



**Submission to the
QCA Review of the QR National
Draft Capricornia System Rules**

October 2011

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1 INTRODUCTION AND BACKGROUND

Asciano Limited (Asciano) welcomes the opportunity to provide comments on the QR Network draft Capricornia System Rules submitted to the QCA.

Asciano has previously provided comment on the QR Network draft Goonyella System Rules submitted to the QCA. To the extent that some issues arise in both the draft Goonyella and Capricornia System Rules Asciano has reiterated its comments on these issues in this current submission.

As indicated in the Capricornia System Rules cover letter sent to the QCA, QR Network has consulted with Asciano in the process of developing the draft Capricornia System Rules (the Rules); and Asciano has provided comment to QR Network on various preliminary drafts of the Rules. Asciano notes that some comments previously provided by Asciano have been incorporated into the current draft of the Rules.

Nevertheless, Asciano continues to have concerns with both the specific details contained within the Rules and the general framework within which the Rules operate. In particular Asciano believes that:

- the operation of the Rules needs to include more transparent and accountable processes;
- further consideration of the impact of the Rules is required in relation to the equitable operation of train planning and scheduling; and
- further definitional clarity around TSEs is required.

These concerns are outlined in this submission.

This submission contains no confidential information and may be considered a public document.

2 GENERAL ASCIANO COMMENTS ON THE DRAFT CAPRICORNIA SYSTEM RULES

Asciano recognises that a single set of operating rules for the Capricornia coal rail system is necessary for the efficient development and operation of this system.

Alignment of Rules Across Systems

Asciano has a general concern as to whether the final Capricornia System Rules will be aligned with other QR Network System Rules, such as the Goonyella System Rules. Asciano does not fundamentally oppose the alignment of the Capricornia System Rules with the rules for other coal rail systems but if this is to be the case it should be made clear in the current consultation process so that respondents to the consultation process can provide comments on the advantages and disadvantages of alignment between the system rules of the QR Network coal rail systems.

On a related issue Asciano notes that the draft Rules do not appear to address cross-system traffic in any detail. Asciano believes that the planning, scheduling and priority order of cross system traffics need to be addressed.

Improved Rules Relating to Transfer of Paths

Asciano believes that the current QR Network access regime can be improved by the development and implementation of clearer rules and processes that facilitate more effective and timely transfers, and so allow for improved efficiencies in the management of TSE portfolios. While improvements in the transfer process requires amendments to other processes and documents, not just the system rules, the system rules should be sufficiently flexible to accommodate improvements as they occur. The current draft Rules are largely silent on the issue of transfers

An example of the need to improve rules around transfers can be seen in the following example. The draft Rules (page 10) state

A system path can be defined as a Below Rail Network Path that is aligned with a specific Mine Loading Slot and Port Unloading Slot, plus Above Rail dwells as contracted in various Access Agreements.

Asciano believes that QR Network are currently interpreting this rule to mean that the access holder has contracted paths on a mine to port basis and customers may be billed for both contracted paths not used (under take or pay) and for ad hoc paths

used even if the total paths consumed equals total contracted paths¹. This approach increases rigidities in the system and should be reconsidered.

Asciano believes the Rules, in conjunction with the Access Undertaking and Access Agreements should address this issue of facilitating the transfer of paths to allow increased flexibility within TSE portfolios.

Maintenance

The draft Rules identify that the allocation of maintenance train paths takes priority above the scheduling of TSEs. QR Network should be more transparent as to the capacity impacts of maintenance and how they manage maintenance while continuing to deliver TSEs.

If maintenance train paths impinge on the availability of train paths, either over a month or over a year, QR Network should clarify how TSEs continue to be provided and / or how TSEs will be adjusted. For example, the proposed QR Network maintenance calendar for 2012 currently allows an average of 28.8 days per month of days not impacted by maintenance. This does not align with the QR Network TSE approach where monthly paths are based on a 30 day month. The Rules should expand on how maintenance activity impacts on both TSE calculation and the availability of paths for TSE consumption.

If QR Network manages maintenance by smoothing TSE consumption over a month or over another time period, then operators should also have the ability to smooth their TSE consumption over a similar period.

