

10 February 2012

John Hall
Chief Executive Officer
Queensland Competition Authority
GPO Box 2257
Brisbane Q 4001

Dear John,

Access charge for coal carrying train services from Colton to Barney Point

The purpose of this letter is to provide further information in response to stakeholder submissions on QR Network's application for variations from the requirements of the 2010 Access Undertaking in relation to the proposed coal carrying train services from the Colton mine.

On 13 January 2012, the QCA provided QR Network copies of stakeholder responses to QR Network's application given to the QCA on 25 October 2011. Upon review of those submissions, we consider there are some matters raised by stakeholders which may be relevant to the QCA's decision making. These matters can be categorised as follows:

- displacement of contracted tonnages;
- transparency and consistency; and
- alignment with Capricornia system rules.

We address each of these matters in turn.

Displacement of Contracted Tonnages

A consistent theme in relation to the submissions is concern regarding displacement of contracted train services. There is also an assertion that the port rights are not contracted. In response to this assertion, QR Network notes that it sought, and was provided, confirmation that the Customer has the complimentary (subject to availability) access rights at the port.

We also advise that the use of those rights is subject to availability of both the port and rail and the ability to schedule trains through the daily train plan (DTP) is contingent on the terminal operator making the coal handling facilities and stockpile available. In this regard, where a port user or stakeholder has concerns regarding displacement of their contracted tonnages through the relevant coal terminal then these concerns should be progressed with the terminal operator.

Transparency and Consistency

QR Network has submitted the application to apply an access charge which differs from the requirements of Schedule F in a form suitable for the QCA to engage in a transparent consultation process.

As the QCA would be aware from the joint meeting held between the Customer, QR Network, Queensland Rail and the QCA, the Customer faces a number of complexities associated with coordinating access rights between two railway managers. In addition, the discussion of the proposed access charge has been directly between the QR Network and the Customer.

The circumstances regarding this service are considered to be unique and given the nature of the train service entitlement it is not mutually exclusive with other access requests. QR Network has negotiated in good faith to propose a form of access which supports the mine development and reduces the risk to the Wiggins Island coal chain development.

QR Network will treat all access seekers for this service in a consistent manner in the event there was more than one access seeker.

Alignment with Capricornia System Rules

Stakeholders have queried how this service is scheduled within the corridor scheduling procedures. To confirm, the proposed service will not receive any scheduling priority over contracted train services in Schedule 1 of an access holder's access agreement. Similarly, where an access holder orders additional train services in a scheduling period and the access holder has not yet consumed its annual entitlement then those orders receive the appropriate scheduling priority.

The proposed train services can only be scheduled, or prioritised over other train orders, under the following conditions:

- there are available train paths in the DTP which have not been ordered: or
- the train order is competing for a train path order placed by an access holder who has consumed its annual train service entitlement: or
- the train order is competing against other adhoc train order requests which have no contractual entitlement.

This is not inconsistent with schedule G as the operation of the contested train path decision making process prioritises and schedules train services according to the actual contractual entitlement. In addition, there should be no capacity implications as the services can only operate where an existing access holder is underutilising its entitlement. However, the relevant System Rules could be amended to improve transparency of how these services would be scheduled relative to contracted coal carrying train services.

We look forward to the QCA's consideration of the application and trust this additional information will assist the QCA in its decision making. Should you require any further information please contact Dean Gannaway, Manager Regulation and Policy on (07) 3235 2055.

Yours sincerely,



Michael Carter
Chief Executive Officer
QR Network Pty Ltd