

# Collaborative Submission: QR's AU3 Access Undertaking

7 February 2025



## 1 Introduction

This submission is provided on behalf of Yancoal Australia Limited (*Yancoal*), in response to the Queensland Competition Authority's (*QCA*) request for submissions in respect of Queensland Rail's (*QR*) 2025 draft access undertaking (*DAU3*).

As the QCA knows, Yancoal is the operator of one of the two currently producing coal mines in the West Moreton system, Cameby Downs. Cameby Downs is the only mine in the West Moreton system that has been in continuous operation and railings since its development. It continued railings across the AU2 term, in the hope that the return of volume from other mines would see its rail access costs reducing across the DAU3 period with economies of scale returning. Instead, despite higher forecast volumes, QR is seeking material increases in rail access costs and is evidently unwilling to address the affordability challenges that causes in the absence of being forced to do so through a regulatory requirement to provide affordable pricing.

This submission principally addresses the QCA Discussion Paper of 20 December 2024 (the *Discussion Paper*), although it also addresses a limited number of other matters raised in the Draft Decision or stakeholder submissions that were not addressed in the Discussion Paper.

## 2 West Moreton Access Pricing – An Affordability Tariff Remains Appropriate

### 2.1 Attempts to consult with QR since the Discussion Paper

The key position communicated in the Discussion Paper was that the QCA was minded to not approve a reference tariff except in circumstances where a reference tariff was agreed between Queensland Rail and customers.

Yancoal acknowledges that the QCA Act does not require a reference tariff. However, that position is a material break from all previous access undertakings which have applied to the West Moreton system and stakeholders' expectations, and was not sought by any stakeholder. One of the few things QR and the West Moreton coal producers all agree on, is that it remains appropriate for the West Moreton coal services to be the subject of a reference tariff.

Consequently, following release of the Discussion Paper, Yancoal sought to meet with QR and negotiate a tariff (trying to re-enliven the attempts that were made during the collaborative submissions phase). The offer to meet was rebuffed and QR instead insisted on receiving individual proposals from both Yancoal and New Hope before it would engage.

Yancoal provided a proposal and understands that New Hope has also done so, Yet, as of the date of lodging this submission, no proposal has been put forward by QR (or for that matter has QR otherwise engaged on either of the proposals provided), so no progress has been able to be made towards agreement on pricing.

For completeness, Yancoal has enclosed as Annexure A to this submission the correspondence with QR to evidence the matters described above.

### 2.2 Circumstances of the West Moreton System

Yancoal acknowledges that, based on the position set out in the Discussion Paper, the circumstances in which the QCA was minded to approve a reference tariff have clearly therefore not been met.

However, Yancoal submits that the clear failure to make any progress on pricing following the Discussion Paper despite unanimous agreement that a reference tariff is appropriate (together with the lack of progress during previously collaborative submissions phases of this process) aptly demonstrates the real difficulty of commercial negotiations with QR.

Yancoal respectfully suggests this should cause the QCA to reconsider whether the unique circumstances of the West Moreton system make a negotiate-arbitrate regime inappropriate.

Giving primacy to commercial negotiations can only be appropriate where:

- (a) both parties have sufficient information (i.e. no party suffers from material information asymmetry); and
- (b) both parties are incentivised to reach a mutually acceptable outcome.

Yancoal submits that neither of those criteria is satisfied in respect of the West Moreton system.

Access seekers and holders (such as Yancoal) find it extremely difficult to assess the prudence and efficiency of QR's costs. Insufficient information is provided, QR has ultimately not supported proposals to involve customers in the capital expenditure process (as happens in the Central Queensland and Hunter Valley coal chains), and customers are heavily dependent on the QCA to assess the prudence and efficiency of capital expenditure and operating and maintenance costs.

It has also become evident from negotiations that QR is not acquainted with coal pricing in the way that rail providers for which the bulk of their customers are coal producers (Aurizon Network and ARTC) are. As such, discussions about affordability have been challenging as QR simply does not accept or engage with coal price estimates and other financial realities that are self-evident to industry participants.

