

28 September 2012

LCO 12/76

The Director General
Department of Planning & Infrastructure
PO Box 3145
SINGLETON NSW 2330

Attention: Ben Harrison

Re: LIDDELL COAL OPERATIONS (LCO) – Development Consent DA 305-11-01 Independent Environmental Audit

Please find enclosed the Liddell Coal Operation Pty Limited (LCO) Independent Development Consent Audit Report (Audit Report) which has been prepared by Hansen Bailey, Global Soil Systems and Joncris Sentinel Services for the period July 2009 to June 2012.

The Audit Report has been prepared in accordance with Schedule 5, Condition 4 and 5 of DA305-11-01 which states:

INDEPENDENT ENVIRONMENTAL AUDIT

4. *Within 2 years of the approval of modification application 06_0327, and every 3 years thereafter, unless the Director-General directs otherwise, the Applicant shall commission and pay the full cost of an Independent Environmental Audit of the development. This audit must:*
- (a) be conducted by a suitably qualified, experienced, and independent team of experts whose appointment has been endorsed by the Director-General;*
 - (b) assess the environmental performance of the development, and its effects on the surrounding environment;*
 - (c) assess whether the development is complying with the relevant standards, performance measures, and statutory requirements;*
 - (d) review the adequacy of any strategy/plan/program required under this approval; and, if necessary,*
 - (e) recommend measures or actions to improve the environmental performance of the development, and/or any strategy/plan/program required under this approval.*

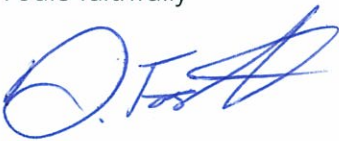
Note: This audit team must be led by a suitably qualified auditor and include experts in the field of mine rehabilitation and mine closure.

5. *Within 6 weeks of completing this audit, or as otherwise agreed by the Director General, the Applicant shall submit a copy of the audit report to the Director General with a response to any recommendations contained in the audit report.*

There are a number of key recommendations from the compliance audit, and these are shown in Table 3 – Audit Recommendations of the Audit Report. These audit recommendations are reproduced in the Table attached to this letter, along with LCO's response to the matters identified.

Should you require any further information, please contact Ben de Somer (LCO Environment and Community Superintendent) on 6570 9947.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'D. Foster', is written over a faint circular stamp.

David Foster
Operations Manager
Liddell Coal Operations Pty Ltd

Audit Recommendations

Description	Liddell Response / Proposed Action	Proposed Timeframe
<ul style="list-style-type: none"> • Progress discussions with the relevant regulatory authorities and resolve all of the development consent non-compliance matters identified by this audit detailed in Section 3.1. 	<ul style="list-style-type: none"> • Confirm Mod 4 Construction Certificate requirements, acquire and submit as required. • Ensure waste volumes and minimisation strategies are reported in next AEMR. • Remaining actions are detailed below. 	<p>31 Dec 2012</p> <p>2012 AEMR (due 15 Mar 2013)</p>
<ul style="list-style-type: none"> • Progress discussions with the relevant regulatory authorities and resolve all of the other licences and approvals on-compliance matters identified by this audit detailed in Section 3.2. 	<ul style="list-style-type: none"> • Finalise MIA Sewage Treatment Plant monitoring program review in consultation with NSW EPA and submit licence variation as required. 	<p>31 January 2013</p>
<p>Implement recommendations in relation to LCO's Environmental Management Plans and Strategies at Liddell as summarised below (see Section 5.2):</p>		
<ul style="list-style-type: none"> ○ Management plans should be updated compliant with commitments made in each of the management plans, which is every three years. These revisions should reflect modifications to mining operations; 	<ul style="list-style-type: none"> • LCO supports this recommendation. • Suggest Environmental Management Strategy, Environmental Monitoring Program, Land Management Plan, Air Quality Monitoring Program, and the Noise Monitoring Program be updated as per DA 305-11-01 Schedule 5 Condition 6 i.e. within 3 months of submitting audit report. 	<p>28 December 2012</p>
<ul style="list-style-type: none"> ○ The water management plan is reviewed to incorporate current 	<ul style="list-style-type: none"> • LCO supports this recommendation. • As reported LCO are currently developing a new site 	<p>28 March 2013</p>

