



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

Queensland Rail's 2020 Draft Access Undertaking (DAU2) Draft Decision Response

11 July 2019

Dear Professor Menezes,

Aurizon Coal welcomes the opportunity to respond to the Draft Decision on Queensland Rail's (QR's) 2020 Draft Amending Undertaking (DAU2).

Both Aurizon's coal and non-coal above rail operations have significant investments and interests in the West Moreton Coal System to the Port of Brisbane and will be impacted by the decisions on DAU2. This submission is made by Aurizon Coal, the coal related part of Aurizon's above rail transport business. The focus of this submission relates to coal haulage in the relevant West Moreton and Metropolitan Systems. Any submission regarding Aurizon's non-coal above rail business will be made by Aurizon Bulk (Aurizon's non-coal above rail business) as a separate submission.

Aurizon Coal has limited this response to the decisions on the major points relating to the non-tariff aspects of the QR DAU2. Aurizon Coal notes that QR and the Queensland Competition Authority (QCA) have provided the West Moreton and Metropolitan System reference tariff model for review, however, due to the limited timing provided, Aurizon Coal will not be commenting on the model in this submission and reserves the right to submit on the model in future submissions.

Productivity and efficiency variations

As noted in Aurizon Coal's previous submission on DAU2 and 2020 Declaration Review, Aurizon Coal maintains that appropriate mechanisms are required to promote competition in up and downstream markets and provide the appropriate incentives to QR to provide fair and reasonable terms of access and pricing including obligations to maintain the network to an appropriate standard.

Obligation to negotiate 'in good faith'

Aurizon Coal maintains that a significant enabler of competition in above rail markets is innovation such as increases to train payloads and other productivity improvements. To this end, clause 1.3 in the Standard Access Agreement (SAA) in Access Undertaking 1 (AU1) provides a requirement on QR to consider such variations 'in good faith'. Aurizon Coal continues to oppose QR's proposed removal of the reference to 'in good faith' in clause 1.3 for the reasons outlined

in previous submissions and is supportive of the QCA's Draft Decision on this matter. While Aurizon Coal is willing to participate in any negotiation over the definition of the phrase for the purposes of the SAA, Aurizon Coal does not believe that a definition is required as the phrase already takes a well-defined legal meaning.

Supply chain collaboration

Productivity improvements are integral to ensuring sustainability and efficiency of the West Moreton Coal System for Aurizon Coal and its customers. This is particularly the case in the West Moreton Coal System where uncertainty in the declaration of QR's Network and New Hope's New Acland Stage 3 Project are yet to be resolved; and / or there is increasing constraints on freight capacity through the Metropolitan System due to increased demand and supply of passenger services, including as a result of such projects as Cross River Rail.

Aurizon Coal wishes to reiterate that QR should be obliged to work with the supply chain to identify potential productivity and efficiency improvements and investigate whether they represent a more cost effective and efficient mechanism to meeting or increasing supply chain demand. To the extent the joint investigations determine to a reasonable degree of certainty that it is a more cost effective and efficient means of increasing or meeting demand; QR should be obligated to implement those productivity or efficiency improvements. This is on the basis that QR will be given the opportunity to consider any operational or safety related implications of those proposed productivity or efficiency variations as part of the investigation process. To this end, existing supply chain groups, such as the South West User Group in the West Moreton system, are appropriate forums for these investigations to occur.

Operating Requirements Manual

Aurizon Coal supports the QCA's Draft Decision maintaining the Operating Requirements Manual (**ORM**) in Schedule 5 of the Undertaking as QR has not proposed appropriate change management procedures associated with their proposal of removal. Aurizon Coal is supportive of the QCA's proposal to adopt a similar approach to Aurizon Network's System Rules which enables variations through a regulated consultation process with QCA oversight but which would reduce the regulatory burden on QR.

Train Planning Principles

New Category of Possessions – 'Ad Hoc Planned Possessions' and Accommodation of Special Events

Aurizon Coal supports the QCA's comment that QR should explain the inclusion of the new category of possession named 'Ad Hoc Planned Possessions'.

