, while Yancoal said 1 million tonnes.[75] Each submitted proposed drafting.[76]

Yancoal said the trigger needed to be balanced, in that it applied to both increases and decreases in contracted volumes. It also needed to be high enough that small-scale variations did not trigger reopening but low enough that larger-scale events such as New Wilkie returning to full production or Cameby Downs ceasing to operate would result in a review.[77]

New Hope proposed that Queensland Rail be required to submit a DAAU if volumes rose higher than the threshold but have the option of not doing so if contracted volumes fell. It also said that one potential amendment Queensland Rail could propose was discontinuing the tariff.[78]

We consider that the trigger mechanism should remain relatively simple, consistent with clause 3.2 in the original DAU, and be balanced, with upward and downward review thresholds. Accordingly, we have largely adopted the approach proposed by New Hope, but applied the 1 million tonne threshold proposed by Yancoal. We do not consider that the mechanism related to 9.6 million tonnes in Queensland Rail's drafting is necessary or appropriate to include, as it is always open for Queensland Rail to submit a DAAU.

[73] New Hope, sub. 35, p, 7; Queensland Rail, sub. 36, pp. 12–13.
[74] Queensland Rail, sub. 36, p. 12.
[75] New Hope, sub. 35, pp. 4–5, 8; Yancoal, sub. 37, pp. 5–6, 11.
[76] New Hope, sub. 35, p. 8; Yancoal, sub. 37, p. 11; Queensland Rail, sub. 38.
[77] Yancoal, sub. 37, p. 5.
[78] New Hope, sub. 35, p. 8.

This trigger mechanism provides a degree of certainty to all parties by avoiding reviews for small fluctuations in contracted demand. It promotes Queensland Rail's interests, including in having a price that reflects the regulatory and commercial risks of providing access, by enabling it to seek a review if volumes fall. And it is in the interest of access seekers and holders as well as Queensland Rail as it requires a review if there is a material increase in volumes.

Proposed drafting for the volume trigger mechanism in Appendix D, clause 3.2 is provided in Appendix C.

Single-mine system

In its April submission, Queensland Rail proposed a specific amendment (a new clause 3.5.2 in Part 3 of the DAU) that provided for the reference tariffs in Schedule D to no longer apply if there was only one mine left operating on West Moreton.

Queensland Rail said this provision would allow for negotiated access terms with a single user and balance regulatory oversight with commercial flexibility.[79] New Hope said this proposal should not be approved, as it provided for the reference tariff to be discontinued but did not require Queensland Rail to submit a DAAU to implement any new approach. It said the proposed volume triggers would be adequate to address having a single mine operating on West Moreton.[80]

We do not consider Queensland Rail's proposal for having the reference tariff cease to apply where only one mine remains is necessary or appropriate to include, as the reference tariff is not a regulated price, and it is always open for Queensland Rail to submit a DAAU.

2.5 West Moreton efficient costs

While there was significant uncertainty about both contracted volumes and available capacity at the time of our draft decision, the end to the legal challenge to the operation of the New Acland mine makes demand more certain, and our further analysis of capacity shows that there are ways in which Queensland Rail can potentially deliver its 7.5 mtpa forecast (see section 2.3).

This section outlines our estimates of efficient costs for each of the building blocks to calculate a full-cost-recovery reference tariff based on a peak capacity of 7.5 mtpa, which we consider to be a sustainable volume for the West Moreton system.

Table 6: West Moreton building blocks – summary

Item	Queensland Rail scenario 2	QCA indicative estimate
Coal volumes	Volumes building to 7.5 mtpa.[81]	Volumes building to 7.5 mtpa. See section 2.3.
Opening regulatory asset base	Opening West Moreton RAB[82] of $535.2m, of which $446.2m is allocated to coal services.[83]	Opening West Moreton RAB of $593.6m, of which $496.3m is allocated to coal services. See section 2.5.1.
WACC	7.39%[84]	7.39%. See Chapter 3.

[79] Queensland Rail, sub. 36, p. 13.
[80] New Hope, sub. 35, p. 5.
[81] Queensland Rail, sub. 27, p. 9.
[82] As at 1 July 2025.
[83] Queensland Rail, sub. 1. p. 12.
[84] Queensland Rail, sub. 27, p. 9.

Item	Queensland Rail scenario 2	QCA indicative estimate
Capital expenditure	$256.6m[85]	$223.0m[a]
Maintenance expenditure	$141.3m[86]	$142.2m[b]
Operating expenditure	$74.6m[87]	$74.5m.
Asset lives	Depreciate new assets over 14 years indexed 1 July 2025, and existing assets over 19 years.[88]	Depreciate all assets over 19 years. See section 2.5.4.
Appreciation	Escalate the RAB by inflation, forecast to be 3%, reducing to 2.5% for the final 2 years of the AU3 period.	Escalate the RAB by inflation, using the methodology in the QCA *Inflation forecasting* paper.[89] See section 2.5.5.
Metropolitan system reference tariff	Escalate the existing Metropolitan system reference tariff by inflation.	Escalate the existing Metropolitan system reference tariff by inflation. See section 2.5.7.
Allowable revenue	$428.6m	$425.0m

a. Includes a reduction reflecting forecast efficiencies and subject to an annual true-up process.
b. This maintenance figure has been updated for inflation.

2.5.1 Opening regulatory asset base

Queensland Rail's opening RAB has been calculated using the methodology in use since AU1. As Table 7 shows, we have calculated the opening RAB based on the asset base as at 2025–26 plus the expected capital expenditure for the remaining period of AU2. This overall RAB is then allocated to coal services based on the proportion of train paths available to these services.

Table 7: Opening regulatory asset base

Item	$m
Opening regulated asset base 2022–23	469.2
Claimed capital expenditure 2023–24	20.2
Proposed capital expenditure 2024–25	51.3
Opening RAB 2025–26	593.6
Opening RAB 2025–26 allocated to coal services[a]	496.3

a The asset base is allocated to coal services based on the proportion of total paths that is available for contracting by coal services.
Note: Values are nominal and include interest during construction. These are the figures used in our reference tariff building blocks model, as set out in Appendix B.
Sources: QCA analysis; Queensland Rail explanatory document; Queensland Rail 2023–24 capital expenditure claim.

[85] Queensland Rail, sub. 27, p. 9.
[86] Queensland Rail, sub. 27, p. 10.
[87] Queensland Rail, sub. 27, p. 10.
[88] Queensland Rail, sub. 27, p. 10.
[89] QCA, *Inflation forecasting*, final position paper, October 2021.

Further information about the RAB, including its make-up and historical values, is available in the discussion paper we published in December 2024.[90]

2.5.2 Rate of return

We consider that Queensland Rail's proposed indicative rate of return of 7.39% is reasonable for assessing prices to apply to the coal handling services operating on the West Moreton and Metropolitan systems. The rate of return will need to be updated for time-variant parameters using Queensland Rail's nominated averaging period, as set out in Chapter 3.

