



The History of the Hunter Valley Coal Chain Coordinator 'HVCCC'

Background

The Hunter Valley Coal Chain is the largest coal export operation in the world and consists of:

- Approximately 35 coal mines owned by 14 coal producers;
- Coal haulage distances of up to 450 kilometres;
- More than 27 points for loading coal onto trains;
- Two Coal Terminals with a 3rd Terminal under construction; and
- The movement and loading of more than 1000 coal vessels/year from the Coal terminals through the Port of Newcastle.

Tentative Formation Years

Up until 2003 there was no central planning and coordination process for the movement of coal through the Hunter Valley Coal Chain. All planning was done at the individual Service Provider level, often resulting in:

- The inefficient planning and scheduling of coal through the Coal Chain;
- Lack of coordinated planned maintenance activities;
- Excessive levels of cancellations; and
- Excessive rework.

In early 2003 an Industry Review Team recommended that the implementation of a centralised Coal Chain planning function could potentially deliver enormous benefits to the Coal Industry. Following acceptance of this recommendation the Hunter Valley Coal Chain Planning Group (HVCCPG), the forerunner of the HVCCC, was established in June 2003. HVCCPG was initially established as a trial between PWCS and rail operator Pacific National. It quickly proved that centralised planning of coal chain activities could release "latent" Coal Chain capacity to the benefit of the Coal industry.

Acceptance as Central Coal Chain Planning Body

By 2005 all Coal Industry Service Providers had fully embraced the centralised planning model and took steps to formalise the HVCCPG. A Memorandum of Understanding was executed on 5 July 2005 and with this the HVCCPG's name was changed to the Hunter Valley Coal Chain Logistics Team (HVCCLT). Membership of the HVCCLT then included all organisations responsible for the transport of coal from the Hunter Valley mines to the port and onto ships for export. Member organisations were:

- PWCS as the operator of the cargo assembly and ship loading terminal;
- Pacific National and QR National as the train operators;
- Australian Rail Track Corporation as the track owner; and
- Newcastle Port Corporation who manage all vessel movements in the Port of Newcastle.

Under the Memorandum of Understanding the HVCCLT represented a cooperative organisation responsible for planning all coal exports for the Hunter Valley coal industry. The HVCCLT was the first cooperative model of its kind in Australia implemented to maximise export opportunities through a coordinated approach to planning. Membership was open to any existing and future Service Providers of transport and port infrastructure in the Coal Chain.

The HVCCLT had two broad planning objectives, being:

- **Day to Day Planning and Scheduling:** Maximise coal export volumes each and every day and coordinate planning for the provision of future coal chain infrastructure. The HVCCLT coordinated vessel berthing, stockpile layouts and train sequencing so as to fulfil customers orders in the shortest possible timeframe; and
- **Long Term Capacity Planning:** Over the longer, 10-year horizon the HVCCLT used sophisticated simulation and optimisation modelling tools to continuously assess the adequacy of the existing Coal Chain infrastructure to fulfil future export demand. By identifying future Coal Chain constraints and working to develop an integrated capital investment plan, the HVCCLT was able to assist members optimise their investment decisions and focus capital expenditure on infrastructure required to meet future coal export growth.

With a mix of Federal, State and privately owned organisations operating individual components of the Coal Chain, the HVCCLT provided a single point of coordination for all planning decisions. The HVCCLT has proven that by planning the Coal Chain as a single system, increased throughput and coordinated investment can be achieved.

Transition to the Independent HVCCC

In 2009 the Hunter Valley Coal Industry went through a major restructure of the contractual arrangements for the movement of coal. The new arrangements provide greater certainty of long term Coal Chain system capacity and contractual obligations. With the emergence of these new contractual obligations came the need to further evolve the HVCCLT from a cooperative of Service Providers to a separate entity with legal status. This entity needed to be more representative of the coal industry; in particular it needed representation from Coal Producers as well as Service Providers. As a separate legal entity it would be better placed to more effectively meet its obligations in this new contractual environment.

On 27 August 2009 the Hunter Valley Coal Chain Coordinator Limited (HVCCC) was incorporated as a new independent legal entity and formally replaced the HVCCLT. The membership of the HVCCC has been expanded to include all current Hunter Valley Coal Chain Producers as well as Service Providers.

The HVCCC Board appointed an independent Chairman and CEO. As a separate legal entity staff previously seconded from the various Service Provider organisations were then offered permanent roles as employees of HVCCC.

The HVCCC's mission is to plan and co-ordinate the co-operative daily operation and long term capacity alignment of the Hunter Valley Coal Chain. Its strategic objectives include;

- To plan and schedule the movement of coal through the Hunter Valley Coal Chain in accordance with the agreed collective needs and contractual obligations of Producers and Service Providers;
- To ensure minimum total logistics cost and maximised volumes through the provision of appropriate analysis and advice on capacity constraints (whether physical, operational or commercial) affecting the efficient operation of the Hunter Valley Coal Chain; and
- To advocate positions, on behalf of Producers and Service Providers, to other stakeholders and governments on issues relevant to the efficient operation of the Coal Chain in order to maximise opportunities for improved co-ordination and/or further expansion of the Coal Chain.

Under its new structure HVCCC plays a pivotal role in the:

- Determination of contractible system capacity and assumptions;
- Measurement of actual performance against system assumptions and allocation of system losses; and
- Usage of contractual entitlement and administration of transfers of entitlement between parties.

The HVCCC is uniquely placed to have a complete 'helicopter' view of the entire Hunter Valley Coal Chain.