

Aurizon Network: 2020/2021 Annual Compliance Report

31 October 2021

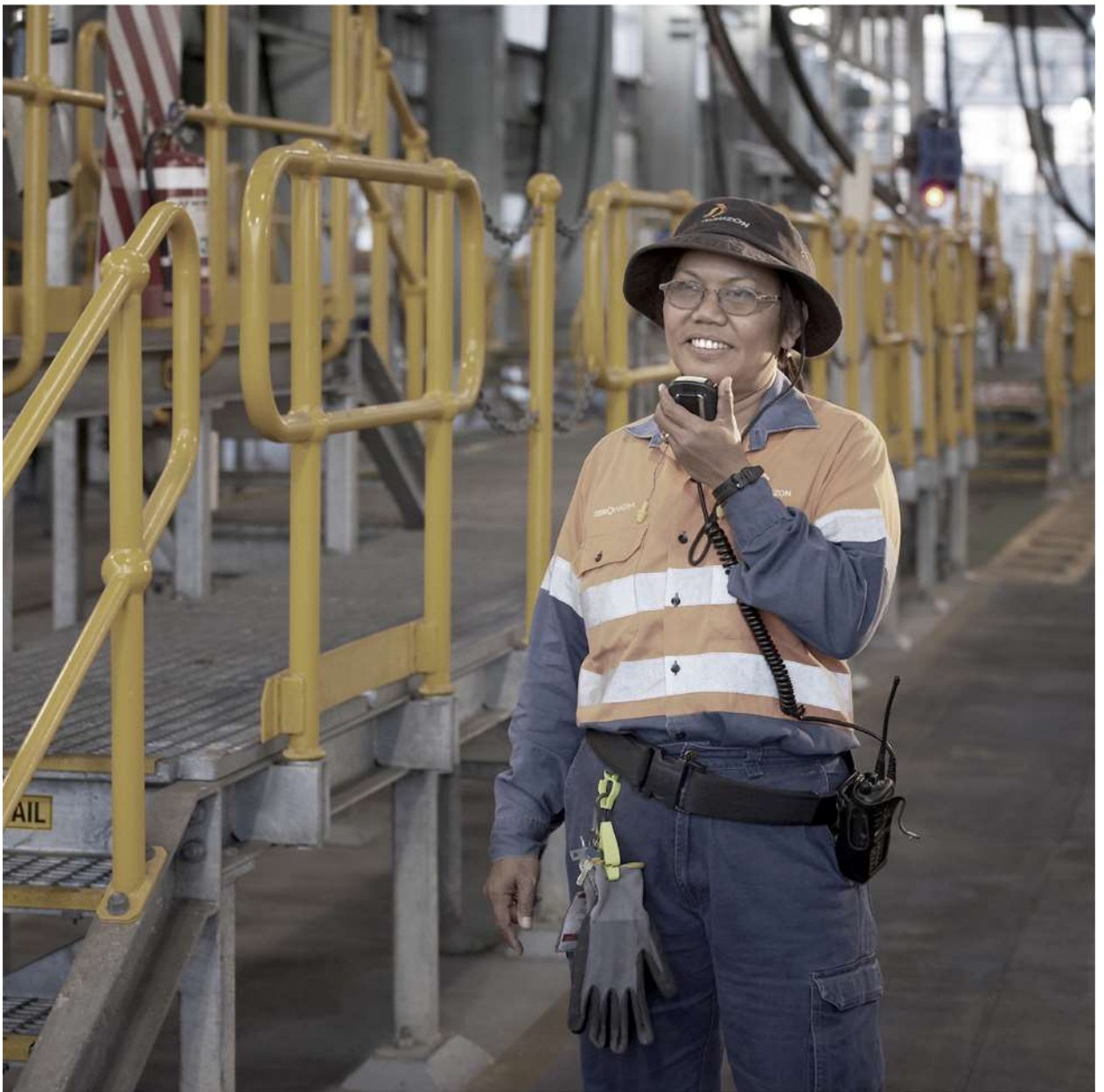


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1. Introduction

Aurizon Network Pty Ltd¹ (**Aurizon Network**) operates the Central Queensland Coal Network (**CQCN**), an integrated and interconnected heavy haul rail transport network which links more than forty (40) mines to five export coal terminals, using over 2,670km of track. Aurizon Network facilitates a competitive market for above rail services provided by rail haulage companies, with access rights held by both rail operators and coal producers. Aurizon Network's key responsibilities include:

- negotiating access with parties seeking to use its below rail infrastructure;
- maintaining and managing its CQCN rail infrastructure and other below rail assets; and
- managing operations across the CQCN, including organising the manner in which train services can utilise network capacity.

