

15th May 2026

Australian Energy Regulator
GPO Box 520
MELBOURNE Vic 3001
Via email.

To Whom It May Concern

RE: Submission on Powerlink Queensland's 2027-32 Revenue Proposal

The Queensland Resources Council Rail Working Group (RWG) appreciates the opportunity to comment on Powerlink Queensland's 2027–32 Revenue Proposal.

With the electrification of much of Aurizon Network's (AN) Central Queensland coal network, AN is among Powerlink's largest customers, with annual charges approaching \$80 million contributing around six per cent of Powerlink's total revenue. These costs are directly passed through to coal producers, and represent more than 20 per cent of total electric usage costs for electric trains. Given this materiality, the RWG has a strong interest in ensuring that Powerlink's proposal reflects prudent and efficient expenditure and provides clear visibility of customer-specific pricing impacts.

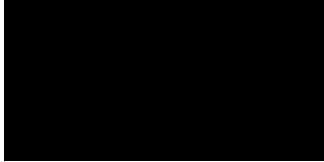
The RWG is concerned that significant increases in Powerlink's proposed opex and capex, combined with limited transparency around pricing outcomes for large customers, risk undermining the competitiveness of electric traction. This could accelerate a shift toward diesel locomotives at a time when national policy settings emphasise decarbonisation and efficient long-term investment.

Our attached submission outlines key issues for the AER's consideration, including:

- the need for clear and timely customer-specific pricing information to be made available to large customers;
- affordability risks for electric traction in a competitive environment, given longer run forecasts of relative diesel and electric usage costs;
- the importance of a robust assessment of opex efficiency and the proposed FY26 base year;
- the scale, prioritisation and deliverability of Powerlink's unprecedented capex program; and
- the need for stronger productivity expectations across both opex and capex.

The RWG urges the AER to ensure that Powerlink's revenue allowance reflects prudent and efficient costs, supports the long-term of the Queensland coal sector, and does not undermine the viability of electric traction in Queensland's coal supply chain.

Yours sincerely



Judith Bertram
Deputy Chief Executive

ABN 59 050 486 952
Level 29 12 Creek St Brisbane Queensland 4000
GPO Box 181, Brisbane Queensland 4001
T 07 3295 9560 E info@qrc.org.au
www.qrc.org.au

QRC Rail Working Group Submission to AER

Powerlink 2027-32 Revenue Proposal

May 2026

Executive Summary

The Queensland Resources Council (**QRC**) Rail Working Group (**RWG**), representing Central Queensland coal producers, welcomes the opportunity to comment on Powerlink Queensland's 2027–32 Revenue Proposal.

Coal producers are among Powerlink's largest and most materially affected customers. Aurizon Network (**AN**), acting as the purchasing counterparty for transmission and connection services, contributes approximately **6% of Powerlink's total revenue**, with annual charges approaching **\$80 million**. These costs are ultimately borne by coal producers and represent **over 20% of the total electric usage costs**—more than three times the proportion faced by residential and small business customers.

The competitiveness of Queensland's coal transport supply chain is highly sensitive to transmission network charges. The RWG is deeply concerned that Powerlink's proposed **41.7% increase in opex, 131% increase in capex**, and limited transparency around customer-specific pricing impacts will materially increase railway electric traction costs well beyond what is competitive and prudent. Apart from its impacts on the long term competitiveness of the Queensland coal industry, this has potential to exacerbate the already declining utilisation of electric locomotives and risk accelerating a structural shift toward diesel traction—directly contrary to national policy objectives supporting decarbonisation and Net Zero.

The RWG submits that:

- Powerlink's engagement process should include **clear and timely customer-specific pricing information** for large customers such as AN;
- **Affordability risks are acute**, given the competitive tension between diesel and electric traction and the looming need for major reinvestment in both AN and Powerlink connection assets.
- **The proposed opex base year (FY26) is inflated**, and the AER must scrutinise the drivers of recent cost escalation and consider whether efficiency adjustments are warranted.
- **The proposed capex program is unprecedented**, particularly when combined with other projects that will proceed such as the Gladstone PTI and synchronous condenser projects – this requires rigorous assessment of the prudence and prioritisation of scope, whether the forecast expenditure reflects the required focus on productivity, and assessment of deliverability.

- **Productivity expectations are insufficient**, and out of step with the competitive demands on Powerlink’s customer base.

