

## Attachment 5.28

Overview of non-system property capex and opex for 2014-19

May 2014



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# Executive Summary

We have carefully prioritised our investments for non-system property to ensure we keep prices below CPI. Our program has responded to a change in our underlying business environment as a result of industry reform.

This document provides an overview of our proposed capex for non-system property for 2014-15 to 2018-19 regulatory control periods. We have proposed a total capex of \$190.2 million<sup>1</sup>, with the majority of proposed capex related to renewing the depots that accommodate our staff. The proposed non-system property capex is set out in table 1 below.

	2014-15	2015-16	2016-17	2017-18	2018-19	Total
<b>Standard Services<sup>2</sup> Control</b>	40.5	61.3	45.1	24.5	2.0	173.3
<b>Alternate Services Control</b>	1.9	3.3	2.5	1.3	0.1	9.2
<b>Public Lighting</b>	0.1	0.2	0.2	0.1	0.0	0.6
<b>Unregulated</b>	2.7	2.0	1.5	0.8	0.1	7.1
<b>Total Capex</b>	45.3	66.8	49.2	26.7	2.2	190.2

Table 1: Ausgrid's forecast capex spend in 2014-19 (\$ million, 2013/14)

The proposed capex is about 30 per cent lower than actual capex in the 2010-14 periods. In the previous period, we responded to growing business requirements related to a step change in capital requirements. As a result of industry reform, and our goal to contain average increases in our share of customers' electricity bills at or below CPI, together with a lower forecasted work force, we are seeking efficiencies in our capital programs in the 2015-19 period. The underlying change in our business environment has curtailed the need for new investment, and allowed for consolidation opportunities across the portfolio.

Despite this, there still remains a need for some investment to replace deteriorating non system property assets, including those that no longer comply with modern day standards. The need stems from the large number of older depots in our portfolio, many of which were constructed in the 1960's and 1970's and require renewal to meet modern day compliance standards.

<sup>1</sup> This is total Ausgrid capital requirement prior to the application of the Cost Allocation Methodology (CAM) to separate assets that 'share' with other regulated and unregulated services. Refer to Table 1 for a regulatory separation of services.

<sup>2</sup> Include property requirements to relocate the control room as a result of NSW Government's sale of the 570 George Street Sydney Head Office Building.

# Introduction

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Non-system property enables Ausgrid to house our staff, and is therefore critical to supporting our network and corporate functions. Our non-system property strategy is focused on providing our staff with safe facilities at an efficient cost.

The purpose of this document is to provide a high level overview of capex we propose to invest in the 2014-19 period, under the Non System Property Plan. This document is part of Ausgrid's regulatory proposal and contains the proposed forecast capex for area plans, expressed in 2013/14 dollar terms.

The document should be read in conjunction with other relevant attachments and documents provided in the 'supporting document' library of Ausgrid's regulatory proposal (support documents). These supporting documents are generally business-as-usual documents and we have provided these for the main objective of demonstrating that our investment decisions are based on an efficient and process. It must however be noted that these supporting documents have been prepared at a point in time and therefore reflects the forecast capex as at that time.

Non-system property encompasses all the building assets we use to support our business operations. This does not include system property assets which directly house our electricity network assets.<sup>3</sup> Our property portfolio includes an array of building assets that we either own or lease:

- 19 primary depots generally house our field staff involved in constructing or maintaining network assets;
- 4 primary offices and 5 secondary offices generally accommodate our office staff; and
- 6 specialist sites including a central store, 3 primary pole yards, a learning/ training centre and a test/ certification facility.

Our facilities are located strategically across our franchise area in a manner that enables us to fulfil our network and corporate objectives. This is discussed further below.

## Why do we require non-system property?

The purpose of non-system property is to provide 'fit for purpose' accommodation facilities to our staff. In turn this provides the business with critical support to perform our network and corporate functions, and thereby fulfil our responsibilities as a DNSP. The core types of building assets we own or lease are:

- Our depots, which are located across our franchise area (as highlighted in Figure 1), enabling our staff to construct new network assets, undertake preventative and corrective maintenance on network assets, and respond to reliability incidents. For this reason, depots are essential for maintaining the reliability and safety of the electrical network, in accordance with our compliance obligations.

