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Mr John Hall  
Chief Executive Officer  
Queensland Competition Authority  
GPO Box 2257  
Brisbane QLD 4001  
[rail@qca.org.au](mailto:rail@qca.org.au)

Dear Mr Hall

**Rio Tinto Coal Australia submission on draft Capricornia System Rules submitted by QR Network on 31 August 2011**

We write in response to the invitation for comment from the Queensland Competition Authority (**Authority**) on the draft Capricornia System Rules submitted for the Authority's approval by QR Network on 31 August 2011 (**System Rules**).

Rio Tinto Coal Australia (**RTCA**) and its joint venture partners have one mine, Kestrel, located within the Capricornia System. RTCA ships coal for export from Kestrel Mine via RG Tanna at the Port of Gladstone.

RTCA is generally supportive of the System Rules but would like to raise the following issues for consideration by the Authority.

**Interaction with Supply Chain Operating Assumptions**

RTCA has concerns regarding the capacity of the Capricornia System to handle increased demand flowing from the Wiggins Island Coal Export Terminal (**WICET**) Stage 1. RTCA considers that capacity in the Capricornia system is a product of both the System Rules (which cover how trains are ordered and scheduled) and the Operating Assumptions (which define the operating mode of the supply chain, such as dwells, delays and intervals between trains).

QR Network has separately published a document entitled "Blackwater and Moura System Operating Principles - Wiggins Island Rail Project (**WIRP**) Stage 1" which RTCA understands are to be the "Supply Chain Operating Assumptions", as that term is used in the Access Undertaking, for the Capricornia System. These principles are being used by QR Network to perform capacity analysis in order to progress the design of the network expansion for WIRP Stage 1. That document is presently undergoing review by the Gladstone Coal Exporters Executive (**GCEE**).

While RTCA supports any initiative that can increase efficiency in the Capricornia System, it has concerns that some of the operating assumptions proposed in the Blackwater and Moura System Operating Principles, such as decreases in the intervals between trains, are not achievable. For this reason, RTCA would like the opportunity to provide further feedback to the Authority once the GCEE review of the Blackwater and Moura System Operating Principles is complete.

**Weekly train scheduling process and cross system traffic**

In section 3 of the System Rules, QR Network have proposed a weekly train scheduling process similar to that proposed in the draft Goonyella System Rules.

The weekly train scheduling process proposed does not pose the same concerns as for the Goonyella System. This is because, unlike the Goonyella System, the RG Tanna and the proposed WICET terminals both operate on a dedicated stockpile basis, which is compatible with greater forward planning for train orders and even railings.

However, given the likely increase in the level of interaction between the central Queensland coal systems (Capricornia, Goonyella and Newlands) in the future as GAPE and the proposed Abbot Point port developments come online, RTCA considers that there is merit in having the same train scheduling process in the three different systems. For the reasons set out in our submission on the Goonyella System Rules, RTCA considers that train scheduling in that system can only work on a rolling basis. If a consistent scheduling mechanism is to be adopted across all three systems, RTCA proposes that the 48 hour rolling system described in RTCA's submission on the Goonyella System Rules should be used.

We also note that the System Rules are silent on the issue of cross system traffic. There is already a level of interaction between the Goonyella and Capricornia Systems. This is likely to increase with WICET. RTCA therefore believes that scheduling for cross system traffic should be addressed in the System Rules.

### **Measuring Performance and TSE consumption**

Section 7 of the System Rules details the way in which QR Network will measure performance in the system and allocate accountability for delays. The System Rules provide that QR Network will provide each Access Holder with a Weekly Train Service Entitlement (TSE) Performance Report including a comparison of orders vs schedules vs actual services.

For delays or cancellations that have caused an exception to the Daily Train Plan (DTP) or Weekly Train Plan (WTP), the System Rules require the Supply Chain Stakeholders to agree the cause of the delay or in absence of agreement, QR Network will allocate the cause of the delay to QR Network, Adjoining Network, Port, Mine or Operator. If an Access Holder is not happy with the allocation, it may have recourse to the dispute resolution mechanism in its access agreement. Other Supply Chain Stakeholders have no avenue of dispute.

RTCA considers that this section should be further elaborated upon if it is to be used by QR Network to determine each Access Holder's consumption of its contractual TSE. In particular, the section should be amended to incorporate the following principles:

- Train Paths ordered in the WTP or DTP and cancelled but rescheduled without a loss of capacity in the system should not count as TSE consumption for the relevant Access Holder;
- where QR Network is the cause of a cancellation or a delay resulting in changes to the WTP or DTP, this should not be considered consumption of an Access Holder's TSE; and
- where the cause of any delay or cancellation is an individual Mine, it should be made clear that the particular Mine at fault will bear any lost capacity in the System.

### **Delays caused by Rail Operator or infrastructure provider**

Section 6 of the System Rules provide that in the event of a Rail Operator or infrastructure provider (including GPC or QR Network) causing a delay, QR Network will endeavour to provide the "best recovery solution for the Supply Chain as a whole".

At present, the Capricornia System is not operating at full capacity and where there is a delay, there is scope for recovery in the System. In the present environment, QR Network has discretion about the recovery solution implemented and this has worked reasonably satisfactorily.

RTCA considers that once WICET is operational, there will be limited scope to recover from delays where the System has been contracted to maximum capacity. In light of this, there needs to be further guidelines around how "best for Supply Chain as a whole" is to

be interpreted. RTCA does not consider this concept should be used override each Access Holder's contractual TSE.

We would be happy to meet with the QCA to discuss any of our comments above. If you require any further information, please contact Xiao-Fan Zhuang on 07 3029 1822.

Yours sincerely,



Timothy Renwick  
General Manager Infrastructure  
Rio Tinto Coal Australia