



Aurizon Holdings Limited
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BY ELECTRONIC LODGEMENT

12 November 2021

Aurizon preliminary response to ICAR

Please find attached media release for announcement to the market.

Yours faithfully,

David Wenck
Company Secretary

Authorised for lodgement by David Wenck, Company Secretary.

SGX Announcement

Date: 12 November 2021

Aurizon preliminary response to ICAR

Aurizon today provided its preliminary report on the Initial Capacity Assessment Report (**ICAR**)¹ to the Queensland Competition Authority (**QCA**). This triggers an immediate increase from 5.9% to 6.3% in the Weighted Average Cost of Capital (**WACC**) that Aurizon Network earns in respect of its ownership and operation of the Central Queensland Coal Network (**CQCN**).

The preliminary report is available [here](#).

The WACC will be subject to a reset on 1 July 2023 for certain parameters, including the risk-free rate, debt-risk premium and inflation.

The report sets out Aurizon's preliminary views on the reasons for the capacity deficits identified in the ICAR and includes Aurizon's proposed solutions to address those deficits, the consultation plan with customers, along with indicative timeframes for the implementation of each solution.

The following options are available to address the capacity deficits that have been identified:

1. Customers may elect to voluntarily relinquish contracted capacity which they are not using at no cost;
2. Operational efficiencies can be undertaken either on the rail infrastructure by Aurizon Network, on rollingstock by rail operators or at load out facilities by mine owners; and
3. Aurizon Network can undertake expansions in the relevant coal system to address the deficit.

A consultation process will now commence with customers to determine how capacity deficits will be addressed in each coal system. By 1 February 2022, Aurizon Network will submit a detailed report to the QCA, the Independent Expert and the Chair of the Rail Industry Group showing the outcome of this consultation process and the arrangements which Aurizon considers would most effectively and efficiently address the capacity deficits. Where, as part of the consultation process, the parties agree to expansions to address the deficits, the Independent Expert will consider and approve the efficiency of any capital spend before it's incurred. Where there is no agreement, the Independent Expert will make a recommendation to the QCA for its determination as to the most efficient way of addressing capacity deficits.

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¹ The ICAR was released on 28 October 2021 by the Independent Expert jointly appointed by Aurizon and its customers under Aurizon Network's UT5 Access Undertaking (**UT5**). The ICAR is an independent assessment of the deliverable capacity of Aurizon's rail infrastructure in each coal system in the CQCN for the 5-year period 1 July 2019 to 30 June 2024.