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<sup>3</sup> Our proposed capex related to system property (for example, substation buildings) is set out in our system Area Plan documentation, and is therefore not considered as part of this overview.

- Our office accommodation, which is located across our franchise area and is required to house staff involved in direct planning of the network, and project management of network investments. In addition, office accommodation enables our staff to perform our corporate functions in our role as a DNSP such as finance, reporting, and governance.
- Our specialist sites, such as warehouse and pole / transformer yards that enable us to store network equipment, testing facilities to certify / verify High Voltage equipment and learning / training facilities to train apprentices and maintain the currency of qualifications for our field staff.

Figure 1 Ausgrid franchise area



## Why do we incur expenditure on non-system property?

In the sections below we identify why Ausgrid incurs capex to provide a non-system property service.

### Capex

We invest in non-system property to support the maintenance, asset replacement/renewal and construction of our network system assets.

Non - system asset replacement and renewal, is in response to underlying condition and compliance issues with the property. When making decisions to replace or renew assets we are guided by underlying regulatory obligations and guidelines, with respect to health, safety and environmental responsibility. This includes:

- Regulatory compliance - Building Code of Australia, Australian Standards, Workplace Health and Safety Act, Environmental Planning Act, Heritage Act and the like;
- NSW Government Workplace Guidelines;
- Ausgrid Policies - such as the “Be Safe” and “Shut the Gate” programs; and
- Ausgrid Guidelines – such as Office Accommodation and Depot Typology.

We may also invest in new assets, or change our portfolio mix as a result of underlying change in our business environment, or as a result of changes in our external circumstances. For example, changes in:

- Staff numbers - We may invest in new facilities to house and train new staff in response to a larger capital program. Conversely, when there is a contraction in our capex and opex programs, we may consider opportunities to efficiently consolidate existing facilities.
- Government zoning strategies – We may consider re-locating our facilities in response to re-zoning of areas in our franchise area through the revision of Local Environmental Plans or Development Control Plans.

As explained in our forecast method, Ausgrid seeks the most efficient solution to address multiple needs. For example, we may retire (rather than replace) a building if we consider that a reduction in head count can result in the staff being able to fit in existing premises. We also consider opex-capex substitution possibilities in our decision making.

## What objectives and principles underlie our expenditure decisions?

As can be seen from the description above, non-system property is a critical support function to performing our network and corporate objectives. Consequently, our underlying vision is:

*“The committed implementation of managed support services for a structured and timely delivery of corporate facilities that fulfil the organisational needs. In doing so, facilities shall be:*

- *Fit for purpose, safe, effective, professional and consistent; and*
- *Located within reasonable proximity of system assets to ensure effective response times to meet reliability and sustainability objectives.”*

Ausgrid has developed planning principles that provide an overarching framework for investment decisions related to the non-system property portfolio. The principles are aimed at providing safe facilities to support the necessary business functions at the most efficient cost.

**Ausgrid's planning principles.**

	<b>Explanation</b>
Location	Ausgrid shall accommodate staff in locations that support proximity to assets, with appropriate zoning and servicing of customers. Zoning considerations will take into account local government planning to ensure longevity of tenure is not threatened. Proximity to assets will take into account factors such as local geography and traffic congestion.
Security of tenure	Ausgrid shall retain ownership or purchase property where there is a clear, long-term need for the facility to support business process in order to ensure security of tenure. Ausgrid's franchise area is predominantly urban and undergoing significant change with the heavy industrial zones of Sydney moving westward out of Ausgrid's boundaries. The organisation will lease property where the need is short-term and the cost of occupancy is commensurate with alternatives.
Prudency and Efficiency	Space efficiency objectives shall be used to ensure all new and refurbished developments target best practice occupancy rates as benchmarked with the NSW State Property Authority for office accommodation. In addition, improved operations will also target material storage requirement reductions.
Safety and Compliance	Ausgrid shall occupy buildings that are fit-for-purpose, safe, effective workplaces provided consistently across the franchise. As buildings are upgraded or replaced they will be brought into line with the Building Code of Australia and current Workplace Health and Safety regulations.
Environmental	Ausgrid shall strive to achieve sustainable development in all new facilities and to improve environmental performance in existing facilities. Changing environmental legislation drives some of the upgrade requirements and reductions in electricity, gas and water consumption not only meet greenhouse gas reduction targets but also drive down operating costs.