Applicability of Rules to All Access Agreements

Asciano believes that the draft Rules should be explicit that the rules apply to all access agreements using the Capricornia system, including access agreements agreed under previous Access Undertakings.

¹ This can be seen in the Blackwater system where, for example, fewer trains from a mine may be sent to R G Tanna but more trains may be sent to Barney Point. Thus the access holder is billed both for the unused paths to R G Tanna and the additional paths to Barney Point even though the utilisation of the network is close to unchanged.

3 DETAILED ASCIANO COMMENTS ON SPECIFIC ITEMS WITHIN THE DRAFT CAPRICORNIA SYSTEM RULES

This section addresses Asciano's comments on the details of some sections of the draft Rules.

Comment on Draft Rules Section 1.1 – Governance Framework

This section could be improved by including a specific reference to the concept that in the unlikely event that the Access Undertaking and the Rules are in conflict then the Access Undertaking will take precedence.

Comment on Draft Rules Section 1.2 – Associated Documents

End user access agreements and train operator's agreements are currently being developed by QR Network via a separate regulatory process. The table in this section should be updated to include reference to the end user access agreements and train operator's agreement when they are finalised.

Comments on Draft Rules Section 2.1 – System Paths – Below Rail Network Path

The draft Rules (page 10) state that

Below Rail Network paths in the Blackwater System are determined based on the run between Callemondah and Bluff, having a dispatch interval of 30 minutes

Asciano believes that the key objective of system paths is to optimise the supply chain throughput by more closely linking rail access availability to port capacity availability. Given that port capacity is at RG Tanna, not Callemondah, Asciano believes that reference to RG Tanna (or another port facility) rather than Callemondah should be used.

Furthermore Asciano is seeking clarity from QR Network in relation to:

- the reasoning which supports the dispatch intervals used in this section of the Rules as they do not seem to align with the network sectional run times for any one network section; and
- the details of how above rail delays and below rail delays are treated in relation to the dispatch intervals.

Asciano also believes that, in relation to system paths, the Rules should require QR Network to indicate what number or proportion of trains conform to the reference train, and following from this, whether the use of non-reference trains is adding to the number of system paths that would otherwise be available if reference trains were being used (and conversely, whether the use of non-reference trains is reducing the number of system paths that would otherwise be available if reference trains were being used).

Comments on Draft Rules Section 2.4.1 - Contracted Timetabled Traffic

The draft Rules should contain further additional information on the information regarding the priority position of timetabled non-coal traffic and how QR Network contracts paths for non-coal traffic and the consequences, if any, of this contracting. (Note that Asciano is not opposed to non-coal traffics using the relevant section of the network but believes that further information on non-coal operations may be useful in further understanding the Rules).

Furthermore the operational interface of QR Network and Queensland Rail Limited in relation to these traffics should be expanded upon. For example issues that may be addressed include

- alignment of maintenance activities; and
- alignment of contractual entitlements. (QR Network bases its contractual entitlements on monthly entitlements and Queensland Rail Limited bases its contractual entitlements on weekly entitlements which may lead to misalignment).

Comments on Draft Rules Section 2.4.2 – Cyclic Trains

The draft Rules note that the risk of varying from contractual requirements sits with the access holder. Asciano believes that this risk can be reduced by having the Rules improved to facilitate the transfer of paths as outlined in section 2 of this paper. Section 2.4.2 of the Rules should include wording which allows an access holder to manage the risk of varying from contractual requirements by allowing the access holder to exchange TSEs to smooth demand variability.

Comments on Draft Rules Section 3.2.2 – Determination of Network Service TSE Obligation

The draft Rules (page 14) note that “monthly paths are based on a 30 day month” but the next paragraph discussing weekly entitlements states that “destination TSE is

calculated by dividing the total monthly TSE by the number of days in the month” - this implies that the actual days in the month are used rather than the 30 day month. The Rules should clarify if the 30 day month is used for all calculations or whether different lengths of month are used for different calculations. If the latter option is used then some justification should be provided as to why different approaches are used in different calculations.

