



2006 ANNUAL REPORT

TO

**PRIMARY INDUSTRIES AND
RESOURCES SA
(Petroleum & Geothermal Group)**

ON

Pipeline Licence No 16

SESA PIPELINE

March 2007

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1. Introduction

This Annual Report has been prepared by Origin Energy Asset Management Limited (OEAM) on behalf of Origin Energy Retail Limited (OERL), owner of the SESA Pipeline and is submitted in accordance with the requirements of Pipeline Licence 16 (PL16), the Petroleum Regulations 2000 and the Petroleum Act 2000.

OEAM operates and manages the SESA Pipeline on behalf of OERL in accordance with the legislative requirements in South Australia, all relevant Codes, standards and PL16 and PL 255.

As required by Pipeline Licence 16 an annual review of the pipeline operations for the 2006 calendar year is provided herein.

2. Pipeline Throughput

The pipeline throughput for 2006 was 1,767 TJ.

3. Statement of Expenditure

Commercial in confidence

4. Safety and Environment

There were no reportable safety or environmental incidents on the SESA Pipeline during 2006.

4.1 Environmental Management

To comply with the requirements of Australian Standard AS2885 "Pipelines - Gas & Liquid Petroleum" and the Petroleum Act 2000, OEAM operates the pipeline in accordance with the SESA pipeline Statement of Environmental Objectives (SEO) which aids operators in the management of environmental issues such as the control of regrowth vegetation along the pipeline easement. All SEO objectives were achieved in 2006. An annual summary of SEO compliance is contained in Appendix 2. In accordance with the requirements of AS2885, line of sight between pipeline marker posts has been preserved along the pipeline easement to safeguard against any third party damage to the asset.

4.2 Environmental Audits

A survey was carried out by OEAM to assess the right of way (ROW) in accordance with the requirements of the SESA Pipeline Licence (PL16) and environmental objectives specified in the SEO for the SESA Pipeline. The survey, along with routine patrols found that the right of way for the SESA Pipeline is generally in good condition with only minor issues identified. The condition of the right of way is summarised below:

Soil Erosion

There is no evidence of any soil erosion along the right of way. This will continue to be monitored during the ROW patrols.

Soil Subsidence

Some soil subsidence was identified during the OEAM survey along the pipeline ROW. A detailed report was prepared including recommendations for improvement of the ROW and was submitted to the Licensee for rectification by the relevant construction contractor. This remediation was completed during the last Quarter of 2006 when ground and weather conditions were most suitable.

Vegetation

No vegetation issues were identified requiring rectification. This will continue to be monitored.

Flora and Fauna Sensitive Areas

Some areas of environmental sensitivity were identified prior to the pipeline's construction. These areas are periodically checked and while no issues currently exist, OEAM will continue to monitor to ensure there are no adverse affects as a result of the pipeline's construction and continued operation.

5. Inspection and Maintenance Activities

5.1 Routine Inspection and Maintenance

Routine maintenance on the pipeline has been carried out in accordance with the maintenance schedule contained in OEAM's Operations and Maintenance Manual. This has consisted of monthly ROW inspections and 3 monthly maintenance of the pressure reduction and metering stations at Poolaijelo and Ladbroke Grove.

5.2 Non-Routine Maintenance

The following non-routine maintenance was carried out during 2006:

- A minor leak was detected on the first stage regulator on a water bath heater at Ladbroke Grove and was repaired.
- There were communication problems at both Poolaijelo and Ladbroke Grove facilities. These problems were rectified by additional firm ware downloads to the Remote Telemetry Units (RTU).
- The SCADA screen at Poolaijelo failed and was removed and sent for repairs. It has now been re-installed and is fully functional.
- A regulator failed in the later part of 2006 on Gas Turbine 1 pressure reducing run. The regulator was serviced and it was found that there was severe wear on the active regulator seat. This is in the process of an engineering review by GPA and Origin.

6. Corrosion Control

To mitigate corrosion, the SESA Pipeline is coated with a high density polyethylene coating system which serves to isolate the external pipeline surfaces from corrosive elements in the surrounding environment. Field joints are coated with a field applied tape system. Secondary protection is achieved by applying an impressed current cathodic protection system.

The effectiveness of the cathodic protection system is monitored by carrying out regular full line potential surveys. Routine checks of test points along the pipeline show that all sections of the pipeline are at fully protected potentials. A summary of the CP survey results carried out December 2006 is included in Appendix 1.