# Benefits from previous investment

Over the 2010-14 periods, Ausgrid made significant inroads into renewing aged non-system facilities, and constructing new specialist training and warehouse sites to deliver a step change in the capital program.

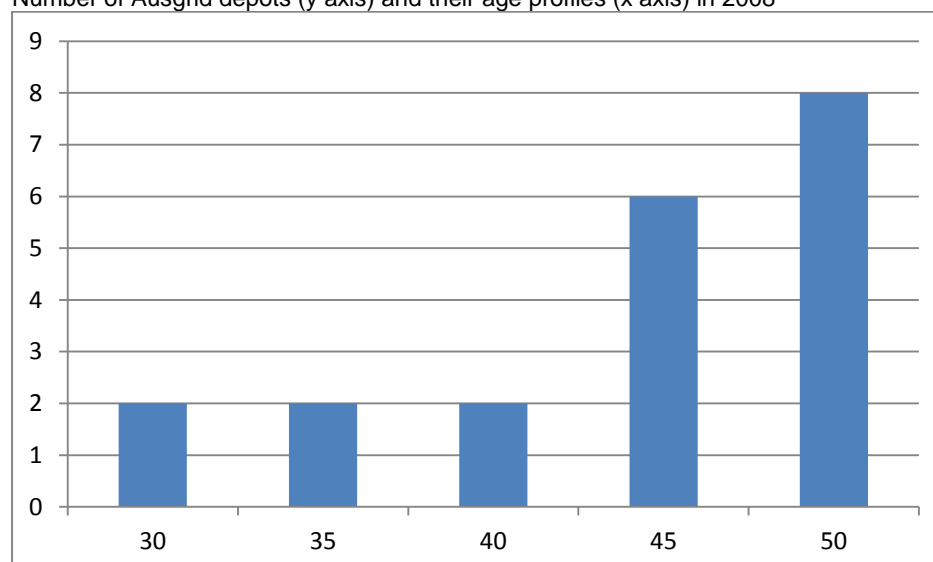
The purpose of this section is to identify outcomes of investment in the 2010-14 period and the reasons for variation to forecasts. Examination of previous capex can provide insights into the proposed capex for the 2015-19 periods, and the veracity of previous forecasting approaches. It is also a factor that the AER is required to consider as part of its review of whether the forecast satisfies the capex criteria.

Ausgrid made significant investments in non-system property in the 2010-14 period in response to deterioration issues with existing assets, and the need to invest in specialist sites to support delivery of the capital program. In the sections below, we provide more detail on the investment program, and the reasons for variation from the forecast capex.

## 1.1 Renewing aged assets

At the beginning of the 2010-14 periods, a significant proportion of our depot and office accommodation required renewal in order to meet modern day compliance standards. This was largely a result of having a significant number of aged facilities.

Number of Ausgrid depots (y axis) and their age profiles (x axis) in 2008





The 2010-14 period marked a significant renewal of these facilities. For instance:

- We upgraded 10 depots, replaced 4 depots and purchased of 6 sites to enable replacement or enhancement programs.
- We upgraded four major office buildings both in major plant replacement and refurbishment of interiors

The box below provides a case study of why upgrades of depots are necessary to ensure we comply with our general obligations to provide a safe working environment for our staff.

