



31 January 2023

Attachment 5.3.a: Resourcing and Delivery Strategy for 2024-29 period

Ausgrid's 2025-29 Regulatory Proposal

Empowering communities for a resilient,
affordable and net-zero future.



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1. Introduction

1.1 This document's purpose

This document “Resourcing and Delivery Strategy” sets out our capability to deliver the network capital expenditure (capex) and maintenance expenditure (opex) forecasts. This is collectively referred to as the ‘work plan’ throughout this document.

1.2 This document in context

This document supports the delivery of the network capex and the network maintenance work plans for the FY25-29 regulatory period. It details our current delivery performance, the future work plan and our resourcing approach to deliver the FY25-29 work plan.

1.2.1 Related documents

Document	Description	Relevant sections
6.2 Network Maintenance Programs	Network maintenance program forming part of Ausgrid's operational expenditure for the FY25-29 regulatory period	All Network based maintenance expenditure
5.1 Proposed capex	Network capital program forming part of Ausgrid's capital expenditure for the FY25-29 regulatory period	All Network based capital expenditure; Delivery

1.3 Document overview

This document provides an:

- Overview of our delivery performance, future work plan, and continual improvement journey
- Outlines strategies in our approach to resourcing the delivery of the work plan

2. Executive summary

Ausgrid has developed a FY25-29 Resourcing and Delivery Strategy to support the efficient delivery of its work plan. This document covers the strategy in relation to network capex¹ and network maintenance². Ausgrid's combined network capex and maintenance work program for FY25-29 is forecast to total \$3.57 billion (a 1.3% decrease on the current FY20-24 regulatory period's forecast spend of \$3.62b³).

- Network capex for the FY25-29 period is forecast to decrease by \$0.04b (1.4%) on the current FY20-24 regulatory period.
- Network maintenance for the FY25-29 period is forecast to decrease by \$0.01b (1.1%) on the current FY20-24 regulatory period.