2.5.3 Expenditure

In its collaborative submission, Queensland Rail provided revised expenditure programs, including one for its 7.5 mtpa scenario. Given Arcadis' advice that the tonnage forecast under scenario 1a (9.6 mtpa) cannot be sustainably hauled (discussed in section 2.3),[91] we consider 7.5 mtpa to be the best estimate of a capacity the West Moreton system could potentially sustain, with appropriate programs to reduce network possession windows. We sought advice from Arcadis (see Box 1) on the efficient costs of the programs proposed by Queensland Rail to deliver this level of capacity.

Box 1: Arcadis' expenditure assessment

Arcadis was asked to assess the expenditure programs proposed for scenario 2 (7.5 mtpa) in Queensland Rail's collaborative submission (see Table 8).

Capital expenditure

Arcadis considered the capital works programs, including the reduced expenditure in programs previously proposed and 4 additional programs proposed under scenario 2, to be reasonable for the revised capacity forecast of 7.5 mtpa.

Operating expenditure

Arcadis considered the operating expenditure to be reasonable for the reduced tonnage forecast and noted that since Arcadis' draft report, Queensland Rail had provided additional information justifying corporate overhead expenditure.

Maintenance expenditure

Arcadis considered the reduced maintenance costs proposed under scenario 2 to be reasonable, except for $5.5 million of proposed expenditure for repairs.

Table 8: Arcadis' assessment of proposed expenditure

Expenditure type	2025 DAU value ($2025-26 million)	Arcadis value ($2025-26 million)
Capital expenditure	256.6	256.6
Operating expenditure	74.6	74.6
Maintenance expenditure	141.3	135.8

[90] Following the capacity analysis, submissions on the discussion paper and further analysis by Arcadis, we have adjusted the coal allocation to reflect a total of 92 available paths, of which 76 are contractable to coal traffic.
[91] Arcadis, *Review of West Moreton System Costs and Other Technical Matters in Queensland Rail's DAU3 – Addendum*, December 2024, p. 12.

Source: Arcadis, *Review of West Moreton System Costs and Other Technical Matters in Queensland Rail's DAU3 – Addendum*, December 2024, p. 23.

However, while Arcadis considered the significantly reduced expenditure proposed by Queensland Rail for scenario 2 was reasonable, it noted that the works programs would need to be revised to significantly reduce possession hours to sustainably deliver the peak forecast tonnage of 7.5 mtpa. More information on the analysis by Arcadis and our previous considerations can be found in the following publications:

- Arcadis, *Review of West Moreton System Costs and Other Technical Matters in Queensland Rail's DAU3 – Addendum*, 2024
- QCA, *Queensland Rail 2025 Draft Access Undertaking*, discussion paper, 2024.

Based on advice from Arcadis, we consider that the work programs in Queensland Rail's November 2024 submission could deliver the engineering capacity necessary for the tonnage forecasts under scenario 2, provided Queensland Rail can develop a reasoned and prudent strategy for completing those programs in less time than it has proposed (see section 2.3).

Based on the information available, we consider the expenditure proposed by Queensland Rail under scenario 2 to be reasonable. While Arcadis considered $5.5 million of proposed maintenance expenditure was not prudent, this reduction will not have a material impact on the price calculations. Given the $5.5 million has an immaterial impact, we do not consider its inclusion would result in costs not being efficient. On this basis, we have not excluded it from our estimate of the maintenance expenditure, and we consider Queensland Rail's proposed $141.3 million in maintenance expenditure to be appropriate to approve'. [92][93]

2.5.4 Asset lives

In its 2025 DAU, Queensland Rail proposed an accelerated depreciation profile based on forecast mine lives estimated for it by its consultant, AME, whereby:

- existing assets would be depreciated over a maximum of 19 years, while assets that had a shorter technical life would be depreciated over the remainder of that life
- 2025 DAU capital expenditure would be depreciated over 14 years, indexed to 1 July 2025.[94]

New Hope supported accelerated depreciation where all assets (including 2025 DAU capital expenditure) were depreciated over a maximum of 19 years.[95] New Hope said the marketable reserves of its New Acland mine had increased to 199 million tonnes, supporting a longer mine life than assumed by Queensland Rail in its original calculations.[96]

However, Yancoal said the longer asset lives used to calculate the reference tariff in the 2020 undertaking (AU2) should be retained. It proposed this as part of an 'affordability' mechanism that provided for extra payments to be used to depreciate assets faster at times of high coal prices.[97]

Generally, the impact on the building blocks of a shorter depreciation schedule is a faster return of capital. This accelerated return results in higher annual revenue and increased prices (assuming no

[92] For the purposes of calculating the reference tariff we have updated the maintenance expenditure to reflect updated inflation figures (see Table 6).
[93] For the purposes of cl. 5.2.2(i)(i)–(ii) of the access undertaking, Queensland Rail is required to report on the scope and cost of expenditure with regard to the maintenance and operational expenditure forecasts provided in Appendix A.
[94] Queensland Rail, sub. 1.
[95] New Hope, sub. 31, p. 14.
[96] New Hope, sub. 31, pp. 14 and sub. 35, p. 7.
[97] Yancoal, sub. 37, p. 7.

change in volumes) and makes it more likely Queensland Rail will recover its investments, assuming it can retain its customers.

We consider that it would be appropriate to approve that all assets are depreciated over a maximum of 19 years (with assets having a shorter technical life depreciated over the remainder of that life). The original proposal from Queensland Rail to depreciate new capital expenditure by 2044 meant an economic life of 14 years for assets commissioned in the last year of the AU3 period. This was based on Queensland Rail's estimate of the life of the New Acland stage 3 mine.[98]

For our reference tariff estimate, we have taken into account the latest information from New Hope that its reserves support a longer mine life.[99] Depreciation over a maximum of 19 years provides better mitigation of Queensland Rail's stranding risk, compared with the longer asset lives used in calculating the AU2 tariff.

We have had regard to Yancoal's proposal for linking depreciation to coal prices and consider that it may be an appropriate component of a negotiated outcome between Queensland Rail and its customers. However, it increases uncertainty and creates a risk that Queensland Rail will not recover its efficient costs and receive a return commensurate with the regulatory and commercial risks of providing access. Further, Queensland Rail has not had sufficient opportunity to respond to Yancoal's proposal.

As discussed in section 2.4.5, any adjustment to asset lives might better be a part of a broader agreement between the parties, including measures such as longer contract terms, that addresses Queensland Rail's asset stranding risk.

2.5.5 Appreciation

Queensland Rail proposed to continue appreciating the RAB, maintenance costs and operating costs by inflation each year. Queensland Rail proposed to apply forecast inflation rates of 3% for the first three years of AU3, and 2.5% for the final two years, with these figures to be updated with actual inflation each year when the RAB was rolled over.[100] Queensland Rail's proposal was supported by New Hope.[101, 102]

Given inflation-linked appreciation is a well-established regulatory approach to managing the real value of a RAB, and the submissions were supportive, we have calculated the indicative estimate of the cost recovery price in line with the methodology in our inflation forecasting review.[103] Using the latest Reserve Bank of Australia (RBA) data, inflation is currently forecast to be 3.2% in 2025–26. A forecast of 2.5% will apply for the later years of the AU3 period. As discussed in section 2.5.6, we expect Queensland Rail to apply the data will incorporate the data from the May 2025 RBA monetary statement in any DAU resubmission.

