

Oxley – Depot Redevelopment

Business Case

31 January 2024





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1 EXECUTIVE SUMMARY

Title	Oxley Depot Redevelopment				
DNSP	Energex				
Expenditure category	□ Replacement □ Augmentation □ Connections □ Tools and Equipment □ ICT □ Property □ Fleet				
Identified need (select all applicable)	 □ Legislation □ Regulatory compliance □ Reliability □ CECV □ Safety □ Environment □ Financial □ Other The Oxley depot was established over 50 years ago and is strategically located adjacent to the Ipswich Motorway corridor. The buildings are a circa 1970 build and have had minimal upgrades since 1998. Why Now? The 2018 Building Condition Report identified several remedial activities required, with Building A reported as over 75% in disrepair. The site itself has reached full capacity and is constrained with minimal parking, site circulation and storage. Additionally, the office space does not have the appropriate allowances for growth which is projected to reach full capacity by 2026/27. Delaying necessary investment will lead to further asset deterioration, escalating maintenance costs and decreasing 				
Summary of preferred option	Option A – Redevelop current Oxley Depot Replace Building A, renew hardstand and asphalt areas. Factoring in expansion and				
Capital Expenditure (\$real)	YearPrevious period2025-262026-272027-282028-292029-302025-30\$m, direct 2022-23Image: Image: Image				
NPV	+\$3.66m (compared to counterfactual)				
Benefits	Reconfigured, fit for purpose site that alleviates current site constraints with appropriate allowances for growth. Modern facility in line with contemporary legislative requirements. Avoided costs associated with operating and maintaining a severely aged site. E.g., ACM removal (phase 2), upward trajectory of maintenance costs, increased capex renewals.				
Customer importance	At the residential customer focus session held in August, we tested with a focus group of customers their thoughts around the location of our depots and the benefits and drawbacks of having depots located in residential or industrial areas. Our customers told us that they generally favoured industrial areas over residential sites while recognising that there are a range of considerations in assessing site suitability or redeveloping an existing site. Customers also told us they were interested in maximising customer value.				



2 OVERVIEW

2.1 Purpose and scope

This is a preliminary business case describing the required investment to expand and refurbish buildings and fittings located at the Oxley depot.

The purpose of this document is to provide a forecast of the investment required in coordination with the Australian Energy Regulator (AER). Prior to investment, a Gate 3 business case will be prepared with further detail to be assessed in accordance with the established Energy Queensland investment governance processes.

2.2 Background

2.2.1 Site Summary

The Oxley depot was established over 50 years ago and is strategically located adjacent to the Ipswich Motorway corridor. The buildings are a circa 1970 build and have had minimal upgrades since 1998. Both interior and exterior fittings are reflective of an aging asset and in addition Asbestos Containing Material (ACM) is located throughout the site, which is progressively being removed through a phased project.

The depot sits on a 14ha freehold site with four buildings within the precinct that accommodates the following EQL functions:

- Field delivery
- Substation Operations
- Design & Delivery
- Procurement and supply; and,
- Works Program Optimisation.

The Oxley depot has experienced significant growth since its establishment and has outgrown the site which is experiencing significant deterioration and site constraints, which is expanded upon in section 2.3.



Figure 1: Layout of existing Oxley depot



2.3 Identified Need

2.3.1 Assets at EOL

The Oxley site has surpassed the 50-year mark, and as a result, the assets present on the site reflect the effects of aging, necessitating substantial maintenance and renewal efforts. Highlighted by the independent building condition report¹, a summary of these findings are below:

Site Asset	Major Defects	Minor Defects	Defect Summary
Grounds & Structures	2	4	Deteriorated asphalt areas. Site drainage required, landscaping, fencing, retaining wall
Building A Exterior	8	3	Foundation instability, front wall stepped cracking, box gutter, down pipes, facias and flashings, painting.
Building A Internals	6	12	Drainage issues, concrete piers, painting, tiles & splashbacks, PWD access issues throughout the building.
Building B Exterior	1	8	Paving, flashings – roof & windows, gutters & downpipes, painting, Chainwire.
Building B Interior	0	2	Painting, floor finish/coverings.
Building C Exterior & Interior	0	0	Nil

Table 1: Defect summary



Grounds & Structures - Degraded asphalt



Grounds & Structures - Degraded asphalt

¹ Homeworthy Inspection Services – Property Asset Report







Building A – Downpipes degraded



Building A – Site falls into building and foundations causing drainage issues.

Building A – Downpipes causing ponding



Building A – Box gutter fall needs fixing to prevent ponding.





