

File ref: 2031304

26 September 2024

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

Dear Ms Bains

Transitional arrangements to address capacity deficits: September 2024 determination

I wish to advise that the QCA has made a determination on the transitional arrangements that are appropriate to progress to address the existing capacity deficits identified in the Newlands and GAPE systems.

The QCA made this determination in accordance with clause 7A.5 of the 2017 access undertaking. The attached notice sets out the QCA's determination. This letter and notice will be published on the QCA website.

Should your staff have any specific queries, please direct them in the first instance to Richard Creagh, tel 07 3222 0552 or email richard.creagh@qca.org.au.

Yours sincerely



Charles Millstead
Chief Executive Officer

cc: Jon Windle, Network Regulation Manager, Aurizon Network

Transitional arrangements to address existing capacity deficits

26 September 2024

Aurizon Network's 2017 access undertaking (UT5) provides for us to make determinations in relation to the transitional arrangements, including options for expansions that will most efficiently and effectively address capacity deficits identified in systems across the central Queensland coal network (CQCN).¹

We determine that it is appropriate for Aurizon Network to progress the following transitional arrangements in the manner outlined in Table 1.

Table 1 QCA determinations in relation to the progression of transitional arrangements for the Newlands and GAPE systems

Transitional arrangement	QCA determination
<u>Almoola intermediate signals</u>	It is appropriate to proceed with the implementation of this transitional arrangement.
<u>Collinsville passing loop (daytime operations – relocate signals)</u>	It is appropriate to proceed with the implementation of this transitional arrangement. As an interim step, Aurizon Network is to undertake an operational trial to verify that the anticipated capacity benefits can be realised, for confirmation by the independent expert.

This is our fourth determination in relation to the progression of transitional arrangements. We will make further determinations as to those transitional arrangements that are appropriate to progress, or implement, to address the existing capacity deficits identified in each system, as required.

¹ UT5, cl 7A.5

Background

The process for identifying and resolving existing capacity deficits across the CQCN is outlined in Part 7A of UT5. Under these arrangements, Aurizon Network and the independent expert² have identified where capacity deficits exist in each system and have considered, in consultation with industry, possible ways to resolve them.

We have made 3 determinations in relation to the progression of transitional arrangements across the CQCN³ – in November 2022, April 2023 and September 2023.⁴ Some transitional arrangements were to be implemented immediately, while others were to be implemented in a staged approach (including those arrangements where further work or analysis is required).⁵

For the Newlands and GAPE systems, we determined that installing remote-control signalling (NG1) and better utilising the ballast cleaning machine (NG2) will form part of the most efficient and effective solution for resolving identified existing capacity deficits.⁶ In June 2024, Aurizon Network advised that it had completed the installation of remote-control signalling.⁷

We also considered it appropriate for Aurizon Network to undertake a concept study to better understand the capacity benefits, costs and risks associated with other measures.⁸ This included options relating to the expansion of the Collinsville and the Coral Creek passing loops (NG3, NG4, and NG5).⁹

In June 2024, Aurizon Network recommended it proceed with 2 projects to address the capacity shortfall in the Newlands and GAPE system – which would change signalling to improve traffic management at 2 locations – but did not receive agreement from all users to proceed.

In September 2024, the independent expert recommended that:

- the Almoola intermediate signals project proceed
- a planned operational assessment of the Collinsville passing loop (daytime operations – relocate signals) project proceed, but that we should defer our decision on whether the project forms part of the most efficient and effective solution for resolving capacity shortfalls in the Newlands and GAPE systems until Aurizon Network provide further information.¹⁰

Responding to the independent expert's recommendation, Aurizon Network considered there was sufficient information for us to make a determination on the Collinsville passing loop – without the requirement for a staged review, interim step or further study being undertaken. It noted that updated information on either cost or capacity will be provided to the independent expert for its subsequent efficiency and prudence assessment, prior to construction.¹¹

² The Coal Network Capacity Company (CNCC) has been established as the independent expert.

³ The types of transitional arrangements for consideration are defined in Part 12 of UT5.

⁴ Our determinations are available on our [website](#).

⁵ The list of all transitional arrangements that we have determined be progressed is provided in Appendix A.

⁶ QCA, *Transitional arrangements for Aurizon Network to address existing capacity deficits: Determination*, decision notice, November 2022, pp 3-5.

⁷ Aurizon Network, *Infrastructure rebates and GAPE RCS draft amending access undertaking*, June 2024, p 4.