2.5.6 Finalising the building blocks price

The building blocks discussed in sections 2.5.1 to 2.5.5 give a full-cost-recovery reference tariff of $37.60/'000 gtk. This price is consistent with Appendix B of the March decision document, apart from:

[98] Queensland Rail, sub. 1, p. 32.
[99] New Hope, sub. 31, p. 4.
[100] Queensland Rail, sub. 1, p. 37.
[101] New Hope, sub. 12, p. 2.
[102] We note that while Aurizon Network proposed ending inflation-linked appreciation of the RAB this was in the context of accelerated depreciation. See Aurizon Network, sub. 3, p. 21.
[103] QCA, *Inflation forecasting*, final position paper, October 2021

- applying actual inflation to the 2023–24 asset base roll forward
- applying the RBA inflation forecast from February 2025 to the roll-forward of the 2024–25 asset base
- removing the estimated loss capitalisation balance from the first-year revenues, consistent with the approach proposed by Queensland Rail and its customers (see section 2.4.4)
- adjusting the RAB allocation to reflect final capacity forecasts (see section 2.5.1).

The final full-cost-recovery reference tariff will be subject to further adjustments by Queensland Rail after this decision. The adjustments we expect Queensland Rail to make if it resubmits the 2025 DAU include updates to:

- apply updated inflation forecasts for both the roll-forward of the 2024–25 asset base, and to the calculation of tariffs during the 2025 undertaking period. This will incorporate the data from the May 2025 RBA monetary statement, and be applied based on the method specified in our inflation forecasting review
- reflect the appropriate WACC parameters in accordance with Chapter 3.

These adjustments are mechanical, and we do not expect that their overall effect will be material. We will verify them when we consider whether it is appropriate to approve any DAU Queensland Rail might resubmit.

2.5.7 Metropolitan system reference tariff

As discussed in our draft decision, we consider it is appropriate to approve Queensland Rail's proposal to maintain the existing Metropolitan system tariff in real terms, escalating the current tariff charges by inflation, on the basis that this approach remains an appropriate way of determining a price that sits between:

- the incremental cost – which would be at or near zero
- the standalone cost – which could be expected to be at least as high as the price being charged.

2.6 Decision

We consider a full-cost-recovery reference tariff of $37.60/'000 gtk[104] is appropriate to approve for coal carrying services on West Moreton during the 2025 undertaking period, having regard to the criteria in section 138(2) of the QCA Act as discussed above. We also consider other related amendments to the West Moreton access terms proposed in the 2025 DAU are appropriate to approve.

In our draft decision, we found that the West Moreton reference tariff Queensland Rail proposed in the 2025 DAU was not appropriate to approve for a number of reasons, including uncertainty about both capacity and demand, and the lack of an agreed reasoned and prudent strategy for managing and investing in the West Moreton rail infrastructure.

We also published a discussion paper in December 2024 with additional information and opportunity for consultation. In the discussion paper, we said we were reluctant to approve either a subsidy or a price that was not affordable.

[104] Subject to the final adjustments discussed in section 2.5.6.

In both the draft decision and our discussion paper, we urged the parties to find consensus and work towards an agreed outcome that balanced all the parties' interests and reconciled competing cost, revenue and reliability goals.

To support parties in their efforts to reach agreement on negotiated access terms, we extended timeframes substantially for responding to our draft decision and sought further advice on the sustainable contractable capacity of the West Moreton system and on the efficient costs of delivering that capacity.

For the reasons set out in this addendum, we consider that some of the matters considered in our draft decision have changed since that time, such that it is now appropriate to implement a West Moreton reference tariff. However, we still consider the West Moreton reference tariff proposed in the 2025 DAU is not appropriate to approve. We have noted above the areas where we disagree with Queensland Rail. The most significant area is projected volumes. The tariff proposed was based on annual coal volumes of 9.6 million tonnes. We do not consider the system has the capacity to transport such volumes. Queensland Rail has also not established that there is sufficient demand to reach these volumes. Prices based on these volumes would not promote efficient investment in, or use of, the rail infrastructure.

Queensland Rail has proposed new prices, based on updated volumes, which we have used as the basis for our assessment of efficient costs.

Appropriate reference tariff

There have been some changes in circumstances in the year since we published our draft decision. In particular, the largest mine using the West Moreton system, New Acland, is no longer subject to a court challenge.[105] Given this we consider the best estimate of forecast volumes should be based on a 7.5 mtpa demand forecast.[106]

New Hope and Yancoal have expressed concerns as to the affordability of the reference tariff proposed by Queensland Rail.[107] However, we do not consider it appropriate that we set a subsidised price. While it is only one of the factors to which we are to have regard and weigh, we consider that, in effect, locking Queensland Rail into a tariff that would not allow recovery of its efficient costs is inconsistent with the regulatory regime. It is inconsistent with the pricing principles in section 168A of the QCA Act as well as the legitimate interests of Queensland Rail and the public interest.

Queensland Rail may be prepared to offer services for a price below the full-cost-recovery reference tariff, but we consider it is a commercial decision for Queensland Rail whether it is prepared to forgo recovery of efficient costs and not something to be imposed upon it by us.

In recent months, Queensland Rail and its customers have discussed various aspects of the West Moreton tariff and related terms. There has been some encouraging progress, with their positions closer than previously. However, both Queensland Rail and the customers that commented on West Moreton access terms in response to our December 2024 discussion paper said negotiations were difficult and they wanted us to determine a reference tariff.[108]

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[105] New Hope Group, *New Acland Stage 3 Update*, ASX release, 14 January 2025, New Hope Group website, accessed 3 February 2025; New Hope Group, *New Acland Stage 3 Update: Conclusion of legal proceedings*, ASX release, 15 January 2025, New Hope Group website, accessed 3 February 2025.

[106] However, the 9.6 mtpa demand forecast remains uncertain. The Wilkie Creek mine went into receivership more than a year ago, and there have been no public statements about the outcome of the sale process.

[107] Affordability is relevant to ss. 138(2)(d), (e) and (h).

[108] New Hope, sub. 31, p. 3; Yancoal, sub. 34, p. 2; Queensland Rail, sub. 32, pp. 4–5, 7, 12, 18, 25, 27.

Our full-cost-recovery price provides incentives to reduce costs and improve productivity. We have had regard to affordability by applying many of the measures proposed by the miners as part of developing a reference tariff that provides for full recovery of Queensland Rail's efficient costs.

We have not implemented Yancoal's proposal to link part of Queensland Rail's returns to coal prices, which would result in Queensland Rail receiving a base tariff that did not recover its efficient costs, as we consider such a price reduction would amount to a subsidy. We are concerned that it increases uncertainty and creates a risk that Queensland Rail will not receive a return commensurate with the regulatory and commercial risks of providing access. The change in risk faced by Queensland Rail would require reconsideration of the appropriateness of the asset beta included in the WACC. While Yancoal's proposal may be an appropriate component of a negotiated outcome between Queensland Rail and its customers, Queensland Rail has not had sufficient opportunity to respond.