Bulding A – Heavily corroded roof



Bulding A – Heavily corroded roof



Building A – Evidence of leaking



Building A – Sofit broken and box gutter overflows





Building A – Foundation instability



Building A – Piers require constant monitoring due to degradation



Building A - Ceiling and roof above deteriorated



Building A - Cracks in walls





In June 2023, independent AC inspections identified that the rooftop AC system on Building A is at EOL requiring replacement as this system has been in place for 30+ years. The inspection also indicated that the AC system on Building B is nearing EOL, and was installed as a second hand unit 15+ years ago.



Maintenance

There has been a steady increase in maintenance costs over the last 10 years (refer to figure below), with a notable surge in 2020 aimed at alleviating some of the issues identified in the 2018 Building Condition Report (BCR).

However, given the site's age, it is anticipated that both scheduled and reactive maintenance needs will continue to escalate, despite EQL's efforts to maintain the site at an acceptable level.





Capital

In the year 2022 the Oxley site incurred capital expenditure costs exceeding \$400,000. This marked the second major capital spend in less than a decade, with a previous expenditure of \$530,000 in late 2014 demonstrating the financial investment required to address the deterioration and upkeep of the site.

The most significant upgrade took place approximately 25 years ago in 1998, primarily undertaken to address the challenges posed by growth and capacity constraints at that time. Since then, the Oxley Depot has reached capacity, which is expanded upon in the next section.

This pattern in capital expenditure coupled with the consistent upward trajectory in maintenance costs, indicates the site is in dire need of a comprehensive redevelopment plan.

2.3.2 Capacity & Growth

Historical Growth

Over the past decade, the Oxley depot has experienced substantial growth, evidenced by the notable 53% increase in staff numbers during this period. This growth aligns with the population expansion of the surrounding area which has exceeded 40% over the past 20 years, with the impact resulting in increased grid support and service needs for the Oxley community.



Future Growth

This growth is forecasted to continue consistently through RDP2025 with stakeholder projections indicating Oxley will be home to a total of 120 staff by 2029/30. Primary drivers for this growth are the program of work in Substation & Lines, consequently driving increased recruitment in the Design teams as well. A Secondary driver associated with this forecast is the Queensland Energy & Jobs Plan (QEJP).

With the Qld population projections forecasting the region maintaining consistent growth of 2.1% p.a. to 2041, Oxley Depot will not be able to service the area effectively.

Consequently, the depot has become heavily constrained due to this growth which has outpaced the depot's ability to effectively meet these demands.

Office Workstations

Building A (Office) has 46 workstations, which is the maximum available within that space. Given the forecast employee numbers below, Oxley will exceed capacity by 2025/26 with no opportunity to add additional workspaces into the other buildings which are workshop and storage sheds.

Growth Forecast	2017/18	2019/20	2021/22	2022/23	2023/24	2025/26	2029/30
Staffing Type*			Actuals			Fored	cast**
Office staff	10	10	10	12	17	22	30
Mixed staff	4	4	7	9	10	11	20
Field Staff	57	54	56	57	59	59	70
Total Staff	71	68	73	78	86	92	120
Workstations Required	29	28	31	36	42	48	68
Fleet Vehicles	53	54	57	64	65	70	91

Table 2: Growth summary

* Office & mixed staff require a permanent workstation. Field staff generally utilise hot desks at 1 per 4 people.

** Actual staff growth has trended at 4.8% p.a over the 10-year period to 2022/23. While Qld population projections forecast steady growth in the area (22% in the 10-year period to 2031), forecast staff numbers are based on stakeholder forecasts of 6.7% p.a.

Carparks

There are 78 staff onsite and only 46 personal carparks available, additionally there are 60 fleet vehicles and plant, with only 34 carparks provided, highlighting that the Oxley site is heavily deficient in the provision of carparks.

Notably, fleet and staff vehicles are being relegated to parking in the thoroughfares, storage zones or on-street which does not comply with the AS 2890 Car Parking Standards.



Site Constraints

The Oxley Depot is grappling with significant capacity constraints due to the growth in operational requirements and staff numbers cited above.



Any vacant site areas being used as storage



Overflow storage impeding carparks



Any vacant site areas being used as storage



Any vacant site areas being used as storage





Building A – undercroft being used as storage attracting vermin and termites



Building A – undercroft being used as storage attracting vermin and termites

2.4 Customer importance

At the residential customer focus session held in August, we tested with a focus group of customers their thoughts around the location of our depots and the benefits and drawbacks of having depots located in residential or industrial areas. Our customers told us that they generally favoured industrial areas over residential sites while recognising that there are a range of considerations in assessing site suitability or redeveloping an existing site. Customers also told us they were interested in maximising customer value.

The depot is located directly opposite Oxley State School. This proximity poses significant traffic congestion, particularly during school hours. The presence of the school further exacerbates the site constraint situation, as overflow staff parking spills onto the surrounding streets due to insufficient space within the depot premises to accommodate all vehicles adequately.



