



*ABN 85 082 464 622*

# **Aurora Energy Deliverability Plan**

## **(Network Services Division)**

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No one matches our energy

## **Aurora Energy – Deliverability Plan**

Aurora's Board has committed that it will continue to meet the reliability and investment requirements of its distribution electrical infrastructure, without contributing to additional prices increases to customers. Aurora plans to meet this vision through a combination of:

- a review and realignment of its distribution engineering strategy;
- improvements in productivity through system and training improvements; and
- alternative external work options that are complementary to its work programs implemented throughout the state.

Through these measures Aurora will position its business in such a manner that it can not only retain the right skills to complete its proposed work programs but also achieve those programs in a way that ensures that customers are provided with an efficient service delivery.

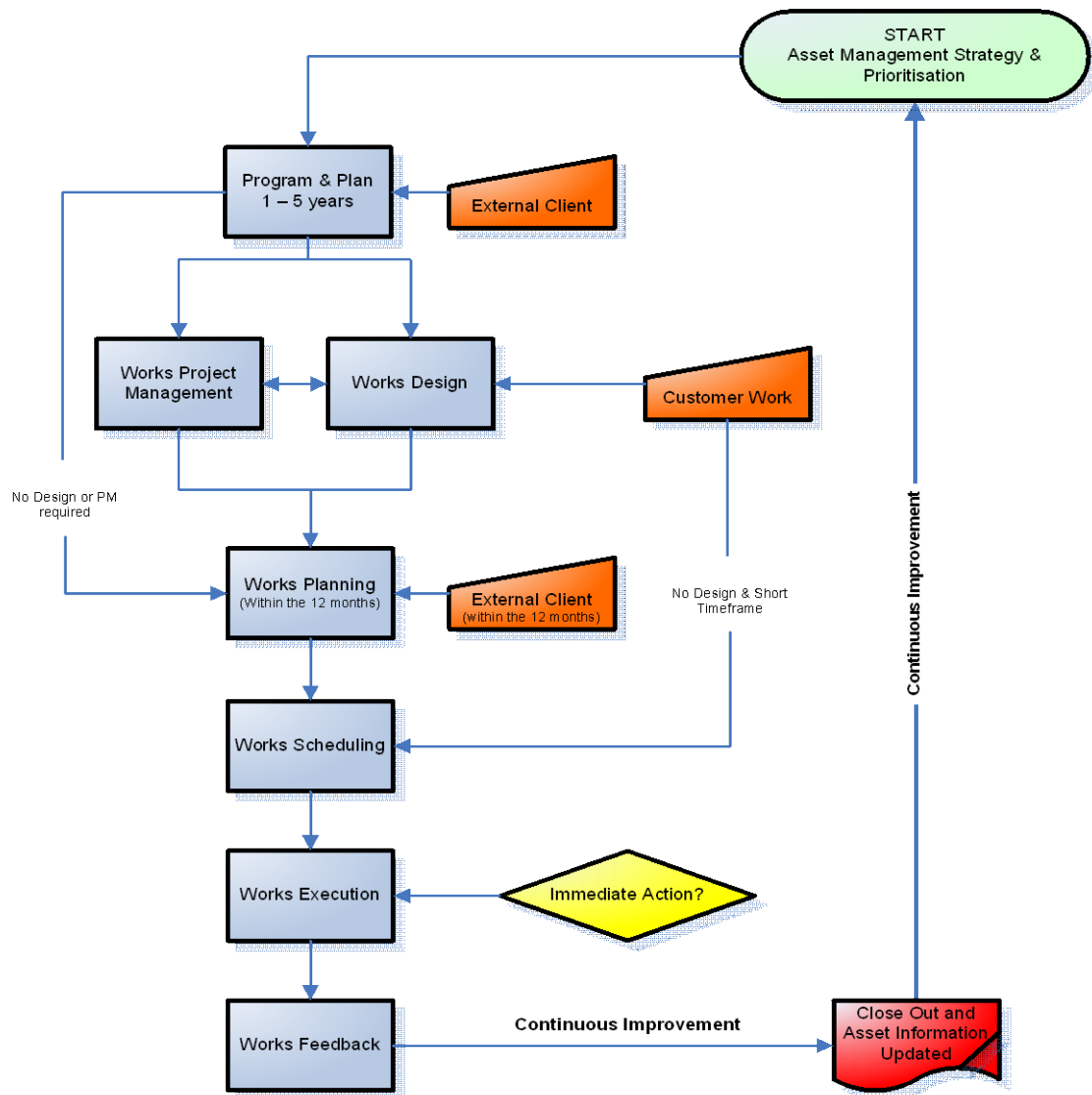
Aurora is therefore confident that it will have an efficient level of competent and skilled resources that are commensurate with the work programs it intends to deliver.

