

COMMERCIAL-IN-CONFIDENCE

06 April 2018
Mr Charles Millstead
Chief Executive Officer
Queensland Competition Authority
Level 27
145 Ann Street
BRISBANE QLD 4000

Dear Mr Millstead

Review Event — West Moreton Network Reference Tariff

On 25 January 2018, Queensland Rail and New Hope Coal (New Hope) executed the *2018 New Acland Access Agreement* for access rights for coal haulage for the period 1 February 2018 to [REDACTED]

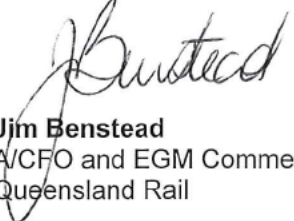
The 2018 New Acland Access Agreements decreases the number of contracted Train Services for coal haulage on the West Moreton Network. Queensland Rail considers the reduction in contracted Train Services to be a material change in circumstances that gives rise to a Review Event for the purpose of clause 5.1(a)(ii)(A), Schedule D.

Schedule D clause 5.1(a)(ii)(A) requires Queensland Rail to submit a variation of a Reference Tariff to the QCA, subject to clause 5.1(c) within three months after becomes aware that an Endorsed Variation Event, or a Review Event, has occurred.

Pleased find attached for the Queensland Competition Authority's consideration a submission on the Review Event for the West Moreton Network Reference Tariff which takes account of the reduction in New Hope's contracted paths.

If your officers have any questions in relation to this matter, they can contact Ms Tania Homan on (07) 3072 1173 or tania.homan@qr.com.au.