Yancoal also considers that it is clear from QR's conduct across the DAU3 process, that QR has different incentives on the West Moreton system. It is principally incentivised to protect its metropolitan passenger network, in respect of which Yancoal appreciates it faces significant government and public community scrutiny. General intermodal freight on the North Coast line appears to be its next priority.

The Discussion Paper notes the 'precedent' of an undertaking without a reference tariff provided by the QCA decision in respect of the Dalrymple Bay coal terminal. Of course, as the QCA commonly notes, it is not bound by its previous decisions, and must consider each new draft access undertaking on its merits in accordance with the mandatory considerations under the *Queensland Competition Authority Act 1997* (Qld). In any case, Yancoal submits the position in respect of Dalrymple Bay is materially different. In particular, with larger scale metallurgical coal mines, utilising a significantly less expensive rail supply chain specifically designed for raiiling coal, the economic resilience of the terminal's customer base is anticipated to be significantly greater. By contrast, Yancoal projects Cameby Downs will be loss making across the DAU3 term at the tariffs QR proposes.

To the extent that the QCA considers there is regulatory risk in adopting a reference tariff, that needs to be weighed against the risk that QR is unwilling to negotiate a tariff at a level which can be agreed by access seekers, such that either:

- (a) the QCA is required to make access determinations in arbitration anyway, which will involve:
  - (i) the same regulatory risks – but with much greater constraints on how pricing can operate on a system basis, where pricing is being determined for an individual access seeker (and at different times to other access holders and access seekers such that there is no mechanism for transitioning all users of the system onto the same terms); and
  - (ii) materially more cost than determination of a reference tariff (with multiple protracted negotiations followed by separate arbitrations); and

- (b) a non-renewal or mine closure decision is made given the uncertainty of pricing that will arise from any arbitration, exacerbating the costs that QR will seek to recover from the remaining mine(s) and creating the potential for a death spiral that will ultimately see all coal volumes leave the West Moreton system, in turn resulting in QR making significant losses on a system that would be heavily underutilised by the remaining passenger and non-coal freight.

### 2.3 Importance of Affordability

As discussed in Yancoal's previous submissions in the DAU3 process, Cameby Downs is, over the long term, and continues to be, a marginal operation. [REDACTED]

That is critical both for Cameby Downs and the future of the West Moreton system, because Yancoal will face a decision whether to renew its access (which currently expires on [REDACTED]) during the term of AU3.

[REDACTED], Yancoal anticipates that it shortly faces a choice of:

- (a) committing to significant capital and contractual take or pay commitments to continue mining, including entering a new rail access agreement with QR;
- (b) closing the mine; or
- (c) continue operating but with no long term fixed volume commitment so that it can suspend operations if the coal price continues at lower levels without incurring take or pay liabilities to QR.

Based on the modelling conducted by QR, if Cameby Downs was to shut or resort to ad-hoc railings, the tariff would increase for others on the West Moreton system, QR has indicated it would cut back its capital investment creating reliability issues and greater possessions, with the combination of those outcomes leading to a domino effect of each coal user becoming unsustainable and QR or the State needing to (even more) heavily subsidise any remaining use of the system for passenger or agricultural product services.

