

Jemena Gas Networks (NSW) Ltd

JGN Property CAPEX Program 2025-30

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1. INTRODUCTION

A capital expenditure program of works has been developed by the Property Services Team in consultation with key stakeholders for Jemena Gas Networks (JGN) Property Assets, which is outlined within this document. The plan details the overarching property strategy and associated capital expenditure plan details for the period 2024-2030.

The report and program comprises:

- Key strategic drivers for required property expenditure aligned to the JGN Asset Class Strategy.
- Identified office or depot fit-out refresh, relocation or major improvement programmes to nominated key locations.
- The importance of managing and mitigating risks in Jemena's freehold and leasehold interests in a prioritised and planned manner.
- Funding reserves in the form of ad-hoc capital allowances which provide an allowance for unforeseen capital failures, asset outages or naturally occurring business changes that are unable to be forecast for JGN sites during the capital planning and forecasting for the aforementioned period.

2. PROPERTY ASSET CLASS STRATEGY AND OBJECTIVES

2.1 ASSET CLASS STRATEGY

The Property Asset Class Strategy (ACS) contributes to delivering the JGN asset objectives, as defined in the JGN Asset Business Strategy (ABS) and driven by the overarching Jemena Network Strategy. The Property ACS is reviewed annually and considers up to a 20 year outlook for each asset class.

Figure 1: Summary of JGN asset objectives and asset management principles



As shown in Figure 1 the Jemena Gas Networks Strategy sets out what we want to achieve with our assets (both gas and electricity) as Group. This then informs our JGN asset objectives, which outline what we want to achieve with our gas network assets. We then have a set of asset management principles, that inform the approach we will take to achieving our JGN asset objectives.

The role of the ACS is to bring these together and explain at a high level of **how** we will manage each asset class. From here we can develop the various business cases and works programs that form our annual work plan, budgets, and ongoing expenditure forecasts.

The Property ACS includes information about each asset sub-class, including:

- **Drivers for expenditure** – the key asset management drivers that inform why and when we invest in our property assets.
- **Asset management considerations** – the important factors we consider when determining when and how to invest in our property assets.
- **Asset performance** – information about performance, condition, and service levels.

- **Emerging risks and priorities** – identified threats, opportunities, strengths and weakness that we need to be aware of and factor into our property asset management plans.
- **Key initiatives** – taking all the above into consideration, the ACS provides a high level summary of key initiatives / asset management practices we will undertake to ensure our property assets meet the JGN asset objectives.

3. REGULATORY AND LEGISLATIVE ENVIRONMENT

Property Services' remit incorporating both Property and Facilities Management is governed by a range of regulatory requirements. Compliance with building codes, WH&S requirements and environmental standards is a critical and ongoing driver of property expenditure. Compliance with the relevant legislation, standards and codes with relation to our buildings is critical to ensure the safety of our employees, suppliers, contractors and the public.

Table 1 summarises the key property compliance requirements to legislation, Australian Standards and Codes of Practice. These requirements are factored into our asset management strategies and help inform the investments and operating activities we undertake on our property assets.

Table 1: Summary of Key Legislative requirements and technical standards relating to the Property Asset Class Strategy

Legislative Requirement/ Technical Standard	Summary of Requirements
National Construction code and various Australian Standards (AS) and Codes	Provides the minimum necessary requirements for safety, health, amenity and sustainability in the design and construction of new buildings (and new building work in existing buildings) throughout Australia.
Disability and Discrimination Act 1992 (Cth)	Informs requirements for property and building accessibility and facilities.
Several state-based Residential Tenancy Acts	Set out tenant and landlord obligations when leasing property in each state.
Several state based Conveyancing, Sale of Land Acts etc	Set out requirements for acquisition and transfer of land and property in each state.
Several state based gas and electricity supply related Acts	Set out the overarching objectives governing the safe supply of gas and electricity and establish obligation for network operations to lodge implement and review safety and operating plans.
State based environmental protection Acts	Set out requirements for minimising impact of electricity and gas operations on the environment. This includes requirements relating to land access and conserving Australian's biodiversity.
Contaminated Land Management Act 1997	Sets out requirements for ongoing maintenance and/or remediation of contaminated land
Jemena Network Operator Rules	These rules are issues by Jemena and form part of Jemena's Safety and Operating Plan (SAOP) for its networks.
Gas Safety Case	Describes the requirements for operating electricity and gas assets in a safe manner.
National Gas Rules	National Gas Rules governs access to natural gas pipeline services and elements of broader natural gas markets. It includes economic value tests that set requirements for efficient capital and operating expenditure.