The next complete cathodic protection survey is scheduled to be carried out in June 2007.

7. Right of Way Management

7.1 Right of Way Patrols

Ground patrols are carried out Monthly, along the pipeline to identify and monitor any subsidence or other issues along the pipeline route.

7.2 Signage

All signage on the SESA Pipeline is installed in accordance with AS2885 and maintains "Line of Sight". The pipeline signage is monitored and replaced as required, as part of the routine patrols.

Compound signage providing contact details, emergency "Toll Free" numbers, site location and "HAZCHEM" details are installed at all facilities on the SESA Pipeline. This signage is maintained in conjunction with routine activities.

7.3 Landholder Contacts

There are 16 landowners/occupiers along the route of the South Australian section of the SESA Pipeline. A landholder/occupier liaison scheme is in place with the objective of visiting each owner or occupier at least annually. This is to ensure that ongoing communication is maintained with landowners and occupiers and to identify and address any issues arising. Additional contact is made with respective landholders and/or occupiers in the course of routine pipeline operations and maintenance activities (e.g: corrosion surveys through properties, routine patrols).

Contact was made with 85% of the landowners and occupiers as part of this year's landholder visits. Each landowner/occupier were asked if they had any issues regarding the right of way and were also made aware of Origin's requirements and the landowner's/occupier's obligations with respect to pipeline easements.

All landowners/occupiers will next be visited by OEAM in October 2007 during which time their obligations to the pipeline easement, general pipeline safety and their awareness of the location of the pipe through their property will be discussed.

To further reinforce the annual visit, all landowners will be sent letters on a six monthly basis regarding pipeline safety and awareness.

7.3 Community Awareness Programme

In addition to the landowner visits and mail-outs, a formal annual Community Awareness Programme for the SESA Pipeline is also in place. The awareness programme involves visiting fire authorities, police, ambulance, councils, earthmoving contractors and various community members and highlighting pipeline safety and awareness. The focus of the visits is to improve their awareness of pipeline operations and to provide the community with key contacts to enable sound management of activities in the vicinity of the pipeline assets.

The initial community awareness program was conducted prior to the commissioning of the pipeline. Further community awareness is scheduled to be conducted throughout 2007.

Newspaper advertisements are featured in the local print media highlighting public awareness of the pipeline and its importance to the local community. The last article was published in March 2006 and the next article is scheduled for publication in April 2007.

7.4 Pipeline Location Service

OEAM provides a free pipeline location service to utilities and third parties carrying out civil work in the vicinity. This is administered through the "Dial Before You Dig" (1100) organisation. In total 6 locations were requested during 2006. All locations resulted in supervision of third party activity within the pipeline easement. All works carried out within the pipeline easement were conducted under OEAM's "Work Permit System". The works are constantly supervised to ensure the safety and integrity of the pipeline system and personnel.

8. Emergency Management

8.1 Emergency Response Plan

The Emergency Response Plan for the pipeline is reviewed annually in conjunction with conducting the annual emergency exercise. Thereafter any changes or improvements that may arise as a result of the exercise recommendations are incorporated into the Plan. The SESA Emergency Response Plan was updated in November 2006.

8.2 Emergency Response Exercise

OEAM's emergency response training requires that one emergency exercise is carried out every year, being either a desktop exercise or a field emergency simulation. At the conclusion, a comprehensive report identifying any areas of change or improvement to the Emergency Response Plan is produced.

In December 2006, OEAM conducted a desktop emergency exercise, code named "Exercise SESA 06". The exercise scenario involved responding to a situation where the SEAGas pipeline had a defect and was to be shut in and depressurised to allow a defect assessment to be made. This isolated the flow to the SESA pipeline. The exercise required simulation of the curtailment of customers which involved communication between the Origin Duty Trader Retailers, Epic Energy

(operators of the South East Pipeline) and the Origin Energy networks business. The exercise resulted in some recommendations to improve the response capability by including additional information in the Emergency Response Plan. All recommendations will be actioned in 2007.

9 Compliance Issues

9.1 Compliance Audit

An annual audit was undertaken to assess compliance of the SESA Pipeline with SA Pipeline Licence 16 and Victorian Pipeline Licence 255 conditions, the operational requirements of AS 2885.3 - 2001, the SESA Pipeline Safety Case and the Safety and Operating Plan. The audit was carried out in March 2006. The audit found that the pipeline was being managed in accordance with the requirements and is operated and maintained in a safe and appropriate manner.

