

Submission to Queensland Competition Authority

**Northern Bowen Basin System Rules
Protection of System Status Quo**

Anglo American Metallurgical Coal Pty Ltd

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1 Amendment to the NBB Rules to protect the status quo

1.1 Background

Anglo American Metallurgical Coal Pty Ltd (**Anglo American**) has previously submitted that Aurizon Network Pty Ltd's (**Aurizon Network**) Northern Bowen Basin System Rules (**NBB Rules**) does not equitably deal with the current users of the Goonyella System for the following reasons:

- (a) Aurizon Network has previously completed modelling showing that the connection of the Goonyella to Abbot Point Expansion (**GAPE**) caused a potential degradation of up to 8 mtpa. Of course, modelling is dynamic but on any assessment the connection of GAPE has led to significant degradation of capacity within the Goonyella System; and
- (b) The cause of that degradation by the connection of GAPE is complex and inter-related. However, there are two clear reasons. The first is that the infrastructure which was intended to be built as part of GAPE to keep the Goonyella System whole (including ad hoc pathing flexibility) was removed from the project when the GAPE scope of works reduced from \$1.8 billion to \$1.1 billion. The second relates to the lesser productive and smaller GAPE train consists which will have to be used by Goonyella producers travelling into the Newlands System, thereby consuming additional scarce train paths for every tonne delivered compared to Goonyella services.

Anglo American's position is that there are only two solutions to this issue. The first one is that Aurizon Network should be required to upgrade the Goonyella System to ensure that at peak times it has the capacity that the system was stated to have had had, at 129 mtpa, prior to, and in anticipation of, the connection of GAPE adding an additional 25 mtpa of forecast increased volumes impacting on the Goonyella system. The second is that the NBB rules should include provisions to maintain the 'status quo' of that original capacity in the Goonyella System for the Goonyella users.

To achieve this, Anglo American believes that the most important aspect to be altered in the NBB Rules to effect this change is the organisation, planning and scheduling of users' train paths. This can effectively be achieved by ensuring that foundation users (namely those who invested in initial capacity through Dalrymple Bay Coal Terminal (**DBCT**) and Hay Point Services (**HPS**) receive their allocated train paths and capacity prior to other users (notionally described as 'cross system' train services).

Anglo American notes that the need for such a rule may not be evident at the current time, as the system is not currently under stress due to maximum (peaking) capacity not being reached in the relevant systems.

Although Aurizon Network has stated that the current system can still deliver the contracted capacity, this does not recognise that the connection of the GAPE has removed ad hoc train path flexibility. The full extent of that erosion will not be evident until high demand levels return. This flexibility is particularly important for those Goonyella producers who are users of DBCT. The nature of DBCT as a cargo assembly port in practice requires flexibility in train scheduling in order to achieve delivery of capacity. Under the current drafting of the NBB Rules that flexibility can only be achieved by contracting for greater than necessary capacity (and then paying through Take or Pay (**TOP**) mechanisms) or supplementing ordered weekly capacity with additionally paid ad hoc paths. The same is not true of any ports with dedicated stockpiling capacity as raiiling is not necessarily required to coincide with shipping.

As such, differential treatment of train paths depending on original capital investment in track entitlements and capacity allocation as well as necessary flexibility in scheduling is essential for the delivery of full contracted (including peaking) capacity to Goonyella System users.

1.2 Suggested drafting

As it is drafted, section 5.3.5 of the NBB Rules does not allow differential treatment of train paths during the scheduling process. Because of this, Aurizon Network is afforded significant control over the scheduling process without strict requirements or guiding principles. Anglo American believes that section 5.3.5 needs to be amended to allow for the status quo position of Goonyella producers using DBCT.

As suggested by Anglo American, the status quo rule would require the scheduling of Goonyella services for HPS and DBCT in the ITP and DTP before any cross system train services are scheduled. Anglo American suggests the following drafting:

5.3.5 Protecting the status quo of the Goonyella System

Recognising the investments and agreements made to and by foundation users of the Goonyella System, DBCT and HPS train path orders are to be agreed and scheduled in the ITP and DTP prior to any other system traffic (including cross-system train services and GAPE traffic). If cross system train services have already been scheduled, alterations may be made to the ITP or DTP to ensure that DBCT and HPS orders are met.

This rule protects against compression of foundation users' contracted capacity due to connection of cross system train services which Aurizon Network has not adequately catered for, and recognises the prior investments and agreements reached with foundation Goonyella users.

~~5.3.6 Equal Treatment once Scheduled~~ Flexible Scheduling in the ITP and DTP

Even when a train path is scheduled in the ITP, its scheduling remains flexible prior to finalisation of the DTP. Where rescheduling or resequencing of the ITP is required for the purposes of delivering capacity to cargo assembly port users, it will be undertaken in accordance with meeting the relevant port cargo assembly schedule prior to the finalisation of the DTP.

As such, the ITP remains a fully flexible plan and no terminal or producer will be considered as having orders or scheduling which cannot be altered.

Reflecting the desired flexibility of the system to attempt to fully deliver contracted capacity, variations to DBCT and HPS services will be made to the DTP where these can be accommodated without affecting each other's services. Further, reflecting rule 5.3.5, variations to DBCT and HPS services will be made to the DTP where these changes require rescheduling of cross system train services, so long as any affected cross system train service can be rescheduled in the same rolling ITP period.

This rule reflects the scheduling flexibility required by DBCT and HPS users in order to fully deliver their contracted capacity and does not disadvantage stockpile port users.

~~It should be noted that once a Train Service has been scheduled to a Train Path in the ITP (that is, in the 48 Hour Schedule—see section 6.3 below) it is treated on equal terms with other scheduled Train Services for scheduling purposes.~~ For clarity, this does not affect any day of operation rights or requirements such as the application of Traffic Management Decision-making Matrix in Appendix 3, Schedule G of the Access Undertaking.

For the purposes of rules 5.3.5 and 5.3.6, 'cross system train service' has the meaning given in Aurizon Network's 2010 Access Undertaking.

1.3 Potential impact on other parties

Anglo American does not believe that the implementation of the status quo rule would create any disadvantage to other users, particularly if the GAPE enhancements are adequate (which Anglo American does not accept). Users operating through ports outside the Goonyella System are

understood to have access to stockpile capacity or longer build times and will not be adversely affected by the alteration of the DTP.