

3 February 2017

Mr Matthew Schroder
General Manager
Infrastructure & Transport – Access & Pricing Branch
Australian Competition and Consumer Commission
GPO Box 520
Melbourne VIC 3001

By email transport@accg.gov.au

Dear Mr Schroder

HVEC submission on 2017 HVAU

1 Overview

Hunter Valley Energy Coal Pty Ltd (**HVEC**) welcomes the opportunity to provide the following submission on the proposed 2017 Hunter Valley Access Undertaking (**2017 HVAU**) submitted on 9 December 2016 to the Australian Competition and Consumer Commission (**ACCC**) by the Australian Rail Track Corporation (**ARTC**) for assessment under Part IIIA of the *Competition and Consumer Act 2010* (Cth) and the consultation paper published by the ACCC on 15 December 2016.

2 HRATF submission on the 2017 HVAU

HVEC has participated in and fully supports the Hunter Rail Access Task Force (**HRATF**) submission on the 2017 HVAU. It is critical for HVEC that the methodologies which underpin the 2017 HVAU are transparent, repeatable and consistent in order to establish an enduring economic regulatory framework for the Hunter Valley coal industry. This robust approach will ensure that periodic resets occur in a timely, systematic and predictable manner. It is important to HVEC that the 2017 HVAU is not set up as a commercial arrangement to be renegotiated at each review period but rather that it sets out the appropriate methodologies and processes to provide commercial predictability and transparency to operators.

3 Cost of Capital and Remaining Mine Lives (RML)

HVEC fully supports the position and the reasons for that position set out by HRATF in its submission on the 2017 HVAU that the RML should be 30 years and not 16.5 years as proposed by ARTC. As set out in the HRATF submission, it is critical to HVEC that the 2017 HVAU as a whole clearly defines the methodologies for relevant inputs such as cost of capital and RML. The approach to RML in the 2011 HVAU (updating the data source to reflect updated publicly reported estimates of mineral reserves) is based on reporting under the JORC Code which is the methodology that should be applied in the 2017 HVAU. Expected mine life is a function of marketable reserves (as published) and the expected extraction rate not anything else. HVEC disagrees with the arguments put forward by

ARTC that expected mine life is a function of licence terms and should be adjusted to reflect the state of the market. Mining licence terms do not determine mine life. Although these comments are already covered in the HRATF submission, HVEC wanted to reiterate them here given ARTC's unorthodox approach to calculating RML which ignores the preliminary views submitted by the ACCC in July 2016 and the HRATF on the ARTC's 23 December 2015 draft access undertaking (**2016 HVAU**).

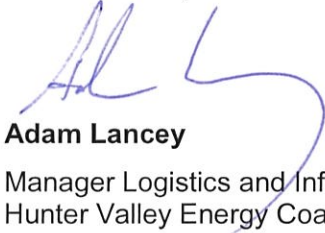
4 HVEC's previous submission

HVEC provided a submission to the ACCC on 10 March 2016 in relation to 2016 HVAU. HVEC's concerns in relation to the matters covered in that submission remain.

5 Further engagement on HVEC submission

Thank you for your consideration of this HVEC submission. Please contact me on (02) 6544 5854 if you would like to discuss any aspect of this submission. HVEC confirms that this submission may be published publicly.

Yours sincerely



Adam Lancey

Manager Logistics and Infrastructure
Hunter Valley Energy Coal Pty Limited