



AUSTRALIAN RAIL TRACK CORPORATION LTD

Memorandum

TO: Rail Capacity Group

CC:

FROM: Martin Jones

DATE: 29/06/2012

SUBJECT: HVAU Tolerance Review

Tolerance forms part of the part of the Access Holders' entitlement in that ARTC will make additional Capacity available in each Month in each Pricing Zone (up to the Monthly Tolerance Cap) for the purpose of providing Access Holders, a degree of flexibility as to the period in which they may use their annual contracted path usages.

In accordance with clause 3.3(e) of Access Holder Agreements (AHAs) ARTC is required to undertake a review of the level of Tolerance as set out below:-

Within twelve months from the date an Access Undertaking is accepted by the ACCC covering the Network first comes into effect, ARTC will commence a consultation with access holders on the level of Tolerance available and will provide a report to the RCG summarising the results of this review. The purpose of this review is to consider the impact of the level of tolerance on Coal Chain Capacity.

- a) ARTC has taken a two-step approach to this review through:-
Through consultation with Access Holders in one on one meetings; and
- b) Though analysis and evaluation of the use of Tolerance during the period in which executed AHA's have been in effect.

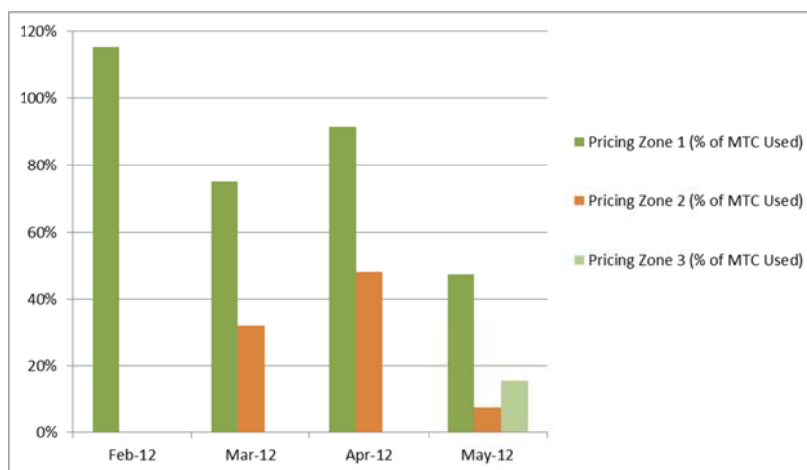
Key Findings to date:-

- Tolerance is working as intended
- 10% of BPU or 13 paths whichever is greater; was chosen as it most aligns with the port entitlements and nothing has altered in relation to this.
- The current Target Monthly Tolerance Cap in place limits the ability of access holders to access more than 10% tolerance.
- Not enough time has passed for both ARTC and Access Holders to fully report on the appropriateness of the tolerance level.



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Total Paths used above Monthly Sculpted Entitlement



February was the only month in which a Pricing Zone's Monthly Tolerance Cap has been exceeded. However during this month the MTC had been pro-rated down 50% to reflect the fact not all Producers had operational Access Holder Agreements. Additionally one Access Holder in particular was responsible for 47% of the MTC used due to a mistimed trade. Taking this into account the outcome for February would have been in the vicinity of 68% usage.

ARTC is of the view that Tolerance is operating in the manner in which it is designed. However ARTC does acknowledge the period of actual review has been conducted during a period of relatively low demand and which not all producers were concurrent Access Holders. Given these circumstances ARTC will continue to undertake further appraisal during the next 12 months and will report back to the RCG before the end of 2012 and again by 30th of June 2013.