2010 Annual Report

SOUTH EAST PIPELINE SYSTEM

Pipeline Licences (PL 3 & 4)

Document Number S-31-107-AR-G-007
# TABLE OF CONTENTS

1. PURPOSE ........................................................................................................... 5
2. SCOPE ............................................................................................................... 5
3. TECHNICAL INFORMATION ............................................................................ 5
4. OPERATIONAL & MAINTENANCE ACTIVITIES - 2010 .......................... 7
5. INCIDENT REPORTING .................................................................................. 14
6. LAND MANAGEMENT ................................................................................... 14
7. ENVIRONMENTAL MANAGEMENT .......................................................... 15
8. EMERGENCY RESPONSE ........................................................................... 15
9. REGULATORY COMPLIANCE .................................................................. 16
10. RISK MANAGEMENT .................................................................................. 17
11. MANAGEMENT SYSTEM AUDITS ............................................................ 17
12. REPORTS ISSUED DURING THE 2010 LICENCE YEAR .................. 19
13. VOLUME OF PRODUCT TRANSPORTED ........................................... 19
14. PROPOSED OPERATIONAL ACTIVITIES FOR 2011 LICENCE YEAR ........................................................................................................ 19
15. STATEMENT OF EXPENDITURE .............................................................. 19
16. KEY PERFORMANCE INDICATORS ................................................................ 20
17. CONCLUSION ............................................................................................... 20

Appendix A – Assessment of Compliance with Statement of Objectives ................................................................. 21

Assessment of Declared Objectives ............................................................................. 22
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALARP</td>
<td>As Low As Reasonably Practicable</td>
</tr>
<tr>
<td>AS2885</td>
<td>Australian Standard 2885 Pipelines - Gas and Liquid Petroleum</td>
</tr>
<tr>
<td>AVT</td>
<td>Accuracy Verification Test</td>
</tr>
<tr>
<td>CDP</td>
<td>Corrosion Detection Pig</td>
</tr>
<tr>
<td>CFS</td>
<td>Country Fire Service</td>
</tr>
<tr>
<td>CP</td>
<td>Cathodic Protection</td>
</tr>
<tr>
<td>CPU</td>
<td>Cathodic Protection Unit</td>
</tr>
<tr>
<td>Cu/CuSO4</td>
<td>Copper/Copper Sulphate</td>
</tr>
<tr>
<td>DCGV</td>
<td>Direct Current Voltage Gradient</td>
</tr>
<tr>
<td>EGP</td>
<td>Electronic Geometry Pig</td>
</tr>
<tr>
<td>EMS</td>
<td>Environmental Management System</td>
</tr>
<tr>
<td>ERE</td>
<td>Emergency Response Exercise</td>
</tr>
<tr>
<td>ESD</td>
<td>Emergency Shut Down</td>
</tr>
<tr>
<td>GIS</td>
<td>Geographical Information system</td>
</tr>
<tr>
<td>GPS</td>
<td>Geographical Positioning System</td>
</tr>
<tr>
<td>HAZOP</td>
<td>Hazard Operability</td>
</tr>
<tr>
<td>HELM</td>
<td>Heritage, Environment and Land Management</td>
</tr>
<tr>
<td>HSE</td>
<td>Health, Safety and Environment</td>
</tr>
<tr>
<td>LMS</td>
<td>Land Management System</td>
</tr>
<tr>
<td>MAPS</td>
<td>Moomba to Adelaide Pipeline System</td>
</tr>
<tr>
<td>MFS</td>
<td>Metropolitan Fire Service</td>
</tr>
<tr>
<td>MLV</td>
<td>Mainline Valve</td>
</tr>
<tr>
<td>PIRSA</td>
<td>Primary Industries and Resources of South Australia</td>
</tr>
<tr>
<td>PL3&amp;4</td>
<td>Pipeline Licences 3 and 4</td>
</tr>
<tr>
<td>ROW</td>
<td>Right of Way</td>
</tr>
<tr>
<td>RTU</td>
<td>Remote Terminal Unit</td>
</tr>
<tr>
<td>SCADA</td>
<td>Supervisory Control and Data Acquisition</td>
</tr>
<tr>
<td>SEO</td>
<td>Statement of Environmental Objectives</td>
</tr>
<tr>
<td>SEP</td>
<td>South East Pipeline</td>
</tr>
<tr>
<td>SWQ</td>
<td>South West Queensland Pipeline</td>
</tr>
<tr>
<td>SES</td>
<td>State Emergency Service</td>
</tr>
<tr>
<td>SMS</td>
<td>Safety Management System</td>
</tr>
<tr>
<td>SWER</td>
<td>Single Wire Earth Return</td>
</tr>
<tr>
<td>TJ</td>
<td>Tera Joule</td>
</tr>
</tbody>
</table>
1 PURPOSE

This report is submitted in accordance with the requirements of Pipeline Licence 3, Pipeline Licence 4 and the South Australian Petroleum and Geothermal Energy Regulations 2000.

2 SCOPE

The South East Pipeline system (PL3&4) is owned, operated and maintained by Epic Energy.

This report reviews operations carried out during 2010 and describes the intended operations for 2011.

In accordance with the Petroleum and geothermal Energy Regulations a performance assessment is also provided with regard to the Statement of Environmental Objectives PL 3 &4.

3 TECHNICAL INFORMATION

Table 1 summarizes the technical aspects of the South East Pipeline system and Figure 1 shows diagrammatically the pipeline system.

