



**Submission to the
QCA Review of the QR National
Draft Goonyella System Rules**

August 2011

Table of Contents

1	Introduction and Background	3
2	General Asciano Comments On The Draft Goonyella System Rules	3
3	Detailed Asciano Comments on Specific Items Within The Draft Goonyella System Rules	6
4	Conclusion	12

1 INTRODUCTION AND BACKGROUND

Asciano Limited (Asciano) welcomes the opportunity to provide comments on the draft Goonyella System Rules.

As indicated in the Goonyella System Rules Explanatory Notes QR Network has consulted with Asciano in the process of developing the draft Goonyella System Rules (the Rules); and Asciano has provided comment to QR Network on various preliminary drafts of the Rules. Asciano notes that some comments previously provided by Asciano have been incorporated into the current draft of the Rules.

Nevertheless, Asciano continues to have some concerns with both the general manner in which the Rules may be implemented and specific details contained within the Rules. These concerns are outlined in this submission.

This submission contains no confidential information and may be considered a public document.

2 GENERAL ASCIANO COMMENTS ON THE DRAFT GOONYELLA SYSTEM RULES

Asciano recognises that a single set of operating rules for the Goonyella coal rail system is necessary for the efficient development and operation of this system.

Transferability of Goonyella Rules across Systems

Asciano has a general concern as to whether the final Goonyella System Rules will be used as a template in the development of system rules for other coal rail operating systems such as the Blackwater system. Asciano does not fundamentally oppose the use of the Goonyella System Rules as a template for other coal rail systems but if this is to be the case it should be made clear in the current process so that respondents to the consultation process can provide comments with a view to ensuring that these comments also apply to other coal rail systems. (To this end Asciano welcomes the indication by QR Network that the Goonyella System Rules will be extended to include Newlands train services in the near future).

On a related issue Asciano notes that the draft Rules do not appear to address cross-system traffic in any detail. Asciano believes that this omission should be addressed, if only by referencing other relevant documentation where the issue is addressed or by indicating a time frame whereby the issue will be addressed in the system rules.

Coal Supply Chain Co-ordination

The Goonyella coal rail system serves the Dalrymple Bay Coal Terminal (DBCT). Asciano has a general concern that there is the potential for misalignment between the cargo assembly operating mode of the Dalrymple Bay Coal Terminal and QR Network's preferred operating mode on the Goonyella coal rail system of even railings. Asciano accepts that the scheduling flexibility in the QR Network operating processes and principles allows the port cargo assembly and rail network even railings operating modes to co-exist in an "expected" or "usual" operating environment, however "unexpected" or "unusual" events, such as vessels berthing at an uneven rate, may create misalignment. This concern seems to be recognised by QR Network as the Goonyella System Rules Explanatory Notes state (p3)

To the extent that vessels are berthed in a manner reasonably consistent with the port entitlement of using Dalrymple Bay Coal Terminal (DBCT) at an 'even rate' then the inherent scheduling flexibility in the Network Management Principles and pathing capability can support a cargo assembly mode of operation.

and (p4)

Provided ships arrive in a manner consistent with the presumption of using the annual contract entitlement at an even rate then the demurrage costs should be minimal. However, where ship arrivals are more commensurate with the compression of annual contractual entitlements within peak periods this would be expected to adversely effect the quantum of the demurrage costs to other terminal users.

Thus the QR Network position is based on assumptions which in themselves are not unreasonable but which may not always reflect reality. In particular the Goonyella System Rules Explanatory Notes note that the Goonyella System Rules will be expanded to include the northern Bowen Basin. While the Rules and operating

procedures may be flexible enough to address the specific issue of DBCT and the Goonyella coal rail system these Rules may need to be made both more robust and more flexible if they are to be broadened to include other coal rail systems which may not have the same operating flexibility as QR Network assumes for DBCT and the Goonyella rail system.

Asciano believes that this issue is a coal supply chain co-ordination issue, and as such, it is broader than the current scope of the draft Goonyella System Rules, however the Rules must have sufficient flexibility to allow for potential improved alignment of these two different operating approaches.

