



26 September 2013

Mr Paul Bilyk

Director, Rail and Ports
Queensland Competition Authority
GPO Box 2257
Brisbane Qld 4001

By Email: To: rail@qca.org.au

Dear Mr Bilyk,

Draft Amending Access Undertaking – Northern Bowen Basin System Rules

I refer to the QCA's invitation to provide submissions regarding Aurizon Network Pty Ltd's (**Aurizon**) draft Northern Bowen Basin (NBB) System Rules dated 5 August 2013. Vale Australia Pty Ltd (**Vale**) appreciates the opportunity to provide this submission as part of the consultation process.

Capitalised terms in this letter have the meaning given in the 2010 Access Undertaking (**Undertaking**) unless otherwise defined.

Background

Under the 2010 Access Undertaking, Network Management Principles, Schedule G Appendix 1, Aurizon may make rules for the purpose of specifying in greater detail the way in which it will plan, schedule and control the operation of Train Services on a single or combination of Individual Coal Systems. Appendix 1 provides a list of items that may be included in the System Rules. Aurizon has sought to develop the Northern Bowen Basin (NBB) System Rules which combines the Goonyella and Newlands coal system, and the proposed GAPE coal system.

1. Consultation

One of the significant concerns that Vale has with the proposed NBB System Rules is the lack of clarity and definition about what form and timing of the consultation that will take place. Throughout the NBB System Rules there are references to the requirement for Aurizon to consult with stakeholders on the development and operation of the NBB System Rules.

Under the considerations section of the Aurizon submission it proposes that

“all timeframes listed in this document are subject to change. Consultation will be undertaken with Access Holders prior to the implementation of any timeframe changes”

The Preamble also makes a similar comment that the

“These System Rules will be reviewed and updated in due course when Aurizon Network's draft access undertaking (UT4) currently lodged with the QCA has been approved by the QCA.”

Vale would also like to see a detailed approach that Aurizon proposes to take during the transition and the change management process. This would provide transparency on the implementation process of the NBB System Rules.

Aurizon proposes to consult with stakeholders and review the System Rules after the first year, and following this, will perform subsequent annual reviews. The NBB System Rules allow for any supply chain stakeholder to request additional reviews of the rules at any time where required, and Aurizon will consider any such requests. This provides an opportunity for a stakeholder to submit concerns to Aurizon but does not provide any requirement on Aurizon to respond to the stakeholder seeking a review, and if it does proceed to review, it does not provide a clear scope of the review, nor the timeframe under which the reviews should be taken.

While Vale is supportive of the approach of Aurizon to consult, Vale believes that consultation should include clear guidelines as to what information is provided and the timing of the consultation, and if there is any level of acceptance required by Access Holders before a change can be made. The NBB System Rules allows Aurizon to change the NBB System Rules any time as long as they consult with Access Holders. It is not clear what Aurizon is required to do as part of the consultation, or if there is any requirement to seek a level of acceptance of the timetable from stakeholders. One of Vale's continuous concerns with Aurizon's approach in the past has been the lack of meaningful consultation so Vale would request further detail on the Aurizon's approach to consultation with stakeholders. Vale believes this will be important during the annual review processes to ensure the NBB System Rules remain equitable to all stakeholders. Vale also believes that a review should be triggered by any major expansion of the Northern Bowen Basin coal systems and any changes in the System Operating Assumptions, as changes to these are likely to have an impact on the operation of the coal systems. Vale also believes the NBB System Rules should also include a dispute resolution process that seeks a resolution through an independent body such as the QCA. Under the current submission if Aurizon consult they can adopt a change even if the remaining stakeholders do not agree with the proposed change

2. Master Train Plan

Vale supports the development of the Master Train Plan (MTP) which should provide clarity on the ability of Aurizon to deliver Access Holder's TSEs. Vale does have some concerns that the MTP will only be completed for each coal system and not provide a Northern Bowen Basin MTP. Vale's specific concern is the allocation of traffic between the proposed GAPE System with the Goonyella System and the cross system traffic originating in the Goonyella system and running on the Blackwater System. One of Vale's concerns with the development of the GAPE infrastructure was the capital cost optimisation approach used on the GAPE project. Vale believes as a result of optimising the capital costs on this project there is some uncertainty as to whether there are sufficient Train Paths in the Goonyella System to deliver Access Holder's TSEs on the two coal systems. If the NBB System Rules only require Aurizon to develop a separate MTP for GAPE and Goonyella Systems, it may not be clear that there is any double counting of a Train Path.

