



20<sup>th</sup> February 2012

REF: Wandoan AER/SB/01

**Mr Warwick Anderson**  
**General Manager—Network Regulation Branch**  
**Australian Energy Regulator**  
**GPO Box 3131**  
**Canberra ACT 2601**

Sent by email: [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au)

Dear Mr Anderson,

**AER Draft Decision – Powerlink Revenue Proposal**  
**Xstrata Coal Queensland - Wandoan Coal Project**

The AER has published a draft decision on the Powerlink Revenue Proposal for the period starting on 1st July 2012. In that draft decision the AER has rejected the contingent projects proposed for the Surat Basin. Xstrata Coal Queensland (XCQ) believes the AER's draft decision does not correctly take into account the development of loads associated with the Surat Basin.

XCQ entered into a Connection and Access Agreement with Powerlink in February 2012 for an initial supply capacity of approximately 120MW in relation to the Wandoan Coal Project. This capacity is required for the current mine operations plan based on mining activities over Mining Lease Applications (MLA) 50229, MLA 50230 and MLA 50231.

There are other MLAs in the area that are held by the Wandoan Joint Venture and other mining companies, together with a significant number of coal seam gas developments. In addition, there are a number of rail, water and major infrastructure projects currently being planned to accommodate the considerable expansion of mining and gas extraction in the region. This is highlighted by the increase in applications to connect and connection enquiries to Powerlink between their original Revenue Proposal and the revised Revenue Proposal released in January 2012 (Fig 8.1 & 8.2 refers). As many of these developments are planned for construction over the next 3 years, it is crucial that Powerlink has the ability to respond to that demand within the regulatory period. Further, many subsequent developments are targeting to reach Financial Close within the regulatory period; to do so will require Powerlink to make binding commitments which need to be supported by an approved budget.

XCQ recommends that the AER takes these loads into account, and therefore reconsiders its decision to reject the contingent projects for the Surat Basin. We believe that the previous rejection was based on a lack of appreciation of the real demand that is developing in the Surat Basin.

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XCQ also believes that the AER is under-estimating indirect loads associated with general demand growth beyond the boundaries of resource developments; this is based on the AER's removal of mining impacts from the Gross State Product. The development of the Surat Basin will result in significant community, commercial and industrial development away from the specific mine sites. For the Surat Basin developments there will be new and expanded businesses supporting the mining and gas operations in the regions from Toowoomba to Roma, as well as increased load for handling the new volumes of material at various transport points between the mines and the port.

XCQ believes that Powerlink needs to have the ability to respond to the demand growth in Queensland, both to specific developments in the Surat Basin as well as the broader demand growth stimulated by the unprecedented mining and industrial development in Queensland.

We therefore recommend that the AER re-considers Powerlink's revised Revenue Proposal, and in doing so consults with individual mining proponents as to the timeframes and load requirements of their developments, prior to making any decision to remove a forecast load. Please do not hesitate to contact us on (07) 3115 5300 for further engagement on these key issues.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Steve Bridger', written over a faint, illegible background.

**Steve Bridger**  
Executive General Manager  
Wandoan Coal Project  
Xstrata Coal