



Professor Flavio Menezes  
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## **Queensland Rail's 2020 Draft Access Undertaking (DAU2) West Moreton Coal Pricing Approach – Discussion Paper**

19 December 2019

Dear Professor Menezes

Aurizon Coal welcomes the opportunity to comment on matters related to the West Moreton pricing approach as raised by the Queensland Competition Authority (**QCA**) in the discussion paper dated 24 October 2019.

As a rail operator, Aurizon Coal has significant capital and resources invested in the West Moreton system. An unsustainable and economically unviable tariff structure may not only result in the cessation of operations of mines within the West Moreton System but may also have flow-on consequences for the employment activities supported by Aurizon Coal.

For this reason, Aurizon Coal supports a flexible pricing approach for the West Moreton System that promotes and sustains the use of the network. We also maintain that any mechanism adopted should provide for fair and reasonable terms of access and pricing including obligations to maintain the network to an appropriate standard.

The QCA has indicated it would consider making provision for a negotiated access charge, lower than the reference tariff. Whilst 'de-coupling' of access charges from the reference tariff provides a mechanism to address pricing in a low tonnage scenario, Aurizon Coal has concerns that a negotiation with Queensland Rail (**QR**) could be lengthy and ultimately unsatisfying. Our previous experience in this regard has been frustrating, with QR demonstrating no imperative to depart from its starting price without reducing service levels.

As a result, QR's proposal for a low volume reference tariff, outlined in its submission dated 19 November 2019, has the advantage of removing the need to negotiate with QR and potentially proceeding to arbitration. In conjunction with a loss capitalisation model, the low volume tariff will provide certainty to the market. It is critical, however, that the proposed low volume reference tariff is set at an appropriate level. If it is too low the loss capitalisation account will accumulate too quickly, discouraging future investment. If it's too high, it will similarly discourage producers from increasing volumes.

Given the current demand uncertainties, Aurizon Coal also supports an endorsed variation event or trigger for the resetting of the reference tariff when volumes increase over the DAU2 period.

The proposed mechanism to vary reference tariffs in response to increasing volumes needs to be for material changes to the volumes.

As suggested by the QCA in the discussion paper, the material volume change needs to align with the 'high volume' scenario to ensure the reference tariffs are economically viable and within a range that access holders are willing to pay.

Should you have any questions in relation to the submission please contact me via phone on 0439 921 562 or email at [Marie.Murphy@aurizon.com.au](mailto:Marie.Murphy@aurizon.com.au).

Kind regards

A handwritten signature in black ink that reads "mmurphy". The signature is written in a cursive, lowercase style.

Marie.Murphy  
Manager Commercial Development & Integration  
Coal Customers