

14 December 2018

Commissioners
Independent Planning Commission
3/201 Elizabeth St
SYDNEY NSW 2000

Attention: Mr Gordon Kirkby

Dear Gordon,

**Bylong Coal Project
Response to Glencore Submission dated 12 November 2018**

1. INTRODUCTION

This letter responds to the matters raised by Glencore Pty Limited (Glencore) in its letter to the Independent Planning Commission (IPC) dated 12 November 2018 in relation to potential impacts of the Bylong Coal Project (the Project) on the capacity of the Sandy Hollow to Gulgong rail line and its current users.

Ulan Coal Mines Limited (UCML) owns the Ulan Coal Complex which is located 38 kilometres (km) north-north-east of Mudgee. UCML is a joint venture between Glencore Coal Assets Australia Pty Limited (90%) (a wholly owned subsidiary of Glencore) and Mitsubishi Development (10%). Glencore manages the Ulan Coal Complex on behalf of the joint venture. The Ulan Coal Complex uses the Sandy Hollow to Gulgong rail line to transport its product coal to the Port of Newcastle for export.

The Glencore submission raises the following matters for consideration by the IPC:

- Impacts to other users of the Sandy Hollow to Gulgong rail line; and
- Cumulative impacts on the current network users and the strategic objectives of the rail network.

Glencore initially raised concerns in relation to the Project in a submission to the Department of Environment and Planning (DPE) on 6 November 2015 in response to the public exhibition of the Environmental Impact Statement for the Project. KEPCO subsequently provided a response to Glencore's submission in Section 5.22.16 of the *Bylong Coal Project Response to Submissions* (RTS) (Hansen Bailey, 2016). Subsequent information related to Glencore's concerns was also provided within Section 2.1 of Appendix E of the *Bylong Coal Project Supplementary Response to Submissions* (Supplementary RTS) (Hansen Bailey, 2016b) report.

2. UCML SUBMISSION

Glencore's latest submission raises similar concerns as the earlier submission which has previously been addressed within the RTS and Supplementary RTS. Glencore have raised some additional points including:

- UCML completed the construction of the Sandy Hollow to Gulgong rail line;
- Existing mines have recently lodged expressions of interest for additional capacity in support of their projects (as approved and future projects); and
- That their concerns were not adequately addressed within the RTS, or by a meeting with a KEPCO representative on 3 May 2017.

In summary, Glencore are concerned that there is no additional access available on the Sandy Hollow to Gulgong Rail line to accommodate the trains required for the Project and that access constraints to this section of the rail network currently exist which means that capacity does not always meet demand.

Glencore has sought for a detailed and independent rail traffic impact assessment involving proper consultation with UCML, and that the modelling completed by Australian Rail Track Corporation (ARTC) be independently verified.

3. RESPONSE

As noted earlier, KEPCO has previously responded to submissions in relation to the capacity constraints of the Sandy Hollow to Gulgong Rail Line. KEPCO referred to the extensive consultation that has been undertaken in relation to the Project (by representatives of the Project team) with ARTC since December 2014 and that ARTC had confirmed that the train movements from the Project will be able to be catered for on the Sandy Hollow to Gulgong Rail Line.

ARTC commenced a 60-year lease over part of the NSW rail network in 2004, and is responsible for managing and granting access to the Hunter Valley Coal Network. This responsibility includes managing the capacity requirements and extends to the Sandy Hollow to Gulgong Rail Line.

ARTC has provided a submission to the IPC on 22 November 2018, outlining its responsibilities and the processes implemented in forecasting rail demands and the actions required to provide the required access. A copy of this letter is provided in **Appendix A**.

The Hunter Valley Access Undertaking (HVAU) provides the framework for negotiating access and how capacity investment in the rail network will be carried out. ARTC use the mechanisms within the HVAU to identify how and when increases in network capacity are required to meet current contractual requirements. The HVAU, including capacity management is reviewed and subjected to periodic Australian Competition and Consumer Commission (ACCC) approval. KEPCO understands the HVAU contains provisions for expansion of the already congested rail line.

Each year ARTC develop a Hunter Valley Corridor Capacity Strategy which identifies capacity pathways to meet forecasts of contracted volumes by existing users as well as prospective access. The Project has been identified in the annual strategy document since 2012, allowing for five years of planning and forecasting of the Sandy Hollow to Gulgong Rail Line including the Project's requirement projections. The "2017 Hunter Valley Corridor Capacity Strategy" (HVCCS) was finalised for the public in March 2018.