### 2.4 Affordability level for Cameby Downs

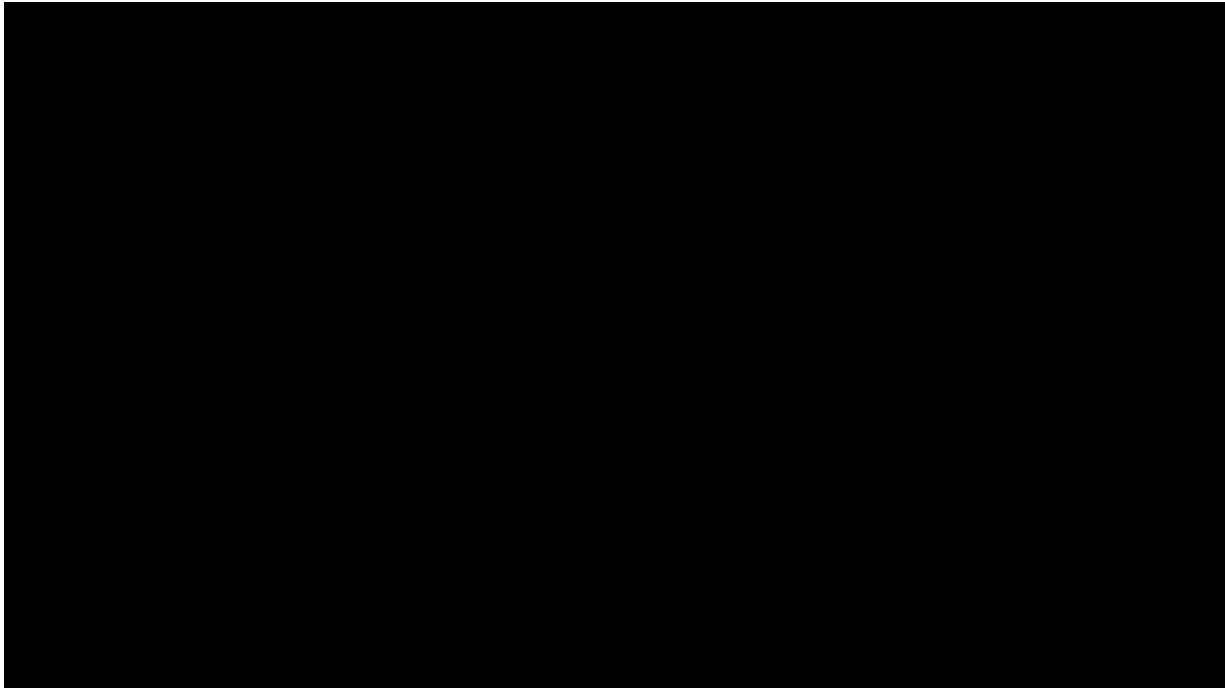
To assist the QCA in understanding how Yancoal has derived the affordability cap included in its reference tariff proposal below, Yancoal notes again that:

- (a) [REDACTED]
- (b) [REDACTED]
- (c) Japan, which have traditionally purchased Cameby coal, is on a pathway to transitioning away from and reducing demand for thermal coal;
- (d) the return of New Acland has resulted in the most similar coal from a third party project returning to the market and seeking to undercut Cameby Downs pricing to restore its market share / sales portfolio;

(e) the current state of near term global supply / demand balance for thermal coal more generally is resulting in consensus pricing declining in the near term (with the past price spike arising from the Russian invasion of Ukraine not being sustained); and

(f) [REDACTED]  
[REDACTED].

[REDACTED]:



Yancoal is undertaking significant work seeking to reduce Cameby Downs costs both at mine site and across the logistics supply chain.

[REDACTED]  
[REDACTED]  
[REDACTED]

## 2.5 Yancoal's detailed reference tariff proposal

Having considered the submissions by all parties to date, and Yancoal and New Hope's most recent proposals to QR, Yancoal submits that the following constitutes an appropriate reference tariff that should be reflected in the undertaking:

- (a) The reference tariff being the lower of:
  - (i) the price determined from a traditional economic building blocks estimate (providing a return on and of capital and recovery of prudence and efficient costs); and
  - (ii) an affordability cap set at the tariff level proposed by QR at 9.6 mtpa (after capex reductions from those originally proposed to the QCA in the QR submissions on DAU3) and where the undertaking is amended to ensure that Yancoal receives the rebate for usage of its rail loop where this affordability cap applies [REDACTED]

[REDACTED]  
[REDACTED];

- (b) The building blocks price being derived from:

- (i) the WACC parameters proposed by QR (which Yancoal continue to consider overstate the appropriate return for QR given the limited commercial and regulatory risk it bears, but which Yancoal would be willing to accept as part of an approved reference tariff on the basis set out in this section 2.5);
- (ii) The capital and operating costs proposed by QR for the 7.5 mpta case (as the far more likely volume forecast to eventuate given Wilkie Creek's financial situation), after QR has reduced its proposals following the discussions occurring during the collaborative submissions phase;
- (iii) A 19 year depreciation life being applied to both new and existing assets (such that the assets are depreciated at a faster rate than many of the technical lives as QR is proposing, but without capital being incurred in the DAU3 period being accelerated to 14 years);
- (iv) The capital indicator being reduced by 20% (relative to QR's 7.5 mpta case) for the final 3 years of the DAU3 term – to reflect:
  - (A) the inefficiencies that Arcadis have identified;
  - (B) the likely efficiencies which can be gained over time where that is a focus for QR (noting this level of tonnage has been able to be achieved on the West Moreton system before without the level of costs QR is proposing as discussed in Yancoal's previous submission);
- (v) An efficiency dividend is applied to reduce the operating and maintenance costs allowance by an additional 1% each year, starting at 0% for FY26 (in recognition of the majority of such costs already being committed in the short term) – resulting in 1% for FY27, 2% for FY28 and so on;
- (c) If the affordability cap is below the building blocks price, the difference will be included in QR's capitalised losses account;
- (d) A mechanism that facilitates the potential for QR to recover its 'capitalised losses' through a recovery charge (to apply in addition to base reference tariffs) as follows:
  - (i) If, in the 12-month period ending 31 December 2025, 2026, 2027 or 2028, the Average Coal Price exceeds the Threshold Coal Price, then a Recovery Charge will apply from 1 July of the following financial year (e.g. from 1 July 2026 if the Threshold Coal Price is exceeded in the 12 months ending 31 December 2025) – so that where affordability is not a limiting factor, QR is provided the opportunity to earn a full return;
  - (ii) Average Coal Price means the average of each weekly API5 Index (FOB), expressed in Australian dollars.
  - (iii) The Threshold Coal Price means AUD 150/t and the Upper Threshold Coal Price means AUD 175/t.
  - (iv) Where a Recovery Charge is triggered, each of AT<sub>1</sub> and AT<sub>2</sub> will be increased for the next financial year commencing 1 July, by: 5%; or, if the Average Coal Price exceeds the Upper Threshold Coal Price, 10%

(which Yancoal understands would have resulted in recoveries in 2021-2023 under previous coal prices, with the higher threshold applying 2022);
- (e) The existing AU2 capitalised losses are carried forward in the same manner as occurred in AU2, subject to the inclusion of the mechanism for writing off capitalised losses as envisaged in the QCA's previous reasoning in its decision on the 2020 access

undertaking – namely that any year's under-recovery would remain at full value in the under-recovery account for five years, after which it would be fully depreciated over the next five years (and that where the proposed recovery starts occurring by high coal prices – the oldest capitalised losses would be recovered first. As discussed in the QCA's 2020 access undertaking decision that would reduce any distortionary inter-temporal effects where past costs are borne by future users, by placing a natural limit on the amount that can be rolled forward to future periods – so as to prevent loss capitalisation providing material disincentives to investment in mining on the West Moreton system;

- (f) A capital expenditure reconciliation (using the drafting provided in Yancoal's February 2024 submission) so that the building blocks price is adjusted for actual prudent capex incurred during the term; and
- (g) The existing two-part tariff structure (and resulting distance taper) continues to apply (as supported in the QCA's Draft Decision and as appropriate to incentivise investment in mines further out in the network to sustain the utilisation of the West Moreton system);
- (h) There is no additional charges or inclusions in the tariff structure on account of privately funded infrastructure (noting privately funded infrastructure lacks the prudence and efficient oversight applied to QR capital expenditure projects, does not benefit the system or other users, is built for the purposes of individual users such that it may not be prudent from a system perspective, and its inclusion would only worsen the affordability issues); and
- (i) Tonnage variations will not result in any adjustment to the tariffs unless they result in only a single mine raiiling, in which case the reference tariff will cease to apply (returning pricing to a negotiate – arbitrate model where they can realistically be no system based pricing).

Yancoal suggests that the QCA should consider the appropriateness of this package of pricing arrangements, and where it considers it appropriate clearly communicate that to QR as the basis of a reference tariff that the QCA would accept.

### **3 Amendments Needed for a Negotiate-Arbitrate Regime**

If, contrary to Yancoal's submissions above, the QCA remains minded to approve an undertaking without a reference tariff, it is necessary to consider the impact on the balance of the undertaking and amendments which are needed to improve the likely outcomes of a negotiate-arbitrate regime.

