

Submission to QCA

Electric Traction Services Draft Amending Access Undertaking

Queensland Competition Authority

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This submission is made by Springsure Creek Coal Pty Ltd (**Springsure**) in response to the Queensland Competition Authority's (**QCA**) call for further submissions regarding its Draft Decision (July 2012) to reject QR Network's (**QRN**) Draft Amending Access Undertaking (**DAAU**) relating to the pricing arrangements for electric traction services on the Goonyella and Blackwater systems, put forward by QRN on 16 December 2011.

This submission is provided on the basis that Springsure supports the QCA's Draft Decision to reject QRN's proposal to socialise the AT5 across the Goonyella and Blackwater systems, impose AT5 on diesel trains, and place a 5% ceiling on annual revenue cap adjustments.

Springsure reiterates the comments made in its first submission (made jointly with Washpool Coal Pty Ltd) to the QCA on this matter. Springsure acknowledges that since those comments were made, QRN has attempted to find a way forward to address the issue. Unfortunately this has not yet convinced Springsure that a viable alternative has been identified.

Accordingly, Springsure remains opposed to the dis-incentivisation of diesel traction operations in the Blackwater system via QRN's proposed methodologies for the following reasons:

- While electric infrastructure investment decisions in recent years, subsequent increases in AT5 and resultant decrease in the utilisation of electric consists have increased the risk of "stranding" of QRN's electric consists and overhead assets there are solutions, within the existing regulatory framework, for QRN to influence market behaviour. Springsure is firmly of the view that QRN should first look to voluntarily reducing the AT5 component to incentivise electric traction usage before dis-incentivising diesel traction usage.
- Springsure was not a party to the electric infrastructure investment decisions made regarding the Blackwater system as part of the CRIMP process in recent years as it only became a potential user of infrastructure during the Wiggins Island process. In light of QRN's decision that it would not fund, construct or own mine specific infrastructure, together with the location of the Springsure Creek mine, the only rail infrastructure choice was to connect to a diesel line in the Blackwater system. There was no suggestion at this time that this line could or would be electrified. As a result, Springsure and its above rail operator, Pacific National, have both made significant economic pre-commitments to diesel traction based on the existing pricing principles. QRN's proposal would penalise Springsure for its prior investment decisions, undertaken legitimately within the current regulatory framework, and force upon it a greatly altered asset stranding risk to that upon which it based its investment decisions.

- Any proposal by QRN to electrify any part of the Blackwater system (including Springsure's spur line or any other new spur lines that developing mines require to operate on the Blackwater system) and bear the cost and risk of such electrification, needs to take account of a number of issues:
 - First, the timing of such electrification is critical to ensure Springsure can perform its long term commitments in relation to Wiggins Island;
 - Secondly, there are multiple agreements between multiple parties involved in the Wiggins Island project. Springsure, for instance, has already entered into an above rail haulage agreement with Pacific National for its mine. As a result, it is not simply a matter of QRN reaching agreement with Springsure on the issue of traction type. No decision can be made in isolation of the nominated operator;
 - Thirdly, in terms of the timing of any transitional move to electric traction, Springsure considers that any investment decisions made by parties to the WIRP Deed irrespective of whether they were made after the submission of the QRN DAAU on 16 December 2011 should be immune from any change to diesel pricing proposed by QRN. Springsure, for instance, entered into an agreement with Pacific National in February 2012, based on the current regulatory framework and QRN's advice regarding pricing of a diesel versus electric traction operation. QRN should not be entitled to subsequently alter its position and adversely impact on Springsure's decisions.

Springsure would welcome the opportunity to contribute to any future discussion on this issue.