The RWG urges the AER to ensure that Powerlink’s revenue allowance reflects prudent and efficient costs, supports long-term affordability, and does not undermine the viability of electric traction in Queensland’s coal supply chain.

1. Introduction

Central Queensland coal producers rely heavily on Powerlink’s transmission network to support the operation of electric train services across the Bowen Basin. Aurizon Network (**AN**) is a major Powerlink customer, with a significant number of both prescribed (grandfathered) and negotiated connection points. While AN is the contracting party, **all transmission and energy charges are directly passed through to coal producers**. Coal prices are established in international markets, and coal producers are price takers in these markets with no ability to pass on increases in input costs.

Powerlink charges to AN are approaching **\$80 million per annum**, representing around **6% of Powerlink’s total revenue**. These charges constitute **over 20% of total electric usage costs**, compared with approximately 6.5% for residential and small business customers. This level of cost exposure underscores the importance of ensuring that Powerlink’s revenue proposal reflects prudent and efficient expenditure.

Ensuring efficiency and long-term affordability for Powerlink’s transmission and connection charges is essential for Queensland coal producers. We operate in a highly competitive global environment characterised by significant market volatility driven by global economic conditions, shifting trade dynamics, and a broad range of potential future demand outcomes across energy and industrial market. The Bowen Basin has relatively low exposure to thermal coal, which has the potential for substitution, whilst metallurgical coal used in steel production currently remains less readily substitutable, maintaining international competitiveness over the long term remains critical. This heightens the need for Queensland producers to remain internationally competitive, particularly given the world’s highest royalty regime imposed by the Queensland Government.

This general environment is compounded by the competitive context for railway operators, where they have options for using electric or diesel locomotives. It is critical that the costs of the electric network are closely managed so that electric traction maintains competitiveness and avoids diesel traction becoming entrenched as the preferred option, given longer run forecasts of relative diesel and electric usage costs. Network electrification was introduced in the mid-1980s, meaning that a significant portion of AN and Powerlink’s connection infrastructure is reaching the end of its physical life, and there is a need to invest significantly in asset renewal to support continued operation of electric train services beyond the short term. Confidence in the long-term competitiveness of electric traction is essential to justify the significant investment required by both AN and Powerlink over the coming decade. Indeed the cost

competitiveness of electric traction for rail operators is key for them to maintain competition in a market with multiple competing operators, where reducing the ability to compete on price may risk them not getting a return of their investment.

2. Pricing issues

2.1 Pricing transparency

Powerlink has provided indicative price paths for residential and small business customers but has not provided equivalent transparency for large customers such as AN. Following repeated requests, we understand that AN has recently received information on its customer-specific pricing impacts, but with constraints on the information that it is able to pass onto coal producers, notwithstanding that we ultimately bear these charges. The timing at which this information has been provided has meant that we have not had a chance to consider these impacts prior to this submission being finalised.

This lack of transparency:

- is unreasonable given AN’s material contribution to Powerlink’s revenue;
- limits our ability to assess the implications of the revenue proposal and undermines our ability to provide informed feedback; and
- is particularly concerning given the impending need for major asset renewal by both AN and Powerlink at many connection points.

Without clear and timely information on expected price impacts—including those associated with Powerlink’s planned investment program—RWG members cannot make informed decisions regarding their support for the renewal program.

The RWG submits that **Powerlink’s engagement process should include clear and timely customer-specific pricing information for large customers such as AN.**

2.2 Affordability

Aurizon Network’s demand profile is flat and stable, with trains operating 24/7, continuously throughout the year. However, affordability remains a critical issue for the electric traction network, particularly given increasing risks around future demand.

Competitive Environment for Diesel vs Electric Traction

Rail operators can choose between diesel and electric locomotives. While electric traction may be preferred from an emissions perspective, operators cannot sustain a higher-cost option in a competitive market. Traction choice is driven by cost relativity, both:

- **at the investment horizon** (locomotive purchase/refurbishment, ~25-30 year life); and

- **at the operational horizon** (deployment decisions when surplus locomotive capacity exists).

Both horizons are relevant today.