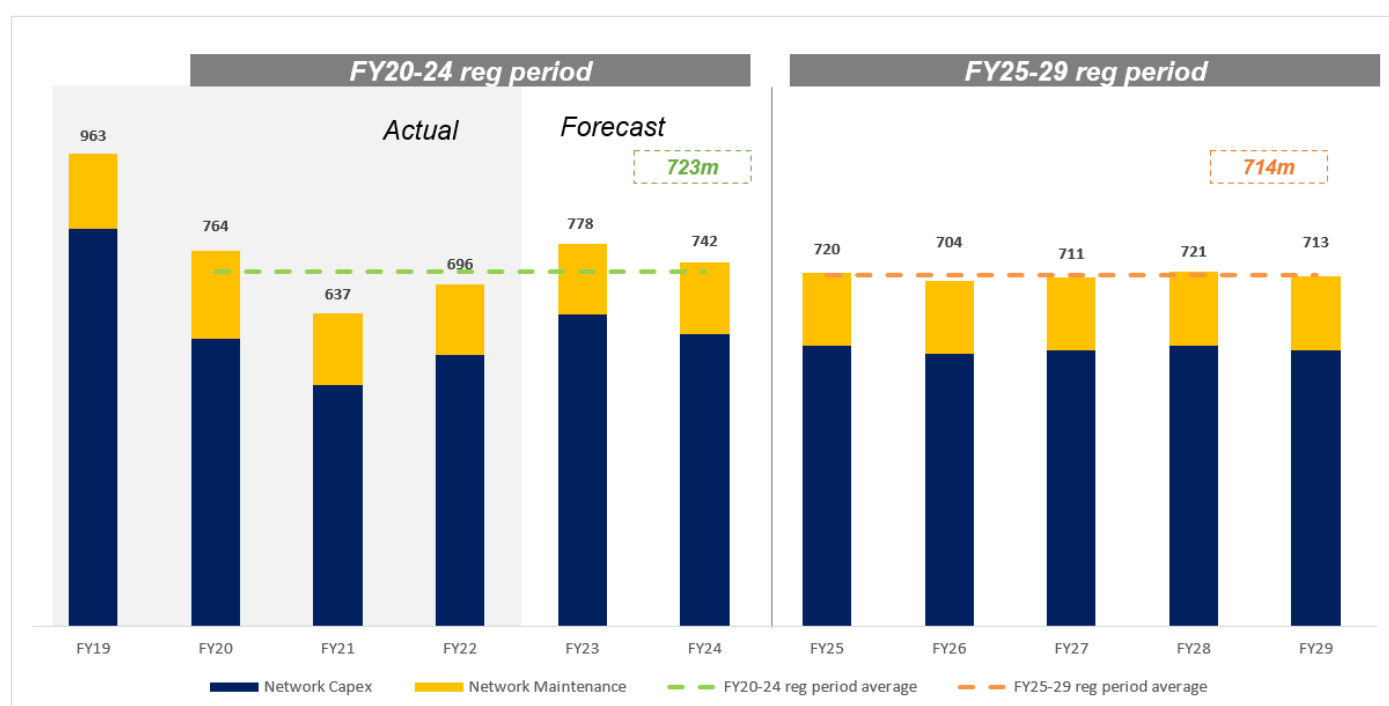


Figure 1.1: Overview of Ausgrid's network capex and maintenance, FY19-29 (\$m, real'24)

Ausgrid's combined network capex and maintenance work plan for FY20-24

- In FY19, Ausgrid spent \$963m on the combined network capex and maintenance work program. The overall spend in FY20 was higher than the regulatory period average, however resources were diverted to network maintenance and away from network capex as staff responded to undertake emergency maintenance due to the impact of severe storms and bushfires.

¹ Network Capex includes Replacement, Capital program support, Growth, OTI, Resilience, Customer Energy Resource (CER), and Alternative Control Service (ACS) activities.

² Network Maintenance refers to core network maintenance expenditure relating to inspection, testing, condition monitoring, vegetation management, corrective repairs, fault and emergency repairs, repairs due to nature-induced breakdowns, repairs due to damage by a third party, and non-direct maintenance. Forecast expenditure includes escalators for wage price inflation, customer numbers, circuit length, ratcheted maximum demand and productivity factors.

³ All figures are expressed in real FY24 terms, unless stated otherwise

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- The FY21 year saw material under-delivery due to unexpected weather events (severe storms and floods), COVID-19, and a live work pause that was implemented due to a fatality on the network. Flow on effects were experienced in FY22. In addition, Protected Industrial Action (PIA) was undertaken due to enterprise agreement negotiations this led to network capex and maintenance spend falling just short of its targets and objectives.
 - Forecasts for FY23 and FY24 indicate a turnaround from the previous years of under delivery with forecasts expected to exceed the FY20-24 regulatory period average. Whilst some resourcing gaps have been identified for the FY25-29 period throughout this document these are not expected to materialise until the next regulatory period. There should be no impact on Ausgrid's ability to meet the FY23 and FY24 work plan forecasts.
 - We are confident we are set up for success to deliver the FY25-29 work plan. Lessons learnt from unexpected weather events have resulted in a more coordinated approach to our storm response by deploying resources more efficiently and new transformation initiatives currently in development and execution. Our new contractor frameworks will result in improved productivity.

Ausgrid's combined network capex and maintenance resourcing approach for FY25-29

Our delivery profile currently includes internally (Ausgrid employees) and externally delivered (contracted services) work plan activities. It is anticipated that there will be some of internal resourcing gaps throughout the FY25-29 period. There are strategies to address the shortfall of internal resources which include:

- **Increasing and optimising our workforce:** address any shortfall is to increase and optimise our internal workforce via key recruitment initiatives such as the apprentice program, graduate program, external recruitment and increased cross-skilling across internal functions
- **Outsourcing where appropriate:** outsourcing work where we have identified overflow opportunities. Through our ongoing partnership with a range of service providers and our knowledge of the market capabilities, we are confident that we can source the required external resources in the local labour market.
- **Deliver our transformation program:** The delivery of the transformation program has been designed to deliver productivity benefits. There are multiple projects currently in execution with several more projects being developed to commence in the FY25-29 regulatory period

3. Introduction and Purpose

This document “Resourcing and Delivery Strategy” sets out our capability to deliver the network capital expenditure (capex) and maintenance expenditure (opex) forecasts. This is collectively referred to as the ‘work plan’ throughout this document.

This document supports the delivery of the network capex and the network maintenance work plans for the FY25-29 regulatory period. Specifically, this document provides an overview of our delivery performance, future work plan, and continual improvement journey. Chapters 4 and 5 demonstrate that we have the necessary capabilities to deliver the work plan (outlined in Chapter 6) and prudent strategies to support the efficient delivery of our proposed capital and maintenance programs. Chapter 7 outlines our resourcing approach to deliver the forecast work plan.

All dollar figures contained in this document relate to total cost⁴ and are expressed in real FY24 terms, unless stated otherwise.