The building blocks discussed in section 2.5 generate a full-cost-recovery reference tariff of $37.60/'000 gtk, or $14.02 per net tonne, for coal haulage on West Moreton.[109] The full-cost-recovery reference tariff provides an opportunity for Queensland Rail to recoup its sunk costs, including its capitalised losses that remain at the end of the current regulatory period. But our price also reflects forecast efficiencies in both investing in and maintaining the West Moreton infrastructure. We anticipate that Queensland Rail will work with its customers on ways to deliver these efficiencies. The customers too will have an incentive to engage, because if the efficiencies do not arise, there is an opportunity for Queensland Rail to recoup some of the costs through the annual true-up process (see section 2.4.3).

Nevertheless, we retain our concerns that:

- all else equal, the price is a substantial premium to access charges in other coal systems
- should the price not be affordable, some of Queensland Rail's West Moreton assets may be stranded
- the forecast demand may not end up being contracted for the full term of the undertaking
- while we consider 7.5 mtpa the best forecast of likely capacity, it is still only a forecast and the capacity may not be able to support the forecast demand of 7.5 mtpa
- there is no agreed reasoned and prudent strategy for managing the system.

It remains open for the parties to find consensus on ways to resolve these concerns, as discussed in section 2.7.

[109] The total cost per net tonne to get to the port, including $3.07 for traversing the Metropolitan system, is $17.08. All prices are subject to the final adjustments discussed in section 2.5.6.

Summary

Our decision is that it is appropriate to approve a full-cost-recovery West Moreton reference tariff of $37.60/'000 gtk, subject to the final adjustments set out in section 2.5.6 of this addendum.

2.7 Agreed West Moreton reference tariff still possible

While we consider it is appropriate to approve our reference tariff for West Moreton coal services if it is included in a resubmitted 2025 DAU, we still encourage further efforts by Queensland Rail and its customers to agree a reference tariff or some other consensus outcome for access terms that better matches the risk and service preferences of the parties. We said in our December 2024 discussion paper that Queensland Rail and its customers should not leave those negotiations to the last minute:

> The clearest test of whether the price is affordable will be when the customers decide whether or not to renew their access agreements and keep operating. But it is probably better for all parties if they negotiate in good faith and reach a mutually acceptable outcome before that decision point arrives. Given both Queensland Rail and its customers are likely to need to make substantial investments to keep operating, the negotiation will be similar in character to that for a greenfields project, with neither side committing until they have agreed satisfactory terms.[110]

We remain of that view. A negotiated outcome promotes efficient use of the West Moreton system, enabling access charges that encourage customers to use the network, while maximising the revenue that Queensland Rail can recoup, up to the standalone cost of providing access. We will welcome any agreed proposals that emerge from the parties' discussions.

2.8 Way forward

This addendum sets out the way in which we consider it is appropriate for Queensland Rail to amend the aspects of the 2025 DAU – principally Schedules D and E – that cover West Moreton access terms. We now invite Queensland Rail to submit an amended 2025 DAU for us to consider under section 136 of the QCA Act.

While it is appropriate to approve the DAU with the amendments we have specified, we are still prepared to enable consensus outcomes to be implemented where it is practical to do so and we consider the agreed terms are appropriate to approve.

If the parties do reach agreement after this decision, there are a variety of mechanisms to amend or replace our full-cost-recovery reference tariff. These include agreed amendments to the DAU before Queensland Rail resubmits it. Or, if more time is required, Queensland Rail could submit a DAAU after the 2025 undertaking has commenced.

[110] QCA, *Queensland Rail 2025 Draft Access Undertaking*, discussion paper, December 2024, p. 60.

We would need to consider any such agreed proposal against the criteria in section 138(2) of the QCA Act, including having regard to the interests of parties that did not participate in the negotiations. But we would look favourably on a consensus outcome.[111]

[111] Pursuant to s. 138(3), we will publish the resubmitted DAU and provide a brief opportunity for comment.

3 Rate of return

We consider that Queensland Rail's proposed indicative rate of return[112] of 7.39% is reasonable for determining the reference tariffs to apply to the coal handling services operating on the West Moreton and Metropolitan systems. We consider it is appropriate to approve a rate of return based on Queensland Rail's proposal, with updates to reflect:

- an updated risk-free rate, calculated using the averaging period nominated in advance by Queensland Rail
- an updated cost of debt, using the average of 12-monthly observations from April to March in advance of the upcoming regulatory period.

While Queensland Rail did not seek to update these time-variant parameters before our final decision, we consider it appropriate for an approved rate of return to reflect updates to these two parameters before the start of the AU3 regulatory period, applying an averaging period that Queensland Rail has proposed. The methodologies that we consider appropriate for updating these two time-variant parameters are specified below.

We consider that this will provide for a rate of return that is commensurate with the regulatory and commercial risks faced by Queensland Rail in providing access to coal handling services on the West Moreton and Metropolitan systems.

In forming this view, we have considered Queensland Rail's exposure to risks afresh as part of our bottom-up WACC estimate and our overall consideration of the reasonableness of Queensland Rail's proposed rate of return. This has necessarily involved the exercise of judgment.

In assessing the reasonableness of Queensland Rail's proposed rate of return for the AU3 regulatory period, we have:

- undertaken a bottom-up WACC estimate, based on our preferred methodology for calculating the WACC and each of the relevant individual parameters, resulting in an indicative estimate of 6.70% (see Table 9)
- had regard to the overall reasonableness of Queensland Rail's proposed rate of return in considering an indicative rate of return of 7.39% is appropriate to approve.

Our approach to assessing Queensland Rail's proposed rate of return, including the methodology applied to calculate our bottom-up WACC estimate, is consistent with the approach outlined in our rate of return review.[113]

[112] The rate of return compensates the investor for the time value of money and risk that they face in providing the assets that deliver the services that are subject to the regulatory regime.
[113] QCA, *Rate of return review*, final report, version 4, September 2024.

Table 9: Parameters used to calculate the QCA indicative bottom-up WACC estimate

WACC parameter	QCA preliminary estimate
Risk-free rate*	3.37%
Market risk premium	6.3%
Asset beta	0.48
Equity beta	0.71
Gearing	40%
Cost of debt*	4.95%
Gamma	0.484
Indicative bottom-up WACC estimate	**6.70%**

* Placeholder values have been adopted for the risk-free rate and the cost of debt to estimate an indicative bottom-up WACC estimate for Queensland Rail's AU3 regulatory period.
Note: To calculate an indicative bottom-up WACC for Queensland Rail, we have used a nominal, post-tax WACC[114] based on our estimates of individual WACC parameters. Our assessment of the individual parameters used to generate our bottom-up estimate is further outlined in our draft decision.

