



Goonyella System Rules

Explanatory Notes

QR Network has in consultation with various industry stakeholders, developed the Goonyella System Rules. These rules provide accompanying detail to Schedule G of QR Network's Access Undertaking, describing the planning and scheduling process in the Goonyella System. The System Rules intend to provide transparency around the planning and scheduling decision making process. They are not intended to limit flexibility in the supply chain, but to create certainty for Access Holders in respect to their Train Service Entitlements, and ensure QR Network's compliance with regulatory and contractual obligations.

System Rules Consultation Process

The Goonyella System Rules have been developed through extensive consultation with industry stakeholders. Specifically, the following parties have been involved in discussions:

- QR National Coal
- Pacific National
- QR Freight
- QR Passenger
- DBCT Management
- Hay Point Services Coal Terminal
- Queensland Resources Council
- DBCT User Group
- Anglo Coal Australia Pty Ltd
- Integrated Logistics Company Pty Ltd
- BHP Mitsui Coal Pty Ltd (BMC)
- Isaac Plains Coal Management Pty Ltd
- Macarthur Coal Pty Ltd
- North Queensland Bulk Ports
- Peabody Pacific Pty Ltd
- Rio Tinto Coal Australia Pty Ltd
- Vale Australia
- Xstrata Coal Australia Pty Ltd

Issues arising from the Consultation process

The Proposed System Rules are inconsistent with Cargo Assembly

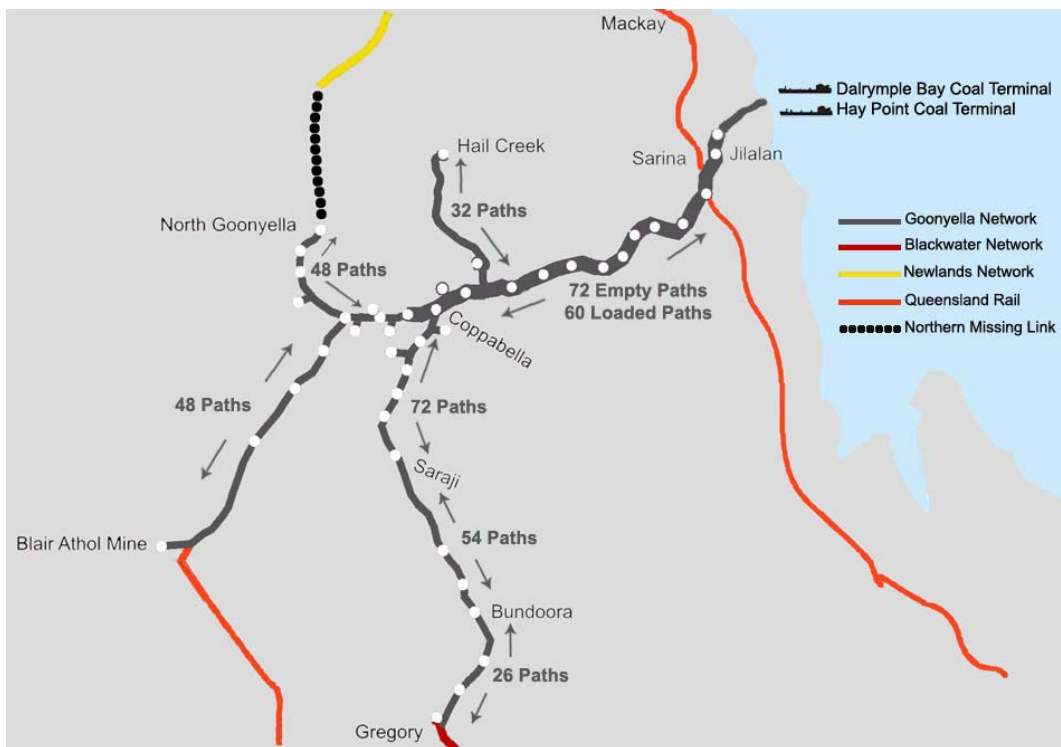
The prima facie basis for these concerns is not associated with the cargo assembly mode of operation. Cargo assembly can be reasonably defined as the process by which the inloading, stockpiling and outloading are coordinated to meet the loading requirements of vessels upon their berth sequencing within the operational constraints of the stockpile footprint.

