

File Ref: 1258724

14 September 2017

Mr Michael Riches
Group Executive Network
Aurizon Network Pty Ltd
GPO Box 456
Brisbane Qld 4001

Dear Mr Riches

Aurizon Network's proposed system rules for the Central Queensland Coal Network: Decision

On 11 April 2017, Aurizon Network submitted its draft system rules for the QCA's consideration. Aurizon Network proposed a single set of system rules incorporating the Goonyella, Blackwater, Newlands and Moura Systems.

The QCA acknowledges Aurizon Network has consulted with its Central Queensland Coal Network stakeholders while developing its draft system rules and has attempted to balance the needs of all stakeholders.

The QCA considered Aurizon Network's proposed system rules under clause 7A.2.5 of the 2016 access undertaking. Pursuant to clause 7A.2.5(a) of the 2016 access undertaking, the QCA published Aurizon Network's proposed system rules on its website and sought submissions from stakeholders. Two submissions were received—from Pacific National and the Queensland Resources Council.

Stakeholder comments

The Queensland Resources Council stated that it 'would not object to the approval of the proposed system rules, if the Queensland Competition Authority considers this appropriate' on the basis that in the future the system rules would be reviewed at least annually. The QRC stated it intended to monitor the effectiveness of the system rules in operation and provide further comment in future reviews of the system rules.

Pacific National stated its support for Aurizon Network's proposed extension of the rolling plan to 96 hours, and the broadened diversion rule under the proposed system rules.

Train Service Entitlement (TSE) consumption

Aurizon Network proposed to reduce the schedule finalisation for the purposes of train service entitlement (TSE) consumption to 24 hours, from the current 48 hours. Pacific National recognised that this proposed reduction in hours reduced exposure to TSE consumption, but retained some concerns about:

- how this approach related to Schedule G of the 2016 access undertaking, which does not specifically outline a TSE consumption rule
- the commercial contractual implications for access holders. Pacific National stated that any TSE consumption rule should be aligned with the contracted access rights of access holders.

QCA analysis

The QCA considers that Aurizon Network's proposed TSE consumption rule, in which changes within the 24-hour schedule may incur additional TSE consumption, is consistent with the 2016 access undertaking. Clause 8.2(c)(i) of Schedule G of the 2016 access undertaking provides that the point at which a schedule for train services is considered final is 'as specified in the System Rules', or (if the System Rules do not specify that point) 48 hours prior to the day of operation. Accordingly, Aurizon Network can specify in the system rules a 24-hour period for determining that the schedule for train services is final.

The QCA considers that a standard access agreement entered into by an access holder contemplates that system rules exist or are being developed and can be changed by Aurizon Network, subject to relevant consultation processes and QCA approval. Moreover, adopting a 24-hour schedule (Daily Train Plan) period will reduce the risk of access seekers consuming TSEs as a result of third-party actions or delays.

The QCA considers it appropriate to approve Aurizon Network's proposed TSE consumption rules, having had regard to the matters listed in section 138(2) of the *Queensland Competition Authority Act 1997* (QCA Act). The outcome is likely to:

- promote efficient planning and scheduling, through the incentive for access holders to 'lock down' their schedules 24 hours ahead of the day of operations (s. 138(2)(a))
- reflect the legitimate business interests of Aurizon Network, as there will be greater certainty in the schedule ahead of the day of operations (s. 138(2)(b))
- be in the interest of existing access holders, as there will be greater certainty in their schedule ahead of the day of operations (s. 138(2)(h))

Taken together, approving Aurizon Network's proposed TSE consumption rules will promote the economically efficient use of Aurizon Network's below-rail infrastructure (s. 69E).

However, in regard to the next review of the system rules under clause 7A.2.4, the QCA sees opportunities to further promote the interests of access seekers (s. 138(2)(e)), namely:

- There is scope to improve clarity by defining the term 'TSE consumption' and explain its relevance for the access undertaking rights and obligations for the relevant parties.
- Relatedly, given the 8 am–8 pm operating hours of the Aurizon Network Service Designers, Aurizon Network should consult on a potential means to provide flexibility in calculating TSE consumption.

We welcome Aurizon Network seeking to address these matters, including through an annual review, consistent with the mechanisms as provided by clauses 7A.2.4 and 7A.2.5(i) of the 2016 access undertaking.

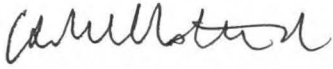
Final decision

The QCA is satisfied that Aurizon Network's proposed system rules are consistent with the 2016 access undertaking, and considers approval of the proposed system rules is appropriate having regard to the matters listed in section 138(2) of the QCA Act.

Therefore, pursuant to clause 7A.2.5 of the 2016 access undertaking, the QCA has decided to approve Aurizon Network's proposed System Rules.

In compliance with clause 7A.2.5(c), the QCA provides notice herewith of its approval of Aurizon Network's proposed System Rules, and specifies that the approved System Rules will come into effect on Monday, 6 November 2017.

Yours sincerely

A handwritten signature in black ink, appearing to read 'C. Millstead', with a small mark above the first letter.

Charles Millstead
Chief Executive Officer

cc: Ms Donna Bowman, Manager - Network Regulation, Aurizon Network Pty Ltd