

APA Group



2008 ANNUAL REPORT

TO

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

ON

Pipeline Licence No 16

SESA PIPELINE

March 2009

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1. Introduction

The SESA Pipeline is operated and maintained by APT O&M Services Pty. Ltd. (herein referred to as APT O&M) a company within the APA Group. This annual report has been prepared by APT O&M on behalf of APT Pipelines (SA) Pty Ltd, the pipeline licensee, in accordance with section 33 of the Petroleum Regulations (SA) 2000. This annual report also meets the requirements of section 11 (2) of the Pipeline Regulations (Vic) 2007.

As required by Pipeline Licence 16, an annual review of the SESA pipeline operations for the 2008 calendar year is provided herein.

2. Pipeline Throughput

The pipeline throughput for the year 2008 was approximately 4,439 TJ

3. Statement of Expenditure

Commercial in confidence

4. Compliance

During 2008 the SESA Pipeline has been operated and maintained in compliance with the Petroleum Act 2000, SA Petroleum Regulations 2000, the Statement of Environmental Objectives and Pipeline Licence 16. Compliance with the Victorian Pipeline Act 2005, Pipeline Regulations 2007 and Pipeline Licence 255 has also been achieved although an incident involving unauthorised third party activity did occur along the easement (refer to section 5.1 for more detail).

5. Safety and Environment

5.1 Environmental Management

To comply with the requirements of Australian Standard AS2885 "Pipelines – Gas & Liquid Petroleum" and the Petroleum Act 2000, APT O&M operates the pipeline in accordance with the SESA pipeline Statement of Environmental Objectives (SEO) and the SESA Pipeline Operations Environmental Management Plan.

Although the SEO is only required for Pipeline Licence approval in South Australia its contents is applied to both the South Australian and Victorian sections of the pipeline. An SEO report to measure the achievement of environmental performance objectives is submitted to PIRSA on a quarterly basis. In June 2008 the SESA (PL16) SEO report was revised to include all SEO objectives rather than incident definitions as previously reported. An objective relating to the security of supply will be included in the SEO at the time of a 5 yearly review in 2010. An annual summary of SEO compliance for the SESA Pipeline is contained in Appendix 1.

An Environmental Management Plan for the SESA pipeline (Document No. 0517) was developed in February 2008 to outline the environmental management requirements and site specific information required to manage and minimise the potential environmental risks from pipeline operations and maintenance activities. The plan

was developed in compliance with Section 133 and 135 of the Pipelines Act (2005) Victoria and Part 7 Section 36 of the Pipelines Regulations (2007) Victoria. It applies to the operation and maintenance of the SESA Pipeline in both South Australia and Victoria.

All environmental objectives were achieved in 2008 other than the objective to have no unauthorised activity on the easement. Two fence posts were installed at KP34.3, approximately 2 meters from the SESA pipeline, as reported in the April - June 2008 quarterly SEO Report for PL16. As a result of this activity, arrangements were made between the landowner and the SA Pipelines Supervisor to provide the new landowner with Pipeline Safety and Awareness Information for future reference. There was no impact on the pipeline asset.

5.2 Environmental Audits

An environmental audit was conducted in December 2007 to assess the performance of the SESA Pipeline activities. A total of 9 recommendations for improvement were made as a result of the audit, 7 of these were addressed during 2008 and 2 actions remain pending and are scheduled to be completed in 2009. The next environmental audit is scheduled to occur in March 2009.

6. Inspection and Maintenance Activities

6.1 Routine Inspection and Maintenance

Routine maintenance on the pipeline has been carried out in accordance with the maintenance schedule contained in the SESA Pipeline Safety and Operating Plan. This has consisted of monthly patrols of the pipeline line of sight and monthly gas chromatograph and moisture analyser maintenance, 6 monthly patrols of the pipeline right of way (ROW), 6 monthly maintenance of valves and other mechanical equipment and annual maintenance of electrical and instrumentation components.

The leakage survey of facilities was completed as part of the Annual Maintenance in November 2008.

