

SOUTH EAST AUSTRALIA



2003 ANNUAL REPORT

for

Pipeline Licence PL 13

Covering the South Australian portion of the  
Port Campbell to Adelaide Gas transmission pipeline

## 1.0 SUMMARY

This report is submitted in accordance with the requirements of the South Australian Petroleum Act 2000 and the associated Regulations to that Act.

## 2.0 CHRONOLOGY & SCOPE of LICENCE

### 2.1 Application and Offer of Licence

#### Background

In support of the application for a Pipeline Licence under the South Australian Petroleum Act 2000, SEA Gas retained the services of Ecos Consulting (Australia) Pty Ltd who produced, in October 2001, two documents for public comment. Because the SEA Gas pipeline requires regulatory approvals under both Victorian and South Australian legislation, the first of these documents was a joint Environmental Effects Report / Environmental Impact Report (EER / EIR) to cover works in both States. The second document produced was the SA specific Statement of Environmental Objectives (SEO); both documents were exhibited concurrently and were available for public comment until 7 December 2001. Public comments were provided direct to PIRSA and a supplementary Statement of Environmental Objectives, responding to comments received was published in late December 2001.

#### Offer of Licence

Based on these EER / EIR and SEO submissions, the Director of PIRSA's Petroleum Group, pursuant to delegated powers under the Petroleum Act 2000, made an offer of Grant of Pipeline Licence No.13 (PL13) to South East Australia Gas Pty Ltd. This offer of Grant of Licence, made on 12 February 2002, was accepted by the SEA Gas Directors and was gazetted on 21 February 2002.

The term of the licence is 21 years commencing 12 February 2002 and expiring at midnight on 11 February 2023, with a commencing annual fee of \$89, 216.

.

### 2.2 Variations to Pipeline Licence PL13

#### 2.2.1 Increase in capacity for TXU

The licence granted 12 February 2002 listed the grantees as being South East Australia Gas Pty Ltd, in its own right and in its capacity as agent of six special purpose companies owned by the then partners of the SEA Gas project, these being Origin Energy and Australian National Power. Details of these partnership companies are provided as Note 1 to this report.

In August 2002, the SEA Gas consortium finalised agreements with TXU Australia Pty Ltd for the transport of additional gas in the SEA Gas pipeline. As a result of those agreements, the ownership details were varied to include TXU and the description of the pipeline altered to enable the additional capacity.

The required variations to Pipeline Licence PL 13 were signed into effect as of 30 September 2002 by PIRSA's Director Petroleum Group. Details of the new

partnership companies are provided as Note 2 to this report; similarly, a summary of the alterations to the pipeline are provided as Note 3.

#### 2.2.2 Pelican Point Extension

Because the EER / EIR and SEO submissions approved with the original grant of licence, 12 February 2002, did not specifically deal with the extension of the mainline to Pelican Point, additional submissions dealing with this extension were produced, commented upon by affected parties, and signed into effect by gazettal on 6 February 2003. A summary of these alterations is provided as Note 4.

### 3.0 REPORT ON ACTIVITIES

3.1 Section 33(2) (a) of the Petroleum Regulations 2000 requires a summary of the regulated activities conducted under licence.

The definition of 'regulated activities' appears at Section 10 of the Act. Specific activities are identified at 10.1 and, during the period 12 February 2002 to 11 February 2003, the only relevant activity is item 10. (1) (f) 'construction of a transmission pipeline for carrying petroleum or other regulated substance'.

SEA Gas reports that pipeline construction commenced in October 2002 at kilometre point KP433 near Tintinara and has progressed beyond the SA Border, KP 263. This 170 km of pipeline represents 40% of pipeline length within SA.

Other activities carried out during this annual reporting period for PL 13, but not by definition 'regulated activities' involve ongoing title searches, landowner contacts, contacts with other stakeholders and interest groups, pegging of alignment, environment and cultural heritage surveys, preparation of alignment plans and easement plans, lodging of easement plans, formal risk assessments of pipeline design in accordance with AS 2885 and, where necessary, the pursuit of compulsory acquisition of easement.