⁸ QCA, *Transitional arrangements for Aurizon Network to address existing capacity deficits: Determination*, decision notice, September 2023, pp 3-4.

⁹ Aurizon Network, *Concept study proposal: Newlands and GAPE transitional arrangements*, August 2023, pp 2, 9.

¹⁰ CNCC, *Independent Expert recommendations to Queensland Competition Authority: Newlands-GAPE transitional arrangements*, September 2024.

¹¹ Aurizon Network, *Independent Experts Recommendation to Queensland Competition Authority – Newlands-GAPE Transitional Arrangements*, correspondence, 6 September 2024.

Our approach

Broadly, we are to determine those transitional arrangements that we consider may form part of the most efficient and effective solution for resolving existing capacity deficits identified across the CQCN.¹² This involves identifying transitional arrangements that:

- result in a capacity benefit that contributes to addressing an identified existing capacity deficit
- form part of the overall solution for resolving the existing capacity deficit at the lowest net present cost to access holders, without prejudice to the reliability and performance (in the long and short term) of the rail infrastructure.

Our recommendations are made in accordance with UT5 and are directly informed by the analysis and recommendations Aurizon Network and the independent expert provided as part of this process.

In this regard, we rely on the capacity modelling outputs and cost estimates Aurizon Network and the independent expert produced to assess the likely capacity benefits and implementation costs associated with each of the transitional arrangements. This includes where Aurizon Network or the independent expert consider that further information is required in order to better understand the expected capacity benefits, costs and risks. We consider Aurizon Network and the independent expert are best placed to provide guidance on these matters.¹³

Our determinations must be consistent with the system operating parameters, unless required to accommodate an operational change we deem to be prudent for the purpose of rectifying the existing capacity deficit.¹⁴ We also take account of the extent to which any transitional arrangements (that we have already determined be progressed) have addressed or will address the capacity deficits.¹⁵

Determination for the Newlands and GAPE systems

The independent expert identified an existing capacity deficit in the Newlands and GAPE system in its initial capacity assessment report¹⁶ – that it reconfirmed most recently its 2024 annual capacity assessment report.¹⁷ On the current analysis, the deficit is likely to be eliminated by 2028–29, suggesting that transitional arrangements will be of most value to users in the next 3 to 4 years.¹⁸

From the information available, we consider the 2 additional projects may also form part of the most efficient and effective solution for resolving the capacity shortfalls identified in the Newlands and GAPE systems (Table 2).

¹² UT5, cls. 7A.5(j) and 7A.5(n)(x).

¹³ In making its recommendation, the independent expert has assessed, where possible, the capacity benefits of each of the transitional arrangements. The independent expert's analysis is informed by Aurizon Network's cost forecast for each of the proposed transitional arrangements.

¹⁴ UT5, cl. 7A.5(j).

¹⁵ UT5, cl. 7A.5(n)(x).

¹⁶ CNCC, [Central Queensland Coal Network: Initial Capacity Assessment Report](#), October 2021, pp 28–29, 39–40.

¹⁷ CNCC, [Annual Capacity Assessment Report 2024](#), July 2024, pp 11–20, 48–51.

¹⁸ CNCC, *Independent Expert recommendations to Queensland Competition Authority: Newlands-GAPE transitional arrangements*, September 2024, p 2.

Table 2 Transitional arrangement to be progressed in the Newlands and GAPE systems

Transitional arrangement	Estimated capacity created^a	Aurizon Network's cost estimates
Almoola intermediate signals	2.8 mtpa	\$2.4 million
Collinsville passing loop – (daytime operations – relocate signals)	0.6-2.4 mtpa	\$0.9 million

Note: a As both transitional arrangements seek to address the constraint in the section between Birralee and Almoola, which now has the longest headway (time between trains) in the system, there is some overlap in the anticipated capacity benefits associated with the projects. In particular, following the implementation of the Almoola intermediate signals project, the capacity benefits of the Collinsville passing loop will reduce (to 0.6 mtpa).

Source: CNCC, *Independent Expert recommendations to Queensland Competition Authority: Newlands-GAPE transitional arrangements*, September 2024.

Almoola intermediate signals

The independent expert agreed with Aurizon Network's proposal to proceed with the installation of additional intermediate signals (on the up and down roads) at Almoola – to allow a second loaded train to depart Birralee while the train ahead moves through the slow uphill climb of Briaba bank.¹⁹ This will assist traffic management, provide additional operational and planning flexibility and comply with signalling standards.²⁰ The independent expert reported that the work is expected to cost \$2.4 million (±50%) and is capable of implementation in early 2025-26.