Table 1 – South East Pipeline System

<table>
<thead>
<tr>
<th></th>
<th>Katnook to Kimberly Clark</th>
<th>Glencoe to Mount Gambier</th>
<th>Nangwarry</th>
<th>Safries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pipeline Licence</td>
<td>PL4</td>
<td>PL4</td>
<td>PL4</td>
<td>PL3</td>
</tr>
<tr>
<td>Length</td>
<td>46.1 Kilometres</td>
<td>18.9 Kilometres</td>
<td>11.5 Kilometres</td>
<td>4.5 Kilometres</td>
</tr>
<tr>
<td>External Diameter</td>
<td>168.3 mm</td>
<td>168.3 mm</td>
<td>88.9 mm</td>
<td>60.3mm</td>
</tr>
<tr>
<td>Wall Thickness, mm:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Normal</td>
<td>4.2 mm</td>
<td>4.2 mm</td>
<td>3.2 mm</td>
<td>3.9 mm</td>
</tr>
<tr>
<td>- Special Crossings</td>
<td>5.0 mm</td>
<td>5.0 mm</td>
<td>4.0 mm</td>
<td>3.9mm</td>
</tr>
<tr>
<td>Pipe Grade</td>
<td>API 5LX 42</td>
<td>API 5LX 42</td>
<td>API 5LX 56</td>
<td>ASTM A106 Gr B</td>
</tr>
<tr>
<td>MAOP</td>
<td>10,000 kPa</td>
<td>10,000 kPa</td>
<td>9850 kPa</td>
<td>10,000 kPa</td>
</tr>
<tr>
<td>Coating</td>
<td>Yellow Jacket</td>
<td>Yellow Jacket</td>
<td>Yellow Jacket</td>
<td>Yellow Jacket</td>
</tr>
<tr>
<td>Cathodic Protection</td>
<td>Sacrificial Anode</td>
<td>Sacrificial Anode</td>
<td>Sacrificial Anode</td>
<td>Sacrificial Anode</td>
</tr>
<tr>
<td>Main Line Valves</td>
<td>3</td>
<td>2</td>
<td>U/S &amp; D/S isolation valves</td>
<td>U/S &amp; D/S isolation valves</td>
</tr>
<tr>
<td>Compressor Stations</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Meter Stations</td>
<td>Kimberley Clarke</td>
<td>Mount Gambier</td>
<td>Nangwarry</td>
<td>Safries</td>
</tr>
</tbody>
</table>
4 OPERATIONAL & MAINTENANCE ACTIVITIES - 2010

4.1 Risk Management Review

A review of the AS 2885 Risk Assessment was carried out and a final report developed in 2007. As part of this risk assessment review, additional requirements of the Draft AS 2885.1 DR 04561] rev 3 was taken into consideration.

A total of 73 recommended actions were made by the workshop team. All priority and significant actions have been assessed and closed out, the 11 remaining actions are being reviewed and assessed by the Epic Energy Engineering team.

The next formal AS 2885 Safety Management System review is to be completed by 2012.

4.2 Training

Epic Energy is committed to developing the skills of all employees and contractors to meet the operational and technical needs of its business.

In-house staff training during 2010 was delivered using a combination of self-paced modules and group presentations, using either a training service provider or suitably skilled Epic Energy personnel.

In addition to internal training, staff attended a range of external courses, conferences and seminars selected to further enhance their knowledge of the natural gas and liquid hydrocarbon pipeline transmission industry.

The range of training staff attended during 2010 included:
- "A" Grade Electrical Worker's Licence
- "B" Grade Electrical Worker's Licence
- 2WD Defensive Driving
- 4WD Operate Light Vehicle PMASUP236A
- ACA Corrosion & Prevention Conference
- AS 2885.3 Pipelines Gas & Liquid Petroleum - O & M
- AS 2885 Introduction to AS 2885 and the Australian Pipeline Industry
- AutoCAD Essentials/Learning AutoCAD
- Basic Fire Prevention & Control (Extinguishers)/Refresher (Phase 3)
- Business Writing
- Certificate IV in Facilitation
- Certificate IV in Training & Assessment
- Certificate IV OH&S Part 1
- Chem-cert Accreditation RTC3704A Prepare & Apply Chemicals & RTC3705A Transport
- Citect SCADA/Vijeo Citect Configuration
- Combustion Basics
- Confined Space Awareness
- CPR
- Crane (Pendant) Shift Loads Using Gantry Equipment TLID4307B
- Crane Operator Certificate of Competency CV HIAB
Defect Assessment in Pipeline
Doggling Certificate DG
Drugs & Alcohol
EEHA Installation and Maintenance
Elevated Work Platform - Practical/Logbook EWP OHSCER235A
Elevated Work Platform - Theory EWP OHSCER235A
Emergency Response Training
Environmental Work Procedures
Equal Employment Opportunity, Discrimination, Harassment & Bullying
Excavation of Pipelines
Fast track Apply First Aid
Fire Trial Evacuation Exercise (Phase 2)
Fire/Floor Warden Training (Phase 1)
Forklift Operator Certificate of Competency LF
Fuelling Australia in 2020 to 2030
Gas Detection - Santos (Epic SA & Qld)
GBM Mobile Data Capture training
Hazardous Materials (MSDS)
Health & Safety Representative Level 1 - SA
Heat Stress
Hot-Tapping of Pipelines, Practices and Procedures
How to Effectively Manage Multiple Locations
HSE New Starter Intro
Hydrostatic Testing & Commissioning
Instrument/Electrical Basics
Isolation & Tagging Electrical Equipment
Job Hazard Analysis
LMS Computer Training
Low Risk Driving Course
Low Voltage Rescue
Manual Handling
Maximo - CIM Planning and Scheduling
Maximo 7.1 - FMO
Maximo 7.1 - Reporting/SQL
Mercury Awareness
National Greenhouse & Energy Reporting (NGER) Workshop
National Pollutant Inventory (NPI) - Online Reporting System
Nipping Problems in the bud and complaint handling
Operations Field Induction
Permit to Work
Personnel Movement Tracking
Pipe Location - General Epic Module
Pipeline Corrosion and Integrity Management
Pipeline Crossing Practices & Procedures
Pipeline Surveillance and Easement Activities
Pipeline System Components Introduction
Pipeline Voice Communications
Presenting your Sock Off
Preventing Discrimination & Harassment
Process & Instrumentation Diagrams and Drawings
Professional Presentations
Rehabilitation & Return to Work Coordinator
Scaffolding - Erect & dismantle RESTRICTED
Senior First Aid Full Certificate SA
Senior First Aid Refresher SA
Snake Awareness Training - Online
The Atmosphere & Working With Gases
The Pipeline Industry - Essential to the Gas Industry
Third Party Works
Trimble Nomad - Defect Location or pipeline repair
Understanding Pipeline Licensee & Owner Obligations
Valve Training
White Card - National OHS Common Industry Induction
Working at Heights
Working in Remote Locations
Working Safely Near Pipelines & Pipeline Infrastructure
Work zone Traffic Management
Xinfo – User

