

# GLENCORE

19 January 2021

Mr. George Passmore  
Queensland Competition Authority  
GPO Box 2257  
Brisbane Queensland 4001

Dear Mr Passmore

## Submission re: Aurizon Network's 2019-2020 Capital Expenditure Claim

Glencore appreciates the opportunity to make this submission to the Queensland Competition Authority (QCA) in relation to Aurizon Network's 2019-2020 Capital Expenditure Claim and the Arcadis Report on the same matter. Glencore offers its apologies for the delay in providing this submission, noting the due date was 15 January 2021, however have endeavoured to provide this to you as soon as practical.

Glencore note that in its final decision on the Annual review of 2020-2021 Reference Tariffs, the QCA, in response to concerns raised by both QCoal and Rio Tinto, stated (**emphasis added**):

*"In relation to matters raised as to the allocation of renewals expenditure between the Goonyella to Abbot Point system and the Newlands system, this will be determined as part of the assessment of subsequent capital expenditure claims (schedule E). In doing so, it is expected that Aurizon Network will outline the extent to which capital expenditure incurred on the Newlands system is an 'incremental cost' as defined in Aurizon Network's 2017 AU. We note that incremental costs include both renewal and expansion capital costs that would not be incurred (including the costs of bringing expenditure forward in time) if the train service did not operate.*

*This approach is consistent with Aurizon Network's 2017 AU provisions as they relate to system reference tariffs; the definition of the Goonyella to Abbot Point system (which includes rail infrastructure that is used by a train service that also uses the Goonyella Newlands Connection); and the principles of cost allocation as they relate to incremental costs.*

*We expect that Aurizon Network will continue to work collaboratively with all participants of the Rail Industry Group in order to develop an appropriate approach to allocate the incremental cost of renewals on the Newlands system due to Goonyella to Abbot Point system traffics bringing forward such capital expenditure."*

Glencore notes that the 2019-2020 Capital Expenditure Claim does not contain sufficient detail to ascertain the extent to which capital expenditure incurred on the Newlands System is an "incremental cost" as outlined in the QCA decision above. Unfortunately, this detail was also absent from the Arcadis Report.

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Glencore have sought this information from Aurizon Network however, to date, we have not received appropriate further details to make a meaningful assessment. It is our understanding Aurizon Network do not intend to provide further detail, or split the Newlands Capital Expenditure into "incremental costs" or otherwise, and may not do so until the next RAB Roll-forward and the subsequent Annual Review of Reference Tariff submission.

Glencore believes that the QCA position and expectations regarding the split of capital expenditure between Newlands and GAPE systems were very clear, and Aurizon Network have not complied. On this basis, Glencore would support the QCA in rejecting the 2019-2020 Capital Expenditure Claim until the QCA is satisfied that the apportionment of the Newlands / GAPE Capital Expenditure is deemed appropriate.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'M Chapman', written in a cursive style.

Megan Chapman  
Glencore