

Energy Queensland

Property Strategy



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1. Executive Summary

1.1 Purpose

This document describes the established Property Strategy for the Energy Queensland business, including its network subsidiaries Energex and Ergon Energy, up to and including the 2020-25 regulatory control period. It outlines the Energex and Ergon Energy baseline and provides direction on the delivery of property services in Energy Queensland's portfolio.

1.2 Objective

Our Property Strategy is to deliver a safe and efficient, fit-for-purpose and customer-centric property portfolio.

Property Services is part of the Transformation Office and is specifically responsible for optimising and maintaining the combined property portfolio for Energy Queensland (EQL), including the Energex and Ergon Energy property assets.

Our role as a part of the Transformation Office is to support the rest of the organisation to deliver its strategic objectives. One of the key driving forces behind the Transformation Office is recognising and acknowledging the vital role the customer plays in shaping our industry, market and organisation. Understanding our customer and how we interact with the community at large is a key driver behind the Property Strategy and how we intend on delivering customer-centric property solutions for our customers, the community and EQL. Our Strategy supports Queensland communities and customers by ensuring EQL has depots and other facilities in the right locations to enable the operation of a safe and efficient network.

1.3 Value To Our Customers

A safe and efficient, fit-for-purpose and customer-centric property portfolio will create value for our customers. By investing in our operational assets at the optimum time we will ensure that we minimise the costs of maintenance through the whole life cycle of the asset. We will continue to strive for a reduction in operational and maintenance costs across the Brisbane leased office accommodation properties, and reduce our accommodation footprint where possible.

1.4 Our Stakeholders

Our Property Strategy has been developed following consultation and engagement with the wider business and our key stakeholders. Through successful relationships with our stakeholders, we are assisted to ensure a customer-centric property portfolio that is fit-for-purpose and has integrated the specific needs of our stakeholders so that they can provide the best support for our customers.

1.5 Property Forecast

The proposed funding allocation for Capital works for the 2020-25 regulatory period is \$249.8mil (real, direct 1718 \$). This represents the minimum investment required to deliver the Property Strategy that will achieve both short-term and long-term savings as a result of the merger between Energex and Ergon Energy for the benefit of the organisation, the community and most importantly, the customer. The Capital (CAPEX) and Operational (OPEX) programs are detailed in table 1.1 below (note: all figures are in real, direct 1718 \$s).

EQL	2020-21	2021-22	2022-23	2023-24	2024-25
CAPEX	\$48,924,755	\$55,835,793	\$66,168,802	\$47,282,403	\$31,588,245
OPEX	\$85,792,739	\$84,125,937	\$81,936,642	\$81,936,642	\$81,936,642

Table 1.1 EQL Capital and Operational Expenditure 2020-25

**Figures are expressed in real, direct 1718 \$.

2. Background

Formation of Energy Queensland

EQL was created through the merger of Energex, Ergon Energy and SPARQ Solutions on 1 July 2016. The combined business not only includes the two electricity distributors, but also Ergon Retail, and Yurika, a new energy services business. The establishment of EQL has created the largest electricity distribution business in Australia, with more than \$24 billion in assets, including a large and diverse property portfolio. EQL serves 4.8 million Queenslanders, with 2.2 million customer connections, including nearly 2 million residential connections and 224,000 small to medium enterprise connections.

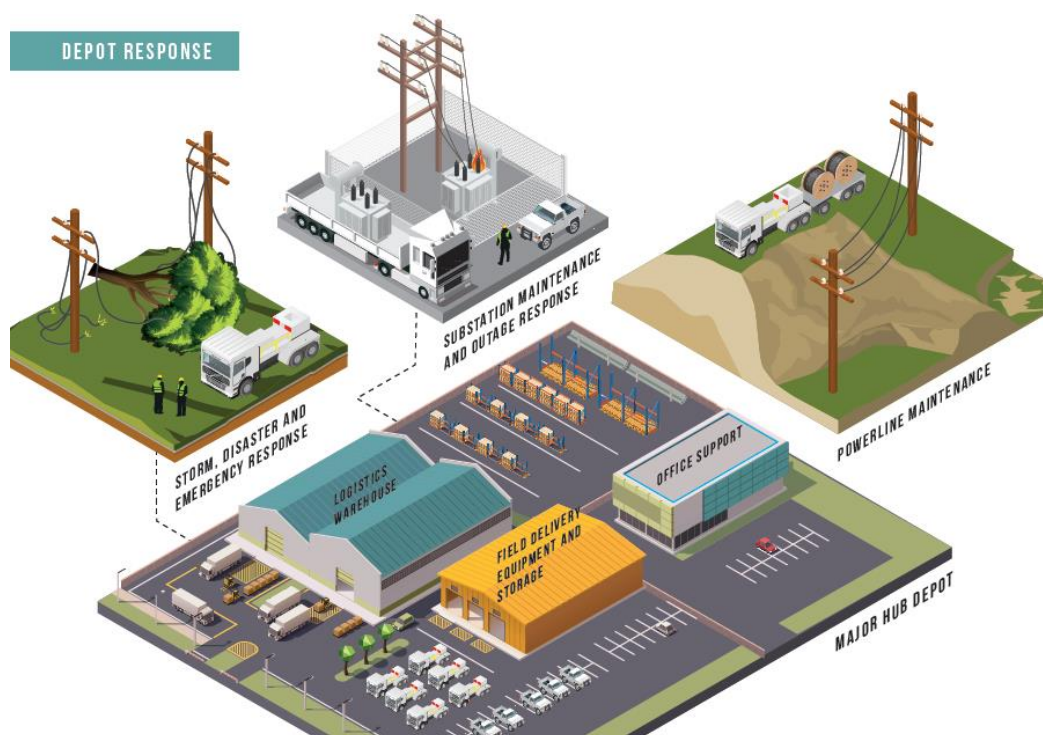
Extent of the EQL Property Portfolio

EQL services an area of 1.7 million km² with a range of different customers across the state. EQL has a diverse portfolio located in a range of different locations, due to the need to be able to service both customers in remote areas with severe environmental, climate and access issues as well as our customers in high density, metropolitan areas.

EQL needs to service all of these customers in a way that is operationally efficient, fit-for-purpose and customer-centric. The potential impact and value that Property Services has on the customer and the organisation are significant. We need to ensure that we have the right depots and facilities in the right locations to enable the efficient operation of the State-wide network. EQL Distribution is set up with 6 areas in the South East region, 5 areas in North region and 6 areas in South region, with each area containing a Minor Hub and each region a Major Hub. Please refer to **Appendices 1 and 2** for maps showing the various Hubs and Depots within each Hub area.

Understanding the EQL Property Portfolio

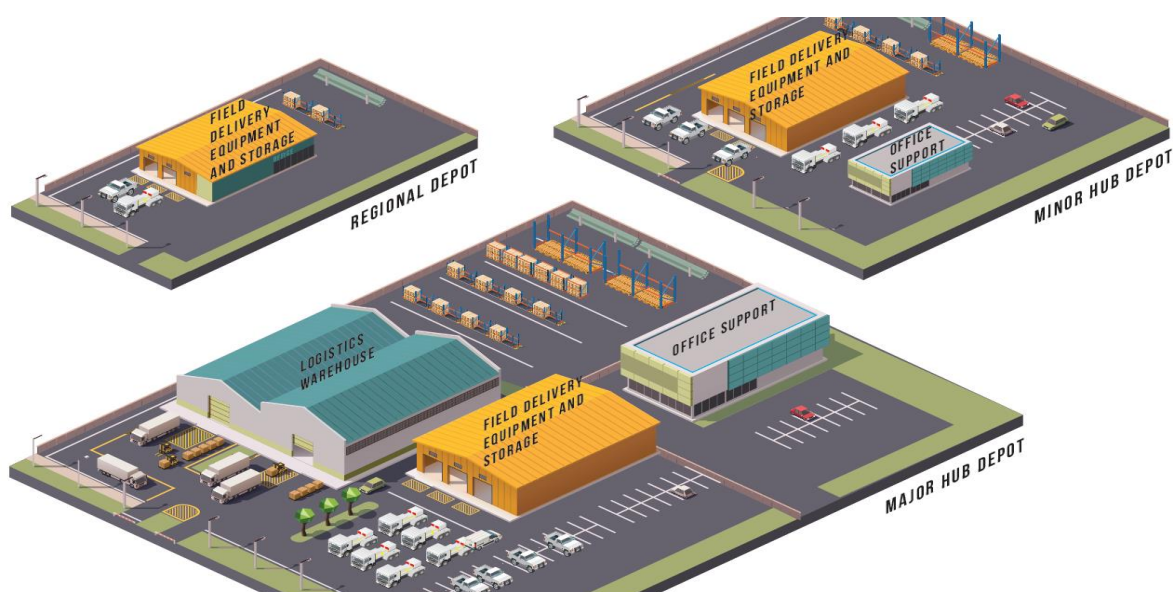
The key function of the EQL property portfolio is to support EQL Staff in operating and maintaining the network. Our property portfolio is designed to accommodate both our office staff, as well as our field staff and the necessary tools and vehicles they need to operate and maintain the network. As shown below we support our crews in maintaining the network in normal conditions as well as disaster response.



Components of the EQL Property Portfolio

Offices: EQL office staff are predominately located at either stand-alone offices, or offices co-located in Major Operational Hubs. Office staff based at stand-alone offices typically perform a wide range of corporate and operational functions while staff located at hubs provide more direct operational support to field staff. Standalone offices are where almost all Yurika and Ergon Retail staff are located.

Operational Depots: As shown in the diagram below, our operational depots are made up of major and minor operational hubs as well as regional depots. Major and minor hubs are large operational sites that accommodate operations for both our Field Delivery and Substations crews as well as a range of other specialist functions that are not generally located at smaller depots. Major Hubs support all of the minor hubs and depots within their region and are the major centres for white-collar staff that support the work crews. Regional depots typically contain Field Delivery staff, with larger depots having additional support staff.



Logistics Warehouses: In the Ergon Energy area Major hubs (and some minor hubs) are the primary locations for logistics warehouses that contain stores, materials and backup resources and stock. Given the smaller geographical footprint, Energex has a centralised logistics system, and with a smaller warehouse component located in hubs.

Training Facilities: In the Ergon Energy area Major hubs (and some minor hubs) are the primary locations for training facilities. Energex has a centralised facility at Rocklea.

Specialist Facilities: There is a wide range of specialist facilities (such as labs and testing facilities) needed to manage and maintain our network. These are typically located in the three key regional centres of Brisbane, Rockhampton and Townsville and include Control Centres, Contact Centres (typically located in offices), and Data Centres. There are other specialist workshop facilities including Fleet Workshops (in Energex area), Substations Workshops and Oil Handling facilities, Geebung Lab, and the Banyo Workshop. Specialist facilities will be covered further within section 10.

EQL Property Portfolio Statistics

Property Assets	Energex Portfolio	Ergon Energy Portfolio
Major Hubs	6	3
Minor Hubs		9
Depots	14	59
Offices (Stand Alone)	7	5
Staff Accommodation	0	98
Total Corporate Sites	42*	192*
Real Property Parcels	1,069	1,113

**= Total also includes other specialist facilities also.*

Note: The EQL Property Portfolio is dynamic and the numbers above are subject to change.

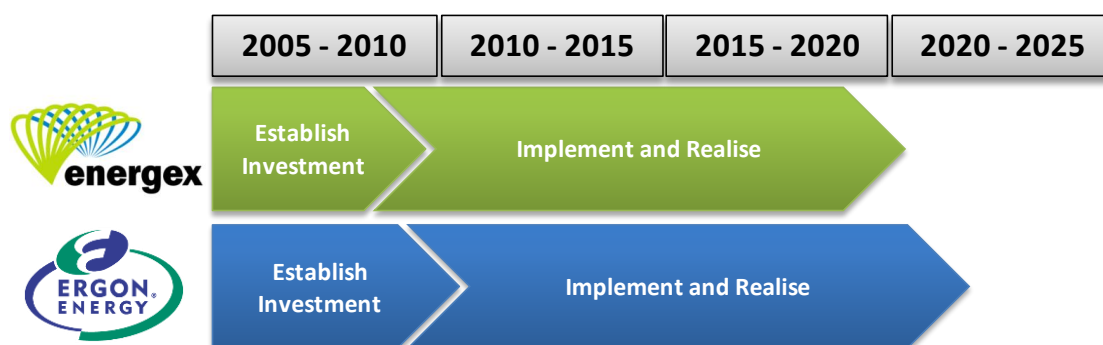
The Journey

Energex and Ergon Energy have operated as 'sister companies' for many years, both owned and operated by the State of Queensland in the same regulatory, legislative and stakeholder environment. Both Energex and Ergon Energy Property Services have been on a very similar journey since the founding of the Australian Energy Regulator in 2005, both in their operating functions and their investment portfolio lifecycles.

Prior to 2000, both organisations had not invested in any large capital projects in their respective corporate property asset portfolios, and prior to 1999 Ergon Energy had previously operated as six Electricity Boards. post-2003, both organisations began to invest more in both network and non-network infrastructure to address issues arising due to prior under-investment.

2010 – 2015 period: During the 2010-2015 regulatory period, there was a key focus on repositioning, refreshing and maximising the value of the corporate portfolio. The capital funding over this period was significantly targeted to the major operational hubs which were at end of life across both the Ergon and Energex property portfolios. The result at the end of the period was a safer, more efficient, and more streamlined corporate property portfolio.

2015-2020 period: For the 2015-2020 period, the strategy for both Energex and Ergon Energy focussed on achieving similar outcomes for aspects of the portfolio that weren't already upgraded, as well as maintaining the existing portfolio. The merger during this period allowed for the expansion of key efficiency initiatives that were originally implemented over the 2010-15 period and focussed on progressing opportunities to reduce costs.



3. Strategic Context

Our Strategy

The following strategy framework provides an overview of Energy Queensland's vision, purpose and strategic objectives.

