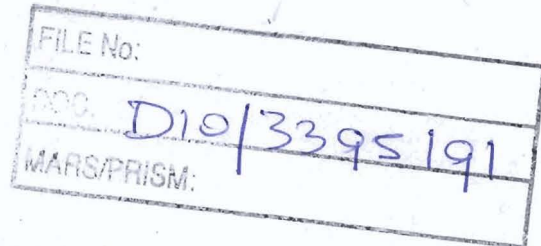


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17 March 2010

Paul Dunn
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001



Dear Mr Dunn,

Application for exemption from the requirement to register as a network service provider

The Blair Athol Joint Venture requests that it be exempted, together with its manager and agent (**Manager**), from the requirement to register as a network service provider (**NSP**) under section 11 of the *National Electricity Law* (**Electricity Law**) in relation to the electricity supply network servicing each of the Blair Athol and Clermont Coal Mines, located north of Clermont, Queensland.

This application for exemption is made having regard to the Guidelines for exemption from the requirement to register as a NSP, published on the Australian Energy Regulator's website (**Guidelines**). Having regard to the Guidelines and reasons set out below, the Blair Athol Joint Venture and its Manager are seeking a full exemption from the requirement to register as an NSP.

The network

The Blair Athol Joint Venture¹ owns a 66kV overhead electric line, approximately 15km in length, which runs from a point of supply on Ergon Energy Corporation Limited's (**Ergon Energy**) supply network² to the Blair Athol Mine (**Blair Athol Line**).

The Manager operates the Blair Athol Line on behalf of the Blair Athol Joint Venture under Special Approval 17/98, issued under the *Electricity Act 1994* (Qld) (**Act**). The Manager of the Blair Athol Joint Venture is currently Rio Tinto Coal Australia Pty Limited (**RTCA**).

RTCA, as manager of the Clermont Joint Venture³, also operates a 66kV electric line, approximately 5.85km in length, which runs from a point of supply on the Blair Athol Line (approximately 5km north of the Copperfield substation), to the Clermont Coal Mine, (**Clermont Line**). The Clermont Joint Venture holds Special Approval 01/07 under the Act for operation of the Clermont Line.

The network in respect of which the exemption is being sought comprises the Blair Athol Line up to the point of connection with the Clermont Line (**Network**).

The Network is a radial network, taking electricity from the Copperfield substation. The Network will supply electricity only to the Blair Athol and Clermont Coal Mines and will not

¹ The participants in the Blair Athol Joint Venture are currently Queensland Coal Pty Ltd (57.195%), Leichhardt Coal Pty Limited (31.416%), J-Power Australia Pty Ltd (7.9723%) and JCD Australia Pty Ltd (3.4167%).

² The point of supply is pole number 1A, on the southern side of Clermont - Rubyvale Road, between Rubyvale Road and Copperfield substation.

³ The participants in the Clermont Joint Venture are currently Queensland Coal Pty Ltd (50.1%), Mitsubishi Development Pty Ltd (31.4%), J-Power Australia Pty Ltd (15%) and JCD Australia Pty Ltd (3.5%).

supply electricity into the national grid. A circuit diagram of the Network, the Blair Athol Line and the Clermont Line, as at the date of this letter, is attached as Annexure A.

Principles applied by AER

Clause 2.5.1 of the National Electricity Rules allows the AER to exempt a person from the requirement to register as an NSP where, in the AER's opinion, the exemption is not inconsistent with the market objective.

When considering such an application for exemption, the AER will have regard to the Guidelines. Section 6 of the Guidelines sets out the principles which the AER will apply in determining whether an exemption is appropriate. These principles are addressed below.

Ownership, control and operation of the network – Guideline 6.1

The relevant network should be wholly contained within premises owned or controlled by the applicant.

The Network is owned by the Blair Athol Joint Venture and operated by the Manager.

The Network is wholly contained within premises owned or controlled by RTCA as the Network is located within the area of various mining leases and easements granted in favour of RTCA, as manager and agent of the Blair Athol Joint Venture or the Blair Athol Joint Venture participants.