4. KEY PROPERTY PROFILE

The volume of JGN property assets is largely fixed. Table 2 provides an overview of property asset quantities as at the end of the most recent quarter prior to developing this version of the ACS.

Table 2: JGN Property Asset Quantities as 1 April 2024

Asset sub-class	Asset type	Number owned	Number leased
Office buildings	Office		1
	Sublet office	1 (part thereof of office above)	
Depots	Operational depot	2	5
	Non-operational depot		
EEHA (Emergency Equipment Holding Areas)	EEHA		5
Warehouses	Warehouse		1 (incl. Meter Centre)
	Meter centre		
	Storage shed		3
Active sites		3	14
Land	Remediated site	2	
	Land under remediation	0	
	Contaminated site	2	

5. PROPERTY CAPITAL REQUIREMENTS

Following a period of regular and ongoing engagement with key stakeholders of the JGN property portfolio, Group Property, has developed a capital investment programme for the 2024 – 2030 regulatory period.

JGN property capex requirements for the period 2024 – 2030 can be summarised as:

- Corporate Office movement or lease end capital injection (mid to high priority)
- Large scale capital investment to maintain the meter centre for compliance and efficiency (mid priority)
- General routine and non-routine depot refresh (low to mid priority)

Table 3 below details the capital programme of works for the period

Table 3 JGN CAPEX Requirements

Building site	Purpose	Nature of work proposed	Year, required cost
North Sydney	Office Move	Relocation of Nth Syd office to CBD High level scope includes: <ul style="list-style-type: none"> • Fitout of new office space incl. Control Room, meeting rooms and ancillary services • Installation of Critical Environment that supports the Control Room as required Excludes Digital component Refer to below for more details.	R Y23 / R Y24 \$5.5M Split across periods
Melbourne	End of lease office improvements	End of Melbourne lease JGN proportion High level scope includes: <ul style="list-style-type: none"> • Fitout of floor space not addressed in 2023 (eg upgrades to workstations, critical environment infrastructure) 	R Y27 \$1.9M
Old Guildford, 16 Donald St	Office refresh	The capital programme for Old Guildford has been identified in two separable portions, to be delivered over different periods. Office Accommodation refresh (CY24) scope overview;	R Y24 \$0.4M

Building site	Purpose	Nature of work proposed	Year, required cost
		<ul style="list-style-type: none"> • upgrade to sit to stand desks, new task and meeting chairs • refresh of baseline office interior, meeting rooms and fixtures and fittings • installation of rooftop solar (or other viable ESG initiatives within budget) to support reduction of carbon footprint and operating costs 	
<p>Old Guildford 16 Donald St</p>	<p>Meter Centre Lab upgrade</p>	<p>Meter Centre Upgrade (CY24/25) scope overview:</p> <ul style="list-style-type: none"> • to address current HVAC (Heating Ventilation Air Conditioning) fitout; upgrade in accordance to NATA LAB standards • address functional lab equipment processing shortfalls to align with legislative requirements 	<p>Year 2024 /25 \$1.0 M</p>
<p>Cardiff: 5A Pennant St; Hume: 7 Johns Pl; Greystanes, 99 Bellevue Circuit.</p>	<p>Combined Depot – Non Routine Depot Uplift programme</p>	<p>Cardiff and Hume of similar nature in scope, being:</p> <ul style="list-style-type: none"> • Upgrade office environment to sit to stand desks, new task and meeting chairs • Refresh of baseline office interior, meeting rooms and fixtures and fittings • Installation of rooftop solar (or other viable ESG initiatives within budget) to support reduction of carbon footprint and operating costs (on freehold sites only) <p>Greystanes scope to address:</p>	<p>RY24 \$0.8M Total combined non routine allocation for Cardiff, Hume and Greystanes.</p>

Building site	Purpose	Nature of work proposed	Year, required cost
		<ul style="list-style-type: none"> maintaining office accommodation standards and environment by addressing upstairs meeting room acoustic issues where echo, sound transference between rooms is impacting productivity and engagement , and address in consultation with the Greystanes stakeholder group, Digital and Property a suitable location for The Hive to be permanently accommodated in order to services the needs of the Greystanes office and depot 	
Ad Hoc capex	Ad -Hoc	Requirement for Facilities Management to address requirements that arise with minimal notice for the 17 active sites.	Approx. \$0.87M per annum for each year from RY24 to RY30

5.1 NORTH SYDNEY – OFFICE MOVE

JGN currently leases office space in North Sydney. The North Sydney office includes the control room and the houses Sydney based staff (other staff who support JGN are based at other Jemena sites).

With the post-COVID changes in work trends, an increasingly competitive Sydney office market and the upcoming expiry of our North Sydney current lease (2028) we are reviewing our office requirements and developing our long-term plan for our Sydney office.