4.3 Operations & Maintenance Activities

Operations and maintenance activities have been conducted in accordance with AS2885 and other relevant standards and work is programmed into accordance with the 2010 Annual Maintenance Plan. All routine and corrective maintenance activities programmed in Epic Energy’s CMMS which is a scheduling system which generates work orders for maintenance staff to complete. Some of the key items in the 2010 maintenance schedule include:

- Road Patrols conducted on a monthly basis; all action items identified during the patrols were rectified immediately by the patrolling officer or completed during regular maintenance visits by Epic Energy personnel.
- Inspection and maintenance of dust and coalescer filter vessels.
- Monthly Meter, Off-take & Scraper site inspections carried out by Epic Energy authorized contractors with no major issues identified.
- Inspection and servicing of all fire extinguishers
- Six monthly maintenance was carried out on all MLV’s and Pig Vessels during the year.
- Six monthly Cathodic Protection on/off potential surveys.
- DCVG survey
- Six monthly mechanical and electrical/instrumentation maintenance carried out on all meter stations and associated equipment.
- Three monthly Accuracy Verification Testing at all meter stations.
- Administration of the Free call 1100 “Dial Before You Dig” system with 24 calls received throughout the year relating directly to the SEP system.
- Landowner Contact and Community Pipeline Safety Awareness program

A description of the Operations and Maintenance activities for 2010 is provided below.
4.3.1 Patrol Activities

Monthly road patrols were completed in 2010.

The road patrols ensure that the following pipeline activities are addressed:

• Signage is in suitable condition and if not, repairs are affected as soon as is practically possible. Any issues not addressed during the patrol are fed back into the CMMS for approval and rectification.
• to ensure there are no unauthorized activities occurring along the pipeline route or at any of the facilities
• restoration of any soil erosion due to wind and water
• there are no leaks occurring at any of the pipeline facilities or along the pipeline route
• all sites are secure, kept clean, neat and tidy
• check of above ground pipe coating condition, fences, gates, padlocks, signage, fire extinguishers, weeding and other housekeeping activities at the mainline valve and scraper station facilities associated with the pipeline system.

In 2010 no significant issues were identified during any of the patrols, minor remediation work was carried out replacing and repairing pipeline warning signage.

4.3.2 Cathodic Protection

During March and September 2010 full line cathodic protection surveys were undertaken on the SEP. ON potential surveys only are possible on this pipeline system because the pipelines are protected by sacrificial anodes.

4.3.2.1 Katnook Plant to Apcel

This lateral is protected by nine magnesium anodes; six zinc AC mitigation anodes are also installed where the pipeline is in close proximity to high voltage overhead power lines. The ON potential readings indicate that the pipeline is satisfactorily protected.

4.3.2.2 Katnook Plant to Safries

This lateral is protected by five magnesium anodes; the ON potential readings indicate that the pipeline is satisfactorily protected.

4.3.2.3 Glencoe Junction to Mount Gambier

This lateral is protected by five magnesium anodes; three zinc AC mitigation anodes have are also installed where the pipeline is in close proximity to high voltage overhead power lines. The ON potential readings indicate that the pipeline is satisfactorily protected.
4.3.2.4 Nangwarry Lateral

This lateral is protected by four zinc anodes; the ON potential readings indicate that the pipeline is satisfactorily protected.

4.3.3 Coating Integrity

The last coating defect survey was conducted on the SEP in May 2008. The % IR at each coating defect measured during the survey represents the loss of protection sustained for any level of cathodic protection applied; defects 15 % IR or greater are repaired.

The following defects were noted during the survey:

- Safries Lateral – 1 defect 2.6 % IR
- Katnook to Safries Lateral – 4 defects greater than 15 % IR
- Nangwarry Lateral – 1 defect 0.4 % IR
- Glencoe to Mount Gambier Lateral – 1 defect 11.0 % IR, 1 defect greater than 15 % IR

The coating defects identified for inspection from the 2008 survey were incorporated into the 2010 integrity dig program. As listed above all Defects % IR> 15 were excavated, inspected and repaired in 2010.

4.3.4 Pipeline Integrity

As reported in the 2008 Annual report, with the introduction of the wells producing the Geographe/Thylacine reservoir in the Otway Basin, CO\textsubscript{2} concentrations could no longer be sustained within the agreed concentration limits for gas production onto the SEP system. Although the expected maximum concentration was increased, it remained with the bounds of the National Gas Specification, which limits total inerts, not specifying individual components.

The SEP meter stations include pressure regulation down to levels appropriate for domestic reticulation and industrial use. This results in temperature reduction by the Joule-Thompson effect and increasing the capability of free water liberation in the pipes immediately downstream of the regulators. The likelihood of producing free water at these locations is the highest, along with high gas velocity, but this is at low temperatures which will slow the oxidation, and the actual potential for corrosion is difficult to predict.