Business of the applicant – Guideline 6.2

The provision of the network (and any supply of electricity to other parties) must be incidental to the business of the applicant.

The business of the Blair Athol Joint Venture is mining and processing coal at the Blair Athol Mine. The Blair Athol Joint Venture's ownership of the Network is incidental to these activities.

RTCA operates the Blair Athol, Hail Creek and Kestrel Mines, and is currently constructing the Clermont Mine. It also manages Coal & Allied Industries Limited's operations in the Hunter Valley, Bengalla, Hunter Valley Operations and Mount Thorley Warkworth. RTCA is a wholly owned subsidiary of Rio Tinto Limited, and is part of the Rio Tinto Group. Rio Tinto's business is finding, mining, and processing mineral resources.

Standards and regulatory controls – Guideline 6.3

Standards or other regulatory controls should be in place in respect of the relevant network.

The Network is regulated under the Act and RTCA is authorised under the Act, by Special Approval No. SA 17/98, to operate the Blair Athol Line.

Under the Special Approval, RTCA is required to at all times to comply with the Act and must submit an annual report to the Regulator on its operation of the Blair Athol Line.

RTCA has been advised by Queensland's Department of Employment, Economic Development and Innovation that an amendment to SA 17/98 is required to authorise the

'supply' and 'sale' of electricity by the Blair Athol Joint Venture to the Clermont Joint Venture. Such an amendment is being sought as a priority.

Current arrangements with registered network service provider – Guideline 6.4

The granting of the exemption should not unduly limit access of parties to the national electricity market contrary to the market objectives.

RTCA is party to a Customer Connection Contract with Ergon Energy dated 11 April 2003 (and varied on 14 September 2007) (**Connection Agreement**).

The Connection Agreement sets out the terms and conditions for connection and access of the Blair Athol and Clermont Coal Mines to Ergon Energy's distribution network. The Clermont Joint Venture does not and will not have a separate connection agreement with Ergon Energy. Connecting the Clermont Line to the Blair Athol Line (instead of Ergon Energy's distribution network) was the most efficient way to supply electricity to the two mines.

Accordingly, RTCA does not consider the grant of an exemption by AER will limit access by third parties to the national electricity market, contrary to the market objective of the NEM.

Network charges – Guideline 6.5 .6

The proposed charging regimes governing the network service provider's network should balance the needs of the network provider and the end user.

RTCA, the Blair Athol Joint Venture and the Clermont Joint Venture have agreed that the Clermont Joint Venture will reimburse the Blair Athol Joint Venture⁴ for Clermont's share of network charges payable under the Connection Agreement.

Meters have been installed at each of the Blair Athol and Clermont coal mines. The Clermont Joint Venture reimburses the Blair Athol Joint Venture for a share of the network charges incurred by the Blair Athol Joint Venture, calculated in proportion to the Clermont Coal Mine's energy usage against total energy usage

The arrangements are strictly on a cost reimbursement basis. No other charges will be payable by the Clermont Joint Venture to the Blair Athol Joint Venture for provision of network services.

Energy charges – Guideline 6.6

An appropriate mechanism must exist for the setting of energy charges if users of the network cannot access retailers. Jurisdictional licence conditions or regulations govern the on-selling of energy.

RTCA, as agent for the Blair Athol Joint Venture, is party to an Electricity Retail Sale Agreement (**ERSA**) with a retailer. The ERSA expires on 31 March 2010. A replacement retail sale agreement, effective 1 April 2010, has been entered into with a new retailer.

RTCA, the Blair Athol Joint Venture and the Clermont Joint Venture have agreed that the Clermont Joint Venture will reimburse the Blair Athol Joint Venture for Clermont's share of energy and other charges payable under the ERSA. As with the network charges, the amount to be reimbursed by the Clermont Joint Venture to the Blair Athol Joint Venture is

⁴ The reimbursement is made to RTCA as agent for the Blair Athol Joint Venture.

calculated in proportion to the Clermont Coal Mine's energy usage against total energy usage. The arrangements are strictly on a cost reimbursement basis. The same cost recovery mechanism will apply to the replacement retail sale agreement.