Yancoal submits that it is not as simple as deleting Schedule D and all other provisions (and related definitions) which refer to or assume there is a reference tariff for coal carrying services on the West Moreton and Metropolitan system.

Rather Yancoal submits that to enable a transition to a negotiate-arbitrate pricing regime, DAU3 would (in addition to Schedule D and related definitions being deleted) need to be amended in each of the following ways:

- (a) Clauses 3.0(b), 3.3(c) and 3.5.1(b) will need to be deleted – as they are all premised on the assumption that West Moreton coal services will have an applicable reference tariff;
- (b) It will need to be put beyond any doubt that the floor and ceiling pricing limits which currently apply to all non-reference tariff services will apply to West Moreton/Metropolitan system coal services, such that the references to 'non-coal carrying Train Services' in clause 3.1 and 3.2 will need be removed from those sections;

- (c) All references to each of the following should be deleted (as it is inconsistent with the QCA's proposed primacy of negotiations to dictate these positions in advance of the access negotiation and arbitration):
  - (i) loss capitalisation and recovery (including 3.5.2 and Schedule D);
  - (ii) review events;
- (d) the West Moreton Regulatory Asset Base is still maintained in accordance with clause 3.8 and Schedule E so that negotiating access seekers have transparency as to the prudent capital expenditure (acknowledging that section 7 of Schedule E would need to be deleted as there would no longer be any Capital Indicator or Capital Expenditure Carryover Account in the absence of a reference tariff, and the definition of Regulatory Asset Base would need to be modified to reflect that its purposes would be to inform negotiations and arbitrations rather than developing a Reference Tariff);
- (e) Clause 2.4.2(e) also requires disclosure of the Regulatory Asset Base in Indicative Access Proposal relating to coal access on the West Moreton system
- (f) Obligations should be inserted to oblige QR to provide detailed information on proposed pricing to access seekers at the point of contract negotiations, akin to Schedules G and H of the DBCT 2021 access undertaking) for both the West Moreton and Metropolitan system; and
- (g) Given the potential that a reference tariff will be reintroduced (as recognised by the QCA in the Discussion Paper), Yancoal's preference is that provisions which provide for alternative settings if a reference tariff applies (such as 3.3(j), 3.5.1(a), 5.2.2(i)) should be retained – as they will simply become dormant have no operation unless and until a reference tariff is included in the undertaking.

Yancoal submits that the QCA should also specifically recognise in its decision that in the absence of a reference tariff, the QCA has not made any determination that it is appropriate to apply Adjustment Charges with any retrospective outcome (if one is ever introduced again in the future), as again this would be inconsistent with primacy of commercial negotiations and removes financial incentives for QR to reach a quicker agreement.

Without those amendments, Yancoal considers that any negotiate-arbitrate regime would not be appropriate to approve.

## 4 Undertaking Non-pricing Issues

### 4.1 QCA Proposed Drafting Amendments

Yancoal has reviewed the QCA's proposed amendments to the Standard Access Agreement (in Table 9 of Appendix D of the Position Paper) and has provided its views on that drafting below.

Issue	Clause	Yancoal Position
Quarterly Performance Report	5.1.2(a) (and related Part 7 definition of On-Time Train Service)	Yancoal is willing to support the changes proposed to the Quarterly performance report content.  While Yancoal considers they do not go far enough in terms of providing transparency of system performance, Yancoal remains interested in seeking to develop a more effective, transparent and customised reporting regime for the West Moreton system that provides more transparency in relation to performance and capacity through the South West User Group (even if that occurs outside of the current undertaking process).