Box 1 – Ourimbah depot

*We owned and operated three Depots servicing the Central Coast area. Two of those depots, West Gosford and Noraville, are staffed, and the third, also located in West Gosford, is an outdoor storage depot accommodating poles and transformers.*

*All three depots in terms of location, quality and suitability of accommodation were a legacy from the time Brisbane Water County Council serviced the Central Coast and are over 40 years old. Since that time there has been a significant increase in accommodation requirements at both West Gosford and Noraville. The sites are congested, have limited parking, and are being encroached upon by residential development, particularly at Noraville.*

*Three options were considered to meet the accommodation needs of Ausgrid's operations servicing the Central Coast and cost estimates prepared by an independent Quantity Surveyor for each as follows:*

*Option 1 – Rebuild existing facilities at Noraville and West Gosford including the pole yard - \$35.5m;*

*Option 2 – Establish new facility at Ourimbah based on current work practices - \$33.0m;*

*Option 3 – Establish new facility at Ourimbah based on new work practices - \$26.1m.*

*Apart from the unavoidable disruption and consequential loss of productivity which would be caused by a total rebuild, the main reasons for not recommending option 1 was:*

*Disadvantages of having regional staff and operations spread across three locations and associated inefficiencies;*

*Inadequate staff and fleet accommodation at the existing sites; and*

*Age, disrepair, presence of hazardous materials, poor site layouts and the cost to implement.*

*Option 3 was developed as a value management exercise to take advantage of proposed new work practices relating to a reduced storage requirement by incorporating procurement and logistics process improvements. Considerable work was undertaken by an independent logistics expert to develop a "lean operating model" supported from the central Somersby warehouse. Consultation with regional management supported the new operating model and the design was informed from recent process improvements at Oatley, Homebush and Singleton depots.*

*Option 3 also enabled Ausgrid to sell the 3 existing sites at West Gosford (depot and pole store) and Noraville Depot which all higher and better uses than those achieved with Ausgrid's infrastructure.*

## 1.2 New specialist sites

Ausgrid invested significantly in learning, training and warehouse facilities. This was in response to our underlying business environment including delivery of a large capital program. Key highlights included:

- Learning centre - We consolidated our learning and training requirements in a central location at Silverwater to train apprentices and maintain the currency of qualifications of our field staff. This ensures that Ausgrid has a pipe line of apprentices to replace our field staff as they retire and ensures our field staff stay safe by regularly updating their skills, all of which assists us in maintaining a reliable network and a regular supply of electricity to our customers. This site is now also being used to facilitate apprentice training for another NSW distributor.
- Data centres – the relocation of our storage and IT management systems to offsite Data Centres has ensured an appropriate level of business continuity can be maintained when our property assets are impacted by an event that prevents staff working. The system architecture developed in association with the use of off site Data Centres has ensured through regular business continuity training exercises that staff can be relocated quickly and efficiently to maintain the Network and respond to our customers enquires.
- Central store – the establishment of our Central store in Somersby was the commencement of a change in how we managed inventory. With a view to reducing inventory levels this Central store supported by satellite stores strategically located throughout the franchise area have moved us from a heavy to lean logistics management system where minimum stock levels are maintained within the depots and the logistics management system deploys inventory on a just on time basis. Our 2014-19 capital forecasts include funding to establish satellite stores at Oatley, Homebush, Muswellbrook, Wallsend and Ourimbah to support the Central store.
- Records repository – historically we have been principally a paper based organisation. We had a number of Properties that stored our archived records. These properties were non compliant with State Records archiving regulations and led to a decision to outsource our records repository requirements to fit for purpose facilities. In parallel with the implementation of this change we introduced electronic storage of documentation via TRIM. This initiative led to significant efficiencies within our office accommodation as the requirement for paper storage has moved to electronic storage.
- Pole and transformer yards – the establishment of dedicated facilities at Mt Kuringgai and Thornton enable us to manage our inventory levels, whilst meeting current environmental planning requirements for the safe storage, handling and disposal of treated poles, transformers and transformer oil products.

### 1.3 Reasons for variation from forecast

The table below shows that Ausgrid's capital expenditure is in line with the final determination allowance with an actual forecast under spend of \$9 million in the regulatory control period as shown in the table below.