2.5 Compliance

Legislation, Regulation or Code	Obligations	Relevance to Investment
Work Health and Safety (How to Manage and Control Asbestos in the Workplace) Code of Practice 2015	The WHS Act requires all persons who conduct a business or undertaking to ensure, so far as is reasonably practicable, that workers and other persons are not put at risk from work carried out as part of the business or undertaking. The WHS Regulations include specific obligations to manage and control asbestos and ACM at the workplace.	Phase 1 of ACM removal is currently underway with Phase 2 planned to begin in 2026. This represents a significant cost to EQL and can be avoided by appropriate investment in alternative options outlined in the business case.
The Disability Discrimination Act 1992. Disability (Access to Premises – Buildings) Standards 2010. Design for Access and Mobility AS1428.1-2009 and relevant supplements.	 We must comply with the act and the corresponding standard, to ensure that dignified, equitable, cost-effective, and reasonably achievable access to buildings, facilities, and services within buildings, is provided for people with a disability. This includes obligations related to: signage lighting emergency management systems access ways, doorways, passing areas and manoeuvring areas stairways, handrails and grab rails toilets and sanitary facilities lifts and controls 	Particular considerations for the Oxley Depot redevelopment will include: Maintaining suitable disability access to all buildings and providing facilities for people with a disability, while also increasing effectiveness of the site as a training facility.



3 OPTIONS ANALYSIS

3.1 Options overview

3.1.1 Options Considered but rejected

Option	Reasons for rejection	
Business as Usual (BAU) – Do nothing	Building A and the adjacent areas have reached their End of Life (EOL). Consequently, options such as 'Do Nothing' or 'Defer' to a future period are not	
Defer significant investment to RDP2030	feasible. Moreover, considering the depot is projected to surpass its capacity by 2025, a long-term sustainable and financially prudent solution is imperative rather than incurring costs associated with maintaining an EOL asset. Such options do not address the prevailing challenges nor address the projected demands imposed on the depot.	
Amalgamate with Greenslopes Hub	Consolidating the Oxley Depot with the recently redeveloped Greenslopes Hub was considered but there is insufficient workshop, storage and fleet parking onsite.	

3.1.2 Options Identified

This section considers the following options analysis:

- **Counterfactual Option** Reactive response, rectify defects and respond to demand increase.
- Option A Redevelop current site.
- **Option B** Purchase a Brownfield site (Exit current site).
- **Option C** Lease a new site (Exit current site).

These assumptions are considered to be calculated at the point of investment, unless otherwise specified and are applied to all options assessed.

Table 3: Business Case Assumptions

Assumption	Value	Source		
Standard Rates				
NPV Escalation Rate	2.75%	Based on EQL Corporate Assumptions		
NPV WACC Rate	6.35%	Based on EQL Corporate Assumptions		
Useful Life – New Building	40	EQL standard useful life schedule & ATO useful life definitions ²		
Useful Life – Refurbished Buildings	20	EQL standard useful life schedule		
Useful Life – Recurring Capex	10	EQL standard useful life schedule (average)		

² As per ATO Taxation ruling from July 2022: https://www.ato.gov.au/law/view/document?DocID=TXR/TR20221/NAT/ATO/00001



Assumption	Value	Source				
Construction Cost Escalators						
Design Fees	8.0%					
Authority Fees	2.5%	Calculated on top of pure construction costs (handbook or QS supplied). Includes all other				
Supplemental Suppliers/Trades	6.5%	cost categories common to EQL projects based				
Material Allowances	4.5%	budgets. Not all cost categories are applied to				
Internal Management	3.5%	every proposed investment or option considered.				
Digital Office (IT)	6.0%					

3.1.3 Site Characteristics

Current Site

19 Bannerman Street Oxley	#
Office Employees	22
Mixed-use Employees	11
Field Employees	59
Light Vehicles	38
Heavy Rigid Vehicles	26
On-site carparks – Fleet	34
On-site carparks – Personal	46*

*Some carparks used for fleet vehicles

Proposed Options

Option	Nominated site	Land Area (m2)	Building Area (m2)
Counterfactual	19 Bannerman St Oxley (Current site)	14,263	1,596
Option A	19 Bannerman St Oxley (Current site)	14,263	2,425
Option B	Purchase Brownfield Site*	21,000	3,141
Option C	Leased Brownfield Site*	21,000	3,141

*These sites/buildings will have the appropriate spatial allowances for future growth

3.2 Counterfactual analysis (Base case)

The counterfactual option involves implementing a 'do minimal' approach that refrains from undertaking substantial upgrades. Instead, the primary focus is a short-term solution that will rectify the identified defects within the existing site, as outlined in the building condition report (BCR), which is primarily focused on Building A and the site surrounds.



Although certain measures have been taken to address defect remediation and renewals identified in the BCR, these efforts have primarily aimed to sustain the site's functionality until the RDP 2025-30 period, where a more prudent and long-term efficient investment can be made to comprehensively address the site's issues. This option will address long-term defect remediation beyond RDP2030.