⁴ Total cost refers to the sum of direct and indirect costs

4. Current regulatory period performance

4.1 Overview

This chapter highlights our delivery performance in the current regulatory period and discusses key variances between our actual and forecast delivery. Examining our delivery performance not only indicates whether Ausgrid has the necessary capability to deliver our forecast FY25-29 work plan, but also enables us to identify lessons learned and to define associated improvement opportunities.

4.1.1 Network capital performance

FY19 spend of \$809m suggests that Ausgrid can deliver its forecast work plan, FY20-21 saw material under delivery with FY22 falling just short of its targets and objectives. This under-delivery was attributed to several challenges that arose during the FY20-22 period, including:

- Severe storms and bushfires over 2019-2020 contributed to delivery delays of the capex program while staff responded to emergency maintenance requirements.
- In 2019 the business paused all live work on our network following the tragic death of one of Ausgrid's employees. The resulting review on live works lasted for nine months prior to works recommencing and contributed to a significant reduction in work throughput.
- During 2021 Ausgrid staff engaged in several months of Protected Industrial Action (PIA) in relation to the enterprise agreement negotiations. Union-driven work-stoppages over a 16 week period disrupted work plans and had a significant impact on work throughput.

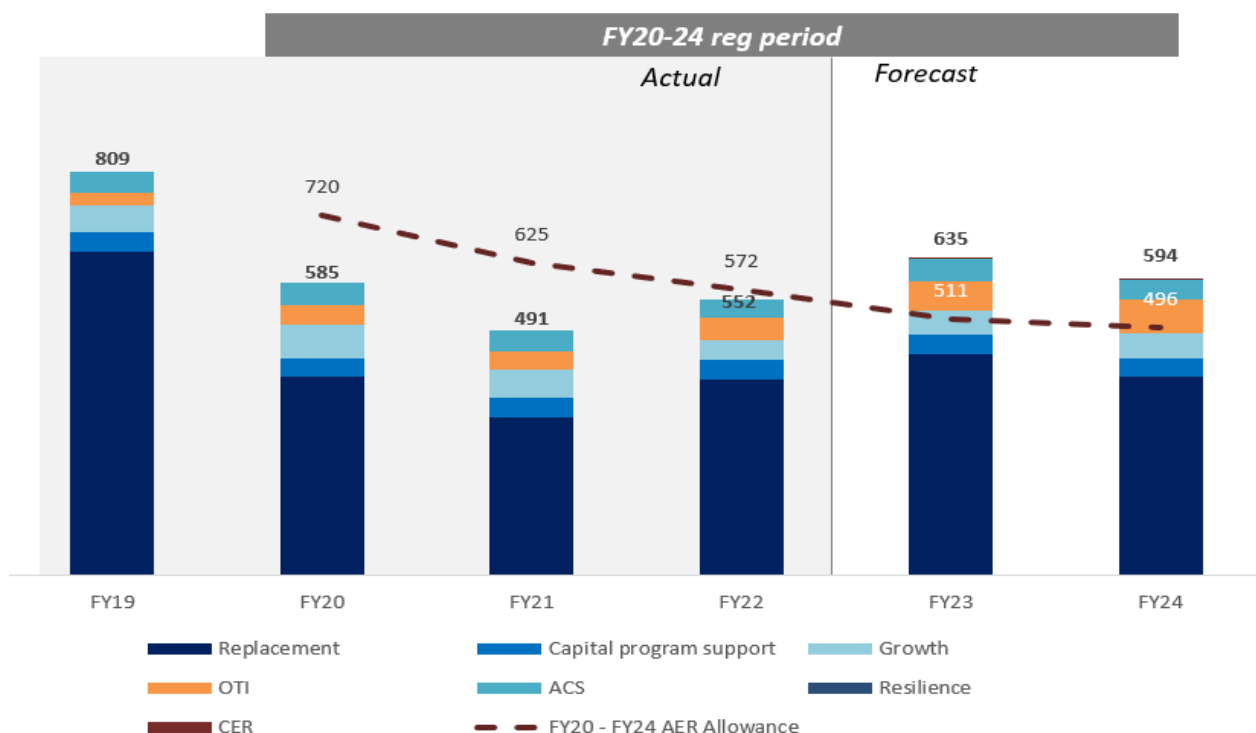


Figure 4.1: Trend in Ausgrid capital expenditure total cost FY19-24 (real \$ million, FY24)

4.1.2 Network maintenance performance

With the exception of FY20, network maintenance in the current regulatory period has been and is anticipated to remain relatively stable. The severe storms and bushfires of FY20 contributed an increase in 'Repairs due to nature induced breakdowns' and 'Fault and emergency repairs' network maintenance expenditure.