Definition of Planned Possessions	Part 7 definition of Planned Possession	Yancoal is willing to support this amendment (as an appropriate consequential amendments occurring as part of the removal of the Ad Hoc Planned Possession concept).  However, it appears the concept of an Ad Hoc Planned Possession (as defined in the existing access undertaking) is only redundant if there is in fact no possessions (other than Urgent Possessions or Emergency Possessions) that are not entered into the Master Train Plan. If that is the position, then Yancoal continues to submit that the the Network Management Principles should specifically prohibit possessions (other than Urgent Possessions or Emergency Possessions) unless the process in the undertaking has been followed for changes to the MTP to include such possessions. If that position is adopted, Yancoal's concerns regarding the deletion of the Ad Hoc Planned Possession concept would be resolved.
Notification of Operators of proposed updates to MTP or DTP	Schedule F, cl 2.1 – 2.2	Yancoal supports this amendment so that any updates are also shared directly with rail operators (rather than effectively relying on access holders like Yancoal to pass this operational information on).
QR Response to requests to change the MTP	Sch F, cl 2.1	Yancoal supports this amendment so that QR has obligations in relation to the timing of responses to such a request and the provision of reasons where QR is declining to make the requested changes.
Publication of Peak Passenger Periods	Schedule F, cl 3(i)	Yancoal supports this amendment so that any changes in passenger peak periods have to be notified by QR.

## 4.2 Other Undertaking Drafting Issues

We assume that the fact that other amendments to DAU3 proposed by stakeholders are not referred to in the Discussion Paper indicates that the QCA may not be minded to require them.

However, Yancoal considers that some of these issues are important and should be required for the undertaking to be appropriate.

In particular, Yancoal continues to consider that the following amendments are required for the undertaking to be appropriate:

Issue	Clause	Yancoal Position
Customer involvement in Capex Process	Sch E	As noted earlier in this submission, Yancoal considers it is very difficult to obtain transparency on, and assess the prudence of, QR's proposed capital expenditure program.  Accordingly, the Yancoal February 2024 submission proposed amendments to Schedule E should be incorporated to provide customer involvement in capital expenditure process (noting that forums for customer involvement exist and have proven

		<p>successful in each of the Central Queensland and Hunter Valley coal chains).</p> <p>For the avoidance of doubt, the Yancoal proposed drafting does not prevent QR seeking QCA approval for capital expenditure, but rather provides a mechanism under which consultation with customers occurs at an earlier stage and in more detail than currently and customer approval is also possible.</p> <p>This is even more critical in a negotiate-arbitrate regime in order to provide sufficient transparency about capital projects to allow for a more informed negotiation and address the current information asymmetry.</p>
Disputes in relation to Possessions	Sch F, 2.4	<p>DAU3 completely removes this provision that provides for changes to the Master Train Plan to not take effect until any bona fide dispute has been resolved.</p> <p>Consistent with its previous submissions, Yancoal remains concerned that without this safeguard there is a real risk of adverse impacts from MTP changes and possessions in circumstances not permitted by the network management principles in Schedule F.</p> <p>Cameby Downs has real experience with raising a dispute with the benefit of this section actually resulting in QR modifying its proposed changes to the MTP such that it can deliver contracted pathing to Cameby Downs over a year that it would not have delivered had QR simply proceeded as initially proposed. This is not a theoretical issue.</p> <p>A number of factors are placing strain on the West Moreton system's capacity including Cross River Rail possessions in the Metropolitan system, the rising coal volumes from New Acland's ramp up and greater QR possessions arising from maintenance and capital projects.</p> <p>The Arcadis capacity modelling also indicated that in order to provide the currently contracted capacity, possessions would need to be kept to a very low level.</p> <p>Accordingly, Yancoal continues to believe that this protection should be reinserted, and any amendment should instead be:</p> <ul style="list-style-type: none"> <li>(a) the time frame for raising a dispute being reduced from the 30 days currently provided (to say 5 or 10 days); and</li> <li>(b) a specific compressed time frame / expedited process being provided for resolution of this type of dispute.</li> </ul>
Independent capacity assessment	New Part 4A	<p>While the Arcadis capacity modelling work was constrained by the time and scope of work provided and the assumptions that required, it demonstrated the tight scheduling and limited possessions required to meeting the anticipated capacity.</p> <p>Yancoal considers it did not service the purpose of sufficiently defining capacity (and addressing whether capital expenditure is</p>

