

22 March 2018

Professor Roy Green
Chair
Queensland Competition Authority
Level 27
145 Ann Street
Brisbane Qld 4001

By internet portal: www.qca.org.au

Dear Professor Green

Pacific National Submission on the GHD Report on the Aurizon Network Baseline Capacity Assessment

Background

Pacific National welcomes the opportunity to make this submission to the Queensland Competition Authority (QCA) on GHD's Review of Aurizon Network's Baseline Capacity Assessment Report (the Review).

Pacific National previously made a submission to the QCA in May 2017 on the Aurizon Network Baseline Capacity Assessment Report (BCAR). This Pacific National submission raised concerns regarding the need for more detailed information and capacity projections beyond two years. Pacific National seeks that the concerns outlined in the Pacific National submission of May 2017 be taken into consideration by the QCA.

Pacific National Comments on the GHD Review

The GHD Review has been undertaken to assess;

- the robustness and reliability of Aurizon Network's capacity modelling; and
- whether this modelling demonstrates that Aurizon Network has sufficient capacity in the Central Queensland Coal Network (CQCN) to meet its obligation to provide contracted paths.

The Review indicates that both of the above elements have been satisfied and the Review recommends that the BCAR be accepted by the QCA (The Review Page 63). Pacific National has a concern with this position as:

- the Review identifies various issues where the BCAR could be improved and these issues should be addressed; and
- other parties (including Pacific National) have raised issues regarding the BCAR and these issues should also be addressed.

At a minimum, Pacific National believes that if the BCAR was to be accepted without alteration then the issues identified in the Review that are not addressed in the current BCAR must be addressed by Aurizon Network in the next BCAR.



Sydney

Level 16, 15 Blue Street
North Sydney NSW 2060
Telephone: +61 2 8484 8000

Brisbane

Level 13, 324 Queen Street
Brisbane QLD 4000
Telephone: +61 7 3002 3707

www.pacificnational.com.au

Pacific National Pty Ltd
ACN 098 060 550

Pacific National's concern with the Review position that Aurizon Network has sufficient capacity in the CQCN to meet its obligations is that this position is not consistent with the CQCN's current actual performance. For example system availability as reported by Aurizon Network to access holders for the Blackwater, Goonyella and Newlands systems were consistently below 90% in 2017 (further information on system availability can be sought directly from Aurizon Network). Pacific National believes that the BCAR modelling, which uses both static and dynamic assumptions, does not reflect actual CQCN performance and further believes that this is most likely due to the nature of the assumptions underpinning the modelling.

Furthermore the Review's position does not factor in recently announced changes to Aurizon Network maintenance practices which are expected to reduce the amount of capacity available on the CQCN by 20 million tonnes per annum. Pacific National recognises that the Review was being finalised as these changes were being announced, however the point remains that the modelling in the BCAR and the Review are likely to be made redundant by changes in actual maintenance practices that Aurizon Network has indicated that it will implement.

In addition the Review appears to have conflicting findings as it states (the Review Page 62):

Aurizon Network models each system in discrete monthly intervals which results in an underestimate of the compounding impact of delays and hence potentially result in an over estimate of the ability of a network to meet contracted TSEs.

However, this finding seems to conflict with the Report's finding that the BCAR's modelling of available capacity in the Goonyella and Newlands system is conservative (the Review Page 2). Pacific National believes that this matter should be clarified.

Conclusion

The Review recommends that the BCAR be accepted by the QCA in its current form. Pacific National believes that if this was to be the case then the issues identified in the Review that are not addressed in the current BCAR must be addressed by Aurizon Network in the next BCAR.

Overall, Pacific National supports the development of the BCAR as it clarifies the number of train paths that Aurizon Network can deliver, but it must be recognised that the BCAR is a theoretical representation of system capacity based on a series of assumptions. If these assumptions do not match reality then the industry is unlikely to have confidence that Aurizon Network can provide the contracted paths.

Feel free to contact either myself on 07 3002 3726 or Stuart Ronan on 02 8484 8056 to discuss this Pacific National submission.

Yours faithfully



Ying Yeung
Access Specialist QLD
Pacific National

