



15 February 2018

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

By email: transport@acc.gov.au

Dear Mr Schroder,

Please see enclosed Hunter Valley Coal Chain Coordinator's submission in response to the Australian Rail Track Corporation's proposed variation to the 2011 Hunter Valley Access Undertaking – December 2017.

If you require any further information, please do not hesitate to contact me on 02 4910 3500

Yours faithfully



Kirsten Molloy
CEO





Hunter Valley Coal Chain Coordinator

Submission

Australian Rail Track Corporation's Proposed Variation to the 2011 Hunter Valley Access Undertaking – December 2017

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1. HVCCC Response to Key Issue

HVCCC is the independent entity that is responsible for planning and co-ordinating the cooperative operation and alignment of the Hunter Valley Coal Chain. Its three primary objectives, as determined by its members, are to:

- maximise the volume of coal transported through the coal chain
- minimise total logistics costs
- satisfy the agreed collective needs and contractual obligations of Producers and Service Providers.

In this submission HVCCC has sought to respond to the aspects of ARTC's 'proposed variation to the 2011 HVAU' that may potentially impact the efficient running of the coal chain and/or the provision of coal chain capacity. HVCCC has not sought to review or comment on other aspects of the proposed variation, which HVCCC believes lay outside its remit.

The two key issues to which HVCCC wishes to respond are those concerning:

- Path based pricing, and
- Service envelope.

In general, HVCCC is supportive of the related changes proposed by ARTC and believes that these changes provide increased incentive for the efficient use of coal chain capacity.

1.1. Path based pricing

ARTC proposes adopting a path based pricing scheme that allocates fixed costs according to train kilometres travelled, rather than using the concept of a nominated 'Indicative Service' to preferentially allocate fixed costs on a gross tonne kilometre basis. ARTC contends this proposed approach provides an incentive to design and operate train configurations that maximise the capacity of the network.

Specifically, ARTC state that the objectives of their proposed pricing scheme are:

- to ensure that pricing provides an incentive for efficient consumption of network capacity in the context of the supply chain that it operates within; and
- to ensure that the same pricing incentives encourage efficient long-term investment in the below rail network infrastructure, as well as in downstream above rail infrastructure.

HVCCC supports ARTC's proposed path based pricing scheme and believes that this pricing scheme provides increased incentive for the efficient use of coal chain capacity by incentivising the use of longer trains, up to the maximum length allowed by the Service Envelope. HVCCC also believes that a path based pricing scheme better encourages long term investment in below rail network infrastructure by avoiding 'locking in' a nominated 'Indicative Service' that must necessarily suit existing infrastructure configurations¹.

1.2. Service Envelope

As part of ARTC's proposed path based pricing scheme, ARTC proposes to determine a single set of maximum train characteristics for each Pricing Zone and to apply Standard Access Charges for all coal services whose configuration sits within this defined Service Envelope.

HVCCC firmly believes that to ensure the efficient running of the coal chain and the provision of coal chain capacity, it is necessary to prescribe certain allowable limits to train configurations. For example, trains that are longer than the length accommodated by existing network infrastructure are likely to interfere with the operation of other trains on the network and will diminish overall network capacity. Likewise, trains that travel too slow are likely to diminish overall network capacity.

HVCCC contend that to best ensure the efficient operation of the coal chain and the provision of coal chain capacity, the train characteristics used to determine the Service Envelope ought to be consistent with those outlined in HVCCC's System Assumptions.

References:

[1] Talebian, Masoud and Savelsbergh, Martin and Moffiet, Chad, A New Rail Access Charging Policy: Hunter Valley Coal Chain Case Study (October 25, 2015). *Transport Policy*, Vol. 46, p. 101-108, Feb 2016.