

12115 Telecommunications Unit Asset Replacement

Contents

	Tab
Inputs	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

ElectraNet’s transmission network is one of the most extensive regional transmission systems in Australia, extending across some 200,000 square kilometres of the State. Overlaying the transmission network is a Telecommunications Network, required to carry protection, SCADA, telephony and various other operational and business data.

The Telecommunication Asset Management Plan identified assets whose performance and maintainability is degrading to an extent that it increases the risk to the operability and stability of the transmission network.

In accordance with ElectraNet's Asset Management Plan, telecommunications assets were rated using the SCAR coding framework to determine the asset risk profile. This project is required to replace those assets that fall under the high risk category.

This project is required to be undertaken in the period 2019-2023.

Project options

Base case	Units are run to failure with emergency replacement of telecommunications asset as required.
Option 1 Install Telecommunications Assets in 2019-2023	A planned replacement program is undertaken in 2019-2023.
Option 2 Undertake option 1 in next regulatory period	The planned replacement program is delayed by five years to 2024-2028. This option includes emergency replacement for the first five years and a reduction in the assets required to be replaced under the planned replacement program.

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	Detailed Costs Assessment and Telecommunication Asset management plan
Useful life	Length of time capital investments are expected to provide service	Useful life estimated from original economic justification on project center
Emergency Response to failure	Annual cost of responding to unit asset failure assuming 5% will fail	Detailed Cost Assessment

10 Inputs

User provided parameters and inputs to the model

Inputs

General parameter inputs

Parameter	Unit	Value	Source	Sensitivities		
				Low	Medium	High
Inflation rate	Percentage	2.00%	RBA	1.50%	2.00%	3.00%
Discount rate (real, pre-tax): estimate	Percentage	6.00%	ElectraNet estimate	4.50%	6.00%	8.50%
Discount rate (real, pre-tax): lower bound	Percentage	4.50%	ElectraNet estimate			
First year of analysis	Year	2019	Current financial year			
Base financial year for analysis	Year	2018	Base year			
Time horizon	Years	20	ElectraNet			

Capital cost

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

Capital cost inputs

Capital cost inputs					Commission	
Option	Asset	Amount	Start year	End year	year	Asset life
Base Case	Reactive replacement of Radios and Bearers	301,276	2019	2019	2020	10
Base Case	Reactive replacement of Radios and Bearers	1,045,303	2020	2020	2021	10
Base Case	Reactive replacement of Radios and Bearers	2,580,053	2021	2021	2022	10
Base Case	Reactive replacement of Radios and Bearers	2,443,553	2022	2022	2023	10
Base Case	Reactive replacement of Radios and Bearers	936,803	2023	2023	2024	10
Base Case	Reactive replacement of Radios and Bearers	256,053	2024	2024	2025	10
Base Case	Reactive replacement of Radios and Bearers	256,053	2025	2025	2026	10
Base Case	Reactive replacement of Radios and Bearers	256,053	2026	2026	2027	10
Base Case	Reactive replacement of Radios and Bearers	256,053	2027	2027	2028	10
Base Case	Reactive replacement of Radios and Bearers	256,053	2028	2028	2029	10
Option 1	Radios and Bearer	563,460	2019	2019	2020	10
Option 1	Radios and Bearer	1,209,413	2020	2020	2021	10
Option 1	Radios and Bearer	1,929,614	2021	2021	2022	10
Option 1	Radios and Bearer	1,935,716	2022	2022	2023	10
Option 1	Radios and Bearer	1,178,915	2023	2023	2024	10
Option 2	Reactive replacement of Radios and Bearers	301,276	2019	2019	2020	10
Option 2	Reactive replacement of Radios and Bearers	1,045,303	2020	2020	2021	10
Option 2	Reactive replacement of Radios and Bearers	2,580,053	2021	2021	2022	10
Option 2	Reactive replacement of Radios and Bearers	2,443,553	2022	2022	2023	10
Option 2	Reactive replacement of Radios and Bearers	936,803	2023	2023	2024	10
Option 2	Radios and Bearer	350,000	2024	2024	2025	10
Option 2	Radios and Bearer	210,000	2025	2025	2026	10
Option 2	Radios and Bearer	70,000	2026	2026	2027	10
Option 2	Radios and Bearer	70,000	2027	2027	2028	10

Costs inputs

Cost type	Cash/Non-cash	Percentage			Comment
		Low	Medium	High	
Emergency response to failure	Cash	70%	100%	130%	Standard sensitivities used

[illegible]

R0 CBA Results

Sensitivities, results and rankings

Input Summary

Parameter selection for sensitivity analysisDiscount rate

Scenario parameters		Discount rate scenario		
	Units	Low	Medium	High
Assumed scenario weighting	% weighting	33%	33%	33%
Discount rate	% real, pre-tax	4.50%	6.00%	8.50%
Capital cost	% of estimate	100%	100%	100%

Cost selection for sensitivity analysisEmergency response to failure

Scenario cost inputs		Emergency response to failure scenario		
	Units	Low	Medium	High
Emergency response to failure	% of estimate	70.0%	100.0%	130.0%

Cost Benefit Analysis Results (Quantitative)

Output summaryNet present value of benefits

NPV results		Scenario			Weighted
Option	Units	Low	Medium	High	NPV
Option 1	2018 \$	1,302,379	1,180,037	1,004,650	1,162,355
Option 2	2018 \$	382,603	334,233	267,835	328,224

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