

SOUTH EAST AUSTRALIA



South East Australia Gas Pty Ltd

Annual Report

South Australian Pipeline Licence (PL I3)

2005 – 2006 Licence Year



Port Campbell to Adelaide
Natural Gas Transmission Pipeline

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I.0 SCOPE

In accordance with Regulation 33.(1) of the Petroleum Regulations 2000, South East Australia Gas Pty Ltd (SEA Gas) submits this report in relation to its operation of the SEA Gas natural gas transmission pipeline for the 2005/06 licence year. This report details operational activities in relation to the South Australian portion of the SEA Gas pipeline associated with Pipeline Licence No. I3, the South Australian Petroleum Act 2000 and associated Regulations to that Act.

2.0 SUMMARY OF REGULATED ACTIVITIES

In accordance with Regulation 33.(2)(a) the following regulated activities were conducted during the 2005/06 licence year:

2.1 Training

In the course of the licence year the following training was undertaken by SEA Gas Operations personnel and third party maintenance services providers, both by way of third party training providers and 'in house' training, which included but was not limited to the following areas:

- Heater Systems
- Valve Maintenance
- Gas Chromatograph Maintenance
- Nominated Permit Holder & Job Hazard Analysis
- Emergency Response
- Hazard Alert / Incident Reporting
- Safety & Environmental Awareness
- Fire Warden Training
- Familiarisation & control function of newly commissioned facilities at Naracoorte and Jervois
- Senior First Aid Training (or re-certification) for all operations group personnel
- Lightning Water Bath Heater Operation & Maintenance
- Bristol Babcock RTU – Operations & Maintenance
- Gas Compression Facility Operations & Maintenance
- Cathodic Protection and Corrosion Mitigation
- Media Awareness and Management
- Incident & Accident Investigation
- Emergency Response and Incident Management

2.2 Patrol Activities

Scheduled aerial and ground patrols of the pipeline easement and above ground facilities were conducted by SEA Gas operations and service providers throughout the year. The ability of both aerial and ground patrols to detect unauthorised third party activities along the easement continues to play a significant role in the safe operation of the pipeline, coupled with safeguarding security of supply.

In addition to the detection of unauthorised activities, pipeline patrols have detected fallen marker posts, trench subsidence and erosion, coupled with validating easement regrowth. Post patrol remedial actions were implemented to ensure rectification of non-complying activities, environmental impacts and reinstatement of infrastructure.

2.3 Operations and Maintenance Activities

Operations and maintenance activities were conducted throughout the licence year in accordance with pre-programmed frequencies. Maintenance reviews with service providers were initiated on a bi-monthly basis throughout the year based on historical precedent and risk management protocols. During the course of the 2005/06 licence year, the following activities were conducted:

- Odorant sampling
- Receipt/delivery facilities site inspection and maintenance
- Site security checks
- Main Line Valve inspections and maintenance
- Scraper station inspections and maintenance
- Three and six monthly water bath heater inspections
- Ultrasonic meter validations
- Gas chromatograph calibrations
- Compression facility inspection and maintenance
- Scheduled annual maintenance activities
- Inspection and maintenance of smoke detection, fire suppression and fire fighting systems

2.4 Cathodic Protection

In the course of the 2005/06 licence year the SEA Gas pipeline and associated laterals were found to be fully cathodically protected in accordance with Australian Standards AS 2885.3 and AS 2832.I, with the exception of brief anodic excursions observed at Williamstown, which placed the pipeline slightly outside the AS 2832.I protection criteria. No coating defects exist in that area from the construction DCVG survey, and remote monitoring of the pipeline has not indicated prolonged periods of under-protection.

The survey was undertaken during a high period of telluric activity, which is the primary cause of the slight under-protection. On going monitoring of this site will be conducted during the 2006/07 licence year to ascertain the need for remedial action.