Aurizon Network recognises the importance its 2017 Access Undertaking (**the Undertaking, UT5**) plays for stakeholders in the CQCN and the influence it has on customers, investors and the region. Specifically, the Undertaking is a critical document for Aurizon Network as it guides its interactions with customers, sets out how services are to be provided, and seeks to ensure Aurizon Network is appropriately incentivised to efficiently operate, maintain and invest in the infrastructure to enable the supply chain participants to remain globally competitive.

In accordance with Subclause 10.5.2 of the Undertaking, Aurizon Network is required to prepare Annual Compliance Reports for the Queensland Competition Authority (**QCA**); one being a consolidated version for public release and the second being a confidential report which provides a split for third party access holders and Aurizon Party access holders. The reports are to be completed by Aurizon Network within four months of the end of each financial year in the term.

This report contains information in relation to Aurizon Network's compliance with the Undertaking for the period commencing 1 July 2020 to 30 June 2021 (**FY2021**). In accordance with Clause 10.6.1 of the Undertaking the report and supporting material has been externally audited.

¹ Aurizon Network Pty Ltd is a wholly owned subsidiary of Aurizon Holdings Limited (**Aurizon**).

2. 2020/2021 Compliance

Table 1 provides a summary of Aurizon Network's compliance with the Undertaking in accordance with those measures defined in Subclause 10.5.2 and referenced in subsequent sections below.

Table 1. Aurizon Network 2020/2021 Compliance²

Access Applications		
	Number	%
1. Access Applications acknowledged within the applicable timeframe	19	83%
	Number	Average Delay (Days)
2. Access Applications not acknowledged within the applicable timeframe	4	4
	Number	%
3. Requests for Capacity Information acknowledged within the applicable timeframe	0	0
Indicative Access Proposals		
	Number	%
4. Indicative Access Proposals provided within the applicable timeframe (including extensions granted)	23	100%
5. Instances where an extension of time was sought for the provision of an Indicative Access Proposal	2	9%
	Average Delay (Days)	
6. Indicative Access Proposals not provided within the applicable timeframe	0 (Instances) N/A (Average Delay – Days)	
Non-Ringfencing Related Issues		
	Number	
7. Non-Ringfencing related issues referred to Dispute Resolution	0	
8. Non-Ringfencing related issues referred to Dispute Resolution where Aurizon Network has been found to be in breach of the Access Undertaking	0	

² Please note that definitions for each compliance measure are provided in section 3 of this report.

Complaints received from a non-Aurizon entity		
	Number	%
9. Written complaints from a non-Aurizon party alleging that Aurizon Network has breached its obligations in relation to the non-Aurizon party's confidential information	0	0
10. Written complaints from a non-Aurizon party alleging that Aurizon Network has breached its obligations in relation to the non-Aurizon party's confidential information that have been substantiated	0	0

Ringfencing training	
	Aurizon Network Personnel (%)
11. Aurizon Network personnel receiving, in the course of performing their duties, Confidential Information who have completed training in accordance with Part 3	94.29%

Complaints received from Access Holders regarding invoices	
	Number
12. Instances where an Access Holder has made a written complaint to Aurizon Network about an incorrectly calculated invoice, and where Aurizon Network's investigation identified that the invoice was materially incorrectly calculated	0

Complaints received in relation to the Traffic Management Decision Making Matrix	
	Number
13. Written complaints that Aurizon Network Train Control has made a decision in breach of the Traffic Management Decision Making Matrix	0
14. Written complaints that Aurizon Network Train Control has made a decision in breach of the Traffic Management Decision Making Matrix that are currently being assessed by Aurizon Network	0
15. Written complaints that Aurizon Network Train Control has made a decision in breach of the Traffic Management Decision Making Matrix that after being assessed were verified	0

Complaints received in relation to the Contested Train Path process	
	Number
16. Written complaints that Aurizon Network made a decision in breach of the Contested Train Path Decision Making Process	0
17. Written complaints that Aurizon Network has made a decision in breach of the Contested Train Path Decision Making Process that are currently being assessed by Aurizon Network	0

Complaints received in relation to the Contested Train Path process						
18. Written complaints that Aurizon Network has made a decision in breach of the Contested Train Path Decision Making Process that after being assessed were verified	0					
Negotiation of Access Agreements						
	Average Length of Negotiation Period (Days)					
19. Access Applications that have resulted in an Access Agreement being executed or varied	100					
20. Access Applications that have ceased for a reason other than an Access Agreement being executed or varied	0					
	Number					
21. Access Applications that have resulted in an Access Agreement being executed or varied	6					
Transfers						
	Number					
22. Number of Transfer Notices received in accordance with the Undertaking	127					
	UT5	Pre-UT5	UT5 & Pre-UT5*			
23. The number of transfers which applied to Undertaking sections (note this does not include transfer requests that were cancelled or expired)	55	72	127			
*Transfers that fall under pre-UT5 and UT5 that have occurred where entitlements have been transferred from a UT1, UT2 or UT3 agreement to a UT5 agreement	Clause 7.4		Part 4			
	126		1			
	Months					
	1	2 to 3	4 to 6	7 to 12	13 to 18	19 +
24. The transfer period for each transfer	83	22	4	2	0	16
	Number					
25. Number of Transfers in effect in accordance with the Undertaking	114					
	Clause 7.4			Part 4		
26. Number of consecutive Transfers for the same Nominated Access Rights	19			0		
	Days					