6.2 Non-Routine Maintenance

The following non-routine maintenance was carried out during 2008:

- In February GPA completed modifications to the PLC at Poolaijelo to change the control system, such that when the PLC loses the flow signal it places the PID control loop into pressure control mode rather than set % open control mode. An urgent alarm for when there is a loss of flow signal and for when the PID control loop switches into set % open mode has now been added.
- Modifications to the Citect System were also made to correct faults with metering and record monthly flow at Poolaijelo.

- In May 2008 the inlet pressure setting for the South East Pipeline was reduced from 6000kPa to 5000kPa at the request of Epic Energy.
- The GT1 Gorter monitor regulator, monitor pilot and active pilot were fully serviced in October 2008. A small tear was identified in the active diaphragm, which was subsequently replaced. Replacement of the active diaphragm has eliminated the pressure creep in lock-up.

7. 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 potential surveys. An overall review of the 37 pipe potential test points was carried out in June 2008 and demonstrated that the pipeline is adequately protected in accordance with the original design specification and applicable standards. A summary of the CP potential survey results have been tabulated in Appendix 2 with the associated graphical summary contained in Appendix 3. The next complete cathodic protection survey is scheduled to be carried out during the first half of 2009.

8. Right of Way Management

8.1 Right of Way Patrols

A ground patrol of the SESA Pipeline line of sight is carried out monthly, and a full patrol of the entire pipeline route was carried out on a six monthly basis to identify and monitor any subsidence or other issues along the pipeline route. All Pipeline patrols are carried out in accordance with APT O&M procedure 9017 Pipeline Patrols.

Two full Right of Way patrols were carried out during 2008 in the months of April and December. No new issues were identified, although outstanding subsidence rectification was noted. Rectification of the subsidence identified is scheduled to occur in 2009 when ground conditions are favourable. Consultation with the landowners along the pipeline route has commenced in order to develop adequate rectification strategies.

As of January 2009, fixed wing patrols will be carried out monthly as part of a national strategy to further improve the integrity of all pipelines operated by APT O&M.

8.2 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.

8.3 Landholder Contacts

There are 16 landowners/occupiers along the route of the South Australian section of the SESA Pipeline and 4 landowner/occupiers in the Victorian section of the pipeline. A landowner/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 in writing with respective landowners and/or occupiers in the course of routine pipeline operations and maintenance activities

The Annual Landowner/occupier visits were delayed slightly in 2008 and are scheduled to be completed early in 2009. As of December 2008 approximately 50% of landholder visits had been completed. During the visits each landowner/occupier is reminded of their obligations to ensure pipeline safety and presented with information relating to Pipeline Safety and the Dial Before you Dig Service. Landowners/occupiers are also asked if they have any issues regarding the right of way. No landowner/occupier complaints were received during 2008.

8.4 Pipeline Awareness Programme

In addition to the landowner/occupier visits, a formal Pipeline Awareness Programme for the SESA Pipeline is in place. A formal presentation is given to improve the 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. All community members were contacted during 2008 and it was agreed by all parties that the next session be held during 2009.

8.5 Pipeline Location Service

APT O&M provides a free pipeline location service to utilities and third parties carrying out civil work in the vicinity of the pipeline. This is administered through the "Dial Before You Dig" (1100) organisation. In total 7 locations were requested during 2008. All locations resulted in supervision of third party activity within the pipeline easement. All works carried out within the pipeline easement were conducted under the "Permit to Work" System. The works are constantly supervised to ensure the safety and integrity of the pipeline system and personnel.

9. Emergency Management

9.1. Emergency Response Plan

The Emergency Response Plan for the SESA Pipeline was reviewed and updated in August 2008 to incorporate actions resulted from the 2007 Emergency Response Exercise. The Emergency Response Plan for the SESA Pipeline is due for review in August 2009. The next SESA Emergency Response Simulation has been scheduled to occur in March 2009.

10. Compliance Audits

To address AS 2885.3 Clause 4.2.3, technical compliance auditing is now conducted against the Safety and Operating Plan (SAOP). As defined in Section 12 of the SAOP Technical Compliance audits are carried out each year, with a full audit against the SAOP carried out 2-yearly and an audit of the pipeline facilities carried out in alternate years.