Ten recommendations were made as a result of the audit. These included improving and repairing signage, labelling and electrical tagging of equipment and some documentation updates. There is one outstanding action as a result of this audit relating to the storage of emergency pipe and this will be completed in 2007.

10 Management Systems

OEAM utilises a number of management systems to ensure effective operations and management of the pipeline, including:

- Origin Energy's Health Safety and Environment Management System that governs all Origin Energy operations as they impact occupational health, safety and environmental matters.
- A risk management system to ensure that hazards are identified and risks evaluated and managed. Hazards are identified using HAZOPs, safety reviews, job safety analysis, incident reports and investigations, audits and inspections together with the AS2885 risk assessment.
- The OEAM National Gas Transmission Pipeline Operations and Maintenance Procedure Manual containing nationally recognised standards and practices for the operation and maintenance of transmission pipelines managed by OEAM. These are continually reviewed and periodically updated as appropriate.
- A National Asset Protection Operations and Maintenance Manual containing nationally recognised standards and practices for activities such as coatings, pipeline patrols, leakage management, cathodic protection, earthing and DCVG surveys.
- A Document Management System which allows the controlled updating, distribution and viewing of pipeline documentation.
- A Management of Change System that assesses all proposed changes to the pipeline across all engineering disciplines, operational parameters and documentation. This system interfaces with the Document Management System to ensure relevant documentation affected by the change is updated and distributed.
- An audit programme that assesses contractor and operational management performance.

11 Reports Generated in 2006

OEAM generated the following reports in 2006:

- PL 16 Annual Report for 2005, submitted in March 2006
- Quarterly reports against Statement of Environmental Objectives
- Compliance Audit to AS 2885.3-2001 Origin Energy L/N 16(SA) and 255(Vic) and SESA Safety Case and Operating Plan
- Emergency Response Exercise Report - SESA 06
- Subsidence Survey Report
- Cathodic Protection Survey report December 2006

12 Known or Foreseeable Activities Affecting the Pipeline

There is an ongoing engineering investigation into the performance of the regulators at the Ladbroke Grove Pressure Reducing Station. Accelerated wear of the regulator seats is a threat to plant reliability and is being closely managed. It is anticipated that this issue will be resolved in 2007 and could potentially require design modifications.

13 Future Operations

Operations planned for 2007 include:

- Emergency Response Exercise.
- Environmental monitoring and audits for the pipeline in accordance with the Statement of Environmental Objectives (Revision 2 February 2005) (SEO), gazetted 17 February 2005.
- Routine inspection and maintenance activities, including regular liaison with landowners and third parties along the pipeline route.
- Community awareness program seminars with all landowners, occupiers and interested third parties.
- Continued monitoring of the level of cathodic protection along the entire pipeline.
- An operational audit on contractor and management systems to assess compliance with operating and maintenance procedures.
- A leakage survey of the entire pipeline.

APPENDIX 1 - SESA PIPELINE POTENTIAL SURVEY RESULTS (DECEMBER 2006)

