



George Passmore
Director Business Performance
Queensland Competition Authority
Level 27, 145 Ann Street
Brisbane QLD 4000

Aurizon Network Pty Ltd (Aurizon Network) – FY21 Adjustment Charges Submission

15 February 2021

Dear George,

Aurizon Network submits to the Queensland Competition Authority (**QCA**) its Adjustment Charges submission for the period 1 July 2020 to 31 December 2020 (**FY21 Adjustment Charges**) in accordance with Clause 6.2(a) of Schedule F of Aurizon Network's 2017 Access Undertaking (**UT5**).

On 17 December 2020, the QCA approved Aurizon Network's Meteor Downs South Expansion Tariff Draft Amending Access Undertaking (**MDS DAAU**), which amended Reference Tariffs for the period 1 July 2020 to 30 June 2021.

This FY21 Adjustment Charges submission reconciles the Access Charges paid or payable against the Access Charges that would have been paid or payable by each Access Holder in respect of the FY21 tariffs approved by the QCA in the MDS DAAU.

For transparency, Aurizon Network provided separate extracts of the financial model (in a form compliant with its ringfencing obligations) to Access Holders on 19 January 2021. At the date of this submission no Access Holder has objected to Aurizon Network's calculations. Copies of the relevant email correspondence have been provided to the QCA within Appendix A of this submission.

Upon approval of this Adjustment Charges submission by the QCA, the FY21 Adjustment Charges will be returned to or recovered from Access Holders, concurrent with the invoicing of Access Charges for the month in which the QCA's approval is provided.

Aurizon Network confirms that this submission is suitable for publication should the QCA choose to do so. Nevertheless, Aurizon Network claims confidentiality over the supporting financial model as it contains confidential information of Access Holders and is not suitable for publication.

Should you have any queries in relation to this submission please do not hesitate to contact Ian Parkinson via email Ian.Parkinson@aurizon.com.au.

Kind regards,

A handwritten signature in black ink, appearing to read "Jon Windle", is written over a light blue horizontal line.

Jon Windle
Manager Regulation
Aurizon Network

Aurizon Network: FY21 Adjustment Charges Submission

15 February 2021



Table of Contents

Executive Summary	4
1. Schedule F Provisions	5
2. Calculation of Adjustment Charges	7
2.1 Difference between Actual and Amended Access Charges	7
2.2 Interest	7
2.3 Adjustment Charges – by System.....	8
2.4 Reimbursement to or recovery from Access Holders	8
Appendix A - Confidential.....	9
Email correspondence confirming Access Holders’ agreement with the Adjustment Charges calculation	9

Executive Summary

On 21 February 2020, the QCA approved Aurizon Network's Aurizon Network's Consolidated Draft Amending Access Undertaking (**Consolidation DAAU**), submitted to the QCA on 20 December 2019. The QCA approval of the Consolidation DAAU included Reference Tariffs for the period 1 July 2020 to 30 June 2021.

During the period 1 July 2020 to 31 December 2020, the Access Charges paid or payable by Access Holders were calculated using the Reference Tariffs approved by the QCA in the Consolidation DAAU.

On 17 December 2020, the QCA approved Aurizon Network's MDS DAAU, which amended AT₃ and AT₄ Reference Tariffs for the period 1 July 2020 to 30 June 2021.

Aurizon Network submits to the QCA its FY21 Adjustment Charges submission in accordance with Clause 6.2(a) of Schedule F of UT5.

This FY21 Adjustment Charges submission reconciles the Access Charges paid or payable against the Access Charges that would have been paid or payable by each Access Holder in respect of the FY21 reference tariffs approved by the QCA in the MDS DAAU.

This submission details the methodology, data and assumptions used to determine Adjustment Charges for FY21. Aurizon Network requests the QCA approve a net recovery of Adjustment Charges, totalling \$1.258 million from Access Holders in accordance with Clause 6.2(b)(iii) of Schedule F of UT5.

1. Schedule F Provisions

Clause 6.1 of Schedule F of UT5 provides that an Adjustment Charge is payable where there is a difference between the:

- Actual Access Charges paid by Access Holder (**Actual Access Charges**) and
- Access Charges that would have been paid by that Access Holder detailed within the approved Schedule F (**Amended Access Charges**)

Any difference between Actual Access Charges and Amended Access Charges, is to be reimbursed or recovered from Access Holders through an Adjustment Charge.

Furthermore, clause 6.1(a) of Schedule F of UT5 requires that Aurizon Network must submit to the QCA a proposed Adjustment Charges if:

“(i) this Undertaking specifies that a Reference Tariff is applicable or effective from a date prior to the date on which that Reference Tariff was approved by the QCA: or

(ii) a variation of a Reference Tariff (including a variation approved under clause 5) is applicable or effective from a date prior to the date on which the variation was approved by the QCA,”

Where Aurizon Network submits a proposed Adjustment Charge to the QCA, clause 6.2 (b)(i) of Schedule F of UT5 requires that the submission must:

“(A) identify, subject to clause 6.3(a), the Access Holders (or, if applicable, Train Operator) in respect of whom the proposed Adjustment Charges are to be applied;

(B) set out the proposed Adjustment Charges for each Access Holder (or, if applicable, Train Operator) including details of how those proposed Adjustment Charges were calculated.”

