

Central Queensland Coal Network System Rules

2024 Consultation Report
7 March 2024

Introduction

In accordance with clause 7A.7.4(b) of the 2017 Access Undertaking (UT5) Aurizon Network must review the System Rules at least once per year and where required, identify Proposed Amendments.

Unless otherwise defined, capitalised terms in this report have the meaning given to those terms in UT5.

The purpose of this Consultation Report is to summarise the outcomes from Aurizon Network's 2024 review of the System Rules which commenced in August 2023 to allow for submission in 2024, and has to date involved multiple stakeholder engagements including:

- Fortnightly group forums with Affected Persons to consult on proposed changes to Aurizon Network's planning and scheduling processes between September and November 2023;
- Collection of significant feedback from Affected Persons resulting in refinements to the initial planning changes and a plan to proceed with a CQC Network trial for an approximate 7-month period commencing on or around 1 July 2024 (**Daily Rolling Plan Project**);
- Weekly group forums with Affected Persons between December 2023 and March 2024;
- Additional direct one-on-one engagements with Affected Persons (where required) between August 2023 and March 2024;

- The release of Proposed Amendments to the System Rules (to enable the Daily Rolling Plan Project to proceed) to Affected Persons on 5 February 2024; and
- A reminder for Affected Persons to provide written submissions regarding the Proposed Amendments during the formal consultation period that ended 1 March 2024. A total of 15 written submissions were received (copies of which have been provided to the QCA).

Aurizon Network carefully considered the feedback received from Affected Persons and as a result, proposes a number of variations to the Proposed Amendments (**Variations**).

The Variations are displayed via tracked changes to the Proposed Amendments and are appended to this Consultation Report.

Proposed Amendments

The Proposed Amendments were drafted to enable the Daily Rolling Plan Project to proceed as planned. Feedback on the Proposed Amendments fell into a number of key themes which are discussed in further detail below.

Implementation Timing

The Proposed Amendments specified that the Daily Rolling Plan Project would commence 1 July 2024 and conclude 31 January 2025 (**Trial Period**).

Stakeholder Response

A number of stakeholders suggested the Trial Period should not be fixed, noting misalignment with the proposed Second Voting Date (which would have occurred after the Trial Period had concluded) and some preference for a later commencement.

Several stakeholders also questioned how reversion to the existing System Rules would occur if required.

Aurizon Network Assessment

Aurizon Network has amended the Trial Period to commence on or around 1 July 2024 for approximately 7 months. The First and Second Voting Dates have also been amended to occur at three and seven-month intervals after the Trial Period commences.

Aurizon Network has specified that reversion would occur the second Monday after the relevant Voting Date if the Trial was required to be discontinued.

Cost Recovery

The Proposed Amendments stated that if the outcome of Second Voting Date was not to discontinue to the Trial, this would be considered positive support for Aurizon's Network cost recovery for FY25-27 via a future DAAU.

Stakeholder Response

A number of stakeholders suggested that cost recovery is not relevant to the System Rules and should be removed. In addition, that cost recovery should only be for incremental costs not already contained within existing allowances.

Aurizon Network Assessment

Aurizon Network has clarified the drafting to note that any forecast incremental costs not included within the existing operational allowance may be submitted to the QCA for prudency review through a future DAAU, with further information to be provided to stakeholders prior to the Second Voting Date.

Process – Optimisation

Stakeholder Response

A number of stakeholders requested a longer optimisation period, with one suggesting the

duration could remain flexible to allow for process improvements throughout the Trial Period.

There was also some preference for the full optimisation data to be shared daily (i.e. days 5 and 6 as opposed to just day 4).

Aurizon Network Assessment

The 2-day optimisation period was selected following significant testing by Aurizon Network (noting an increased optimisation period puts significant pressure on IT system processing timeframes).

Aurizon Network has however included drafting within the Variations to allow for process amendments to be consulted upon and communicated throughout the Trial Period.

Testing to date has shown that there is significant variability in the later days of the optimisation period (in comparison to the rolling daily IRP and rolling daily ITP). The purpose of the optimisation window is for the efficient running of the optimisation tool, not as a forecasting method. At this stage, Aurizon Network considers that sharing the outputs of the full optimisation period could lead to decision-making on unreliable information. Per above, Aurizon Network may adjust this view as the Trial progresses without requiring changes to the System Rules.

Voting

The Proposed Amendments introduced a voting mechanism that would allow the trial to be discontinued if Voting Parties voted to do so. Voting Rights would be determined by FY25 Train Paths for End Users, normalised by Coal System, and Coal System utilisation for Train Operators. Votes would be cast to discontinue the Trial, and the absence of a vote would be considered support for the Trial to continue.

In order for the Trial to be discontinued, the First Vote would need a 75% threshold to be met, and the Second Vote would need a 60% threshold to be met. If Aurizon Network called a vote (based on data and/or feedback that there were issues with the Trial), a 60% threshold would need to be met.

Only a sum of Voting Rights exceeding the relevant threshold would be sufficient to discontinue the Trial.

Stakeholder Response

A number of stakeholders requested that Train Operators be excluded from having Voting Rights, with one suggesting a simple majority of End Users would be a sufficient voting methodology.

There were several suggestions put forward on alternate voting thresholds, as well as adjusting Voting Dates to set intervals from the Trial commencement.

Some feedback also suggest that the Voting Methodology should be based on a percentage of votes received, that non-responses should not be counted as support for the Trial and that there should be a mechanism to automatically stop the Trial.