Potential Summary for SESA Pipeline

TP No.	LOCATION	CHAINAGE	TP TYPE	POT (ON)	POT (OFF)	PREVIOUS ON	PREVIOUS OFF	A.C. VOLTAGE	COMMENTS
1	Poolaijelo PRMS	52	PM/RP	1175	969	1010	990	0.03	
2	Gravel Rd	1544	PM	1173		990	980	0.02	
3	Gravel Rd	3024	PM	1201		990	980	0.03	
4	Gravel Rd	4477	PM	1167		990	980	0.03	
5	Unmade Government Rd	6020	PM	1167		990	980	0.02	
6	Rippons Rd- Not Installed	7500	PM						
7	Rippons Rd	8341	PM/LFI	1150		1000	990	0.01	
8	Track	9960	PM	1201		1010	1000	0.02	
9	Rippons Rd	11344	PM	1174	1029	1050	1040	0.02	
10	Government Rd	12784	PM	1147		1010	1000	0.02	
11	Government Rd	13959	PM/LFI	1167		1020	1010	0.01	
12	Comaum Rd	15482	PM	1133		1000	990	0.08	
13	Powerline Easement	16999	PM/LFI			990	980		Inaccessible during this survey
14	TP Deleted	17378							
15	Waterloo Rd	18341	PM/CPU	1144	961	1040	1030	0.07	
16	Powerline Easement	19506	PM	1144		1000	990	0.08	
17	Dergholm - Penola Rd	20762	PM/LFI	1136		1010	1000	0.04	
18	Border Rd	21520	PM	1165		1010	1000	0.06	
19	Dergholm - Penola Rd	23515	PM	1113		1000	990	0.06	
20	Dergholm - Penola Rd	24622	PM/RP	1170		1010	1000	0.07	
21	Dergholm - Penola Rd	26019	PM	1174	1005	1010	1000	0.08	
22	Fence	27761	PM	1164		1010	1000	0.09	
23	Fence	29477	PM	1150		1020	1000	0.09	
24	Gravel Rd	30530	PM	1181		1020	1000	0.05	
25	Shepherds Lane	31698	PM	1160		1000	990	0.03	
26	Robert Rymill Rd	33088	PM	1169		1010	1000	0.02	
27	Track and Fence	34451	PM	1131		1000	990	0.02	
28	Penola - Mount Gambier Rd	36711	PM	1128		970	950	0.02	
29	Track and Fence	38260	PM	1132		960	950	0.02	
30	Unmade Government Rd	39188	PM	1156		960	950	0.02	TP post knocked over by cattle
31	Rail crossing Casing	41215	CC	1171 / 596		980 / 700	970	0.02	
32	Millers Lane	42319	PM	1148		980	970	0.01	
33	Gas Flow line Crossing	43569	FS	1146		990	980	0.01	
34	Gas Flow line Crossing	44167	FS	1137		1000	990	0.01	
35	Gas Flow line Crossing	44210	FS	1133		1000	990	0.01	

TP No.	LOCATION	CHAINAGE	TP TYPE	POT (ON)	POT (OFF)	PREVIOUS ON	PREVIOUS OFF	A.C. VOLTAGE	COMMENTS
36*	Gas Flow line Crossing	44211	FS	1136		990	980	0.01	
37	End of Pipeline	44385	PM/RP	1108	969	990	980	0.01	

1*	Epic Lateral	195	FS	1165		1000	990	0.01	
2	Epic Lateral	196	FS	1167		990	980	0.01	
3	Epic Lateral	233	FS	1160		990	980	0.01	
4	Epic Lateral	252	FS	1125		990	980	0.01	
5	Epic Lateral	427	PM	1139		970	960	0.01	