Comparison of Ausgrid's forecast and actual capex in 2010-14 (\$ million, Nominal)

	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Final determination	107.5	37.4	50.2	26.1	28.0	249.3
Actual/ forecast	92.9	54.3	42.9	20.5	29.8	240.3
Difference	14.6	-16.9	7.3	5.7	-1.8	9.0

Ausgrid prioritised its program of works over the period in response to changes in our business circumstance. This included:

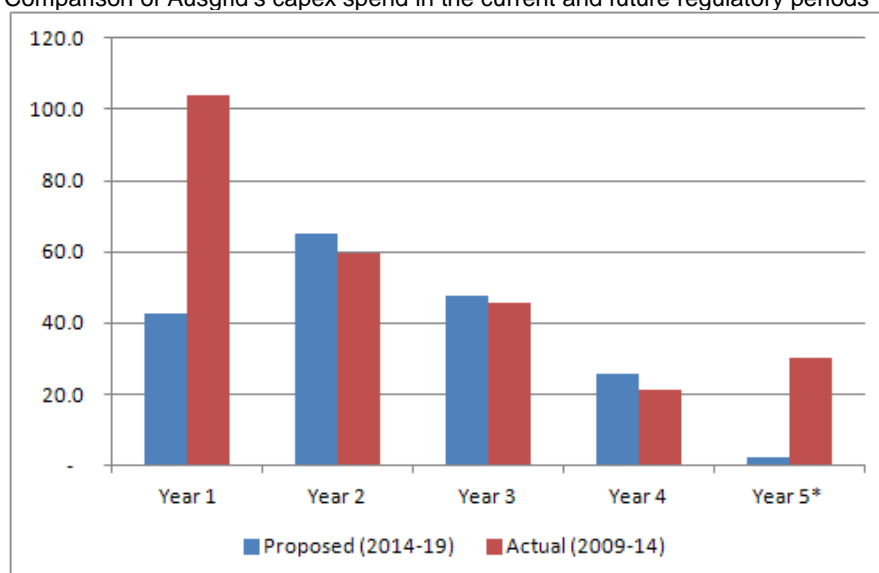
- Deferral of projects in 2005-09 - Some works programmed for the last period have been completed in this period such as the Thornton Pole Yard and Silverwater Learning Centre.
- Increases in staff numbers – Over the period staff numbers increased from 5,000 to approximately 6,500 which led to a re-prioritisation of the depot investment program. In some instances, additional space was leased to accommodate the increases, which enabled deferral of certain projects.
- Staging difficulties – More detailed planning revealed issues with keeping the facilities operational, which required a change in the programmed delivery.
- Increases in system capex program - An additional pole yard and transformer storage facility was included to meet the growth in system capital and replacement works.

# Circumstances in 2015-19

We have sought to balance the need to renew old and deteriorated properties, with the imperative to keep prices low for our customers. Our program responds to changes in our circumstances, including headcount reductions and efficiencies arising from the network reform process.

The purpose of this section is to identify the key circumstances driving Ausgrid's capex in the 2015-19 period. At a high level, it can be seen that Ausgrid's forecast capex is significantly below actual expenditure in the 2010-14 regulatory period. In total, proposed capex of \$194.11m will be 22 per cent lower than actual/forecasted expenditure in the previous period (\$250m).

Comparison of Ausgrid's capex spend in the current and future regulatory periods



\* Year 5 of Actual (2009-14) represents planned expenditure for FY2014

In the sections below we detail the focus of our capex strategy and the drivers for our expenditure including:

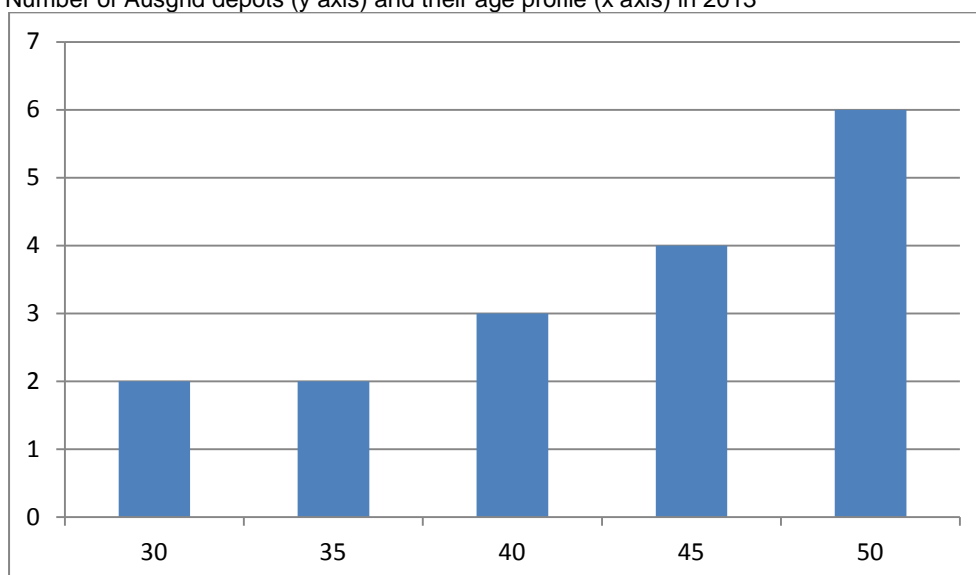
- Replacement of aged assets - the key driver of capex is addressing the deteriorating condition of our depots in accordance with our planning principles;
- Identifying opportunities to reduce costs as a result of change in business environment.

