

16 February 2024

Mr. David Hatfield
Director Competition Exemptions
Australian Competition and Consumer Commission
23 Marcus Clarke Street
Canberra ACT 2601

(By ACCC Portal)

Dear David

Hunter Valley Coal Chain Coordinator – Application for Authorisation (AA1000658)

Idemitsu Australia (**Idemitsu**) welcomes the opportunity to provide this submission in support of the Hunter Valley Coal Chain Coordinator's (**HVCCC**) Application for Authorisation (the **Application**) to continue its coordination and planning activities as set out in the Proposed Conduct¹ of the Application supporting the efficient operation of the Hunter Valley coal chain (the **Coal Chain**).

1. Background

The Coal Chain is an integrated coal delivery and supply chain with shared infrastructure comprising complex interdependencies between multiple coal mines geographically dispersed (up to 400Kms from the Port of Newcastle), rail operators (x4), rail network (x1) and coal terminals (x3). The annual throughput of the Coal Chain in 2023 was approx 145 million tonnes² and is considered the largest export coal chain in the world.

Idemitsu is a diversified energy company with interests in coal mining, critical minerals and renewable energy projects throughout Australia. Idemitsu is an experienced coal producer who has operated coal mines in both Queensland (recently divested) and New South Wales and participated in several coal chains comprising both centralised and decentralised planning modes. As an active coal producer located in the Gunnedah Basin (long distance mine), Idemitsu is highly dependent upon the Coal Chain and selected service providers (port, rail and HVCCC) for the efficient and timely transportation of its coal from the Boggabri coal mine in the Gunnedah Basin to the Port of Newcastle for export.

The HVCCC was created from the current Capacity Framework Arrangements which includes the current authorisations (A91147-A91149 and A91168-A91169)(**Current Authorisation**) granted by the Australian Competition and Consumer Commission (**ACCC**) on 9 December 2009 and will expire on 31 December 2024. Through iterative improvements and considerable effort from all stakeholders since 2009, the HVCCC is the independent centralised planning and scheduling entity for the Coal Chain and is uniquely placed to provide end to end support to its Members³ enabling the efficient movement of coal.

2. The Application

Idemitsu supports the Application applying to the HVCCC, its Related Entities, directors and officers as well as current and future Members and their Related Entities.

The Application adequately sets out the relevant provisions of the Competition and Consumer Act 2010 (Cth) to which authorisation is being sought.

¹ Proposed Conduct is defined in Attachment 1 of the Application.

² Port of Newcastle Monthly Trade Report – December 2023 (Port of Newcastle website).

³ Current HVCCC Members are defined in Attachment 4 of the Application.

3. Proposed Conduct

The Application seeks to maintain the existing activities and conduct of the HVCCC previously recognised by the ACCC in the Current Authorisation, this is set out in the Proposed Conduct⁴. In addition, the Application clarifies and makes transparent the activities and role of the HVCCC.

The HVCCC's unique helicopter view enables it to develop and coordinate efficient coal delivery plans taking into consideration the Coal Chain's interdependencies and dynamic environment.

HVCCC capacity and operational planning are critical considerations for coal producers in the ongoing monitoring and management of their mining operations, service provider performance and end customer engagements.

The HVCCC uses the Live Run function to reoptimise plans and coordinate system recovery when operational constraints and disruptions occur to minimise delays and avoid losses.

Through its independence and current conduct, the HVCCC has proven itself to provide Members with greater understanding and confidence regarding strategic coal delivery decision making, specifically:

- (a) large scale investment decisions for both coal producers and service providers;
- (b) entering long term commercial arrangement between internal and external HVCC stakeholders;
- (c) identifying and modelling strategic coal chain opportunities and risks;
- (d) coal chain capacity expansions; and
- (e) new and expanding coal projects.

It is expected these strategic benefits will continue with the Proposed Conduct.

4. Information Sharing

The cornerstone element for the HVCCC to effectively service and support its Members is the sharing of appropriate and timely information. The information sharing between HVCCC and Members is governed by an information sharing protocol (the **Protocol**) which sets out principles upon which information can and cannot be shared between the HVCCC and its Members.

The Current Authorisation and Proposed Conduct are dependent upon the exchange of information between the HVCCC and its Members for effective planning, scheduling, modelling, performance monitoring, system assumptions and Live Run.

Importantly, although the HVCCC performs operational scheduling, planning, modelling and makes recommendations to its Members the HVCCC has no ability to instruct or impose these recommendations upon its Members. Acceptance of any HVCCC recommendation remains at the sole discretion of the individual Members.

5. Public benefits comments

Since its introduction 15 years ago the Current Authorisation has delivered numerous public benefits, many of which are embedded public benefits and continue to this day, these are likely to be carried over with the new authorisation.

Although not an exhaustive list the following are observed examples of public benefits from the Current Authorisation which are expected to continue:

- (a) cooperative, coordinated and synchronised approach to planning and scheduling enables the efficient utilisation of shared infrastructure to minimise the cost of transporting coal from the mines to the export terminals;

⁴ The Proposed Conduct is defined in Attachment 1 of the Application.

- (b) greater certainty and confidence regarding production, coal delivery and export volumes enables producers to make more informed investment decisions;
- (c) an efficient Coal Chain contributing to sustainable export revenues leading to a consistent royalty stream for the people of New South Wales;
- (d) strong coal mining performance encourages local economies and employment opportunities in the Hunter and surrounding regions;
- (e) optimising vessel queues off the coast of New South Wales, reducing demurrage costs (improving the Coal Chain's international competitiveness) and promoting marine safety; and
- (f) enhancing community engagements regarding maintenance activities and other majors works in the Coal Chain.

6. Term

Idemitsu considers the 10-year term of the Application (expiry 31 December 2034) as appropriate given the long-term contractual frameworks between coal producers and their service providers, the asset life of the large-scale infrastructure investments and is a reasonable period to strategically assess future coal demand and supply within the Coal Chain.

7. Summary

The HVCC has enabled coal producers to individually maintain a competitive presence in the complex and challenging global coal market. This was enhanced by the introduction of the Capacity Framework Arrangements (including the Current Authorisation) and the creation of the HVCCC as the independent centralised planning and scheduling entity. For the past 15 years this construct has provided certainty and confidence for large scale irreversible infrastructure investments decisions, created an equitable and efficient coal chain delivering coal from geographically dispersed mines to the export terminals and provided demonstrable public benefits.

Although the Capacity Framework may no longer exist beyond 31 December 2024, the continuation of the HVCCC, its activities and the Proposed Conduct is critical to safeguarding the ongoing success of the Hunter Valley coal industry.

Idemitsu supports the HVCCC's Application for Authorisation.

Yours sincerely

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