Improved Rules Relating to Transfer of Paths

Asciano believes that the current QR Network access regime can be improved by the development and implementation of clearer rules and processes that facilitate more effective and timely transfers, and so allow for improved efficiencies in the management of TSE portfolios. While improvements in the transfer process requires amendments to other processes and documents, not just the system rules, the system rules should be sufficiently flexible to accommodate improvements as they occur. The current draft Rules are largely silent on the issue of transfers

An example of the need to improve rules around transfers can be seen in the following example. The draft Rules (page 11) state

A system path can be declared as a Below Rail Network Path that is aligned with a specific Mine Loading Slot and Port Unloading Slot, plus Above Rail dwells as contracted in various Access Agreements.

Asciano believes that QR Network are currently interpreting this rule to mean that the access holder has contracted paths on a mine to port basis and customers may be billed for both contracted paths not used (under take or pay) and for ad hoc paths used even if the total paths consumed equals total contracted paths¹. This approach increases rigidities in the system and should be reconsidered.

¹ This can be seen in the Blackwater system where, for example, fewer trains from a mine may be sent to R G Tanna but more trains may be sent to Barney Point. Thus the access holder is billed both for the unused paths to R G Tanna and the additional paths to Barney Point even though the utilisation of the network is close to unchanged.

Asciano believes the Rules, in conjunction with the Access Undertaking and Access Agreements should address this issue of facilitating the transfer of paths to allow increased flexibility within TSE portfolios.

Applicability of Rules to All Access Agreements

Asciano believes that the draft Rules should be explicit that the rules apply to all access agreements using the Goonyella system, including access agreements agreed under previous Access Undertakings.

3 DETAILED ASCIANO COMMENTS ON SPECIFIC ITEMS WITHIN THE DRAFT GOONYELLA SYSTEM RULES

This section addresses Asciano's comments on the details of some sections of the draft Rules.

Comment on Draft Rules Section 1.1 – Governance Framework

This section could be improved by including a specific reference to the concept that in the unlikely event that the Access Undertaking and the Rules are in conflict then the Access Undertaking will take precedence.

Comment on Draft Rules Section 1.2 – Associated Documents

End user access agreements and train operator's agreements are currently being developed by QR Network via a separate regulatory process. The table in this section should be updated to include reference to the end user access agreements and train operator's agreement when they are finalised.

Comments on Draft Rules Section 2.1 – System Paths

Asciano is seeking clarity from QR Network as to reasoning which supports the dispatch intervals used in this section of the Rules as they do not seem to align with the network sectional run times for any one network section. Similarly Asciano is seeking clarity as to how above rail delays and below rail delays are treated in relation to the dispatch intervals.

Asciano also believes that, in relation to system paths, the Rules should require QR Network to indicate what number or proportion of trains conform to the reference train, and following from this, whether the use of non-reference trains is adding to the number of system paths that would otherwise be available if reference trains were being used (and conversely, whether the use of non-reference trains is reducing the number of system paths that would otherwise be available if reference trains were being used).

Comments on Draft Rules Section 2.4.1 – Cyclic Trains

The draft Rules (page 13) note that the risk of varying from contractual requirements sits with the access holder. Asciano believes that this risk can be reduced by having the Rules improved to facilitate the transfer of paths as outlined in section 2 of this paper.

Section 2.4.1 of the Rules should include wording which allows an access holder to manage the risk of varying from contractual requirements by allowing the access holder to exchange TSEs to smooth demand variability.

Comments on Draft Rules Section 3.2.2 – Determination of Network Service TSE Obligation

The draft Rules (page 15) notes that “monthly paths are based on a 30 day month” but the next paragraph discussing weekly entitlements states that “destination TSE is calculated by dividing the total monthly TSE by the number of days in the month” - this implies that the actual days in the month are used rather than the 30 day month. The Rules should clarify if the 30 day month is used for all calculations or whether different lengths of month are used for different calculations. If the latter option is used then some justification should be provided as to why different approaches are used in different calculations.

Further to the issue of monthly, weekly and annual entitlements the Rules should clearly outline the methodology used for any rounding of paths and for the reconciling of monthly, weekly and annual entitlements.

