

# GLENCORE

10 February 2023

Mr George Passmore  
Queensland Competition Authority  
Level 27, 145 Ann Street  
Brisbane QLD 4001  
by email: [george.passmore@qca.org.au](mailto:george.passmore@qca.org.au)  
via Submission process at: [www.qca.org.au](http://www.qca.org.au)

Dear George,

## **Aurizon Network – GAPE and Newlands pricing DAAU – QCA Preliminary Considerations**

We refer to the Queensland Competition Authority's ("QCA's") Preliminary Considerations published 15 December 2022 regarding Aurizon Networks' GAPE and Newlands pricing DAAU.

As encouraged by the QCA, Glencore are currently continuing to work with Aurizon on matters dealt with under the DAAU submission.

With respect to the allocation of renewals expenditure between Newlands and GAPE, Glencore strongly believe that this issue does not require a DAAU and would appreciate the QCA making a determination on this issue as a matter of urgency. Legacy Newlands customers have been burdened with a disproportionate share of renewal costs from inception of the GAPE project, which was later exacerbated by a change in accounting treatment for ballast undercutting and re-railing. It should not be the case that a move to capitalisation of ballast and re-railing costs would impact the question of causality and pricing between the two systems and Glencore believe this was an unintended consequence of the accounting change. Aurizon has demonstrated in the GAPE and Newlands pricing DAAU that a more equitable and justifiable allocation method can be utilised and implemented quickly, and that there is broad support for this concept among customers. Further, Aurizon have demonstrated that the impact on the allocation between GAPE and Newland systems is material when comparing the current method to the proposed engineering-based causation method in their FY24 MRSB. The MRSB indicates a reduction of Newlands renewal cost allocation of \$8.3M (36% reduction) for FY24 alone if the alternate allocation method is adopted. Glencore is unsure of the quantum of reductions that may have been applicable in prior years, or the cumulative impact on Newlands customers as a result.

Glencore is encouraged by the QCA's willingness to consider fee free relinquishments in the Newlands systems and maintains that fee free relinquishments in all systems is the most appropriate and efficient method to resolve or partially resolve Existing Capacity Deficits (ECD's) given the substantial delays in completing the review of potential Transitional Projects compared to what was envisioned during UT5 negotiations. Fee free relinquishments, even if just an additional once off opportunity given the extended timeframes to address the ECD's, relieves existing users of the obligation to pay take or pay for capacity that Aurizon are unable to provide and ensures that expansion costs are met by those requiring the additional access, as would ordinarily be the case. It also provides a benefit to Access Seekers, given any potential further expansions to provide for their required capacity would be typically at a lower capital intensity, since earlier projects to relieve the ECD would not be required.

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As far as the remaining matters provided in the QCA's Preliminary Considerations, Glencore will reserve its rights to comment further on these as part of any package of arrangements proposed by Aurizon Network in the future to resolve the long running GAPE/NAPE issues.

We thank you for your consideration and for the opportunity to provide a submission on this issue.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'M Chapman', written in a cursive style.

Megan Chapman  
Glencore