The counterfactual in this business cases includes a leasing option to manage current & future growth constraints. This is due to Energy Queensland having established a long-standing practise of leasing or licensing land, buildings or demountables (depending on the situation) at short notice where immediate demands are unable to be met through the existing infrastructure provision. The long-lead times required to establish new infrastructure outcomes is the main driver for this reactive response, coupled with the strategic unknowns of whether peaks in demand/growth will be sustained. As such, the counterfactual leverages this demonstrated BAU practise to assess its cost-effectiveness against other options which target longer-term strategic investments.

Some examples where leasing options have been leveraged to manage demand prior to projects being implemented or awaiting future investment, include:

Site being supported	Leased Location	Purpose	Dates

Table 4: Other Leased Locations

3.2.1 Assumptions/costs

The following assumptions have been made for the counterfactual option:

• Staff growth rates are based on historical depot growth of 11.7% p.a. for office staff, 25.0% p.a. for mixed staff and 1% p.a. for field staff since 2017, validated with local leaders based on identified areas of community & industrial growth.



- Vehicle growth rates are based on historical growth of 3.8% p.a. since 2017, validated with local leaders.
- Metrics used to calculate the required spatial requirements needed for the future Oxley Depot operations, based on the 2029/30 forecast values.
- Building Defect remediation costs based on 2018 BCR estimates and escalated to \$2022/23³, for implementation, includes internal costs.
- Current depot maintenance, non-maintenance (property) and electricity costs based on 3year historical trend and escalated to \$2022/23. Recurring capex based on 5-year historical trend as capex has larger peaks & troughs year on year compared to opex.
- Size of leased site to manage growth in office and mixed staff types based on the difference of the current office (Bld A) against the Fully Enclosed Covered Area (FECA) in the design for Option A (to ensure consistent comparison).
- Leasing costs based on the suburb profile for Oxley office accommodation average rental rates per sqm.
- Fit-out of leased office based on Rawlinsons Handbook pricing for office fit-out medium quality and FF&E medium quality, including internal costs.
- Leased yard maintenance, non-maintenance and electricity based on current site 3-year trend, apportioned by sqm for the lease building. Annual capex based on 5-year historical trend of the current site, apportioned by sqm.
- Cost of additional movement between another site in Oxley based on cost of the movement of 4 personnel between the sites return journey and the associated lost productivity. Based on EQL standard labour rates (excl on-costs) and rates per kilometre, assumed over 5 kilometres between sites.

3.2.2 **Risks**

Financial Prudence

This option is not financially prudent for EQL's customer base long-term, given that it does not provide a long-term solution but rather prolongs an aged asset further beyond its useful life.

Site Constraints

This option does not relieve the site of the existing capacity constraints outlined in section 2.3.2 and this issue will have to be continually managed daily which is leading to operating inefficiencies and increased risk.

Compliance

The compliance requirements in section 2.5 are not alleviated under this option, and they will remain a risk post-investment.

³ EQL Condition Audit Report - Oxley



3.3 Option A: Redevelop Current Site (Preferred)

This option entails a redevelopment of Building A on the Oxley site and other minor improvements to Building B and the yard. The redevelopment plan encompasses the following key elements:

- Building A will be replaced with a new two-story building which will provide a more suitable and scalable environment to accommodate future growth and expansion.
- A comprehensive fit-out will be implemented to tailor the facilities to ensure that the site is • optimally equipped to support operations and can easily accommodate future growth and expansion plans.
- Existing hardstand and asphalt areas will be replaced or refurbished in line with BCR . recommendations.

3.3.1 Assumptions/costs

The following assumptions have been made for option 1:

- Oxley Depot Redevelopment based on QS estimate for full construction costs, plus EQL internal costs. Based on preliminary concept design of the expected site design.
- The addition of a solar array installation is included in the redevelopment based on recent • similar projects apportioned for a 90kW system.
- Depot maintenance, non-maintenance (property) and electricity costs based on 3-year • historical trend and escalated to \$2022/23, apportioned for increase sqm. Non-applicable Bld A corrective maintenance removed from trend (as new building) and electricity reduced for the consumption portion due to the solar system.
- Recurring capex based on 5-year historical trend and escalated to \$2022/23. The historical capex related to Building B will continue inline with base case, while recurring capex related to Building A will be deferred 10 years inline with the lowest useful life asset for a new building.
- Staging the project will require the utilisation of nearby sites (Greenslopes & Rocklea) with the setup of enough demountables to manage all possible Oxley staff allocation. Demountable lease costs based on direct market quote for fully fitted out office accommodation, amenities block and lunchroom.
- Relocation costs based on standard rate from historical projects to move an employee between two nearby locations.