Transfers						
	> -50 to -10	-9 to 0	1 to 10	11 to 20	21 to 50	51+
27. Length of time from Transfer Notice to effected Transfer	36	46	3	11	16	15

3. UT5 Compliance Measures

Compliance Measure 1 – Paragraph 10.5.2(c)(i):

The number and percentage of Access Applications acknowledged by Aurizon Network within the time specified in the Access Undertaking.

Clause 4.3(c) and Clause 4.4(a) of the Undertaking requires that Aurizon Network acknowledges receipt of a completed Access Application from an Access Seeker within ten (10) days.

Compliance Measure 2 – Paragraph 10.5.2(c)(ii):

Where Aurizon Network has not acknowledged an Access Application within the time specified in the Access Undertaking, the average delay in days taken to acknowledge the application.

This measure indicates the average delay, in days, where Aurizon Network has not acknowledged an Access Application within ten (10) business days.

Compliance Measure 3 – Paragraph 10.5.2(c)(iii)

The number of requests for Capacity Information and percentage acknowledged in accordance with the applicable timeframe nominated in Clause 4.2(c).

This measure indicates the number of requests Access Seekers/ Holders have sought from Aurizon Network for Capacity Information and the percentage acknowledged within (10) business days.

Compliance Measure 4 – Paragraph 10.5.2(c)(iv):

The number and percentage of Indicative Access Proposals (IAP) provided within the time specified in the Undertaking.

Clause 4.6(e) of the Undertaking requires an IAP be provided within 20 business days following Aurizon Network's acknowledging a

completed Access Application, unless the negotiation process is suspended or extended.

Compliance Measure 5 – Paragraph 10.5.2(c)(v):

The number and percentage of instances where an extension of time was sought for the provision of an IAP.

Compliance Measure 6 – Paragraph 10.5.2(c)(vi):

Where Aurizon Network has not issued an IAP within the time specified in the Undertaking, the average delay in days taken to issue an Indicative Access Proposal.

This measure indicates the average delay, in days, where an IAP was not provided by Aurizon Network within 20 business days or otherwise agreed.

Compliance Measure 7 – Paragraph 10.5.2(c)(vii):

The number of non-ringfencing related issue was referred to dispute resolution.

This measure indicates the number of issues referred to dispute resolution, in accordance with Part 11 of the Undertaking, for a matter that is not related to Aurizon Network's treatment of the confidential information of a non-Aurizon entity.

Compliance Measure 8 – Paragraph 10.5.2(c)(viii):

The number of non-ringfencing related issue referred to dispute resolution and where Aurizon Network was found to be in breach of the Undertaking.

This measure indicates the number of instances where an issue has been referred to dispute resolution and it has been found that Aurizon Network has breached the Undertaking for an issue other than a matter related to the confidential information of a non-Aurizon entity.

Compliance Measure 9 – Paragraph

10.5.2(c)(ix):

Instances where Aurizon Network has received a written complaint from a Third Party that is has allegedly breached its ringfencing obligations.

This measure indicates the number of instances where Aurizon Network has received a complaint that it has breaches its ringfencing obligations regarding the protection of a non-Aurizon entity's confidential information.

Compliance Measure 10 – Paragraph

10.5.2(c)(x):

Instances where Aurizon Network has received a written complaint from a Third Party that is has allegedly breached its ringfencing obligations and was found to have breached those obligations in accordance with the Undertaking.

This measure indicates the number of instances where Aurizon Network has received a complaint and it has been found that it has breached its ringfencing obligations regarding the protection of a non-Aurizon entity's confidential information.

Compliance Measure 11 – Paragraph

10.5.2(c)(xi):

The percentage of Aurizon Network personnel receiving, in the course of performing their duties, Confidential Information who have completed their training.

This measure indicates the compliance with Clause 3.15 of the Undertaking to ensure all Aurizon Network Personnel receiving access to ringfenced information are aware of their obligations.

Compliance Measure 12 – Paragraph

10.5.2(c)(xii):

The number of instances where an Access Holder has made a written complaint to Aurizon Network about an incorrectly calculated invoice that was subsequently verified.