3.2 Section 33(2) (b) of the Petroleum Regulations 2000 requires a report on compliance with the Act, the regulations, the licence and any relevant statement of environmental objectives.

SEA Gas reports that activities under PL 13 have complied with the Act, the regulations, PL 13 and have met or exceeded the SEO commitments, except for the following reportable incident.

During pipeline construction work through grazing and cropping land east of Keith, December 2002, groundwater was pumped from the pipeline tie in points into ponds formed up within the easement land, contrary to the landholders expectations regarding disposal of groundwater. At issue was the potential for salt contamination of soil; in consultation with the landowner, the ponds were pumped out and arrangements made for the PIRSA District Agronomist to visit the site; his subsequent advice is that there has been no significant impact on the easement land.

SEA Gas and its constructor Spie Capag – Lucas have also committed to remediation works beyond the normal restoration work following construction. These remediation works follow expert advice and allow for treating affected areas with low salt level gypsum and the application of scrub mix fertiliser and trace elements. On the basis of these commitments PIRSA Petroleum Group have recorded the incident as a ‘reportable incident’ as defined under s85.(1) of the Act..

The Statement of Environmental Objectives (SEO) has, as Primary Objective 1.a “To appropriately minimise and manage adverse impacts and long term environmental risk to soils and terrain of the project area”, with a subsequent SEO Objective 1.7 “To appropriately remediate soil contamination” with the associated assessment criteria being that there will be “No soil contamination as a result of pipeline construction activities”. SEA Gas believe that whilst the disposal of groundwater onto the easement land had the potential to be a non-compliance with Objective 1.a, the fact that Objective 1.7 clearly contemplates that remediation work be allowed, and as this was implemented immediately, this potential non-compliance has been dealt with. The constructor will continue to monitor soil quality in the area affected by water disposal and will carry out any further necessary remedial action.

3.3 Section 33(2) (c) of the Petroleum Regulations 2000 requires a statement concerning any action to rectify non compliance with obligations imposed by the Act, the regulations or the licence and to minimise the likelihood of the recurrence of any such non-compliance.

SEA Gas believes that the dewatering incident has been properly dealt with in the manner contemplated by the Act, the regulations, the licence and the SEO and thus the incident remains as a ‘reportable incident’ and is not a specific non-compliance. However we do note the advices received from PIRSA and the responses made by SEA Gas and the constructor with respect to the dewatering issue reported in 3.2 above. A Trench Dewatering Bulletin has since been provided to site personnel, where it has been reinforced, particularly with those crews involved in backfill and clean up, that the landowners requirements must be adhered to. The constructor has also ensured that there is adequate equipment to discharge groundwater to the landowners nominated disposal area.

3.4 Section 33(2) (d) of the Petroleum Regulations 2000 requires a summary of any management system audits undertaken including information on any failures or deficiencies and any corrective actions.

During the reporting period the following audits or inspections were conducted

Date	Type	Subject
24/10/2002	Internal	Procurement Quality Management Plan (PQMP)& Procedures, Project Execution Plan (PEP), Subcontract Administration
14~15/11/2002	3 <sup>rd</sup> Party Inspection	‘Old growth’ trees, potential Red Tailed Black Cockatoo breeding sites.
22/11/2002	Spie Capag sa	PQMP compliance with ISO9001:2000
26~27/11/2002	3 <sup>rd</sup> Party	Follow up inspection by PIRSA

	Inspection	
29/11/2002	Internal	Detailed Engineering
2~3/12/2002	3 <sup>rd</sup> Party Audit	Ecos Environmental Audit, attended by PIRSA and DNRE
25~31/1/2003	Internal	Project Office PQMP and Line List Management Plan (LLMP)
12/2/2003	Internal	Document Control
Jan 2003	Spie Capag sa	Engineering & Procurement
19~20/2/2003	Internal	Safety Management Plan

All of the above audits, except for the 3<sup>rd</sup> Party audits and inspections conducted mid, late November and early December 2002, were conducted by the constructor or by one of the constructor's parent companies. Accordingly, the outcomes of these particular audits have not specifically been made available to SEA Gas and thus cannot be formally reported upon. However, SEA Gas has received verbal advice to the extent that no failures or deficiencies requiring corrective action were identified by these internal audits.