The 2017 HVCCS notes that "*Throughout 2017 ARTC had interest expressed by existing or new access holders in potential contractual volume growth. To provide a richer level of analysis in the current demand environment, this Strategy also provides a 'most likely' volume forecast in addition to the usual 'contracted' and 'prospective' scenarios.*"

The 2017 HVCCS looks to accommodate "*contracted plus prospective volumes of up to 241 million tonnes per annum (mtpa)*". As part of the modelling process, ARTC identifies "*new mines that producers could develop and existing mines where volumes could potentially grow.*" Forecasted volumes are agreed by the Rail Capacity Group which consists of representatives of the access holders, along with the Hunter Valley Coal Chain Coordinator and rail operators.

In their submission letter, ARTC reiterate that the Project has been considered in their Strategy since 2012, and that the rail capacity on the Sandy Hollow to Gulgong Rail line (and beyond) will be sufficient to cater for coal produced by the Project.

4. CONCLUSION

Glencore's concerns have previously been considered and responded to as part of the RTS and Supplementary RTS.

We trust that this letter (along with correspondence from ARTC) further addresses the matters raised by Glencore in relation to the capacity on the Sandy Hollow to Gulgong Rail Line. This letter also clarifies that these matters have been extensively consulted over between ARTC and representatives of the access holders, along with the Hunter Valley Coal Chain Coordinator, the rail operators and with the proponent over the past 6 years. Clearly, ARTC has a well-considered strategy (HVAU) for addressing the future demand that will be placed on its infrastructure. The process outlined has been reviewed and approved by ACCC. ARTC's correspondence to the IPC dated 22 November 2018 advises that it is responsible for the management of train paths on the Sandy Hollow to Gulgong Rail Line and that it has factored in the requirement for further train paths to accommodate the Project.

Please do not hesitate to contact us should you have any questions or require any further information.

Yours faithfully

HANSEN BAILEY



Nathan Cooper
Principal



James Bailey
Director

APPENDIX A
ARTC SUBMISSION

Chair of Independent Planning Commission
Professor Mary O'Kane
Level 3, 201 Elizabeth Street
Sydney NSW 2000

Email: ipcn@ipcn.nsw.gov.au

22 November 2018

Dear Ms O'Kane

KEPCO Bylong Australia - Bylong Coal Project

Australian Rail Track Corporation Limited (ARTC) leases certain parts of the rail network in NSW and is responsible for managing and granting access to the Hunter Valley Coal Network.

Access to the Hunter Valley Coal Network is regulated via an access undertaking with the [Australian Competition and Consumer Commission](#) known as the Hunter Valley Coal Network Access Undertaking (HVAU). The HVAU provides the framework for negotiating access and how capacity investment in the rail network will be carried out, including related consultation processes with the Hunter Valley Coal Chain Coordinator Limited (HVCCC) who provides an independent view of Coal Chain Capacity.

Each year ARTC develops a Hunter Valley Corridor Capacity Strategy (Strategy) which identifies capacity pathways to meet forecasts of contracted volume sought by existing and prospective access holders. ARTC confirms that forecast volumes for the Bylong Coal Project have featured in the annual Strategy since 2012. The Strategy can be found on ARTC's website at: <https://www.artc.com.au/projects/hv-strategy/>.

The Bylong Coal Project is located within Zone 2 (Ulan Line) of the three zone Hunter Valley Coal Network and is situated on a single line railway. In assessing the required capacity for the Ulan line, cumulative rail movements west of Muswellbrook are considered, including peaking and average paths, for the contracted and prospective volumes. Capacity expansion options to meet the volume scenarios are set out in the Strategy along with preliminary cost estimates, benefits and timing.

ARTC utilises existing mechanisms within the HVAU to identify, plan and increase network capacity as and when required to meet the ongoing contractual requirements. This process has been considered effective in reviews of the HVAU. ARTC can confirm that these mechanisms, including the associated commercial aspects, can enable sufficient capacity to be established for the Bylong Coal Project in the context of the current Ulan line capacity strategy with relevant lead times.

ARTC has been in discussions with KEPCO for over five years on its plans for the Bylong Coal Project. Through these discussions, KEPCO is aware of the current capacity limitations on the Ulan line and the potential pathways to provide additional capacity. ARTC will continue to work with KEPCO on its rail connection (including the technical specifications, construction and operational interfaces) and the capacity and access arrangements for the Hunter Valley Coal Network as the project progresses.

ARTC has previously provided an agreement in principle for the rail connection works for the Bylong Coal Project, subject to a range of conditions including:

- The Bylong Coal Project must obtain all relevant Environmental and Planning Approvals; and
- The final design will be subject to review and approval by ARTC.

If there are any other queries related to this project and the relationship with ARTC's Ulan line capacity pathway, please contact me to discuss.

Yours sincerely

A black rectangular redaction box covering the signature of Wayne Johnson.

Wayne Johnson

General Manager Customer Service and Innovation