Overall, we consider that an indicative rate of return of 7.39% provides Queensland Rail with a rate of return for the AU3 regulatory period that is reasonable, having regard to matters including our statutory obligations, public consultation, commercial and regulatory risk, values applied for each parameter, and the WACC values of other regulated entities.

3.1 Updating the risk-free rate estimate

Queensland Rail proposed an indicative risk-free rate of 3.37%, applying this methodology and using a 20-business-day averaging period ending April 2023.[115]

We consider it appropriate for the risk-free rate to be updated before the start of the AU3 regulatory period, using an averaging period nominated by Queensland Rail. Queensland Rail is to propose the timing and length of its nominated averaging period in advance of the averaging period commencement date. The nominated averaging period should:

- be between 20 and 60 business days to provide a rate that reflects current conditions, but smooths the effects of temporary shocks
- commence as close as reasonably practical to the start of the regulatory period (ending before commencement of the period) to capture current rates.

We consider it appropriate for Queensland Rail to update its estimate of the risk-free rate using the following methodology:

- Use 10-year Australian Government (nominal) bond yields as the proxy for calculating Queensland Rail's risk-free rate.[116] These bonds have very low default risk and are also highly liquid. We consider using long-term Australian Government bonds reflects the requirements

[114] Our approach uses the Officer WACC3 model and estimates the WACC for a benchmark firm, rather than the regulated firm's actual WACC.
[115] Queensland Rail, sub. 1, p. 82.
[116] Our approach is to use daily Australian Government bond rates published by the RBA (F2 table) to estimate the risk-free rate, converting the daily yields into an effective annual rate using the conversion method outlined in Appendix F of our rate or return review. See QCA, *Rate of return review,* final report, version 4, February 2024.

of investors and lenders who, in relation to long-lived infrastructure assets, will deploy equity over the entire life of the asset, rather than over any given regulatory period.

- Average the yields over a period nominated in advance by the regulated entity that is between 20 and 60 business days in length, ending as close as reasonably possible to the commencement of the regulatory period. Averaging the daily risk-free rate over a short period will manage the risk of unanticipated volatility from one-off shocks.

3.2 Updating the cost of debt estimate

Queensland Rail proposed an indicative cost of debt of 4.95% using a 20-business day averaging period ended 30 April 2023, applying:

- a 10-year term cost of debt[117]
- a BBB benchmark credit rating[118]
- an unweighted trailing average approach,[119] with annual debt tranche refinancing. [120]

Queensland Rail also applied a 10-basis-point uplift to its cost of debt estimate for debt raising/refinancing costs.[121]

We consider it appropriate for the cost of debt to be updated using this methodology before the start of AU3. Consistent with our rate of return guidelines, Queensland Rail is proposing to update its cost of debt calculation to the average of 12-monthly observations from April to March in advance of the upcoming regulatory period.[122]

In doing so, we consider that the cost of debt data source should reflect 10-year corporate bond yields reported by the RBA. Furthermore, we consider it appropriate to linearly extrapolate RBA 10-year bond yields to 10 years.[123] Our approach involves extrapolating the DRP component of the debt yield to 10 years and adding to it an estimate of the 10-year base rate (i.e. risk-free rate).[124]

We have published a supporting workbook on our website that provides an example of this approach for estimating the cost of debt.[125]

In implementing a trailing average cost of debt, the impact of the updated cost of debt may occur either through annual updates to Queensland Rail's allowable revenues, or through a true-up at the beginning of the next regulatory period. Queensland Rail does not propose arrangements in its 2025 DAU for updating allowable revenues throughout the regulatory period to reflect annual updates to the cost of debt. Therefore, the impact of the updated cost of debt throughout the regulatory period is to occur through a true-up at the beginning of the next regulatory period.

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[117] This is consistent with the efficient debt financing practices of regulated infrastructure entities with long-lived assets.
[118] This reflects the benchmark credit rating approved to estimate Queensland Rail's WACC for the AU2 regulatory period. No justification has been provided to warrant a departure from this benchmark credit rating.
[119] This reflects that it may be efficient for capital-intensive infrastructure firms to manage refinancing risk by staggering debt financing, rather than refinancing the entire debt portfolio over a relatively short window of time.
[120] Queensland Rail, sub. 1, p. 82.
[121] Queensland Rail, sub. 1, p. 87.
[122] Queensland Rail, sub. 14, p. 77.
[123] The RBA determines its 10-year bond yields by aggregating relevant bonds with a residual maturity close to the target 10-year tenor, but the aggregated tenor of its 10-year bonds has tended to be marginally less than 10 years.
[124] Prior to September 2024, our understanding was that the RBA's published 10-year yield comprised a 10-year base rate and a DRP component that was less than 10 years. Consequently, our approach to estimating a 10-year cost of debt involved extrapolating only the DRP component of the yield to a 10-year term. However, based on recent correspondence with the RBA, our understanding is that the RBA's published 10-year yield comprises a base rate and DRP component that are both less than 10 years. Therefore, we consider it appropriate that the base rate component of the yield as well as the DRP are adjusted to reflect a 10-year term.
[125] QCA, *Cost of debt estimation workbook*, September 2024.

Annual updates would minimise mismatches between the regulatory cost of debt allowance captured in allowable revenues and the actual cost of debt from a benchmark efficient firm during the regulatory period.

We received no further submissions from stakeholders as to whether it was appropriate for the impact of the updated cost of debt throughout the regulatory period to occur through a true-up at the beginning of the next regulatory period, or whether annual adjustments were appropriate.

Summary

Our decision is that it is appropriate to approve Queensland Rail's proposed indicative rate of return proposal, adjusted to reflect updates to the risk-free rate and cost of debt.

Appendix A: Cost reporting

For the purposes of clause 5.2.2(i) of the 2025 DAU, Table 10 and Table 11 provide the forecast maintenance and operating spending against which actual spending is to be compared.

Table 10: West Moreton maintenance costs by major activity ($ million, 2025-26 dollars)

Major activity	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Track	19.5	19.7	22.6	22.4	21.8	**106.0**
Structures	1.7	1.7	1.7	1.7	1.7	**8.4**
Trackside systems	4.4	4.4	4.4	4.4	4.4	**21.8**
Facilities/other	1.0	1.0	1.0	1.0	1.0	**5.2**
Total	**26.6**	**26.8**	**29.7**	**29.4**	**28.9**	**141.3**

Source: Queensland Rail, sub. 27, p. 27.
Note: Figures will need to be updated based on inflation when reporting.

Table 11: West Moreton operating costs ($ million, 2025-26 dollars)

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Train control	4.7	4.7	4.7	4.7	4.7	**23.3**
Corporate overhead	2.5	2.5	2.5	2.5	2.5	**12.6**
Other	7.7	7.7	7.7	7.7	7.7	**38.7**
Total	**14.9**	**14.9**	**14.9**	**14.9**	**14.9**	**74.6**

Source: Queensland Rail, sub. 27, p. 44.
Note: Figures will need to be updated based on inflation when reporting.