Given the projected increase in storm severity and frequency; maintenance expenditure is expected to increase in line with the additional demands caused by these events.

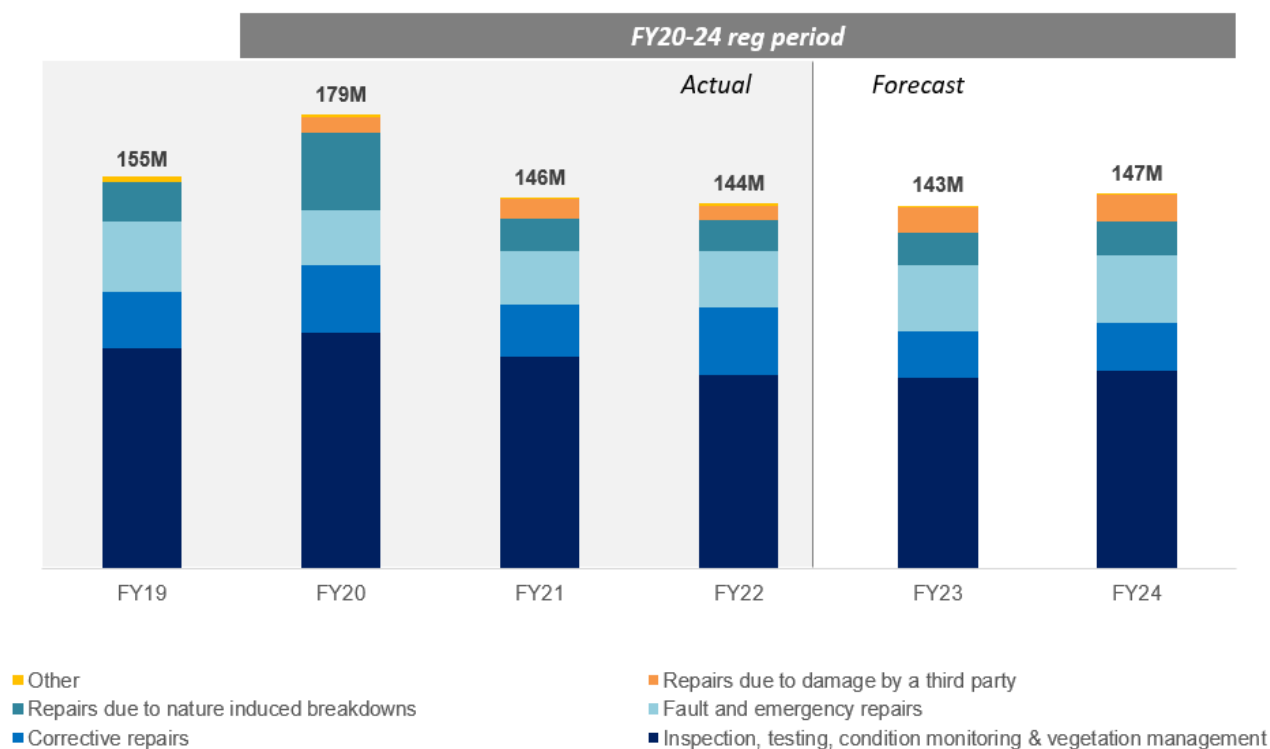


Figure 4.2: Trend in Ausgrid network maintenance total cost FY19-24 (real \$ million, FY24)

5. Key enablers for work plan delivery

5.1 Overview

We are committed to finding new ways to enhance our performance to deliver greater value to our customers. As part of our continual improvement journey, we have identified a suite of initiatives to further improve our delivery capabilities. Several key transformation initiatives are currently underway with several more planned.

5.2 Ongoing and planned initiatives

Ausgrid's Transformation Program works across several key themes to implement further capability that enables the business to operate more efficiently and adapt to and benefit from the energy transition. Figure 5.1 outlines a summary of the ongoing and planned initiatives.

5.2.1 Organisational agility

- **Unit Rates (FY21-23)** – Ausgrid have streamlined their program of work delivery via the introduction and scaling of unit rate breakdowns for standard jobs. Standardised unit rates have enabled efficient translation of the program of work to labour hours, and hence enable accurate expenditure forecasts and monitoring of performance against targets.
- **Network Access Requests (NAR FY23-24)** – Ausgrid is reviewing its end-to-end job planning and network access process to alleviate bottlenecks, increase work throughput capacity, and reduce cancellation rates.
- **End-To End Process Architecture Re-Designs (FY23-26)** – initiative to capture, review and redesign processes Ausgrid-wide using a single documented process repository, increasing efficiency and visibility and enabling more effective deployment of automation.
- **Digital Platforms (FY23-27)** – providing leading edge digital platforms to deliver new insights and agility that will enable continuous improvement. Initiatives include 'Data to Intelligence' and Enterprise Resource Planning (ERP) replacement.