In 2009, the installation of regulation upstream at Glencoe Junction commenced and was completed in 2010. This will result in a two stage pressure reduction cut from the Katnook plant to the Apecel and Mt Gambier meter stations further reducing the impact of the Joule-Thompson effect.

Integrity surveys of the station pipe work (ultrasonic thickness (UT) testing) was undertaken at strategic points within each station, identifying that further surveys were required. The annual monitoring by UT testing of the pipe-work showed up variations of wall thickness and these data combined with CO\textsubscript{2} level between 2-5% could indicate the possibility of sweet corrosion activity in the system.

As a result, two pipe spools were removed at the Mount Gambier metering station and the spools cut open up and subjected to internal corrosion analysis. No free water was observed during visual inspection and the pipe internals were found to be smooth with no finding of pits or localized attacks.
The changes in wall thickness measured by ultrasonic testing and also subsequently by destructive testing were subsequently concluded to be caused by wall thickness variations created during production.

Samples were taken from both spools to check for SRB (Sulphate Reducing Bacteria) and APB (Acid Producing Bacteria). The tests show no presence of SRB but medium to high numbers of APB. Although there is no evidence that free water occurs along the pipeline, procedures are now in place to inspect station filters regularly for the presence of free water. The pipe was also pigged recently to remove any free water in the low lying areas as chemical/biological composition is necessary for any corrosion to occur in the pipeline. No free water was observed.

4.3.5 Electrical and Instrumentation

Accuracy Verification Testing was completed on a three monthly basis at all meter stations on the South East Pipeline System. There were no significant issues associated with the gas metering.

Electrical compliance testing was carried out on all portable electrical equipment and residual current devices (RCD’s) at all sites.

Routine six monthly maintenance was carried out at all meter stations in this reporting period. This involved calibration of all non-billing transmitters, testing all remotely operated valves, calibration of all switches and testing of all associated systems.

There were no significant electrical instrumentation faults reported in 2010.

4.3.6 Mechanical

All routine mechanical maintenance activities were completed as scheduled on the South East Pipeline system. This work involved MLV servicing, station dust filter inspection/replacement, door closure maintenance, coalescing filter inspection/maintenance and pig launcher/receiver maintenance.

Routine inspection and maintenance was carried out on the pressure regulation/pressure relief systems and ESD valves at all South East Meter Stations on a 6 monthly basis. Maintenance tasks for the pressure control systems consisted of the inspection/overhaul of regulator seats, pilots and instrumentation filters to ensure correct operation of set points of the active/monitor and bypass regulation systems.

Pressure Safety Valves were also checked to confirm correct set point, operation and alarming functions. Where applicable, overpressure isolation valve functions are tested to ensure satisfactory operation. All routine 6 monthly maintenance is documented via Epic Energy's computerized asset management system (Maximo) and file copies are located within the central filing system.

All buildings and structures are inspected and maintained as part of routine maintenance procedures are in sound condition.
During the year a pipeline cleaning program of the South Eastern Pipeline was completed with bi-directional disc pig runs in the 150mm diameter pipelines between Katnook and Kimberley Clark and Glencoe Junction and Mount Gambier. The objective of the pigging program was to remove any dust and liquid contamination in the pipeline. Both pigging runs confirmed that no liquids were present in the pipeline with small amounts of dry dust received at both Mount Gambier and Kimberley Clark pig barrels. The dust was analysed and confirmed to be predominately Mackinawite and Mercury Sulfides.

A new pig trap isolation valve was fitted to the pig receiving barrel at Kimberley Clarke meter station for safe operation prior to the 2010 pigging program.

Regulators were installed into the Glencoe MLV bypass pipework. A 3" Gorter R100S was installed in the Kimberley Clarke lateral and a 2" Fischer EZR into the Mount Gambier lateral. The MLV's are closed and all gas supply downstream of the MLV's is now regulated at 4000 kPa. To ensure security of supply, an actuated bypass line has been installed around each regulator to open on low downstream pressure. A solar system supporting a Fischer ROC107 RTU maintains SCADA back to the Epic Energy Melbourne Control Centre.

In October 2010 the Nangwarry Lateral and above ground facilities, originally commissioned in 2001 were “Mothballed” in accordance with AS 2885.

The off take station at KP14.2 on the South East Pipeline was isolated at the station inlet valve with the pipework including the 11.5 kilometers of buried 88.9mm diameter pipe remaining pressurized. The meter station facility has been isolated at the station inlet and outlet valves with a blind flange installed at the station outlet. Meter station SCADA remains on the site and is continually monitored via Epic Energy Control Centre.

The buried pipework and above ground facilities are maintained in accordance with the Epic Energy Integrity management Plan for un-pigable pipelines. This includes cathodic protection surveys, DCVG surveys, pipeline surveillance, site inspections and the pipeline awareness program.

Field personnel were mobilized to the Nangwarry Meter Station on two occasions to address faults with the station ESD valve, both attendances related to excessive flow draws on customer start up conditions, causing the station to ESD.

All other reactive faults where classified as minor and tended to immediately without incident.

4.3.7 Leak Detection

The Epic Energy Transportation Services Control Centre [TSCC] operates a Telvent OASyS DNA 7.4 SCADA system that continually monitors the South East Pipeline System. Incorporated into the SCADA is the Pipeline Leak Monitoring System that provides real time leak detection capability based on line-pack inventory, flows in and out of the system, gas quality and pressure and temperature rate changes. This allows the duty controller to instantly identify any action anomalies that may be occurring and take appropriate actions.