Aurizon Network Assessment

Several key principles were considered when developing the Voting Methodology, including:

- That no single voting group could vote to discontinue the Trial (i.e. an individual Coal System or a small number of large End Users)
- That the Voting Rights be proportionate to the risk held by Affected Parties
- That Train Operators would have Voting Rights on the basis of their required change management to adopt the Daily Rolling Plan

Aurizon Network has amended the Voting Rational to include Voting Rights weighted by Access Rights or an absolute majority of End Users, as a method of more fairly providing voting power to smaller End Users. Votes from Train Operators will not be considered in the Absolute Majority. The End User/Train Operator weighting split has also been amended to 80% and 20% respectively.

The Voting Threshold for the first vote has been reduced in response to feedback, but kept at a level (70%) that still requires a strong vote to discontinue the Trial. Aurizon Network notes that it can call a Vote at any time throughout the Trial, and considers that should stakeholders wish to discontinue the trial, they will be motivated to participate in the Vote.

Process – Week 1 Forecast

Stakeholder Response

A number of stakeholders requested clarity regarding the Relevant Period and Week 1 Forecast Period.

One stakeholder noted that Aurizon Network's provision of a forecast beyond 96 hours is essential to ensure shipping queue alignment, stating that 'without 12-14 days forecast outlook of the rail plan it would be difficult.. to align shipping queues'.

Aurizon Network Assessment

Aurizon Network has added definitions for both periods within section 6.0 and corrected the drafting within section 2.1.

In the current process, Train Operators, End Users and terminals are provided an ITP for the following planning week (being four to ten days in advance). The introduction of the Week 1 Forecast will mimic this forward visibility. Aurizon Network also undertakes a week 2 process with Train Operators for a further seven days out for forecasting purposes. The Daily Rolling Plan Project will therefore not reduce forward visibility.

Demand Capping

Stakeholder Response

Several stakeholders expressed concern regarding the demand capping drafting within section 2.1.

Aurizon Network Assessment

Aurizon Network confirms the intention was always to require Train Operators to adjust their own demand (where required and in consultation with Train Operators) and has amended the drafting accordingly. Aurizon Network also notes this only applies to demand submitted for the IRP.

Process – Reporting

Stakeholder Response

A number of specific reporting requests were received from stakeholders, including:

- Causation determination and reporting of services requested under an IRP but not scheduled on an Origin-Destination basis;
- Clarification around the Customer Sentiment metric
- Presentation of the Fleet Utilisation metric in a consolidated manner (i.e. not at an individual Train Operator level).
- Extent to which the Daily Rolling Plan Project deters over-contracted Access Holders from cancelling trains

Aurizon Network Assessment

Aurizon Network is in the process of finalising additional system-level reporting to demonstrate the impact of planning inputs and constraints through the IRP process to enable continuous improvement in supply chain performance. This has been discussed with stakeholders throughout the consultation period.

Details have been provided to stakeholders outlining the constraints and challenges that still need to be resolved, including:

- Confidential and Ringfenced Information being requested
- Technology constraints

Aurizon Network will continue to work with stakeholders in developing and refining additional reporting.

Process – IRP/ITP

Stakeholder Response

Several stakeholders queried whether the IRP and ITP timeframes were sufficient (specifically in relation to submitting demand assumptions and applying the CTP process).

One stakeholder contemplated potential measures to ensure parties are not ‘gaming’ the Trial.

It was also suggested that an independent audit of the RACE model and its outputs should be conducted.

Aurizon Network Assessment

Aurizon Network considers the current timeframes are sufficient however as noted above drafting has been included within the Variations to allow for process amendments to be consulted upon and communicated throughout the Trial Period if required.

Aurizon Network will monitor ordering behaviour throughout the Trial and consider implementing controls if required.

As confirmed in the 2022 System Rules Consultation Report, Aurizon Network is agreeable to an independent audit of the RACE model.

General – Drafting

A clarifying sentence was added within section 2.3 to confirm that changes to services scheduled to depart during the DOO or the following day may consume additional TSEs for the purpose of Schedule G. This is not a change resulting from the Daily Rolling Plan Project and was simply added to clarify the existing process.

Stakeholder Response

Several stakeholders considered the sentence to be unclear and questioned whether ‘additional’ TSEs may be consumed or just those originally scheduled.

One stakeholder also noted two definitions within section 6.0 still included references to weekly orders.

Aurizon Network Assessment

Aurizon Network has removed the word ‘additional’ to reflect that only the originally scheduled TSEs may be consumed.

Aurizon Network has corrected the definitions within section 6.0.

Consultation

Stakeholder Response

Several stakeholders expressed overall support for the Proposed Amendments and/or the Daily Rolling Plan Project.

One stakeholder considered consultation with port operators had been insufficient to date.

Aurizon Network Assessment

Aurizon Network acknowledges further direct consultation with port operators is required and has been scheduled for the week commencing 11 March 2024.

Considerations for Future Review

Several stakeholders made suggestions that Aurizon Network considers may be more appropriate for a future System Rules review (due to timing and the nature of the 2024 review), including:

- The addition of empty wagons and their root cause/attribution within Performance Measurement (section 5.2)
- Where an IRP is not accepted, capping ITP orders to a nominal percentage of the original IRP demand
- Ability for Aurizon Network to adjust the ITP where reasonably required

Aurizon Network notes that the Daily Rolling Plan Project is a Trial, and that changes to the planning processes may be necessary during and after the Trial Period, in collaboration with industry.

Conclusion

In accordance with clause 7A.7.4(e)(iii)(D) of UT5, Aurizon Network does not consider that the Proposed Amendments and Variations will have any negative impact on the delivery of each Affected Person's Train Service Entitlements.

The purpose of the Proposed Amendments and Variations are to allow the Trial of the Daily Rolling Plan Project to proceed as planned.