

Port Waratah Coal Services

Medium Term Capacity Distribution System

Use of Conditional Allocation

Each producer is allocated an amount of loading allocation each calendar quarter.

A producer “uses” its loading allocation as it nominates vessels carrying coal from their mines to be added to the ‘shipping stem’, based on the estimated time of arrival (ETA) or actual time of arrival (ATA) of the vessel. The shipping stem is a master list kept by PWCS of the vessels due to arrive at the port, with details of their cargoes.

A shipper nominates a vessel to PWCS, with details of the vessel and the cargo. A vessel is added to the shipping stem after PWCS accepts the vessel nomination, which involves checking the producer still has loading allocation available in the period of the ETA of the vessel and that the vessel is suitable for the port, among other things.

There are three core components to flexibility in the usage of loading allocation:

1. Flexibility Tonnes
2. Conditional Allocation
3. End of quarter overlap.

Flexibility tonnes: PWCS accepts loading allocations up to 90,000 tonnes over the producer’s quarterly loading allocation (the flexibility tonnes). Also, a producer can fall short of their quarterly loading allocation by up to 90,000 tonnes without having to pay take-or-pay for those unused tonnes, or give physical compensation in the following quarter. The tonnes they did not use (up to 90,000 tonnes) are added to their allocation for the following month. The flexibility tonnes they use in excess of their quarterly loading allocation are deducted from their following quarter’s allocation.

Conditional Allocation: Conditional Allocation is an 'extra' 5% of each producer's quarterly loading allocation that is made available when the average forecast and actual queue is less than 25 vessels. Where a producer’s nominations during the quarter have already used all the producer’s quarterly loading allocation, PWCS accepts the nominations against the Conditional Allocation (where it is available). Producers don't need to specify which 'type' of allocation they wish to use, just to nominate the vessel in the normal way. Conditional Allocation is not available for use if the average vessel queue exceeds 25 vessels, and after becoming unavailable does not become available again until the average vessel queue is reduced to 15 vessels. If a vessel is accepted using Conditional Allocation, and the queue subsequently grows such that Conditional Allocation is made unavailable, the already accepted vessel nomination is unaffected. Conditional Allocation is used before the upper flexibility amount, so that usage of Conditional Allocation does not affect that producer’s allocation in the following quarter.

End of Quarter Overlap: Where a producer has already used all their available loading allocation (including their flexibility tonnes and Conditional Allocation), PWCS will accept nominations for vessels arriving in the last 9 days of the quarter and apply it against the following quarter’s allocation. If a producer has not yet used all its loading allocation, PWCS will accept nominations for vessels arriving in the first 5 days of the following quarter and apply it against the current quarter’s loading allocation. Effectively, usage of the minimum amount of allocation (quarterly loading allocation minus flexibility tonnes) is measured at the quarter end, plus five days. And usage of the maximum amount of allocation is measured at the quarter end minus nine

days. Thus producers have longer to use the minimum amount of allocation and may use the maximum amount in a shorter period. Conditional Allocation cannot be used in the overlap period, however. This is to help avoid a peak of arrivals at the end of the quarter and to avoid producers 'banking' allocation.