The real time leak detection system is supported by maintenance activities along the pipeline route which assists the identification of any pipeline or facility leaks.
4.3.8 Communications

Epic Energy operates and controls the Katnook – South East Pipeline System from the Transportation Services Control Centre (TSCC) in Melbourne, Victoria, using the Epic Energy Metro SCADA System. The Katnook – South East Pipeline System can also be monitored and controlled on a stand-alone system from Epic Energy’s emergency control centre in Dry Creek, South Australia.

The Epic Energy SCADA system is a distributed, dual redundant, SCADA system, which utilises Epic Energy and third party communications providers, to communicate to the remote field telemetry devices.

There were two minor communication faults reported in 2010 at the Katnook Meter Station, both where modem related faults due to electrical supply interruptions and rectified within a short period.

5 INCIDENT REPORTING

There were no serious or reportable incidents on the South East Pipeline system during 2010.

6 LAND MANAGEMENT

6.1 Land Owner Liaisons

There are 83 landholders on a total of 116 separate land parcels on the South East Pipeline system. Every landowner on the pipeline was visited during 2010 and questionnaire was completed as part of each visit. The questionnaire is centred on confirming contact details, current and proposed land use, awareness of the pipeline location and landowners responsibilities with respect to works in the pipeline vicinity.

As part of Epic Energy’s continuous improvement program for pipeline awareness, landowners were posted two letters and safety brochures during the year containing information covering pipeline and easement safety and the responsibilities landowners have to ensure no safety breaches occur on their properties. An Epic Energy year 2011 calendar reminding the landowner of pipeline safety was also forwarded in December 2010.

6.2 Pipeline Safety Awareness

Epic Energy implements a Community Awareness Program, which entails holding awareness meetings with communities, government departments, utilities, emergency services and contractors along the pipeline route. Ten (10) of these meeting were held in the south east of South Australia with services in close proximity or associated directly with the South East Pipeline system.

The presentations focus on the general properties of the liquid hydrocarbons transported, the process of liquids hydrocarbon transmission by pipeline, location of the high pressure liquids pipeline in the regions concerned, correct procedures when working within pipeline easements, pipeline threats and dealing with emergency situations. (Note:-This presentation is tailored specifically to the audience)
6.3 Pipeline Location and Referral Services

Epic Energy provides a free service to locate any pipeline that they own and operate. This service is primarily used by other companies and third parties carrying out civil works in the vicinity of the pipelines.

During 2010 Epic Energy received and attended sixteen (16) enquiries via the free call 1100 “Dial Before You Dig” asset referral service in relation to third party activity in the vicinity of the South East Pipeline System.
There were no third party encroachments or unauthorized activity on the pipeline easement in 2010.

7 ENVIRONMENTAL MANAGEMENT

No environmental audit of the South East Pipeline system was carried out in 2010.

The Environmental Management System was reviewed and a number of new environmental procedures and work instructions were developed during the year

A training package for environmental awareness and environmental management of pipeline operation and maintenance activities was developed and presented to Epic Energy employees in 2010.

Appendix A contains the “Assessment of Declared Objectives” completed for the South East Pipeline system.

8 EMERGENCY RESPONSE

Pipeline Licence 3&4 states that an Emergency Exercise is to be conducted on the South East Pipeline system once every two years and in addition to this exercise a set of Emergency Response procedures is to be developed and maintained. These procedures are detailed in Epic Energy's “Emergency Response Manual”.

An emergency response exercise was conducted on the 14th April 2010 using Dry Creek as the Incident Command Centre.

This scenario was conducted as a desktop exercise, as such notifications and communications were simulated. (except communication to PIRSA)

The scenario for this exercise, a stolen car is speeding along Hinton Road and attempts to turn into Nick Lyon Road (dirt). The driver loses control and crashes into the Mt. Gambier Meter Station and severs the station outlet pipe above ground level. A fire starts.

For the purpose of this exercise no field response was initiated ,
The objective of this emergency exercise scenario was to test procedures and personnel in several areas, including:

- Duty Controllers response and interoperation to Alarm scenarios generated from the SCADA System in Melbourne Control Centre.
- Test a revised Emergency Response Plan.
- Test new personnel in designated positions, to understand their roles and responsibilities during an emergency.

The conclusion was the emergency exercise drill was deemed to be successful in meeting the objectives set out to test Epic Energy personnel and procedures.

9 REGULATORY COMPLIANCE

Every endeavour is made to ensure that design, manufacture, construction, operation, maintenance and testing of all appropriate facilities, is carried out in accordance with the relevant Acts of Parliament, licence conditions and the requirements of AS 2885.

Epic Energy attends quarterly compliance meetings with PIRSA, where operational regulatory compliance is discussed in an open manner.

Epic Energy maintains a compliance database, Safety Wise, which tracks legislative compliance throughout the organisation. Obligations are assigned to responsible staff, who must supply evidence that the obligation has been satisfied within a specified time period.

Epic Energy is not aware of any regulatory non compliance for this pipeline, and believes it is fulfilling its obligations in relation to the following requirements:

- The Petroleum & Geothermal Energy Act & Regulations 2000
- Pipeline Licence (PL12)
- The Statement of Environmental Objectives

Epic Energy maintains an action tracking system for improvements to its systems, which is fully traceable through to close out of individual items. Significant items are reported through to PIRSA, and would be raised at the quarterly compliance meetings held between PIRSA and Epic Energy.

There have not been any significant regulatory compliance issues during this reporting period.

Changes in legislation are tracked and communicated through a legal compliance committee which meets on a monthly basis.
10  RISK MANAGEMENT

Epic Energy incorporates risk management into operational processes and strategies in accordance with AS/NZS ISO 31000.

An Enterprise Wide Risk Management approach is taken with the framework for risk management overseen by the Enterprise Wide Risk Management Committee.