3.2 Benefits		
Category	Benefits Identified	Туре
Operational Costs	Reduction in Opex (on sqm basis) as a result of a new building and fit-out with reduced asset age and less maintenance requirements.	Financial
	No requirement for an additional leased site. No additional Opex associated with additional leased site.	

.... 2



Category	Benefits Identified	Туре
Asset Lifecycle Costs	Recurring capital expenditure is expected to cease in the interim and resume 10 years after new site is established to reflect a brand-new building and refurbished site.	Financial
Organisational Efficiency	Fit for Purpose The redevelopment of the site will transform the depot into a modern, fit-for-purpose facility with the capability of offering increased operating areas and moderate allowances for growth. Site Capacity Reconstructing a 2-storey building on Building A's current footprint will increase office floor space and enable growth projections to be realised.	Non-Financial
Risk	Reduced Site Traffic Reducing the footprint of Building A will enlarge the hardstand areas allowing for additional carparks, workshop areas or space for LUEZ areas.	Non-Financial
Compliance	Option A resolves ACM and Disability Access compliance issues by redeveloping the site to current standards and regulations.	Non-Financial

3.3.3 Risks

Construction Risk

In this option, EQL is exposed to various categories of construction risk, encompassing aspects such as Health, Safety, and Environment (HSE), weather events, price increases, contractual disputes, and time delays. However, many of these risks can be mitigated through robust scope definition, well-established contractual arrangements, and effective project management practices.

Site Risks

Furthermore, specific site risks need to be addressed. These include the challenges of securing the site in preparation for construction and managing the relocation of staff. The process of site preparation and staff relocation presents potential people and culture risks, which are intricately linked to change management. Proactive measures and strategies will be required to effectively navigate these risks and ensure a smooth transition for the staff throughout the construction phase.

3.4 Option B: Purchase a Brownfield Site

This option entails the acquisition of a 'Brownfield' site that offers greater dimensions compared to the existing Oxley site. The purchased site will undergo fit-out modifications to align with the current functions while ensuring scalability to accommodate future growth and expansion plans.

By investing in the brownfield site and implementing necessary modifications, the aim is to optimise its suitability for EQL's operations, provide ample space for future works, and minimise any significant rises in operational and asset-related expenses.



3.4.1 Assumptions/costs

The following assumptions have been made for option B:

- Site purchase based on market review of recently sold sites with the minimum required proportions. Boundary St Oxley location utilised to validate the value and complete the required upgrades.
- New site renovation & fit-out based of Rawlinsons handbook pricing for an office fit-out and workstations at medium quality, warehouse fit-out and solar array all including internal costs.
- New site yard establishment based sqm/rate of historical projects of a similar nature to setup the yard with the racking storage, racking, line marking, signage etc.
- New site maintenance, non-maintenance (property) and electricity costs based current site's 3-year historical trend and escalated to \$2022/23, apportioned for new sqm. Non-applicable Bld A corrective maintenance removed from trend (as new fit-out) and electricity reduced for the consumption portion due to the solar system.
- New site recurring capex based on current site's 5-year historical trend and escalated to \$2022/23, deferred 5 years due to the older age of the building (in comparison to an entire new building).
- Relocation costs based on standard rate from historical projects to move an employee between two nearby locations.
- Make good costs for existing depot based on standard rate from historical projects to move an employee between two nearby locations.
- Sale of existing depot based on insurable value, plus the unimproved land value from rates notice.

Category	Benefits Identified	Туре
Operational Costs	Reduction in costs by moving to a fully refurbished EQL fitted site with reduced asset age and maintenance requirements.	Financial
	No additional Opex associated with additional leased site.	
Asset Lifecycle Costs	Recurring capital expenditure is expected to cease in the interim and resume after 5 years.	Financial
Organisational Efficiency	Fit for Purpose Relocating to a larger, more suitable site will provide a fit-for-purpose facility with the capability of offering increased operating areas and moderate allowances for growth.	Non-Financial
Risk	Reduced Site Traffic Relocating to a larger site will deliver increased areas for site movement and parking.	Non-Financial

3.4.2 Benefits



Category	Benefits Identified	Туре
Compliance	Option B resolves ACM and DDA compliance issues by redeveloping the site to current standards and regulations.	Non-Financial

3.4.3 **Risks**

Construction Risk

In this option, EQL is exposed to various categories of construction risk, encompassing aspects such as Health, Safety, and Environment (HSE), weather events, price increases, contractual disputes, and time delays. However, many of these risks can be mitigated through robust scope definition, well-established contractual arrangements, and effective project management practices.

Site Risks

Furthermore, specific site risks need to be addressed. These include the challenges of securing the site in preparation for construction and managing the relocation of staff. The process of site preparation and staff relocation presents potential people and culture risks, which are intricately linked to change management. Proactive measures and strategies will be required to effectively navigate these risks and ensure a smooth transition for the staff throughout the construction phase.

