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Aurizon Network Pty Ltd (Aurizon Network) - FY2023 Adjustment Charge Submission

21 December 2022

Aurizon Network submits its Adjustment Charge submission in accordance with Clause 6.2(a) of Schedule F to the 2017 Access Undertaking (**UT5**).

On 16 November 2022, the Queensland Competition Authority (**QCA**) approved Aurizon Network's Draft Amending Access Undertaking – FY23 EC Tariff (**EC DAAU**), which proposed new electric energy (**EC**) charges for the financial year ending 30 June 2023 (**FY23**).

The approved EC Tariff applies for the full financial year but takes effect from 1 December 2022. As a result, this Adjustment Charge submission is required to reconcile the Access Charges paid or payable against the Access Charges that would have been paid or payable by each affected Access Holder in respect of the EC DAAU for the period of 1 July to 30 November 2022.

For transparency, Aurizon Network provided extracts of its financial model (in a form compliant with its ringfencing obligations) to affected Access Holders in advance of this submission. Aurizon Network received responses from:

- four Access Holders confirming their agreement with Aurizon Network's calculations; and
- one Access Holder, who sought to clarify the calculation methodology.

Copies of the relevant email correspondence have been provided to the QCA within Appendix A of this submission.

Upon QCA approval of this submission, the FY23 Adjustment Charge will be recovered from affected 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. Aurizon Network claims confidentiality over the supporting financial model and the correspondence within Appendix A as these contain confidential information of affected Access Holders which is not suitable for publication. Should you have any queries in relation to this submission please do not hesitate to contact Ian Parkinson: ian.Parkinson@aurizon.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Jon Windle".

Jon Windle
Manager - Regulation

Aurizon Network: FY23 Adjustment Charge Submission

21 December 2022



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1. Executive Summary

Aurizon Network's 2017 Access Undertaking (**UT5**) allows for the recovery of electric energy costs and Variable Connection Charges through the electric energy charge component of the approved Reference Tariffs (**EC Tariff**).

On 8 June 2022, Aurizon Network submitted a Draft Amending Access Undertaking (**EC DAAU**) to the Queensland Competition Authority (**QCA**), seeking approval of a new EC Tariff for the Financial Year ending 30 June 2023 (**FY23**).

On 16 November 2022, the EC DAAU was approved by the QCA and resulted in an increase in the approved EC Tariff for the period 1 July 2022 to 30 June 2023.

Aurizon Network confirms that between 1 July 2022 to 30 November 2022, Access Charges have been calculated using an EC Tariff of \$1.11 (per eGTK'000); a tariff that was approved by the QCA in their 26 May 2022 decision on the FY23 Annual review of Reference Tariffs.

With the QCA's decision to approve the EC DAAU, the applicable EC Tariff for this period has increased to \$2.82 per eGTK'000.

Consequently, Aurizon Network submits to the QCA its Adjustment Charge submission for FY23 in accordance with Clause 6.2(a) of Schedule F of UT5 (**Adjustment Charge Submission**). This Adjustment Charge Submission will reconcile 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 EC DAAU.

For the period 1 December 2022 to 30 June 2023, Access Charges will be determined using the approved FY23 EC Tariff of \$2.82.

This submission details the methodology, data and assumptions used to determine Adjustment Charge for FY23.

Aurizon Network seeks QCA approval of a net recovery of Adjustment Charges totalling \$37.7 million (**\$m**) including interest¹ from affected Access Holders in accordance with Clause 6.2(b)(iii) of Schedule F of UT5 Access Undertaking.

¹ \$37.4 million excluding interest.

2. Schedule F Provisions

UT5 Schedule F clause 6.1 provides that an adjustment charge is payable where there is a difference between the:

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

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

Furthermore, UT5 Schedule F, clause 6.1 (a) requires that Aurizon Network must submit to the QCA 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, UT5 Schedule F, clause 6.2 (b)(i) 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 scope of the Adjustment Charges provisions relate to the following components of Access Charges:

- Access Charges for track infrastructure (**AT1-4**);
- Access Charges for electric infrastructure (**AT5**);
- Electric Energy Charge (**EC**);
- QCA Levy; and
- IE Pass Through Costs (**IE**).

The proposed FY23 Adjustment Charge to be recovered from affected Access Holders in each of the individual electrified Central Queensland Coal Network systems for the period 1 July 2022 to 30 November 2022 are summarised in Table 1. For clarity, the FY23 Adjustment Charge is limited to the Electric Energy (EC) Charge only.

Table 1. Proposed FY23 Adjustment Charge (\$'000)

System	AT ₁₋₄	AT ₅	EC	QCA Levy	IE	Interest	Total
Blackwater	--	--	16,595	--	--	164	16,759
Goonyella	--	--	20,772	--	--	194	20,966
Total Adjustment Charge	--	--	37,367	--	--	358	37,725

- Numbers subject to rounding

- 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 affected Access Holders in advance of this submission and in a form compliant with Aurizon Network's ringfencing obligations. Refer to Appendix A for copies of the email correspondence received from affected Access Holders' in relation to the Adjustment Charge calculation.

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 both Appendix A and the financial model, contains confidential information of affected Access Holders and is not suitable for publication. Aurizon Network claims confidentiality over this information, in accordance with s187 of the Queensland Competition Authority Act 1997 (**QCA Act**).

For stakeholder clarity, the financial model includes:

- calculations supporting the EC Adjustment Charge for each applicable system and Access Holder, being the difference between Actual Access Charges and Final 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.

3. Calculation of Adjustment Charge

UT5 Schedule F, clauses 6.1(a) and 6.1(b) stipulate the methodology by which Aurizon Network must calculate the Adjustment Charge and either:

- recover these amounts 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.

3.1 Difference between Actual and Final Access Charges

The actual and final Access Charges paid or payable by affected Access Holders for individual Train Services are outlined in detail within the financial model provided to the QCA.

3.2 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 Charge:

- 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 November. At this stage, the November interest rate has been applied from 1 December 2022 up until the assumed collection / payment date of 28 February 2023. 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 28 February 2023.

The total value of the interest calculated per applicable system is summarised in Table 2.

Table 2. Adjustment Charge - Interest Calculation (\$'000)

System	Interest Per System
Blackwater	164
Goonyella	194
Total Interest (\$000)	358

3.3 Adjustment Charge – by System

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

Table 3. Proposed FY23 Adjustment Charges by Applicable System including interest (\$'000)

System	Adjustment Charge (including interest)
Blackwater	16,759
Goonyella	20,966
Total Adjustment Charge	37,725

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

3.4 Recovery from Access Holders

Upon approval of this Adjustment Charge submission by the QCA, the FY23 Adjustment Charge will be recovered from affected Access Holders, concurrent with the invoicing of Access Charges for the month in which the QCA's approval is received.

Appendix A – Confidential – Correspondence with Access Holders

Appendix A has been supplied separately to the QCA. It includes copies of correspondence with Access Holders in relation to their respective Adjustment Charge calculations.