5.2.2 Seamless workforce operations

- **Integrated Works Management (FY22-24)** – multiple initiatives implemented and underway with the purpose of enabling optimised resource allocation built on a single view of work and resources, integration of our asset management system with our works management system and enablement of real-time status updates to customers.
- **Intelligent Network Operations (FY21-27)** – delivering scalable network access supported by remote switching. Initiatives include implementation of the Advanced Distribution Management System (ADMS) enabling remote access and control of the network, and intelligent switching technology minimising outages and outage impacts.
- **Productive Field Force (FY22-27)** – delivering an increasingly capable and responsive field force incentivised to maximise productivity, including long-term workforce strategy planning and cross-skilling of delivery partners.
- **Workgroup Operating (FY19-24)** – increasing the training and accreditation for more crew members to be able to safely operate the network, that enables our district operators to focus on the more complex operating requirement

5.2.3 Advanced asset management

- **Holistic Works Plan (FY22-24)** – utilisation of sophisticated risk-based models to optimise investment and establish a rolling 3-year works plan. Initiatives include implementation of a global cost-benefit analysis model, job prioritisation

and maintenance optimisation. This will help in being able to adjust the work plan should there be any unexpected events.

- **Asset and Network Intelligence (FY23-24)** – enabling new insights from our data through virtual network models and advanced analytics. Initiatives include 'digital twin' physical network model, LiDAR, AI-supported asset identification.
- **Data Capture and Validation (FY22-25)** – streamlining of data capture with validation at the source. Initiatives include Mobile Asset Management (MAM) application replacement, smart meter data analytics, drone data acquisition and Ausgrid-wide data integration.

5.2.4 Summary of ongoing and planned initiatives

Category	Initiative	Brief Description	Timeframe	Benefits
Organisational Agility	Network Access Requests	Alleviate network access bottlenecks & reducing cancellations	FY23-24	Increased capacity for network access Improved productivity for back-office resources
	Unit Rates	Standardisation of tasks to enable scalable translation of labour hours and associated costings	FY21-23	Foundational for sustaining productivity improvements
	End-To End Process Architecture Re-designs	Re-design of processes into a single repository for efficiency and visibility	FY23-26	Foundational step for ERP replacement program Key enabler for automation
	Digital Platforms	Platforms and systems to enable back-office efficiency through greater autonomy	FY23-27	Develop foundational data governance Develop capability for automation at scale
Seamless Workforce Operations	Integrated Works Management	System wide integrated optimised resource allocation that will enable real-time status updates to customers	FY22-24	Increased field and back-office productivity Improved field user experience Real-time status updates to customers
Seamless Workforce Operations (cont.)	Intelligent Network Operations	Scalable network access via automated switching through the implementation of Advanced	FY21-27	Distribution optimisation Improved outage response

		Distribution Management System		
	Productive Field Force	Increasing capability, longer term workforce planning and productivity via cross skilling delivery partners and providing incentives	FY22-27	Increased Productivity Reduced Unit Rates
	Workgroup Operating	Increase training and accreditation for more crew workers to access the network	FY19-24	Relieve constraints to network access Increase incident response capacity Reduce unit rates
Advanced Asset Management	Holistic Works Plan	Risk based models to optimise investment via cost-benefit analysis model and job prioritisation	FY22-24	Increased productivity through bundling of jobs More cost-effective risk management
	Asset and Network Intelligence	Insights on advanced analytics from a 'digital twin' network model, LIDAR & AI-supported asset identification	FY23-24	Increased back-office productivity Improved risk management Improved experience for ASPs
	Data Capture and Validation	Capturing and the validation of data at the source. (e.g., MAM replacement, smart meter data analytic, drone data capture and Ausgrid wide data integration)	FY22-25	Increased back-office productivity Improved data integrity

Figure 5.1: Summary of ongoing and planned initiatives

6. The work plan

6.1 Overview

This section provides a breakdown of work by expenditure type, highlighting key changes in work composition from the current regulatory period to the next. Understanding how work composition is changing is important as this drives corresponding changes in resourcing requirements and may give rise to surpluses or shortages in the skill sets required to deliver the activities that make up our portfolio of works.