## 2.1 Replacement of aged assets

The age of Ausgrid's non-system property assets continues to be the key driver for a need to upgrade or replace the portfolio. The focus of our expenditure is on ensuring we remain compliant with changing building, safety and environmental legislative requirements, and continue to provide accommodation that is in accordance with industry good practice.

In this respect, a number of depots were constructed in the late 1960s and early 1970s. Despite investment last period, we still have a significant number of aged depots in our franchise area.

Number of Ausgrid depots (y axis) and their age profile (x axis) in 2013



Much has changed since then in terms of service delivery needs as well as building codes, safety and environmental compliance requirements. These changes have triggered the need to redevelop the depot facilities in particular.

## 2.2 Responding to changes from industry reform

Our proposed program of work has been influenced by changes in our operating environment. Recent reform of the NSW distributors has focused on capital and operating efficiencies to support our corporate goal of containing average increases in our share of customers' bills at or below CPI.

Property requirements have been impacted by the reform in two respects. Firstly, we have examined how the change in overall business requirements will impact on non-system property requirements. For example, the reduction in head count from the efficiencies in the capital and operating program and the finalisation of the Transitional Services Agreement (TSA) with EnergyAustralia provides efficiency opportunities that can be passed onto customers. For example:

- We have sought to consolidate our office facilities in the CBD, rather than operating across two major office locations. This is a result of reduction in headcount in corporate functions.
- We are not investing in new specialist sites, but rather limiting capex to urgent compliance and services upgrades.

Secondly, we have undertaken a comprehensive review of our property requirements to reduce our capital and operating costs over the period. As part of this review, we have sought to reduce our costs by identifying potential deferrals in the period where the risk can be tolerated.

For example: we have reviewed our depot investment program to see if there are cost effective ways to defer major relocation or refurbishment. This includes a "minor works" program encompassing interim works across all depot sites to ensure they remain compliant and operational over the next period, where deferral has been possible.

# Our forecast process

Ausgrid has thoroughly reviewed its BAU process for identifying investments in non-system property. The process is focused on identifying needs across the portfolio, and selecting the most efficient option to address those needs.

The purpose of this section is to provide an overview of the processes used to derive the proposed capex for the 2015-19 periods. Ausgrid has a 10 year planning horizon for non-system property investments which enables us to develop an efficient forecast of capex in the medium term. Our processes are focused on identifying needs, and selecting the most efficient option to address those needs.

## 3.1 Identifying need

On an annual basis, we conduct a review of the non-system property portfolio. This review considers the current state of the property portfolio, and how changes in the underlying business environment are likely to drive requirements on the portfolio.

Our process for identifying needs for the 2015-19 regulatory control period involved consultations with business units on requirements in the future. When undertaking these consultations we were guided by the NSW Government Total Asset Management Guidelines, including addressing issues such as:

- Can service delivery be made less dependent on accommodation needs;
- Are accommodation assets fully used in service delivery;
- Are accommodation assets appropriately located for effective service delivery;
- Have accommodation assets sufficient capacity to provide the required service delivery; and
- Are accommodation assets suitable for optimal service delivery.

When addressing these high level planning principles, we identified key drivers that trigger a more detailed assessment of need.