This measure provides the number of instances where an Access Holder has made a written complaint to Aurizon Network about an

incorrectly calculated bill and this has been proven.

Compliance Measure 13 – Paragraph

10.5.2(c)(xiii)(A)

Compliance Measure 14 – Paragraph

10.5.2(c)(xiii)(B)

Compliance Measure 15 – Paragraph

10.5.2(c)(xiii)(C)

Compliance Measures 13 to 15 indicate the number of written complaints received by Aurizon Network that it has allegedly made a decision in breach of the Undertakings traffic management decision making matrix, the number of written complaints received that are still being assessed, and the number of written complaints which, after being assessed by Aurizon Network, were verified as breaches of the Undertaking.

These measures are reported separately by Aurizon related party and non-Aurizon related party. Such complaints are recorded in Aurizon Network's complaints/ringfencing issue register.

Compliance Measure 16 – Paragraph

10.5.2(c)(xiv)(A)

Compliance Measure 17 – Paragraph

10.5.2(c) xiv)(B)

Compliance Measure 18 – Paragraph

10.5.2(c)(xiv)(C)

Compliance Measures 16 to 18 indicate the number of written complaints received by Aurizon Network that it has allegedly made a decision in breach of the Undertakings contested train path decision making process, the number of written complaints received that are still being assessed, and the number of written complaints which, after being assessed by Aurizon Network, were verified as breaches of the Undertaking.

These measures are reported separately by Aurizon related party and non-Aurizon related party. Such complaints are recorded in Aurizon Network's complaints/ringfencing issue register.

Compliance Measure 19 – Paragraph 10.5.2(d)(i):

Average length of the Negotiation Period in days where Access Applications have resulted in an Access Agreement being executed or varied.

This measure indicates the average length of the Negotiation Period where an Access Agreement is executed or varied.

The Negotiation Period commences immediately following the Access Seeker's written acceptance of an IAP issued by Aurizon Network. In many cases, an IAP is rejected by the Access Seeker before the Negotiation Period commences as any conditions on the IAP being accepted cannot be met.

Compliance Measure 20 – Paragraph 10.5.2(d)(ii):

Average length of the Negotiation Period in days where Access Applications have ceased for a reason other than an Access Agreement being executed or varied.

The Negotiating Period may cease without an Access Agreement being executed or varied for a variety of reasons. For example, a second Access Seeker may contract the track capacity, or an Access Seeker may withdraw for business reasons.

This measure indicates the average length of time, in days, of the negotiation period where an Access Agreement is not executed or varied.

Compliance Measure 21 – Paragraph 10.5.2(d)(iii):

The number of instances a negotiation period ceases due to an Access Agreement being executed or varied.

This measure indicates the number of Access Applications that have resulted in an Access Agreement being executed or varied.

Compliance Measure 22 – Paragraph 10.5.2(e)(i):

The number of Transfer Notices received.

This measure indicates the number of Transfer Notices received in accordance with the transfer provisions under Clause 7.4.

Compliance Measure 23 – Paragraph 10.5.2(e)(i)(A) and Paragraph 10.5.2(e)(v):

Whether the Transfer process took place under Clause 7.4 or Part 4 disregarding whether the Transfer was effected in accordance with that clause or Part.

This measure indicates whether the Transfer are being granted under an Access Agreement executed prior to the Approval Date (i.e. pre-UT5) or an Access Agreement executed on or after the Approval Date (UT5).

Compliance Measure 24 – Paragraph 10.5.2(e)(i)(B):

The Transfer Period for which that transfer is effective.

This measure indicates the period, in months, for which a Transfer Notice relates to.

Compliance Measure 25 – Paragraph 10.5.2(e)(ii):

The number of Transfers in effect.

This measure indicated the number of Transfers which were in force in accordance with the transfer provisions under Clause 7.4 or Part 4.

Compliance Measure 26 – Paragraph 10.5.2(e)(iii):

The number of consecutive Transfers for the same Nominated Access Rights.

This measure indicates the number of consecutive Transfers for the same Nominated Access Rights that have been in effect, including details of whether the Transfer was effected under Clause 7.4 or Part 4.

**Compliance Measure 27 – Paragraph
10.5.2(e)(iv):**

The average length of time from receipt of a Transfer Notice until a Transfer is executed.

This measures the average length of time, in days, from receipt of a Transfer Notice completed and submitted in accordance with the process set out in the Undertaking to the commencement of the Transferee's new or varied Access Agreement giving effect to the Transfer.

Aurizon Network's transfer process includes any requests of intention to transfer which are received at least five (5) days prior to the end of the month, relating to the relevant period (current month).

For example:

An Operator submits a Transfer Notice on 26 October 2018 for the relevant period. This means that the request for transfer will be effective from 1 October 2018.

It is for this reason that there are a negative average number of days in this table.