

GLENCORE

28th April 2016

Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Re: QCA Position Paper - Aurizon Network's Northern Bowen Basin system rules

We refer to the above Position Paper. In general Glencore agrees that there is a need for flexibility in the Goonyella system however this need exists in all of the Central Queensland Coal Network. Coal mining is a dynamic industry with coal chains of long distances with inherent risks and numerous interdependencies. Flexibility is a major mitigating control.

As a broad statement the aim of the System Rules should be to ensure the access holders have access provided in line with their access agreements and that the network is operated at the optimum level of efficiency.

In terms of the issues raised in QCA's Position Paper we offer the following;

1. ITP

We agree with the concept of the rolling ITP and the 48 hour lock down period. However we are keen to ascertain how this process will work. For instance when will the access holders' requirements be updated? Will shortfalls in scheduled trains simply distort the next weeks forecast and cause spiking in rolling schedules? If a path is contested and lost, is it re planned for the next day? Rather than a notional rolling 10 day ITP perhaps it would be more appropriate to use a rolling 14 day plan which would align with the vessel nominations process at the port.

2. Plan Alteration Rules

In principle Glencore is of the belief that a path is not consumed unless the rights to use the path are irrevocable i.e. the path cannot be subsequently used by another party. It is logical then that the 48hour lockdown is the appropriate point of time. However the lack of transparency into the 48 hour schedule is of particular concern to us.

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Glencore also agrees “that the risk of nonperformance should sit with the party responsible for the variation”.

3. MTP

The MTP is a theoretical document that should clearly show the system capability to meet contracted paths after an allowance for planned and unplanned losses. Since this document is needed as part of the System Capacity planning process it need not be essentially the basis for the ITP. However, we agree that it would seem logical that it could be the start point since the planned outages should not change within a period of time. To show the network has the contracted capacity we believe this document should also be a rolling 12 month plan. If it is not produced regularly we are keen to discover what are the checks and balances in place to ensure that Aurizon has not over contracted its capacity and how are new capacity plans triggered into the future.

We believe the MTP should be transparent and readily available to access holders with enough detail to make it easy for interpretation.

4. Possession Planning

In principle there should be no changes to planned possessions within the “lockdown period”. However there may be an instance where Aurizon can see an opportunity to move outages however such changes should not be made without the consent of all affected access holders.

5. TSE Calculation & Consumption

Glencore agrees with the QCA comments here. The use of the 360 days divisor is particularly nonsensical. Perhaps a yearly schedule could be used showing an access holders contracted paths by month reflecting the planned outages. With regard to recovery of lost TSE’s due to Aurizon as outlined by QCA at section 4.4, this would appear to be suggesting a concept of path contests on the basis of year to date entitlement which appears to be a contractual issue rather than a system rule concept. Glencore is in favour of flexibility but it must be consistent with contracted access agreements.