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Project description

This project is required to refurbish line support systems on selected assets with components that have been assessed to have a high likelihood of failure. This refurbishment is required to achieve a life extension of the overall asset. The project is to be undertaken in the 2018-23 regulatory period.

Project options

Base case	Business as usual with no capital expenditure.
Option 1	Replacement of the fasteners in 2019-2023 regulatory period.
Option 2	Replacement in the next regulatory period in 2024-2028

Key modelling assumptions

Financial year runs from 1 July to 30 June.

Real 2017-2018 \$ 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 original 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	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	2018	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

Option	Asset	Amount	Start year	End year	Commission	
					Year	Asset life
Option 1	Line Support Systems	8,781,378	2018	2023	2024	27
Option 2	Line Support Systems	8,781,378	2023	2028	2029	27

Costs inputs

Cost type	Cash/Non-cash	Percentage			Comment
		Low	Medium	High	
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 \$	103,500	103,500	103,500	103,500	103,500	103,500	103,500	103,500	103,500	103,500	103,500	103,500	103,500	103,500	103,500	103,500	103,500	103,500	103,500	103,500
Option 1	2018 \$	103,500	103,500	103,500	103,500	103,500	103,500	2,532	2,532	2,532	2,532	2,532	2,532	2,532	2,532	2,532	2,532	2,532	2,532	2,532	2,532
Option 2	2018 \$	103,500	103,500	103,500	103,500	103,500	103,500	103,500	103,500	103,500	103,500	103,500	2,532	2,532	2,532	2,532	2,532	2,532	2,532	2,532	2,532

Benefit inputs

Benefit type	Cash/Non-cash	Percentage			Comment
		Low	Medium	High	
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	0	0	0	0	13,147,796	15,578,239	18,176,847	12,207,227	8,174,170	9,608,836	11,151,412	12,800,949	14,556,585	16,417,536	18,383,076	20,452,539	22,625,304	24,900,792
Option 2	2018 \$	0	0	0	0	0	0	0	0	0	0	0	9,608,836	11,151,412	12,800,949	14,556,585	16,417,536	18,383,076	20,452,539	22,625,304	24,900,792

R0 CBA Results

Sensitivities, results and rankings

Input Summary

Parameter selection for sensitivity analysis

Capital 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 analysis

Routine 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 analysis

Risk 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 summary Net present value of benefits

NPV results		Scenario			Weighted NPV
Option	Units	Low	Medium	High	
Option 1	2018 \$	47,982,046	77,434,861	96,517,081	73,977,996
Option 2	2018 \$	28,073,791	45,323,925	56,485,798	43,294,504

Output summary Ranking of options

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