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Dear John

QR Network System Rules – Goonyella Coal Chain

BHP Billiton Mitsubishi Alliance (BMA) and BHP Billiton Mitsui Coal (BMC) supports the development of System Rules for the Goonyella System to provide sufficient transparency and accountability on the delivery and consumption of train paths to underpin the delivery of contracted train haulage services.

Prior to the 2010 Access Undertaking, below rail access agreements were not readily transparent to producers because access agreements were executed between QRNN and the rail operators. It was not always clear to producers how their rail haulage contract would align to a rail operator's access agreement and whether sufficient train path flexibility exists to deliver the service parameters contracted under rail haulage contract. We therefore welcome the opportunity to provide feedback and questions on some of the detail that is embedded in the System Rules.

We note the Authority's recent release of the draft Capricornia System Rules for industry consideration. We believe there is merit in ensuring alignment of planning and scheduling processes between the systems to ensure consistency in the definition of access rights, transparency in the consumption of access rights and the equitable and consistent treatment of Access Holders across the Queensland Coal Rail Network.

It is therefore our intention to provide a more comprehensive submission on both the Goonyella and Capricornia System Rules to identify the common issues, themes and concerns we have with the application of access rights across both systems. This submission will be submitted to the Authority by 20 October 2012.

In anticipation of a more detailed submission on 20 October, we offer the following thoughts on what we believe are the main objectives of the Goonyella System Rules and how it interplays with Schedule G of the 2010 Access Undertaking.

1. Governance Framework

The proposed System Rules must provide industry with a level of transparency on how planning and scheduling processes (including how scheduling conflicts are to be resolved) are managed within QRNN. As such, the rules must provide rail operators and producers with the confidence that QRNN:

- is not able to use its vertically integrated company structure to give preferential treatment in the allocation, diversion and consumption of train paths within the train planning, scheduling and day of operations environment;
- equitably operates train planning, scheduling and day of operations environment in terms of Access Agreements; and
- can have its network operations independently audited to certify non-discriminatory treatment of all rail operators and producers.

2. Disciplined Train Operations

The proposed System Rules must drive discipline into the delivery of train operations within the Monthly, Weekly, Daily (48 Hour) planning and scheduling environment. As Railway Manager of a fully operational railway, QRNN must juggle the short, medium and long term needs of producers, including:

- a) to deliver coal haulage services in the current market environment,
- b) to manage the maintenance of the railway to ensure rail infrastructure continues to meet key performance standards; and
- c) to continue to upgrade and extend the network to meet increased demand requirements.

In the event of scheduling or operational conflicts between Access Holders, the proposed System Rules must ensure that QRNN resolution is delivered via a transparent planning process and an accountable capacity consumption matrix. Such a transparent process will provide the Authority with the ability to audit QRNN's decision making framework and ensure an equitable and effective balance is achieved between delivering on QRNN's existing contractual commitments, maintaining system performance requirements and growing the network to deliver to industry's future growth requirements.

3. Capacity Consumption Definition and Accountability

The proposed System Rules must clarify the methodology for defining TSEs and when consumption of TSEs has occurred under access agreements. It is important that rail operators and producers understand the capacity implications of proposed scheduling practices and when a TSE is deemed by QRNN to have been consumed regardless of whether or not a train has actually run. In this context it is important that the System Rules clarifies whether schedule variations, diversions and cancellations can occur up to the finalisation of the Daily (or 48 hour) planning process without being treated as consumed TSEs.

Such capacity consumption accountability information would then provide a basis from which individual producers can assess their own operations and drive efficiency through the way they plan and schedule services to deliver their tonnes from the mine gate to the port.

4. Multiple Coal Chain Operations

The proposed System Rules must identify the design parameters of the base level of access rights (or train service entitlements) contracted within existing access agreements. Transparency around the base level of contractual rights will allow producers to quantify and measure the capacity impacts associated with the different operating characteristics of specific coal chains dependent on the efficiencies around installed port infrastructure and operating characteristics (stockyard to throughput ratio), installed mine loading capabilities (including mine recharge rates) and rail infrastructure intensity (intensity of train services and complementary rail infrastructure).

Importantly, the System Rules must recognise the fact that different coal chains convert their rail access rights into more tonnes or less tonnes delivered through the system, dependent on the associated infrastructure and stockpile capacity each coal chain has installed upstream or downstream from the rail network.

5. Future Process

As indicated above, a more comprehensive submission on the above issues will be provided by 20 October 2012. If you have any queries or require more information, please feel free to contact Ms Tanya Boyle on mobile 0459 812257.

Yours sincerely



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Rail Ports and Infrastructure Department