

Contents

Inputs	Tab I0
Calculations	C0
Cashflow	C1
CBA results	R0
Cashflow results	R1

Cell colour key

Header 1

Header 2

Table Header

Format	Example
Table Row Name	Text
Input Cell	
Calculation cell	
Parameter Cell	
Output Cell	

Project description

Condition assessment reports identified issues with the selected assets. Significant consequences of failure to personel and network exist in the event of insulator failure, if it were not replaced. Primarily the consequences relate to network availability and safety, but also include: reputation, environment and financial. This project is required to refurbish insulator systems on selected lines to achieve a life extension of the overall asset. The project is to be completed in the 2018-23 regulatory period. The feeder identified for insulator replacement is F1906 CHERRY GARDENS - HAPPY VALLEY 275kV Line.

Project options

Base case	Business as usual with no capital expenditure.
Option 1	Replacement in 2019-2023
Option 2	Replacement in 2023-2028

Key modelling assumptions

Financial year runs from 1 July to 30 June.

Real 2018 \$ are used for all monetary values unless otherwise stated.

Inputs to the model

Parameter/Input	Description	Source
Discount rate	Real pre-tax discount rate	ElectraNet estimate
Current financial year	Year to start analysis	When the capital investment is due to occur for the project
Time horizon	Length of time under consideration	Total project life including useful life and if the project occurred in the next regulatory period
Capital costs	Amount of capital investment in real terms for each project option	Estimated capital costs in the estimate from project center
Useful life	Length of time capital investments are expected to provide service	Useful life estimated from orginal economic justification on project center
Routine maintenance	Annual amount of estimated routine maintenance in real terms	See Detailed Opex Assessment
Corrective maintenance	Annual amount of estimated corrective maintenance in real terms	See Detailed Opex Assessment
Risk	Annual cost of risk if the unit is not replaced	See Detailed Risk Assessment

10 Inputs

User provided parameters and inputs to the model

Inputs

General parameter inputs

Parameter	Unit	Value	Source
Inflation rate	Percentage	2.00%	RBA
Discount rate (real, pre-tax): estimate	Percentage	6.00%	ElectraNet estimate
Discount rate (real, pre-tax): lower bound	Percentage	4.50%	ElectraNet estimate
First year of analysis	Year	2018	Current financial year
Base financial year for analysis	Year	2018	Base year
Time horizon	Years	20	ElectraNet

Sensitivities		
Low	Medium	High
1.50%	2.00%	3.00%
4.50%	6.00%	8.50%

Capital cost

Sensitivities			Comment
Low	Medium	High	
70%	100%	130%	Standard sensitivities used

Capital cost inputs						
Option	Asset	Amount	Start year	End year	1st year of Depreciation	Asset life
Option 1	Line Insulator	1,283,982	2018	2019	2020	27
Option 2	Line Insulator	1,283,982	2023	2024	2025	27

Costs inputs

Cost type	Cash/Non-cash	Low	Percentage Medium	High	Comment
Routine Maintenance	Cash	70%	100%	130%	Standard sensitivities used

Financial year		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Routine Maintenance	Units	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Base case	2018 \$	119,040	119,040	119,040	119,040	119,040	119,040	119,040	119,040	119,040	119,040	119,040	119,040	119,040	119,040	119,040	119,040	119,040	119,040	119,040	119,040
Option 1	2018 \$	119,040	119,040	964	964	964	964	964	964	964	964	964	964	964	964	964	964	964	964	964	964
Option 2	2018 \$	119,040	119,040	119,040	119,040	119,040	119,040	119,040	964	964	964	964	964	964	964	964	964	964	964	964	964

Benefit inputs

Benefit type	Cash/Non-cash	Low	Percentage Medium	High	Comment
Risk Cost Reduction	Cash	50%	80%	100%	Lower sensitivities

Financial year		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Risk Cost Reduction	Units	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Base case	2018 \$	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Option 1	2018 \$	0	0	993,577	1,040,747	1,094,152	1,153,134	1,217,213	1,286,015	1,359,239	1,436,638	1,518,000	1,603,146	1,691,917	1,784,174	1,879,794	1,978,665	2,080,687	2,185,768	2,293,823	2,404,776
Option 2	2018 \$	0	0	0	0	0	0	0	1,286,015	1,359,239	1,436,638	1,518,000	1,603,146	1,691,917	1,784,174	1,879,794	1,978,665	2,080,687	2,185,768	2,293,823	2,404,776

R0 CBA Results

Sensitivities, results and rankings

Input Summary

Parameter selection for sensitivity analysisCapital cost

Scenario parameters		Capital cost scenario		
	Units	Low	Medium	High
Assumed scenario weighting	% weighting	33%	33%	33%
Discount rate	% real, pre-tax	6.00%	6.00%	6.00%
Capital cost	% of estimate	70%	100%	130%

Cost selection for sensitivity analysisRoutine Maintenance

Scenario cost inputs		Routine Maintenance scenario		
	Units	Low	Medium	High
Routine Maintenance	% of estimate	70.0%	100.0%	130.0%

Benefit selection for sensitivity analysisRisk Cost Reduction

Scenario benefit inputs		Risk Cost Reduction scenario		
	Units	Low	Medium	High
Risk Cost Reduction	% of estimate	50.0%	80.0%	100.0%

Cost Benefit Analysis Results (Quantitative)

Output summaryNet present value of benefits

NPV results		Scenario			Weighted
Option	Units	Low	Medium	High	NPV
Option 1	2018 \$	7,649,312	12,226,908	15,288,631	11,721,617
Option 2	2018 \$	5,424,320	8,675,957	10,846,177	8,315,485

Output summaryRanking of options

Ranking of options		Scenario			Weighted
Option	Units	Low	Medium	High	ranking
Option 1	2018 \$	1	1	1	1
Option 2	2018 \$	2	2	2	2