

16 November 2018

Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001
Attention: Professor Flavio Menezes

Dear Professor Menezes

Response to the Queensland Competition Authority's request for collaborative submissions on the Queensland Rail 2020 Draft Amending Undertaking

Thank you for the invitation for interested parties, including Yancoal Australia Limited (*Yancoal*), to provide collaborative submissions to the Queensland Competition Authority (*QCA*) in respect of the Queensland Rail (*QR*) 2020 Draft Amending Undertaking (*2020 DAU*) process.

Yancoal values the opportunity to work collaboratively with each of the other stakeholders (relevantly to the West Moreton system, Aurizon Coal, New Hope Group and QR) in this regard and has contacted several those parties in respect of the QCA's request.

Unfortunately, due to the limited time available for each organisation to come together to consider and form collaborative views to be expressed in a collaborative submission and approved within the varying organisational structures of each of the interested parties, it has become apparent that a joint or agreed submission will not be able to be settled and lodged with the QCA within the time requested.

Common views expressed in submissions

Although this letter is not intended to be a statement of any collaborative views the interested parties may have formed in response to the QCA's request, having had the benefit of discussions with other stakeholders and reviewing the Pacific National, Aurizon and New Hope submissions, Yancoal considers there is a substantial amount of commonality between the submissions that will be of use to the QCA in forming its draft decision.

For example, there is a high level of consistency among the view of network users and operators, being in favour of:

- the retention of the obligation under the Standard Access Agreement for QR to act in good faith (and the related amendments to the provision regarding productivity improvements);
- rejecting the proposed increase in security;
- the reinstatement of the Operating Requirements Manual within the Access Undertaking;
- rejecting the new defined terms and provisions for 'Ad Hoc Planned Possessions' and 'Special Events';
- retaining rights to disputes changes to the Master Train Plan; and
- retaining or strengthening master planning arrangements.

Similarly, New Hope and Yancoal (as the producers that pay the West Moreton and Metropolitan system coal reference tariffs) hold similar views regarding many of the issues that underlie the proposed tariffs, including:

- cost allowances seeming both excessive and excessively fixed in nature;

- retaining the existing methodology for allocation of network costs between coal and non-coal traffics; and
- WACC parameters including asset beta and market risk premium.

In relation to the appropriate methodology for allocation, Yancoal notes that it appears there has been no response to requests from both QR and New Hope seeking to clarify the position of paths available for coal traffics, which confirms the lack of certainty facing producers in the event of wanting to make investment decisions reliant on using those paths. Yancoal also notes Aurizon Coal's reference to the significance of government and political pressure that affects the interaction of West Moreton coal system traffics with passenger services – which Yancoal considers is also relevant to the appropriate allocation.

Outcomes of discussions with QR

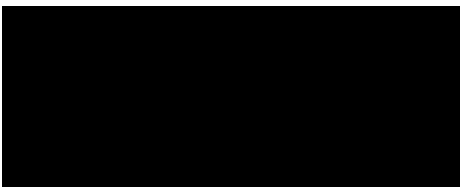
Taking into account the discussions with QR, Yancoal notes that:

- Yancoal is continuing work with QR on trying to reach agreement on a tariff that could apply in a low tonnage scenario without resulting in the cessation of all coal traffics on the West Moreton and Metropolitan system. While Yancoal is not certain that it will reach an agreed resolution, such that the QCA should continue to progress its thinking on the appropriate tariffs to apply in those circumstances, Yancoal intends to continue those discussions with QR in parallel to the regulatory process;
- Yancoal acknowledges it is possible that there are some provisions of the Operating Requirements Manual that are purely operational in nature and do not have any impact on system capacity or ordering or scheduling of services – and that it is less concerned about provisions of that nature forming part of the QR access undertaking (but much of the Operating Requirements Manual would not meet that criteria); and
- QR indicated its significant redaction of cost information was to manage commercial sensitivities in relation to future tender process regarding procuring the related work. Yancoal understands that concern, and therefore suggests that stakeholders who are willing to undertake to keep such information confidential (as Yancoal is) should be able to be given access to that information so they can make informed submissions to the QCA without that commercial harm occurring to QR. This could potentially happen following the QCA making a draft decision when stakeholders would have the benefit of a report from the QCA's consultant.

Yancoal is hopeful this information will be of use to the QCA in forming its draft decision in the absence of a collaborative submission.

If the QCA would like to discuss any of the above, please do not hesitate to contact me on +61 407 297 897 or Mike.Dodd@yancoal.com.au

Yours sincerely



Mike Dodd
General Manager, Infrastructure