This document is intended to provide a background on Aurora's ability to source the physical labour required to undertake the planned level of activity of the determination program and doesn't touch on issues associated with financing and the like.

## 1. Program of Work Delivery Process

Figure 1 shows the high level process employed by Aurora Energy for planning and delivery of its work programs.<sup>1</sup>

Figure 1



The works planning process has undergone significant change in recent years to ensure:

<sup>1</sup> Sourced from Program of work planning process

- that all works planning occurs in a manner that maximises planning and strategic efficiencies by use of a purpose-built works planning tool<sup>2</sup>;
- planning takes account of an efficient mix of internal and external work provision; and
- programs are planned at a macro level on a 1 month basis that aims to maximise efficiencies in relation to:
  - work priority;
  - resource availability;
  - location and travel;
  - skill set requirements;
  - outages; and
  - customer requirements.

Allocation of work is distributed between the Aurora internal field work force and external contractors in order to maintain an appropriate balance for Aurora personnel in regards to required skill levels, internal work force cost efficiency, peak demand periods and management of risk. Generally outsourced work incorporates activities that:

- low in complexity but high in volume;
- meet peak work volumes;
- can be packaged as a single project such as design and construction of zone substations;
- require civil maintenance and construction; and
- involve vegetation maintenance.

Monitoring and tracking of work activities of both internal and external resources occurs through weekly and monthly reporting mechanisms that monitor delivery against the program, cost against budget, volumes, delivery against plan, and work in progress. Reporting occurs monthly and includes reporting to Board, executive management teams and individual program managers.

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<sup>2</sup> Spec for planning tool

Outsourced projects are delivered through a separate project management group which operates under ISO 9001 quality accredited processes<sup>3</sup> and utilises commercial procurement and contract management principles to ensure Aurora is receiving the most efficient delivery of the required service.

## **2. Forecast Program of Work Requirements**

The forecast program of work requirements indicate resource requirements for OPEX and CAPEX will be less than those required to deliver the 2009/10 work program. This has been taken into consideration by Aurora as part of its long term planning such that there is sufficient internal and external capability to deliver the proposed program of work.

Aurora has carefully considered the requirements to maintain an efficient fully skilled workforce and has currently set an optimal service provision of approximately 625,000 labour hours for its field workforce. Aurora considers that this level of current resourcing provides the most efficient internal resourcing model, taking consideration of current available market conditions and resources whilst also allowing the necessary flexibility of delivery that takes account of weather, leave, training and peak work periods throughout the year.

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<sup>3</sup> ISO 9001 Quality Accreditation

### **3. Past Delivery Performance**

The current regulatory control period required the delivery of a significantly increased works program in comparison to previous regulatory periods, which represented a challenge to the business. Aurora met this challenge through a planned and staged building of works capability and delivery, the total expected program to be delivered will be \$144m for the 2010/11 financial year. During the current regulatory control period, Network Services has delivered a percentage increase of 39% from the previous period.

