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29th October 2004

Manager - Energy Market Reform Team
National Energy Market Branch
Department of Industry, Tourism and Resources
GPO Box 9839
CANBERRA ACT 2601

Dear Sir / Madam,

Submission to Gas Emergency Protocol Working Group on National Gas Emergency Response Protocol

ACI Glass Packaging (ACI) appreciates the opportunity to provide comments to the Ministerial Council on Energy on the issue of a National Gas Emergency Response Protocol.

ACI is Australia's largest glass bottle manufacturer supplying over 96% of the Australian market. ACI produces in excess of 5 billion glass containers annually across four major manufacturing facilities in South Australia, New South Wales, Victoria and Queensland. Natural gas usage across all sites totals more than 7 PJ per annum.

In preparing this submission, ACI has requested the services of EnergyAdvice Pty Ltd to form a general response to each of the issues identified in the paper. Please find attached the EnergyAdvice submission.

In addition, ACI would like to reinforce that submission with further discussion on issue 3.2 with specific reference to the position of ACI, that is whether a national curtailment table should be established for use by system operators. We deem this a critical operational issue and argue the need to have an open and transparent national gas curtailment table establishment process that adequately considers the disparate economic risk that each end user faces within a gas emergency situation.

The continuous supply of natural gas is a critical issue to the operations of each ACI manufacturing site. ACI operates 12 glass furnaces nationally. Each furnace requires a minimum temperature of 1200 degrees Celsius to be maintained in order to mitigate any risk of capital damage. At a minimum, such damage would result in a continuing loss of thermal efficiency requiring an advancement of a scheduled furnace refurbishment or, in the worst case scenario, collapse of the furnace and a potential \$20 million replacement cost per furnace. Should an

advanced furnace refurbishment be forced upon ACI, the cost to our business is \$2.5 million dollars per year of lost furnace life. Nationally, we have more than \$250 million dollars worth of capital invested in glass furnaces and the security of this investment is highly dependant upon a reliable and continuous gas supply. Therefore, in a gas emergency situation a transparent curtailment table that adequately addresses ACI's level of economic risk, relative to other end users, is imperative to safeguard the ongoing viability of the business.

The critical nature of the continuity of gas supply to the glass industry is acknowledged and understood throughout the gas industry. In establishing load shedding tables in States such as Victoria and NSW, ACI is among the last of any industrial customers to be required to curtail. However, in South Australia where ACI's largest asset base is located, a very loose and non-transparent approach to curtailment is practiced where the load size of the customer is the primary driver of load shedding. Within South Australia, no formal or transparent recognition of our economic risk is factored into the current curtailment priority. A national curtailment table that considers national economic risk will rectify this less than optimal situation. Such a national approach and acknowledgement would permit ACI to more effectively plan and implement an ACI wide response to a gas emergency, such as the 2004 Moomba fire, where we had multiple sites at risk across jurisdictional boundaries.

Furthermore, within a national curtailment table, ACI (and most likely other critical nature operations) deems it necessary for an emergency protocol to closely review the position of high risk industrial users relative to small residential customers. *"In practice it is easier to obtain a significant reduction in gas use by curtailing a small number of large users than by curtailing a large number of small users, such as residential users, owing to the logistical difficulty of reconnecting large numbers of users. Consequentially large end users are curtailed first, even though this may not reflect the relative economic value of gas to the various user categories"* (Issues Paper - Section 2.3.2). Based on the economic risk that ACI faces, to curtail our business before requesting assistance from the general public is a major concern to ACI that no current curtailment table addresses. It is our position that a voluntary curtailment request should be made to the general public before large users who face significant asset risk are forced to curtail. Support for this proposal can be found (along with other examples) with the response from residential consumers that resulted in substantial gas demand being voluntary withdrawn after general radio broadcasts when the Esso operated plant at Longford, Victoria ceased production in 1998.

In conclusion, ACI Glass Packaging strongly supports the development of a transparent national curtailment table that would address ACI's critical need for continuity of gas supply and seek to impose curtailment on the basis of long term national economic risk.

Yours sincerely,

(signed)

Gary Combes
Strategic Sourcing and Supply - Energy