

Business Case – Capital Expenditure

Coogee Decommissioning

Business Case Number 268

1 Project Approvals

TABLE 1: BUSINESS CASE – PROJECT APPROVALS

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2 Background

In the early 1990's a methanol plant was constructed in Laverton, Victoria and required a large natural gas connection. The gas was supplied by a 150 nominal bore pipeline connected to the Brooklyn-Corio pipeline at the Laverton North City Gate.

The methanol plant has now ceased operation and is unlikely to restart production as it is more cost effective to import the product. The Metering Services Variation Agreement between the client and APA is being negotiated at time of writing this business case; however a likely outcome is to maintain the pipeline for a maximum period of five years (2021) which will allow the owners of the plant to find a long term solution.

If the methanol plant is not restarted by the end of the Agreement period (2021) or if the owners of the plant demolish, there will be no functional purpose of the pipeline and facilities.

The length of this pipeline is 1.6 km made of API 5L X42 steel with polyethylene coating and is capable of operating at a maximum pressure of 2,760 kPa. All of the pipelines in the vicinity operate at 7,400 kPa or greater, so the need for the Laverton North City Gate will remain if this pipeline is to be kept in operation, if not the Laverton North City Gate will also have no functional purpose.

The Laverton North City Gate includes a dual run pressure regulating runs, with active monitor and slam shuts combined with filters, manual valves, pressure and temperature instruments and a remote telemetry unit.

3 Risk Assessment

The risks to not abandoning the pipeline and facilities are the same as they are during anytime of operation. The level of risk is acceptable until there is no practical purpose for carrying the risk.

TABLE 2: RISK RATING

Risk Area	Risk Level
Health and Safety	Low
Environment	Low
Operational	Low
Customers	Negligible
Reputation	Low

Compliance	Low
Financial	Low
Final Untreated Risk Rating	Low

4 Options

4.1 Option 1 – Do Nothing

The Do Nothing option should the methanol plant be closed indefinitely will be to continue to operate, maintain and manage risks to operation of a pipeline and facilities that is not producing any gas transportation services.

The activities and therefore costs of operating this pipeline include;

- Cathodic protection maintenance and replacement
- DCVG surveys as the pipeline is not capable of being inline inspected
- Leakage survey
- Repairs from any maintenance inspections
- Regular Site inspections at end of line facilities
- Hazardous area inspections and rectifications
- Repainting above ground pressure piping to prevent corrosion
- Upgrades of communications equipment as required to maintain supervisory control
- Electrical power connection costs
- License fees
- Perimeter fencing, weed control maintenance
- Easement maintenance
- Landowner liaison
- Metering facilities including calibrations and market reporting

The risks to the public are acceptable when there is a practical purpose for the conveyance of gas. Where there is no purpose, no benefit, then the risk tolerance reduces to practically zero.

4.2 Proposed Solution

4.2.1 Abandonment

The abandonment of the pipeline is a safe and reasonable solution to the ongoing maintenance costs to operation. The abandonment of a licensed pipeline requires formal approval from the Minister and an abandonment plan in accordance with AS2885 is required.

The desktop actions required to successfully abandon a pipeline include:

- Ministerial approvals, environmental approvals, safety management plan approvals
- Landowner consent to permit the pipeline to be abandoned in the landowners property
- Easement relinquishment
- Abandonment drawings

The decision as to how the pipeline is physically abandoned remains with the Minister or their delegate. The cost to remove the pipeline completely is expensive. The requirements for removing a pipeline are similar to construction of a new pipeline and the costs are similar, less the cost of material and welding. The tasks include:

- Physically removing all hydrocarbons from the pipeline, valves, facilities, instruments
- Physically removing all sources of hydrocarbons
- Physically removing all cathodic protection systems including insulators, interference mitigation bonds, impressed current units
- Physically removing all fencing, poles, solar panels, power supplies, signs, gatic pits, buildings, equipment and any other above ground or shallow depth structure
- Filling of the pipeline with an inert fluid and possibly filling with a structurally stable fluid such as grout or high flow concrete at major crossings
- Ensure the pipeline will not cause subsidence in the future as it degrades in condition
- Physically removing the pipeline

4.2.2 Why are we proposing this solution?

To maintain a pipeline with hydrocarbons requires all maintenance and replacement works to be performed regardless of any gas transportation services being provided by the pipeline. The threats to safe operation remain in existence so long as the pipeline contains a pressurized hydrocarbon.

There is no need to incur these costs or accept a level of risk if the asset life has been exceeded and there is no future purpose of the asset.

To allow operational expenditure in perpetuity and to accept risks from an asset that provides no gas transportation services and has no public benefit is not prudent.

4.2.3 Consistency with the National Gas Rules

Consistent with the requirements of Rule 91 of the National Gas Rules, APA considers that the operational expenditure is:

- Prudent – The expenditure is necessary in order to eliminate safety risks of services to the public and is of a nature that a prudent service provider would incur.
- Efficient – The field work will be carried out by the external contractor that has been used to date, who has demonstrated expertise in completing construction and demolition works in a safe and cost effective manner. The expenditure can therefore be considered consistent with the expenditure that a prudent service provider acting efficiently would incur
- Consistent with accepted and good industry practice – Addressing the risks of abandoning assets that have reached the end of their useful life is accepted as good industry practice. In addition the reduction

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of risk to as low as reasonably practicable in a manner that balances cost and risk is consistent with Australian Standard AS2885, abandoning the assets in this regard is the best option available.

4.2.4 Forecast Cost Breakdown

TABLE 3: PROJECT COST ESTIMATE,

	Total
Internal Labour	\$388,999
Materials	\$120
Contracted Labour	\$1,385,591
Other Costs	\$0
Total	\$1,773,710