

Final Plan Attachment 8.9

Australian Gas Networks Distribution Mains
Services Integrity Plan, September 2016

A Letter From Energy Safe Victoria

20 December 2016

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MGP-140

20 December 2016

Andrew Staniford
Chief Operating Officer
Australian Gas Networks
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Dear Andrew,

AUSTRALIAN GAS NETWORKS DISTRIBUTION MAINS AND SERVICES INTEGRITY PLAN, SEPTEMBER 2016

This letter confirms the outcomes of the assessment made by Energy Safe Victoria (ESV) of Australian Gas Network's (AGN) proposed Distribution Mains and Services Integrity Plan (DMSIP).

ESV has reviewed the DMSIP as a basis for managing the integrity of distribution mains and services in AGN's Victorian gas distribution network. The DMSIP outlines the timing, scope and cost of proposed risk mitigation strategies, including mains and services replacement.

In undertaking this review ESV notes that AGN's primary obligations in relation to asset management and safety are contained in the *Gas Safety Act 1997* (Vic) and associated regulations. Amongst other things, AGN is required to submit a "safety case" with respect to its facilities to ESV for acceptance, including a summary of risk management.

AGN's current accepted safety case was submitted to ESV in 2010. ESV understands that AGN is in the process of reviewing this safety case ahead of resubmission to ESV.

ESV is satisfied that AGN has in its development of the DMSIP:

- proposed a mains and services replacement program, which has been developed and prioritised via appropriate risk-based analysis;
- assessed the condition of assets and risks associated with mains and services, utilising the qualitative risk assessment framework in accordance with the appropriate standards, being AS/NZS 4645 and AS 2885.1;
- utilised asset integrity performance indicators and data, such as leak rate analysis, to demonstrate that CI/UPS and PVC mains (which represent only 4% of the distribution network) account for almost 70% of mains leaks;
- clearly and appropriately assessed and ranked CI, UPS mains and PVC mains as "high risk";
- identified appropriate options to mitigate the risks associated with CI, UPS mains and PVC mains and has clearly demonstrated that the most effective way of reducing the risk is to replace all CI, UPS and PVC mains; and

- indicated that AGN will continue to maintain rapid leak rate response, conduct scheduled leakage surveys, monitor odorant levels and maintain operating pressures as low as possible as a way to monitor ongoing integrity issues.

On this basis, ESV supports the proposed mains and services replacement program outlined in AGN's DMSIP, being the replacement of 297km of CI, UPS, PVC and HDPE mains. However, ESV is not in a position to assess the financial requirements of the proposed program.

As part of its current safety case review, ESV notes that AGN have agreed to provide leading indicators of their delivery of the mains replacement program within their revised safety case, due to be submitted to ESV by 31 December 2016.

The indicators and associated arrangements to be included in the revised safety case are:

- (a) Contractor competency audit results – competency audits are completed before a contractor commences a project, as part of the pre-start process;
- (b) Contractor monthly KPI reports – these KPIs will cover, among other items, work quality, with KPIs benchmarked and compared across contractors on a monthly basis. These KPIs are derived from Contractor Field Inspections and Fatal Risk Activity Reviews (a field audit tool that allows for specific checks on a range of items that impact site risk, from Safe Work Method Statements to special procedure requirements (hot tap, deep excavations, etc.);
- (c) Quarterly ESV/AGN meetings - where any potential impediments to progress can be tabled and discussed;
- (d) A revised monthly reporting template – which will specifically address any deviation to the accepted plan including the volume of mains replaced; and
- (e) An annual DMSIP – which will update the overall program plan with more detailed targets (of leading and lagging indicators) for the following year.

Any failure by AGN to meet the targets of the mains and services replacement program may constitute a failure to comply with the accepted safety case as per section 44 of the *Gas Safety Act 1997*.

It is ESV's expectation that Table 8.3 of the DMSIP entitled '*2018 AA Period Mains Replacement km Profile*', will form part of AGN's revised safety case, and that any further change in the planned number of mains replaced would require a revised safety case to be submitted to ESV pursuant to section 45 of the *Gas Safety Act 1997*, which would then need to be accepted by ESV.

Yours sincerely



Steve Cronin
GENERAL MANAGER GAS & PIPELINE SAFETY & TECHNICAL REGULATION