As noted above, RTCA has been advised by Queensland's Department of Employment, Economic Development and Innovation that an amendment to SA 17/98 is required to authorise the 'supply' and 'sale' of electricity by the Blair Athol Joint Venture to the Clermont Joint Venture. Such an amendment is being sought as a priority.

Dispute Resolution – Guideline 6.7

End users should have appropriate recourse in the event of disputes, for example to the dispute resolution arrangements outlined in Chapter 8 of the Code.

From a practical perspective, RTCA is the sole end user of the Network, and any dispute as to use of the Network or the calculation and charging for the supply and sale of electricity will be resolved by RTCA management.

Further, each participant in each joint venture has rights to inspect and audit all records maintained by RTCA, and the respective management agreements by which each joint venture appoints RTCA provide appropriate recourse for participants if they disagree with RTCA's conduct.

RTCA does not believe that end users will require recourse to other dispute resolution mechanisms.

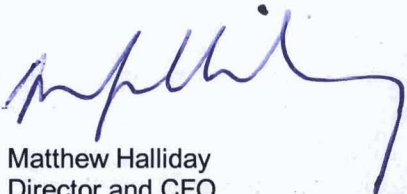
Other relevant jurisdictional requirements – Guideline 6.8

The applicant should have obtained, or have applied for, exemption from relevant jurisdictional requirements.

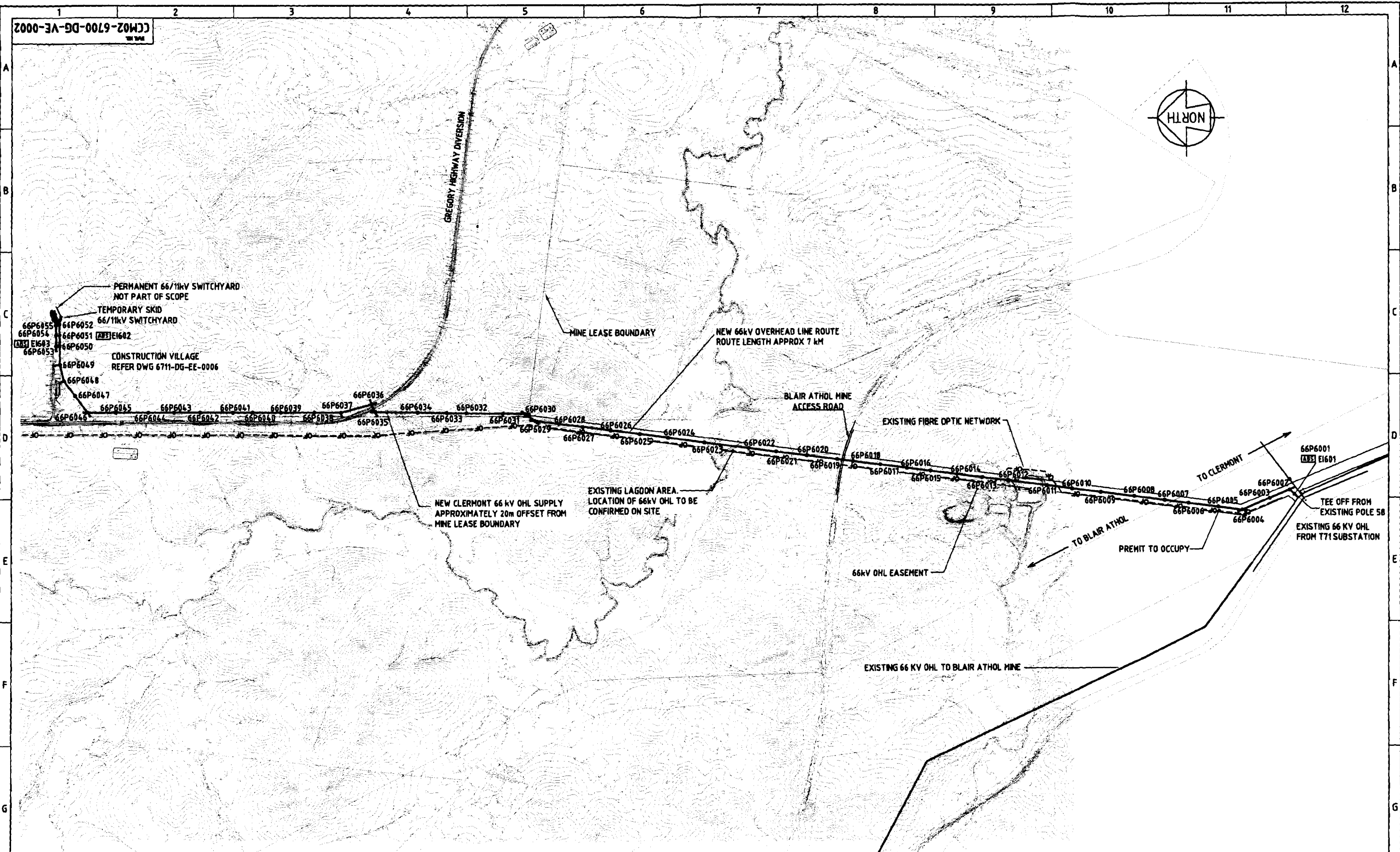
RTCA operates the Network in accordance with the requirements of the Act and holds (or the relevant Joint Venture holds) the required approvals under the Act to operate the Blair Athol Line and the Clermont Line. RTCA has been advised by Queensland's Department of Employment, Economic Development and Innovation that an amendment to SA 17/98 is required to authorise the 'supply' and 'sale' of electricity by the Blair Athol Joint Venture to the Clermont Joint Venture. Such an amendment is being sought as a priority.