10.1 ESV Audit

Energy Safe Victoria (ESV) conducted a desk top audit of the SESA Pipeline on 28 February 2008. The audit focussed on training, contractor management, monitoring and auditing. Overall 5 recommendations were made as a result of the audit and these were addressed during 2008. The next ESV Audit is scheduled to be completed in March 2009.

10.2 Facilities Audit

An Above Ground Facilities Audit for the SESA Pipeline was conducted in December 2007 against the requirements of AS 2885.3 – 2001 Section 5 part 5.8. There were 3 low risk recommendations highlighted during the course of the audit. One action remains pending and is scheduled for completion later in 2009 the other 2 actions were addressed during 2008. The next audit is scheduled to be conducted in November 2009.

10.3 SAOP Compliance Audit

In April 2008 an audit was conducted to determine the level of compliance to the Safety and Operating Plan for the SESA Pipeline. Overall the audit found that there was a generally high level of compliance to the SAOP although 4 recommendations were made (3 low and 1 medium risk rated) to further improve the integrity of the pipeline. All recommendations were addressed during 2008.

11 Management Systems

APT O&M utilises a number of management systems to ensure effective operations and management of the pipeline, including:

- A Health Safety and Environment Management System that applies across every part of APT O&M 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 APT O&M Gas Transmission Pipeline Operations and Maintenance Procedure Manual containing standards and practices for the operation and maintenance of transmission pipelines managed by APT O&M. These procedures are continually reviewed and updated as appropriate.
- An Asset Protection Operations and Maintenance Manual containing 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.
- An electronic database system called the Management of Audits, Regulatory Compliance and Information System (MARCIS). The system provides ready access to all electronic copies of legislation, regulations, codes, licenses, etc through an associated intranet facility. Using this system APT O&M has adopted a 'compliance grid' approach to summarising requirements into an easily understood and manageable format. Where requirements are dated and periodically actionable, the system is designed to automatically advise the responsible manager of the pending requirement and track the requirement through to completion.

12 Reports Generated in 2008

APT O&M generated the following reports in 2008:

- PL 16 Annual Report for 2007 - March 2008
- Quarterly reports against Statement of Environmental Objectives
- SESA SAOP Compliance Audit Report – April 2008
- Cathodic Protection Survey Report – June 2008

13 Known or Foreseeable Activities Affecting the Pipeline

- Remove Coriolis gas meter FE-660 and send to a certified laboratory in Victoria for recalibration and testing. FE-660 serves engine GT1 located at the Ladbroke Grove Meter Station.
- Remove Coriolis gas meter FE-670 and send to a certified laboratory in Victoria for recalibration and testing. FE-670 serves engine GT2 located at the Ladbroke Grove Meter Station.
- A replacement Coriolis type gas meter will be installed while both FE-660 and FE-670 are away being calibrated.

14 Future Operations

Future operations planned for the SESA Pipeline during the next 12 months include:

- Routine preventative maintenance in accordance with the SESA Pipeline Safety and Operating Plan.
- An Emergency Response Exercise.
- Environmental auditing of the pipeline as required by the Statement of Environmental Objectives and Environmental Management Plan for the SESA pipeline.
- An ESV Desk-top Audit
- Regular liaison with landowners/occupiers along the pipeline route.
- Pipeline Awareness seminars with third parties.
- Monitoring of cathodic protection on the pipeline.
- A Facilities audit of the SESA Pipeline.

APPENDIX 1 - 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	Some soil subsidence was identified during the SESA Pipeline Full Right of Way Patrol conducted in May 2007. Rectifications of the subsidence identified will be completed in 2009 as early rain has created poor ground conditions. Consultation with landowners has commenced in order to develop suitable rectification strategies.
	11.2 To prevent soil inversion	No evidence of soil discolouration, success of vegetation return as an indicator.	Achieved	.
	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.
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	
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	There have been 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	Waste material is contained and disposed of in accordance with Environment Protection Act.

OBJECTIVE	GOAL	COMPLIANCE CRITERIA	ACHIEVED	COMMENTS
	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	
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	Throughout April 2008 the removal of tree saplings was completed to address an outstanding action from the 2007 ROW Patrol. Both landowners and the Department of Environment and Heritage were notified.
	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	
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	Weed control is implemented to prevent weed spread.
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	
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 from landowners or third parties throughout 2008.