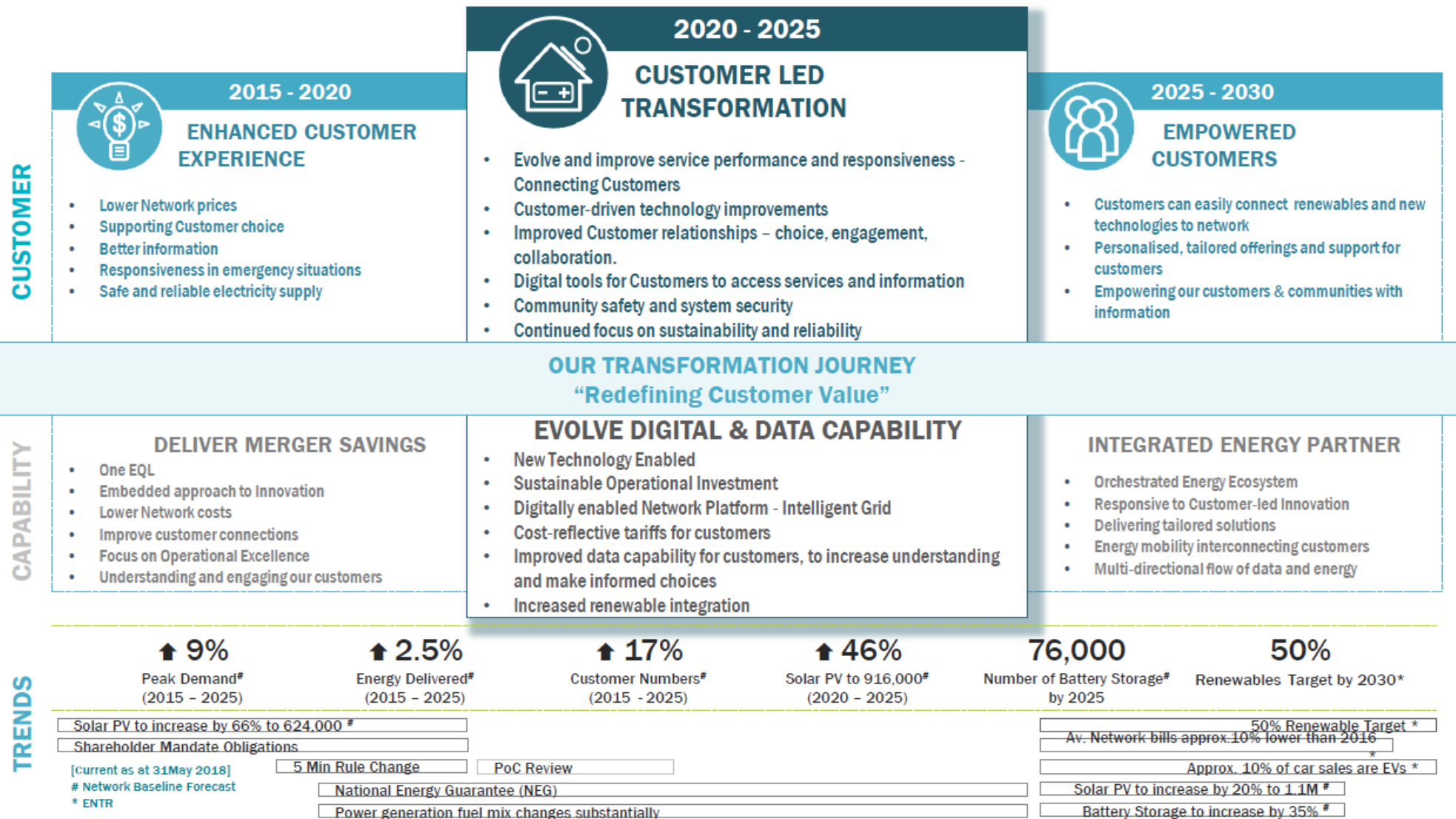


Energy Queensland's strategic objectives place our communities and customers at the centre of all that we do. To achieve this, we must ensure that we:

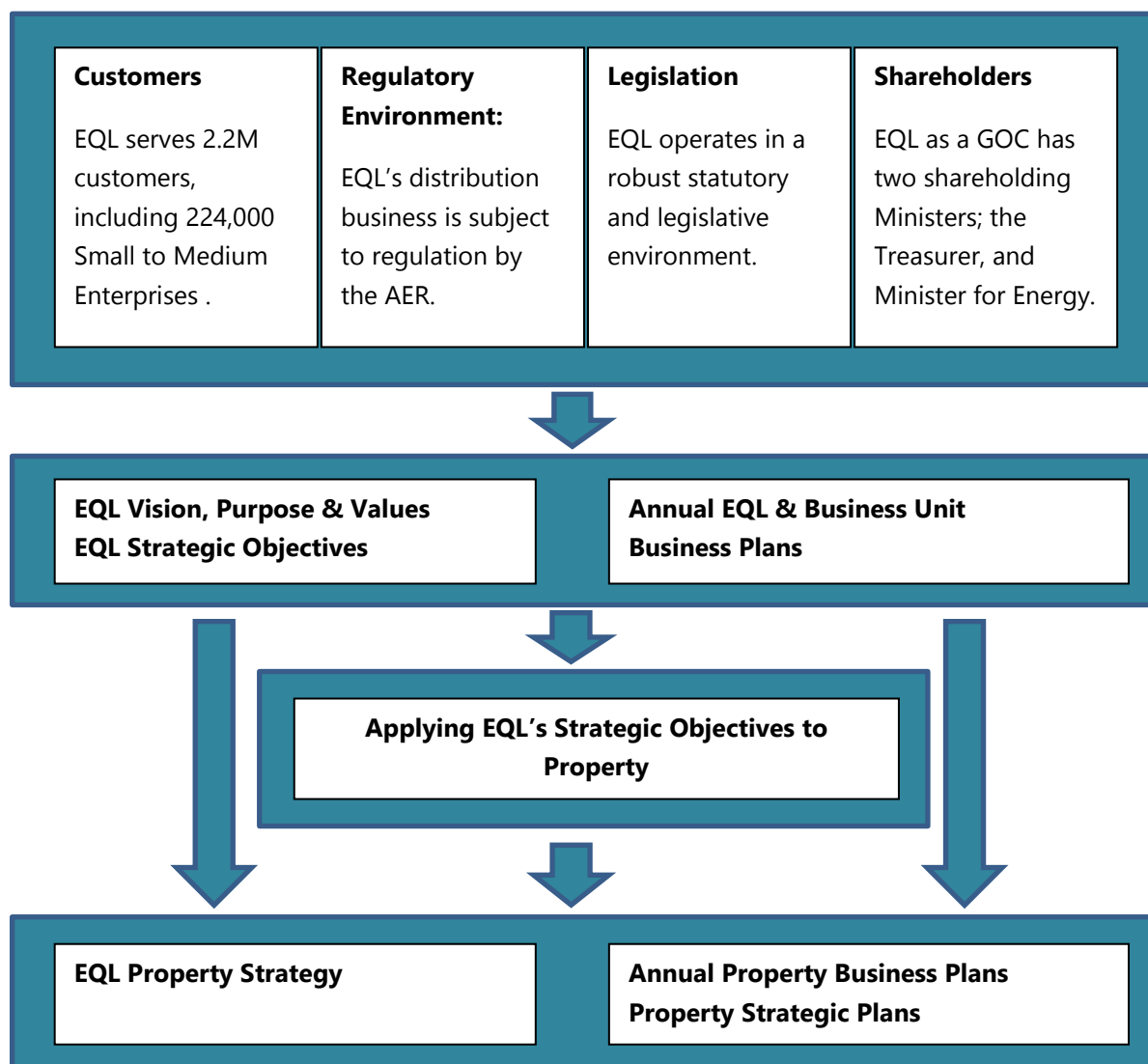
- maintain and deepen our customers' and communities' trust by delivering on our promises, keeping the lights on and delivering an exceptional customer experience;
- continue to build a strong safety culture across the business and empower and develop our people while delivering safe, reliable and efficient operations;
- strive for a culture of continuous improvement in our processes, systems, capabilities and data; and
- innovate to deliver differentiated and compelling offerings for our communities, customers, partners and shareholders.

To deliver on these objectives, Energy Queensland will continue to transform our approach to redefine customer value as shown in the Figure below by:

- understanding and partnering with our customers to be responsive to their rapidly changing needs and expectations;
- delivering price and cost savings whilst providing high reliability and customer service performance outcomes; and
- ensuring we are at the forefront in integrating distributed, renewable energy and other technologies into the grid.



Energy Queensland's Vision Purpose & Values are guided by key drivers, which in turn drive the EQL Property Strategy and our Guiding Principles.



While there is a need to balance all factors, it is crucial for the Property Strategy to drive the voice of the customer into all that we do. Affordability is the number one issue for customers, and so we are looking to balance short-term affordability outcomes with long-term price sustainability.

EQL will manage the property portfolio with the intent of having effective control and governance of assets, which will realise value through managing risk and opportunity, in order to achieve the desired balance of cost, risk and performance.

4. Property Strategic Objectives for 2020-2025

4.1 Applying EQL's Strategic Objectives to Property

EQL's strategic objectives represent the values that Property Services employ in the decision making process for its complete provision of services.

Be community and customer focussed

Property Services commits to invest in local Queensland communities. It acknowledges Energy Queensland's unique position to influence economic, environmental and legislative change in a positive manner by engaging with communities. In this way, for example, Property Services will contribute to 'energising Queensland communities' where possible by sourcing local suppliers to deliver services and support investment decisions in regional communities where they are efficient and fit-for-purpose.

Operate safely as an efficient and effective organisation

In line with Energex's 'Safety First' and Ergon Energy's 'Always Safe' programs; Property Services seeks first and foremost to provide a safe and compliant working environment for all employees. All facilities will be designed, developed and maintained with safety as the number one priority, in accordance with current business, legislative and regulatory requirements.

Strengthen and grow from our core

Property Services will deliver a prudent and efficient portfolio; ensuring the asset base is operationally fit-for-purpose. Financial investment will demonstrate positive commercial outcomes for Energy Queensland and support the reduction of customer power bills through efficient capital and operational expenditure. In line with this, Property Services seeks to optimise its asset portfolio where it is operationally safe and prudent to do so. Opportunities to reduce 'fixed costs' through consolidation of services and cost-recovery initiatives will be evaluated in accordance with Property Services Asset Management Framework. ISO55000 is the International Standard for Asset Management and forms the guideline for the development of the Property Services asset management framework for EQL. The Property Strategic Asset Management Plan (SAMP) (Attachment 7) specifies how the EQL Property Strategy objectives are to be converted into asset management objectives, and the approach for the achievement of these objectives. (Refer to *Section 5* for more detail).

Create value through innovation

The Transformation Office aims to optimise our non-network infrastructure (property, fleet and inventory) to deliver operational value. Property Services will remain focussed on delivering value to customers and continue to develop efficiencies through innovation. Facilities will meet customer requirements while ensuring flexibility in a changing energy sector. Property Services strives for open consultation with stakeholders and customers to ensure the property portfolio can achieve its commercial and operational targets. Property Services will ensure our property assets are future ready and focussed on supporting our people in the workplace through an active commitment to workplace flexibility and providing for a diverse workforce. This will benefit not only our people but also our customer and the community by enabling an efficient and fit-for-purpose office footprint.

4.2 Strategic Objectives

The aim of the EQL Property strategy is to deliver a safe and efficient, fit-for-purpose and customer-centric property portfolio. The EQL property portfolio will support Queensland communities and customers by ensuring EQL has facilities in the right locations to enable the operation of a safe and efficient network.

Property Services is responsible for optimising and maintaining the combined property portfolio for Energy Queensland (EQL), consisting of the Energex and Ergon Energy property assets. The vision for Property Services is:

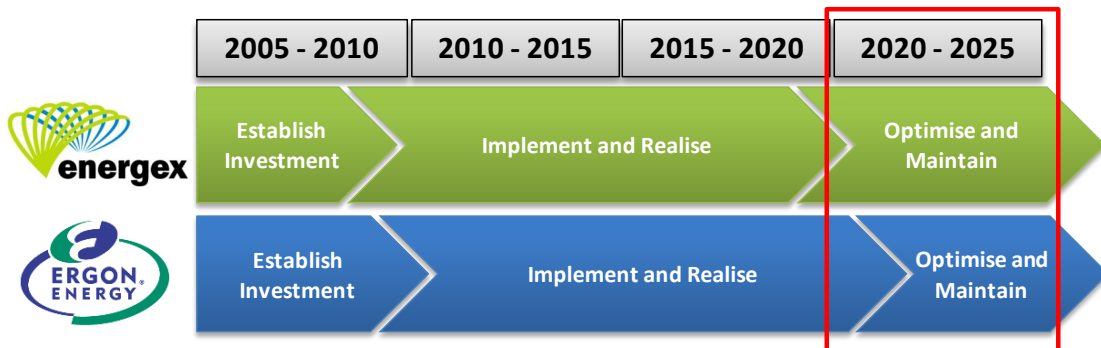
Property Services supports our high performing organisation by leading innovative and collaborative non-network infrastructure solutions.

Property Services' strategic objectives for the 2020-25 regulatory period is to consolidate the merged Energex and Ergon Energy property portfolios with a particular focus on leased office space and specialist functions to deliver further savings, put downward pressure on Opex costs and achieve performance efficiencies. In order to achieve this, we will need to initially invest in capital expenditure to enable consolidation and future savings. Our focus remains on ensuring we have efficient, fit for purpose and compliant sites that best support our customers by enabling our operational crews to efficiently maintain the network.

For operational sites, EQL will continue to reduce tenure risks and improved business continuity by owning fit-for-purpose operational properties rather than leasing them, as leased sites are subject to lease expiries, options, reviews and the conditions of the market and landlord.

Towards 2020-2025

Looking forward to the next period EQL expects to realise further cost savings and efficiencies as a result of a consolidated and centralised property asset portfolio and be predominantly optimising and maintaining the portfolio with a more mature asset management approach.



4.3 Functional Property Strategies

To deliver a safe and efficient, fit-for-purpose and customer-centric property portfolio, individual property strategies will be developed for the various property functions:

- Office Accommodation (See Section 7)
- Operational Depots (See Section 8)
- Specialist Facilities (See Section 10)

In addition, the security strategy across the entire portfolio is outlined in Section 9. These strategies identify the needs of our stakeholders and identify strategic outcomes to meet those needs. Our Minor Works Strategy is also attached in **Appendix C**.

5. Asset Management Approach

Asset Management Principles

EQL is moving towards a focus on managing assets throughout their whole of life cycle, not just at any one stage, in an effort to reduce long term expenditure.

Properties will be maintained, renewed, replaced, refurbished, redeveloped or exited with the purpose of and focus on reducing long term costs. This drives down whole of life costs by reducing the need to continuously spend to maintain aged, run down assets at or approaching end of life. There will be an increasing emphasis on preventative rather than reactive expenditure.

EQL Property Asset Management

Historically Energex and Ergon Energy have provided a range of Facilities Management and Maintenance Services – Non-Network Infrastructure Services (NNIS) through contractors, with Energex also providing a range of Property Management services through contractors. Going forward, the Property Asset Management function will remain in the Property Services structure, to ensure that EQL retains control over key data and intellectual property. This will ensure that the NNIS contractor/s maintain the portfolio in accordance with the approved Asset Management Plans.

EQL Facilities and Property Management Services

In order to consolidate property and facilities management services, EQL is currently conducting a procurement process for the provision of NNIS. The purpose is to ultimately engage a head contractor(s) to perform services in respect of its non-network infrastructure (including property management and facilities management services) on behalf of the EQL group of companies. Operational commissioning of the new NNIS contract will occur in the 2018/2019 financial year. This will see a number of significant improvements over the current arrangements. These improvements will generate savings through:

- Alignment of facilities and property management services across the entire EQL portfolio under one uniform contract supporting a comprehensive scope and services specification.
- Greater integration of the Head Contractor into EQL systems and processes.
- Resourcing and performance (response time) improvements including ensuring the identification and provision of local contractors supporting their local depots and network staff.
- Eliminating process waste and transaction obsolescence to reduce reactive response times and increase planned and preventative asset interventions.
- Improved triaging, prioritisation and tracking of service requests.

A key outcome sought by EQL is the engagement by the successful provider(s) of local industry and small and medium enterprises in accordance with the new Queensland Government Procurement Plan 2017. EQL has instituted a Local Benefit clause in the new contract to ensure our Local Contractors and Local Business are at the forefront for this contract. The local context of this contract is expected to be in excess of 90%. An improvement in this area will assist in improved outcomes, reduced costs and importantly a social benefit that will help strengthen our regions and the EQL delivery of services in regional and remote areas.

Security of Property Assets

Physical security of EQL assets forms part of Property Services' proposal. Security exists to reduce the cost and impact of malicious perpetrators on personnel, assets and information. To improve security a risk-based approach is being undertaken to maintain the property portfolio in accordance with the Draft Queensland Government Protective Security Framework Policy (QGSPFP). This involves improving our information security and a continued focus on the critical function of securing our property assets, EQL personnel and the community. EQL has a dedicated Security team and program of works to deliver risk-based and cost-effective physical security solutions.

