

Multinet Gas Safety Case

1 Introduction

Since September 2003, Multinet Gas has been jointly owned by Jemena East a division of Alinta Asset Management Pty Ltd (19.9%) and Diversified Utilities Energy Trust or DUET (80.1%) and operated under a management contract for all network operations, management and construction by Jemena East (formerly Alinta Network Services),. Jemena East provides locally-distributed corporate support services. Multinet Gas is Victoria's largest natural gas distributor with assets of approximately \$800 million, comprising a network servicing the relatively densely populated inner and outer eastern and south-eastern suburbs of Melbourne. The network includes approximately 9,400 kilometres of pipelines over an area of 1,700 square kilometres and around 650,000 customers ranging from major industrial users to householders.

Multinet's network operation/gas distribution business is conducted by Jemena East from its Mt Waverley office with support services for this business sourced from other business units within Jemena East as well as external service providers through service contracts and agreements.

Jemena East has a duty of care to provide a safe environment for the community and its gas contractors and employees. It exercises its responsibility by fully integrating gas safety into the management of other aspects of its business. For example, the same processes, that are used to manage the commercial aspects of contracted work, are also used to manage the safety aspects of that work. Jemena East is able to ensure that the accomplishment of gas safety and workplace occupational health and safety is part of normal daily work practices rather than a separate effort, which may compete with other commercial requirements.

2 Multinet Gas Network

| Parameter | Total Network |
|------------------------------------|------------------------------|
| Geographic Area (Km ²) | 1,700 |
| Consumer Density | 385 cust per Km ² |
| Consumer connections | Approx 650,000 |
| Industrial and Commercial Meters | 21,200 |
| Total Energy Distributed 2003 (Pj) | Approx. 62 PJ |
| District Regulators | 170 |
| Field Regulators | 123 |
| City Gate Regulators | 3 |
| Distribution Mains | Refer Figure 8 |
| Total Length of Distribution Main | 9,400 km |
| Transmission Mains- Licenced | 91 |

| Parameter | Total Network |
|-----------|---------------|
|-----------|---------------|

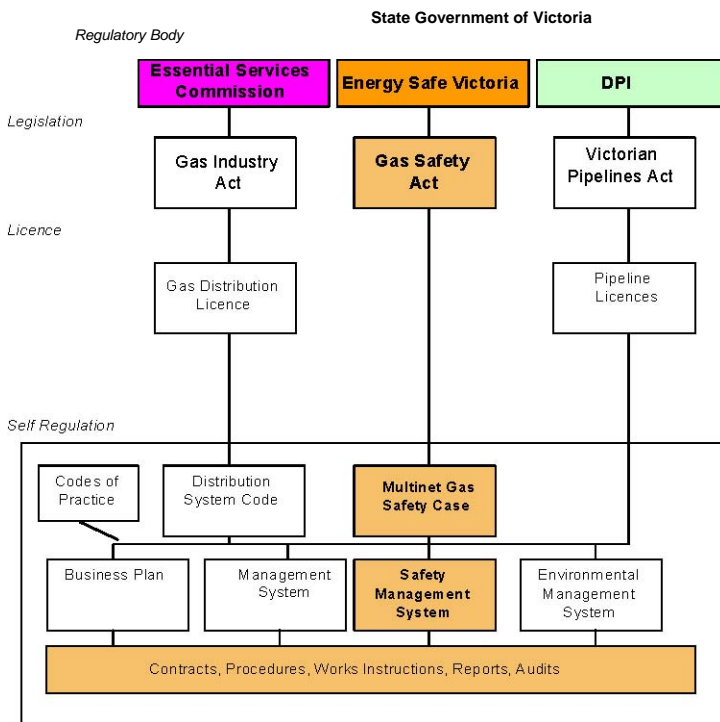
| | |
|---------------------------------|---------------|
| Transmission Mains- De-Licensed | 82 km |
| Regulatory Asset Base (2004) | Approx \$800M |

Source: Capital Growth Plan 2002 – 2011.

3 Regulatory Compliance

Jemena East has established and implemented effective management systems to ensure that it achieves full compliance with the relevant gas safety regulation including the Gas Safety Act 1997 & Gas Safety Regulations 1999. These provide for the management of gas safety through a Safety Case.

Multinet’s Safety Case is a legislative requirement for operation of a gas distribution facility in Victoria. The relationship between the Safety Case, Multinet Gas and other statutory obligations is shown in the following diagram:



Energy Safe Victoria (ESV) conducts 6-monthly external audits of gas distribution business the covering all aspects of the Safety Case in relation to compliance with the Gas Safety and Pipelines Acts & Regulations as well as specific gas safety related issues.

4 Safety Policy

The Jemena East Safety Policy (as shown in section 10) is the foundation for the Safety Case and is integrated to all other Jemena East policies.