With regard to the 3<sup>rd</sup> Party inspections of 14~15, 26~27 November 2002, and the Audit of 4~5 December 2002, these activities may be summarised as follows;

- (a) Inspection by PIRSA officers 14~15 November highlighted the requirement to ensure that there is clear / agreed understanding by all parties on such issues as 'old growth trees', that a protocol for removal of such trees needed to be developed with advice from DEH and that construction through potential Red Tailed Black Cockatoo breeding areas was an issue on which PIRSA need to be kept informed. PIRSA are on record as being 'impressed by the professionalism of the constructor and its commitment to safety and environment'.
- (b) Inspection by PIRSA officers 26~27 November noted 'no evidence of clearance of old-growth eucalypts and flagged trees', that 'vehicle blowdown protocols were being observed' and that possible nesting trees were being monitored to ensure there will be no disturbance to any nesting Red Tailed Black Cockatoos.
- (c) The Environmental Audit conducted by Ecos Consulting over 4~5 December 2002 was attended by representatives of PIRSA, DNRE, the constructor and SEA Gas. Audit findings were that Ecos were thorough and professional in their conduct of the audit (ie the audit is considered to have "integrity"), the audit uncovered no major issues of concern, minor housekeeping issues were discussed, and, as previously noted, the positive and proactive attitude to environmental compliance by the constructor was remarked upon.

3.5 Section 33(2) (e) of the Petroleum Regulations 2000 requires that a list of all reports and data relevant to the operation of the Act generated by the licensee be included in this report.

During the year 12 February 2002 to 11 February 2003, reports as follows were generated and have been provided to PIRSA as required

- Advice to PIRSA on appointment of SC-L JV as constructor
- Several risk reviews involving PIRSA officers
- Monthly construction reports from October 2002
- Weekly progress meetings involving PIRSA
- Specific reports on protocols for tree removal, unauthorised entry on to land not on the right of way.
- Incident report – submitted to PIRSA re dewatering of trench incident

3.6 Section 33(2) (f) of the Petroleum Regulations 2000 requires an overall assessment of reportable incidents and an overall assessment of the effectiveness of actions taken to rectify non-compliances with the Act, regulations or licence.

The construction contractor has introduced additional procedures to improve the effectiveness of actions on potential non compliances such as water disposal on the right of way and removal of old growth trees. Since these additional procedures were introduced there have been no further instances of potential non compliance.

3.7 Section 33(2) (g) of the Petroleum Regulations 2000 requires a report on reasonably foreseeable threats that present or may present a hazard to facilities or activities under the licence.

SEA Gas reports that there have been no significant threats which might present a hazard to facilities or to pipeline activities related to PL 13.

A threat of a commercial and landowner disturbance nature, that is the possibility of two pipelines across similar tracts of land was apparent throughout the early months of PL 13 licence period. It is now a matter of public record, and has been confirmed by subsequent variation to the licence, that this threat has been averted by combining the aspirations of the two proponents into a single venture.

3.8 Section 33(2) (h) of the Petroleum Regulations 2000 requires a statement outlining operations proposed for the ensuing year.

Activities under PL 13 during the ensuing year February 2003 to February 2004 are programmed to complete the construction of the pipeline from Port Campbell to Adelaide in its entirety, including a compressor station at Coomandook and appropriate off take facilities at Cavan, Torrens Island and Pelican Point. The current schedule of contracted works anticipates that the first charge of gas into the pipeline will occur in October 2003, thus allowing commissioning work to proceed through until early in 2004. This particular licence year will thus be largely construction, 9 months, with subsequent commissioning, 3 months, and early operations (2 months) with obvious overlap in all of these activities.