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.
	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	
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	Annual landowners/occupier consultation commenced in December 2008 and will be completed in 1 st quarter of 2009. There were no complaints received to date.
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-authorised activity on the pipeline easement.	Not Achieved	Two unauthorised fence posts were installed along the pipeline easement. This encroachment was detected in June. The new land owner was visited and provided with Pipeline Safety and Awareness information for future reference. There was no impact to the pipeline asset.

APPENDIX 2: SESA PIPELINE POTENTIAL SURVEY RESULTS - JUNE 2008

Location	Test Point Number	km	ON Potential June 2008	OFF Potential June 2008	ON Potential Dec 2007	Minimum desirable CP	Measurement Type	Comments
Poolajelo PRMS	1	0.052	-1199	-1087	-1186	-850	Spot	
Gravel Rd	2	1.544	-1178		-1214	-850	Spot	
Gravel Rd	3	3.024	-1188		-1207	-850	Spot	
Gravel Rd	4	4.477	-1158		-1198	-850	Spot	
Unmade Government road	5	6.02	-1181		-1177	-850	Spot	
Rippons Rd - not installed	6	7.5				-850	Spot	No TP installed
Rippons Rd	7	8.341	-1100	-1069	-1188	-850	Spot	
Track	8	9.96	-1174		-1158	-850	Spot	
Rippons Rd	9	11.344	-1201		-1172	-850	Spot	
Government road	10	12.784	-1137	-1090	-1132	-850	Spot	
Government road	11	13.959	-1125	-957	-1168	-850	Spot	
Comaum Rd	12	15.482	-1100		-1070	-850	Spot	
Powerline easement	13	16.999	-1125		-1180	-850	Spot	
TP deleted	14	17.378				-850	Spot	
Waterloo Rd	15	18.341	-1187	-1087	-1045	-850	Spot	
Powerline easement	16	19.506	-1177		-1120	-850	Spot	
Dergholm - Penola Rd	17	20.762	-1109	-1077	-1151	-850	Spot	
Border Rd	18	21.52	-1194	-1178	-1163	-850	Spot	
Dergholm - Penola Rd	19	23.515	-1103		-1123	-850	Spot	
Dergholm - Penola Rd	20	24.622	-1158		-1168	-850	Spot	
Dergholm - Penola Rd	21	26.019	-1178		-1109	-850	Spot	
Fence	22	27.761	-1156		-1121	-850	Spot	
Fence	23	29.477	-1155		-1143	-850	Spot	
Gravel Rd	24	30.53	-1100		-1110	-850	Spot	Shift TP outside fence - Kelvin
Shepherds Lane	25	31.698	-1153		-1160	-850	Spot	
Robert Rymill Rd	26	33.088	-1148		-1170	-850	Spot	

Location	Test Point Number	km	ON Potential June 2008	OFF Potential June 2008	ON Potential Dec 2007	Minimum desirable CP	Measurement Type	Comments
Track and Fence	27	34.451	-1145		-1180	-850	Spot	
Penola - Mount Gambier Rd	28	36.711	-1109		-1114	-850	Spot	
Track and Fence	29	38.26	-1112		-1112	-850	Spot	
Unmade Government road	30	39.188	-1125		-1090	-850	Spot	
Rail Crossing (pipe)	31	41.215	-1125		-1112	-850	Spot	
Rail Crossing (casing)	31	41.215	-561		-587	-850	Spot	
Millers Rd	32	42.319	-1145		-1114	-850	Spot	
Gas Flowline Crossing	33	43.569	-1136		-1115	-850	Spot	
Gas Flowline Crossing	34	44.167	-1129		-1107	-850	Spot	
Gas Flowline Crossing	35	44.21	-1131		-1112	-850	Spot	
Gas Flowline Crossing	36	44.211	-1130		-1117	-850	Spot	
End of pipeline	37	44.385	-1176		-1101	-850	Spot	

APPENDIX 3: GRAPHICAL RESULTS FROM CATHODIC PROTECTION POTENTIAL SURVEY - JUNE 2008