The major strategies employed over this period to ensure deliverability of the program included:

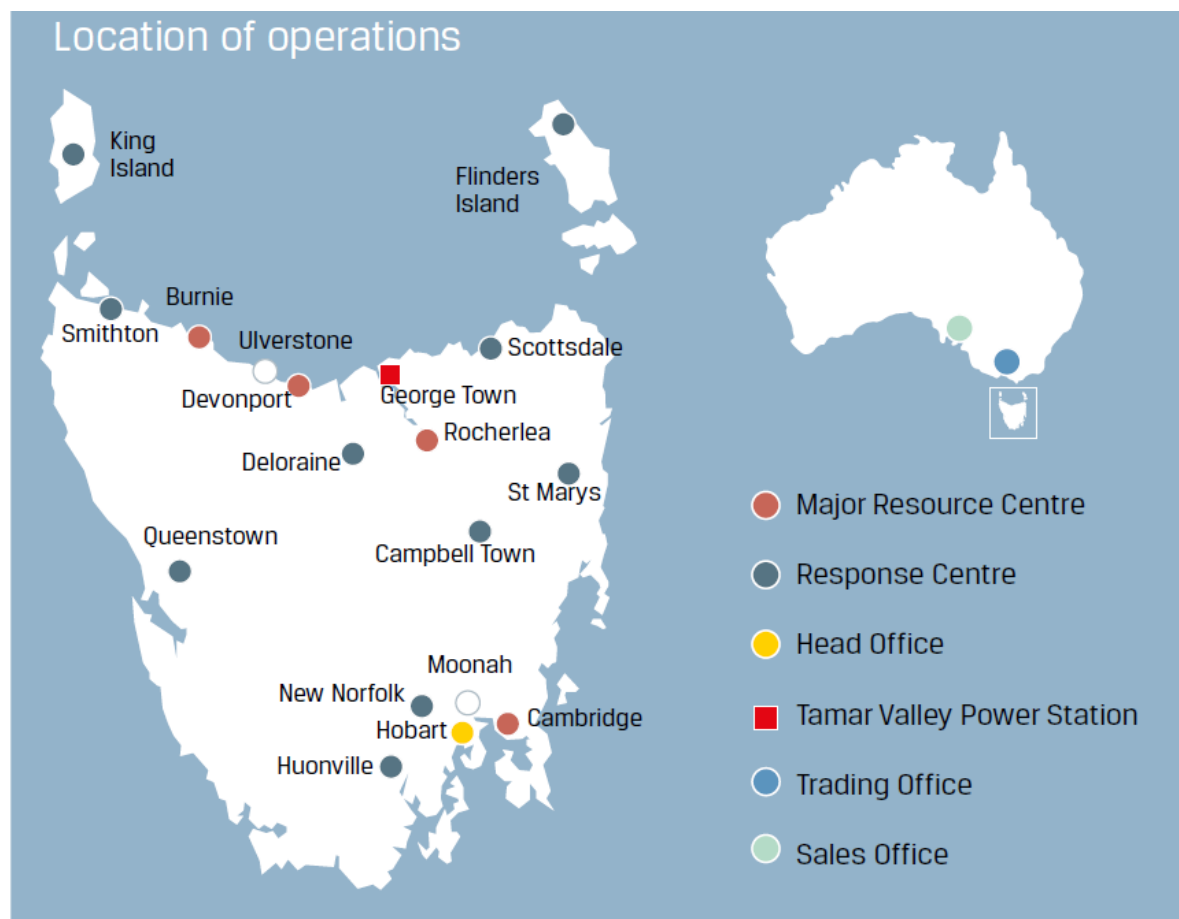
- Apprentice Program – Aurora has maintained an apprentice program that has been focused on ensuring it is developing future trades-people within the industry, supports resourcing to balance the ageing workforce demographics, and creates future flexibility through dual trade qualifications;
- Improvements in planning processes – enhancement in workload forecasting and leveling of the capital program to gain optimum design and construction efficiency within the program delivery;
- Internal services focus –Aurora has directed its focus on delivery of its distribution work programs and reduced the amount of external work being undertaken, for example, private substation maintenance. Consequently this has enabled Aurora to meet the increasing distribution work program, but has not required any large increase in overall FTE's in the delivery area.
- Signing of a Design and Construct contract and establishing an increased and settled contractor presence in the state – this contract went to tender and has allowed Aurora to identify projects that could be both entirely or partly outsourced to meet peak work loads and ensure delivery of the entire work program and assist in meeting peak loads; and
- Outsourcing – in addition to the Design and Construct contract, Aurora also outsources other works via market contract arrangements particularly where:
  - i. the internal Aurora model is not cost efficient;
  - ii. there is insufficient internal capability; or
  - iii. during peak demand periods.