		<p>needed to meet higher volumes), such that the detailed drafting provided in Yancoal's November 2024 submission to introduce a new independent capacity assessment regime remains appropriate and required.</p> <p>As discussed in that November 2024 submission, it is intended to provide transparency as to the current capacity to inform contracting decisions and capital expenditure assessments – such that it becomes even more critical to include if the QCA remains minded to approve a negotiate-arbitrate model.</p>
Master Train Plan	Sch F, cl 2.1	<p>Yancoal is increasingly concerned that the Master Train Plan (which is used to demonstrate Access Holder's annual pathing entitlement) does not reflect the full extent of constraints being faced by users of the West Moreton system.</p> <p>In particular, the MTP should be required to reflect:</p> <ul style="list-style-type: none"> <li>(a) speed restrictions required for the current state of asset (whether applied on a sustained basis rather than temporarily);</li> <li>(b) pathing remaining available due to major capex works (for QR and other infrastructure rail groups, particular given Cross River Rail impacts that have been occurring); and</li> <li>(c) Interface impact with the Brisbane Metropolitan network around passenger timetables,</li> </ul> <p>such that it provides a clear picture of whether that capacity contracted by an Access Holder can be achieved.</p>

## 5 Standard Access Agreement Non-Pricing Issues

### 5.1 QCA Proposed Drafting Amendments

Yancoal has also reviewed the QCA's proposed amendments to the Standard Access Agreement (in Table 10 of Appendix D of the Position Paper) and has provided its views on that drafting below.

Issue	Clause	Yancoal position
Operator's obligations - insurance	16.1, 16.3, 16.4(b)	<p>Yancoal supports the changes to reduce the burden / level of prescription regarding the insurance coverage, and terms of insurance policy, required to be held by the operator (and confine notification of claims on insurance to where relevant to QR).</p> <p>Assuming these amendments are supported by the operators, Yancoal is supportive of the drafting proposed.</p>
Dispute Resolution timing	19.2	<p>Yancoal agrees that the proposed drafting achieves the objectives of aligning the timing of disputes under the SAA with the timing provided under the Access Undertaking provisions.</p> <p>Yancoal is supportive of that proposal and the drafting proposed.</p>

Assignment by QR	22.1	<p>The revised drafting largely reflects that sought by Yancoal and other access holders/operators, and ensures that assignees are more appropriate than could have been the case under QR's original proposal.</p> <p>However, Yancoal continues to consider that an additional paragraph should be included in (c)(ii)(C) as follows (as proposed in its last submission):</p> <p><u><i>in the case of a partial assignment under clause 22.1(a), provide aligned scheduling for through-running services which operate across the QR and the Assignee's networks.</i></u></p> <p>Yancoal considers that obligations around alignment are critically important to ensure that users are able to continue to practically utilise the access rights – and the experience with scheduling around the Metropolitan System has demonstrated the need for that alignment to occur (without excessive delays and increased cycle times, which will trigger significantly increased above rail haulage costs).</p>
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## 5.2 Other Access Agreement Drafting Issues

We assume that the fact that other amendments to the SAA proposed by stakeholders are not referred to in the Discussion Paper indicates that the QCA may not be minded to require them.

Where the Discussion Paper suggests other proposals should be a matter for agreement among stakeholders, Yancoal considers that time is better spent on resolving pricing matters, and so (while it considers there are improvements that can be made) is not seeking further amendments to the SAA.

## 6 Conclusion

For the reasons set out above and in previous submissions in the DAU3 process, Yancoal submits that the QCA should refuse to approve the DAU3 in its currently proposed form.

In particular:

- (a) QR's reference tariffs are unaffordable and inappropriate, and a commercially negotiated tariff is unrealistic given the information asymmetry access customers face and incentives of QR in respect of the West Moreton system, such that an affordability based tariff structure is required;
- (b) the Yancoal tariff proposal detailed in section 2.5 provides an appropriate and complete basis for such an affordability based tariff structure, while preserving the potential for QR to recover its capitalised losses where coal prices increase, such that it should be adopted by the QCA; and
- (c) for the terms of DAU3 to be appropriate, there is a number of other amendments required (beyond those provided in the Draft Decision or Discussion Paper), including customer involvement in capital expenditure planning, dispute rights in relation to changes to the MTP and independent capacity assessment.

As always, please do not hesitate to contact Mike Dodd of Yancoal Australia Limited on [REDACTED] if you have any queries in relation to this submission.

## Annexure A – Correspondence regarding Tariff Negotiations