PM - Potential Measurement

RP - Corrosion Probe

CC - Casing

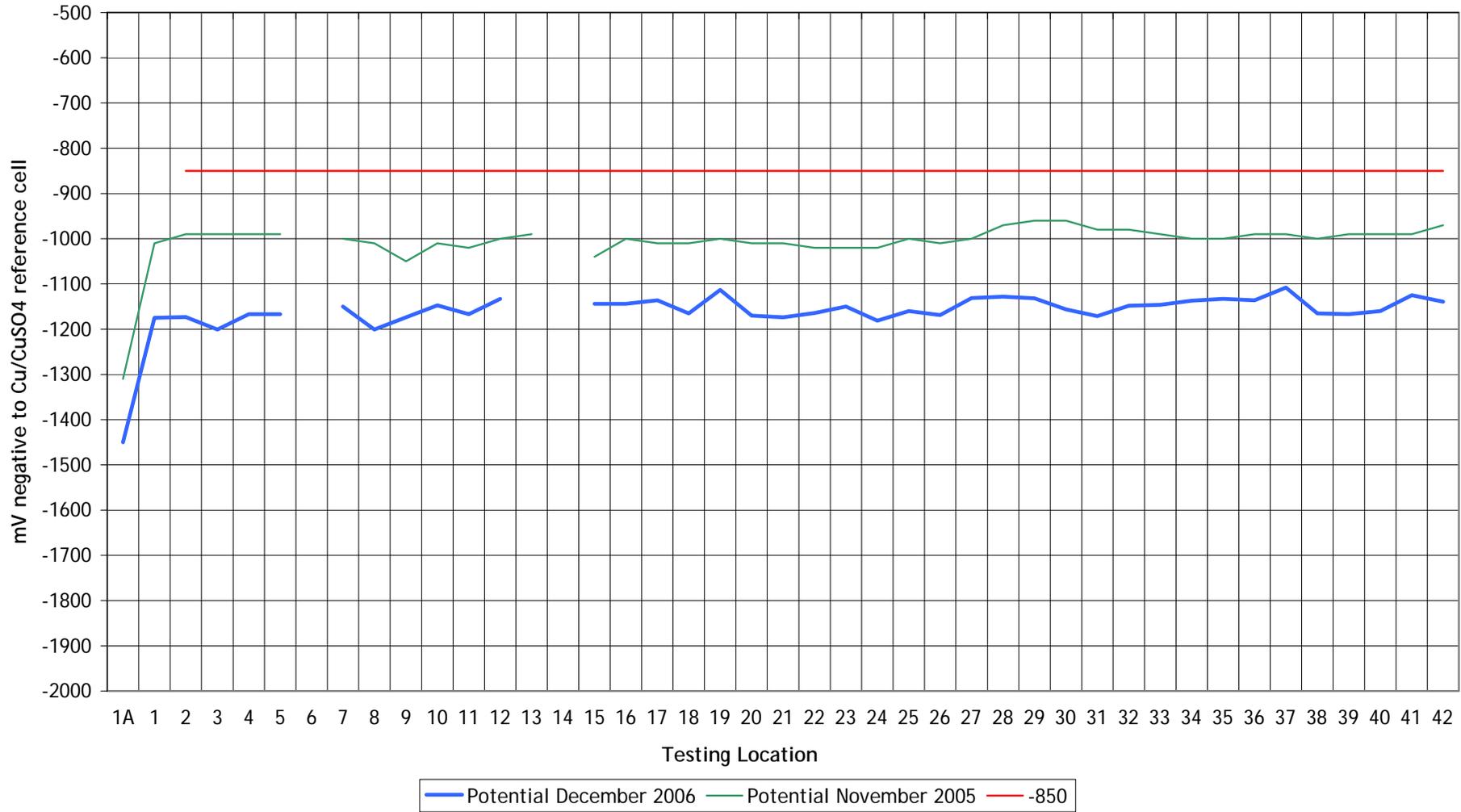
FS - Foreign Structure

CPU - Cathodic Protection Unit

LFI - Low Frequency Induction Earthing

* A bond is provided between these two test points

Potential Summary and Graph for SESA Pipeline December 2006



APPENDIX 2 - SEO OPERATIONS OBJECTIVES AND ASSESSMENT CRITERIA

OBJECTIVE	GOAL	COMPLIANCE CRITERIA	ACHIEVED	COMMENTS
11. To maintain soil stability / integrity on the easement	11.1 To remediate erosion or subsidence as a result of pipeline operations in a timely manner	No evidence of erosion, subsidence, vegetation loss on easement as compared to adjacent land. Inspections undertaken as part of regular patrols, following specific works, following significant storm events.	Achieved	A subsidence survey was carried out and all subsidence issues were addressed by the construction contractor as part of the defects liability.
	11.2 To prevent soil inversion	No evidence of soil discolouration, success of vegetation return as an indicator.	Achieved	Vegetation cover is consistent with surrounding land. There is no evidence of subsoil on the surface (colour).
	11.3 To mitigate soil compaction	Regular patrols undertaken or following specific work.	Achieved	There is no evidence of soil compaction or associated poor plant growth on the pipeline easement (e.g. hard soil, local water pooling).
12. To minimise and manage impacts to water resources	12.1 To maintain current surface drainage patterns	Regular patrols undertaken to look for evidence of erosion, abnormal vegetation growth or death.	Achieved	
	12.2 Minimise disruption to third party use of surface waters	Minimising period of disturbance for any excavation or land disturbance and prompt reinstatement of easement in sections of easement intersecting or adjacent to water bodies.	Achieved	No complaints received from landholders or third party users in relation to use of surface waters.
13. To avoid land or water contamination	13.1 To prevent spills occurring	No evidence of soil or water discolouration, vegetation or fauna death during patrols. Incident / Spill reports. Ensure personnel are trained in spill response procedures Containment of all hazardous substances and liquid waste in appropriate vessels/containment areas.	Achieved	No spills or leaks to areas not designated to contain spills.
	13.2 To ensure that rubbish and waste material are disposed of in an appropriate manner	No wastes evident on or off the easement arising from pipeline operations. Documented waste disposal records to confirm appropriate disposal.	Achieved	No rubbish or litter on easement or at facilities. Waste material is contained and disposed of in accordance with Environment Protection Act.
	13.3 To prevent impacts as a result of hydrotest water, trench water and waste water (washdown water) disposal	Water disposed of in a manner that prevents discharge or runoff to watercourses or environmentally sensitive areas.	Achieved	