In addition the draft Rules (page 14) note that “for scheduling purposes, monthly TSEs are broken down to nominal weekly entitlements, to ensure even railings across the month”. This concept needs to be further expanded or clarified within the Rules to recognise that the main focus of access agreements is monthly train service entitlements rather than weekly train service entitlements.

Overall, the issue of monthly, weekly and annual entitlements should be further clarified within the Rules, and the Rules should clearly outline the methodology used for any rounding of paths and for the reconciling of monthly, weekly and annual entitlements.

The draft Rules (page 14) discuss adjustments to TSEs for planned maintenance. Asciano believes that this discussion is better expressed in terms of train paths rather than TSEs, as TSEs are a contractual entitlement, rather than the actual train paths being offered.

Further to the issue of planned maintenance the draft Rules (p14) indicate that the maintenance multiplier adjustment will not exceed the loadout capability of each origin. Asciano supports this and believes it should be extended to ensure that the maintenance multiplier adjustment also does not exceed the unloading capability at each destination and the system path capability of the operator.

More generally on the issue of maintenance Asciano believes that the Rules should address the issue where maintenance may impact on paths on days preceding or following maintenance periods. For example while paths may be theoretically available on the days preceding or following maintenance, in practice these paths may not be usable as trains may be unable to make return journeys to make use of these paths. This may require an adjustment being made to the maintenance multiplier to allow for additional paths which are unused outside the maintenance period but which are unused due to the impact of maintenance on train movement.

More generally, the Rules should also be more explicit in addressing the process of what occurs in the event that TSEs are not met. Asciano believes that in the event that all requests for TSE allocations within weekly or monthly entitlements have not been supplied in the previous month due to QR Network related reasons then the access holders monthly TSE entitlements should be recalculated for the outstanding annual balance divided evenly over the remainder of the months in the year. This will ensure that an access holder will have sufficient ability to recover from any QR Network related losses and will not be disadvantaged against other access holders in future TSE orders.

Comments on Draft Rules Section 3.2.3 – Train Orders

This section indicates that port plans and rail orders exist as two separate processes, albeit processes which require the participants to communicate with participants in the other process. Asciano believes that further alignment of these two processes in the Rules would contribute to increased efficiency of the coal supply chain.

Asciano believes that the train order template referred to in this section should also include information as to whether the train order is a TSE train, a non-TSE train or an ad hoc train.

The draft Rules in section 3.2.3 imply that consumption of paths, including TSEs, is based on weekly train orders. Asciano believes that consumption of paths should only occur when a train is scheduled rather than when a train is ordered. (Asciano believes that this is more appropriate as a schedule implies that times have been applied to a train cycle).

Asciano believes that the discussion of Contracted TSE Orders in the draft Rules (page 15) should also include a requirement that QR Network complete TSE orders and distribute them to access holders.

Comments on Draft Rules Section 3.2.4 – Schedule Train Service Entitlements and Section 3.2.5 – Schedule Additional Requested Contracted Orders

Comments on these two sections are combined as they contain similar wording and concepts.

Asciano believes that these sections should consider the possibility that, in the context of the path scheduling priority process, there may be instances where the port and shipping needs may legitimately outweigh the draft Rules priority

considerations of whether QR Network and / or the access holder are behind in providing or receiving contracted train services. Asciano does not oppose the path scheduling priority per se, but believes that the prioritisation should be more flexible and place the issue of port operations at the same level as the priority considerations relating to whether QR Network and / or the access holder are behind in providing or receiving contracted train services.

Furthermore, in relation to the path scheduling priority process, if an access holder is behind in the contract year to date) in receiving contracted train services due to Network Cause the recalculation of the TSEs should be calculated as the outstanding annual balance divided evenly over the remaining months in the year. This will ensure that the access holder will have sufficient ability to recover the network related losses.

Asciano has a concern that the draft Rules (page 17) state:

If after the above mentioned processes, all paths have not been allocated, QR Network will allocate the remaining paths unilaterally, taking into consideration the best solution for the supply chain as a whole.

Asciano believes that a better outcome could be achieved if QR Network did not act unilaterally, but instead at a minimum consulted with producers, above rail operators and port operators.