Appendix B: Building blocks

This appendix details the building blocks used in the regulatory model to generate the $37.60 West Moreton tariff and the annual revenues expected from the forecast volumes. The building blocks by year, along with resulting prices and approved ceiling revenue limits, are shown in Table 12. These figures have been adjusted from those used to calculate the price in Appendix B of our March 2025 decision document and reflect the most recent data available. They will need to be updated by Queensland Rail to establish the final reference tariff, as set out in section 2.5.6.

Table 12: QCA revenue requirement building blocks for coal (real $ million, 2025–26 dollars)

	2025-26	2026-27	2027-28	2028-29	2029-30
Return on capital	38.0	39.0	40.1	40.3	39.9
Plus depreciation	30.1	32.2	34.7	36.5	38.0
Less inflation	16.5	14.2	14.3	14.0	13.5
Less transport service contract (TSC)[a] capital charge	1.8	1.8	1.8	1.6	1.4
Plus maintenance expenditure	24.8	25.1	28.0	27.8	27.3
Plus operating expenditure	13.1	13.1	13.2	13.2	13.2
Plus working capital allowance	0.3	0.3	0.3	0.3	0.3
Plus tax allowance	2.2	3.3	5.0	4.8	4.9
Total revenue requirement	90.3	96.9	105.2	107.3	108.6
Plus capital carry over balance	−6.4				
Total smoothed revenue requirement over 5 years[b]	403.4				
West Moreton base tariff $/'000 gtk	$37.60				
Ceiling revenue limit	104.3	104.3	127.0	127.0	127.0

a TSC capital charge refers to historical treatment of government-funded West Moreton assets that are removed from the RAB for pricing purposes.
b Maximum allowable revenue used to generate tariff.

Appendix C: Tariff drafting

Our assessment of the West Moreton access terms in Queensland Rail's 2025 DAU is set out in detail throughout Chapter 2. We have had regard to the matters mentioned in section 138(2) of the QCA Act and the stakeholder submissions received. As part of our assessment, we have outlined the way in which we consider it is appropriate to amend schedules D and E of the 2025 DAU and West Moreton-specific aspects of the main body of the DAU.

This appendix (Table 13 to Table 16) specifies drafting amendments to the 2025 DAU that we consider will give effect to those positions outlined in Chapter 2. In addition to the amendments that we have identified to particular provisions, there may be other consequential amendments to the current drafting of the 2025 DAU that may be necessary to give effect to the proposed changes.

Table 13: West Moreton-specific drafting amendments required to Part 2 of the 2025 DAU

2025 DAU clause	Amended provision
Insert new clause 2.10 **Renewals** (see section 2.4.5 of this addendum)	(a) This **clause 2.10** will apply where all or any part of an Access Holder's existing Access Rights will expire and: (i) the Access Rights are in relation to the West Moreton System; and (ii) the Access Holder or the Access Holder's Rolling Stock Operator (Renewal Access Seeker) wishes to extend or renew the term of its Access Agreement. (b) Where a Renewal Access Seeker submits a Renewal Application to Queensland Rail in respect of a Renewal within the Renewal Timeframe, Queensland Rail will negotiate with the Renewal Access Seeker in good faith to extend or renew the term of the relevant Access Agreement for a minimum term of: (i) 10 years from the expiry date of the Access Agreement; or (ii) the remaining life of the relevant mine, whichever is greater.
Renumber clauses 2.10 and 2.11 in the DAU as 2.11 and 2.12 respectively	2.11 Access Application for Existing Capacity

Table 14: West Moreton-specific drafting amendments required to Part 7 of the 2025 DAU

2025 DAU clause	Amended provision
Clause 7.1 **Insert new definitions** (see section 2.4.4)	**Average Coal Price** means the yearly average of each weekly API 5 Price Index (FOB) published in the Argus/McCloskey's Coal Price Index Report, for the relevant calendar year, expressed in Australian dollars assuming a USD:AUD exchange rate as published by the Reserve Bank of Australia at the time the weekly index becomes available. **Recovery Charge** means the additional revenue which Queensland Rail is permitted to recover through the application of clause 8.4 of Schedule D.

2025 DAU clause	Amended provision
	Threshold Coal Price means AUD150 per tonne. **Upper Threshold Coal Price** means AUD $175 per tonne.

Table 15: Drafting amendments required to Schedule D of the 2025 DAU

2025 DAU clause	Amended provision
Schedule D, cl. 3.2 **Review of Reference Tariff** (see section 2.4.6)	(a) If at any point Queensland Rail, based on its contracted volumes, reasonably believes the annual aggregate contracted coal tonnages for Tariff Train Services (excluding Ad Hoc Train Services and Additional Train Services as defined in the Standard Access Agreement) for a Year during the Term will be more than 1mt below, or more than 1mt above the forecast tonnage for the relevant year on which Reference Tariffs were based, then Queensland Rail may (where the trigger relates to lower contracted volumes) and must (where the trigger relates to increased contracted volumes) undertake a review of the Reference Tariff and submit a draft amending access undertaking to the QCA setting out the outcomes of that review (including of any consultation with stakeholders) and Queensland Rail's proposed amendments which, for clarity, may include discontinuation of the Reference Tariff. ...
Schedule D, cl. 8 **Loss Capitalisation Account** (see section 2.4.4)	
cl. 8.2	8.2 Carry forward of Loss Capitalisation Account balance from AU2 (a) On the Approval Date, an account will be established by Queensland Rail named the "Loss Capitalisation Account". The opening balance of the Loss Capitalisation Account will be the balance of the existing account of the same name established under AU2, and recovery under this clause 8 shall be the sole manner in which such amounts shall be recoverable. (b) The opening balance of the Loss Capitalisation Account as at the Approval Date (including accrued interest to date, together with any further interest accruing on that balance calculated in accordance with clause 8.3) is recoverable in accordance with this clause 8.
cl. 8.4	Delete the entire clause, and replace with the following: 8.4 Calculation and application of Recovery Charge (a) The amount of the Recovery Charge will be recoverable if, over any 12- month period ending 31 December 2025, 2026, 2027 and 2028 (Relevant Year), the Average Coal Price for that Relevant Year exceeds the Threshold Coal Price for that Relevant Year. (b) Any Recovery Charge payable will apply from 1 July of the following Year (for example, if the Threshold Coal Price is