Epic Energy undertakes a variety of risk assessments from a high level corporate approach through to operational level assessments.

Epic Energy utilizes the following risk management strategies to minimize pipeline risks to ALARP.

- Aerial and ground surveillance of the pipeline system
- Induction processes and Safe Work Systems, including Permit to Work
- Programmed routine maintenance activities to ensure all of the pipeline facilities are maintained in accordance with best industry practices and the relevant codes and standards that apply
- Design system change control
- In accordance with AS 2885 Epic Energy conducts 5 yearly metre by metre risk assessment reviews
- Pipeline & Safety awareness program
- Land ownership and use notification system
- Landholder and stakeholder contact program
- Participation in industry forums on risk management
- Free “1100” Dial before You Dig information system

11  MANAGEMENT SYSTEM AUDITS

11.1  Environmental Audits

An environmental risk assessment was completed in March, which has enabled the compilation of a comprehensive environmental risk register. This involved risk ranking the impact of Epic’s activities on the environment and identified priority areas for action.

Environmental work procedures and work instructions have been reviewed and these have been rolled out via training of superintendents and field staff.

An audit against the “Assessment of Declared Objectives” in the SEO was also completed as provided in Appendix A.
11.2  Health and Safety Audits

A new Permit to Work and Job Hazard Analysis system has been introduced, with training and roll out into the field taking place in 2010. Implementation of the system will continue into 2011.

This new process improves the standard of risk assessment, hazard identification and the management of hazards within operational areas.

Site Hazard Registers were developed for all the Compressor and Meter Stations across the Moomba to Adelaide Pipeline.

A Health and Well Being program has been rolled out across Epic Energy, which includes personal health assessments, workshops and health information notice boards.

A third party external audit report of the Safety Management System was completed in January 2010 by an independent audit service provider, Epic has prioritised the 94 actions which were identified during this external audit (across all pipelines) and Epic Energy is gradually working its way through implementing these recommendations.

In addition, internal audits of Epic Energy’s Safety Management System (SMS) continue on annual basis, with 8 of the 16 SMS Standards audited during the year. These included the following topics;
- SMS 5 Employee Involvement
- SMS 7 Contract & Support Services
- SMS 9 Safe Operational Procedures
- SMS 10 Maintenance Inspection Testing
- SMS 12 Management of Change
- SMS 13 Emergency Response
- SMS 14 Health System
- SMS 15 Incident Reporting and Investigation

The internal audits assisted in identifying areas for improvement, which have been programmed into the action tracking system.

11.3  Management Audit

Epic Energy completed a number of audits during the reporting year. These were a combination of Epic’s internal audit program and external audits by industry experts initiated by Epic Energy.

The following topic areas were subject to audit during 2010;
- Buried Compressor Station Pipe Integrity
- MAOP Review
- Management of Change – technical
- Overpressure & Safety Critical Maintenance Audit
- Emergency Management Equipment Audit
- Safety Interaction Audits
- CRS Audit (billing system)
- Emergency Management Plan
• TSCC Disaster Recovery
• Pipeline Awareness Program Audit
• Personnel Tracking Movement
• Compliance with NGERS Reporting
• SA Land Tenure audit

The auditing program offers the opportunity to identify and promote continual improvement within Epic Energy and completion of these audits is recognized as a key performance indicator by the board of directors.

12 REPORTS ISSUED DURING THE 2010 LICENCE YEAR

The following reports were generated for PL3&4 during the 2010

• 2010 PL 3 & 4 Annual Report.
• Dust Analysis Reports by AMDEL and Strategic Chemistry

13 VOLUME OF PRODUCT TRANSPORTED

2,883.453 TJ of natural gas was transported through the SEP system during 2010.

14 PROPOSED OPERATIONAL ACTIVITIES FOR 2011 LICENCE YEAR

During 2011 the following activities are proposed for the SEP system:

• Complete all scheduled routine maintenance activities and corrective maintenance identified
• Submit a 2010 PL3&4 Annual Report.
• Upgrade the PSV’s at Mount Gambier meter station and increase the outlet supply pressure.

15 STATEMENT OF EXPENDITURE

Commercial in confidence
16 KEY PERFORMANCE INDICATORS

The following key performance indicators have previously been established to monitor performance of operations and maintenance activities on the SEP system. Outlined below are the KPI results for 2010.

<table>
<thead>
<tr>
<th></th>
<th>2010 Target</th>
<th>2010 Actual</th>
<th>2010 Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cathodic Protection</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of the pipeline</td>
<td>100%</td>
<td>100%</td>
<td>This represents a satisfactory level of protection over the entire length of the pipeline.</td>
</tr>
<tr>
<td>protected to the AS2885-1997</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>level</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Third Party Incident</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of times pipeline is</td>
<td>0</td>
<td>0</td>
<td>No damaged occurred to the pipeline during the reporting period</td>
</tr>
<tr>
<td>damaged</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of near misses (digging</td>
<td>0</td>
<td>0</td>
<td>No activities of this nature that involved Epic Energy the owner or a third party were identified during the reporting period</td>
</tr>
<tr>
<td>within 1m of pipeline)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exposure of pipeline due to</td>
<td>0</td>
<td>0</td>
<td>During the reporting period, there were no instances of the pipeline cover being eroded due to wind or water</td>
</tr>
<tr>
<td>washout and wind erosion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SCADA and Leak Detection</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reliability of SCADA and Leak</td>
<td>100%</td>
<td>99%</td>
<td>No significant communication issues were recorded on the SE pipeline system during 2010.</td>
</tr>
<tr>
<td>Detection System</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Environmental</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of uncontrolled</td>
<td>0</td>
<td>0</td>
<td>No uncontrolled Hydrocarbon releases were recorded during the reporting period</td>
</tr>
<tr>
<td>hydrocarbon releases</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Earth Tremor Surveillance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicular surveillance</td>
<td>100%</td>
<td>100%</td>
<td>No floods or earth tremors were reported during 2010</td>
</tr>
<tr>
<td>immediately after an earth</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>tremor or flood</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

17 CONCLUSION

The maintenance and inspection programs carried out on the SEP system in 2010 indicated the pipeline is in sound condition and is capable of operating at set parameters with no restrictions.