More generally in relation to the scheduling of TSEs Asciano believes that TSE allocation should also be on a “depart origin and arrive at port” basis not just a “depart origin” basis. For example an access holder receives a path for a TSE service to depart origin one path earlier than another access holder who has requested an ad-hoc service. Both trains arrive back at port at around the same time but the access holder with the ad-hoc service is scheduled to unload first and the access holder with the TSE service has to queue at the port. To the extent that the port and shipping needs are the same for both access holders the access holder with the TSE should have priority.

Comments on Draft Rules Section 3.2.7 - Draft Development and Distribution and section 3.2.8 - Final Acknowledgment and Acceptance

Comments on these two sections are combined.

In developing and finalising the weekly train plan and distributing the plan to the train operators QR Network should also provide in writing the reason for not supplying any train services requested by the train operators including

- details of any “won” and “lost” contested paths
- reasons for any schedule times longer than access agreement sectional run times, and
- reasons for any alternative path provided.

Asciano also has a concern that the draft Rules (page 18) states:

Where written acknowledgement of receipt and acceptance does not occur, the Access Holder is deemed to have rejected the WTP, and following appropriate consultation with the Access Holder, QR Network will not schedule services for that Access Holder.

Asciano believes that the above statement is inappropriate. Following consultation, if no acceptance is forthcoming then QR network should make the services available according to the plan as the services are being provided under a contract.

Comments on Draft Rules Section 4.1 – Daily Train Plan

The daily train plan needs to be supported by QR Network providing train operators with details of scheduled sectional running times including crossing times and passing times. In the event that such information cannot be provided in the daily train plan it should be provided in the weekly train plan. Furthermore the Rules should make it explicit that the full schedule of each train will be provided including above rail and below rail dwells.

The draft Rules (p20) note that “train control diagrams are printed at 14:00 hours on the business day prior to operation, and transferred to QR Network Production Control Centres” and “an electronic version of the Daily Train Plan will be distributed to Access Holders and GPC at the close of business prior to the day of operation, via an electronic transfer”. Asciano believes that the electronic version of the Daily Train Plan should be provided at the same time as the train control diagrams are printed as the information used for both is similar if not identical.

Comment on draft Rules section 5.1 - Plan Alteration Rules

Asciano believes that the process outlined in section 5.1 should allow that, in the event that an access holder requests to divert or change a TSE service to a non contracted path or an ad hoc service, then all other access holders should have the option of resuming the path for a TSE service before the request can be approved.

Asciano has a concern that the draft Rules (page 21) states:

For the purpose of scheduling an Access Holder's future Train Orders, any requested diversions in the Day Of Operations environment that can be accommodated but result in a cancellation of the original destination, will be recorded as the path being provided for the diverted to Origin – Destination TSE, and a cancellation for the diverted from Origin – Destination TSE.

Asciano believes that the above approach is not acceptable as a train diverted from its planned path may not always consume more capacity than it would have consumed on its original path.

Furthermore if the vacated path is then consumed by another train service then a TSE consumption should not be recorded.

Comment on draft Rules section 7 – Measuring performance

In relation to the issue of performance measurement Asciano notes that the issue of performance measurement is addressed in both the access agreements QR Network has with access holders (in particular schedule 5 of the access agreements) and in the Access Undertaking via requirements to develop incentive regulation. Asciano notes that these issues are being progressed in different forums at the present time and the development of the performance measurement processes in the Rules should be consistent with performance measurement processes in other regulatory documents and contracts.

Asciano strongly believes that performance of actual train paths achieved vs contractual train path entitlements is a critical measure in any system of performance measurement.

4 CONCLUSION

Asciano welcomes the opportunity to provide comments on the draft Capricornia System Rules. Asciano has previously provided comment to QR Network on preliminary drafts of these Rules. Asciano continues to have some concerns with the general details of the rules including:

- the alignment of the Rules across coal systems including the need for cross system traffics to be addressed;
- the need for the Rules to be improved in order to facilitate the transfer of paths;
- the need for maintenance impacts and procedures to be more clearly addressed in the Rules; and
- the needs for processes within the Rules to be more transparent and accountable.

In addition Asciano has concerns about numerous details in the draft Rules as outlined in Section Three above.