Yours sincerely



Jim Benstead
A/CFO and EGM Commercial & Strategy
Queensland Rail

Review Event — West Moreton Network Reference Tariff Review

April 2018

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QueenslandRail

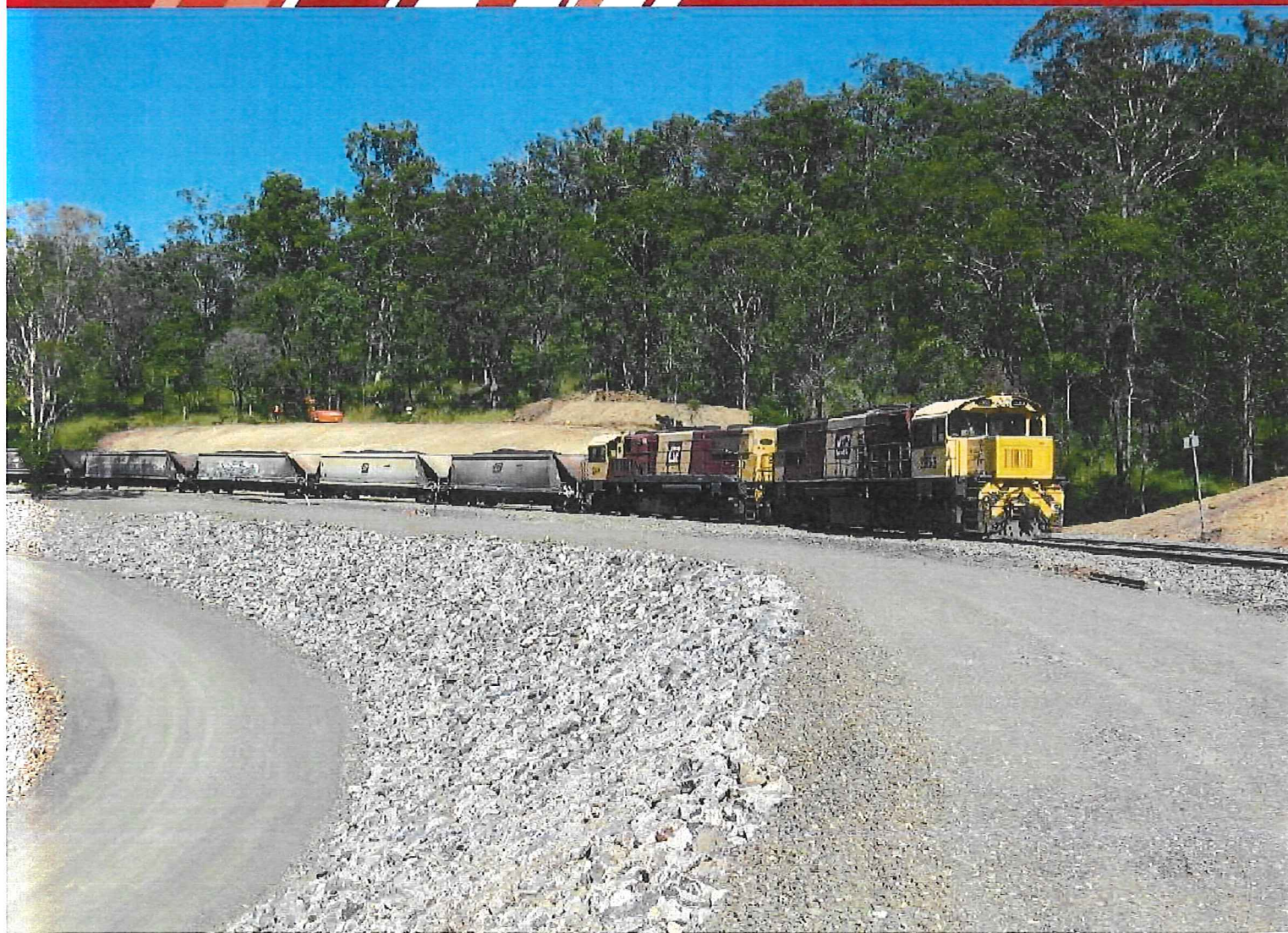


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1. Review Event

Queensland Rail Ltd (Queensland Rail) provides this submission to the Queensland Competition Authority (QCA) for review of the West Moreton Network coal Reference Tariff, resulting from a Review Event triggered under 'Queensland Rail's Access Undertaking 1' (AU1).

1.1 Review Event — New Hope Coal reduction in contracted paths

On 25 January 2018, Queensland Rail and New Hope Coal (New Hope) executed the 2018 New Acland Access Agreement for access rights for coal haulage for the period 1 February 2018 to [REDACTED]. The number of contracted paths under the 2018 New Acland Access Agreement is:

- 1 February 2018 to 30 June 2018
 - [REDACTED] paths per week Jondaryan to Fisherman Islands
 - [REDACTED] paths per week Ebenezer to Fisherman Islands
- 1 July 2018 to [REDACTED]
 - [REDACTED] paths per week Jondaryan to Fisherman Islands
 - [REDACTED] paths per week Ebenezer to Fisherman Islands

[REDACTED]

The expected number of weekly coal paths is a key input into the development of the approved reference tariff for the West Moreton Network.

Queensland Rail considers that the decrease in contracted paths from New Acland to Fisherman Islands to be a material change in circumstances that gives rise to a Review Event for the purpose of clause 5.1(a)(ii)(A), Schedule D.

AU1 defines a Review Event to include:

'a material change in circumstances, other than a change to a New Capacity Constraint, that Queensland Rail can reasonably demonstrate may give rise to a need to vary the relevant Reference Tariff; and in respect of which Queensland Rail has given written notice to the QCA of Queensland Rail's intention to propose a variation to that Reference Tariff under clause 5 of schedule D.

Schedule D clause 5.1(a)(ii)(A) requires Queensland Rail to submit a variation of a Reference Tariff to the QCA, subject to clause 5.1(c) within three months after becomes aware that an Endorsed Variation Event, or a Review Event, has occurred.

1.2 Submission

This Queensland Rail submission provides the revised West Moreton Network Reference Tariff resulting from the triggering of a Review Event under AU1's clause 5.1(a)(ii)(A) of Schedule D.

2. Review event assumptions

Queensland Rail wrote to New Hope Coal and Yancoal on 28 February 2018, seeking advice about expected ad hoc railings for both companies to 30 June 2020.

2.1 Assumptions about expected raling — New Hope Coal

New Hope Coal has advised that its ad hoc railings are expected to continue at [REDACTED] return paths per week to [REDACTED].

New Hope Coal has made no commitment to any Train Services beyond [REDACTED], with uncertainty that its proposed New Acland Stage 3 mine will receive the environmental approvals for development. There is also uncertainty about how long the coal resources at the New Acland Stage 2 mine might continue to be viably extracted.

[REDACTED]

New Hope Coal is also reducing its contracted paths from the Ebenezer mine. This Review Event proposes that the Train Service assumption for this operation be reduced from the [REDACTED] used on the QCA's model to [REDACTED] Train Services per week from 1 July 2018.

2.2 Assumptions about expected raling — Yancoal

On 31 January 2018, Queensland Rail and Syntech Resources Pty Ltd (Syntech), which is part of the Yancoal Group (Yancoal) executed the 2018 Cameby Downs Access Agreement for access rights for coal haulage for the period 1 February 2018 to [REDACTED]. The 2018 Cameby Downs Access Agreement has increased the number of contracted return services from [REDACTED] train services per week to [REDACTED] train services per week.

The increase in Yancoal's contracted paths is the subject of a separate Endorsed Variation Event that is also been submitted to the QCA for approval.

[REDACTED]

[REDACTED]

¹ Letter from New Hope dated 22 March 2018

2.3 Reduction in forecast Train Services from 1 July 2018

Table 1 sets out the West Moreton Network coal Train Service forecast for the Review Event with effect from 1 July 2018. The Train Service forecast below assumes that the QCA approves the increase in the Train Service forecast arising from the Yancoal Endorsed Variation Event effective from 1 February 2018, which increased the contracted Yancoal Train Services from [REDACTED] Train Services per week to [REDACTED] Train Services per week.