SEA Gas will be setting up an Adelaide based Operations and Control facility and to that end Senior Management appointments of an Operations Manager and General Manager have already been made. Operating personnel are currently being sought, similarly planning of a facility capable of 24 hour control has commenced. A full programme of operator training is planned during the calendar year 2003.

3.9 Section 33(2) (*i*), (*j*), of the Petroleum Regulations 2000 relate to activities under production licences and thus are not relevant to a report on activities under a pipeline licence.

3.10 Section 33(2) (*k*) of the Petroleum Regulations 2000 requires an annual report to contain, in the case of a pipeline licence, the volume of any regulated substance transported through the pipeline. This requirement is thus not yet relevant as the pipeline is still under construction.

3.11 Section 33(3) of the Petroleum Regulations 2000 requires an annual report to also contain a statement of expenditure on regulated activities conducted under licence, showing expenditure under relevant headings.

Commercial in confidence

## Notes to 2003 ANNUAL REPORT

for

### Pipeline Licence PL 13

Note 1, the original grantees of Pipeline Licence PL 13 were South East Australia Gas Pty Ltd (ACN 096 437 900) c/- Level 13, 1 King William Street, Adelaide SA 5000 in its own right and as agent of:

OE SEA Gas SPV1 Pty Ltd (ACN 095 483 444);  
OE SEA Gas SPV2 Pty Ltd (ACN 095 483 453); and  
OE SEA Gas SPV3 Pty Ltd (ACN 095 483 462),  
all c/- Level 13, 1 King William Street, Adelaide SA 5000; and

ANP SEA Gas SPV1 Pty Ltd (ACN 099 332 331);  
ANP SEA Gas SPV2 Pty Ltd (ACN 099 332 368);  
ANP SEA Gas SPV3 Pty Ltd (ACN 099 332 395),  
all c/- Level 37, Rialto North Tower, 525 Collins Street, Melbourne  
VIC 3000.

Note 2, the subsequent grantees of Pipeline Licence PL 13 are South East Australia Gas Pty Ltd (ABN 73 096 437 900) c/- Level 6, 68 Grenfell Street, Adelaide, SA 5000 as agent for and on behalf of the SEA Gas Partnership (ABN 81 366 072 976), a partnership of:

OE SEA Gas SPV2 Pty Ltd (ACN 095 483 453); and  
OE SEA Gas SPV3 Pty Ltd (ACN 095 483 462),  
all of c/- Level 13, 1 King William Street, Adelaide, SA 5000;

ANP SEA Gas SPV2 Pty Ltd (ACN 099 332 368); and  
ANP SEA Gas SPV3 Pty Ltd (ACN 099 332 395),  
all of c/- Level 37, Rialto North Tower, 525 Collins Street, Melbourne,  
Victoria; and

TXU SEA Gas SPV1 Pty Ltd (ACN 095 483 444); and  
TXU SEA Gas SPV2 Pty Ltd (ACN 099 332 331),  
all of 385 Bourke Street, Melbourne, Victoria,

Note 3, variation to Pipeline Licence PL 13 to accommodate the additional capacity requirements of TXU. Alterations are summarised as follows:

- Twin parallel pipelines with an outside diameter (OD) of 355.6 mm from the SA border for approximately 220 km to a main line valve site located approximately 9km west of Coomandook.
- The addition of a Pressure Regulation / Metering station facility at TXU's Torrens Island Power Station site.

- The addition of a compressor station located approximately 9km west of Coomandook.

Note 4, variation to Pipeline Licence PL 13 to accommodate the extension of the mainline to Pelican Point Power Station. Alterations are summarised as follows:

- The mainline, now being a single pipeline with an outside diameter (OD) of 457mm will follow the established route and terminate at the offtake meter/regulator station within the Pelican Point Power Station site.
- The former mainline connecting to the Epic Energy Pelican Point offtake station on the Wasleys Loop line now becomes a 356mm OD steel pipeline lateral of approximately 750 m length.