

STAKEHOLDER NOTICE

16 September 2015

Short-term transfer mechanism

Following the publication of our Draft Decision on Aurizon Network's proposed short term transfer mechanism on 30 April 2015 (Draft Decision), we have received a number of submissions from stakeholders. For the purpose of making our Final Decision on Aurizon Network's 2014 DAAU, we are seeking further information from industry on a number of issues outlined in this notice.

We invite Aurizon Network and stakeholders to submit a response to this notice by **30 September 2015**.

If you wish to make a submission which contains confidential information, please provide a redacted version and an un-redacted version of your submission.

Further information relating to the short-term transfer mechanism can be found on our website <http://www.qca.org.au/2014-DAU>.

Issues

The costs and benefits associated with transferring capacity

A number of submissions suggested that the introduction of a pricing mechanism for short-term transfers will lead to access holders choosing not to undergo such transfers.

- (1) Please provide examples of previous transfers or hypothetical examples of transfers that you would not undertake if the transfer was subject to the pricing mechanism outlined in decision 4.1 of our Draft Decision. In your response please provide sufficient details of:**
 - (a) the additional costs of the transfer in the absence of the proposed pricing mechanism**
 - (b) the additional costs of the transfer if it were subject to the proposed pricing mechanism, and**
 - (c) the revenue forgone if you had not entered into the transfer.**

Other issues concerning capacity transfers

A number of submissions asserted that a short-term transfer mechanism is vulnerable to 'gaming'.

- (2) Please provide examples of 'gaming' behaviour that may occur.**

To address gaming behaviour, Aurizon Network's proposed short term capacity transfer mechanism requires the short term transferee utilises at least 85% of the any access rights previously transferred to it in the same year under a short-term transfer provision and the transferee has fully utilised all short-term transfers from the same origin to the destination over the previous three months.

- (3) Please provide any comments on whether Aurizon Network's proposed 85% requirement will identify and stop any 'gaming' behaviour identified in your response to question 2.**
- (4) Please provide comments on alternatives to Aurizon Network's proposal that you consider more appropriate. Please provide illustrative examples in your response.**

Aurizon Network's proposed short-term transfer mechanism requires a transferee to demonstrate its ability to load a train before the transfer will proceed.

- (5) **Please provide any comments on whether the requirement to demonstrate ability to load a train will identify and stop any 'gaming' behaviour identified in your response to question 2.**
- (6) **Please provide comments on alternatives to Aurizon Network's proposal that you consider more appropriate. Please provide illustrative examples in your response.**

Aurizon Network's proposed mechanism limits short-term transfers to:

- 25% of the TSEs in an access holder's access agreement(s) for the relevant origin to destination train service in any one financial year
- coal traffic only, and
- services that have charges based on the same reference tariff.

- (7) **Please provide comments on alternatives to Aurizon Network's proposal that you consider more appropriate. Please provide illustrative examples in your response.**

A number of stakeholders submitted that the definition of a "common destination" is unclear.

- (8) **Please provide comments on the appropriate definition of common destination. Please provide illustrative examples in your response.**

With respect to the pricing mechanism proposed in our Draft Decision on Aurizon Network's proposed short term transfer mechanism discussed in section 4.1 of our Draft Decision (reproduced below).

Decision 4.1

Our draft decision is that Aurizon Network's proposal, in respect of the pricing arrangements to underpin the capacity transfer provisions (including the short-term transfer mechanism), is not an acceptable basis for an amendment to the 2014 DAU following our refusal to approve the 2014 DAU. Instead we consider it appropriate for Aurizon Network to amend the 2014 DAU in the manner indicated in our proposed draft so that:

- (a) the access charges applying to transferred TSEs will be the higher of the access charges set for the origin of the TSEs in the transferor's access agreement and the access charges set for the origin of the TSEs in the transferee's access agreement**
- (b) the differential treatment of the generation of access agreements in a capacity transfer will be retained.**

- (9) **Please provide comments on the extent to which 'gaming' behaviour identified in your response to question 2 will continue under the pricing mechanism outlined in decision 4.1 of our Draft Decision and why this would be the case.**
- (10) **Please provide comments on the practical requirements of adopting the pricing mechanism outlined in decision 4.1 of our Draft Decision, the impact these may have and why. Please provide illustrative examples in your response.**