The draft Rules (page 15) discuss adjustments to TSEs for planned maintenance. Asciano believes that this discussion is better expressed in terms of train paths rather than TSEs, as TSEs are a contractual entitlement, rather than the actual train paths being offered.

Further to the issue of planned maintenance the draft Rules (p15) indicate that the maintenance multiplier adjustment will not exceed the loadout capability of each origin. Asciano supports this and believes it should be extended to ensure that the maintenance multiplier adjustment also does not exceed the unloading capability at each destination and the system path capability of the operator.

More generally on the issue of maintenance Asciano believes that the Rules should address the issue where maintenance may impact on paths on days preceding or following maintenance periods. For example while paths may be theoretically available on the days preceding or following maintenance, in practice these paths may not be usable as trains may be unable to make return journeys to make use of these paths. This may require an adjustment being made to the maintenance multiplier to allow for additional paths which are unused outside the maintenance period but which are unused due to the impact of maintenance on train movement.

More generally, the Rules should be more explicit in addressing the process of what occurs in the event that TSEs are not met. Asciano believes that, in the event that all requests for TSE allocations within weekly or monthly entitlements have not been supplied in the previous month due to QR Network related reasons, and then access holders monthly TSE entitlements should be recalculated for the outstanding annual balance divided evenly over the remainder of the months in the year. This will ensure that an access holder will have sufficient ability to recover from any QR Network related losses and will not be disadvantaged against other access holders in future TSE orders.

Comments on Draft Rules Section 3.2.3 – Train Orders

This section indicates that port plans and rail orders exist as two separate processes, albeit processes which require the participants to communicate with participants in the other process. Asciano believes that further alignment of these two processes in the Rules would contribute to increased efficiency of the coal supply chain.

Asciano believes that the train order template referred to in this section should also include information as to whether the train order is a TSE train, a non-TSE train or an ad hoc train.

The draft Rules in section 3.2.3 imply that consumption of paths, including TSEs, is based on weekly train orders. Asciano believes that consumption of paths should only occur when a train is scheduled on the 48 hour schedule. (Asciano believes that this is more appropriate as a schedule implies that times have been applied to a train cycle, for example a schedule shows that a train departs its origin at 12:00 and arrives there at 15:00. The weekly train plain does not provide a schedule; it only provides a departure path. As the actual schedule is provided via the 48 hour

schedule this is the earliest point at which the TSE should be considered as being consumed).

Asciano believes that the discussion of Contracted TSE Orders in the draft Rules (page 16) should also include a requirement that QR Network complete TSE orders and distribute them to access holders.

Comments on Draft Rules Section 3.2.4 – Schedule Train Service Entitlements and Section 3.2.5 – Schedule Additional Requested Contracted Orders

Comments on these two sections are combined as they contain similar wording and concepts.

Asciano believes that these sections should consider the possibility that, in the context of the path scheduling priority process, there may be instances where the port and shipping needs may legitimately outweigh the draft Rules priority considerations of whether QR Network and / or the access holder are behind in providing or receiving contracted train services. For example an access holder may be behind in receiving contracted services but if there is no requirement for the access holder to assemble cargo at the port then prioritising the access holder may not contribute to the optimisation of the coal supply chain. Asciano does not oppose the path scheduling priority per se, but believes that the prioritisation should be more flexible and place the issue of port operations at the same level as the priority considerations relating to whether QR Network and / or the access holder are behind in providing or receiving contracted train services.

Furthermore, in relation to the path scheduling priority process, if an access holder is behind in the contract year to date) in receiving contracted train services due to Network Cause the recalculation of the TSEs should be calculated as the outstanding annual balance divided evenly over the remaining months in the year. This will ensure that the access holder will have sufficient ability to recover the network related losses.

Asciano has a concern that the draft Rules (page 17) state:

If after the above mentioned processes, all orders have not been allocated paths and paths remain available, QR Network will allocate the remaining paths unilaterally, taking into consideration the best solution for the supply chain as a whole.

Asciano believes that a better outcome could be achieved if QR Network did not act unilaterally, but instead at a minimum consulted with producers, above rail operators and port operators.