If you have any queries about this application please contact Laura Whitton, Corporate Counsel, on (07) 3361 4198.

Yours sincerely



Matthew Halliday
Director and CFO
Rio Tinto Coal Australia Pty Limited



FOR CONSTRUCTION

REFERENCE SYSTEMS DATUM: AUSTRALIAN NATIONAL GRID PROJECTION: UTM HORIZONTAL: AGD 84, AMG ZONE 55 VERTICAL: AHD, N/A		DESIGN CONSULTANT 370 Lynton Road, North Brisbane QLD 4101 Phone: 07 3399 6271, Fax: 07 3399 6271		DRAWN BY: A. RANDALL, DATE: 25/02/07 DESIGNED BY: A. WINDLIND, DATE: 27/03/07 CHECKED BY: A. WINDLIND, DATE: 28/03/07 DATE: 28/02/07		EPDM CONTRACTOR Sinclair Knight Merz Pty Ltd ACN 001 024 095 380 Ann Street, Brisbane QLD 4000 Australia Telephone (07) 3244 7100, Facsimile (07) 3244 7300		ENGINEERING MANAGER: [Blank] CLIENT: RIO TINTO COAL AUSTRALIA, clermont		CLERMONT COAL MINE PROJECT OFFSITE INFRASTRUCTURE 66kV INCOMING OHL 66kV OVERALL ROUTE PLAN			
REFERENCE DRAWINGS 6700-DG-VE-0011 & 12: 66kV LINE SCHEDULES SHEETS 1 & 2 6700-DG-VE-0003 TO 7: 66kV PLAN & PROFILES SHEETS 1 TO 5		REVISIONS C: POLE NUMBERS UPDATED (A.J.W./K.J.P. 11/04/07) B: SURVEY AND DESIGN COMPLETE POLE NUMBERS ALTERED (A.J.W./K.J.P. 28/03/07) A: ISSUED FOR INFORMATION (A.J.W./K.J.P. 28/02/07)		DATE: 28/02/07 ENVIRONMENTAL MANAGER: [Blank]		DATE: 28/02/07 DATE: 28/02/07		SCALE: N.T.S. OR AS NOTED PROJECT NUMBER: CCM02 DRAWING NUMBER: 6700-DG-VE-0002		REV.: C			