The pipeline is considered to be in good working condition and well maintained.
Appendix A – Assessment of Compliance with Statement of Objectives
## Assessment of Declared Objectives

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>GOAL</th>
<th>OBJECTIVE ACHIEVED</th>
<th>OBJECTIVE ACHIEVED “Yes/No”</th>
<th>SUPPORTING COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. To avoid unnecessary disturbance to 3\textsuperscript{rd} party infrastructure, landholders or land use</td>
<td>1.1 To minimise disturbance or damage to infrastructure/land use and remediate where disturbance cannot be avoided</td>
<td>Where disturbance is unavoidable or accidental, infrastructure or land use is restored to the satisfaction of the landholder or to undisturbed condition. Duration of disturbance does not exceed agreed timeframe.</td>
<td>Yes</td>
<td>There were no operational or maintenance activities to cause disturbance or damage to 3\textsuperscript{rd} party infrastructure, landowners or land use during 2010.</td>
</tr>
<tr>
<td>1.2 To minimise disturbance to landholders</td>
<td></td>
<td>No unresolved landholder complaints. Landholder activities not restricted or disturbed as a result of pipeline activities unless by prior arrangement.</td>
<td>Yes</td>
<td>Refer to 1.1</td>
</tr>
<tr>
<td>2. To maintain soil stability/integrity</td>
<td>2.1 To remediate erosion as a result of pipeline operations in a timely manner</td>
<td>The extent of soil erosion on the easement was consistent with surrounding land.</td>
<td>Yes</td>
<td>The pipeline is routinely patrolled with no erosion or soil inversions detected in 2010.</td>
</tr>
<tr>
<td>OBJECTIVE</td>
<td>GOAL</td>
<td>OBJECTIVE ACHIEVED</td>
<td>OBJECTIVE ACHIEVED “YES/NO”</td>
<td>SUPPORTING COMMENTS</td>
</tr>
<tr>
<td>-----------</td>
<td>------</td>
<td>--------------------</td>
<td>-----------------------------</td>
<td>--------------------</td>
</tr>
<tr>
<td>2.2 To prevent soil inversion</td>
<td>Vegetation cover is consistent with surrounding land. No evidence of subsoil on surface (colour). Landholder signoff.</td>
<td>Yes</td>
<td>Refer to 2.1</td>
<td></td>
</tr>
<tr>
<td>3. To maintain native vegetation cover on the easement</td>
<td>3.1 To maintain regrowth of native vegetation on the easement to be consistent with surrounding area</td>
<td>Species abundance and distribution on the easement was consistent with the surrounding area. Note: assessment of the consistency with surrounding areas will take into account that regrowth is a time and rainfall dependent process.</td>
<td>Yes</td>
<td>The native vegetation within the pipeline easement is consistent with surrounding environment.</td>
</tr>
<tr>
<td>3.2 To minimise additional clearing of native vegetation as part of operational activities</td>
<td>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.</td>
<td>Yes</td>
<td>Excavations of the buried pipeline system were carried out in accordance with the Epic Energy policies and procedures with no disturbance to the vegetation outside the pipeline easement.</td>
<td></td>
</tr>
<tr>
<td>OBJECTIVE</td>
<td>GOAL</td>
<td>OBJECTIVE ACHIEVED</td>
<td>OBJECTIVE ACHIEVED “YES/NO”</td>
<td>SUPPORTING COMMENTS</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>----------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------</td>
<td>----------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>3.3 To ensure maintenance activities</td>
<td>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.</td>
<td>Yes</td>
<td>Refer to 3.2</td>
<td></td>
</tr>
<tr>
<td>are planned and conducted in a manner</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>that minimises impacts on native fauna</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. To prevent the spread of weeds</td>
<td>The presence of weeds and pathogens on the easement was consistent with or better than adjacent land.</td>
<td>Yes</td>
<td>The presence of weeds and pathogens on the easement is consistent with adjacent land.</td>
<td></td>
</tr>
<tr>
<td>and pathogens</td>
<td>No new outbreak or spread of weeds reported.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1 To ensure that weeds and pathogens</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>are controlled at a level that is at</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>least consistent with adjacent land</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. To minimise the impact of the</td>
<td>For excavations, surface drainage profiles restored.</td>
<td>Yes</td>
<td>There were no alterations to existing landscapes or drainage patterns during 2010.</td>
<td></td>
</tr>
<tr>
<td>pipeline operations on surface water</td>
<td>For existing easement, drainage is maintained to pre-existing conditions or better.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OBJECTIVE</strong></td>
<td><strong>GOAL</strong></td>
<td><strong>OBJECTIVE ACHIEVED</strong></td>
<td><strong>OBJECTIVE ACHIEVED “Yes/No”</strong></td>
<td><strong>SUPPORTING COMMENTS</strong></td>
</tr>
<tr>
<td>-------------------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>---------------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>6. To avoid land or water contamination</td>
<td>6.1 To prevent spills occurring, and if they occur minimise their impact</td>
<td>No evidence of any spills or leaks to areas not designated to contain spills. In the event of a spill, the spill was: • Reported • Contained • Cleaned-up, and • Cause investigated and corrective and/or preventative action implemented. Compliance with relevant sections of the Environment Protection Act.</td>
<td>Yes</td>
<td>No spills occurred in 2010.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.2 To ensure that rubbish and waste material is</td>