Driver for investment	Explanation of trigger for review of needs
Responding to underlying changes to business requirements	Changes to our operating environment impact on the need to invest, or opportunities to consolidate or downsize the property portfolio. Triggers for investment may relate to staffing changes (headcount, location, skills set), or requirements relating to the capital or operating program.
Maintaining compliant infrastructure	Degradation in the condition of our assets may result in the asset not complying with our regulatory and environmental obligations. Ausgrid will undertake a risk/cost assessment before making a decision to replace or renew an asset. In making judgements on the appropriate risk threshold, we are heavily influenced by our suite of regulatory obligations such as the Workplace Health and Safety Act and Building Code of Australia.
New compliance obligations	We continually monitor changes to compliance obligations to ensure that our non-system property portfolio meets modern day standards. Similar to above, we will make an assessment on the need to replace or renew in accordance with a risk/cost assessment.

Efficiency opportunities	We also identify opportunities for efficiencies in the services we provide. This includes opportunities that arise from changes in business requirements in addition to project specific opportunities that drive efficiency within the business.
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As part of developing a forecast for the 2015-19 periods, our review of needs identified the following factors that impact on our forward looking program:

- The impact of staff reductions as a result of network reform. This has impacted our proposed program by identifying opportunities for consolidation of offices.
- The reduction in the system capital program means there is less need to invest in new specialist sites to deliver the capital program.
- The poor condition of aged depots in our franchise area.

### 3.2 Select efficient option

We have followed our BAU process to select the most efficient option to address our needs in the 2015-19 submission. Our underlying philosophy is to find the least cost solution to address the issues across the portfolio. We look at a range of feasible options, including 'do nothing', replacement, refurbish-in-situ and construction of new facilities.

In some cases, we may identify that an option can optimally address joint needs, or result in deferral of expenditure. For example, we may retire an aged facility (rather than replace) if we are able to re-locate staff to an existing facility as a result of reductions in head count.

Criteria utilised to prioritise:-

- Geographic Location - in relation population density and the time taken to service.
- Town Planning – compatibility with zoning changes e.g. high density residential is not compatible with a CBD depot that performs significant night work, a zoning change drives us from what was industrial land.
- Depot size/ land utilisation/ consolidation – as population densities increase the capacity of a depot to house the required infrastructure changes. This can lead to acquiring additional adjacent land to relocation.
- Infrastructure design/ condition – the design and construction methodology utilised in the 1960's to 1970's does not accommodate an efficient operating depot today.
- Co location – the renewal of one or both non system and system assets based on the same site can lead to simultaneous projects. e.g. the renewal of a distribution/ zone substation and depot that are collocated.
- Strategic location of functions – the location of specialist fleet maintenance garage facilities, satellite stores and refuelling facilities that will service a large geographic area.

All of these criteria as applicable inform our decision as to how we prioritise and commit non system capital.

We prioritise/ defer investments based on a review of such factors as cost, timing, functionality and fit for purpose.

### 3.3 Costing the proposed program

As summarised in the table below, there are several methodologies Ausgrid uses to derive unit costs to support the capex forecasts in the regulatory proposal. The specific methodology Ausgrid chooses to use depends on the particular capital plan and how the forecasts for that plan are constructed. Further information on which method has been used to cost individual projects is identified in the business cases.

Methodology	Definition	Example
Bottom-up individual estimates	<p>This unit cost methodology is used for large complex projects.</p> <p>Estimates for Greenfield depot projects utilise configuration-specific 'building blocks'.</p> <p>The costing model for depot projects assumes the following delivery model:</p> <ul style="list-style-type: none"> <li>- Ausgrid project director</li> <li>- Ausgrid or external project management</li> <li>- External design</li> <li>- External construction</li> <li>- External fitout</li> <li>- Ausgrid or external electrical services</li> <li>- Ausgrid IT</li> </ul>	New depot projects
Bottom-up estimates	<p>These estimates are used for lower cost, higher volume projects where there is little variation in scope between projects.</p> <p>These estimates are largely derived from whole of project estimates produced by a diverse range of people.</p>	Augmentation projects
Average historical costs / estimates	<p>These estimates are used for projects where there are likely to be minor variations in the scope of each project.</p> <p>Depending on the project, either historical actual or planning costs are used in this methodology.</p> <p>Historical actual costs are obtained from the SAP system and, in most cases, can be broken down into project type and region.</p> <p>Historical planning estimates can be obtained from a number of different sources.</p>	Office churn projects

The costs have then been escalated using real cost escalators, and have then been expressed in 2012-13 terms.



