

24 April 2014



Dr Malcolm Roberts
Chairman
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear Malcolm

Aurizon Network Pty Ltd – 2010 Access Undertaking: Final Decision - Capricornia System Rules

Aurizon Network welcomes the opportunity to provide the amended draft of the proposed Capricornia System Rules (System Rules) to the Queensland Competition Authority (QCA) for consideration.

System Rules provide greater detail in the way in which Aurizon Network will plan, schedule and control the operation of Train Services within its Coal Systems. The creation and application of System Rules is outlined within Appendix 1 of Schedule G within the 2010 Access Undertaking (2010AU).

Background

On 15 August 2011, Aurizon Network submitted the proposed System Rules for the Blackwater and Moura systems to the QCA for endorsement. After industry consultation, the QCA made a draft decision to reject the System Rules resulting in the resubmission by Aurizon Network of the System Rules on the 16th August 2013. On 3 March 2014, the QCA provided a final decision to refuse the proposed System Rules and requested that Aurizon Network amend the draft System Rules to reflect the QCA's Final Decision.

In developing the System Rules, Aurizon Network has included as an attachment to this letter a marked up version that outlines the various amendments that seek to address the matters within the QCA's Final Decision. The majority of these amendments within the attachment are consistent with those proposed by the QCA in Appendix A of the Final Decision.


In consultation with the QCA, Aurizon Network has included some minor variations to some of the suggested amendments within the Final Decision paper. To assist the QCA, Aurizon Network has provided a further summary below of these variations.

QCA Decision 2.2

Decision 2.2 requires Aurizon Network to amend section 2.1 of the System Rules so they indicate the reference train characteristics that are found in the 2010AU (clause 5.2 for Blackwater and 7.2 for Moura).

Aurizon Network considers the proposed drafting by the QCA does not completely reference all sections of the 2010AU that provide Reference Train Characteristics. Therefore the Aurizon Network System Rules drafting has been extended to ensure all the characteristics of Reference Trains are included.

QCA Decision 2.6



Decision 2.6 requires Aurizon Network to amend section 4.2.8, detailing the requirement for Aurizon Network to use best and/or reasonable endeavours to provide additional paths (above the monthly contractual entitlement) to access holders in subsequent months where paths have not been provided due to Aurizon Network Cause (inclusive of Force Majeure events).

Aurizon Network considers that the inclusion of this drafting will create inconsistencies with the 2010AU requirements and the Standard Access Agreement. Specifically, Aurizon Network identified the following:

- Aurizon Network is required to comply with the Contested Train Path Decision-making Process outlined within Appendix 2 of Schedule G of the 2010AU, specifically the scheduling of Access Holders that are 'most behind'. This requirement does not reference either 'best endeavours' or 'reasonable endeavours', nor is there any distinction between Aurizon Network Cause due to Force Majeure events. The inclusions of such terms in s4.2.8 of the System Rules may create uncertainty on the application of the 2010AU requirements.
- The QCA's proposed drafting within s4.2.8 is based upon an obligation for Aurizon Network to provide replacement paths where paths are lost due to Aurizon Network Cause. The Standard Access Agreement provides for obligations under the agreements to be suspended in the event of a Force Majeure Event. Access Holders will receive financial relief through Take or Pay provisions where Aurizon Network Cause restricts access.

Aurizon Network considers that the draft Systems Rules proposed by the QCA, has the intent to alter the standard contracting framework by placing further obligations on Aurizon Network to provide paths above contractual entitlements.

Aurizon Network considers the objective of the QCA's decision could be appropriately applied within alternative parts of the System Rules. Therefore, the System Rules state that in the first instance Aurizon Network will aim to schedule all Train Orders received, regardless of whether these orders are above contractual entitlements. Priority is allocated to Access Holders 'most behind' due to Aurizon Network Cause in the event of a contest. This obligation is contained within the existing Contested Train Path Decision Making Process.

To provide clarity on this process, Aurizon Network has included the following drafting inclusions:

- Section 4.1.2 – Further drafting to provide clarity to Access Holders that they have the ability to request additional above contracted paths;
- Section 4.2.2 – Further clarification which aims to strengthen Aurizon Network's commitment to schedule all Train Orders, where possible to include, including catch up paths; and
- Section 4.2.2 – Further details to ensure that paths not provided due to the Aurizon Network Cause are recorded accurately, and carried forward for the purpose of path allocation in the event of a future contested path.

QCA Decision 3.2 (b) (ii)

Decision 3.2 (b) (iii) requires Aurizon Network to clarify that the coal supply chain objectives apply to the management of delays in the day of operations.

This drafting has not be included within the attached System Rules as Aurizon Network considers that this will lead to inconsistencies with Appendix 3 in Schedule G of the 2010AU. The 2010AU obligation specifically provides for traffic management principles with the objective of running train services to schedule. Aurizon Network considers that by including further requirements within the System Rules, Train Control may have conflicting objectives.

To ensure the safe and equitable operation of train services, Aurizon Network will continue to utilise the Traffic Management Decision Making Matrix to manage delays in the day of operations.

QCA Decision 3.5

Decision 3.5 requires amendments to section 7.4 to reflect if an Access Holder cancels its system path in the day of operation it will not accrue any path consumption penalty, provided that the cancelling Access Holder can find another Access Holder to use the same mainline path.

Aurizon Network has included this drafting and extended it to ensure that the proposed swap is assessed in accordance with the schedule alteration rules detailed in section 7.2 (taking into consideration the entire service, not just the mainline path) and in accordance with the obligations within the 2010AU.

QCA Decision 3.6


Decision 3.6 requires Aurizon Network to provide details on system variability allowances, and demonstrate how it is applying these equitably.

Aurizon Network has incorporated this requirement along with further clarification in section 3.4. This aims to provide clarity that system variability allowances are used to assess available capacity for contracting, rather than on a day to basis.

Aurizon Network considers that the amendments detailed above and contained within the attachment are in line with the requirements of the QCA's Final Decision.

Aurizon Network remains committed to the timely and efficient approval of the legacy 2010AU matters and will continue to work constructively with our customers and the QCA to achieve a mutually beneficial outcome.

Yours sincerely



Lana Stockman

Vice President Regulation
Aurizon Network

CC: Tania Homan, Director, Queensland Competition Authority

