

MacLeod, Heather

From: Mark Carkeet [Mark.Carkeet@minterellison.com]
Sent: Thursday, 21 September 2006 2:22 PM
To: Adjudication
Subject: Application for authorisation A50027 lodged by CS Energy Limited and Callide Power Management Pty Lt
Attachments: 3956_1.pdf

Please find attached correspondence.

Yours faithfully

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The General Manager
Adjudication Branch
Australian Competition and Consumer Commission
PO Box 1199
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21 September 2006

Attention: Mr Woodrow Inman

By e-mail : adjudication@acc.gov.au

Brisbane Corporate Office/Department

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Dear Sir

Application for authorisation A50027 lodged by CS Energy Limited and Callide Power Management Pty Ltd

We refer to your letter of 22 August 2006.

1. This letter is written on behalf of Anglo Coal (Callide) Pty Ltd and Anglo Coal Callide (No 2) Pty Ltd (Anglo Coal). The applicants in this matter propose to conduct their joint negotiation with Anglo Coal.
2. Earlier this year, Anglo Coal agreed in principle to the conduct of joint negotiations for a five yearly review with the applicants pursuant to the two separate coal supply agreements referred to in the application, on the basis that the authorisation process not delay the negotiations. Joint discussions commenced on the afternoon of Wednesday 13 September 2006 on the basis of the interim authorisation granted by the ACCC that morning.
3. As the application is a matter of public record, Anglo wishes to correct several relevant factual errors in the application.
 - (a) Paragraphs 6.7 – 6.14 – coal deliveries. The coal sold under the agreements can quite easily be mined, stockpiled and delivered to the two customers separately. Anglo Coal has to date been delivering coal to the Power Stations jointly in the manner set out in the submission for its own administrative convenience. However, it retains the option to mine and deliver coal to the power stations separately and believes that this is one potential outcome that will be considered as a part of the negotiations. Anglo is concerned that the application creates the impression that the coal must be mined and delivered through a single process. This proposition is incorrect.

Anglo Coal Australia Pty Ltd

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- (b) Paragraph 6.7 – coal quality. The coal supply agreement with Callide C contains a different coal specification from the agreement with Callide B in that the rejection ash specification in the B agreement is 23% and the C agreement 24.5%. This difference is not insignificant and Anglo Coal could potentially deliver separately to the two different ash rejection limits. To date it has targeted deliveries to not exceed the lower Callide B rejection specification.

Also, the coal quality issues facing the Callide C power station are substantially different to those facing the Callide B station. One potential outcome of the negotiations is that agreement is reached on separate deliveries to each station at different coal qualities.

- (c) Paragraph 10.2. We are concerned that this paragraph might create the mistaken impression that the Coal Supply Agreements require a single review. In fact, each Sale Agreement contains a separate review mechanism, which requires different factual matrices to be taken into account. That review mechanism may result in a separate and different price, quality and delivery outcome for each agreement.

Please feel free to contact me if you have any queries.

Yours faithfully



John Wilcox
Marketing Manager
Anglo Coal Australia Pty Ltd