Aurizon Coal wishes to reiterate our concern about the capacity implications of these possessions and the consequential increased variability of the MTP and availability of pathing. Should the QCA be minded to allow the inclusion of 'Ad Hoc Planned Possessions' upon QR's explanation of the requirement, Aurizon Coal supports the QCA's suggestion in the Draft Decision of utilising the Western Corridor Alignment Calendar to record any 'Ad Hoc Planned Possessions' provided that the QR has appropriate obligations to consult with Access Holders & Operators (aligned with the requirements for Planned Possessions under AU1) and regularly update the calendar.

Aurizon Coal also considers that QR should have sufficient advance notice of Special Events such that they can be scheduled in advance and included in the Western Corridor Alignment Calendar in similar timeframes to 'Ad Hoc Planned Possessions'. Given this, Aurizon Coal submits that the same obligations as to process and timeframes should apply to update the

Western Corridor Alignment Calendar for Special Events and that Special Events notified to QR at short notice should be dealt with only by exception (but maintaining a requirement to notify stakeholders in a timely manner).

MTP Modification Consultation

Aurizon Coal is supportive of the QCA's Draft Decision that further clarity is required in relation to existing Train Planning Principles in Schedule F – Network Management Principles (**NMP**) in AU1 (which QR proposes to largely hold over into DAU2). Aurizon Coal will await QR's redrafting, particularly in relation to clause 2.1(m), to comment further on the appropriateness of the changes.

Disputes over Planned Possessions

Aurizon Coal is supportive of the QCA's Draft Decision that any Planned Possessions subject to dispute should be delayed until any dispute raised is resolved and that the ability to dispute should be extended to include 'Ad Hoc Planned Possessions' (if approved) and Special Events. Aurizon Coal considers that the timeframes for MTP consultation on Planned Possessions (which would include consultation on 'Ad Hoc Planned Possessions' and Special Events) are sufficient to enable the raising of a dispute at least 60 days prior to the commencement of the Planned Possession. This deadline is sufficient to have regard to QR's interests.

Network Control Principles

Aurizon Coal is supportive of extending the on-time windows for freight rail to +/- 15 minutes. This is consistent with standard timeframes for freight rail operators for other network providers. Aurizon Coal submits that the windows for on time performance for freight rail and QR's Planned Possessions should be aligned.

Master plan funding arrangements

Aurizon Coal notes the QCA's Draft Decision on QR's obligation to provide master plans being dependant on user funding but submits that the scope, process and time parameters of the plan must be agreed between QR and stakeholder funders prior to any funding being committed. There should also be a commitment by QR to consider and implement operational and productivity improvements.

Reporting

Aurizon Coal is supportive of the Draft Decision that on time performance for Planned Possessions is set at a threshold of +/- 15 minutes. This timing would then align with appropriate on-time freight rail windows. Aurizon Coal submits that tracking the number of early or late Planned Possessions to review the fifteen-minute threshold during the next undertaking period would be beneficial to determine that the threshold was set at an appropriate level.

On 'Ad Hoc Planned Possessions', Aurizon Coal agrees that, should this category be introduced, QR should be obligated to report on their use and impact on the variability of the MTP and availability of pathing to understand the impact on contracted Train Service Entitlements and pathing utilisation.

In addition to reporting of 'Ad Hoc Planned Possessions', Aurizon Coal sees benefit in establishing a requirement to report on all other types of possessions, including urgent or emergency possessions as well as any imposed Temporary Speed Restrictions (**TSRs**). This will allow for better clarity on how these possessions and TSRs are impacting the supply chain

and identify productivity and efficiency improvements across all supply chain participants to address constraints or release capacity.

Interaction of West Moreton Coal System with passenger services

As noted in previous Aurizon Coal submissions on the DAU2 and the 2020 Declaration Review, interaction of the coal carrying services with high volume and frequency passenger services also operating on the shared corridors in the West Moreton and Metropolitan networks introduces an element of complexity that is not present in the other QR networks. Government and political pressure and the interaction with bulk and freight services cannot be underestimated when considering the forward-looking decisions of network providers.

Aurizon Coal maintains that the QCA must have regard to these pressures in its consideration of QR's proposed DAU2 to ensure that the South West Producers and freight rail operators on the network are afforded an appropriate level of regulatory certainty.

Should you have any questions in relation to the submission please contact me via phone on 0439 921 562 or email at Mariese.Murphy@aurizon.com.au.

Kind regards

A handwritten signature in black ink that reads "mmurphy". The signature is written in a cursive, lowercase style.

Mariese Murphy
Manager Commercial Development & Integration
Coal Customers