



Submission to the Queensland Competition Authority

QCA Proposed Investment Framework

Anglo American Metallurgical Coal Pty Ltd

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Anglo American Metallurgical Coal Pty Ltd (**Anglo American**) welcomes the Queensland Competition Authority (**QCA**) Proposed Investment Framework as an appropriate initial step to balancing the rights and interest of QR Network and Access Seekers, Access Holders and Customers. In particular Anglo American strongly supports the underlying purpose of the Proposed Investment Framework:

- (a) to limit the ability of QR Network to extract returns in excess of the regulated rate of return and, in particular, to provide for the QCA to determine any rate of return in excess of the regulated rate of return for major investments (principle 6);
- (b) to limit the ability of QR Network to engage in abuses of market power by limiting the ability of QR Network to undertake investment outside of the auspices of the Access Undertaking (principle 9);
- (c) to limit the ability of QR Network to engage in abuses of market power in respect of the imposition of Access Conditions through requiring that Access Conditions be approved by the QCA (principle 10); and
- (d) to require that users that fund an expansion be compensated for their investment by any users of capacity created by their investment who did not participate in the user funding (principle 17).

In general terms, Anglo American supports the approach of the Proposed Investment Framework being included in the Access Undertaking with a process being undertaken to refine the proposal with a subsequent implementation process. However, Anglo American believes that some of the protections for Access Seekers and users which are contained in the Proposed Investment Framework should be implemented in a timely fashion as there are significant investments being negotiated now. Anglo American also believes that the development of the standard user funding agreement (principle 10(b)) should be given priority by the QCA and implemented in as timely a fashion as is possible.

Anglo American would like the QCA to consider some of the following issues:

- (a) the QCA role in confirming that QR Network is unable to fund due to capital management constraints of financial market limitation (principle 10(d)) is useful but there are no consequences if QR Network refuses to fund the expansion for other reasons. Anglo American believes that the Proposed Investment Framework should contain incentives to encourage QR Network to fund expansions;
- (b) it is not entirely clear from the Proposed Investment Framework how the smaller users who may not be able to fund upfront capital costs are to be protected (principle 11);

- (c) the arrangements are not entirely clear in respect of users who do not choose to fund an expansion but then subsequently seek access, in that, principle 17 seeks to envisage that the user may pay a premium in its access charge (that is, a higher access charge) whereas principles 35 and 38 seem to envisage uniform tariffs with the capital related portion of tariffs being paid to users who funded the expansion; and
- (d) the timeframes in the expansion process are critical (principle 42) and further guidance from the QCA is desirable.