From the investment perspective, much of the electric locomotive fleet was refurbished or acquired between 2005–2015. Decisions on extending the life of this fleet will be required over the next decade. This coincides with the approaching end-of-life for many AN substations and Powerlink connections. AN anticipates a need to invest **~\$300 million** in substation renewals, with a similar level of investment required from Powerlink. These investment decisions will shape the long-term future of electric traction utilisation across the Central Queensland coal network.

In the operational environment, where rollingstock fleets are fully utilised, there are no real options for deployment, and operators will use a mix of diesel and electric locomotives based on their past investments. However, where surplus locomotive capacity exists, operators will choose the lowest-cost option. To the extent that overall coal export volumes change due to market volatility, rail operators may increasingly have surplus locomotive capacity available to them.

Diesel is already preferred in some systems, particularly the Blackwater system, where electric traction has long been considered uncompetitive. As a result, AN has already secured specific regulatory arrangements designed to avoid the risk of asset stranding in the face of declining electric utilisation. AN's two largest systems, Goonyella and Blackwater, are electrified and have the capacity to enable all train services to operate with electric locomotives. However, there is clear evidence of continued declining electric utilisation across both systems. Over the six years from FY20 to FY25, electric utilisation has dropped:¹

- in the Goonyella system, from 94% to 89%; and
- in the Blackwater system, from 77% to 72%.

Declining utilisation increases electric traction charges, as fixed costs are recovered over a smaller volume base, further eroding competitiveness—ultimately risking the so-called 'death spiral'.

Powerlink's Pricing Influence and Consequent Usage Incentives

RWG members are working closely with AN to ensure that AN's traction substation renewal program is delivered in a way that minimises the risk of increasing electric utilisation charges. However, to date we have had no transparency around the potential impact of Powerlink's asset renewal program on transmission charges and, ultimately, the cost of our electricity supply.

¹ See Aurizon Network's Annual Revenue Adjustment submissions, as published here on the QCA website: [Revenue adjustment](#)

Powerlink's charges already represent **20% of total delivered electricity costs** for electric traction users. Significant increases in these charges will further incentivise operators to use diesel traction, immediately in the operational environment and also in the investment environment over upcoming years, undermining national Net Zero objectives.

RWG members are particularly concerned about:

- the pricing impact of Powerlink's connection renewal program; and
- the Gladstone Priority Transmission Investment (PTI) project, which may significantly increase locational charges depending on cost recovery arrangements, which are yet to be specified by the Queensland Government.

Large increases in transmission charges risk accelerating a shift toward diesel traction.

3. Revenue proposal issues

Given the imperative to limit significant increases to Powerlink's transmission charges, both to support the competitiveness of the Queensland coal sector generally, but more specifically to mitigate the risk of rail operators' transitioning to a greater use of diesel locomotives, RWG members have a strong interest in Powerlink's revenue proposal reflecting prudent and efficient costs of managing the transmission network.

3.1 Opex efficiency

Powerlink proposes total forecast opex of \$1.832 billion (FY27 \$s)—a **41.7% increase** over the prior period allowance and **20.2% above** actual/estimated opex for the current period.

Under the base-step-trend approach:

- Powerlink proposes **FY26 as the base year**, despite FY26 costs being **26% above** the AER allowance;
- proposed step changes total **\$85 million**; and
- trend adjustments include real cost increases of 0.8% p.a. and output growth of 0.9% p.a., offset by productivity of only 0.4% p.a.

We are concerned that, in an environment of rapidly increasing costs, regulatory proposals can easily 'overshoot' the reasonable efficient cost, in an effort by the regulated business to avoid being 'caught out' again, by actual costs materially exceeding the regulatory allowance.

In this context, we agree with AER's proposed focus areas of for its assessment, being:

- drivers of Powerlink's cost increases over current regulatory period, and implications for choice of base year and base year efficiency; and

- assessment of step changes, and that they are not already accounted for in base year or trend forecast

We consider AER should also focus on Powerlink's expected productivity pipeline for the upcoming regulatory period and set efficiency and productivity requirements for Powerlink to achieve.

Concerns with Base Year Efficiency

We understand that Powerlink's proposed base year costs will be accepted, provided there is no evidence of material inefficiency. AER's practice is to assess this based on the annual benchmarking assessment of TNSPs, with 'material inefficiency' measured on a relative basis.