Figure 6.1 provides a high-level overview of the different works that comprises our electrical network work plan, and highlights the resourcing demands across the following expenditure categories:

- **Replacement** – refers to replacing and renewing network assets in planned, conditional and reactive programs. Our replacement program is driven largely by assets that are in poor condition and assets that pose a safety risk
- **Capital program support** – refers to overheads associated with the delivery of capital expenditure programs such as corporate resources
- **Growth** – refers to programs involving connecting new customers and augmenting the network to meet our forecasts of peak demand on the network
- **OTI (Operational Technology & Innovation)** – refers to a range of programs such as innovative network technology pilots to resolve network needs more efficiently, data enhancements to enable efficient service delivery and periodic critical upgrades to core control systems
- **Resilience** – programs to address impact of extreme weather-related events on electricity network performance, and their effect on communities
- **CER (Customer Energy Resource)** – refers to resources that are often located on the customer side of the electricity meter that includes rooftop solar, batteries, electric vehicles, and energy management systems
- **ACS (Alternative Control Service)** – refers to ancillary network services Ausgrid provides to customers such as connections, commissioning of assets and public lighting
- **Maintenance** – refers to core network maintenance expenditure relating to inspection, testing, condition monitoring, vegetation management, corrective repairs, fault and emergency repairs, repairs due to nature-induced breakdowns, repairs due to damage by a third party, and non-direct maintenance

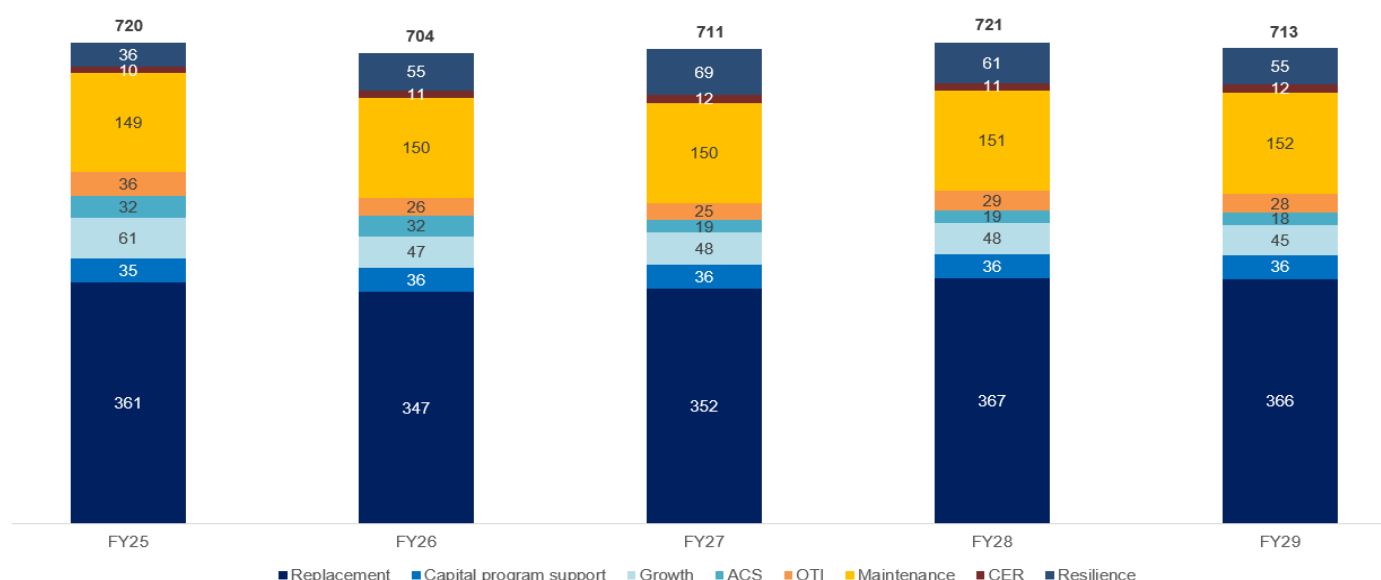


Figure 6.1: Ausgrid's FY25-29 Work plan - total cost (real \$ million, FY24)

6.2 Key changes in the work plan composition

As shown by Figure 6.2, our work plan for the FY25-29 regulatory period consists of work relating to both network capex and opex, with capital related expenditure accounting for approximately 80% of all work to be delivered over the forthcoming regulatory period.

The FY25-29 forecast for CER and Resilience programs are currently being developed. It has been modelled that the CER program will consist of 90% of work being externally delivered with the remaining 10% being internally delivered with Ausgrid resources. The Resilience programs have been modelled to be internally delivered by Ausgrid resources. As the work on Resilience & CER evolves the resource plan contained within this document will be updated to reflect these changes.

