

Warwick Forster
Energy Markets Manager
Union Fenosa Wind Australia
Suite 4.03 68 York St
Sydney NSW 2000
28th September 2012

Mr E.J. Hall
Chief Executive
Queensland Competition Authority
Level 19, 12 Creek Street
Brisbane
QLD 4000
Email: rail@qca.org.au

Dear Mr. Hall,

Union Fenosa Wind Australia would like to take the opportunity to make a submission to the Queensland Competition Authority on the **Submission in relation to the QCA's Draft Decision of July 2012 on QR Network's Electric Traction Services Draft Amendment Access Undertaking**.

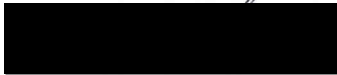
Union Fenosa Wind Australia is an Australian developer of wind farms and is majority owned by the Spanish multinational utility Gas Natural Fenosa. Gas Natural Fenosa is involved globally in the provision and sale of gas and electricity in 25 countries. As a utility, the company is well placed to understand the economics of electricity generation and has experience in all major types of mature large scale electricity technologies.

It is our view that electric traction be considered positively in light of the following facts:

- Diesel locomotion has higher emissions intensity than even black coaled sourced electricity (which is representative of the Queensland generation mix at present).
- It is unlikely that biodiesel could be extensively used for diesel locomotion hence grid connected electricity provides greater opportunity to include renewable energy as its energy source to assist in lowering emissions intensity.
- Diesel is usually imported and is susceptible to significant price volatility because of underlying volatility in oil markets and exchange rates. There are additional concerns about the reliability of supply of imported diesel.
- Sourcing electricity through the NEM (National Electricity Market) allows access to a competitive energy price that does not necessarily commit to a single fuel source or generation technology.

- A number of sources of electricity have the ability to contract longer term prices of up to 15 or 20 years, which is unlikely to be achievable for diesel. As an example, this is because coal fired power stations usually have long term fuel contracts from coal mines and because most renewable generators such as wind farms have no fuel cost, only capital costs and ongoing maintenance. This means that a number of generators have an ability to contract long term because of the absence of volatility in their input costs.
- Additional opportunity for employment in regional Queensland in generation development if electric traction is chosen over diesel which will provide limited employment opportunity.

Yours Sincerely



Warwick Forster

Energy Markets Manager