

GLENCORE

Monday, 21 October 2013

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

Email: rail@qca.org.au

Dear Malcolm,

Re Aurizon Network's Revised Draft Capricornia System Rules

Glencore is appreciative of the opportunity to provide comment on its concerns regarding Aurizon Network's Revised Capricornia System Rules (Capricornia System Rules).

While Glencore is supportive of the implementation of System Rules for each of the Central Queensland Coal Chains to enable increased transparency, efficiency and control of the supply chains, several areas of concern have been identified in the Capricornia System Rules and Glencore seeks to highlight some of these concerns in this submission.

1. Aurizon Network's Draft 2013 Undertaking (UT4)

The currently proposed Capricornia System Rules have been submitted under Aurizon Network's 2010 Undertaking (UT3) and as such Glencore is concerned that once approved they are outside the undertaking and may be amended without extensive stakeholder consultation or QCA scrutiny. It is Glencore's firm belief that as these System Rules have the potential to impact on issues which are currently being addressed as part of the UT4 process, the approval of these rules should be withheld until UT4 has been approved.

2. Proposed Northern Bowen Basin System Rules

Glencore believes that to the full extent possible, the Capricornia System Rules should be consistent with Aurizon Network's proposed Northern Bowen Basin System Rules (NBB System Rules) which were submitted to the QCA in August 2013. This would ensure that the management of all systems in the Central Queensland Coal Network (CQCN) is aligned to the benefit of all users, including users who participate in systems under the two different sets of rules. At this stage Glencore does not believe that the proposed Capricornia System Rules are consistent with the NBB System Rules to the fullest extent possible and ask that the QCA address this in their draft decision.

3. Alignment with Access Agreements

Glencore considers that there are inconsistencies between the Capricornia System Rules and Glencore's Access Agreements which is of concern. While the System Rules provide for inconsistencies between the document and an Access Agreement, it is Glencore's belief that as it's the contracted TSEs which form the basis of an End User's commercial exposure (Take or Pay), the provisions of the Access Agreements should form the basis of the TSE principles underpinning these System Rules.

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4. Maintenance Multiplier

The methodology behind the proposed Maintenance Multiplier, while clearly stated, should be elaborated on – potentially including a worked example. Glencore also questions the need for a Maintenance Reduction Factor if the assumed decrease in capacity due to the planned possessions in the month have already been accounted for and reallocated over the remaining days in the month via the Maintenance Multiplier.

5. Supply Chain Objectives

Glencore considers that there needs to be more clarification and transparency around the supply chain objectives, particularly around the use of port information on parcel build times to determine priority railings in the system. The adherence to these supply chain objectives must not impinge on another Access Holder's ability to meet their contracted TSEs and Glencore believes there needs to be more clarity on this process. There is also concern that this approach might potentially adversely impact other users waiting for their vessels which are on turn-of-arrival, having significant commercial implications. It is Glencore's belief that there needs to be more clarity surrounding this process and transparency in the coal chain as to how this process has affected TSEs for individual users and Glencore asks that the QCA address this in their draft decision.

6. Conclusion

Glencore appreciates the opportunity to provide comment on its concerns regarding the Capricornia System Rules. There are a number of concerns that have been identified by Glencore in this document including:

- the Capricornia System Rules being approved before the UT4 process has concluded;
- the inconsistencies between the System Rules and the NBB System Rules;
- the misalignment between the System Rules and Glencore's Access Agreements;
- the clarity of the application of the Maintenance Multiplier and the necessity for a Maintenance Reduction Factor; and,
- the level of clarity and transparency of the Supply Chain Objectives, in particular the process for using port information (parcel build times) to determine priority railings to maximise system efficiency;

While this list of concerns is not exhaustive Glencore would like these issues to be addressed by the QCA when making its draft decision on the Revised Capricornia System Rules.

If you have any further queries on this matter please feel free to contact either myself or Brett Harris on (02) 4925 6427.

Yours sincerely,



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