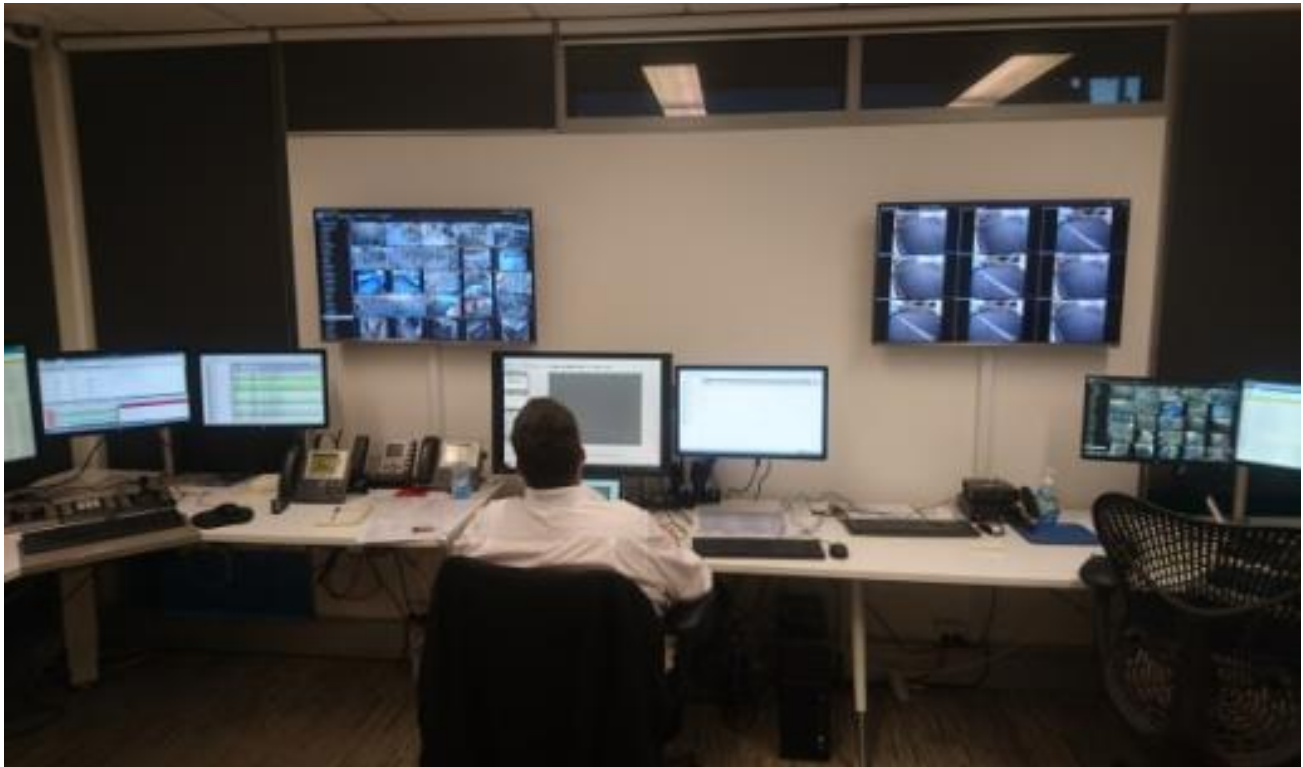


Image: Photo of EQL 24/7 Monitoring Centre.

6. Property Capital Forecast (2020-25)

The graphs below show the AER funding across current and past periods for Property Services, as well as the proposed funding for the next period. The EQL capex trend is clearly downward and as a result of the merger of Energex and Ergon Energy, we expect to see a stabilised forecast maintained across the next and future periods as we continue to optimise and maintain our consolidated portfolio. Although merger savings have already been realised, the proposed Property Program of Work for 2020-25 seeks to further consolidate the combined Property Portfolio to deliver further savings to the customer that will be realised over both the short and long term.

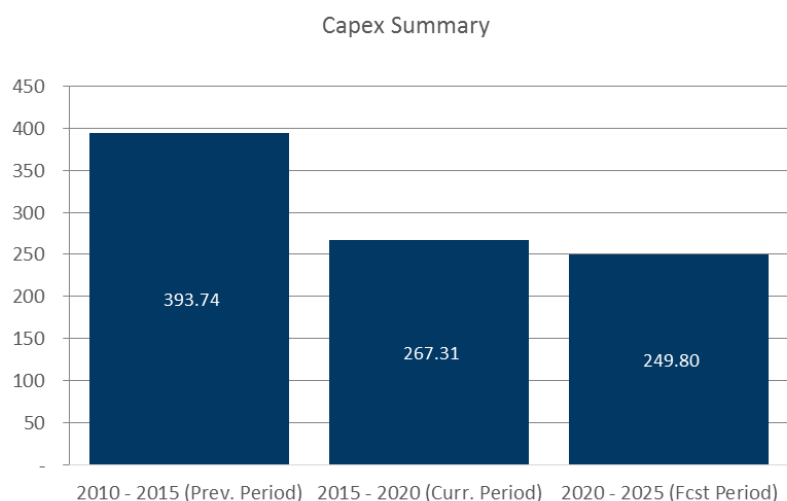


Table: EQL Capex Determination Summary

****All figures are expressed as real, direct \$17/18**

The graph below further details past and forecast spend for the current period and the proposed forecast for 2020-25.

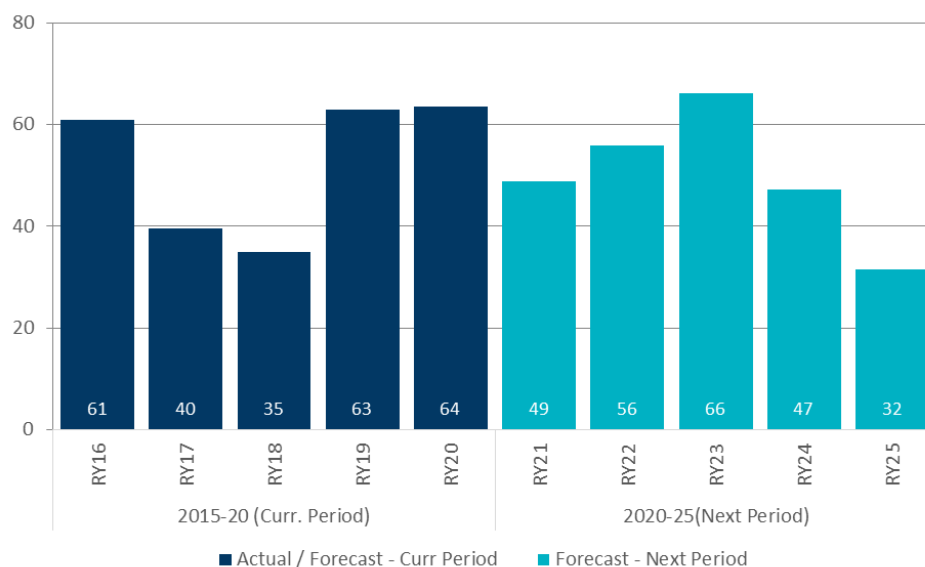


Table: EQL Capex Spend: Actual/forecast spend of current and next regulatory periods

****All figures are expressed as real, direct \$17/18**

2020-25 Program of Work across the Property Portfolio:

The final estimate and programming for the property program of work for the 2020-25 period are detailed below:

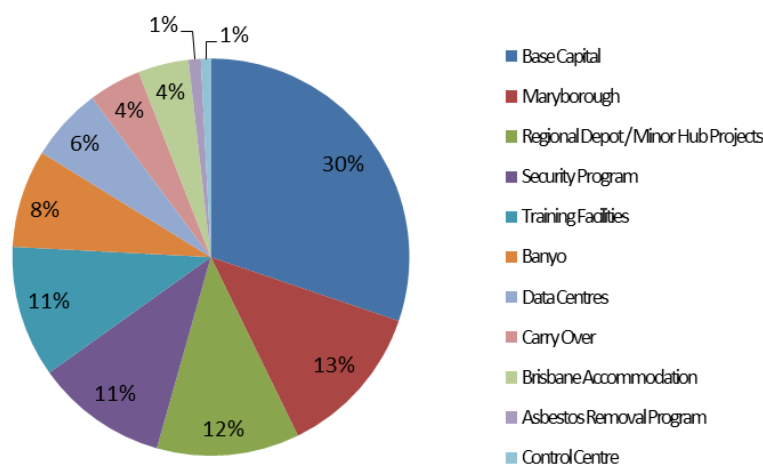
	Strategy	2020-2025 Indicative Strategic Property Plan Budget					
		2020/21	2021/22	2022/23	2023/24	2024/25	2020-25 Estimate
Ergon Energy	Maryborough Strategy	\$ 3,105,671	\$ 12,560,000	\$ 15,734,329			\$ 31,400,000
	Regional Depot Projects	\$ 3,961,905	\$ 38,095		\$ 3,961,905	\$ 38,095	\$ 8,000,000
	Security Program	\$ 4,112,286	\$ 4,211,377	\$ 4,310,468	\$ 4,360,014	\$ 4,459,105	\$ 21,453,250
	Base Capital	\$ 8,336,257	\$ 8,524,293	\$ 8,674,722	\$ 9,050,793	\$ 8,975,579	\$ 43,561,643
	Cairns Operational Stage 2 (carry over)	\$ 4,929,232.61	\$ 3,718,543.90				\$ 8,647,777
TOTAL ERGON ENERGY		\$ 24,445,351	\$ 29,052,309	\$ 28,719,519	\$ 17,372,712	\$ 13,472,779	\$ 113,062,670
Energen	Minor Hub Project		\$ 742,857	\$ 10,430,402	\$ 9,859,284		\$ 21,032,543
	Security Program	\$ 1,025,520	\$ 1,050,231	\$ 1,074,942	\$ 1,087,298	\$ 1,112,009	\$ 5,350,000
	Base Capital	\$ 6,100,885	\$ 6,238,499	\$ 6,348,590	\$ 6,623,818	\$ 6,568,772	\$ 31,880,563
	Greenslopes Depot (carry over)	\$ 2,000,000					\$ 2,000,000
TOTAL ENERGEN		\$ 9,126,404	\$ 8,031,587	\$ 17,853,934	\$ 17,570,399	\$ 7,680,781	\$ 60,263,106
EQL Property Strategy	Brisbane Office Accommodation Strategy	\$ 1,103,000	\$ 6,000,000	\$ 1,106,090	\$ 1,000,000	\$ 1,109,273	\$ 10,318,363
	Banyo	\$ 11,250,000	\$ 4,750,000	\$ 3,905,000			\$ 19,905,000
	Data Centres Strategy	\$ 500,000	\$ 6,928,571	\$ 7,571,429			\$ 15,000,000
	Training Facilities Strategy		\$ 573,327	\$ 6,512,830	\$ 10,839,292	\$ 8,825,412	\$ 26,750,861
	Control Centre Strategy	\$ 2,000,000					\$ 2,000,000
	Asbestos removal program**	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 2,500,000
TOTAL EQL Property Strategy		\$ 15,353,000	\$ 18,751,898	\$ 19,595,349	\$ 12,339,292	\$ 10,434,685	\$ 76,474,223
Indicative AER Submission Total		\$ 48,924,755	\$ 55,835,793	\$ 66,168,802	\$ 47,282,403	\$ 31,588,245	\$ 249,800,000

**This strategy relates only to standalone asbestos removal capital works that is not included as part of wider project works.

Table: 2020-25 Proposed Property Program of Work

****All figures are expressed as real, direct \$17/18**

The capital expenditure allocations for the 2020-25 period have been made in accordance with the Energy Queensland Cost Allocation Model (CAM).



Graph: 2020-25 Proposed Property Program of Work

****All figures are expressed as real, direct \$17/18**

Each of these strategies are key drivers behind our 2020-25 forecast and submission to the regulator. Further details on each of the key strategies driving the proposed Property Program of Work can be found as per below:

- Security Program (**Appendix D**)
- Maryborough Strategy Business Case (Attachment 1)
- Brisbane Office Accommodation Strategy Business Case (Attachment 2)
- Banyo Workshop Strategy Business Case (Attachment 3)
- Data Centre Strategy Business Case (Attachment 4)
- Brisbane Training Facilities Strategy Business Case (Attachment 5)

- Townsville Training Facilities Strategy Business Case (Attachment 6)

The following strategies have been developed using a bottom-up or base trend forecasting methodology as these strategies are made up of multiple unspecified capital works.

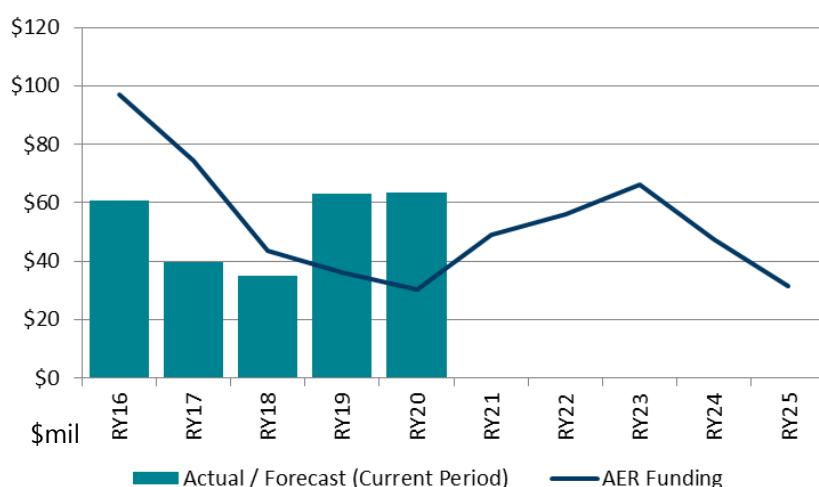
- Minor Depot upgrades (**Appendix C**)
- Base Capex (**Appendix E**)

Performance to date:

At the end of the 2015-20 period Property anticipates achieving:

- Consolidation, relocation, vacation and decommissioning of a number of redundant or surplus facilities and land parcels;
- Delivery of 4 Major Project Redevelopments
- Delivery of in excess of 15 significant minor depot upgrade projects including refurbishments, upgrades and extensions to offices and depots;
- Improved site safety and compliance, security of tenure, the condition of premises, site functionality and efficiency and environmental measures resulting in a reduced risk profile across the portfolio;
- Directly measurable financial benefits to the organisation in the form of operational cost savings along with numerous indirect or qualitative benefits relating to the operations, activities and employees that utilise the properties within the portfolio.

The graph below provides detail of the AER allowance for the 2015-20 period compared to actual and forecast spend until 30 June 2020, as well as the proposed funding for the 2020-25 period. Property Services has delivered savings and cost efficiencies to the business through the implementation of several initiatives and will continue to do so across the next regulatory period.



Graph: EQL actual and forecast spend compared to AER determination / proposed funding

****All figures are expressed as real, direct \$17/18**

Projects delivered to date:

The significant major projects delivered within the 3 years of the current regulatory period include:

- Townsville, Garbutt Major Project Redevelopment
- Toowoomba Major Project Redevelopment
- Rockhampton, Glenmore Road Major Project Redevelopment
- Victoria Park

A full summary of the benefits derived from projects delivered within the current period can be found within **Appendix F**.

In progress projects:

Key projects approved for funding within the current period that are currently in progress include the Greenslopes and Stafford Operational Hubs.

Greenslopes depot is identified as a long term property holding as there is extremely limited appropriately zoned industrial land south of the Brisbane River and within 5km of Brisbane CBD. It is within close proximity to the M3 Pacific Motorway with access to the north and south. Neighbouring activities to the site are the South-East busway, bushland and former quarry, therefore it is strategically positioned in terms of compatible adjoining development. The current building infrastructure and the associated plant are reaching end of life with substantial deterioration of the office fitout. Some building elements at the site contain asbestos, which requires a high level of management to maintain asbestos as a low risk.