2.5 Pipeline Pigging

In the course of the 2005/06 licence year, SEA Gas conducted a cleaning pig run of the entire length of the pipeline, including each of the parallel 350mm pipelines (excluding Naracoorte and Jervois laterals). Pigging operations effectively achieved the desired project outcomes with all pig launching and receipt facilities operating as designed, enabling effective cleaning of the pipeline.

In the course of pigging operations an oily mist was released from the Yallamurray main line valve during venting operations (Ref. Rectification of Non Complying Actions), however this incident has since indicated that no residual impacts have resulted as a consequence.

2.6 Noise Emissions

In the course of the 2005/06 licence year no third party noise complaints were received in relation to SEA Gas operational activities.

2.7 Pipeline Location and Referral Services

During the course of the 2005/06 licence year 516 enquiries were received via the Freecall 1100 “Dial Before You Dig” asset referral service, an increase of 5.3% over the previous year, of which 453 enquiries were in relation to the South Australian section of the SEA Gas pipeline. Of the total enquiries, 252 were deemed to have a potential to effect the pipeline and were referred to field staff for on site assessment and where required site supervision of third party activities in order to safeguard the safe operation of the SEA Gas pipeline.

2.8 Emergency Response

In the course of the 2005/06 licence year, SEA Gas conducted two emergency response exercises in conjunction with maintenance service providers. Code named *Exercise Phoenix* (Dec 05) and *Exercise Longbow* (Jun 06), these exercises respectively enabled partial mobilisation of equipment and personnel to a simulated leakage incident and mobilisation of the alternate SEA Gas system control facility for a 48 hour period following a simulated failure of the main SEA Gas server.

Observations and remedial actions arising from these exercises have been allocated appropriate resources to enable close-out following the implementation of management of change processes in the course of operational activities.

SEA Gas has provided details of these exercises to PIRSA for information purposes only and has not formally submitted these exercises in accordance with Subregulation 31(3) as currently SEA Gas has exceeded its minimum requirement in relation to the above regulation, as a minimum of two annual emergency response exercises are required in relation to the Victorian pipeline licence conditions. SEA Gas intends to conduct an emergency response exercise and formally submit the report in accordance with the above regulation by April 2007.

3.0 REGULATORY COMPLIANCE

In accordance with Regulation 33.(2)(b) SEA Gas continues to manage its regulatory compliance obligations in relation to the Petroleum Act and Regulations, prevailing licence conditions (PLI3); and its Statement of Environmental Objectives (SEO – Ref. Appendix A).

During the course of the 2005/06 licence year, operational activities resulted in two reportable incidents (Ref. Appendix B) along the South Australian section of the SEA Gas pipeline, one pertaining to an unauthorised third party activity observed in the course of a scheduled pipeline patrol and the other being the emission of an oily mist in the course of gas venting during pigging operations. This latter incident is technically a non-conformance of the SEO, however subsequent incident management confirms no residual environmental impact or disruption to neighbouring agricultural activities,

Other than the two incidents detailed above, no ‘serious’ incidents (as defined in the SA Petroleum Act 2000) occurred during the licence year.

Notwithstanding the two incidents, SEA Gas considers its operations to be compliant in respect of the respective Petroleum Act and Regulations, its Pipeline Licence (PLI3) and its Statement of Environmental Objectives.

4.0 RECTIFICATION OF NON-COMPLYING ACTIONS

In accordance with Regulation 33.(2)(c) SEA Gas initiated a post incident investigation and monitoring of its Yallamurray main line valve site following the inadvertent release of an oily mist on SEA Gas owned land in the course of gas venting during pipeline pigging operations. Monitoring of the site, inclusive of testing by Amdel Laboratories and consultation with the adjoining landholder indicates that this incident poses no long term environmental impacts and no heightened levels of total petroleum hydrocarbons at the site. SEA Gas will in the course of its normal environmental monitoring activities continue to assess the site to verify no residual impacts and has received assurances from the landholder who agists stock at the site that there has been no observed impacts arising from this incident and no interruptions to grazing activities at this site.

