

QCA Submission

Electric Traction Services Draft Amending Access Undertaking (December 2011)

Queensland Competition Authority
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This submission is made by Washpool Coal Pty Ltd (**Washpool**) 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.

Washpool 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.

Washpool reiterates the comments made in its first submission (made jointly with Springsure Creek Coal Pty Ltd) to the QCA on this matter. Since those comments were made, QRN has engaged with stakeholders in an attempt to better explain its thinking on the issue and find a common understanding on the best way to address the issue. Unfortunately this hasn't proved a simple exercise. Furthermore, few of the concerns that were voiced in Washpool's first submission have been quelled by QRN's attempts to engage with stakeholders and develop alternative solutions.

As such, Washpool remains opposed to the dis-incentivisation of diesel traction operations in the Blackwater system via QRN's proposed methodologies, and offers the following further comments:

- Leaving aside the appropriateness of the Total Cost of Operation model and the accuracy of the variants that QRN has asserted in support of its analysis, if QRN has a dilemma with the recovery of electric traction costs, there are other ways, within the existing regulatory framework, for it to influence market behaviour. QRN should first look to voluntarily reduce the AT5 component, to incentivise electric traction usage.
- Any transitional move led by QRN to alter the mix of traction type has to be carefully considered so as to not penalise affected Users for recent significant investment decisions which were made legitimately within the current regulatory framework.
- There are complications involved with having 'operator-QRN' relationships, 'customer-operator' relationships, and 'customer-QRN' relationships. As a result, it is not simply a matter of QRN reaching agreement with Users on the issue of traction type - no decision can be made in isolation of the relevant rail operator/s.

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