

Bravus Mining welcomes the opportunity to respond to the Queensland Competition Authority's Decision Notice. In doing so, Bravus would like to acknowledge support for the QRC's submission and has provided additional commentary on Aurizon Network's response to stakeholders as below

**Cost Allocation Overview:**

Bravus endorses the concerns raised in the QRC submission around the QCA's proposed Position Paper approach and for this reason also supports the QRC's conclusions on the appropriate way to address the issues. Specifically, Bravus supports the suggestion that the QCA -

*“complete a thorough investigation of the Newlands renewals issue before making a final decision on the ARRT, such that the final decision reflects the QCA's final views on this issue. We acknowledge that this will delay the approval of revised tariffs beyond 1 July 2021; or*

*Alternatively, (do) not approve the ARRT and require Aurizon Network to submit an amended undertaking which incorporates the ARRT but also establishes a process for resolving the Newlands renewals issue.”*

The undertaking as it stands does not contemplate cost allocation of common infrastructure between systems. Following a not fit for purpose “pricing approach” that does not align with cost drivers nor deal with the issues of relative scale between the systems is not a sustainable solution. In fact, over time issues will be exacerbated. Bravus notes that Aurizon is able to acknowledge that the issue of scale is an issue when it comes to consideration of the treatment of PIC.

Bravus is interested in seeking changes which deal with the issue of scale and the interconnection of systems around pricing/cost allocation. Bravus is also seeking the QCA's views on when scale does become a driver of incremental costs in relation to renewals. Aurizon Network's responses to date have failed to give any insight into when this inflection point occurs or, for example, whether the approach to FY22 renewal allocation would have been different had the Bravus connection point been located in GAPE instead of Newlands.

**Aurizon Network's Newlands Price Discrimination Proposal and the Treatment of NAPE Costs:**

Aurizon Network's assertion that Bravus requires 26.5TAL to deliver the same legacy contracts that did not require 26.5TAL in the original GAPE project proposal remains a “hypothetical construct” without merit. It follows that any argument that any existing legacy contract should incur a separate price regime falls away.

The QRC response to the Decision Notice notes –

*“Newlands customers may receive benefits from the GAPE project which are not reflected in Newlands access prices, however Aurizon Network has not demonstrated these benefits nor whether those benefits have a value which is at least equal to the additional renewals costs which are caused by GAPE traffic and (under Aurizon Network's proposal) are to be paid by Newlands customers. Also, we would expect that the value of any benefits which are not reflected in Newlands access prices will decline over time, while the impacts of the renewals allocation on Newlands customers will continue to compound. We need to establish a methodology which can be applied into the future”*

In the same manner, all Goonyella users may receive benefits from the GAPE project which are not reflected in the Goonyella tariffs. The GAPE was constructed as an overflow for the 26.5TAL

Goonyella system. It provides option value for both individual Goonyella mines and broader system wide benefits - individual mines may benefit from for example reduced stockout events, higher volume of sales, capturing higher margins; System benefits include reduced congestion on rail, reduced demurrage and reduced shipping rates. Project costs were originally allocated on the basis of user pays to GAPE users set against an environment of high levels of Goonyella system congestion and vessel queues exceeding 100 vessels. Following the expiry of the GAPE deed, the Goonyella option value will increase. It will then be available to all Goonyella system users of Hay Point and DBCT without the need for a GAPE deed.

Bravus does agree with Aurizon Network's assertion that in the absence of Bravus the Newlands tariff would be substantially higher. Newlands, NAPE & GAPE users can only enjoy this benefit as a result of Adani's substantial investment in the adjoining Carmichael Rail Network(CRN). Adani's investment in CRN will generate positive externalities above and beyond the CRN for which it will not be reasonably compensated.

Aurizon's treatment of NAPE costs remains clouded and the valuation of the current NAPE provisions as a result of the two identified recovery mechanisms remains undefined. Aurizon Network's response to stakeholders confirmed that the inclusion of the NAPE tonnes into the Newlands system has reduced the Newlands tariff but it fails to outline -

- whether GAPE users were consulted on this decision, the size of the cumulative regulated NAPE costs imposed on GAPE users to date or any proposal to correct what would seem from the information presented to be a misallocation of costs; and
- why the NAPE proponent alone should not be held directly responsible for NAPE project costs; and
- Any responsibility for the shortfalls of its commercial arrangements.

Bravus would support Aurizon Network's suggestion of discriminatory pricing applying in this instance to any NAPE proponent that continues to enjoy a Newlands tariff and the potential capacity benefits of NAPE. Bravus notes that the undertaking provides for application of both premiums and discounts.

#### **Private Incremental Costs:**

Bravus would welcome the opportunity to work with industry on the issue of PIC.

In response to Aurizon Network's response to stakeholders, Bravus is not required to confirm publicly under the undertaking whether or not it will make an application to the QCA for PIC. Bravus also notes that the existing FY22 Newlands tariff provides for the Qcoal's and Glencore's historic connecting infrastructure and that Newlands tariffs in the absence of Bravus would be substantially higher.

Bravus notes that it has not been established whether or not the mechanism to approve PIC is deficient. The current mechanism requires the QCA to approve only "prudent and efficient" costs.

Bravus would support a consistent approach be taken on the impact a new system's scale has on an existing system's common costs for both consideration of PIC issues and the allocation of renewal costs.