



Mr Matthew Schroder
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Infrastructure & Transport – Access & Pricing Branch
Australian Competition and Consumer Commission
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BY EMAIL: transport@acc.gov.au

ACCC Consultation Paper on ARTC's proposed variation to the 2011 HVAU – December 2017

13 February 2018

Dear Mr Schroder

On 16 January 2018, the Australian Competition and Consumer Commission (ACCC) issued a Consultation Paper to stakeholders seeking submissions on the Australian Rail Track Corporation's (ARTC) proposed variation to the 2011 Hunter Valley Access Undertaking (HVAU).

Aurizon Operations (Aurizon) welcomes the opportunity to provide this submission to the ACCC on that Consultation Paper.

The proposed variation follows the ACCC's June 2017 decision to extend the 2011 HVAU on the basis ARTC would submit a further variation to address several issues requiring resolution as part of that June 2017 extension of the 2011 HVAU, including, and limited to:

- The incorporation of path based pricing (PBP);
- Allocation of incremental capital costs on the basis of contracted capacity; and
- Application of a dual ceiling limit.

Aurizon acknowledges the engagement undertaken by ARTC through their preparation of this variation, consistent with the terms of the extended 2011 HVAU, and considers it the most thorough engagement undertaken by ARTC with Aurizon to date with respect to regulatory processes.

Since the introduction of the 2011 HVAU, Aurizon has consistently advocated for the adoption of an approach to access pricing that appropriately balances and acknowledges critical factors such as:

- the equity issues associated with impacts on long term, sunk rolling stock investment;
- encouraging innovation and competition in the above rail market; and
- providing effective and measured incentives for industry to seek efficiency gains within the limits of the prevailing infrastructure.

The PBP structure now proposed by ARTC is more reflective of the balance of these interests than what has been previously proposed, such as the final indicative service. Aurizon considers that PBP is reasonable where there are clear capacity constraints and existing prices need to reflect the opportunity costs of investment needed to alleviate those constraints. The proposal also appropriately limits the role of the price structure to signal the forward looking costs of continuing to provide the service and addresses issues such as risk and cost allocation between users through other more effective mechanisms.

Given the scope of issues under consideration by the ACCC, Aurizon does not consider it necessary at this point to provide further comment on areas of the HVAU beyond the above points. To the extent that there are limited, if any, departures from what has been proposed by ARTC, the variation should be accepted by the ACCC.

If there are matters raised in this submission that require further discussion or clarification, please contact Dean Gannaway, Principal Regulatory Economist, on 07 3019 2055 or via email at Dean.Gannaway@aurizon.com.au.

Kind regards



Sam McSkimming
Head of Coal Customers