5.0 MANAGEMENT SYSTEM AUDITS

In accordance with Regulation 33.(2)(d) the following management system audits were conducted during the 2005/06 licence year, either internally by SEA Gas or independently by third parties. Where applicable, audit observations, recommendations and corrective actions were actioned to ensure close out following each audit.

5.1 Health and Safety

During the 2005/06 licence year, SEA Gas conducted Health and Safety audits of its pipeline facilities and of operational activities conducted by its maintenance contractors. Audits indicated SEA Gas complied with applicable South Australian and Victorian, Occupational Health, Safety & Welfare requirements.

- Safety audits of all SEA Gas facilities;
- Operational audits of maintenance service providers; and
- Two operational audits conducted by Energy Safe Victoria

5.2 Environment

SEA Gas conducted environmental monitoring of the pipeline easement during the 2005/06 licence year in order to assess compliance with stated environmental objectives and to assess post construction environmental regeneration.

Reportable incidents and operational issues relating to environmental audits and inspections were communicated to PIRSA in the course of quarterly reporting. Where applicable, corrective actions were implemented to ensure SEO compliance.

An independent whole of pipeline environmental audit was conducted by Ecology Australia during the 2005/06 licence year, in conjunction with representatives from both PIRSA Petroleum Group and the Victorian Department of Sustainability & Environment. As a result of this audit post construction site restoration has been enhanced to ensure that all sites are restored in a timely manner.

6.0 REPORTS AND DATA

In accordance with Regulation 33.(2)(e) the following reports and data were forwarded to PIRSA-Petroleum Group in relation to regulated activities conducted in the course of the 2005/06 licence year:

- PL I3 Annual Report for 2004/05 licence year (submitted August 2005);
- Appendix C – Statement of Expenditure for 2004/05 Annual Report;
- Quarterly Incident Report (period July – September 2005); and
- Quarterly Incident Report (period April – June 2006);

7.0 INCIDENT MANAGEMENT

In accordance with Regulation 33.(2)(f) a summary of reportable incidents is detailed at Appendix B, in conjunction with an overall assessment and analysis of the incidents in accordance with Section 33.(2)(f)(i). The effectiveness of actions taken to rectify non-compliances with the obligations imposed by the Petroleum Act and Regulations or the licence is also detailed in this section in accordance with Regulation 33.(2)(ii), in order that similar occurrences may be minimised and that the risk of recurrence of non-compliances are adequately mitigated.

Notification to PIRSA of operational incidents occurs in the course of quarterly reporting during the licence year, inclusive of incident management strategies.

8.0 RISK MANAGEMENT

In compliance with Regulation 33.(2)(g) SEA Gas reviewed its operational risk assessment in accordance with the requirements of Australian Standard AS 2885, subsequently revealing no incremental threats to pipeline operations in addition to those previously identified. This confirmed the suitability of the original operational risk assessment for use in the course of routine pipeline operations in accordance with licence conditions.

Credible operational risk elements have been reduced to As Low as Reasonably Practicable (ALARP), and include:

- Unauthorised third party activities or unauthorised land use changes,
- Unauthorised use of heavy machinery in the vicinity of the pipeline, and
- Heightened security alerts in light of the Australian Government's counter terrorism advices.

