GLENCORE

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Queensland Competition Authority
GPO Box 2257
Brisbane Qld 4001

Submitted via the QCA online submission form

Response to the QCA's Draft Decision on Aurizon Network's 2025 UT5 DAAU

Glencore Coal Assets Australia Pty Ltd (Glencore) welcomes the opportunity to respond to the Queensland Competition Authority's (QCA) Draft Decision on Aurizon Network's 2025 Draft Amending Access Undertaking (UT5+ DAAU or DAAU).

Glencore generally supports the QCA's Draft Decision, including:

- approval of the negotiated package of amendments, subject to the corrections identified by the QCA;
- extension of the access undertaking to 30 June 2037;
- introduction of contract volume-based pricing and associated take or pay arrangements;
- the QCA's preliminary conclusions regarding the efficient level of non-electric operating expenditure; and
- amendments required to ensure that the DAAU operates as intended.

Glencore also supports the submission made by the Queensland Resources Council (QRC) on behalf of the Rail Working Group. Glencore's comments on that submission are set out in section 3.

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1. Support for the Draft Decision

Glencore supports the QCA's assessment that the negotiated package will promote the efficient operation, use of and investment in the Central Queensland Coal Network (CQCN), while appropriately balancing the interests of Aurizon Network, access holders and access seekers.

The package provides material benefits to CQCN users, including greater certainty regarding access rights, more transparent capacity management and transfer processes, improved capacity and expansion assessment, greater customer involvement in maintenance and renewals planning, improved reporting, continuous improvement mechanisms and stronger financial accountability for contracted capacity.

Glencore acknowledges that the QCA's Draft Decision formally refuses to approve the DAAU in its current form. However, Glencore understands that the proposed changes principally concern:

1. corrections required to ensure the DAAU operates as intended; and
2. amendments to Aurizon Network's proposed non-electric operating expenditure allowance.

Subject to the matters addressed below, Glencore supports the QCA's approach.

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2. Contract volume-based pricing and take or pay

Glencore strongly supports the QCA's preliminary decision to approve the proposed contract volume-based pricing and take or pay arrangements.

The proposed arrangements improve financial accountability for access holders that retain contractual capacity they do not expect to use. Under the current framework, the costs of underutilised capacity are socialised across users, which may encourage access holders to retain capacity above their expected requirements for operational or scheduling reasons.

The proposed arrangements will better align:

- the capacity held by an access holder;
- the capacity it expects to use; and
- the financial consequences of underutilisation.

Glencore agrees with the QCA that this should promote more efficient contracting decisions, improve utilisation of existing capacity and reduce the risk of unnecessary network expansions.

2.1 No need for industry self-insurance

Glencore supports the QCA's conclusion that the existing form of industry self-insurance is not valued or supported by all access holders.

The financial risk of retaining capacity above expected utilisation should generally be borne by the access holder best placed to manage it. This will promote more disciplined management of access entitlements, more efficient transfers and relinquishments, appropriate risk-management arrangements and reduced cross-subsidisation between access holders.

Glencore therefore supports the QCA's decision not to adopt the additional arrangements proposed by Anglo American for significant mine events.

Glencore recognises that individual access holders face different operational and production risks. However, those differences do not justify retaining a system-wide mechanism that socialises those risks across access holders. Where additional protection is required, it should generally be addressed through commercial arrangements, insurance, transfers, relinquishments or other measures that preserve incentives for efficient capacity management.**2.2 Application across different access agreements**

The QCA has identified a potential difference between the operation of the take or pay trigger for access holders with UT2 access agreements and those with later agreements.

Glencore does not consider that implementation of the proposed amendments should be delayed until the remaining UT2 agreements expire. The potential impact is expected to be limited because:

- the number and remaining term of UT2 agreements are limited;
- different take or pay provisions have historically operated within the CQCN, including under UT1 and UT2 agreements; and
- UT2 access holders do not benefit from the various capping mechanisms available under later agreements, meaning the differences are not necessarily one-sided.

Deferring the amendments would delay the efficiency benefits of contract volume-based pricing for all access holders to address a limited and diminishing issue.

Glencore therefore supports the QCA's preliminary position that the amendments should commence on 1 July 2027, rather than being deferred until the expiry of the remaining UT2 access agreements. If material concerns are raised, Glencore suggests that any transitional arrangements should apply only to the coal system to which the relevant UT2 access agreements relate. The implementation of these important amendments should not otherwise be delayed beyond what is strictly necessary.

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3. Support for the QRC submission

Glencore supports the QRC's submission on behalf of the Rail Working Group, including its comments regarding:

- the QCA's proposed corrections to the DAAU;
- the treatment of non-electric operating expenditure;

- the need to consider efficiency benefits from Aurizon's 2025 non-operational cost review; and
- the proposed allocation of costs to non-coal services.

Glencore supports the QRC's request that the QCA review whether efficiency benefits arising from Aurizon's 2025 non-operational cost review have been appropriately reflected in the UT5+ cost allowances.

Glencore also supports the QRC's request that the QCA confirm whether the proposed general allocation of costs to non-coal services has been applied consistently with the methodology adopted under the previous undertaking.

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4. Conclusion

Glencore considers that the QCA's Draft Decision provides an appropriate basis for finalising the UT5+ DAAU. Glencore recommends that the QCA:

1. retain the negotiated package of amendments, subject to the identified corrections;
2. approve the contract volume-based pricing and associated take or pay arrangements from 1 July 2027;
3. not defer those arrangements until the remaining UT2 access agreements expire;
4. maintain the proposed reductions to Aurizon Network's non-electric operating expenditure allowance, subject to further review of the efficiency benefits arising from Aurizon's 2025 non-operational cost review;
5. confirm that the general allocation of costs to non-coal services is consistent with the previous methodology; and
6. proceed to finalise the UT5+ DAAU for commencement on 1 July 2027.

Glencore appreciates the QCA's consideration of this submission.

Yours sincerely,

Megan Chapman

Glencore Coal Assets Australia Pty Ltd