2025 DAU clause	Amended provision
	exceeded for the 12 months ending 31 December 2025, the Recovery Charge will be payable from 1 July 2026). (c) Where a Recovery Charge is payable, each of the Reference Tariff Inputs AT1(W) and AT2(W) will be increased for the next financial year commencing 1 July, by: (i) 5%, where the Average Coal Price for the Relevant Year is greater than the Threshold Coal Price but less than or equal to the Upper Threshold Coal Price for that Relevant Year; or (ii) 10%, where the Average Coal Price for the Relevant Year exceeds the Upper Threshold Coal Price for that Relevant Year. (d) Where a Recovery Charge is payable: (i) the Allowable Revenue for the relevant Year will be increased by the amount of the Recovery Charge payable; (ii) the aggregate Access Charges (including Take or Pay payments) will be increased by the amount of the Recovery Charge payable; and (iii) the adjustment of AT1(W) and AT2(W) in accordance with clause 8.4(c) will be treated as a change in a Reference Tariff Provision approved by the QCA for the purposes of clause 18.1 of the Standard Access Agreement (including any existing Access Agreements on the terms of the Standard Access Agreement). (e) For clarity, where the Recovery Charge is payable it will not be effected by any adjustment or review of the Reference Tariff and will continue to be calculated and collected in accordance with this clause 8 of Schedule D. 8.5 Reduction in Loss Capitalisation Account balance (a) The balance of the Loss Capitalisation Account will be reduced by the amount of Recovery Charge paid by Access Holders (including where they are paid by offset in accordance with clause 8.6). (b) If the balance of the Loss Capitalisation Account is reduced to zero, no further Recovery Charges are payable. (c) If payments of the Recovery Charge (including where they are paid by offset in accordance with clause 8.6) exceed the balance of the Loss Capitalisation Account as at [1 July 2025], Queensland Rail must promptly refund the overpayments to the relevant Access Holder(s) (being those Access Holders who made the final payments which resulted in the total payments made exceeding the balance of the Loss Capitalisation Account. 8.6 Capital Rebates Where in a month a Recovery Charge is due by an Access Holder to Queensland Rail but Queensland Rail owes that Access Holder a rebate on account of historical capital expenditure [on the West Moreton System] funded or otherwise underwritten by that Access Holder, then payment of the Recovery Charge will be made by offsetting it against the amount of the unpaid rebate (until such time as the rebate is reduced to zero).

Table 16: Drafting amendments required to Schedule E of the 2025 DAU

2025 DAU clause	Proposed amended provision
Schedule E, cl. 2.1 **Requirements for acceptance of capital expenditure into the Regulatory Asset Base** (see section 2.4.2)	(a) The QCA will accept capital expenditure in relation to the West Moreton System (and coal-specific infrastructure on the Metropolitan System) into a Regulatory Asset Base if that capital expenditure: (i) is or has been accepted by the West Moreton Users in accordance with clause 2.3, or (ii) is or has been accepted by the QCA as: (A) ….
Schedule E, cl. 2.2 **Assessing prudency of capital expenditure**	For the purposes of clauses 3, 4 and 5: (a) the QCA: (i) in assessing whether capital expenditure is prudent: (A) …. (B) must consider any reasons provided by West Moreton Users when casting their vote to accept or not to accept a proposed capital expenditure ; and (C) may, as it considers necessary …
Schedule E, cl. 2.3 **Seeking customer acceptance of capital expenditure**	(a) Queensland Rail must seek acceptance by the West Moreton Users under this clause 2.3 for: (i) any capital expenditure project or program of capital works within the West Moreton System reasonably anticipated to cost $4 million or more (other than any capital expenditure incurred in response to an emergency) whether that cost is to be incurred in a single year, or over multiple years; or (ii) any capital expenditure project or program of capital works that has previously been accepted by West Moreton Users under this clause 2.3 and either: (A) has undergone a material change to the scope, standard or costs; or (B) is to be commenced more than 2 years after the date that was proposed when the capital expenditure project was previously accepted. (b) In order to seek acceptance by the West Moreton Users of a capital expenditure project, Queensland Rail must at least 3 months prior to any

funds (other than study costs) being committed to a capital expenditure project of the type described in clause 2.3(a):

(i) make available to West Moreton Users information on the relevant capital expenditure project which is material for assessing the prudency in the scope, standard of works and cost of the capital expenditure project, to a similar level of detail intended to be provided to the QCA when seeking acceptance of prudency (provided that Queensland Rail may require a West Moreton User to sign a confidentiality agreement on reasonable terms prior to providing it with any commercially sensitive information under this clause 2.3 Nothing in this clause 2.3(b) obliges Queensland Rail to provide confidential information of one West Moreton User to another West Moreton User); and

(ii) schedule a meeting with the West Moreton Users to discuss the capital expenditure project.

(c) Queensland Rail is permitted to seek acceptance of multiple capital expenditure projects at the same time (and combine the information provided and meeting held for the purposes of clause 2.3(b) for each project), but where that occurs each such capital expenditure project will be voted on separately.

(d) During the Voting Period:

(i) Queensland Rail must use reasonable endeavours to provide further information and engage in discussions with West Moreton Users where reasonably requested by a West Moreton User; and

(ii) each West Moreton User is to notify Queensland Rail of whether they accept or do not accept as prudent the capital expenditure project (and any failure to notify either such vote within the Voting Period, will result in that West Moreton User being deemed to have accepted the capital expenditure project as prudent).

(e) If a West Moreton User votes:

(i) to not accept a capital expenditure project as prudent, it must provide its reasons for the vote to Queensland Rail and the QCA at the same time so that Queensland Rail and the QCA may understand its reasons;

(ii) to accept a capital expenditure project as prudent, it may, but is not required to, provide any reasons for its decision.

(f) The capital expenditure project will be considered to be accepted as prudent by the West Moreton Users for the purposes of clause 2.1(a)(i) if it is approved or deemed approved pursuant to clause 2.3(d)(ii):.

(i) by a majority of West Moreton Users; and

(ii) that majority hold in aggregate at least 60% of the votes.

(g) For a vote occurring under this clause 2.3, each West Moreton User has the number of votes equal to the aggregate Train Paths they have contracted on the West Moreton System across the next 5 Years after the Year in which the vote is occurring, subject to also including any Train Paths that have been renewed or reapplied for before their expiry.

2025 DAU clause	Proposed amended provision
	(h) Queensland Rail must notify each of the West Moreton Users of the results of the vote for each capital expenditure project within five (5) Business Days after Queensland Rail has determined those results. (i) A vote resulting in non-acceptance does not prevent Queensland Rail from: (i) proceeding with a capital expenditure project and/or (ii) seeking the QCA's acceptance of the same capital expenditure. (j) For the purposes of this clause: (i) **Voting Period** means: (A) the period specified by Queensland Rail when providing information to West Moreton Users seeking acceptance, which must be at least six weeks after the first information is given; or (B) such longer period as Queensland Rail and the West Moreton Users agree. (i) **West Moreton Users** means each Access Holder that has contracted coal train Access Rights on the West Moreton System. …
Schedule E, cl. 7 **Insert new cl. 7** **Capital expenditure reconciliation** (see section 2.4.3)	7. Capital expenditure reconciliation (a) Queensland Rail will maintain registers in which it annually records all 'Submitted to be Approved' Capital Expenditure for each Year (including identifying the relevant capital expenditure by project) in relation to the West Moreton System and the Metropolitan System. (b) As soon as practicable following the submission of capital expenditure reports to the QCA for Years 1, 2 and 3 of the Term, Queensland Rail will advise relevant Access Holders of the quantum of the difference between the 'Submitted to be Approved' Capital Expenditure for the applicable Year and the total of the Capital Indicator for the West Moreton System and Metropolitan System (as applicable) for the corresponding Year. (c) Any difference identified by Queensland Rail pursuant to clause 7(b) will be treated as: (i) an under recovery of revenue, where the 'Submitted to be Approved' Capital Expenditure exceeds the relevant Capital Indicator; or (ii) an over recovery of revenue, where the 'Submitted to be Approved' Capital Expenditure is less than the relevant Capital Indicator, and the Approved Ceiling Revenue Limit will be adjusted in accordance with this clause 7 to compensate for that under or over recovery of revenue. (d) Any under recovery or over recovery of revenue will result in an adjustment to the Reference Tariffs for the Year following the process in clause 7(b) by an amount which reflects the change in the Approved Ceiling Revenue Limit for the relevant Year. The Reference Tariffs to be adjusted in accordance with this clause will be the Reference Tariffs determined by the QCA as part of its Final Decision to approve this

