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21 July 2022

Mr George Passmore
Queensland Competition Authority
Level 27, 145 Ann Street
Brisbane QLD 4001
by email: george.passmore@qca.org.au
via Submission process at: www.qca.org.au

Dear George,

Aurizon Network – Concept Study DAAU

We refer to the Queensland Competition Authority's ("QCA's") Stakeholder Notice published 23 June 2022 regarding Aurizon Networks Concept Study DAAU. We fully support the submission on this subject by the QRC and wish to use this opportunity to comment specifically on the ability for the Independent Expert, Aurizon Network and the QCA to continue to assess and implement (where efficient and prudent to do so) all potential Transitional Arrangements to reduce of the Existing Capacity Deficit (ECD) whilst concept studies are in progress and/or to the extent that the ECD has not been addressed.

The Concept Study DAAU appears to focus on Expansions as the only Transitional Arrangements that might follow the stage gated process until such time as the ECD is extinguished. Whilst we believe it is implicit, our discussions with Aurizon Network and others to date indicate that they consider it is unclear as to whether the other potential Transitional Arrangements, including:

- changes to the operation and maintenance practices for the Rail Infrastructure;
- changes to the operation of Rollingstock by Railway Operators;
- changes to the operation and maintenance practices in respect of load-out facilities; and
- fee free relinquishments by Access Holders

might also be continued to be assessed as potential Transitional Arrangements to address the ECD post the IE's recommendation to the QCA. Accordingly, we have deemed it necessary to draft this submission.

Initially the UT5 process sought to resolve any ECD using the most efficient and effective combination of any of the possible measures in a "once and for all" manner. Now that there is a clear consensus to utilise a longer stage gating approach to consider and review various projects to resolve the ECD, it is a logical position that the QCA and/or IE may still consider each of the potential operating, capital or relinquishment avenues in order to extinguish the ECD.

Excluding Transitional Arrangements other than Expansions would be contrary to the intent of the Undertaking which expressly requires the QCA to have regard to those recommendations that result in the lowest net present cost to Access Holders and that will most efficiently and effectively resolve the ECD (without prejudice to the reliability and performance of the Rail Infrastructure). In most cases, changes to maintenance and operational practices, and in particular, fee free relinquishments would be considered the most cost effective, efficient and prudent method to address any ECD.

Whilst we recognise that operating changes to date have had limited application in resolving the ECD's and that producers have had an opportunity to relinquish capacity, the passage of time between the ICAR and the finalisation of Transitional Arrangements under the revised stage gating approach of the Concept Study DAAU has necessarily become longer and changes over this time may inherently lead to different outcomes. For example capacity created via changes to port terminal regulations (eg widening of delivery windows) may be fully realised within a 12-24 month window such that smaller scale operating changes may become a preferable option and/or may negate the need for other Transitional Arrangement entirely. Further, changes to mine plans or washing strategies over time to align with actual deliverable capacity may reduce the demand for contracted capacity in the future and as such result in offers for relinquishment, thereby avoiding

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unnecessary and inefficient capital spend. Allowing further consideration of these potential measures acknowledges that the environment in which the coal chain operates is constantly changing and ensures that Access Holders are not burdened with additional costs unnecessarily.

It is understood that the process of assessing Transitional Arrangements cannot go on indefinitely and that the opportunity to assess new potential arrangements should be limited until such time as any ECD has been resolved, or until Transitional Arrangements that will resolve the ECD are "committed" (or at least prior to moving to the next stage). We believe that Aurizon should still receive the benefit of any prudent studies not progressed to execution consistent with the proposed DAAU drafting.

Glencore would appreciate clarification by the QCA either by way of amendment to this DAAU or otherwise to ensure the option is available to implement Transitional Arrangements other than of a capital nature (where prudent and efficient to do so) are not lost. If it would be of assistance to the QCA, Glencore are available to provide some suggested drafting.

We thank you for your consideration.

Yours Sincerely

Megan Chapman
Glencore