Broadly, we have identified three options:

- Option 1: Maintain current location and refresh our offices over 2026-28 to align with any lease extension.
- Option 2: Surrender our lease and move to another location.
- Option 3: Stay until the end of our lease and then move to another location.

While a decision has not yet been made, and will ultimately depend on the costs of surrendering the lease, the cost of a new lease as well as expected fit-out costs, we expect to surrender our existing lease at North Sydney and move to a smaller location in the Sydney CBD. This option will:

- Improve efficiency by taking advantage of the current market prices of offices
- Enable attraction and retention of attract top-talent by moving to a more central location

- Adopt a fit-out which adapts to evolving work trends to foster collaboration and strengthen our culture while recognising the 'new ways of working'.

It is expected that this decision will require \$5.5 million in capex over the RY24 and RY25 periods. This estimate is based on benchmark fit-out costs per square meter and a reduction in floor space. However, as the control room will also be required to move (requiring backup generator to be installed, higher security requirements etc.) there is a risk that these costs will increase.

Although we are not able to make a final decision at this time the selection of this option reflects our best estimate of our property costs and schedule at this point in time. We expect that the benefits of this option will exceed those of the other options based upon the following assumptions:

- Options 1. Out current offices, both the fit out, location and current floor plates compromise the ability for the office to be fit-for-purpose for our needs.
- Option 3. Delaying the move will delay the realisation of the benefits and increases the price risk in leasing costs. If these options were to be adopted the fit out costs will need to shift to the 2025-30 period.

5.2 REFURBISHMENT AND REPLACEMENTS

5.2.1 OFFICE AND DEPOT ACCOMMODATION STANDARDS

Standards are adopted and applied to any new or refurbished office accommodation fit-out. These standards need to be maintained and require maintenance due to end of life, changes to the way we work and to future proof accommodation in order to maximise productivity in the workplace and continue to attract and retain the employees required to operate the JGN business. Our office accommodation standards represent leading thinking in workplace design and environment to create a happy, health and safe working environment for all Jemena employees, because well designed and maintained workspaces improve performance, facilitates innovation and promotes a healthy culture.

Design standards are adopted to achieve a standardised yet flexible approach to office and depot design with an emphasis on functionality, safety, security and cost-efficiency. There is also a standardised approach to the design and layout of material storage areas in depots to improve efficiency and safety of materials handling and storage. This incorporates one way traffic-flows, dedicated loading and off-loading areas to include exclusion zones, safe and efficient storage solutions, and dedicated parking areas.

5.2.2 END OF LIFE REPLACEMENTS

The components of our buildings including mechanical, electrical, fire and hydraulic systems consist of individual and interconnecting components. These components each have a lifecycle, which is determined by the product manufacturer, the use of the component and the ongoing maintenance of the component. Whilst Jemena has a lifecycle management approach and aims to extend the life of these components, they all ultimately have an end of useful life term.

It is important to replace assets at the end of their useful life for a number of reasons including:

- the prevention of unforeseen failures and/or outages
- to ensure compliance and installation of appropriate life safety systems are in place to support the safe, effective and efficient operation of each property

- giving due consideration to Health Safety and Environment (**HSE**) requirements and legislation to ensure Jemena does produce layered hazards in the way it which is manages its properties
- Cost consciousness

Major maintenance requirements and the end of useful life has been identified for several components at our Melbourne and North Sydney offices and at our Cardiff, Old Guildford and Greystanes Depot.

5.2.3 AD HOC CAPEX AMOUNTS

Our plan includes an ad-hoc capex budget for unforeseen capex requirements at JGN sites.

This amount is used to progressively improve and/or replace the fixtures, fittings and equipment at JGN properties. Replacement may be as a result of failure, end of life, change in business needs, audit findings and onsite inspections and are typically unforeseen at the time of budgeting.

The allocation will ensure that the fixtures, fittings and equipment management are aligned to the Jemena Workplace Standards, Jemena HSE, Ergonomics, and National Construction Code (NCC).

6. RISK

A cyclical programme of capital investment is required across the JGN property portfolio in order to both mitigate and manage the ongoing responsibility and risk associated with both in both freehold and leasehold interests.

Avoidance or delay of capital investment could result could result in a compounding risk profile to the portfolio, resulting in:

- an increase in failure rate of property assets as well as the meeting legislative, standards and codes
- greater HSE risks for our employees, contractors, customers and the public
- increase in operating and replacement costs if the adoption of a 'run to fail' approach was undertaken, versus maintaining a 'fit for purpose' planned, appropriately maintained life cycled asset base

If some of the works are not completed, e.g. security upgrades, the risk of having to close depots or accommodation due to HSE requirements and/or non-compliance with Regulatory requirements is a real possibility.