Benchmarking indicates declining opex productivity across all TNSPs, which may lead the AER to a conclusion of that Powerlink demonstrates no material inefficiency. However, we consider this relativity-based assessment is insufficient given:

- the magnitude of recent opex increases;
- the risk that elevated costs become embedded in the base year; and
- the need to ensure costs are prudent and efficient in absolute terms.

We consider that the AER should supplement its benchmarking assessment by examining:

- the drivers of Powerlink's opex increases since FY24;
- whether these drivers result in increases in opex that are enduring and efficient;
- whether FY26 reflects efficient costs, or whether base year efficiency adjustments are warranted.

Step Changes

Some of Powerlink's proposed step changes are small (<1% of total opex) and we consider that these are more appropriately considered as part of the normal year-to-year variation in opex, and therefore part of the annual trend increase. In particular, the AER should scrutinise:

- enhanced overnight network monitoring (0.48% of opex); and
- physical security uplift (0.9%) of opex.

Productivity Expectation

Powerlink's proposed trend adjustment includes a real increase of 1.3% pa contributed by real cost increase of 0.8% pa and output growth of 0.9% pa, which are offset by anticipated productivity gains of 0.4% pa. In other words, Powerlink's proposed productivity gain offsets only **50% of real cost increases**. This is inconsistent with the expectations that coal producers place on AN through its regulatory framework, where

we expect that real cost increases (excluding the impact of changes in required scope of works) will be offset through an ongoing pipeline of efficiency initiatives.

The RWG submits that Powerlink's productivity expectation is too low, and is out of step with the requirements and pressures felt by its customer base.

3.2 Capex program

3.2.1 Scope of capex program

Powerlink proposes total forecast capex of \$2.5 billion (FY27 \$s)—a **131% increase** over the prior period allowance and **66% above** actual/estimated capex. Beyond this, there are a large number of additional projects outside the proposal including:

- **\$2.2 billion** for Gladstone PTI and synchronous condensers;
- **\$2.4–\$4.3 billion** in contingent projects; and
- additional projects under the Queensland Energy Roadmap and AEMO ISP.

This represents an unprecedented capex program relative to Powerlink's forecast opening RAB of **\$8.3 billion** in 2027.

The forecast capex program is largely driven by asset renewals, which account for **67%** of the program and have increased by more than **50%** compared with the prior period. The RWG would normally expect a stable investment pipeline for asset renewal work, and questions whether:

- the scale of the increase in the capex program is justified;
- whether appropriate prioritisation has been applied to screen projects for the upcoming regulatory period; and
- if scale of the anticipated program can be efficiently managed without undue impact to service deliverability to customers, particularly given the other projects also likely to proceed.

3.2.2 Capex efficiency

Given the scale of the program, strong incentives for efficient delivery are essential. While the CESS arrangements provide a strong incentive to deliver capex works at a lower cost than the regulatory forecast, the RWG is concerned around whether the forecast itself reasonably reflects an efficient cost for the program, or whether Powerlink has responded to large increases in its current period capex program by 'overshooting' its cost forecasts for the next period.

The RWG considers that the AER should closely examine Powerlink's forecast capital expenditure to ensure that it includes reasonable expectations of efficiency, including demonstration of a pipeline of productivity initiatives that it will pursue. While such pipeline should, of course, include initiatives to improve capex labour and plant productivity, in the RWG's experience, significant benefit can also be delivered through initiatives targeted towards efficient procurement processes, including for example:

- procurement methods aimed to increase competition in material supply or service delivery;
- multi-project or multi-year procurement initiatives to improve economies of scale;
- project bundling to minimise business interruption/project management/site setup costs; and
- contractor management initiatives.

The AER should also consider applying a **capex productivity target**, similar to the approach used for opex.

3.2.3 Capex deliverability

The RWG is concerned about Powerlink’s capacity to deliver the proposed program, particularly if contingent or additional projects materialise. Delivery risk relates to ability to successfully complete project ‘on time and on budget’. In particular, we consider that the AER should assess:

- project prioritisation, that is, which of the proposed projects are most critical to deliver within this regulatory period;
- Powerlink’s preparedness to successfully deliver the core program alongside projects expected to be approved under the Queensland Energy Roadmap, such as the Gladstone PTI and synchronous condenser projects;
- the impact of the introduction of any contingent or additional projects on deliverability risk for the core capex program.

The AER may need to consider **project deferral** to ensure high-priority projects can be planned with sufficient detail and be delivered efficiently.