

Ms Catherine Barker
Director – Business Performance
Queensland Competition Authority
Level 27, 145 Ann Street
Brisbane, QLD, 4000

21 March 2017

Dear Catherine

Re: System Operating Parameters and Baseline Capacity Assessment

We are writing to submit the 2016 System Operating Parameters (**SOP**) and Baseline Capacity Assessment Report (**BCAR**) to the Queensland Competition Authority (**QCA**) in accordance with clause 7A.4.1 of Aurizon Network's Access Undertaking.

We have **enclosed** two versions of each document, one containing ring-fenced information, and the other redacted to avoid disclosing information that is commercially sensitive. The redacted version is suitable for publication as permitted by clause 7A.4.1(c)(i).

Baseline Capacity Assessment and System Operating Parameters

Clause 7A.4.1(a)(i) of the Undertaking requires Aurizon Network to complete a capacity analysis to determine the Baseline Capacity of the Rail Infrastructure, comprised in each of the Coal Systems it manages. Coal Systems are defined within the Undertaking as each of the CQCN systems (Newlands, Goonyella, Blackwater, Moura, Goonyella to Abbot Point), each of which is defined as comprising Rail Infrastructure.

To support the BCAR, and to provide transparency to stakeholders, Aurizon Network must also develop and publish System Operating Parameters under clause 7A.5(j) of the Undertaking.

Aurizon Network has, when developing the System Operating Parameters, in line with clause 7A.5(b)(iii), sought to be consistent with the assumptions affecting the Baseline Capacity Assessment. This approach requires that in conducting its capacity analysis Aurizon Network must include:

“(iii) consideration of the following factors:

*(A) The terms of Access Agreements relating to Train Services operating in each Coal System;
and*

*(B) The interfaces between the Rail Infrastructure and other facilities forming part of, or affecting,
the relevant Supply Chain...”*

(clause 7A.4.1(b)(iii)).

Consistent with the Undertaking Aurizon Network has developed its System Operating Parameters to align with its contractual commitments to its access holders. These contractual parameters provide an objective basis for the development of the SOPs, as each of Aurizon Network and its access holders are committed to these metrics.

The key interface metrics recorded in Access Agreements, and which are used in the generation of the System Operating Parameters include:

- number of Train Service Entitlements (TSEs) required;
- mode of operation (even railings);
- the time taken for trains to traverse sections of the network (Section Run Times or “SRTs”);
- the time at interface locations (load and unload times); and
- how rail operators will operate on the network – supported by Operating Plans.

Stakeholder consultation

These documents have been developed following consultation with stakeholders, as required by clause 7A.4.1 (b)(i) and (ii) of the Access Undertaking. This consultation provided Aurizon Network with valuable feedback and enabled Aurizon Network to improve the quality of the BCAR through clearer explanation and presentation of the report. It has also assisted Aurizon Network to provide our stakeholders with a better understanding of Aurizon Network’s capacity modelling processes.

A summary of Aurizon Network’s consultation is included at Annex 1 to this letter.

The consultation process identified that stakeholders are keen to see an analysis which:

- provides a view of supply chain capacity, as well as Rail Infrastructure capacity; and
- is based on performance of individual supply chain elements, rather than Aurizon Network’s contracted performance parameters.

Aurizon Network agrees that such analysis would be useful, but considers it is most appropriately conducted outside the context of the Baseline Capacity Assessment.

System Capacity Assessment

Accordingly, in the context of its recently concluded collaboration with stakeholders related to the UT5 review process, Aurizon Network has volunteered to include within UT5 an obligation for Aurizon Network to provide, for information purposes, an annual System Capacity Assessment for each coal system which will focus on supply chain performance. More information in relation to this process, which has been agreed with stakeholders, can be found in Aurizon Network’s submission to the QCA dated 17 March 2017 relating to collaboration with stakeholders in the UT5 process.

To achieve a robust assessment, significant data and cooperation will be required from all elements of the supply chain. Aurizon Network will shortly commence engagement with all supply chain participants with a view to ensuring it is well positioned to deliver this review. Subject to availability of suitable data, Aurizon Network’s intention is to develop an initial view of system capacity as early as September 2017.

Next steps

We look forward to working with the QCA following the submission of the SOP & BCAR and will be happy to address any questions the QCA has in relation to the capacity assessment and the consultation undertaken in the development of the reports.

If you have any questions regarding any aspect of this feel free to contact me on the details below.

Yours sincerely



Mike Backhouse
Manager Planning and Development (Acting)
Aurizon Network

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Annex 1: Consultation Summary

Date	Consultation
September 2016	We wrote to stakeholders describing the proposed contents of the SOP, BCA and NDP. We received written feedback and met with stakeholders on request, providing responses to customers on the feedback received.
October 2016	We delayed release of Draft SOP & BCAR to reflect the feedback received regarding disclosure of access agreement information and to refine the incorporation of Network Management Principles in the Capacity Assessment.
November 2016	We released the Draft SOP & BCAR for stakeholder feedback.
December 2016	Following feedback received from our stakeholders regarding the ability to adequately review the SOP & BCAR we extended the feedback period for Draft SOP & BCAR
January / February 2017	We received written feedback and met with stakeholders to discuss the Draft SOP & BCAR providing responses to the feedback received.
March 2017	Submission of 2016 SOP and BCAR to QCA