SEA Gas has implemented the following risk management strategies to maintain defined risks to ALARP, measures include:

- Aerial and ground monitoring of easement activities,
- Security patrols & electronic surveillance of facilities,
- Permit to Work System & Safety Induction Systems,
- Pipeline and Safety Awareness programmes,
- Land ownership and use notification system,
- Landholder & stakeholder contact programme,
- Participation in state forums for external threat management,
- Participation in pipeline industry operations forums
- 1100 Dial Before You Dig & Dig safe internet based asset information systems,

9.0 PROPOSED OPERATIONAL ACTIVITIES 2006/07 LICENCE YEAR

In accordance Regulation 33.(2)(h) SEA Gas proposes to conduct the following operational activities during the 2006/07 licence year:

- Scheduled maintenance of pipeline facilities and infrastructure;
- Internal inspection of water bath heater shell, and process pipes to ascertain susceptibility to corrosion;
- Monitoring of cathodic protection systems including buried corrosion resistance coupons;
- Upgrading of pipeline marker signage between Casterton, Vic and Coomandook, SA;
- Ongoing restoration of the pipeline easement in accordance with revegetation programmes;
- Environmental monitoring;
- Stakeholder contacts;
- Scheduled aerial and ground patrols of the pipeline easement;
- Release of a pipeline safety and awareness DVD presentation package to promote safe operations amongst landholders and third party contractors;
- Pipeline awareness seminars and emergency response training for emergency services, utilities and safety critical stakeholders;
- Mobilisation emergency response exercise featuring an in-field excavation; and
- Release of revised Emergency Response and Crisis Management Plans;
- Fitness for purpose review (report to be submitted by 21 February 2007)
- SEO review (report to be submitted by 21 February 2007)
- Emergency response exercise (report to be submitted by April 2007)

I0.0 VOLUME OF REGULATED SUBSTANCE TRANSPORTED

In accordance with Regulation 33.(2)(k) the volume of regulated substance (i.e. – natural gas) transported by SEA Gas in the course of the 2005/06 licence year, was approximately 55.4 PJ.

II.0 STATEMENT OF ANNUAL EXPENDITURE

In accordance with Regulation 33.(3)(a)-(f) information relating to SEA Gas expenditure is provided as “Commercial In Confidence” in accordance with subregulation 33(5) of the Petroleum Regulations 2000, where public disclosure is not required in accordance with subregulation 33(3).

A statement of expenditure is detailed at Appendix C (Commercial in Confidence – Restricted Distribution) and is attached under separate cover.

APPENDIX A – ASSESSMENT OF COMPLIANCE WITH SEO OBJECTIVES

Issue	Relevant Operational Environmental Objectives (Per November 2002 SEO Document)	Comments	Compliance (YES / NO)
Soils & Terrain	17.a To appropriately minimise & manage adverse impacts to the soils & terrain of the easement.	Ongoing pipeline easement monitoring & timely repair of trench subsidence & erosion. Environmental monitoring of sites along the easement ensuring no loss of cover across the pipeline easement as a consequence of erosion. Significant erosion of the Salt Creek crossing as a result of heavy rainfall during 2005 was repaired and revegetated to ensure an adequate depth of cover across the pipeline at this point. Erosion repairs and revegetation initiated along Palmer-Cook Hill Road following significant rainfall event.	YES YES
	17.b To appropriately monitor rehabilitation of soils & terrain on the easement.	Ongoing monitoring of easement restoration through regular landholder contacts and easement patrols. Ongoing monitoring of rehabilitation sites.	YES
Groundwater	18.a To appropriately minimise & manage adverse impacts to shallow groundwater resources.	No groundwater contamination arising from operational activities along the pipeline easement.	YES
Surface Water	19.a To appropriately minimise & manage adverse impacts to surface water resources.	No surface water contamination arising from operational activities along the pipeline easement.	YES
	19.b To appropriately monitor rehabilitation of surface drainage patterns on easement.	Surface drainage patterns were reinstated to an 'as found' condition following pipeline construction. Monitoring of sites during the licence year confirms no impacts to drainage patterns. No disruption to third party users of surface waters.	YES YES