While the proposed Goonyella System Rules are largely consistent with the even railings contractual arrangements, this is not materially incompatible with the concept of a cargo assembly mode of operation.

The capacity planning assumptions under the even railings Train Service Entitlement assumption are based on the premise of sustainable utilisation. Accordingly, the number of train paths available on a given part of the network is not constrained or capped by the contracted number of train paths. The network utilisation assumption incorporates a degree of peak utilisation on various line sections. The availability of this peak capacity will be largely driven by the extent of coordination between the vessel berthing and maintenance and possession planning regime.

To the extent that vessels are berthed in a manner reasonably consistent with the port entitlement of using Dalrymple Bay Coal Terminal (DBCT) at an 'even rate' then the inherent scheduling flexibility in the Network Management Principles and pathing capability can support a cargo assembly mode of operation.

The following diagram illustrates this point by indicating the train path capability (exclusive of maintenance possessions) of various line sections in the Goonyella System.



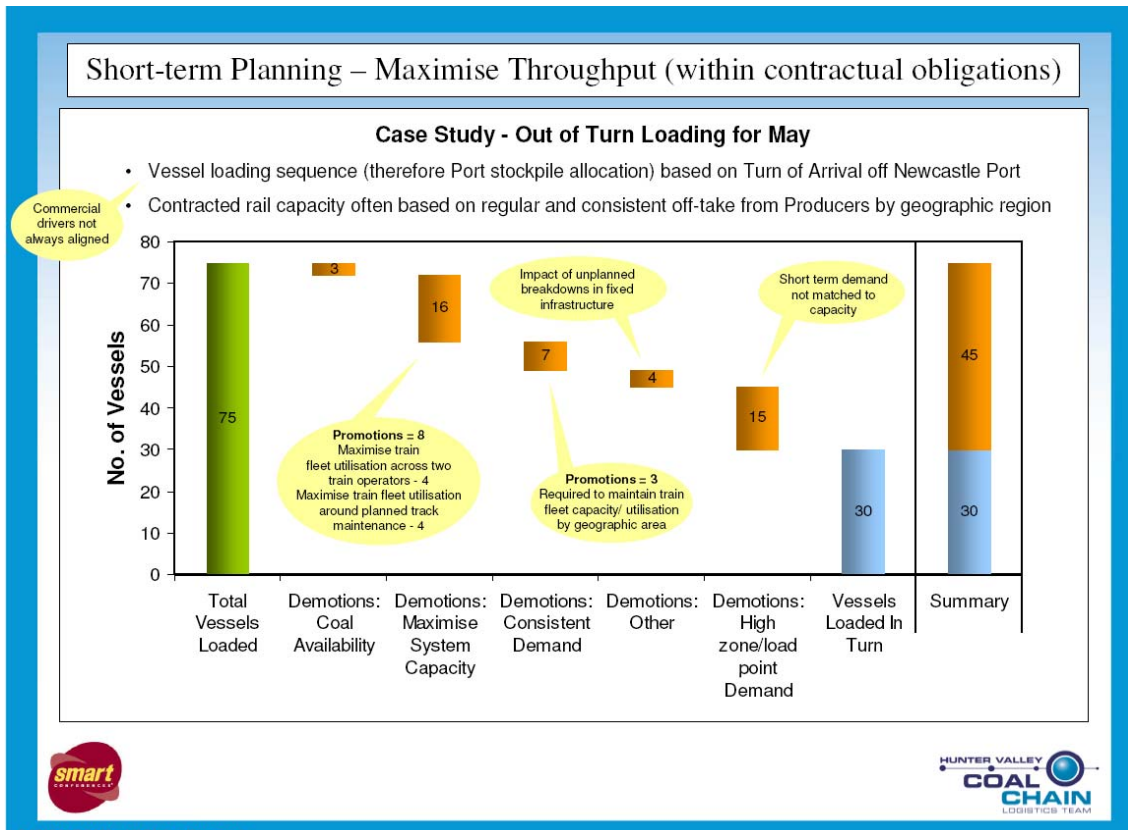
The Proposed System Rules and the DBCT Terminal Regulations

QR Network considers there is sufficient discretion provided to the terminal operator to address any apparent inconsistencies with the terminal regulations.

