

File Ref: 1266291

9 November 2017

Mr Nick Easy  
Chief Executive Officer  
Queensland Rail  
GPO Box 1429  
Brisbane Qld 4001

Dear Mr Easy

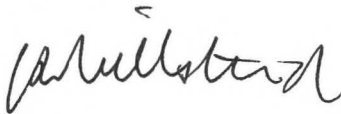
**Approval of Yancoal Endorsed Variation Event of 22 December 2016**

On 9 November 2017, the Queensland Competition Authority made a decision to approve a variation of the West Moreton reference tariff resulting from the Yancoal Endorsed Variation Event of 22 December 2016, as per Queensland Rail's amended application of 20 October 2017.

A summary of the QCA's review of the endorsed variation event is in the attached decision notice. The notice includes a brief overview of the basis of our assessment and our main findings.

If you have any questions about this decision notice, please contact Stephen Wisenthal on (07) 3222 0507 or by email at [stephen.wisenthal@qca.org.au](mailto:stephen.wisenthal@qca.org.au).

Yours sincerely



Charles Millsted  
Chief Executive Officer

## DECISION NOTICE

---

### YANCOAL ENDORSED VARIATION EVENT OF 22 DECEMBER 2016

9 November 2017

The Queensland Competition Authority approved a variation of the West Moreton reference tariff resulting from the Yancoal Endorsed Variation Event of 22 December 2016 under Queensland Rail's 2016 Access Undertaking, clause 5.4.

---

#### Background

Queensland Rail (QR) owns and operates a 6,500-kilometre rail network, including the commuter lines in south east Queensland, the West Moreton network, and the Mount Isa and North Coast lines. It also operates the state's suburban and long-distance passenger services.

Third-party access to QR's below-rail infrastructure is based on terms and conditions set out in the 2016 access undertaking.

#### Notification

The 2016 access undertaking requires QR to notify the QCA as soon as reasonably practicable after it has contracted coal-carrying train services on the West Moreton Network and or the Metropolitan Network (cl. 5.4.1(c)).

On 9 January 2017, QR notified the QCA that an Endorsed Variation Event had been triggered because its contracted coal-carrying train services from Yancoal's Cameby Downs mine would exceed the forecast volumes relied on by the QCA when assessing and approving the West Moreton reference tariffs.

#### QR's initial application

The undertaking requires QR to submit a reference tariff variation application within three months after it becomes aware an endorsed variation event has occurred (Schedule D, cl. 5.1(a)(ii)(A)). On 22 March 2017, QR lodged an endorsed variation event application seeking QCA's approval to vary the West Moreton reference tariffs to reflect its amended contracted coal tonnage profile.

QR said contracted coal train services from Yancoal's Cameby Downs mine to the Port of Brisbane, traversing the West Moreton and Metropolitan networks, were now one train path more than the corresponding forecast used to develop the reference tariffs. This contract was executed on 22 December 2016, triggering the endorsed variation event (cl. (c) of the definition of Endorsed Variation Event).

QR's initial application proposed a revised reference tariff that reflected the following two circumstances that it said had occurred since the undertaking was approved in October 2016:

- (a) contracted coal train services exceeded the coal volume forecasts used to derive the reference tariffs, and
- (b) ad hoc coal train services were materially below the number used to derive the reference tariffs.

## Consultation process

QR agreed to share a redacted version of its initial application with directly affected access holders and end users. The redacted version was circulated on 26 May, with comments requested by 12 June 2017. The QCA received submissions from each of the three entities consulted:

- Yancoal
- New Hope
- Aurizon Operations.

Stakeholders' submissions confirmed the increase in contracted capacity from Yancoal's Cameby Downs mine, effective 22 December 2016, and accepted it constituted an endorsed variation event. Yancoal and New Hope, the only two mining companies whose coal is hauled on the West Moreton system, made submissions which identified two key matters for the QCA to consider:

- (a) The effective date for the endorsed variation event (an increase in Yancoal's contracted volumes) was 1 January 2017, but QR had calculated the variation to the reference tariff based on a 1 July 2016 review date.
- (b) QR's proposal to amend both Yancoal and New Hope's ad hoc tonnes did not comply with the endorsed variation event process in the 2016 undertaking.

Aurizon Operations' submission broadly supported the New Hope submission.<sup>1</sup>

## Amended application

Following stakeholders' comments, QR submitted an amended application on Friday 20 October. This application:

- (a) used 1 January 2017 as the effective date for the endorsed variation event
- (b) did not seek to re-forecast Yancoal and New Hope's ad hoc tonnes
- (c) sought to increase forecast volumes for coal from 62.8 paths per week to 63.8 paths per week due to additional contracted paths from Cameby Downs to Fisherman Islands
- (d) did not change the metropolitan tariff, as per the original submission.

## Legal framework

The 2016 undertaking provides that the QCA may approve an endorsed variation event if:<sup>2</sup>

- (a) the endorsed variation event has occurred (cl. 5.4(a)(ii)(A)), which is defined as 'contracted coal-carrying train services for the West Moreton Network and the Metropolitan Network are greater than the forecasts

---

<sup>1</sup> Aurizon 2017, Submission to the QCA, Queensland Rail application to vary the Western System Reference Tariff, June: 2.

<sup>2</sup> AU1, Sch. D, cl. 5.4(a)(ii).

of coal-carrying train services used to develop the Reference Tariffs for those networks' (cl. (c) of the definition of Endorsed Variation Event).

- (b) the variation has been calculated as if all other Reference Tariffs were also being recalculated due to the occurrence of the Event
- (c) the variation reflects the cost impact on QR resulting from the Event.

The variation applies from the first day of the month immediately following the date the endorsed variation event occurs.<sup>3</sup>

## QCA analysis

QR's application and the stakeholders' submissions confirmed the increase in contracted capacity from Yancoals Cameby Downs mine, effective 22 December 2016. QR's amended application addressed all other concerns raised in stakeholders' submissions.

QR submitted a financial model of its proposed tariffs for the Yancoals Endorsed Variation Event of 22 December 2016 (the QR model).

The Yancoals Endorsed Variation Event of 22 December 2016 was triggered because the total contracted train paths from Yancoals Cameby Downs mine exceeded the forecast volume (including forecast ad hoc paths) used to assess the reference tariff. The QCA has reviewed QR's submitted model and confirms that the revised tariffs have been correctly calculated. The additional train path reduced the West Moreton tariffs at 1 January 2017 as follows:

- From \$8.96/'000 gross tonne kilometres (gtk) to \$8.74/'000 gtk (-\$0.22/'000 gtk)
- From \$3,011.50/train path to \$2,964.71/train path (-\$46.79/ train path)

## Decision

The QCA assessed the amended endorsed variation event application against the matters set out in Schedule D, clause 5.4(a)(ii) and considers that the application is consistent with the undertaking. In particular:

- the event has occurred
- the reference tariff is calculated as if all reference tariffs have been recalculated; and
- the proposed tariff captures the incremental costs of the additional train path.

For the reasons set out above, the QCA has decided to approve this endorsed variation event which will result in an adjustment to tariff charges back to 1 January 2017.

---

<sup>3</sup> Sch. D, cl. 5.4(b)(ii)(A).