Table 1: AU1's forecast return Train Services per week, by mine (as at 1 February 2018) — assuming QCA approval of the Yancoal Endorsed Variation Event — West Moreton

	1 February 2018			1 July 2018		
	Contract	Ad Hoc	Total	Contract	Ad Hoc	Total
Cameby Downs (Yancoal)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
New Acland (New Hope)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Note: These figures are based upon railings over a 50 week period. Two weeks of the year are allocated to closures due to maintenance, weather events etc.

This Review Event proposes that the Train Service assumption for the Ebenezer mine on the Metropolitan system be reduced from the [REDACTED] used on the QCA's model to [REDACTED] Train Services per week from 1 July 2018.

3. Review Event Reference Tariff

The Review Event Reference Tariff proposed by Queensland Rail is set out in **Table 2**. Queensland Rail proposes that the Review Event Reference tariff would be effective from

The Review Event reduces the number of Train Services from New Acland, with a slight reduction in the overall maximum allowable revenue to take account of the reduction in variable costs due to the decreased number of Train Services.

Table 2 sets out the Review Event Reference Tariff proposed by Queensland Rail that would apply with an Effective Date of 1 July 2018.

Table 2: AU1 West Moreton Network Reference Tariff (\$2016–17)

Original Reference Tariff	Current QCA approved Reference Tariff effective as 1 January 2017	Proposed Endorsed Variation Event Reference Tariff as at 1 February 2018	Proposed Review Event Reference Tariff as at 1 July 2018
\$17.92/000 gtk	\$17.48/000 gtk	\$15.89/000 gtk	\$16.63/000 gtk

Note: The QCA approved the Yancoal Endorsed Variation Event on 9 November 2017, effective from 1 January 2017.

Attachment 1 summarises the modelling that supports the Review Event West Moreton reference tariff.

Attachment 1: West Moreton Network Modelling — Review Event Reference Tariff

West Moreton System Tariff Structure

Base in \$2016/17	2016/17A	2016/17B & 2017/18A	2017/18B	2018/19
Base Tariff \$/GTK (000)	\$ 17.92	\$ 17.48	\$ 15.89	\$ 16.63
Base West Moreton Tariff \$/GTK (000)	\$ 8.96	\$ 8.74	\$ 7.95	\$ 8.31
Base West Moreton Tariff \$/TP	\$ 3,011.49	\$ 2,964.71	\$ 2,791.23	\$ 2,965.55

Net Difference NPV of Allowed/Achieved Revenue Stream	\$ -	\$ -	Goal Seek
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Throughput & Rate Rosewood to Columboola Only	Year 1A 2016/17A	Year 1B 2016/17B	Year 1 2016/17	Year 2A 2017/18A	Year 2B 2017/18B	Year 2 2017/18	Year 3 2018/19	Year 4 2019/20
Net Tonnes	[REDACTED]							
GTK 000	1,063,882		2,137,302	1,275,080	978,838	2,253,918	2,275,710	2,275,710
NTK 000	[REDACTED]							
Paths	3,166	3,164	6,330	3,758	2,786	6,544	6,380	6,380
\$/GTK 000 (One Part)	\$17.92	\$17.48		\$17.91	\$16.29		\$17.47	\$17.91
\$/GTK 000 (Two Part)	\$8.96	\$8.74		\$8.96	\$8.14		\$8.73	\$8.95
\$/TP (Two Part)	\$3,011.49	\$2,964.71		\$3,038.83	\$2,861.01		\$3,115.68	\$3,193.57

Summary Annual Revenue Rosewood to Columboola Only	Year 1A 2016/17A	Year 1B 2016/17B	Year 1 2016/17	Year 2A 2017/18A	Year 2B 2017/18B	Year 2 2017/18	Year 3 2018/19	Year 4 2019/20
AT1 (Under One Part Tariff Methodology)	19,067,624	18,759,410	37,827,034	22,840,359	15,943,261	38,783,620	39,756,024	40,749,925
AT1 + AT2 (Under Two Part Tariff Methodology)	19,067,624	18,759,410	37,827,034	22,840,359	15,943,261	38,783,620	39,756,024	40,749,925

NPV of Revenue as at 01 Jul 2016	\$ 140,587,194
	\$ 140,587,194

2016/17A	=> For the period 01/07/16 to 31/12/16
2016/17B	=> For the period 01/01/17 to 30/06/17
2017/18A	=> For the period 01/07/17 to 31/01/18
2017/18B	=> For the period 01/02/18 to 30/06/18

Attachment 2: Revised AU1 West Moreton Network Model