Key changes in the composition between regulatory periods are as follows⁵:

- LED program within the ACS category finalises in FY25/26
- Maintenance program (decreased by \$8M)
- CER (increase of \$50M)
- Resilience (valued at \$276M)
- Replacement (decreased by \$147M)
- Growth (decreased by \$12M)
- OTI (decreased by \$101M)

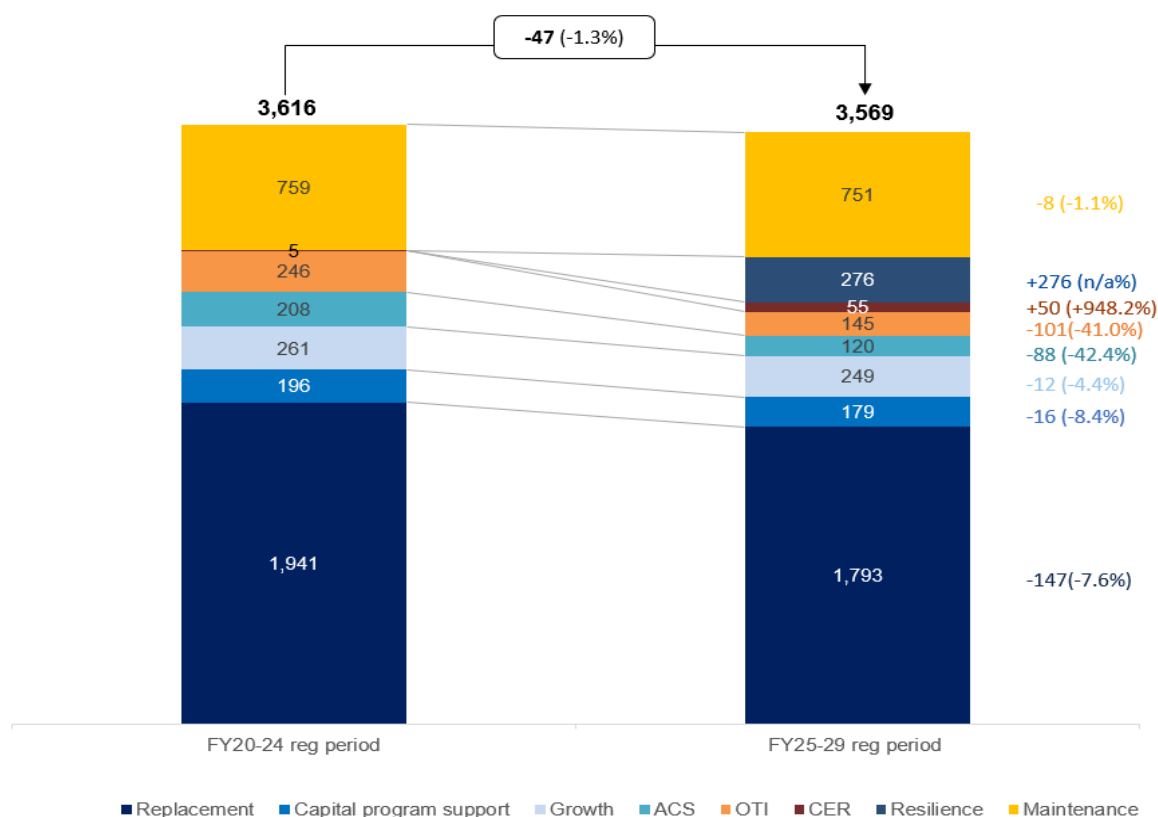


Figure 6.2: Ausgrid's FY20-24 and FY25-29 work plan (real \$ million, FY24)

⁵ Comparisons are comparing the change in total cost (sum of direct and indirect costs) of each category

7. Resourcing approach

7.1 Resourcing approach

Our delivery profile currently includes internally (Ausgrid employees) and externally delivered (contracted services) work plan activities. Figure 7.1 below outlines our current baseline forecast spend profile across both internal and external delivery.