5 Safety Case

Multinet’s Safety Case has been prepared to support its operation and provide compliance with the Gas Safety Act, 1997.

The Safety Case represents Multinet’s assurance to the community of its commitment, concern and attention to issues of safety. It also demonstrates Multinet’s ability to self

manage safety and comply with regulatory requirements.

Multinet's Safety Case is a dynamic or "living" set of documents, procedures and systems, which changes as the business changes. This ensures our approach to safety is always up to date, meets regulatory requirements and is continually improving for everyone's benefit.

The Safety Case comprises four distinct sections, each with a specific purpose:

- 1 Facility Description;
- 2 Formal Safety Assessment;
- 3 Quantitative Risk Assessment and the
- 4 Safety Management System

6 Facility Description

Multinet's Facility Description provides a clear understanding of how a facility operates or what it does. It provides details on the formation of the company, how the company is structured, our geographic and economic relationship with other gas industry companies and a description of our primary business operations, which include:

- Monitoring and control of the gas distribution network;
- Maintaining gas distribution network infrastructure;
- Responding to asset failures and emergency situations; and
- Extending the gas pipeline network to serve additional users.

The Facility Description also provides details on the physical assets we use to distribute gas safely. These details include pipe types, sizes, ages and lengths, operating criteria and details on regulators, valves and meters.

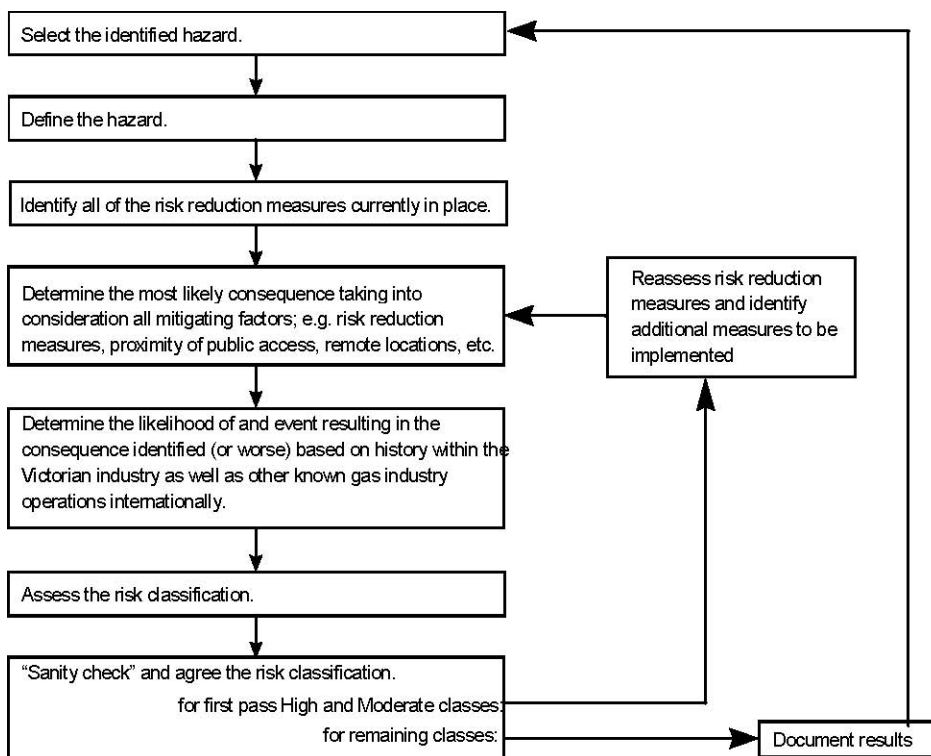
The Facility Description very clearly indicates that Jemena East relies on a range of external contractors and service providers to assist it in its primary business operations. These contracts and services level agreements cover such services as:

- Management of field based maintenance and gas supply services.
- Supply of services and materials, associated with the construction of gas pipelines and installations.
- Supply and maintenance of new gas meters
- Provision and maintenance of radio-network control (SCADA) services and
- Transmission pipeline security and protection services
- Provision of corrosion protection services

7 Formal Safety Assessment

In order to ensure that the risk associated with the operation of its gas distribution network is effectively managed, Jemena East conducts regular hazard identification and risk assessment workshops involving its key personnel and contractor representatives.

This Formal Safety Assessment is a qualitative assessment of risk, involving the identification of hazards and use of a formal process to rank them.



The residual risk or the level of risk present after all current risk reduction measures had been implemented, is assessed. This involves:

- 1 Systematic identification of all hazards having the potential to cause a gas incident using an “all risks” approach; and
- 2 Determination of the consequence and likelihood of a gas incident as a result of the hazard with due regard to measures already in place to mitigate risk.