OBJECTIVE	GOAL	COMPLIANCE CRITERIA	ACHIEVED	COMMENTS
14. To promote and maintain native vegetation cover on the easement	14.1 To promote and maintain regrowth in native vegetation areas on the easement to be consistent with surrounding area	Regular land survey to look for evidence of disturbance to vegetation on easement (apart from access tracks) Revegetation of areas on the easement where remnant vegetation has been cleared during construction with appropriate native species.	Achieved	Species abundance and distribution on the easement is reasonably consistent with the pre-construction conditions.
	14.2 To minimise additional clearing of native vegetation as part of operational activities	Vegetation trimmed rather than cleared where possible. Annual environmental survey to look for evidence of disturbance to vegetation on easement (apart from access tracks).	Achieved	Vegetation clearing within the easement or on land adjacent to the easement is limited to previously disturbed areas or areas assessed to be of low sensitivity, unless prior regulatory approval obtained under the <i>Native Vegetation Act 1991</i> .
	14.3 To ensure maintenance activities are planned and conducted in a manner that minimises impacts on native fauna	Annual environmental survey to look for evidence of disturbance to vegetation on easement (apart from access tracks).	Achieved	No evidence of disturbance to vegetation on the easement.
15. To prevent the spread of weeds and pathogens	15.1 To ensure that weeds and pathogens are controlled at a level that is at least consistent with adjacent land	Regular patrols undertaken to look for evidence of weeds on easement and adjacent land (if weeds on easement but not adjacent land must implement control to prevent spread).	Achieved	The presence of weeds and pathogens on the easement is consistent with or better than adjacent land. No new outbreak or spread of pathogens.
16. To adequately protect heritage sites and values during operations and maintenance	16.1 To ensure that identified heritage sites are not disturbed	Management of identified heritage sites in consultation with traditional custodians. Compliance with work instructions in relation to heritage site management. Compliance with Legislative requirements of Aboriginal Heritage Act 1988 and Heritage Act 1993 in respect of previously identified and potentially 'new' sites along the pipeline easement.	Achieved	No impact to known heritage sites without approval under the <i>Aboriginal Heritage Act 1998</i> or the <i>Heritage Act 1993</i> .
17. To minimise noise due to operations	17.1 To ensure operations comply with noise standards	No noise related complaints from landholders or third parties. Compliance with Legislative requirements of Environment Protection Act 1993 in respect of noise emissions.	Achieved	No complaints received.

OBJECTIVE	GOAL	COMPLIANCE CRITERIA	ACHIEVED	COMMENTS
18. To minimise atmospheric emissions	18.1 To eliminate uncontrolled atmospheric emissions	No unintentional gas emissions reported. No complaints from third parties in respect of air quality.	Achieved	No uncontrolled atmospheric emissions (e.g. due to malfunction or mis-operation).
	18.2 To minimise the generation of dust	Compliance with Legislative requirements of <i>Environment Protection Act 1993</i> in respect of gaseous and dust emissions.	Achieved	No complaints received.
19. To avoid unnecessary disturbance to third party infrastructure, landholders or land used	19.1 To minimise disturbance or damage to infrastructure / land use and remediate where disturbance cannot be avoided	No complaints from landholders in relation to land use modification or infrastructure damage.	Achieved	No unnecessary disturbance of third party infrastructure, landholders or land used. No complaints received.
	19.2 To minimise disturbance to landholders	Landholders are appropriately consulted regarding pipeline activities which may affect their particular property.	Achieved	One landholder was compensated for very minor loss of seed through grading of the right of way.
20. To minimise the risk to public health and safety	20.1 To adequately protect public safety	No occupational health, safety and welfare incident or accidents involving third parties.	Achieved	No injuries or incidents involving the public.
	20.2 To avoid fires associated with pipeline maintenance activities	No fire outbreaks arising from pipeline operations.	Achieved	No pipeline related fires.
	20.3 To prevent unauthorised activity on the easement that may adversely impact on the pipeline integrity	No un-authorized activity on the pipeline easement.	Achieved	