In employing these strategies, Aurora has successfully delivered a work program through both internal and externally-sourced service providers that was well in excess of that proposed to be delivered in the next regulatory period.

## 4. Future Delivery Requirements

### 4.1 Internal Capability

Developing and maintaining the capability and availability of skilled resources is fundamental to delivery of any work program and skill maintenance and retention has been a major issue in the recent economic climate. Whilst Tasmania is small in geographical terms, it has quite a dispersed customer base, often in isolated or difficult to reach areas. As an island, it also has to be relatively self sufficient in meeting the requirements of the customer base for reliability of supply. It is these challenges that have led to the establishment of a number of Major Resource Centre's and Response Centre's around the state, indicated in the following map.<sup>4</sup>



<sup>4</sup> Map of depots sourced from Aurora Annual Report 2010



The workforce required to operate and maintain the distribution network has averaged approximately 475 personnel over the last three years with natural attrition and turnover being offset by an ongoing apprentice in-takes and targeted recruitment. Future FTE numbers will be affected by changes in work programs proposed within Aurora's regulatory proposal. Aurora has the capacity in place to assess both skill set requirements and volume of work and consequently deliver on any changes to the current resourcing strategy that may be required.

#### **4.2 Apprentices**

Aurora has spent significant time during the current determination period considering workforce planning and succession activities. It is acknowledged that staff require clear line of sight for career progression opportunities. These activities start with the apprentice program.

Aurora had ~ 60 apprentices at various stages throughout the 2010 training cycle.

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### **4.3 Training and Competency**

Aurora will continue to invest heavily in developing its staff and their workplace competencies. There is a large body of work taking place throughout the organisation that is focused on developing our workforce to achieve improved productivity and efficiencies and where necessary new skills required to meet the changing distribution environment. Some of these initiatives include:

- Multi-skilling the workforce - To create a field workforce capable of completing a majority of distribution activities without creating duplication – energised LV overhead, de-energised HV overhead, service connections from the pole to the switchboard inclusive, XLPE jointing and limited ground substation maintenance – thereby driving greater workforce efficiencies
- Introduction of a planned competency framework aimed at identifying and rewarding competencies that contribute to business success, recognize workforce skills and capabilities
- Aurora's organisational wide commitment to training and development is seen through its corporate policies but also recent work in leadership enhancement, performance development and career and succession planning <sup>6</sup>

Aurora is implementing a five year plan that will focus on resource flexibility, in particular, dual trading for new recruits and as a transition program for current employees to enable them to work with greater flexibility. By multi-skilling its workforce, Aurora plans to increase workplace interest and challenges, provide a visual career path for both trade and non-trade specific employees and meet the increasingly diverse range of work programs that are evolving in the distribution and communication industries <sup>7</sup>

Workforce accreditation is also vital to Aurora's ongoing activities and Aurora will continue to provide an environment where staff can progress their skills and experiences,

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<sup>6</sup> See organisational policies and resources at <http://thevolt/divisions/peopleandculture/Pages/PerformanceManagement.aspx>

<sup>7</sup> Network Services Division Strategic Intent, dated 22 June 2010 pg 10

such as through Operator Training and maintaining a close alignment with the Aurora Training School.<sup>8</sup>

The Aurora Training School has Registered Training Organisation (RTO) accreditation, delivering nationally recognised training in Certificate III Powerline and Certificate IV Powerline Design. The value of having an RTO as part of Aurora's internal training activities cannot be understated. While the nationally accredited courses must meet stringent quality and auditing standards, it ensures that other courses and training provided, even though they don't require the same level of documentation and oversight, are treated in much the same manner, thereby driving continued excellence in the delivery of training services, regardless of the course undertaken. That said, all risk-based activities (for example, pole top rescue, polarity testing) are reviewed yearly to ensure that all staff maintain the highest level of preparation for potential workplace issues.<sup>9</sup>

Whilst Aurora is well equipped to train its workforce in business as usual activities, it has also demonstrated capacity to introduce new technologies and practices into the training packages offered. For example, in order to meet the National Broadband Network (NBN), members of the Aurora workforce have been trained in the operation and maintenance of fibre. The training school is currently moving towards national accreditation status for this training program, again to give Aurora's workforce proven qualifications.