A risk assessment summary is included as Appendix A.

Appendix A Risk Assessment Summary

The below risk assessment table provides the determined level of risk severity of the untreated risk in the property space. This table is a general reference tool covering a large spectrum of property works in which the proposed programme falls into.

Untreated Impact/Consequence							Untreated Risk Summary			
Description	Financial	Operational	Safety	Employee	Reg and Compliance	Brand/rep/ stakeholder	Comments	Consequence	Likelihood	Risk level
Lighting and lighting controls	x		x				Required upgrade to drive cost, sustainability and EOL efficiencies and prevent failures/faults	Minor	Likely	Moderate
Diesel Fuel Tank	x	x	x		x		Risk of generator failure, impact to customers during power outage	Serious	Almost Certain	High
Fire Aspirating Systems	x	x	x		x		Failure would impact supply, HSE risk also if fire	Serious	Likely	Significant
Security software and Hardware	x	x	x		x		Risk of security failures to our buildings and control room	Serious	Almost Certain	High

Untreated Impact/Consequence							Untreated Risk Summary			
Description	Financial	Operational	Safety	Employee	Reg and Compliance	Brand/rep/ stakeholder	Comments	Consequence	Likelihood	Risk level
UPS Battery String	x	x			x		Risk of failure – supports critical infrastructure, control room	Serious	Likely	Significant
Comms Room Supp Air	x	x					Risk of computer servers overheating	Serious	Likely	Significant
Tech/AV upgrades and other	x	x	x				Loss of efficiency/functionality	Minor	Likely	Moderate
Training pits, compressors and pressure vessels	x		x		x		Risk of injury to trainees/employees, ongoing maintenance costs	Serious	Likely	Significant
Static line and roof safety systems	x	x	x		X		Legislative requirement – current system not adequate. Risk of injury and plant failure	Serious	Likely	Significant
Solar PV Inverters (10y life)	x						Risk of loss of efficiency and increase in power costs	Minor	Likely	Moderate
Rainwater tank overhaul/UV filters	x		x		x		Risk of contaminated water on site	Serious	Likely	Significant
Re-roof inc box gutters and joints	x	x	x		x		Risk of serious property damage and HSE implications due to leaking roofs	Serious	Almost Certain	High
Upgrade to fire systems	x	x	x		x	x	Non-compliant fire services – risk to people and property in case of fire	Serious	Almost Certain	High

Untreated Impact/Consequence							Untreated Risk Summary			
Description	Financial	Operational	Safety	Employee	Reg and Compliance	Brand/rep/ stakeholder	Comments	Consequence	Likelihood	Risk level
Upgrade of lighting to warehouse	x	x	x		x		Current lighting non-compliant, inefficient and could cause fire	Serious	Almost Certain	High
Installation of diesel generator to support meter lab	x	x			x	x	No backup if power fails. Risk of air quality impacting on calibration	Serious	Almost Certain	High
Services contingency	x	x	x		x		Aware of some more minor services non compliances and EOL events	Minor	Likely	Moderate
Extension of Roofline	x	x	x				No room for vehicle storage in safe, secure area	Minor	Likely	Moderate
Construction of compound	x	x	x				No room for vehicle storage in safe, secure area	Minor	Likely	Moderate
Construction of Storage	x	x	x		x	x	Non-compliant storage of oxy/air/nitrogen bottles, which is a legislative requirement,	Serious	Almost Certain	High
Interconnecting stairwell refresh and reception refresh	x		x		x	x	Handrails and surfaces update required – represents HSE and reputational risk	Serious	Possible	Moderate
Amenity fixtures and fittings update	x		x				EOL replacements – risk of excessive repair costs and no support for old fixtures and fittings	Minor	Likely	Moderate

Untreated Impact/Consequence							Untreated Risk Summary			
Description	Financial	Operational	Safety	Employee	Reg and Compliance	Brand/rep/ stakeholder	Comments	Consequence	Likelihood	Risk level
Future proofing services or features for workplaces of the future places.	x		x			x	Risk of inefficient use of building, not maximising productivity, not attracting/retaining quality employees	Minor	Possible	Moderate
Base Build storage space overhaul	x		x				Potential financial and HSE risks if storage space not adequately and safely equipped	Minor	Possible	Moderate
Upgrade to office entrance	x		x				Risk of not using our limited space efficiently, productivity constraints, potential HSE implications	Minor	Almost Certain	Moderate
Upgrade to workstations and other	x		x				Financial risk of continually repairing issues, potential HSE risks of unsuitable desks, chairs, office fittings	Minor	Almost Certain	Moderate