The expected capacity created from these works (2.8 mtpa) has been verified by the independent expert – based on its 2024 annual capacity assessment report assumptions (including the demand profile).

Based on the estimated cost for implementing this project and the expected capacity created, we consider that the Almoola intermediate signals project may form part of the overall solution for resolving the existing capacity deficit at the lowest net present cost to access holders.

Collinsville passing loop – day time operations (relocation of signals)

The independent expert considered that Aurizon Network's proposal to relocate signals to increase the holding length between signals in the Collinsville passing loop could deliver a strong capacity-to-cost outcome.²¹ However, the independent expert considered that additional information (regarding how the restored passing loop will be used and the anticipated capacity benefits) would be required before it could fully assess the efficiency and effectiveness of the proposal. Accordingly, the independent expert recommended that we defer our decision on whether the project forms part of the most efficient and effective solution for resolving capacity shortfalls in the Newlands and GAPE systems.

The anticipated capacity created from these works (0.6-2.4 mtpa, depending on whether the Almoola intermediate signals project is implemented) is based on the independent expert's 2024 annual capacity assessment report assumptions (including the demand profile).

¹⁹ CNCC, *Independent Expert recommendations to Queensland Competition Authority: Newlands-GAPE transitional arrangements*, September 2024, pp. 1, 5-6.

²⁰ Notwithstanding the possible risk of trains stalling as they climb the Briaba bank – which will be more complicated to recover from if a second train is blocking access.

²¹ CNCC, *Independent Expert recommendations to Queensland Competition Authority: Newlands-GAPE transitional arrangements*, September 2024, pp 1, 5-7.

Aurizon Network proposed an initial trial of the daytime operation of the Collinsville passing loop in late 2024 to better understand the feasibility of its use and to inform how it can be operationalised to achieve the anticipated capacity benefits. Aurizon Network committed to providing the outcomes of the trial (and any other updated information) to the independent expert to inform the efficiency and prudence assessment by the independent expert prior to construction.

From the information available, we consider that this project may form part of the overall solution for resolving the capacity shortfalls in the Newlands and GAPE systems. However, we also consider that it is appropriate that Aurizon Network first verify that the Collinsville passing loop can be operationalised to achieve the anticipated capacity benefits, for confirmation by the independent expert.

Therefore, in proceeding with this transitional arrangement, we consider it appropriate for Aurizon Network to first undertake its proposed operational trial to understand how the Collinsville passing loop can be operationalised to achieve the anticipated capacity benefits. The implementation of this transitional arrangement should not proceed past this interim step if the results of the trial indicate that the anticipated capacity benefits cannot be realised.

Next steps

In accordance with clause 7A.5(r) of UT5, Aurizon Network must comply with this determination, including by doing everything reasonably necessary to implement the transitional arrangements outlined in this determination, as soon as reasonably practicable.

Where required, we will make further determinations on the remaining transitional arrangements that Aurizon Network is to implement to resolve the existing capacity deficits in each system.

Appendix A Transitional arrangements progressed

Transitional arrangements	QCA determination	Decision notice
Newlands and GAPE systems		
Installation of remote-control signalling	Immediate implementation	November 2022
Change operation of ballast cleaning machine program	Immediate implementation	November 2022
Extend the Collinsville passing loop	Expansion study	September 2023
	Confirm anticipated capacity benefits can be realised	September 2024
Collinsville passing loop 24- hour operations	Expansion study	September 2023
Coral Creek passing loop	Expansion study	September 2023
Almoola intermediate signals	Immediate implementation	September 2024
Goonyella system		
Change to operation of ballast cleaning machine program	Immediate implementation	November 2022
Jilalan yard scheduling improvements	Immediate implementation	November 2022
Connors Range headway reduction	Immediate implementation	November 2022
Additional holding road at Jilalan	Expansion study	April 2023
Installing crossovers between Jilalan and Wotonga	Staged implementation	April 2023
Blackwater and Moura systems		
Relinquishments	Immediate implementation	November 2022
Change to operation of ballast cleaning machine program	Immediate implementation	November 2022
Callemondah yard scheduling improvements	Immediate implementation	November 2022
Additional holding road at Callemondah yard	Expansion study	April 2023
Move provisioning out of Callemondah	Expansion study	April 2023