Vale believes Aurizon should develop a Northern Bowen Basin MTP which includes the allocation of all traffic on the Goonyella System, including the proposed GAPE System and any cross system traffic to Blackwater. Vale does not believe the individual System MTPs will provide a true reflection of Aurizon's ability to meet contractual obligations unless all of this traffic is overlaid in the one document. In particular the North Goonyella section of the Goonyella System would potentially be considered a branch line under the Goonyella MTP but potentially becomes a mainline section of track for GAPE users.

3. Intermediate Train Plan

Vale does not support the fixed 7 day weekly planning process that has been defined in the NBB System Rules. Vale believes this approach appears to lack flexibility for the existing operation of the coal terminals within the Northern Bowen Basin, or for the development of any new coal terminals that may be planned in the future. Vale would support the development of a rolling plan, similar to that was identified in one of the earlier versions of the NBB System Rules released during the consultation process. Aurizon has acknowledged that the Northern Bowen Basin coal system has a high level of variation from the current weekly plan. To counter this Aurizon are proposing to complete a 72 Hour Schedule which is used to lock down the 48 hour period. Given this level of variability, Vale believes it would be more efficient to operate with a rolling plan that is updated each day with the addition of another 24 hours to the 48 hour lock down period. This scheduling approach would be similar to the scheduling approach in the Hunter Valley that includes a rolling plan.

4. *Delay Cause identification*

Aurizon has proposed to conduct a root cause analysis to identify the cause of a Delay but limited to reviewing causal incidents that occurred on or after the commencement of the last train cycle. Vale believes that a root cause analysis should apply to at least the commencement of the 48 hour lock down period. Vale believes this is important as once a Train Service has been locked down the root cause needs to consider any cause that results in this failure to meet this scheduled Train Service, as changes to reflect this impact are not possible until after the lock down period. A root cause analysis should include any delay, diversion or cancellation.

Due to conflict concerns, Vale does not support the process that allows Aurizon to be the final determinant of any cause of delay or cancellation. Vale believes the causation of a disputed delay or cancellation should be completed by an independent body that does not have any commercial incentives in the process. Vale also notes that the 10:00 hour morning phone hook-up does not include the producers and there would need to be clear guidelines on how this group works to ensure an efficient process that includes the input of the producer before any cause was attributed to them.

The NBB System Rules use TSE Consumption to enable an equitable pathing distribution within the Weekly Period for any path that is subject to the contested train path decision making process. Under the proposed NBB System Rules a TSE Consumption is defined as a scheduled Train Paths in the 48 Hour Schedule or any additional Train Paths applied by using the TSE Consumption Matrix in section 10.1.1. Due to the nature of a cargo assembly port operation, such as DBCT, this rule can have the potential of impacting another Access Holder. Under a cargo assembly mode of operation the port will generally only rail each parcel of a vessel when all the coal is ready at each individual loading point. If an Access Holder changes the timing of the parcel after it is scheduled, this can cause the cancellations of Train Services to the other co-shippers which then results in a TSE Consumption to the co-shipper. This additional TSE Consumption could later have an impact on the Access Holder's ability to seek a Train Path due to the contested train path decision making process. Vale would be supportive of a process that allocates TSE Consumption to the root cause to ensure the party causing the delay, diversion, or cancellation is accountable for the losses.

Conclusion

Vale does not support the NBB System Rules as submitted as it believes there is a lack of transparency on the consultation processes that have been included in them. Vale believes that effective consultation on the development and continuous operation of the NBB System Rules will be important to promote the efficient operation of the Northern Bowen Basin coal systems. Vale would like to see greater clarity on what Aurizon is required to present if it is seeking changes to the rules and potentially a mechanism that includes a level of support from stakeholders. Vale also has some concern on the transparency of the MTP, ITP, and the

allocation of the cause of delays and cancellations. Vale would request the QCA to not accept the NBB System Rules as they do not provide the transparency on the operation of the rules and there is limited ability for producers to object to changes to the NBB System Rules once accepted.

For further information regarding this advice please do not hesitate to contact me on (07) 3136 0911.

Yours sincerely,



Bob Skuza
Manager Logistics
Vale Australia Pty Ltd