3.5 Option C: Exit Oxley and lease a new site

Under this option, EQL will vacate the Oxley site in 2025/26 and initiate a new lease agreement at an alternative location offering larger dimensions. The new site will undergo necessary fit-out modifications to align with the current functions and ensure scalability to accommodate future works, growth, and expansion requirements.

The transition to the new leased site presents an opportunity to optimise the suitability of the facilities for the organisation's current functions and provide flexibility for future growth.

3.5.1 Assumptions/costs

The following assumptions have been made for Option C:

- Site lease based on market review of recently sold sites with similar proportions. The size, age & dimensions of Boundary St Oxley utilised to validate the value of this option.
- Lease costs based rental yield rate in Oxley (3.90%) against the \$/sqm sale price of three recent properties in Oxley of a size similar to the requirements. Apportioned over the dimensions of Boundary St Oxley.
- Leased site fit-out based of Rawlinsons handbook pricing for an office fit-out and workstations at medium quality and warehouse fit-out all including internal costs.
- New site yard establishment based sqm/rate of historical projects of a similar nature to setup the yard with the racking storage, racking, line marking, signage etc.
- New site maintenance and electricity costs based current site's 3-year historical trend and escalated to \$2022/23, apportioned for new sqm. Non-applicable Bld A corrective maintenance removed from trend (as new fit-out). Non-maintenance (property) costs removed from this option as a leased property.



- New site recurring capex based on current site's 5-year historical trend and escalated to \$2022/23, deferred 5 years due to the older age of the building (in comparison to an entire new building).
- Relocation costs based on standard rate from historical projects to move an employee between two nearby locations.
- Make good costs for existing depot based on standard rate from historical projects to move an employee between two nearby locations.
- Sale of existing depot based on insurable value, plus the unimproved land value from rates notice.

3.5.2 Benefits

Option C offers minimal benefits within the evaluation period. While this option successfully addresses the site constraints and compliance issues faced by the organisation, it does not yield significant financial advantages.

The findings from the NPV analysis, which will be discussed in the subsequent sections of the business case, align with this conclusion.

Category	Benefits Identified	Туре
Operational Costs	Reduction in maintenance costs by moving to a fully refurbished EQL fitted site with reduced asset age and maintenance requirements.	Financial
Asset Lifecycle Costs	Recurring capital expenditure is expected to cease in the interim and resume after 5 years.	Financial
Organisational Efficiency	Fit for Purpose Relocating to a larger, more suitable site will provide a fit-for-purpose facility with the capability of offering increased operating areas and moderate allowances for growth.	Non-Financial
Risk	Reduced Site Traffic Relocating to a larger site will deliver increased areas for site movement and parking.	Non-Financial
Compliance	Option C resolves ACM and DDA compliance issues by relocating to a site that meets current standards and regulations.	Non-Financial

3.5.3 Risks

Lack of Control

EQL has encountered considerable difficulties at leased sites due to the limited influence over the management and administration of the leased space, leading to prolonged delays when requesting necessary works. This affects the agility required to accommodate the rapid employee growth and evolving workforce that EQL is currently experiencing.



Efficient decision-making and action are imperative to align with EQL's operational requirements and foster an environment conducive to adaptation and growth which will remain a challenge at a leased building.

Streamlining the approvals process with the lessor are essential to mitigate these challenges and ensure a more responsive and flexible approach to meeting EQL's evolving needs.

Market Risk

EQL is exposed to price increases on lease costs imposed by the landlord. Mitigation options remain limited to contract negotiation and while fixed-price agreements can be negotiated it generally includes CPI adjustment and periodic market reviews.

Return on Investment

With significant investment required to suitably fit-out the leased premises to accommodate EQL functions, the importance of securing a long-term lease is paramount. With the useful life of fixtures and fittings between 10-20 years, a lease of 10+ years is vital to ensure a satisfactory ROI is achieved.

3.6 Financial Summary

3.6.1 Expenditure summary 2025-30

Capital expenditure (\$m, direct 2022-23)	2025-26	2026-27	2027-28	2028-29	2029-30	Total 2025-30
Operating expenditure (\$m, direct 2022-23)	2025-26	2026-27	2027-28	2028-29	2029-30	Total 2025-30

Table 5: Capital and operating expenditure summary 2025-30



3.6.2 NPV analysis

The NPV was conducted over a 20-year post-investment time horizon.

The sum result is displayed in the table and graph below, with Option A identified as the least cost to EQL over the 20-year period.



To simplify analysis, the NPV of the counterfactual option is assumed to be \$0 – with options presented in reference to this:

- A positive (+) figure represents an additional benefit (reduced cost) to the counterfactual option.
- A negative (-) figure represents an additional cost (reduced benefit) to the counterfactual option.