The Greenslopes depot redevelopment is a project identified in the 2015-20 Strategic Property Plan (SPP) and funding is allocated in 2015-20 AER Determination. The approved scope was a refurbishment of the existing Greenslopes depot to improve operational efficiency and maintain regulatory and legislative compliance. Detailed investigation of the initial strategy had identified further opportunities to consolidate staff located at the Southern Metro Office (SMO) to Greenslopes, achieving a reduction in opex costs as well as increased operational efficiencies for field delivery, by locating designers and other key support personnel on-site.

The proposed Stafford Operational Hub is to be a new hub on land owned by EQL for the Brisbane Central Area, replacing the existing Kelvin Grove site, which is the only Field Delivery site located on a commercial lease. The objective of the proposed project is to construct a fit for purpose operational hub at Stafford to service the Brisbane Central area, which is a densely populated area with a large number of customers. The Kelvin Grove Hub was not fit for purpose and was reliant on costly commercial leases.

Property Forecasting Methodology:

The property forecast is reflected in a deliverable program of work. The following details the forecasting approach applied:

- Consideration of the investment drivers and their priority provides the framework in which the forecast is developed;
- Within this framework the capital estimating tools (detailed below) are applied in the development of the investment forecast;
- The assumptions are applied and risks assessed and weighted to establish a prioritised plan;
- The forecast is developed as a specified program with itemised cash-flows and delivery schedules.

Further to the EQL strategic objectives and key drivers for the proposed property program of work, the forecasting methodology that Property Services employs for developing business cases uses the inputs in the table below.

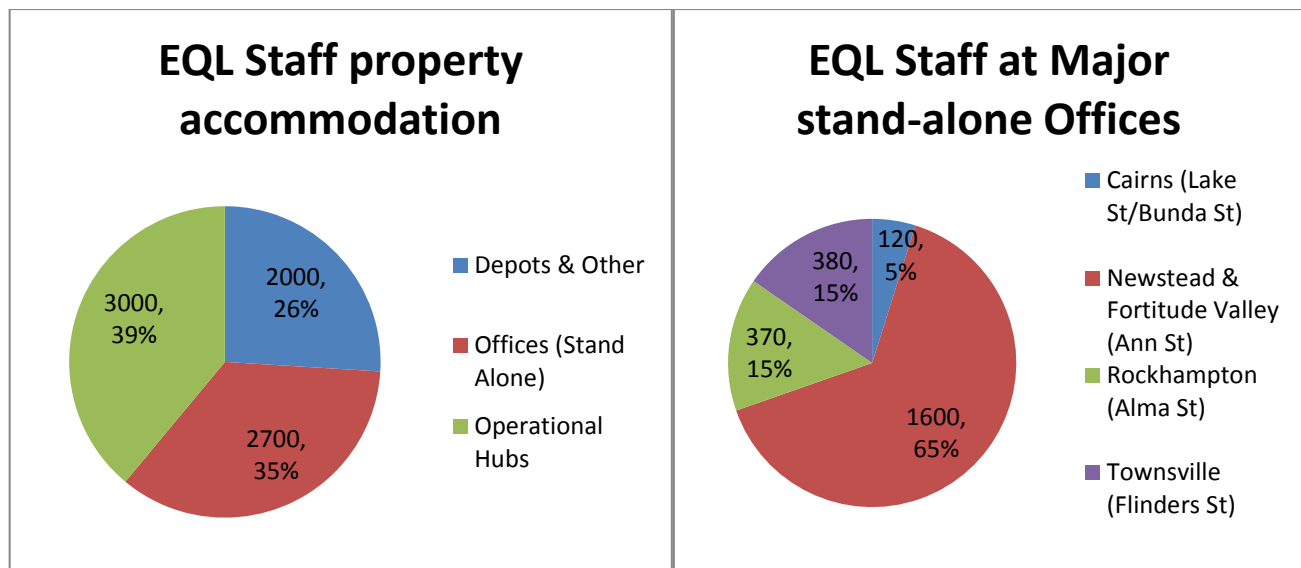
Inputs into Property Forecast

✓	Risk assessment and priorities according to safety, compliance and operational requirements;
✓	Assessment of current asset portfolio – status, risks, issues (i.e. life cycle costings);
✓	Business priorities (i.e. asset condition assessments);
✓	Market research including opportunities, risks and trends (i.e. standardisation manuals);
✓	Options analysis of holding and maintaining current facilities, changing existing facilities, building new facility (i.e. Net Present Value models and other similar tools and models);
✓	High-level estimation of land values, construction costs and lease costs. (i.e. Rawlinson's Construction Handbook, industry engagement and consultation, master planning estimates)

7. Office Accommodation Strategy

Background

EQL has approximately 7700 staff that are based in our properties (predominantly Full-Time Employees). Approximately 4500 EQL staff are predominantly field-based employees, and around 3700 are predominantly office-based employees. Most staff (74%) are located in our major stand-alone offices and our operational hubs, with the balance largely at operational depots as well as a few other sites.



With standalone office accommodation housing 35% of staff and with office rent alone being around 35% of the current Property Operating budget each year, it is important for both staff and our customers that we have a high performing office portfolio. To achieve this there will need to be a particular focus on workplace flexibility, which has significant benefits for both EQL staff and our customers.

Applying EQL's Strategic Objectives to Office Accommodation

The Office Accommodation Strategy addresses how each major office accommodation decision complies with EQL's Strategic Objectives:

- **Community and customer focussed**
- **Operate safely as an efficient and effective organisation**
- **Strengthen and grow from our core**
- **Create value through innovation**

Focus on Workplace Flexibility

In determining what constitutes “Fit-for-purpose”, there will be a particular focus on workplace flexibility. EQL is committed to providing a flexible, safe and rewarding workplace for all employees. With the needs and working patterns of staff and the wider community changing and constantly evolving, there is a need to have more flexible working options to suit and empower a more flexible and mobile workforce. People have different needs and responsibilities at different stages of their careers; from family, cultural or community commitments to hobbies and interests. Flexible work has been shown to drive employee engagement, innovation, high-performance, talent attraction, retention, diversity and inclusivity.

One of the key principles of workplace flexibility is allowing telecommuting for employees, which is working at a location other than the primary place of work:

- Working from home;
- Working from another office or depot; and
- Working from multiple locations on different days.

The EQL Flexible Work Guide states that by “*building a culture of flexibility and supporting employees to integrate work and home in the way that suits best, both the business and employees can benefit*”.

With rent the largest single property cost, there are further benefits to EQL above the previously described benefits to staff, the organisation and our customers of having workplace flexibility. Allowing staff to work from home and certain depots and being set up to be more mobile (eg with a mobile and a laptop rather than a desk phone and a desktop computer) allows EQL to optimise office space, to allow for exiting some properties, and leasing and sub-leasing others.

The challenge for the Property Team lies with property being a long life asset lasting many decades. Our older sites are designed for the workforce of many decades ago and are not purpose-built for the modern and flexible workforce.

CASE STUDY – WORKPLACE FLEXIBILITY IN PROPERTY

Property Services has embraced workplace flexibility amongst the team to drive the shift from workplace flexibility being an individual issue to an organisational issue. Property Group sees the value in workplace flexibility being embedded into the culture of the organisation in order for EQL to be a future-focused workplace with high levels of staff engagement, performance, retention and inclusivity.

Tara Evans and Aimee Pilcher are both working mothers within the Property team. Both work each week from both the office and from home.

Tara has to travel extensively for work – “With the need to engage with stakeholders across the state I often need to travel so I need to be able to work from any location within the business”. Tara has also used workplace flexibility to work from offices other than her main work location to meet the demands of both family and her role: “Workplace flexibility means I have been able to achieve balance between my role as a mother and my career. During school holidays I have been able to travel to my parents who live in Yeppoon and work from the Rockhampton office as opposed to taking annual leave during critical times in my role”.

Aimee works part of her work week from home which has allowed her to balance the demands of her young family and her career. “Knowing I have the support of my manager and my colleagues takes that extra pressure off my shoulders. At high pressure times in my role when I have many conflicting deadlines I often find it more productive to work from home as I can just get in and get stuff done with minimal distractions”.



Office Accommodation Strategy

The EQL Office Accommodation Strategy is:

- To continue to maintain separate Major Hubs, Offices and Specialist Facilities at key regional centres of Townsville, Brisbane, Rockhampton and Cairns.
- In other locations promote consolidation of offices into operational sites.
- For all major operational sites to be owned, not leased.
- In new office projects and office refurbishments, ensure that major sites, in particular, support the diverse needs of the workforce.
- Implement arrangements that support workplace mobility in Major and Minor Hubs as well as larger depots (where there is capacity on-site) through:
 - Increased hot desks at sites to allow staff visiting from other offices or staff looking to work closer to home for part of the work week.
 - Identifying sites where extra capacity exists for staff to relocate to.
 - Optimising office layouts to allow for exiting/leasing of vacant office space.
 - Identifying office space where an Activity Based Work settings area may be appropriate.

This is a large change from the previous Energex and Ergon Energy strategies.

- **The past Ergon Energy Property Strategy centred on consolidation of regional offices into single stand-alone Operational Hub Sites.** This is not practical in major centres where there are many specialist functions with very different requirements, and placing large offices into industrial sites can be challenging. This also offers poor flexibility to scale up and down with leasing of office space on an operational site more complicated and difficult.
- **The past Energex Property Strategy focussed on removing office staff from Hubs into standalone Offices** (eg. Creation of Northern and Southern Metropolitan Offices). This resulted in support staff separated from both field staff in the hubs and office staff in Newstead. The impact to the business was poor cultural outcomes and an increase in leased accommodation.

Achieving the goals of this Strategy will help reduce the costs and support the needs of EQL's diverse modern workforce, to better deliver for the customer.

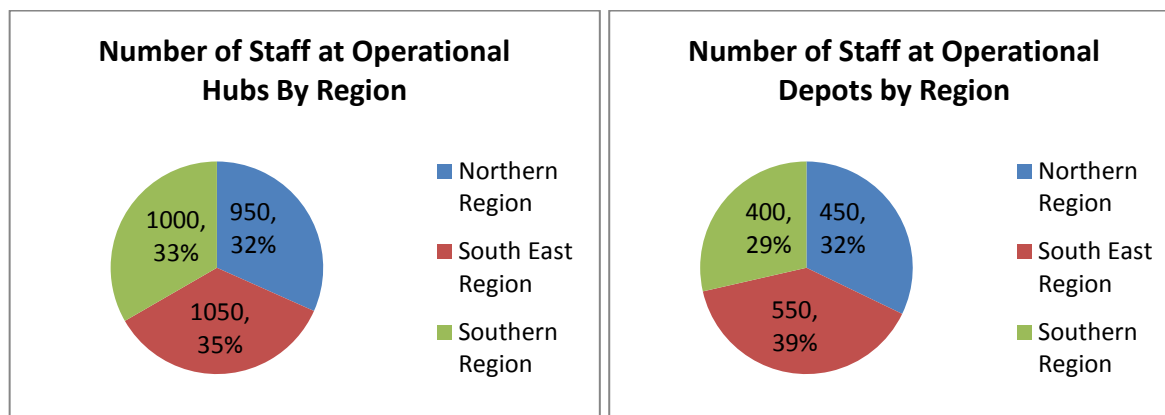


View of Alma St, Rockhampton office

8. Operational Depot Strategy

8.1 Accommodation at Depots

The majority of staff based at operational sites are located at Operational Hubs (3000 staff) with 1400 staff located at other depots.



For operational sites, EQL will continue to reduce tenure risks and improved business continuity by owning fit-for-purpose operational properties rather than leasing them, as leased sites are subject to lease expiries, options, reviews and the conditions of the market and landlord. In the current regulatory period, newly owned depots at Cleveland and Staplyton replaced lease sites, with a new owned site at Stafford to replace the last leased operational depot at Kelvin Grove. With the exit of another lease at Parkhurst, only our Banyo Workshop will be left as a lease site in the 2020-2025 regulatory period.

Our operational sites must also have good vehicle access and new sites located on suitably zoned land (eg. industrial) where possible (not always possible in certain inner city or town centre sites). Our operational sites are largely in industrial areas except for various key inner city and town centre sites.

In both the current regulatory period and the 2010-2015 period, Ergon Energy and Energex have invested in both the major and minor operational hub sites. By focussing on these sites Property Services have ensured that the most critical sites in supporting the efficient maintenance of our network are fit-for-purpose facilities.

In the 2020–2025 regulatory period the Program of Work will allow for a key focus on the supporting depots, which are typically focused on supporting our Field Delivery teams (with the Substations teams located in Hubs):

- **Regional Depots (Including Non-Office parts of Operational Hubs);**
- **Storage Sites (Property Stores & Pole Yards);**
- **Employee Accommodation** (In Ergon Energy area only).

8.2 Determining the Program of Work (2020-2025)

Depots (Including Operational areas in Hubs)

All sites will be reviewed on a regular basis to identify whether they are fit for purpose. This will involve an assessment of whether the site is of sufficient size, with safe access and whether the buildings and major assets are still in good condition. For sites where building and major assets are in poor condition, but the overall site is in a good location with safe access and few constraints, then an upgrade to the existing facilities can then occur. Where this is not the case, relocation will be considered or acquiring additional land. There are a number of depots which are undersized and to ensure that operations can continue without the need to purchase a new site, a nearby pole yard is used (typically co-located with a substation).

Asbestos Removal Program

The EQL Board has prioritised the acceleration of asbestos removal activities across all EQL depots, offices, residences, substations and other network infrastructure.

Property Services are developing a prioritised program of works for delivery during the 2020-25 regulatory period in support of EQL's Asbestos Free by 2030 target, with a significant amount of the works anticipated to be done in the current regulatory period. This program will consider and consolidate capital and operational requirements across the property portfolio to achieve this target in the most cost-effective and efficient means. Each site will be assessed on a case by case basis in line with the site's future strategy and desired functionality for determination of the preferred course of action for achieving an asbestos-free status. The program will include a combination of remediation, refurbish, demolition and disposal activities.

Storage Site (Property Stores & Pole Yards)

Storage Sites can be split into two different categories:

- Remote Storage Sites: These are typically located in areas where there is a need to have a site for emergency response, but not enough demand to justify an actual depot. These sites are more prevalent in remote areas.
- Attached Storage Sites: These are typically utilised when depots don't have sufficient size. There are 30+ storage sites and are mostly located in the Southern Region.

Storage sites need to be maintained to ensure that they can be used in a safe and efficient manner, but given the low value of the sites, this must be done in a cost-effective manner, particularly at pole yards.

Employee Accommodations

EQL is committed to the provision of housing and rental assistance as part of the Non-Urban Attraction and Retention Incentive Guidelines. The purpose of this is to attract and retain suitably qualified employees in non-urban/remote areas, or in areas where suitable housing is at a premium in either quantity or price.

EQL currently own or lease around 100 houses, with about 85% of these located in remote or very remote areas and the remaining 15% located in non-urban locations. In the medium term, all these properties will be assessed for retention, with a future focus on providing financial assistance rather than housing. In some very remote areas, there may be a greater need for EQL to provide accommodation as in many of these areas there are simply no houses available for purchase or rent.

The asbestos removal program will greatly influence the housing portfolio in the short to medium term, as residences based in our rural and remote locations tend to be aged and nearing end of life. The cost to remediate some of these properties is prohibitive to achieving long-term commercial outcomes as the asset value continues to diminish. Where the employee housing requirement at these locations remains and the asset condition is poor to critical, a decision to invest in a new or alternative asset will be made. This will result in a higher short term investment; however, lessen our operational expenditure in the long-term. The requested acceleration of the asbestos removal program means many of these decisions need to be made rapidly, at a higher short-term cost to the business.

