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Mr Martin Jones  
General Manager Operations and Logistics  
Australian Rail Track Corporation  
33 Newton Street  
Newcastle, NSW, 2292

Dear Martin

**Australian Rail Track Corporation Ltd (“ARTC”) Hunter Valley Access Undertaking (“HVAU”) Capacity Loss Review Discussion Paper – Peabody Position**

Further to ARTC’s Capacity Loss Review Discussion Paper, Peabody outlines the following items to provide guidance in forming the appropriate capacity loss measures to support capacity availability and capacity utilisation

**Capacity Management:**

Peabody views the Hunter Valley Coal Supply Chain as a set of interdependent service providers that have a requirement to provide deliverable contracted capacity to support the requirements of export coal chain users.

Despite ARTC being only one service provider within the supply chain and maintaining contracts with Access Holders which are separate from other contracting frameworks, we propose that any measure of capacity loss is based on the achievement of a planned system throughput for a period. E.g. A capacity loss assigned to an Access Holder would be a loss of capacity that is a direct result of an Access Holder and results in the inability of the ARTC (with Hunter Valley Coal Chain Coordinator ‘HVCCC’ input) in delivering an achievable plan for a period.

Note that while ‘achievable’ and ‘period’ outlined above are measures that would need to be considered further at the practitioner level, Peabody believes that appropriate reporting measures should be based around the achievement of a plan to determine loss.

Peabody notes, that where other suitable capacity loss mechanisms exist that these be reviewed in conjunction with the ARTC mechanisms to ensure there isn’t the potential for ‘double counting’ in assigning loss within the coal supply chain.

**Specific Response Items:**

- Cancellations are one measure of capacity loss in the system, and where there is definable loss attributable to an Access Holder it provides the simplest method for assigning loss, however with only 19% of cancellations potentially caused by access holders it only covers a small percentage of loss and may not have

impacted the achievability of the plan to the extent of the cancellation level. As such, Peabody notes that while this could be developed further and would likely provide the easiest measure to review, it supports the review of more robust measures that consider the achievement of a plan to determine and apportion loss.

- As Train Operators are service providers the same as the ARTC, they should not necessarily have the sole right to determine which trains are cancelled without review of the delivery plan and consultation with other service providers.
- From the information provided it appears that the LRSG is the appropriate group to determine the cause of an actual capacity loss against plan as it appears to hold the relevant information and review on a consistent basis, however there are considerations over the review period (against a daily or weekly plan for example) and the ability to assign the loss.
- The Access Holder Agreement is not the appropriate vehicle for dealing with loss where there may be other more transparent measures and measures that can clearly identify and assign actual loss to a plan across the coal chain.
- Peabody notes that the identified alternatives to train cancellations such as Vessel Departures and Dump Slots are measures that have been considered by other coal supply chain service providers and would provide a step in reviewing loss mechanisms that can be transparent, operate across multiple contracting environments and can identify capacity loss against a plan. Additionally, where there is a consistent measure it may not be required to be implemented by the ARTC where it result in 'double counting' but it would simply provide a back up measure.
- With regards to the implementation of any capacity loss it would be appropriate to align with Port Waratah Coal Services measures where there is sufficient time available to review the shipping requirements following any potential capacity loss.
- Capacity loss measures should maintain a reasonable review and appeal process.
- To expedite the process to the ACCC, a process that is transparent, aligned with other service providers within the coal supply chain (particularly the HVCCC as a planning and reporting entity), does not double count capacity loss and most importantly is able to measure actual capacity loss against a plan would be beneficial.

While these specific response items were brief, Peabody is committed to working with the ARTC in developing appropriate coal supply chain loss measures that incorporate the broad planning and delivery mechanisms discussed above.

Regards