<td></td>
<td>No evidence of rubbish or litter on easement or at facilities. No evidence that waste material is not contained and disposed of in accordance with Epic approved procedures.</td>
<td>Yes</td>
<td>All rubbish generated as a consequence of operational and maintenance activities is collected, removed from site and disposed of at an approved waste disposal facility.</td>
</tr>
<tr>
<td>disposed of in an appropriate manner.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.3 To prevent impacts as a result of waste</td>
<td></td>
<td>No evidence of impacts to soil, water and vegetation as a result of water disposal (ie. soil erosion, dead vegetation, water discoloration).</td>
<td>Yes</td>
<td>No maintenance activities were conducted that required the disposal of waste water and in addition no facilities have any systems installed that generate waste water.</td>
</tr>
<tr>
<td>water disposal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OBJECTIVE</td>
<td>GOAL</td>
<td>OBJECTIVE ACHIEVED</td>
<td>OBJECTIVE ACHIEVED “YES/NO”</td>
<td>SUPPORTING COMMENTS</td>
</tr>
<tr>
<td>-----------</td>
<td>------</td>
<td>--------------------</td>
<td>-----------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>7. To minimise the risk to public health and safety</td>
<td>7.1 To adequately protect public safety during normal operations</td>
<td>No injuries or incidents involving the public. Demonstrated compliance with AS 2885. Emergency procedures implemented and personnel trained.</td>
<td>Yes</td>
<td>All pipeline signage is considered to be fit for purpose and is maintained at a standard to meet AS2885 requirements. All landowners on the pipeline were visited by an Epic Energy representative during 2010.</td>
</tr>
<tr>
<td></td>
<td>7.2 To adequately protect public safety during maintenance</td>
<td>No injuries or incidents involving the public. Emergency procedures implemented and personnel trained.</td>
<td>Yes</td>
<td>Epic Energy and its contractors operate under a Safety Management System that includes working with detailed instructions, permit to work and job hazard analysis which all contribute to achieving this objective.</td>
</tr>
<tr>
<td></td>
<td>7.3 To avoid fires associated with pipeline maintenance activities</td>
<td>No pipeline related fires. Emergency procedures implemented and personnel trained.</td>
<td>Yes</td>
<td>There were no fires on the SEP system during 2010</td>
</tr>
<tr>
<td></td>
<td>7.4 To prevent unauthorised activity on the easement that may adversely impact on the pipeline integrity</td>
<td>No unauthorised activity on the easement that has the potential to impact on the pipeline integrity.</td>
<td>Yes</td>
<td>There were no reported unauthorised activities within the pipeline easement during 2010.</td>
</tr>
<tr>
<td><strong>OBJECTIVE</strong></td>
<td><strong>GOAL</strong></td>
<td><strong>OBJECTIVE ACHIEVED</strong></td>
<td><strong>OBJECTIVE ACHIEVED “YES/NO”</strong></td>
<td><strong>SUPPORTING COMMENTS</strong></td>
</tr>
<tr>
<td>---------------</td>
<td>----------</td>
<td>------------------------</td>
<td>-------------------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td><strong>8. Minimise impact of emergency situations</strong></td>
<td>8.1 To minimise the impact as a result of an emergency situation or incident</td>
<td>Emergency response procedures are effectively implemented in the event of an emergency. Emergency response exercises are aligned with credible threats and consequences identified in the risk assessment.</td>
<td>Yes</td>
<td>No emergency response incidents reported during 2010.</td>
</tr>
<tr>
<td></td>
<td>8.2 To restore any damage that may occur as a result of an emergency situation</td>
<td>Refer to previous criteria (Objective 1, 2, 3 &amp; 6).</td>
<td>Yes</td>
<td>No emergency response incidents reported during 2010.</td>
</tr>
<tr>
<td><strong>9. To minimise noise due to operations</strong></td>
<td>9.1 To ensure operations comply with noise standards</td>
<td>Operational activities comply with noise regulations, under the Environment Protection Act 1993. No complaints received.</td>
<td>Yes</td>
<td>No complaints received during 2010.</td>
</tr>
<tr>
<td><strong>10. To minimise atmospheric emissions</strong></td>
<td>10.1 To eliminate uncontrolled atmospheric emissions</td>
<td>No uncontrolled atmospheric emission.</td>
<td>Yes</td>
<td>No uncontrolled atmospheric emissions occurred or were reported in 2010.</td>
</tr>
<tr>
<td></td>
<td>10.2 To minimise the generation of dust.</td>
<td>No complaints received. No dust related injuries recorded.</td>
<td>Yes</td>
<td>No operation and maintenance activities were carried out to contribute to the generation of any dust over and above that which is normally expected in the areas where the pipeline is located.</td>
</tr>
<tr>
<td><strong>OBJECTIVE</strong></td>
<td><strong>GOAL</strong></td>
<td><strong>OBJECTIVE ACHIEVED</strong></td>
<td><strong>OBJECTIVE ACHIEVED “YES/NO”</strong></td>
<td><strong>SUPPORTING COMMENTS</strong></td>
</tr>
<tr>
<td>---------------</td>
<td>----------</td>
<td>------------------------</td>
<td>-----------------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>11. To adequately protect cultural heritage sites and values during operations and maintenance</td>
<td><strong>11.1</strong> To ensure that identified cultural sites are not disturbed</td>
<td>No impact to known sites. Any new sites identified are recorded in Land Management System and reported to appropriate authority.</td>
<td>Yes</td>
<td>No operation and maintenance activities occurred that would have had the potential to impact on any cultural heritage sites or the values of native peoples.</td>
</tr>
</tbody>
</table>