Issue	Relevant Operational Environmental Objectives (Per November 2002 SEO Document)	Comments	Compliance (YES / NO)
Watercourse Crossings	20.a To appropriately monitor rehabilitation of watercourse crossing locations.	Monitoring of watercourse crossings confirms long-term site stability, in other than an extraordinary rainfall event at Salt Creek. Identified instability repaired in a timely manner.	YES
Air Emissions	21.a To appropriately minimise & manage adverse impacts to air quality as a result of operations.	No nuisance dust or emissions to air from operation of equipment, pipeline and associated infrastructure. Coomandook Compressor Station complies with EPA emissions requirements.	YES YES
Noise Emissions	22.a To meet regulatory requirements for noise emissions from the Compressor Station & other pipeline infrastructure.	No noise impacts from operational activities. No noise impacts associated with pipeline operations and associated infrastructure.	YES YES
Greenhouse Gas Emissions	23.a To appropriately manage greenhouse emissions from associated processing plants and pipelines.	Minimisation of greenhouse gas emissions and recording of emissions arising from operational activities.	YES
Ecology	24.a To appropriately minimise & manage adverse impacts to ecological values of the easement. 24.b To appropriately monitor rehabilitation of the easement.	No adverse impacts to ecology in the course of operational activities – revegetation activities and easement rehabilitation strategies are ongoing. Management of easement revegetation in consultation with landholders and agricultural best practice. Monitoring of broad acre and native vegetation regrowth.	YES YES YES
Indigenous Heritage	25.a To appropriately minimise & manage adverse impacts to identified Indigenous heritage sites.	Indigenous heritage sites and culturally significant vegetation was not impacted during the course of operational activities.	YES

Issue	Relevant Operational Environmental Objectives (Per November 2002 SEO Document)	Comments	Compliance (YES / NO)
		Appropriate protocols are in place for the management of cultural heritage sites and materials, in the course of operational activities. These protocols were implemented during the construction of two recent lateral pipelines at Naracoorte & Jervois.	YES
Historical Heritage	26.a To appropriately minimise & manage adverse impacts to identified historical heritage sites.	No damage to built heritage in the course of operational activities. Appropriate protocols in place for management of historical heritage sites and materials, in the course of operational activities.	YES YES
Land Use	27.a To appropriately minimise & manage adverse impacts to land use activities during operations. 27.b To appropriately monitor land use productivity post construction.	No impacts to stock, crops or agricultural productivity during operational activities. No disturbances to landowner assets and infrastructure during operational activities. No impacts to recreational values or residential and industrial activities arising from operational activities. Post construction environmental monitoring of agricultural areas is ongoing.	YES YES YES YES
Visual Amenity	28.a To appropriately minimise & manage adverse impacts on visual amenity. 28.b To appropriately monitor easement rehabilitation to minimise long term visual amenity impacts.	No adverse impact to visual amenity. Progressive revegetation and reinstatement of easement. Post construction monitoring is ongoing in accordance with a defined operations revegetation plan.	YES YES
Third Party Infrastructure	29.a To minimise & where practicable avoid impacts to transport networks, private property & to public utilities.	Post construction reinstatement of road infrastructure has indicated long term stability.	YES

Issue	Relevant Operational Environmental Objectives (Per November 2002 SEO Document)	Comments	Compliance (YES / NO)
	29.b To appropriately monitor reinstated third party infrastructure.	<p>No impacts to road infrastructure in the course of operational activities.</p> <p>No disturbance to local traffic conditions and site access in the course of operational activities.</p> <p>No damage to public utilities in the course of operational activities</p> <p>No compromise to public or employee safety.</p>	<p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p>
Waste Disposal	30.a To effectively minimise & manage all waste generated during operations & to dispose of all waste in an appropriate manner.	<p>No environmental effects arising from operational wastes - all wastes are managed by accredited stakeholders in accordance with approved waste management protocols.</p> <p>Waste materials disposed of in appropriate manner. SEA Gas employees conversant with reuse, recycling, waste minimisation and disposal protocols.</p> <p>In-house waste minimisation and recycling initiatives implemented</p>	<p>YES</p> <p>YES</p> <p>YES</p>
Spill Response	<p>31.a To prevent, minimise & manage spills occurring during operations.</p> <p>31.b To appropriately monitor remediated spill locations (where applicable).</p>	<p>Hazardous materials storage and distribution in accordance with approved protocols.</p> <p>Personnel trained in spill prevention and response procedures</p> <p>No spills in the course of construction and operational activities (Ref. Incident summary)</p>	<p>YES</p> <p>YES</p> <p>NO</p>
Public Safety & Risk	32.a To incorporate operational & maintenance requirements in line with AS 2885.I to ensure risk level associated with threats is sufficiently dealt (i.e. - As Low As Reasonably Practicable).	Operational risks managed in accordance with AS 2885.I mitigation protocols.	YES