# Summary of program

The majority of our proposed capex is to replace our aging depots. Our proposed capex for office accommodation reflects the consolidation of our head office facilities in response to network reform efficiencies. Our proposed expenditure on specialist sites is minimal in this period.

We are proposing total capex of \$190.2 million<sup>4</sup>, with the majority of expenditure in the early years of the regulatory control period. The majority of expenditure relates to a renewal of our aged assets.

Ausgrid's forecast capex spend in 2014-19 (\$ million, 2013/14)

	2009-10	2010-11	2011-12	2012-13	2013-14	Total
<b>Total Capex</b>	45.3	66.8	49.2	26.7	2.2	190.2

In the sections below we document the key highlights of our capex program for depots, office accommodation and specialist sites.

## 4.1 Depots

Ausgrid is planning to undertake capital works on 8 depots. The largest expenditure is on Alexandria, Chatswood and Homebush depots. The facility, master plan and design documentation phases of these projects are already underway and/or complete. These projects are represented by Business Cases 2 – 9 (inclusive) and are summarised below.

Depot	Description - \$13-14
Alexandria depot	New green-field development to enable replacement of the existing Zetland depot due to aging assets, encroachment by residential development and local council infrastructure development. Project value \$45.8M
Homebush depot	Staged rebuild of the depot facilities at the existing Homebush site to provide fit for purpose facilities, replace aging assets and relocate out of leasehold premises and a number of functions out of the city Project value \$40M
Potts Hill depot	Staged rebuild of the depot facilities at the existing Potts Hill site to provide fit for purpose facilities, replace aging assets and relocate out of leasehold premises Project value \$10.4M
Chatswood depot	Staged rebuild of the depot facilities at the existing Chatswood site to provide fit for purpose facilities, replace aging assets and relocate out of leasehold premises Project value \$38M

<sup>4</sup> This is total Ausgrid capital requirement prior to the application of the Cost Allocation Methodology (CAM) to separate assets that 'share' with other regulated and unregulated services. Refer to Table 1 for a regulatory separation of services.

Oatley depot	Staged rebuild of the depot facilities at the existing Oatley site to provide fit for purpose facilities, replace aging assets and relocate out of demountable accommodation Project value \$5.5M
Dee Why depot	Staged rebuild of the depot facilities at the existing Dee Why site to provide fit for purpose facilities and replace aging assets Project value \$10.86M
Wallsend depot	Staged rebuild of the depot facilities at the existing Wallsend site to provide fit for purpose facilities and replace aging assets Project value \$10M
Maitland depot	Staged rebuild of the depot facilities at the existing Maitland site to provide fit for purpose facilities, replace aging assets and relocate out of leasehold premises Project value \$9.25M

## 4.2 Office Accommodation

In response to a change in our business circumstances, we are in a position to consolidate our CBD office accommodation. This will enable the existing CBD office portfolio - Head Office Building and Roden Cutler House - to be consolidated. This is a result of a reduction in head count which allows us to better utilise our existing facilities and the NSW Government's sale of the 570 George Street Sydney Head Office Building. The cost of the refurbishment is expected to be \$13.1M to Business Case 1.

## 4.3 Specialist sites

Unlike last period, Ausgrid is not investing in specialist sites this period. This acknowledges that the scale of the system capital program will be significantly less than last period, meaning that we have no need to invest in new facilities. The minimal capex associated with specialist sites relates to maintaining our existing sites.

## 4.4 Other Capex

While the nine business cases represent the majority (over 90%) of the proposed non-system property capex expenditure over the regulatory control period, a number of other non-system property capex projects comprise the balance of the proposed capex as follows:

- Specialist sites
- Depot refurbishment program
- Ourimbah depot

These projects have been grouped under Business Case 10.