9. Security Strategy

Drivers for the Program

The proposed security program for the next regulatory period is based on compliance with the Draft Queensland Government Protective Security Framework Policy (QGPSFP). This will be in place and mandatory prior to the commencement of the next regulatory period. The policy does not mandate the baseline physical security standard which instead requires a risk-based approach.

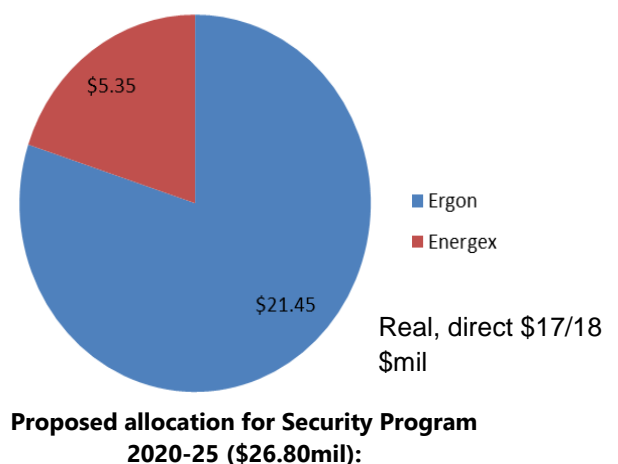
Key drivers for the program are personnel/customer safety, asset security, and loss prevention. Security exists to reduce the cost and impact of malicious perpetrators on personnel, assets and information.

Regardless of the legislative framework driving the program, a risk-based security program based on Australian/International Standards will inherently comply with key legislation and deliver cost-effective risk-based security solutions which drive down indirect costs and improve the performance of personnel and the asset base.

Security Forecast for 2020-25

In the 2020-25 regulatory period, EQL will be in an optimise and maintain phase for the Energex area. It is anticipated that for the Energex network area, the security POW will be almost entirely replacement of end of life assets (e.g. security system controls).

The Ergon Energy security POW will require a program of risk assessments of sites to determine the requirements to bring them to a baseline security standard. In the 2020-25 regulatory period, EQL will still be in an implement and realise phase. In particular, there will need to be an upgrade of security systems, and coordination of them to connect into the existing 24/7 Monitoring Centre.



Improving EQL security culture to ensure value for money

At EQL security is everyone's responsibility, as physical security controls are most effective when combined with a good security culture. EQL supplements physical security implementation with a dedicated security education and compliance program for our staff and contractors. To this end, Property Services have recently created the Fundamentals of Security course for rolling out within EQL.

10. Key EQL Specialist Functions and Facilities

There are a number of specialist uses that have unique property needs that are different from typical accommodation requirements to our office and depot requirements. These include:

- Control Centres
- Contact Centres
- Data Centres
- Warehouse & Logistics
- Training Facilities
- Substations Services & Workshops
- Ergon Retail Contact Centres and Trading Room
- Fleet Workshops
- Various Laboratories (eg Geebung Metering Lab).

Each of these functions are to have an individual Property Strategy. A quick summary description of each function is provided below.

Control Centres

Our Operational Control Centres provide a crucial service for both the normal operation of the network and during disaster response. EQL has control centres based in Townsville, Rockhampton, Newstead, and a backup location at Victoria Park for use during a disaster. Our Control Centres need to be located in resilient locations in order to function effectively during and after a disaster due to the business critical nature of the work the team performs. These facilities operate 24/7 and have unique property requirements given the specialist nature of the work being performed. Due to the nature of this workgroup, part of the Property Strategy for Control Centres requires Property Services to continue to consult and work closely with the Network Operations Group.

Distribution Contact Centres

Our Distribution Contact Centres assist with the scheduling and performance of customer initiated and responsive work. Distribution Contact Centres are currently located in Rockhampton and Newstead. Although from a Property Services perspective this team's requirements are similar to that of a typical contact centre, the team has changed rapidly in recent times and is now a more centralised team with the majority of work being performed and issued online. Due to the critical and customer facing role of this team, the group has specialist requirements in terms of flexibility to scale up during peak times such as disaster response. Due to the ever-changing and flexible nature of this team, the Property Strategy for Distribution Contact Centres will be an ongoing strategy that is constantly reviewed and revised.

Data Centres

EQL has several information technology systems that require unique hardware to operate. The systems have various operation, security and redundancy requirements due to their function and criticality to business operation. These systems are operated and maintained in isolation and are often unmanned with support staff located remotely. There are both network and corporate data centres and they can be located on an EQL site or separate to our main locations for resilience reasons. Currently, the data centre facilities are located at Victoria Park, Brisbane (owned), Polaris Data Centre Facility, Springfield (leased), NEXTDC Brisbane Data Centre, Brisbane (leased), Toowoomba (leased), Rockhampton (owned) and Garbutt, Townsville (owned).

Our data centre strategy will review our current data centre portfolio and ensure that the facilities are fit-for-purpose and meet the requirements of the business, and identify any opportunities for further optimisation to achieve efficiencies. The owned data centre facilities at Victoria Park and Garbutt are both recently constructed/refurbished, are co-located with other services and provide the required redundancy to maintain critical business functions for the regions. Rockhampton's facilities have been identified as requiring significant remediation and are considered to be end-of-life.

To enable business continuity and mitigate associated critical risks, the data centre strategy will need to maintain a multi-location approach. The strategy will seek to optimise the data centre portfolio and achieve cost efficiencies whilst meeting the critical requirements for EQL. The possibility of consolidation of facilities and redundancy between regions enabled by the recent merger, as well as cloud-based solutions, will be explored.

Warehouse & Logistics

EQL operates six major warehouse and logistical sites across Queensland located in Cairns, Townsville, Rockhampton, Maryborough, Toowoomba and Eagle Farm, Brisbane. The five facilities in regional Queensland are co-located with a Major site or Minor Hub and are strategically located to provide materials and efficient support to the smaller operational depots across the state. The Eagle Farm Distribution Centre services the South East Depots from a single location on the north side of Brisbane.

The Property Strategy for warehouse and logistics facilities ensures we have warehouse facilities in the right locations to provide the business with fit-for-purpose warehouse and logistics solutions. The strategy enables the business to operate effectively and efficiently on the electricity network, whilst providing low risk and timely response during disasters and storm events when parts of the road networks are inaccessible.

Prior to the merger, Energex committed capital investment to the Eagle Farm Distribution Centre as part of its property strategy for the 2015-20 period. Ergon Energy undertook major depot redevelopments of Toowoomba, Rockhampton and Garbutt as part of its property strategy for 2015-20 which also included the warehouse facilities at these major depot locations. These investments have resulted in fit-for-purpose, future-proofed warehouse and logistics sites able to meet the needs of the business and the customer across a statewide footprint.

The Cairns and Maryborough warehouse and logistics facilities are currently under review by Property Services as part of wider Far North Queensland & Fraser Coast regional strategies to ensure a fit-for-purpose & optimised property portfolio.

In addition, there are some specialist pole distribution centres, which are also a key requirement for the business when responding to day to day work and disasters. In the Ergon Energy area, there are four pole storage yards that are currently leased as part of a distribution agreement with an external provider. In the South East pole storage is managed and distributed from two locations at Larapinta and Landsborough.

The merged business will continue to require pole storage solutions that are located in a safe, efficient and sustainable manner. Property Services' strategy for pole yards is to find efficiencies in design and location with the current footprint of pole storage and distribution under review with the procurement and logistics department of the business.

Training Facilities

The main purpose of EQL training facilities is to provide a training environment suitable for practical training and assessment activities for electrical tradespersons and apprentices. As a Registered Training Organisation (RTO) with nationally recognised courses and qualifications, both internal and external electrical apprentices are able to gain their electrical qualifications through EQL.

Technical training plays a critical role in maintaining a skilled and competent workforce for EQL. Technical training has two main functions. Firstly, to assess the current workforce competencies to ensure compliance with legislation and to deliver a workforce that constructs and maintains the network in a safe manner for our customers and communities. Secondly, to develop and upskill the current workforce in additional skills to ensure a sustainable workforce that will deliver secure, affordable and sustainable energy solutions with our communities and customers.

EQL has nine separate training facilities, three of which are major training facilities. Both major and minor sites can be either a standalone facility or co-located with another EQL site, such as a depot. Major sites are dedicated training facilities providing specialist training programs including; complete four-year apprentice program, live line training and high voltage switching training. Minor sites provide training for the following; first-year apprentice program only, generic field inductions and statutory and regulatory compliance assessments. EQL training facilities also provide upskilling training for electrically qualified employees looking to improve on their current skills. Some previous classroom training for office-based employees is now implemented through online learning; this includes mandatory training such as Code of Conduct, Manual Handling, Cultural and Environmental Awareness and Fire Safety Awareness training.

To enable a fit-for-purpose, compliant and efficient Training Facilities Strategy, Property Services has the ability to implement changes to property assets that will enable a compliant, skilled and sustainable workforce. The Property Strategy will ensure efficient use of the property portfolio which in turn delivers cost savings to the customer.

Substation Services & Workshops

The Substations Group are an operational group but are largely located only at Operational Hubs. This group have a number of specialist property requirements as they operate transformer workshops, oil handling facilities and the Banyo Workshop.

The specialist oil handling facilities that are operated by the Substations Group and are used for the storage and processing of transformer oil. These facilities are located with other Substation Group uses such as transformer storage and workshop areas. Used transformer oil is temporarily stored at smaller depots until it is transported back to the major facilities. Major oil handling facilities are currently located at Cairns, Townsville, Mackay, Rockhampton, Toowoomba, Maryborough and the Eagle Farm Distribution Centre.

The Property Strategy for oil handling and transformer storage will enable the Substations Group to deliver on its operational requirements while working within a safe, effective and environmentally compliant workspace. The strategy will enable the provision of fit-for-purpose and complaint oil handling facilities. It will enable the substations group to continue to provide oil filtration/transfer services, transformer refurbishments and relay testing in an environmentally compliant facility.

The Substations Group operates a centralised workshop facility from Banyo in South East Queensland which is an end to end manufacturing and testing facility which produces a range of products that are then deployed to substation yards across the entire EQL portfolio, including modular building and control panels. The Substations Services team which operates from the Banyo Workshop is comprised of test, electrical, production and mechanical staff.

The specialist workshop strategy aims to achieve further consolidation and cost efficiencies within the South East Queensland property portfolio for operational facilities. It also aligns to the property strategy of consolidating and owning operational facilities to reduce reliance on leased operational accommodation.

Within EQL the team have proven to be competitive and achieve valuable and significant efficiencies to the business by completing production of purpose-built substation buildings in-house. Efficiencies are gained both financially and operationally as the facility allows substantial electrical work to the various items (for example modular buildings and control and communication panels) to be completed onsite at Banyo before they are deployed. The benefit of this method is that it involves doing the bulk of the work in a controlled environment, minimising the construction time on-site which is often in remote locations.

In addition to the modular buildings and control and communication panels, the team also provides structural and sheet metal products and provides for the testing and commissioning of the pole mounted plant for the Queensland regional areas. The team is developing the business capability for all labelling for electrical assets

and 3D printing capability. The team also comprises of a specialist transformer construction and maintenance team which operates across Queensland.

Ergon Retail Contacts Centres and Trading Room

The current primary Ergon Retail functions are located at Flinders Street Townsville, and Alma Street Rockhampton. A small number of staff including the retail trading room are located at Ann Street Fortitude Valley and 24 retail staff are currently located at Adelaide Street Maryborough. Given the specialist requirements of this group, particularly the specialist equipment and facilities required for the operation of the trading room the required support from Property Services along with appropriate charge-back arrangements will need to be identified within the Property Strategy for our unregulated business functions.

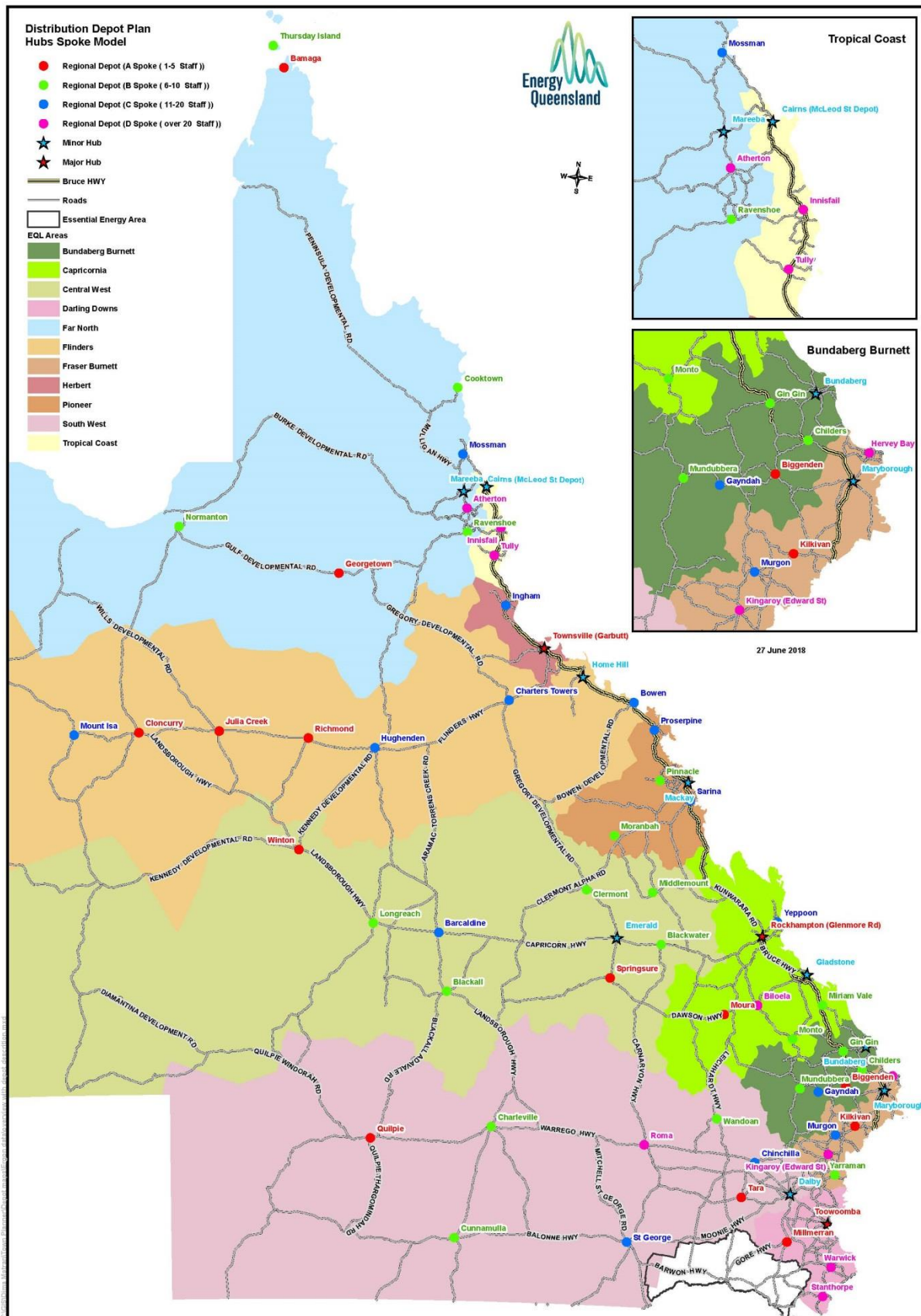
Fleet Workshops

EQL operates a major Fleet Workshop at Geebung. In addition fleet workshops are located at most Energex operational hubs. Ergon Energy does not currently have any specific fleet workshops for fleet maintenance. Geebung Fleet Workshops are being upgraded to add additional capacity to cater for maintenance of Ergon's Mobile Elevated Work Platforms (MEWPs). A business case has been approved for the insourcing of servicing MEWPs that are currently outsourced. Property will support the future augmentation requirements of the fleet workshops.