More generally in relation to the scheduling of TSEs Asciano believes that TSE allocation should also be on a “depart origin and arrive at port” basis not just a “depart origin” basis. For example an access holder receives a path for a TSE service to depart origin one path earlier than another access holder who has requested an ad-hoc service. Both trains arrive back at port at around the same time but the access holder with the ad-hoc service is scheduled to unload first and the access holder with the TSE service has to queue at the port. To the extent that the port and shipping needs are the same for both access holders the access holder with the TSE should have priority.

Comments on Draft Rules Section 3.2.7 - Draft Development and Distribution and section 3.2.8 - Final Acknowledgment and Acceptance

In developing and finalising the weekly train plan and distributing the plan to the train operators QR Network should also provide in writing the reason for not supplying any train services requested by the train operators including

- details of any “won” and “lost” contested paths
- reasons for any schedule times longer than access agreement sectional run times, and
- reasons for any alternative path provided.

Asciano also has a concern that the draft Rules (pages 18-19) state:

Where written acknowledgement of receipt and acceptance does not occur, the Access Holder is deemed to have rejected the weekly train plan, and following appropriate consultation with the Access Holder, QR Network will not schedule services for that Access Holder.

Asciano believes that the above statement is inappropriate. Following consultation, if no acceptance is forthcoming then QR network should make the services available according to the plan as the services are being provided under a contract.

Comments on Draft Rules Section 4.1 – 48 Hour Train Plan Schedule

The 48 hour train scheduling process needs to be supported by QR Network providing train operators with details of scheduled sectional running times including crossing times and passing times. In the event that such information cannot be provided in the 48 hour train plan schedule it should be provided in the weekly train plan. Furthermore the Rules should make it explicit that the full schedule of each train will be provided including above rail and below rail dwells.

The draft Rules (p20) note that “train control diagrams are printed at 14:00 hours on the business day prior to operation, and transferred to Network Control Centres” and “an electronic version of the DTP [Daily Train Plan] will be distributed to Access Holders and DBCT and HPCT at the close of business prior to the day of operation, via an electronic transfer”. Asciano believes that the electronic version of the Daily Train Plan should be provided at the same time as the train control diagrams are printed as the information used for both is similar if not identical.

Comment on draft Rules section 5.1 - Schedule Alteration Rules

Asciano believes that the process outlined in section 5.1 should allow that in the event that an access holder requests to divert or change a TSE service to a non contracted path or an ad hoc service then all other access holders should have the option of resuming the path for a TSE service before the request can be approved.

Asciano has a concern that the draft Rules (page 21) states:

For the purpose of scheduling an Access Holder’s future Train Orders, any requested diversions in the Day Of Operations environment that can be accommodated but result in a cancellation of the original destination, will be recorded as the path being provided for the diverted to Origin – Destination TSE, and a cancellation for the diverted from Origin – Destination TSE.

Asciano believes that the above approach is not acceptable as a train diverted from its planned path may not always consume more capacity than it would have consumed on its original path.

Comment on draft Rules section 7 – Measuring performance

In relation to the issue of performance measurement Asciano notes that the issue of performance measurement is addressed in both the access agreements QR Network has with access holders (in particular schedule 5 of the access agreements) and in the Access Undertaking via requirements to develop incentive regulation. Asciano notes that these issues are being progressed in different forums at the present time and the development of the performance measurement processes in the Rules should be consistent with performance measurement processes in other regulatory documents and contracts.

Asciano strongly believes that performance of actual train paths achieved vs contractual train path entitlements is a critical measure in any system of performance measurement.

4 CONCLUSION

Asciano Limited (Asciano) welcomes the opportunity to provide comments on the draft Goonyella System Rules. Asciano has previously provided comment to QR Network on various preliminary drafts of the Rules. Asciano continues to have some concerns with the general details of the rules including:

- the transferability of Goonyella Rules across different rail systems
- the desirability for the Rules to take greater account of port requirements and coal chain co-ordination; and
- the need for the Rules to be improved to facilitate the transfer of paths.

In addition Asciano has concerns about numerous details in the draft Rules as outlined in Section Three above.