Resource flexibility allows Aurora to reduce its costs by means of, increased work delivery capacity, improved career and remuneration opportunities for staff, while not relinquishing the importance of specialist roles to maintain risk mitigation and safety levels. Aurora ensures that it is educating and maintaining the skills of its workforce and that the continuous improvement process with its employees will not only deliver a program of work safely, but also provides its people with the highest level of career satisfaction and safety.

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<sup>8</sup> See [http://thevolt/divisions/network/Dist\\_Ops\\_Std/default.aspx](http://thevolt/divisions/network/Dist_Ops_Std/default.aspx) for further information

<sup>9</sup> See Training Delivery and Assessment Strategy NS#40047115

#### ***4.4 NBN and other external work***

Given the strategies that Aurora is implementing within the distribution side of the business, through improved planning, better scheduling and multi-skilling of the workforce, it is aiming to make significant cost savings in both operating and capital expenditure. However, as the primary service provider committed to a long term presence in the state there are benefits in creating a critical mass to offset fixed overhead costs and maximize efficiencies. The opportunities presented by other external work, such as National Broadband Network (NBN) provides a complementary business model that can be incorporated seamlessly into the business, thereby creating greater resource flexibility, easier management of peaks and troughs in core distribution work and more efficient overhead cost distribution. This balance is continually monitored through business planning processes and adjusted through changes identified in resource planning and external work opportunities.

#### ***4.5 Resource Strategy***

The Distribution Business has set itself a number of strategic initiatives relating to improving the operation of the entire distribution activities. One initiative is the development of a comprehensive resourcing strategy which links together the internal resourcing requirements, contracting strategy, aging workforce, skill set requirements, and competency model in order to create the optimum level of field resources and leadership capability within the business.

This initiative is currently scheduled to be undertaken during the next 12 month factoring in any outcomes associated with the current pricing determination process.

### **5. Contracting Strategy**

As an island with limited capability to ramp up skilled resources quickly to meet peak demand loads, Aurora made the decision to support the introduction of increased competition in the service deliver area. A tender for major service provision to assist with delivery of Aurora's work program was awarded to Jemena Networks, with the intent

being to establish an ongoing presence in the state of other contractors with similar skill sets and capabilities. The benefits of this contracting strategy include:

- an ability to outsource elements of work, whether in part or entirety, allowing for flexibility and assured program delivery;
- benchmarking of both internal and external service providers to ensure prudent and cost effective management in the delivery of the work program;
- matching the capability of resources to jobs within the program, specifically where tasks are small in number or unusual in execution, and would otherwise not prove economically sensible to keep targeted skill sets within the workforce; and
- allowing the business to withdraw the internal workforce from inefficient activities as they become apparent.

In the short term it is assumed that a level of work will continue to be delivered via external parties with decisions on outsourcing to be driven by skill set, location and peak demand periods. One of Aurora's key initiatives is to again formally review the mix of internal and external delivery across all services. Based on this approach Aurora expects to continue with a resourcing model that sees an appropriate component of work being delivered by external parties that is carefully managed by prudent and considered processes and work methodologies.

## **6. Conclusion**

Aurora has made a concerted effort to prepare a considered deliverability strategy based on the planned future initiatives being undertaken, the size and capability of its workforce, support from external contract resources and supplementary service provision that is optimal for delivery of the works program planned for the next regulatory period that will positioning the business for an ongoing delivery capability. The Aurora Board is fully aware of the progress made in the distribution business and has endorsed the strategies related to developing and supporting the initiatives required to meet the challenges of the future in the most prepared way possible.