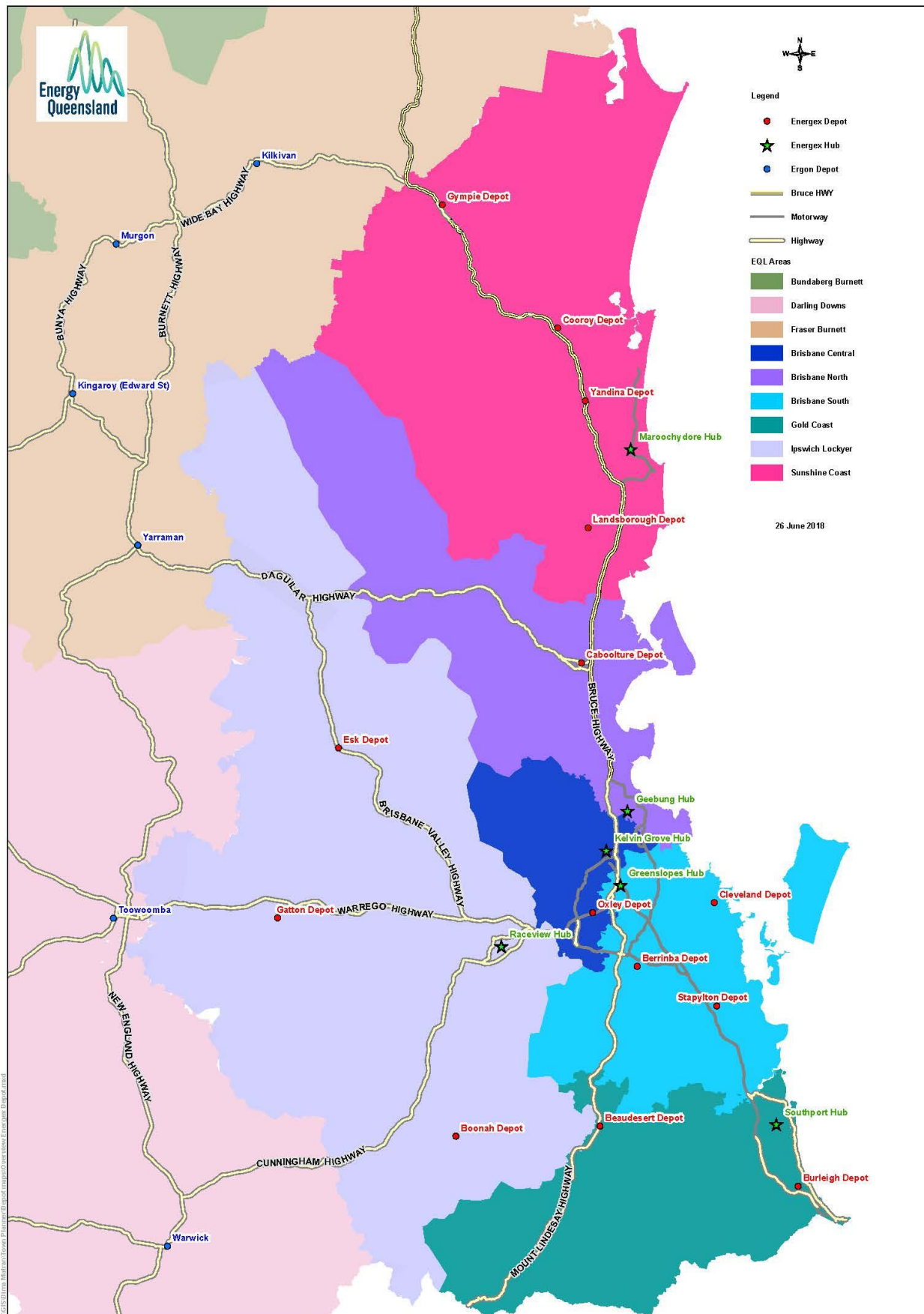
Various Laboratories

EQL operates a laboratory at Geebung, as well as a number of other specialist labs including Hartley Street, Cairns, Victoria Park and Newstead in Brisbane. The property strategy for these facilities will be to avoid placing them in offices and depots but maintain them in specialist facilities.

Appendix A. Overview of Ergon Energy Depots Map



Appendix B. Overview of Energex Depots Map



Appendix C. Minor Depot Upgrades Strategy

i. Objective

Our Strategy is to deliver a safe and efficient, fit-for-purpose and customer-centric property portfolio. The Property Services Group is responsible for managing the combined property portfolio for Energy Queensland (EQL), consisting of the Energex and Ergon Energy property assets. Our Strategy supports Queensland communities and customers by ensuring EQL has depots and facilities in the right locations to enable the operation of a safe and efficient network.

The objective of the Minor Depot Upgrade Strategy for the 2020-25 period is to replace, upgrade and renew aged, dilapidated minor and regional depots with fit-for-purpose, efficient minor facilities. These works will typically be delivered as projects in value exceeding \$1.5mil, but less than \$15mil.

ii. Background

The 2020-25 Minor Depot Upgrades strategy will deliver improvements to EQL's Non Network asset portfolio through the resolution of significant non-compliance, health and safety risks, asset defects and operational deficiencies typically over \$1.5mil in value but less than \$15mil in line with the approved Property Services Strategy. This forecast allocation has been developed using historical expenditure and the Program of Work will be developed and implemented using the input from lifecycle analysis, condition audits, and demand and risk management.

EQL is responsible for building, operating and maintaining the electricity network, a large and diverse asset. To enable EQL to meet these responsibilities requires a significant and ongoing investment in non-system property. Property assets are required for the accommodation of the EQL workforce, for the storage of plant & equipment and enabling points of customer engagement. As EQL manages a metropolitan and regional network, the property assets are widely dispersed and diverse in nature.

Our facilities are essential for supporting the maintenance of the network as well as the major depots in the respective regions. However many of these facilities are in excess of 30 years old, and while they are maintained appropriately under the base capex budget, the operational costs for these sites increase disproportionately as they reach the end of their useful life. Over time, changes in building standards, legislation, and the layout, size and locations of these facilities also increases risk to safety, efficiency and security of tenure.

The Minor Depot Upgrades Program of Work incorporates expenditure on our metropolitan portfolio within South-East Queensland, as well as spoke depots in regional and remote Queensland. This large spread of depots across Queensland (detailed in **Appendix A**) provide the services that support our customers who seek reliability of supply and the need for EQL to maintain a presence in these regional centres. The intent of the Minor Depot Upgrades Program of Work is to maintain the portfolio of property assets by ensuring responsive and operationally efficient depots in a safe and responsible manner. As such, the expected outcome of this expenditure sub-category is the assurance that the portfolio of Non-Network Property assets remain fit-for-purpose, safe and compliant in accordance with the applicable legislation and standards.

The Minor Depot Upgrades Capital Program of Work has been forecast based on analysis of historical spend with several efficiencies implemented to ensure the minimum expenditure required to maintain a safe and compliant portfolio. The forecast spend will be prioritised based on a series of specified location-based projects founded upon the Life Cycle analysis.

iii. Proposal

The Minor Capital Works Program is forecast using a base-trend. The allocation is based on historical spend using an average one year figure to forecast future spend. A nominal growth rate is applied as an escalation, as well as savings efficiencies as a de-escalation to reveal the expected spend within the 2020-25 period.

	2020-2025 Indicative Strategic Property Plan Budget						
	Strategy	2020/21	2021/22	2022/23	2023/24	2024/25	2020-25 Estimate
Ergon Energy	Regional Depot Projects	\$ 3,961,905	\$ 38,095		\$ 3,961,905	\$ 38,095	\$ 8,000,000
TOTAL ERGON ENERGY		\$ 3,961,905	\$ 38,095	\$ -	\$ 3,961,905	\$ 38,095	\$ 8,000,000
Energex	Minor Hub Project		\$ 742,857	\$ 10,430,402	\$ 9,859,284		\$ 21,032,543
TOTAL ENERGEX		\$ -	\$ 742,857	\$ 10,430,402	\$ 9,859,284	\$ -	\$ 21,032,543
AER Submission Total		\$ 3,961,905	\$ 780,952	\$ 10,430,402	\$ 13,821,189	\$ 38,095	\$ 29,032,543

Table: 2020-25 proposed Property Minor Depot Upgrades

*All figures expressed as real, direct 17/18 \$s

The 5 year Minor Depot Upgrades Capital Works program is identified and prioritised by a multi-phase approach. Firstly, there is the compilation of a complete list of potential works which is compiled considering:

✓	Lifecycle analysis
✓	Condition audits
✓	Demand and risk management
✓	Stakeholder engagement

This initial program is subject to a benchmarking exercise in order to develop a prioritised program of work. This prioritises the works after comparing the risk assessments and other factors completed on a project level, to identify the priority projects that resolve the most risk and add the most value.

Finally, the availability of resources to deliver the revised program of works determines the number of projects included within the annual budgetary allocation. This considers the anticipated time required to deliver works, resourcing and budgetary availability and as a result, can impact the phasing of individual works. This can also impact the delivery of an annual minor capital works program and ensures a forward focussed program that also assists in customer and stakeholder management.

The programming process results in a realistic, prioritised program of works. The minor works program is reviewed annually and 3reforecast quarterly due to the ever-changing and flexible nature of the EQL property portfolio.

iv. Recommendation

It is recommended on the basis of the safety, compliance, operational and cost efficiency to progress with the minor depot upgrades strategy across the Energex and Ergon Energy property portfolios.

Appendix D. Security Program Strategy

i. Objective

Our Strategy is to deliver a safe and efficient, fit-for-purpose and customer-centric property portfolio. The Property Services Group is responsible for managing the combined property portfolio for Energy Queensland (EQL), consisting of the Energex and Ergon Energy property assets. Our Strategy supports Queensland communities and customers by ensuring EQL has depots and facilities in the right locations to enable the operation of a safe and efficient network.

The objective of the Security Program for the 2020-25 period is to implement and maintain an efficient, updated and coordinated security system across individual properties within the EQL Corporate and Network property portfolios.

ii. Background

The proposed security program for the 2020-25 regulatory period is based on a standards-based approach to physical security and the implementation of a security risk management framework. This framework is aligned with industry standards in preparation for the implementation of the Draft Queensland Government Protective Security Framework Policy (QGPSFP).

The key drivers for the 2020-25 program are personnel, asset and information security. Security exists to reduce the cost and impact of malicious perpetrators on personnel, assets and information.

Property Group Guiding Principles	Existing Energex Security Program Compliance	Existing Ergon Energy Security Program Compliance
Safe and compliant	⚠	⚠
Commitment to Queensland communities	✓	⚠
Fit-for-purpose	✓	⚠
Asset optimisation	⚠	⚠

Table 1.0 Assessment of existing Energex and Ergon Energy Security Program Compliance against Property Group Guiding Principles

A key driver behind the security program of work is staff and public safety, with a need to maintain security and access controls over Network facilities to prevent trespass onto electricity infrastructure and the possibility of injury. This is also relevant in terms of operations, as trespass on electricity infrastructure can impact electricity distribution and network reliability. There has been an increase in the number of reported incidents of theft of copper earthing from network safety systems. Safety is also a key focus at non-network sites including depots, warehouses and other corporate sites, where break-ins to the property can result in injury, damage or loss.

EQL currently uses an enterprise-wide security system to provide electronic access control and security alarm monitoring capabilities for Network and Non-Network sites. This system includes local hardware, IT networking infrastructure and a centralised server and database. Having a single, coordinated security system across the entire EQL portfolio of Network and non-network properties will create security management efficiencies. This will enable standardised procedures and protocols for accessing sites and responding to security alarms, with common security capabilities at each facility, as well as a common hardware and software platform through which to implement changes and upgrades as required.

In the current regulatory period, we have determined the most cost-effective baseline security measures and implemented them within the Energex depots. This means that the Energex area is already largely compliant with the Draft QGPSFP.

Historically, within Ergon Energy, security hasn't been a large focus and instead delivered on a case by case basis, typically as part of wider construction works. A revised risk appetite along with compliance drivers and opportunities presented as a result of the merge has shifted this focus and security has become a large and significant priority within the 2020-25 period.



Image: Photo of a pole targeted by thieves.

EQL like any other organisation will always be the target of thieves, but currently, it is the market for scrap copper that makes our depots, substations and poles a key target. Reducing the market for scrap copper would also put downward pressure on other opportunistic theft. Copper is the biggest driver of thefts and break-ins, as copper is one of the materials that thieves are looking for, and they know that EQL sites have copper.

Emerging trends have revealed that theft incidents of copper metal within EQL have been driven to street facing on unprotected infrastructure. This is a result of improved security of infrastructure at our EQL locations which has significantly prevented and reduced break-ins and incidents. It is further driven by an increase in copper price and a lack of regulatory control on the sale of scrap copper.

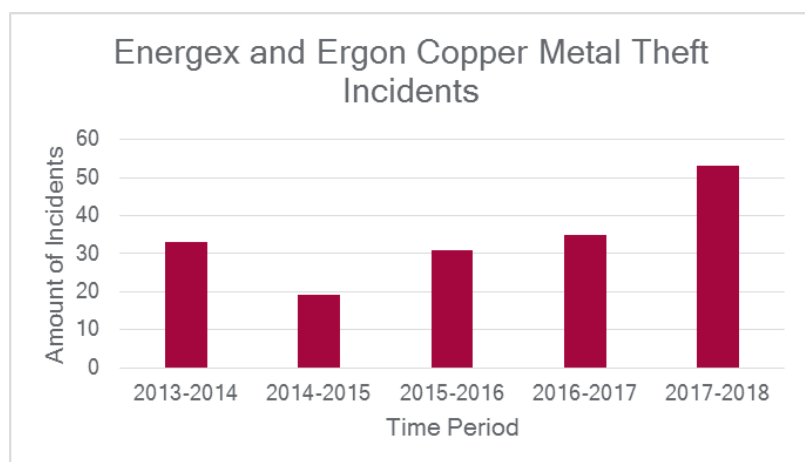


Image: Copper Metal theft incident trends at EQL 2013-2018

A reduction in the theft of copper from poles and elsewhere cannot be done efficiently using a reactive approach. To reduce copper theft, EQL are committed to supporting increased scrutiny around the sale of scrap copper. The Corporate Security team will lead a proposal requesting the State adopt legislation aimed at reducing the opportunistic sale of scrap metal, requiring strict identification requirements and banning cash payments.

Several other jurisdictions have had success when they introduced this. For example, when the United Kingdom introduced legislation that ensured the removal of cash payments to the public and the mandatory requirement for provision of identification to receive payment for scrap metal there was a 70% decrease in scrap metal theft.

