13 May 2013

Dr Malcolm Roberts
Chairman
Queensland Competition Authority
GPO Box 2257
Brisbane Qld 4001

By email: rail@qca.org.au

Dear Malcolm,

Response to Aurizon Network's Draft Amending Access Undertaking for the approval of a proposed Goonyella to Abbot Point Expansion reference tariff

Adani Mining Pty Ltd (Adani Mining) welcomes the opportunity to comment of Aurizon Network's (Aurizon) submission to the Queensland Competition Authority's (QCA) on its Draft Amending Access Undertaking (DAAU) with reference to Goonyella to Abbot Point (GAPE) proposed reference tariff.

The DAAU submitted under section 142 of the QCA Act seeks to establish a dedicated reference tariff and a stand-alone individual coal system for pricing purposes.

Adani Mining has a strong interest in the GAPE reference tariff as a potential new entrant in the Queensland market. Adani Mining is currently developing a greenfield coal mine in the Galilee Basin north-west of Clermont in Central Queensland to export coal via Abbot Point.

In its GAPE DAAU, Aurizon has proposed that new customers using the Northern Missing Link (NML), beyond the foundation customers, will pay all incremental costs (private or mainline) plus the proposed GAPE Reference Tariff.

Adani Mining strongly opposes Aurizon's GAPE DAAU submission and the proposed pricing approach for GAPE on the grounds of equity in regards to the pricing of new additional services using the NML.

The proposed approach for GAPE pricing is not consistent with past practices or with the current undertaking's approach to pricing (because the tariff for a new customer will be significantly higher as it includes existing tariff plus incremental tariff). This effectively, translates in a potentially larger contribution to common costs if we compare it to the existing practice.

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The GAPE project was underpinned by very specific commercial arrangements (i.e. GAPE and NAPE deeds) between Aurizon and its five foundation customers. According to Aurizon's proposal the allocation of cost and the derivation of the GAPE reference tariff were specifically done to reflect some of the terms and conditions negotiated with the five foundation customers.

The proposed pricing approach is fundamentally based on flawed premise leading to cross-subsidisation between users on the same rail system. This in turn could result in sub-optimal pricing approach for future rail system expansions and inappropriate risk allowances for investment returns. Given that there was no transparency regarding the commercial arrangements for NML expansion, it is difficult to assess, if the pricing approach used by Aurizon reflects the true costs and risk associated with the NML expansion.

We believe that Aurizon's proposal is inequitable and unfairly disadvantages new customers. The new customers were not privy to the terms and conditions of these commercial arrangements. The result of the proposed pricing approach is that a new user will effectively cross subsidise existing users simply because of the commercial terms.

It is therefore appropriate that the merits of the proposed reference tariff are independent of any commercial arrangements outside the regulatory framework. We believe that if socialisation delivers clear benefits to existing users, through reduced tariffs then such an approach would be equitable. Adani Mining supports a true socialisation approach as there are clear network advantages from infrastructure expansion that benefit existing users and new entrants.

It is therefore highly recommended that this DAAU is assessed by QCA on grounds of merit, best economic outcomes and the increasing challenges for the resources industry to remain globally competitive.

Please feel free to contact me on (07) 3223 4814 regarding this submission.

Yours Faithfully

[redacted]

Yogendra Sharma
Director-Rail