Description	Liddell Response / Proposed Action	Proposed Timeframe
<p>regulatory and community expectations in relation to water licensing and annual water take;</p> <ul style="list-style-type: none"> ○ The Water Management Plan and Groundwater Management Plan is revised by early 2013. 	<p>groundwater model and water balance model as part of the assessment to support a modification to our DA. This modelling and associated impact assessment is expected to be completed within the next 2 months. As this modelling will form the basis for ongoing water management (surface and ground) onsite it is proposed that the Water Management Plan be updated consistent with this information, and hence request that a 3 month extension to Schedule 5 Condition 6 be granted to update this and submit this management plan.</p>	
<ul style="list-style-type: none"> ○ During the next review of the Air Quality Monitoring Program include the recently installed TEOMs with an explanation of the specific conditions (or trigger levels) where a modification to mining activities will be required. These measures will need to be consistent between all documents. 	<ul style="list-style-type: none"> ● Include in update of Air Quality Monitoring Program as discussed above. A Dust Management Trigger Action Response Plan (TARP) has also been developed as per our commitments for the Best Practice Dust Management Pollution Reduction Program administered under our EPL. This document includes the addition of two Mt Owen Complex TEOMs into our monitoring program for management response purposes and various other management measures. The AQMP will be updated to include this information. 	28 December 2012
<ul style="list-style-type: none"> ○ During the review of the Noise Monitoring Program include the existing Real Time Monitors Noise Monitoring units with an explanation of the specific 	<ul style="list-style-type: none"> ● LCO will update of the Noise Monitoring Program as discussed above regarding the inclusion on real-time monitors and management response. 	28 December 2012

Description	Liddell Response / Proposed Action	Proposed Timeframe
<p>conditions (or trigger levels) where a modification to mining activities will be required. These measures will need to be consistent between all documents.</p>		
<ul style="list-style-type: none"> ○ The Energy Savings Plan be revised as originally proposed to demonstrate current operating conditions. 	<ul style="list-style-type: none"> ● LCO supports this recommendation. Whilst annual EEO/ESAP status reporting has continued since the change to owner operator operation, the actual Energy Savings Action Plan has not been updated concurrently. 	28 December 2012
<p>Implement recommendations in relation to environmental mitigation and effectiveness at Liddell as summarised below (see Section 6.2):</p>		
<ul style="list-style-type: none"> ○ Include environmental incidents which occur at Liddell and are non-reportable need to be included within each consequent AEMR following this audit. 	<ul style="list-style-type: none"> ● LCO supports this recommendation and will include in 2012 AEMR. Previously have included reportable incidents only. Auditor advised that it is common practice that all incidents are summarised in the AEMR. 	2012 AEMR (due 15 Mar 2013)
<ul style="list-style-type: none"> ● Undertake recommendations in relation to rehabilitation management as detailed in Section 7.3. 	<ul style="list-style-type: none"> ● LCO supports this and will include rehabilitation recommendations for improvement in subsequent Annual Rehabilitation and Land Management programs and report progress in future AEMRs. ● A Biodiversity and Rehabilitation Strategy is being developed for the DA 305-11-01 Modification 5 Project. This plan will update LCOs rehabilitation completion criteria. 	Ongoing AEMRs

Description	Liddell Response / Proposed Action	Proposed Timeframe
Undertake recommendations in relation to the management of spontaneous combustion as detailed in Section Error! Reference source not found..		
<ul style="list-style-type: none"> ○ Provide a clear policy statement in the SCMP. 	<ul style="list-style-type: none"> ● LCO supports these recommendations. Updating of the policy statement and having National Competency Based training packages may further minimise the health & safety impacts associated with managing spontaneous combustion. 	28 December 2012
<ul style="list-style-type: none"> ○ The Risk assessment should be updated to reflect current operations including associated environmental risks. 		
<ul style="list-style-type: none"> ○ LCO undertake a trial in consultation with DRE and Macquarie Generation to source fly ash product from the neighbouring Power Stations to cover burnt areas. 	<ul style="list-style-type: none"> ● LCO will investigate the feasibility of trialling fly ash product as a capping material for spon comb affect material. As noted by the auditors, further planning approval may be required to facilitate a long term trial. 	December 2013
Consider recommendations in Table A (Appendix C) and Table B (Appendix D) and implement where reasonable and feasible as summarised below:		
<ul style="list-style-type: none"> ○ Schedule 2 Condition 11 - Finalise an agreement with MSC in regards to Section 94 contributions . 	<ul style="list-style-type: none"> ● LCO confirms it is committed to resolving this issue and is willing to recommence discussions with MSC, however, considers that the Department's ongoing involvement would greatly assist in resolving the matter. Consultation on the DA 305-11-01 Modification 5 Project will include this issue. 	Ongoing
<ul style="list-style-type: none"> ○ Schedule 3 Condition 1 - When weather conditions during noise 	<ul style="list-style-type: none"> ● LCO will review this recommendation and update the 	28 December 2012.