Counterfactual vs Options

Table 6: Counterfactual vs Options

Option	Counterfactual (Base)	Option A – Redevelop current site (Preferred)	Option B – Purchase a Brownfield site	Option C – Lease a new site
Financial benefit (\$m)	0	+3.7	+0.4	+1.4

Sensitivity Analysis

A sensitivity analysis has been conducted on each option, based on category assumptions affecting NPV outcomes. The counterfactual option is assumed to be NPV \$0.

Option	Discount rate	(WACC) ±25%	Capital Investment of Options	
	4.76%	7.94%	-25%	+25%
A – Redevelop Current Site				

Table 7: Sensitivity Analysis



Option	Discount rate	(WACC) ±25%	Capital Investment of Options		
	4.76%	7.94%	-25%	+25%	
B – Purchase a Brownfield Site					
C – Lease a new site					

4 **RECOMMENDATION**

Option A: Redevelop the Current Site - is the recommended option based on the analysis conducted.

- NPV of +\$3.7m (compared to the counterfactual) over 20 years is the best option
- It is aligned with Energy Queensland's property strategic principles (see Appendix 3 for additional details).
- Investment provides additional benefits, including:

Criteria	Counterfactual – Rectify Defects & Lease Additional Site	Option A – Redevelop current site (Preferred)	Option B – Purchase a Brownfield site	Option C – Lease a new site
Net Present Value (compared to counterfactual) \$m	\$0	+\$3.7m	+\$0.4m	+\$1.4m
Investment cost (TCO)* \$m				
Benefits	Maintains the status- quo, limited change management required. Minimal changes to processes, staff at current depot continue to operate from an unchanged site. Additional leased sites may improve disaster response if one of the sites loses power or is cut off from flooding etc.	This option provides long term financial sustainability by being the <i>lowest cost option</i> over a 20-year timeline. It also provides the least volatility due to consistent cost trends allowing for simpler cash-flow management. The redevelopment will deliver a brand-new fit for purpose site with sufficient areas to function safely and increase operational efficiency. The site will also have capacity for continued growth.	This option will deliver a fully refurbished fit for purpose site with the opportunity to easily factor in the growth requirements through appropriate site selection, design and fit out. A fit-for-purpose site with sufficient areas to function safely and increase operational efficiency. Current compliance issues are resolved.	This option will deliver a fully refurbished fit for purpose site with the opportunity to easily factor in the growth requirements through appropriate site selection, design and fit out. A fit-for-purpose site with sufficient areas to function safely and increase operational efficiency. Current compliance issues are resolved.

Table 8: Options Analysis Scorecard



Criteria	Counterfactual – Rectify Defects & Lease Additional Site	Option A – Redevelop current site (Preferred)	Option B – Purchase a Brownfield site	Option C – Lease a new site
		Current compliance issues are resolved.		
Risks	Operations will occur over two sites in Oxley, creating financial and continuity risks Buildings will continue to age beyond their useful life. Minor investments will prolong them, but a significant investment will be needed at a future date. In the interim, assets will decay and operate more inefficiently, possibly creating future safety hazards. Existing buildings remain compliant with the laws as at the time they were built (1970) moving them further from current standards.	There is a risk that the initial estimates are not accurate and construction time delays or variations will lead to cost over-runs. This can lead to staff location issues while under construction. Given the long lead time to investment, a robust Project Management Plan can be developed to mitigate these issues. External risks such as building approvals, contractor availability and contractual disputes are not anticipated for this project.	Brownfield sites do pose risks associated with site and asset age which may require significant Capex to rectify legacy issues and increased Opex to maintain the site due to aging assets. Most of this can be mitigated by a comprehensive site selection process. External risks such as building approvals, contractor availability and contractual disputes are not anticipated for this project.	The ability to secure a long-term lease is a risk to EQL. The preferred lease term would be 10 plus years to ensure sufficient ROI on fit out costs.

*Investment cost is equal to the sum of Capex and Opex costs during the 2025-2030 Regulatory Period

4.1 Deliverability

Internal resourcing is available to deliver this project within the timeframe required. External consultants and contracting partners are also assumed to be available to implement this project scope. See Property Plan 2025-30 for more details.

Preferred Option Milestones	Approximate Commencement
Commence Design	July 2025
Establish staging	November 2025
Redevelop Oxley Depot	December 2025
Relocate staff back to upgrade depot	January 2027



4.2 Change Impacts

Proposed change management activities include:

- Stakeholder engagement
- Tender process management
- Relocation of staff currently located at Oxley, to an alternate temporary location.