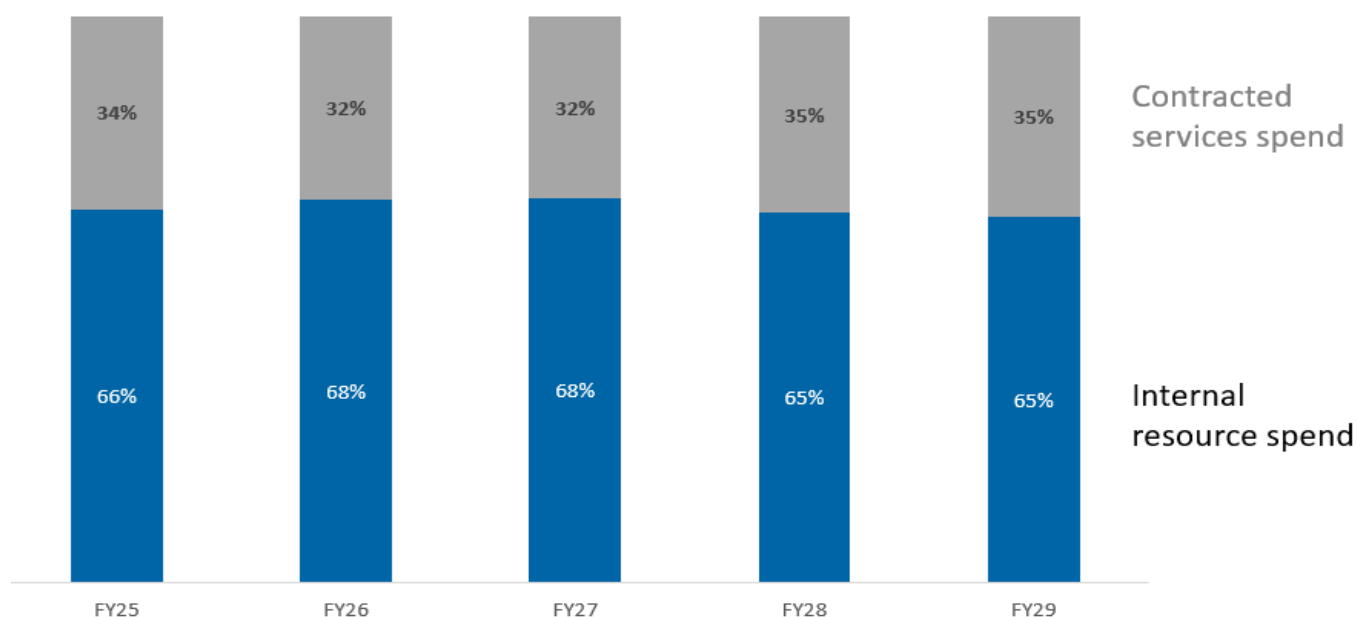


Figure 7.1: forecast internal vs. external delivery resource spend (FY25-29)

It is anticipated that there will be some internal resourcing gaps throughout the FY25-29 period with strategies to address the shortfall of internal resources listed below:

7.1.1 Increasing and optimising our internal workforce

Our primary driver to address any shortfall is to increase and optimise our internal workforce via key recruitment initiatives such as the apprentice program, graduate program, external recruitment and increased cross-skilling across internal functions.

Partnerships with universities and technology providers will be required to support the innovation capability uplift over FY25-29, this dual approach in addition to graduate programs and external recruitment will enable Ausgrid to deliver on the innovation requirements which support growth, CER and the innovation pipeline over this period.

7.1.2 Outsourcing work where appropriate

Outsourcing work where we have identified overflow opportunities. Through our ongoing partnership with a range of service providers and our knowledge of the market capabilities, we are confident that we can source the required external resources in the local labour market. Ausgrid has adopted a new contract management approach that is based on 3 key frameworks that encourage our contractors to meet Ausgrid's needs:

- **Performance** – comprises of a suite of lead and lag KPI's that measure safety, quality, performance financial and relationships. It enables an improved and relative performance of all contractors working on different types of work. The framework also provides regular feedback to Ausgrid management and contractors on performance, highlighting areas for improvement.

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- **Assurance** – ensures Ausgrid that contractual requirements are delivered by utilising ISO9001 management system that provides Non Conformance Reports (NCR) to Ausgrid to foster a collaborative approach to continuous improvement. Regular audits of work are also conducted by Ausgrid, with any NCR found to be worked through with the contractor to understand the root cause and identify areas for improvement in subsequent contract management meetings.
 - **Commercial** – Ausgrid are flexible in risk allocation to contractors to enable the best commercial outcomes are achieved. A new contract is being trialed that enables a different payment mechanism that can be selected without the requirement to change other parts of the contract which leads to preferable commercial outcomes for Ausgrid.

7.1.3 Deliver our transformation program (refer to Chapter 5 – Key enablers for work plan delivery)

The transformation program will deliver operational benefits, with additional planned initiatives ensuring this momentum is maintained. Key initiatives such as the IWMS and NAR process initiative are expected to increase utilisation, lift work throughput and reduce cancellation rates.