



9 February 2018

BY Email

Mr Matthew Schroder
General Manager Infrastructure & Transport – Access & Pricing Branch
Australian Competition & Consumer Commission
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Melbourne Vic, 3000
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Dear Matthew

**Re: Consultation on proposed variation to the Australian Track Corporation Limited
2011 Hunter Valley Coal Network Access Undertaking – December 2017**

Centennial has a supply chain to Newcastle that crosses 3 networks and hence 3 access providers for both the loaded and unloaded leg of each train cycle. The Sydney Trains Network is by far the biggest network in the chain and imposes the most constraints. The Sydney Trains network is in the process of expanding its number of passenger services. The increased demand on the Sydney Trains network places even more emphasis upon services being on time at the boarder between the two networks [Islington Junction]. Overall the complexities of the different networks impinge on Centennial's competitiveness and frustrates it's abilities to find efficiencies and reduce supply chain costs.

Each network is keen to protect its financial outcomes and recover its costs. Each network goes about this in a different way. There seems to be a process beginning that will alter significantly the Access Regime in the Sydney Trains Network. ARTC over the last two years have looked to vary the HVAU. This constant change brings significant uncertainty and disruption. It impacts surety of Centennial's supply chain capacity, costs and ultimately security of supply.

Regarding the variations proposed to the HVAU, Centennial has had a number of meetings with ARTC. These were aimed at resolving Centennial's concerns including Path Based Pricing. Some worked examples have been provided for the purpose of demonstrating that the monetary impact of the proposed changes is not significant.

It is not clear whether any of the cost recovery formulas deal adequately with the differences in the way Southern Sydney and Western mainstream Hunter Valley trains impact on maintenance costs in pricing Zone One. In order to focus on pricing certainty then the least change is often the best. Centennial is keen to see a

transparent and long lasting access agreement that provides negative impact and both price and capacity certainty for as long as practicable

It is important to Centennial that the ARTC network can deal with the 'on time running' and path recovery issues of the Sydney Trains network when dealing with Centennial's trains.

When considering the role of the RCG in the endorsement of maintenance and improvements to the network, Centennial can see from the past minutes of these meetings that the bulk of the issues relate to the mainstream volumes of coal flowing from the Hunter Valley producers. This has been reinforced by the composition of the RCG. It appears that Centennial and other small producers can't expect to influence this process in a way that may be seen to diminish the rights of the mainstream users.

Over time Centennial does not want to be inappropriately disadvantaged by either being a producer constrained by the Sydney Trains network or being a smaller producer shipping through Newcastle ports.

In conclusion, Centennial continues to support any reasonable process in order to gain certainty. Centennial notes the concerns expressed by HRTAF and others in the last round of submissions. Centennial supports the consideration of the separating of changes to the cost structure from the approval of a new access undertaking to allow more time for obtaining agreed outcomes on cost structure removed from the urgency of approving a new access undertaking.

Centennial notes that the current definition of Path Based Pricing may not be consistent with the legislative criteria. Regardless we are not sure whether the current definition of Path Based Pricing achieves the desired cost recovery outcome.

Finally, it is not clear to Centennial what the unintended effects, if any, of the changes might be. Strategic certainty of affordable access across all the networks is of increasing concern as network capacities are reduced well ahead of proposed infrastructure development or any clear holistic plan to preserve affordable freight access.

Yours sincerely



PP. Dennis Stone
Logistics Manager