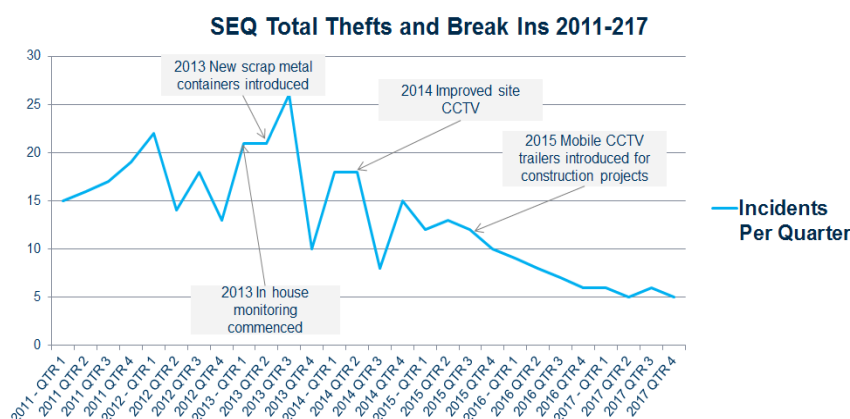
Both Victoria & NSW have successfully had similar legislation passed leading to a significant reduction in theft from utility providers. We are in the process of obtaining the statistical evidence from these two states to provide additional weight to support our argument for QLD.

iii. Benefits of Past Investments (Energex Security Program of Work)

The Energex Security Program successfully reduced the amount and severity of theft and break-ins by:

- Improving operational security at depots,
- Improving construction security, and
- Improving security culture at Energex.

As the graph below shows, thefts and break-ins fell from a high of 25 / quarter to around 5 / quarter, which now mostly involve theft from poles and theft from vehicles.



Graph: Theft and break-in incidents within Energex portfolio

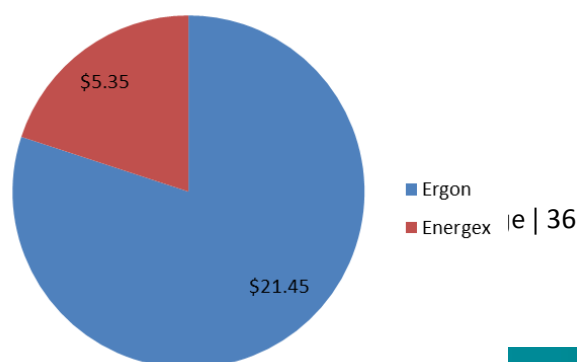
Incidents at operational depots have reduced greatly and are now largely trespass incidents where the images of the offenders are captured on CCTV and passed to police.

The proposed security program of work for Ergon Energy within the 2020-25 period expects to deliver similar benefits to EQL, staff and the community.

iv. Proposal

The 2020-25 regulatory proposal for the Security program of works for EQL is \$26.8mil. As per the below graph, \$5.35mil has been allocated to Energex assets, and \$21.45mil to Ergon Energy assets.

In the 2020-25 regulatory period, EQL will be in an optimise and maintain phase for the Energex area. It is forecast that



for the Energex network area, the Security POW will be almost entirely replacement of end of life assets (e.g. Security System controls).

The Ergon Energy Security POW, on the other hand, has been based on a program of risk assessments of sites used to determine the requirements to bring them to a baseline security standard. In the 2020-25 regulatory period, EQL will still be in an implement and realise phase. In particular, there will need to be a replacement of security systems, and coordination of them to connect into the existing 24/7 Monitoring Centre.

Graph: Energex and Ergon Energy capital budget allocation

2020-2025 Indicative Strategic Program							
	Strategy	2020/21	2021/22	**All figures are expressed as real, direct \$17/18			
				\$	\$	\$	\$
Ergon Energy	Security Program	\$ 4,112,286	\$ 4,211,377	\$ 4,310,468	\$ 4,360,014	\$ 4,459,105	\$ 21,453,250
Energex	Security Program	\$ 1,025,520	\$ 1,050,231	\$ 1,074,942	\$ 1,087,298	\$ 1,112,009	\$ 5,350,000

Table: 2020-25 Security Program of Work budget

****All figures expressed as real, direct 17/18 \$s**

Ergon Energy Security Program 2020-25

The Ergon Energy Security Program of Work for 2020-25 has been developed using a risk-based approach as a result of initial site technology surveys. The results of the surveys were used to identify a prioritised program of works for the 2020-25 period. The program reflects baseline security controls including perimeter fencing, access control systems and intruder detection systems including alarms.

Ergon Energy Security Capital Program 2020-25		
Description	Activity	Total across 2020-25 period
69 small sites (\$95k / upgrade)	Progressively upgrade and install security system hardware at relevant Ergon Energy facilities to ensure functional capability with software platform	\$6.555mil
26 medium sites (\$220k / upgrade)	Progressively upgrade and install security system hardware at relevant Ergon Energy facilities to ensure functional capability with software platform	\$5.72mil
14 large sites (\$500k / upgrade)	Progressively upgrade and install security system hardware at relevant Ergon Energy facilities to ensure functional capability with software platform	\$7mil
Project Resourcing	Essential project resourcing to progressively upgrade and install security system hardware at relevant Ergon Energy facilities to ensure functional capability with software platform	\$2.175mil
TOTAL		\$21.45mil

Anticipated security system replacement CAPEX across 2020-25 period

***Approximate cost estimate of capital expenditure across project program of work, expressed in real, direct \$2017/18. Costs do not include on-costs, overhead charge or CPI escalation**



Image: Photo of EQL 24/7 Monitoring Centre.

Energex Security Program 2020-25

The Energex Security Program of Works for 2020-25 has been developed using current information to replace end of life critical assets and provide advancements in essential technology. The Energex security program for 2020-25 is almost entirely a replacement CAPEX program.

Energex Security Capital Program 2020-25		
Description	Activity	Total across 2020-25 period
6 small sites (\$50k / upgrade)	Progressively replace security system hardware at relevant Energex facilities to ensure functional capability with software platform	\$300k
8 medium sites (\$100k / upgrade)	Progressively replace security system hardware at relevant Energex facilities to ensure functional capability with software platform	\$800k
13 large sites (\$250k / upgrade)	Progressively replace security system hardware at relevant Energex facilities to ensure functional capability with software platform	\$3.25mil
Project Resourcing	Essential project resourcing to replace security system hardware at relevant Ergon Energy facilities to ensure functional capability with software platform	\$1mil
TOTAL		\$5.35mil

Anticipated security system replacement CAPEX across 2020-25 period

***Approximate cost estimate of capital expenditure across project program of work, expressed in real, direct \$2017/18. Costs do not include on-costs, overhead charge or CPI escalation**

Key Outcomes for EQL Security Program of Work 2020-25

- Prevent trespass onto EQL property reducing theft of valuable tools and materials, improved security of supply, improved customer data security.
- Improve remote access capability in support of customer engagement at EQL facilities, and supporting the movement of staff & contractors.
- Migrate external security monitoring contracts to existing internal EQL 24/7 Monitoring Centre reducing third party costs. Monitoring Centre staff currently based in Brisbane and Townsville support staff safety and asset security for the state. Including but not limited to alarm monitoring (for

connected assets) and response, ID and access control, physical key management, staff welfare checks, security incident investigation etc.

Program Delivery Approach

EQL Corporate Security is currently seeking approval for the nomination of electronic security suppliers to be members on a vendor panel to design, deliver and maintain physical security systems (access control, CCTV, intrusion detection systems, etc.) in a competitive pricing environment.

In accordance with the relevant Procurement Plan, an expression of interest (EOI) was conducted to test the market to seek responses from a number of physical security suppliers. Tenders were received and evaluated from 9 potential suppliers.

A recommended has been prepared seeking approval for the engagement of 4 external suppliers to be panel members for the provision of physical security services across the state of Queensland. The negotiated rates with the vendors have ensured that EQL receives value for money over the term of the agreement by:

- Capping annual price rises in line with the CPI rate;
- Establishing a fixed margin on equipment;
- Allowing price increases only when manufacturing costs increase; and
- Agreement with the vendor that their disbursements to be at 'pass through' rate.

The appointment of multiple suppliers on the panel will ensure that EQL receives a competitive rate due to no preferred single vendor for the majority of projects, thus ensuring best value for money to the business.

v. Benefits

The primary drivers for security expenditure are risk-driven and to ensure the safety of our employees and the community. However, security also brings tangible benefits in terms of cost savings. The cost of theft for the different areas varies, but for Depot and Substation incidents the average cost of an incident is around \$12,000. Typically the damage done is far greater than the benefit to the perpetrator. In addition, there is the cost of lost time, and in getting staff and contractors to respond to incidents where there is no intruder.

The benefits of the security program of works delivered to date have been to reduce the following costs within Energex:

- Direct impacts of theft of approximately \$400,000 / yr.
- Core business operational impact and after-hours response costs of approximately \$250,000 / yr.
- External monitoring costs of \$150,000 / yr.

Improvements to the Energex sites for security have seen the cost of incidents drop significantly. Nine incidents in the last financial year have seen 13 offenders identified by police. These offenders do not just steal copper, which is the main target at EQL sites; they steal from a wide range of community targets.



Image: Photo taken from a security camera using infrared. Camera systems within SEQL can be and are used to assist police in convictions. These cameras provide EQL with better visibility of offenders.

vi. Financial Analysis

The total anticipated expenditure of the security system upgrade and replacement program across the EQL property portfolio over the 2020-25 period is \$26.8 million (expressed in real, direct 17/18 \$s). As the project implementation occurs on a site-by-site basis the expenditure occurs progressively, and for this reason, has been averaged over the five year regulatory period for both the Ergon Energy and Energex programs.

vii. Recommendation

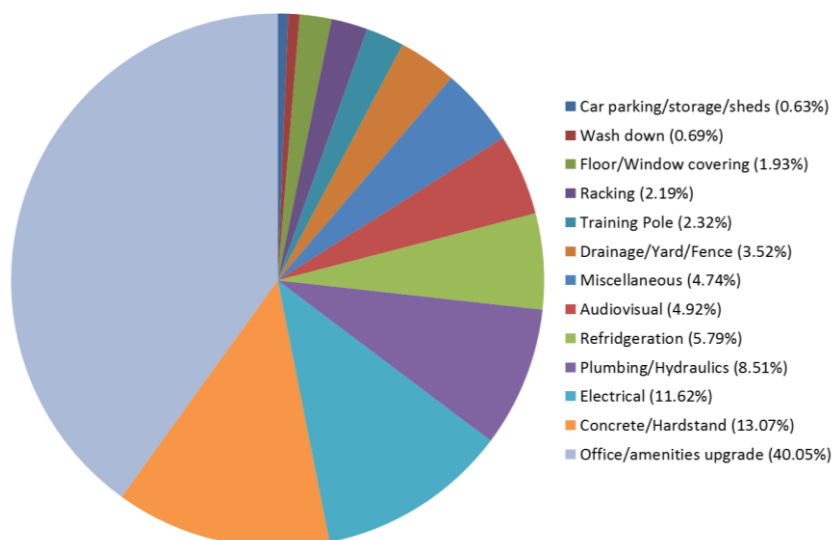
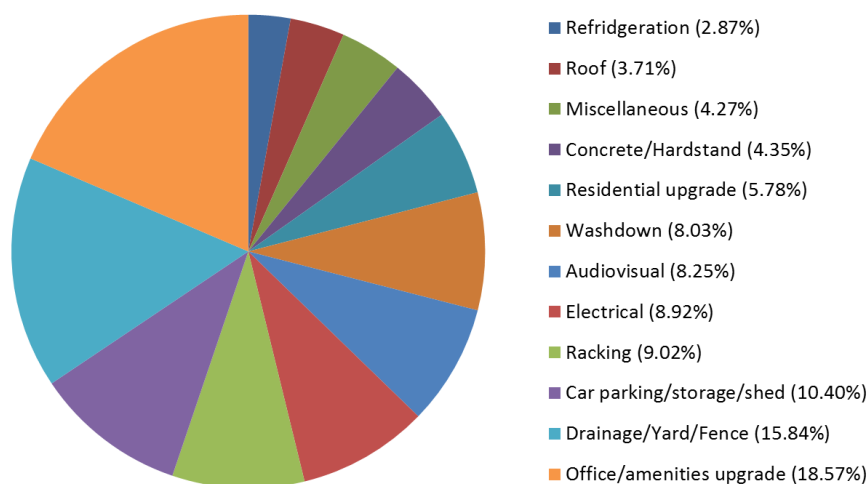
It is recommended on the basis of the safety, compliance, theft and damage risks related to access and break-ins to Network and Corporate properties, to progress with the security hardware upgrades and replacement program across the entire EQL property portfolio.

Appendix E. Base Capital

Base Capital (Minor Capital Works) Strategy for 2020-25

Base Capital refers to capital works at depots, offices, residences and other Energy Queensland sites that are typically under \$500k in value. It primarily represents capital works required to address safety, compliance and operational issues, and may also include minor upgrade works. The diagrams below are representative of historic minor capital works spend within Ergon Energy and Energex.

Ergon Energy Minor Capital Works



The Base Capital Works Program aims to minimise the total lifecycle cost of our assets by investing in capital expenditure at the right time. The program is made up of many smaller-scale type works that aim to achieve asset optimisation and increase the efficiency and effectiveness of our property assets and facilities. This is further driven through our Asset Management approach which will be implemented towards the end of the current regulatory period and represents maintaining our assets at the right time at the right level of expenditure. The aim of our Asset Management approach is to reduce overall costs by bringing our asset replacement point back to its optimum with regards to the total cost and age of the asset.

The Base Capital Program also addresses other issues and risks that arise as compliance and legislative requirements change.

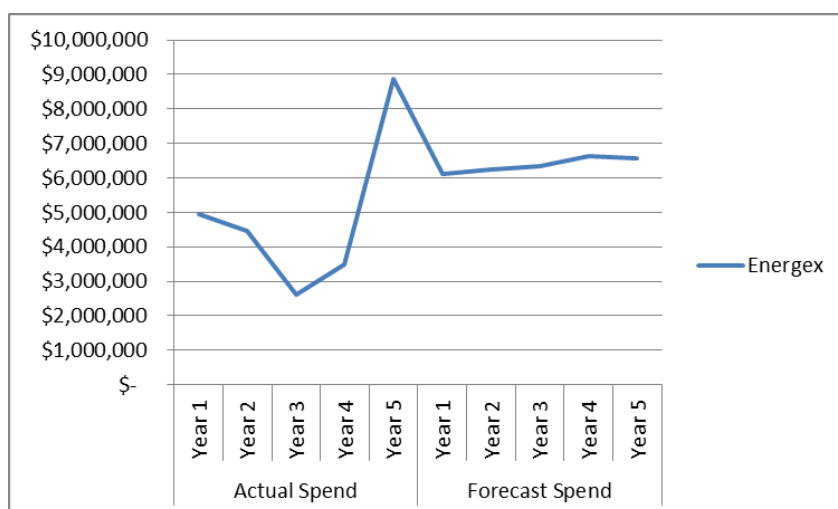
It enables Property Services to manage different business priorities that are driven by complying with changing legislation or different risk assessments to achieve a balance between external drivers, legislative and compliance requirements and customer and stakeholder requirements.