Under clause 3.7(d) of the DBCT Terminal Regulations the terminal operator must use reasonable endeavours to work to develop weekly railing plans for the terminal having regard to the cargo assembly operation of the Terminal in order to optimise the operation and efficiency of the DBCT Coal Chain.

QR Network notes that the DBCT Coal Chain does not include a reference to the efficiency of the shipping stem. The re-ordering of the shipping stem is essential for the efficient operation and utilisation of the rail, rollingstock and terminal infrastructure.

QR Network also notes that shipping stem flexibility has been explicitly recognised in the Hunter Valley Coal Chain in order to maximise throughput within the constraints of the rail network and existing commercial structures. This flexibility applies to terminals which operate under both cargo assembly and stockpile modes of operation. This is evident in the following figure produced by the HVCC Coordinator which represents the out of turn loading occurring within that chain.



http://www.hvccc.com.au/Communications/Miscellaneous%20Presentations/Smart_Conference_Presentation_11_June_2009.pdf

The DBCT Terminal Regulations, through clause 2.3, provide the terminal operator the flexibility to reorder the priority with which vessels will be berthed and loaded at its discretion where:

- This would be consistent with the terminal's access holder shipping through the terminal at an even rate;
- Not meeting the pre-loading requirements such as coal availability; and
- The optimisation and efficiency of the DBCT Coal Chain.

The DBCT Terminal Regulations are unclear as to whether coal availability should be measured or assumed at the mine load-out or expected to be available at the terminal having regard to the relevant rail constraints as inferred by clause 3.7(d). In this regard the relevant below rail constraints are:

- The capacity of the loading facility to load the required trains (subject to loading rate and ability to queue trains for loading off the mainline); and
- The peak train path capacity of the relevant line sections having regard to any expected possessions.

On this understanding the vessel berthing sequencing should have regard to even utilisation of rollingstock and below rail infrastructure and therefore the optimisation and efficiency of the DBCT Coal Chain.

The establishment of railing plans by the terminal operator under a strict order of arrival is not commensurate with the efficiency of the DBCT Coal Chain. This is consistent with the capacity modelling undertaken by the Integrated Logistics Company which demonstrated the additional throughput potential in introducing limited flexibility in the shipping stem. This flexibility has also been introduced into the integrated scheduling practices in the HVCC.

Provided ships arrive in a manner consistent with the presumption of using the annual contract entitlement at an even rate then the demurrage costs should be minimal. However, where ship arrivals are more commensurate with the compression of annual contractual entitlements within peak periods this would be expected to adversely effect the quantum of the demurrage costs to other terminal users.

It is anticipated that strict use of the order of arrival rule as the basis for scheduling of the DBCT Coal Chain may have the following adverse affects:

- Impact on maintenance planning and delivery by reducing QR Network's ability to plan closures on specific line sections;
- Result in the inefficient utilisation of the rail network; and
- Require inefficient investment (and therefore cost transfer) elsewhere in the supply chain.

The full extent of these inefficiencies and whether the costs of overcoming them is less than the additional demurrage costs incurred by users of the DBCT Coal Chain has not been assessed.

Development of System Rules for the Northern Bowen Basin

Whilst the scope of Goonyella System Rules reflect current Goonyella System Operations, it is recognised that there are various existing and future coal chains interacting with the Goonyella System, and as such, once endorsed by the Queensland Competition Authority, QR Network intends to extend the Goonyella System Rules to include these interactions with other coal chains.

It is intended to provide coordination and alignment of the planning and scheduling environments across all coal chains in the Northern Bowen Basin, as well as coal chains linking from the Southern Bowen Basin.

QR Network will be seeking stakeholder input into these alterations, and will seek to address the outstanding issues raised during the Goonyella System Rules consultation process.