

5.21.3

Business case 3: General depot refurbishment program

Content

| | | |
|-----|--|---|
| 1 | SUMMARY..... | 3 |
| 2 | CONTEXT | 4 |
| 3 | PROJECT NEED | 5 |
| 3.1 | Building quality..... | 5 |
| 3.2 | Workforce..... | 5 |
| 4 | OPTIONS AND ASSESSMENT | 6 |
| 4.1 | Assessment process..... | 6 |
| 4.2 | Identifying options to address need..... | 6 |
| 4.3 | Assessment of options..... | 7 |
| 4.4 | Summary of findings | 7 |
| 5 | DELIVERY MODEL | 8 |

1 SUMMARY

Ausgrid is proposing to allocate \$12.5 million (real FY19) on general refurbishment programs for existing depots. The program is associated with the miscellaneous refurbishment and minor capital expenditure requirements.

In the case of the general depot refurbishment the only options were to do nothing or provide for a general depot refurbishment program. The level of expenditure was based on the historic trend of this type of program.

Based on the operational review and options analysis, it is recommended that Option 2, being the provision for the general depot refurbishment program is implemented as it addresses all Ausgrid's operational requirements.

The provision for general depot refurbishment (Option 2) provides funds to address operational, safety, environmental and compliance matters that may arise during the 2019-24 regulatory period. This is a prudent measure to ensure depots continue to meet safety, environmental and operational requirements.

While actual sub-projects under the General Depot Refurbishment Program are yet to be established, it is considered prudent to set aside sufficient funds to cater for minor capital works associated with the 23 depots comprising the non-network property portfolio that are not subject of separate business cases.

The key benefits of this are summarised in Table 1 below.

Table 1. Summary of benefits of preferred option

| Benefits | Description |
|----------------|--|
| Support | Maintains staff morale and well-being to have save and well-maintained buildings. |
| Functionality | Addresses ongoing safety and environmental issues. Enables the adoption of energy efficiency and sustainability solutions where practicable. |
| Cost effective | Prudent to address minor renewal issues as they occur. |

Many of the works in the general depot refurbishment program will be contracted to external contractors and will undergo a market tender process to ensure the best value for money.

2 CONTEXT

Ausgrid has 28 depots providing accommodation for our operators and storage for equipment. Of these, five depots have been separately identified in individual business cases for major capital expenditure in the 2019-24 regulatory period.

Historically, throughout the five-year period, operational, safety, environmental and compliance matters arise which necessitate the expenditure of capital funds. These matters are generally the result of unexpected and/or unforeseen events or general deterioration of depot buildings. These types of capital works cannot always be planned for ahead of time. The purpose of this submission is to ensure funds are available to facilitate minor depot works as required for the continuing operation of the business.

While actual sub-projects under the General Depot Refurbishment Program are yet to be established, it is considered prudent to set aside sufficient funds to cater for these minor capital works associated with the other 23 depots comprising the non-network property portfolio.

Figure 1. Homebush Depot



Source: Ausgrid

While actual sub-projects under the General Depot Refurbishment Program are yet to be established, it is considered prudent to set aside sufficient funds to cater for minor capital works associated with the 23 depots comprising the non-network property portfolio that are not subject of separate business cases.

3 PROJECT NEED

3.1 Building quality

Depots are built to be in use for 40 years. Eleven out of 28 of Ausgrid's depots are over 50 years old. Older depots can become non-compliant with relevant codes and add risk in the ability of staff to safely, efficiently and effectively service the network.

We invest in non-network property to replace, renew or create assets. This program provides for the minor renewal works associated with changes required to comply with regulatory obligations, guidelines and policies including:

- Regulatory Compliance – National Construction Code, Australian Standards, Workplace Health and Safety Act, Environmental Planning Act, Heritage Act, and other relevant regulatory compliance frameworks
- NSW Government Workplace Guidelines
- Ausgrid Policies – such as the “Be Safe” programs
- Ausgrid Guidelines – such as Accommodation and Depot Typology.

Historically, throughout the five-year period, operational, safety, environmental and compliance matters arise which necessitate the expenditure of capital funds. The types of matters include general deterioration of depot buildings.