Issue	Relevant Operational Environmental Objectives (Per November 2002 SEO Document)	Comments	Compliance (YES / NO)
Stakeholder Consultation	33.a To identify & satisfy stakeholders need for information by establishing two-way communication & resolution of issues during operations.	Active landholder and third party stakeholder consultation.	YES
Unplanned Incidents	34.a To minimise & manage the occurrence of third party damage to the pipeline, risks to public health & safety	Adequate management of third party operations in accordance with AS 2885.1 requirements. Scheduled ground and aerial inspection of pipeline and timely repair of defects following observation	YES YES
	34.b To minimise & manage adverse impacts to air quality & public amenity. 34.c To adequately ensure the security of production or supply of natural gas.	Public safety and third party activities are appropriately managed to ensure safe operations during scheduled gas venting in the course of pipeline operations. Unplanned incidents are managed in accordance with the SEA Gas Emergency Response Plan, Management of fire risks in accordance with engineering and risk management protocols. Security of supply integral through scheduled operations and maintenance activities.	YES YES YES YES
Emergency Response	35.a To ensure that all emergency responses are immediate, to reduce the severity of any emergency gas release & to follow existing procedures whilst maintaining public & personnel safety as a priority.	Emergency response initiatives practiced through two annual exercises which exceed the minimum legislative requirement for South Australia. Management of public and employee safety is paramount and features foremost within operational activities and emergency response planning.	YES YES

Issue	Relevant Operational Environmental Objectives (Per November 2002 SEO Document)	Comments	Compliance (YES / NO)
	35.b To adequately ensure the security of production or supply of natural gas.	Security of supply integral through scheduled operations and maintenance activities.	YES

APPENDIX B – REPORTABLE INCIDENTS (2005/06 Licence Year)

Date Incident No.	KP	Aspect	Impact	Closeout Action	Status
July 2005 3032	66I	Public Safety and Risk	In the course of an aerial patrol, unauthorised third party activities were observed along the SEA Gas easement passing through the Port River Expressway construction project. Neither SEA Gas nor Dial Before You Dig was contacted prior to the commencement of the unauthorised activities within one metre of the pipeline.	Additional pipeline awareness sessions were conducted for the construction project work force, stressing the need for safe operations in the vicinity of a high pressure natural gas pipeline. Aerial and ground patrol frequency heightened during the construction and commissioning phase of the expressway construction project.	Closed
May 2006 3036	348	Spill Response	In the course of pigging the southern 350mm diameter pipeline, gas was vented from the Yallamurray main line valve resulting in the unexpected release of an oily mist onto SEA Gas property.	Progressive soil sampling and testing to confirm that no residual effects remain as a result of this incident. Visual inspection of the site did no indicate any contamination (later confirmed by analytical analysis). No impacts to surrounding agricultural activities in the course of consultation with adjoining landholders. Hazard Alert issued in response to this incident in relation to procedural changes whilst venting in the course of pipeline pigging operations. Ongoing site monitoring.	Closed

APPENDIX C – STATEMENT OF ANNUAL EXPENDITURE

Commercial in Confidence – Restricted Distribution to PIRSA Petroleum Group