Description	Liddell Response / Proposed Action	Proposed Timeframe
<p>monitoring are not appropriate, consistent with best practice, undertake monitoring again as soon as practical to confirm compliance (see Schedule 3, Condition 6).</p>	<p>Noise Monitoring Program as appropriate.</p> <ul style="list-style-type: none"> • LCO currently conducts quarterly noise monitoring nominally consisting of three monitoring runs to verify compliance. This is over and above the currently approved 6-monthly monitoring program. 	
<ul style="list-style-type: none"> ○ Schedule 3 Condition 10 - Ensure consistency between all published monitoring data as reported in AEMRs and on the internet (if updated at later date). It is recommended that the results displayed on the Liddell website are reported as preliminary monitoring results 	<ul style="list-style-type: none"> • Since the instance of in-consistent data reported by the auditor (dating back to 2010), LCO has developed a monthly website checklist to check all information displayed meets approval condition requirements and is up to date. 	<p>No further action proposed.</p>
<ul style="list-style-type: none"> ○ Schedule 3 Condition 16 - LCO should distinguish within the AEMR which dust gauges are on mine owned land (for internal management purposes only) and those that are on privately owned properties or representative of privately owned properties (for compliance monitoring). 	<ul style="list-style-type: none"> • LCO will include in the next AEMR. 	<p>2012 AEMR (due 15 Mar 2013)</p>

Description	Liddell Response / Proposed Action	Proposed Timeframe
<ul style="list-style-type: none"> ○ Schedule 3 Condition 21a. During the next modification to development consent, that adequate assessment is conducted by appropriately qualified specialists to amend the wastewater monitoring limit to the most appropriate parameter and limit in consultation with OEH. 	<ul style="list-style-type: none"> ● Condition 21a states that “the Applicant shall ensure that treated effluent from the wastewater treatment plant does not exceed the discharge limits in Table 11, unless otherwise agreed by the DECC”. As per above, LCO will finalise MIA Sewage Treatment Plant monitoring program review in consultation with NSW EPA and submit licence variation as required. 	31 January 2013
<ul style="list-style-type: none"> ○ Schedule 3 Condition 27 - Recommended that monitoring information detailing regional groundwater levels be reported in the AEMR 	<ul style="list-style-type: none"> ● LCO will include in next AEMR. 	2012 AEMR (due 15 Mar 2013)
<ul style="list-style-type: none"> ○ Schedule 3 Condition 37 – Amend this condition to reflect current conditions during the next modification. 	<ul style="list-style-type: none"> ● As per the audit report, LCO is compliant with this condition and doesn’t believe it requires modification. 	Not applicable.
<ul style="list-style-type: none"> ○ Schedule 3 Condition 39 – It is recommended that an approval from DP&I is sought that this condition is satisfied and can be shown as compliant and not further assessed. 	<ul style="list-style-type: none"> ● LCO requests that the Department consider this recommendation and advise whether they are in agreement. 	Prior to next audit (2015).

Description	Liddell Response / Proposed Action	Proposed Timeframe
<ul style="list-style-type: none"> ○ Schedule 3 Condition 42 – It is recommended that amounts exactly to 2 decimal places are reported in the AEMR in relation to coal production so that it is able to be confirmed that approved methods are being met. 	<ul style="list-style-type: none"> ● LCO will include in next AEMR. 	2012 AEMR (due 15 Mar 2013)
<ul style="list-style-type: none"> ○ Schedule 3 Condition 47 – Include within the next AEMR volumes of waste generated on site and clearly present waste minimisation methods. 	<ul style="list-style-type: none"> ● LCO will include in next AEMR. 	2012 AEMR (due 15 Mar 2013)
<ul style="list-style-type: none"> ○ Schedule 5 Condition7 – New member for the CCC be attempted to be sought. 	<ul style="list-style-type: none"> ● LCO will progress in consultation with current Committee. 	Ongoing 2012-2013