3.2 Workforce needs

Ausgrid needs to ensure that all depots are comply with regulatory requirement and safe, comfortable and healthy workplaces for staff.

4 OPTIONS AND ASSESSMENT

4.1 Assessment process

In the case of the general depot refurbishment the only options were to do nothing or provide for a general depot refurbishment program. The level of expenditure was based on the historic trend on this type of program.

4.2 Identifying options to address need

The two options are:

- Option 1 – Do nothing. This involves no capital expenditure
- Option 2 – Provide for the general depot refurbishment program.

The primary operational objectives to address our needs for this program include:

- Addresses ongoing safety and environmental issues
- Provides for compliance upgrades
- Enables the adoption of energy efficiency and sustainability solutions where practicable
- Addresses accommodation churn
- Provides for the adoption of housekeeping improvements and storage solution.

These two options are assessed against operational objectives.

The qualitative assessment of the options was undertaken by subject matter experts in the property area. A review of the possible options based on the operational objectives is presented in Table 2 below.

Table 2. Assessment of options against operational criteria

| Objective | Option 1 | Option 2 |
|--|-------------|---|
| | DO NOTHING | PROVIDE FOR THE GENERAL DEPOT REFURBISHMENT PROGRAM |
| Addresses ongoing safety and environmental issues | 1 | 5 |
| Provides for compliance upgrades | 1 | 5 |
| Enables the adoption of energy efficiency and sustainability solutions where practicable | 1 | 5 |
| Addresses accommodation churn | 1 | 5 |
| Provides for the adoption of housekeeping improvements and storage solutions | 1 | 5 |
| TOTAL | 5/25 | 25/25 |

The do nothing option (Option 1) does not satisfy any of the operational objectives and not considered an appropriate option. Option 2 meets all operational objectives. We present a quantitative assessment of Options 1 and 2 in the following section.

4.3 Assessment of options

Our assessment of quantitative and qualitative outcomes is presented in Table 3 below.

Table 3. Assessment of options

| | Description | Assessment | Ranking |
|--|--|---|---|
| Option 1 Do nothing. | This option provides for the continuation of the status quo. | Any operational, safety, environmental and compliance matters that arise over the period would not be addressed. | Option 1 does not address operational objectives and is not considered appropriate. |
| Option 2 – Provide for the general depot refurbishment program. | This option provides for a range of miscellaneous minor capital expenditure improvements associated with the balance of the depots not the subject of individual business cases. | This option fully meets the operational objectives and is therefore considered viable and prudent. Ongoing program allows for safety and environmental issues to be addressed. Enables the adoption of energy efficiency and sustainability solutions where practicable. | Option 2 is the preferred option. |

4.4 Summary of findings

Based on the operational review and options analysis, Option 2, being the provision for general depot refurbishment, is the preferred option.

A summary of the benefits is presented in Table 4 below.

Table 4. Summary of benefits of preferred option

| Benefits | Description |
|----------------|--|
| Support | Maintains staff morale and well-being to have safe and well-maintained buildings. |
| Functionality | Addresses ongoing safety and environmental issues. Enables the adoption of energy efficiency and sustainability solutions where practicable. |
| Cost effective | Prudent to address minor renewal issues as they occur. |

Based on the operational review and options analysis, it is recommended that Option 2, being the provision for the general depot refurbishment program is implemented as it addresses all Ausgrid’s operational requirements.

The provision for general depot refurbishment (Option 2) provides funds to address operational, safety, environmental and compliance matters that may arise during 2019-24 regulatory period. This is a prudent measure to ensure depots continue to meet safety, environmental and operational requirements.

5 DELIVERY MODEL

The Property Branch Facilities Management section within Ausgrid is responsible for the design and construction of the organisation wide non-network property minor capital works program.

The Facilities Management section provides internal clients with innovative and complete solutions tailored to their individual requirements.

The core team is supported by industry recognised internal and external trade contractor resources to provide a project co-ordination service within the project constraints of time, cost and quality.

Many of the works in the general depot refurbishment program will be contracted to external contractors and will undergo a market tender process to ensure the best value for money. The level of expenditure was based on the historic trend of this type of program.