(C) indicate the Billing Period(s) in respect of which the proposed Adjustment Charges are to be applied; and

(D) if applicable, how the proposed Adjustment Charges are to be allocated for the purposes of calculations under clause 4.3:”

The Adjustment Charges provisions relate to the following Reference Tariff components:

- Access Charges for track infrastructure (AT1-4);

The proposed FY21 Adjustment Charges to be recovered from or returned to Access Holders in each of the individual Central Queensland Coal Network systems for the period 1 July 2020 to 31 December 2020 are summarised in Table 1 below:

Table 1. Proposed FY21 Adjustment Charges (\$'000)

System	AT _{3 & 4}	Interest	Total
Blackwater	1,228	-	1,228
Goonyella	0.029	-	0.029
Total Adjustment Charges	1,258	-	1,258

- Numbers subject to rounding

- Interest amount is less than \$1,000

- Positive amounts are a recovery from Access Holders and negative amounts are a return to Access Holders

Extracts of the financial model have been provided separately to Access Holders in advance of this submission and in a form compliant with Aurizon Network's ringfencing obligations. Please refer to Appendix A for copies of the email correspondence confirming Access Holders' agreement with the Adjustment Charges calculation. Aurizon Network confirms that Appendix A is not suitable for publication and claims confidentiality over it under s187 of the Queensland Competition Authority Act 1997 (**QCA Act**).

In addition, a detailed financial model has been prepared by Aurizon Network and provided to the QCA in electronic form in support of this submission. Aurizon Network maintains that the financial model contains confidential information of Access Holders and is not suitable for publication, accordingly Aurizon Network claims confidentiality over the financial model under s187 of the QCA Act.

For stakeholder clarity, the financial model includes:

- calculations supporting the AT₃ and AT₄ Adjustment Charges for each system and Access Holder, being the difference between Actual Access Charges and Amended Access Charges;
- extracts from Aurizon Network's billing system detailing the Actual Access Charges including how Adjustment Charges are to be allocated for the purposes of calculations under UT5 Schedule F clause 4.3; and
- interest calculations by month and Access Holder.

2. Calculation of Adjustment Charges

UT5 Schedule F clause 6.1(a) and 6.1(b) stipulate the methodology by which Aurizon Network must calculate the Adjustment Charges and recover from, or reimburse to (as applicable), each relevant Access Holder.

The methodology is based on the differences between actual Access Charges and the Access Charges that would have been paid or payable had they been calculated in accordance with the approved Reference Tariffs from the Effective Date for each system and the interest calculated on the total differences.

2.1 Difference between Actual and Amended Access Charges

The Actual and Amended Access Charges paid or payable by Access Holders for individual Train Services are outlined in detail within the financial model supporting the calculation of the Adjustment Charges. The financial model has been provided to the QCA with this submission.

2.2 Interest

In accordance with UT5 Schedule F clause 6.1(b) the following key assumptions have been adopted in the calculation of the interest amounts applicable to the Adjustment Charges:

- Interest has been calculated by reference to the Adjustment Amount for each month for each individual Train Service (origin/destination pair);
- Actual interest rates have been used for the period until the end of March, with the assumed collection / payment date of 31 March 2021. Any change in interest rates up to the QCA approval date of the Adjustment Charge will be reflected in the final Adjustment Charge paid / payable.
- The interest for each individual Train Service accrues day by day, then compounds on a month-by-month basis;
- Rates are the mid-point Bank Bill Swap Rates published by the Australian Financial Markets Association for the relevant business day immediately prior to the 21st of each month;
- Due dates are based on the due dates of the actual monthly billing invoices;
- Interest has been calculated assuming QCA approval and subsequent collection / payment of amounts due / payable by 31 March 2021.

The total value of the interest calculated per system is summarised on the next page in Table 2.

Table 2. Adjustment Charges - Interest Calculation (\$)

System	Interest Per System
Blackwater	161
Goonyella	4
Total Interest (\$)	165

2.3 Adjustment Charges – by System

The total Adjustment Charges inclusive of interest are summarised for each system in Table 3 below.

Table 3. Proposed FY21 Adjustment Charges by System including interest (\$'000)

System	Adjustment Charges (including interest)
Blackwater	1,228
Goonyella	0.029
Total Adjustment Charges	1,258

The total Adjustment Charges, inclusive of interest by Access Holder have been provided in the models submitted to the QCA.

2.4 Reimbursement to or recovery from Access Holders

Upon approval of this Adjustment Charges submission by the QCA, the FY21 Adjustment Charges will be returned to or recovered from Access Holders, concurrent with the invoicing of Access Charges for the month of the QCA's approval.

Appendix A - Confidential

Email correspondence confirming Access Holders' agreement with the Adjustment Charges calculation