APPENDICES

Appendix 1: Alignment with the National Electricity Rules

Table 9: Recommended Option's Alignment with the National Electricity Rules

NER capital expenditure objectives	Rationale	
A building block proposal must include the total forecast capital expenditure which the DNSP considers is required in order to achieve each of the following (the capital expenditure objectives):		
6.5.7 (a) (1)		
meet or manage the expected demand for standard control services over that period		
 6.5.7 (a) (2) comply with all applicable regulatory obligations or requirements associated with the provision of standard control services; 6.5.7 (a) (3) to the extent that there is no applicable regulatory obligation or requirement in relation to: (i) the quality, reliability or security of supply of standard control services; or (ii) the reliability or security of the distribution system through the supply of standard control services, to the relevant extent: (iii) maintain the quality, reliability and security of supply of standard control services; and (iv) maintain the reliability and security of the distribution system through the supply of standard control services; and 	The preferred investment supports activities at an operational depot in the Oxley area required to enable the delivery of expected standard control services over the 2025-30 period. The depot facilities will ensure that Energex is able to adequately perform the functions required to enable safe and reliable electricity supply for the local community.	
6.5.7 (a) (4) maintain the safety of the distribution system through the supply of standard control services.		
NER capital expenditure criteria	Rationale	
The AER must be satisfied that the forecast capital expendit	ture reflects each of the following:	
6.5.7 (c) (1) (i) the efficient costs of achieving the capital expenditure objectives	Costs for the investments have been forecast based on a combination of estimates from independent specialists (Quantity Surveyor), historical data and previous industry experience.	
6.5.7 (c) (1) (ii) the costs that a prudent operator would require to achieve the capital expenditure objectives	Prior to investment, a Gate 3 business case will be prepared with further details to be assessed in accordance with the established investment governance processes. Energex undertakes competitive market procurement processes to	
6.5.7 (c) (1) (iii) a realistic expectation of the demand forecast and cost inputs required to achieve the capital expenditure objectives	ensure efficiency in capital expenditure. The preferred investment has been selected following a detailed assessment of options (including both financial and non-financial considerations). The investment selected is considered the most prudent option to address the identified need.	



Appendix 2: Reconciliation Table

Table 10: Reconciliation of business case to AER capex model/Reset RIN

Expenditure	DNSP	2025-26	2026-27	2027-28	2028-29	2029-30	2025-30
Expenditure in business case (\$m, 2022-23)	Energex						
Allocation to DNSP (where applicable)							
DNSP capex (\$m, 2022-23)	Energex						
Allocation to SCS capex							
SCS capex (\$m, 2022-23)	Energex						
Add escalation adjustments							
Escalation from \$2022-23 (Dec 2022) to \$2024-25 (June 2025)	Energex						
Expenditure in AER capex model/ Reset RIN \$m, 2024-25	Energex						



Appendix 3: Alignment to EQL Property Strategy

This investment aligns to the following Strategic Principles as defined in the EQL Property Strategy.

Table 11: Alignment to Property Strategy

Strategic Principles	How this investment contributes	Impact
1. We are a critical enabler, delivering property and infrastructure related services to all of Energy Queensland in service of our communities	The Oxley Depot is a regulated site within the Energex DNSP area of operations. Property is responsible for delivering this outcome to the business.	Medium
2. The Property portfolio prioritises the safety of our people, the compliance of our assets and the cost-effectiveness of our solutions	The redevelopment will reduce long-term operating costs and replace aged structures with a modern and compliant building free from high maintenance requirements and major defects.	High
3. Portfolio growth is planned and justified while retaining flexibility, thereby reducing the long-term cost impact to our customers.	The Oxley Depot redevelopment is scheduled at the end of the current site's useful life and where demand has reached critical mass, ensuring asset value is optimised. The investment is justified to reduce the long-term cost impact on our customers.	High
4. Our infrastructure goals are consistent across the portfolio, but solutions are tailored to meet the unique context of each challenge	This solution has considered the various requirements, unique & common, to our Operations in the Oxley area. The solution is more fit-for-purpose and will maintain our ability to service our customers in this region.	Medium



Appendix 4: Glossary

Term	Definition
ACS	Alternate Control Service
AER	Australian Energy Regulator
BCR	Building Condition Report
CEMT	Corporate Emergency Management Team
CPI	Consumer Price Index
DMS	Distribution Management System
DNSP	Distribution Network Service Provider
EQL	Energy Queensland Limited
HV	High Voltage
LCC	Lifecyle Costing
LUEZ	Loading and Unloading Zone
LV	Low Voltage
NetOps	Network Operations
NOC	Network Operations Centre
NPV	Net Present Value
QEJP	Queensland Energy and Jobs Plan
QS	Quantity Surveyor
RIN	Regulatory Information Notice
RTO	Registered Training Organisation
SCADA	Supervisory Control and Data Acquisition
SCS	Standard Control Service
SEQ	South East Queensland
SoCI	Security of Critical Infrastructure
WACC	Weighted Average Cost of Capital