2025 DAU clause	Proposed amended provision
	Undertaking, or if there has been an adjustment to the Reference Tariffs in accordance with this Undertaking, the adjusted Reference Tariffs. (e) The adjustment to the Reference Tariffs to be made in accordance with clause 7(d) will include: (i) a return on capital component, calculated as the difference between the return on capital calculated based on the Capital Indicator for the relevant Year and the return on capital that should have applied based on the 'Submitted to be Approved' Capital Expenditure for the relevant Year; (ii) a depreciation component, calculated as the difference between the depreciation calculated based on the Capital Indicator for the relevant Year and the depreciation that should have applied for the 'Submitted to be Approved' Capital Expenditure for the relevant Year; and (iii) a tax depreciation component, calculated as the difference between the tax depreciation calculated based on the Capital Indicator for the relevant Year and the tax depreciation that should have applied for the 'Submitted to be Approved' Capital Expenditure for the relevant Year, with the total of those adjustments rolled forward to the Year in which the adjustments will be made at the WACC, and with those components, and the changes to the Reference Tariffs calculated using the modelling parameters and assumptions used to determine the applicable Reference Tariffs. *By way of illustration, any difference between the 'Submitted to be Approved' Capital Expenditure for Year 1 and the Capital Indicator for Year 1 will result in an adjustment to the Reference Tariffs applicable from the commencement of Year 3.* (f) The adjustment process described in clause 7 of this Schedule E will not apply if the difference between the total of the Capital Indicator and the 'Submitted to be Approved' Capital Expenditure for the relevant Year is less than $30m or if Queensland Rail can reasonably demonstrate that the cumulative difference is likely to reduce to less than $30m within 12 months. (g) For the avoidance of doubt, where an adjustment has been applied under this clause 7 in respect of any Year, the Approved Ceiling Revenue Limit difference resulting from the difference in the Capital Indicator and total 'Submitted to be Approved' Capital Expenditure for the relevant Year will be excluded from any subsequent reconciliation adjustment process under this clause 7 and clause 8. (h) Where there is a difference in the quantum of 'Submitted to be Approved' Capital Expenditure and Capital Expenditure that is finally approved by the QCA and: (i) the commencement of a financial year for which a planned adjustment is to be included has not yet occurred, then QCA Approved Capital Expenditure will be substituted for 'Submitted to be Approved' Capital Expenditure in the calculation of the planned adjustment; or

2025 DAU clause	Proposed amended provision
	(ii) the commencement of a financial year for which a planned adjustment is to be included has already occurred, then the Approved Ceiling Revenue Limit difference between QCA Approved Capital Expenditure and 'Submitted to be Approved' Capital Expenditure will be the subject of its own adjustment to be included at the commencement of the next financial year.
Schedule E, cl. 7 **Renumbered as cl. 8** **Capital Expenditure Carryover Account**	~~(a) Queensland Rail will maintain registers in which it will annually record all Approved Capital Expenditure (including identifying the relevant capital expenditure by project) in relation to the West Moreton System and the Metropolitan System.~~ (a) If, at the end of the last Year of the Term, the Approved Capital Expenditure for Year 4, Year 5 or any adjusted year (due to the application of clause 7(f) of this Schedule E) of the Term differs from the Relevant Capital Indicator for the West Moreton System or the Metropolitan System (as applicable), the difference will be entered in the Capital Expenditure Carryover Account. The balance recorded in the Capital Expenditure Carryover Account will be deemed as: … (b) The balance recorded in the Capital Expenditure Carryover Account will include … (c) The balance in the Capital Expenditure Carryover Account at the end of the Term will be rolled forward at the WACC. (d) The balance in the Capital Expenditure Carryover Account at the end of the Term will be taken into account when determining: (i) in relation to the West Moreton System, <u>the</u> Reference Tariff; and (ii) in relation to the Metropolitan System, the Reference Tariff input(s) relating to (in whole or part) the Regulatory Asset Base applicable to the Metropolitan System, when setting Reference Tariffs in the next undertaking. In the event there is no next undertaking and the Reference Tariff last applicable under this Undertaking was set at a level such that it would generate Expected Access Revenue equal to the Approved Ceiling Revenue Limit, the portion of the balance in the Capital Expenditure Carryover Account described in clause 8(b) will be recovered from, or returned to, Access Holders (as the case may be) in the form of a single payment following the Terminating Date.

Appendix D: List of submissions

Submission	Number
Queensland Rail initial submission	
Queensland Rail's DAU3 explanatory document	1
Submissions in response to the DAU	
Aurizon Coal and Bulk	2
Aurizon Network	3
Centrex	10
GrainCorp	4
New Hope Group	5
North West Phosphate	6
Pacific National	7
Qube Logistics	8
Yancoal	9
Responsive submissions	
Glencore	11
Mount Isa Line Users	17
New Hope Group	12
Pacific National	13
Queensland Rail	14
Rail Operator Group	15
Yancoal	16
Submissions in response to the draft decision	
Aurizon Coal and Bulk (Aurizon Operations)[126]	24
MMG	18
New Hope Group	19
Pacific National	20
Queensland Rail	21
Rail Operator Group	22
Yancoal	23

[126] Aurizon Group's above-rail bulk freight businesses submitted under two different names at different times. We have opted to use the first name the business used, Aurizon Coal and Bulk, for references in this document.

Submission	Number
Collaborative submissions	
GrainCorp	25
New Hope	26
Queensland Rail	27
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Submission in response to the discussion paper	
Aurizon Coal and Bulk (Aurizon Operations)	30
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Glossary

ACCC	Australian Competition and Consumer Commission
AER	Australian Energy Regulator
ARTC	Australian Rail Track Corporation
AU	access undertaking
AU2	Queensland Rail's 2020 access undertaking
AU3	Queensland Rail's 2025 access undertaking (once approved)
CQCN	Central Queensland coal network
DAU	draft access undertaking
DBCT	Dalrymple Bay Coal Terminal
DBI	Dalrymple Bay Infrastructure
ERA	Economic Regulation Authority (Western Australia)
HVCN	Hunter Valley coal network
RBA	Reserve Bank of Australia
QCA	Queensland Competition Authority
WACC	weighted cost of capital
TSC	transport service contract
UT5	Aurizon Network's 2017 access undertaking

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