The outcomes of this process are used to target areas of identified significant risk in the scheduling of audits and the allocation of resources in capital works programmes and maintenance activities.

8 Quantitative Risk Assessment

Jemena East conducts a quantitative risk assessment of its key gas supply facilities on a periodic basis to determine if its facilities continue to meet the risk acceptance criteria established by the Victorian Workcover Authority. The facilities include transmission pipelines, line valves and regulators and involve the calculation of the probability of worst-case failure of particular facilities and the probability of serious injury or damage to people or property.

The outcomes of these assessments represent the probability of serious risk to the public, employees or contractors from the failure of a Multinet Gas facility. The assessment also reflects the change in risk with distance from the facility concerned.

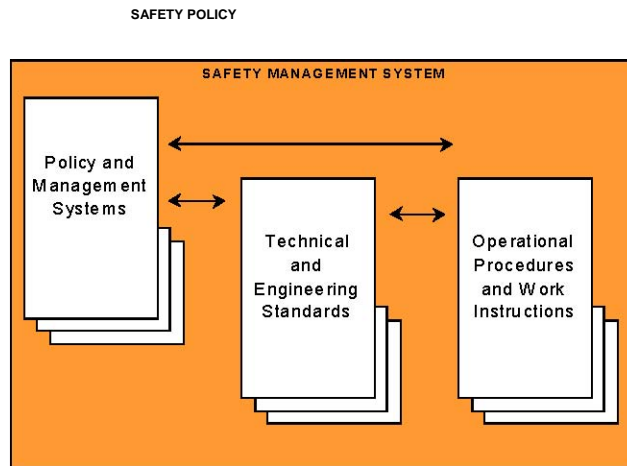
9 Safety Management System

Jemena East’s Safety Management System forms the cornerstone of the Safety Case. The Safety Management System is an integral part of the management system encompassing existing procedures and processes which when combined with a number of new processes form the 17 element Safety Management System.

The Safety Management System is the means of managing “safety critical” activities, associated with the distribution of gas. Gas “safety critical” activities are those which

impact on the safety of the public and the safe distribution of gas. These activities are the subject of internal audits by Jemena East's compliance team as well as external six-monthly audits conducted by Energy Safe Victoria.

The following diagram provides an overview of the Safety Management System showing the level of integration with other Jemena East systems and practices.



Relationship of Policy, Standards, Systems and Procedures to the Safety Management System

Jemena East's Safety Management System consists of 17 individual elements with each element focussing on an area critical to the good management of safety within the company:

1. Policy and Planning
2. Organisational Responsibilities
3. Document Control
4. Risk management
5. Key Performance Indicators
6. Selection, Training and Competence
7. Supervision and Motivation
8. Change Management
9. Management of Contractors

10. Design, Construction and Operations
11. Network Control Systems
12. Machinery, Equipment and Materials
13. Safe Work Practices
14. Emergency Preparedness and Communications Systems
15. Incident Reporting, Investigation and Review
16. Internal Monitoring, Auditing and Review
17. Maintenance of the Safety Case

10 Jemena East Safety Management Policy

Jemena East is committed to manage safety in order to preserve the lives and property of its employees, gas consumers and the public generally in the course of transportation of reticulated natural gas.

This commitment to safety management is fundamental to living up to our customers' and the public's expectations and achieving our business performance goals. To implement and maintain this commitment, Jemena East applies the following principles via its Safety Management System:

Management must provide visible and active leadership in developing and promoting a culture of safety.

Management shall ensure that Jemena East exemplifies good corporate citizenship and fulfils all statutory safety regulations and requirements and observes all relevant laws.

Clear responsibilities and accountabilities for safety are defined for Line Managers and Jemena East personnel, these are documented in position descriptions.

All facilities, works, and projects shall be engineered to ensure compliance with relevant standards, specifications, codes of practice, and regulations.

All routine procedures and work instructions shall be developed and maintained to ensure compliance with relevant industry codes of practice, operational specifications, standards and regulations.

Hazards arising from the distribution of gas shall be identified, the risks assessed, and the appropriate controls implemented to manage these risks to as low as reasonably practicable.

All personnel, including contractors, are selected, trained and developed to carry out their duties in the appropriate safe manner.

Contracts for the supply of services and materials shall be controlled to ensure support of Jemena East's Safety Policy and compliance with all regulatory requirements.

All safety related documentation shall be managed to ensure that accurate and up-to-date information is made available.

Incidents shall be reported and investigated to identify potential improvements to the Safety Management System, including risk management measures, to prevent and mitigate further incidents.

A programme of audits and reviews of the SMS and outcomes shall be carried out to promote and ensure its effectiveness.

I expect all Jemena East personnel and contractors to fully support this Safety Policy and be fully accountable for their safety performance.

Peter Magarry,
Chief Operating Officer
Jemena East Asset Management

August 2006