Image: Washbay at Yeppoon Depot

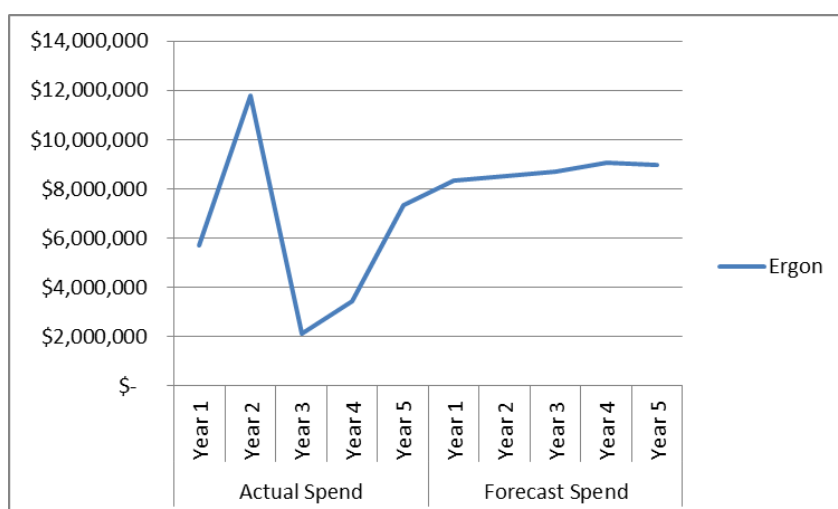
Base Capital Works Forecasting Strategy:

The Base Capital Works Program is forecast using a base-trend. The allocation is based on historical spend using an average one year figure to forecast future spend. A nominal growth rate is applied as an escalation to reveal the expected spend within the 2020-25 period. Due to the size and regional aspect of the Ergon Energy portfolio, the Minor Capital Works allocation is larger than that of Energex's.



Graph: Energex historical and forecast Base Capital

****All figures are expressed as real, direct \$17/18**



Graph: Ergon historical and forecast Base Capital

****All figures are expressed as real, direct \$17/18**

2020-2025 Indicative Strategic Property Plan Budget						
Strategy	2020/21	2021/22	2022/23	2023/24	2024/25	2020-25 Estimate
Base Capital	\$ 8,336,257	\$ 8,524,293	\$ 8,674,722	\$ 9,050,793	\$ 8,975,579	\$ 43,561,643
Base Capital	\$ 6,100,885	\$ 6,238,499	\$ 6,348,590	\$ 6,623,818	\$ 6,568,772	\$ 31,880,563

Table: Base capital proposal 2020-25

****All figures expressed as real, direct 17/18 \$s**

The annual Base Capital Works program is identified and shortlisted from a much longer list of prospective projects. Firstly, there is the compilation of a complete list of potential works which is established as a result of a stakeholder engagement process. The eligible works are compiled considering:

✓	Risk assessment
✓	Value of the investment to EQL
✓	Compliance and operational drivers

This initial program is subject to a benchmarking exercise, in order to develop a prioritised program of work. This prioritises the works after comparing the risk assessments and other factors completed on a project level, to identify the priority projects that resolve the most risk and add the most value.

A geographic assessment is then completed to ensure that all regions and individual locations have been reviewed for inclusion within the program of works.

Finally, the availability of resources to deliver the revised program of works determines the number of projects included within the annual budgetary allocation. This considers the anticipated time required to deliver works, resourcing and budgetary availability and as a result, can impact the phasing of individual works. This can also impact the delivery of an annual minor capital works program and ensures a forward focussed program that also assists in customer and stakeholder management.

The programming process results in a realistic, prioritised program of works. The minor works program is reviewed annually and reforecast quarterly due to the ever-changing and flexible nature of the EQL property portfolio.

Appendix F. Projects delivered to date

i. Townsville, Garbutt Redevelopment

The Garbutt Depot Major Hub is a 6.7-hectare site centrally located in Townsville. The Property Strategy identified the Garbutt Depot Redevelopment as a key project due to its significance in supporting the North Queensland Region, our operational minor hubs and smaller spoke depots. The financial savings identified by completing the project, along with improved operational capability, culture impacts and HSE improvements were all key drivers supporting the project delivery.

Key Information	
AER Approved Budget	\$48.99 million
Actual Expenditure	\$48.22 million*
Construction Period	Stage 1 – 2014/2015 & Stage 2 – 2016/2018
Commenced Operations	Maintained Operations Throughout
Employees impacted	400

*Costs are exclusive of overheads and interest, and in nominal dollars reflecting expenditure in year of program and delivery.

Benefit	Description
Meets HSE Requirements, Security & Accommodation Standards	Replacement of the end of life building assets were a key driver for the project and upon completion has resulted in improved site safety, environmental controls, site security and meets current building codes, standards & legislation. Asbestos removal is undertaken across the entire site.
Operational Efficiencies	Consolidation of multiple work functions into a shared facility provides the workforce with operational efficiencies in combining and sharing work functions. The site previously contained over 23 buildings and now contains 5 operational buildings on the 6.7-hectare site.
Property Costs Reduction	Completion of the project will result in saving the business \$10+ million in property costs over the next 20 years. This saving is as a result of reduced maintenance, exiting leased demountable buildings and leased storage arrangements as well as future adhoc forced capital upgrades due to the aging asset base.
Customer Service and Disaster Response	The new depot layout and consolidated functions improve asset resiliency, business continuity and emergency response rates. Extends the life of the site to meet the growing needs of North Queensland Operations as the major hub facility.



Figure 1 Displays reduction in buildings as a result of redevelopment project

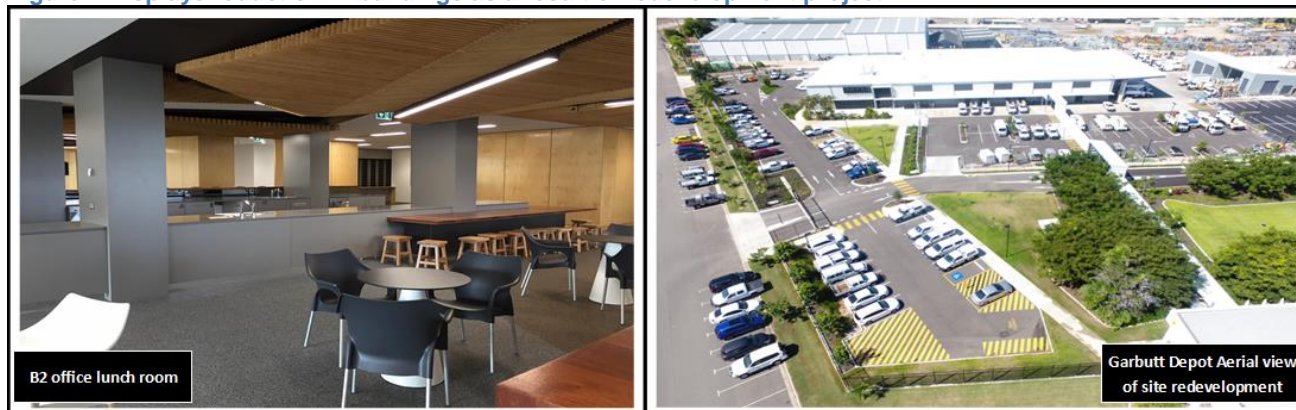


Figure 2 Combined lunch room for the whole of site and Aerial of B3 shared workshop and fleet parking



Figure 3 Panoramic shot of the southern half of the depot

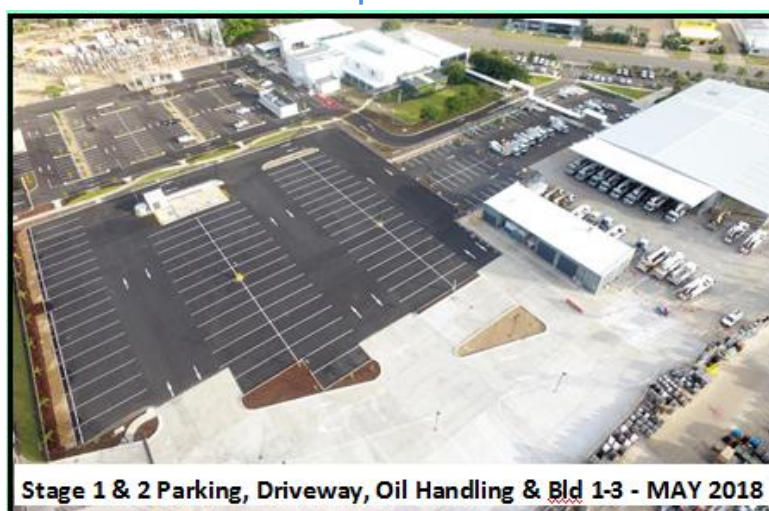


Figure 4 Aerial picture from the southern side of site capturing Bld 1 - 3 and the parking/main thoroughfare for vehicles.

ii. Toowoomba Redevelopment

The Toowoomba Depot Major Hub is a 7.9-hectare site critical to providing support to the wider south-west Queensland region. The Property Strategy identified the Toowoomba Depot Redevelopment as a critical project due to the significance of the site in supporting the growing customer base of the Greater Downs region, our operational minor hubs and smaller spoke depots. The project commenced in late 2015 and has transformed the site into a purpose-built, efficient, operational site. The result has seen an increase in the collaboration across our field and support teams now working in shared facilities to better support the disaster response and general operations into the future.

Key Information	
AER Approved Budget	\$20.697 million
Actual Expenditure	\$17.276*
Construction Period	Stage 1 – 2015/2016 & Stage 2 – 2017/2018
Commenced Operations	Maintained Operations Throughout
Employees impacted	350

*Costs are exclusive of overheads and interest, and in nominal dollars reflecting expenditure in year of program and delivery.

Benefit	Description
Minimize HSE, asset and employee risk	Resolution of the numerous compliance, health and safety and condition defects identified on the assets throughout the site. The successful delivery of this project has resulted in improved building and site conditions, traffic management, access, site safety, site security.
Operational capability and efficiencies	Improved operational capability through the enhancement of depot and workshop areas, logistics and the general workflow throughout the site. The project has also delivered an improvement in the working environment and promoted the use of shared resources and assets.
Consolidate and accommodate business needs	Completion of the project has addressed the inefficiencies associated with the previous temporary demountables on site by improving the accommodation standard and occupancy in permanent buildings allowing demountables to be sold. This has allowed workgroup consolidation and functional alignment to improve business efficiencies.
Improved financial efficiencies	The new depot has delivered financial efficiencies through the reduction in corrective and forced maintenance costs by improving building standards, non-maintenance costs through a reduction in the total number of buildings and the requirement for off-site storage for inventory and project materials

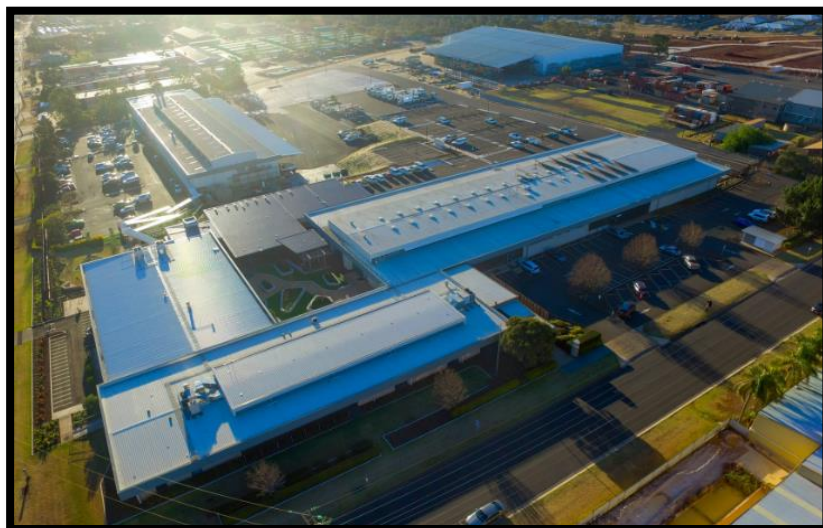


Figure 1 Panoramic shot of the Toowoomba Depot Major Hub

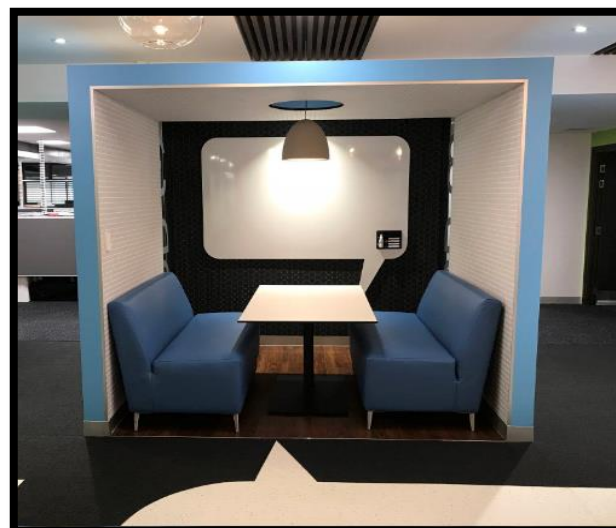


Figure 2 Booth style seating in collaboration space 2, Building 1



Figure 3 Training room, Building 3 North



Figure 4 Courtyard of central amenities Building 4

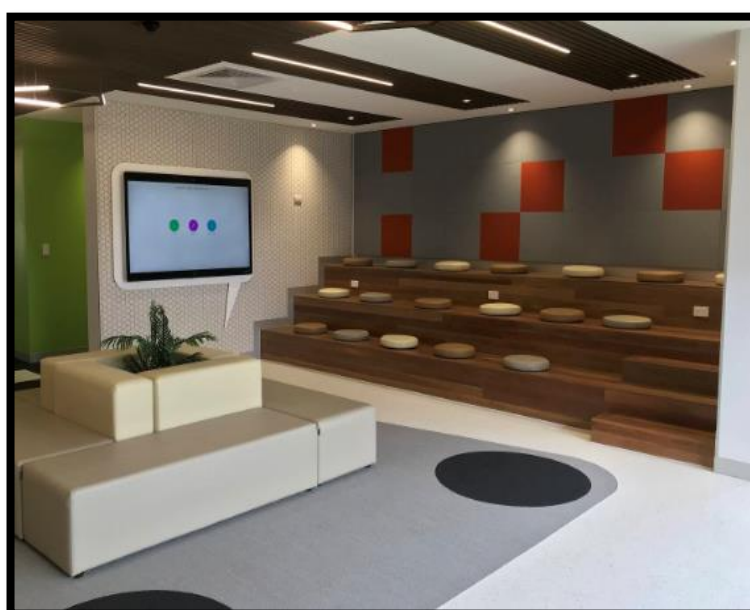


Figure 5 Collaboration space 1, stadium seating, Building 1

iii. Victoria Park Upgrade

The Victoria Park facility is a critical infrastructure site from both a network service and data perspective. The Corporate Property Plan for the 2015-2020 period identified the site as a high priority for substantial building upgrades to provide safe working conditions, reliable building services and reduced building maintenance costs. The project delivered a centralised backup emergency response and disaster recovery function similar to the capability at Newstead. The project also enabled the amalgamation of the Warry Street and Victoria Park sites and the disposal of Warry Street, delivering further operational and financial efficiencies for the business.

Key Information	
AER Approved Budget	\$23.5 million (includes Victoria Park & Warry Street projects)
Actual Expenditure	\$14.039million*
Construction Period	September 2014 – January 2016
Commenced Operations	Maintained Operations Throughout

**Costs are exclusive of overheads and interest, and in nominal dollars reflecting expenditure in year of program and delivery.*

Benefit	Description
Minimize health and safety risks and the risks posed by non-compliances associated with previous building standard	The project delivered substantial safety improvements and efficiencies to the business improving the safety of staff and reducing the risks of and related to an incident. The project addressed the number of non-compliances and upgraded the facility to meet legislation and health and safety standards.
Cost efficiencies	The upgrade delivered cost efficiencies to the business by decreasing the inflated operating and maintenance costs associated with an aged asset. The investment renewed and extended the useful life of a critical site which has a direct impact on our operational expenditure. Furthermore, the project delivered additional savings by allowing for the disposal of the Warry Street site and therefore further reducing operating costs associated with maintaining multiple sites.
Centralised emergency response	The consolidation of EQL's emergency response operation into a single site within South-East Queensland allows for greater communication, operating efficiencies which benefit not only the business but also our customer.