# Fleet Asset Strategy

- 2024-29 Non-System Capital Expenditure



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: Contents

•	Executive Summary	3
•	Purpose, Scope and Strategic Direction	5
•	Our Fleet and Operating Environment	8
•	Current Period Performance	19
•	Expenditure Methodology, Assumptions and Drivers	22
	Next Period Forecast	24
	Investment Governance	27
	Future Strategy and Innovation	28
	Appendix 1: Fleet Transformation Strategy	

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• Fleet Asset Strategy 2024-29

#### **Executive Summary**

Endeavour Energy services over 2.5 million people living and working across Sydney's Greater West, the Blue Mountains, the Southern Highlands, Illawarra and the South Coast of NSW. We power the third largest economy in Australia, with the population of Greater Western Sydney forecast to materially by 2031. To do this, we manage a network that spans almost 25,000 square kilometres, from the Blue Mountains to the South Coast and through much of Sydney's Greater West and has a Regulated Asset Base value of \$6.8 billion.

This Fleet Asset Strategy describes our strategic approach, asset management plan and expenditure forecasts for our vehicle fleet for the 2024-29 period. Our vehicle fleet is an essential enabler in supporting the investment, maintenance and operational activities of our system assets.

To inform this Fleet Asset Strategy, Endeavour Energy has developed a Fleet Services Transformation Strategy to provide clear direction to the business on how to transform Fleet Services over the next 10-15 years and further our goal of being among the best performing networks in Australia for safety, customer service outcomes and financial performance metrics. The Fleet Transformation Strategy outlines key objectives and actions planned for the 2024-29 period to drive efficiencies and prioritise investment decisions.

As an organisation, we have an objective to transition to net zero by 2040 and to support this target we will look to transition our fleet to electric vehicles (EVs) where it is economically efficient to do so. For the purposes of the Fleet Asset Strategy, we have assumed that the life-cycle cost of moving to a sustainable fleet is cost neutral and therefore no specific additional funding has been included in the strategy for this purpose.

Endeavour Energy's program of work and level of staff numbers are the key driver of fleet expenditure, directly influencing both the volume and type of vehicles required to support operational needs.

A focus on operational requirements and an improved alignment of fleet and its allocation to operational demands, has resulted in a decrease in fleet asset numbers (38%) over the last ten years (FY13-FY22). This includes a consolidation of vehicle variants (e.g. a consolidation to five light vehicle and ten truck models), a standardisation of their operation, and focus on specific fleet requirements. In particular, the consolidation of vehicle variants has enabled the establishment of structured supplier arrangements, (including pricing rebates, smart forecasting and delivery programs), 'right sizing' of internal maintenance resources, better fleet sharing opportunities and operational familiarity benefits.

For the current period (2019-24), Endeavour Energy is forecast to spend \$45.1m (\$FY24) on the fleet, which is \$20.6m higher than the allowance.<sup>1</sup>. This has primarily been driven by a decision to replace rather than refurbish 36 Elevated Work Platforms (EWPs) during this period.

EWPs and Lifter Borers are required to undergo (at a minimum) a major rebuild at ten years in compliance with AS2550 and AS1418. As part of our ongoing review of our fleet replacement approach, NPV analysis was undertaken which indicated that it was more efficient to pursue a full replacement approach for EWPs at 10 years, rather than continue with our previous approach of a 10 year refurbishment in order to extend their life to 15 years. This NPV analysis has been revisited as part of developing this strategy, which again has demonstrated that replacement of EWPs at 10 years is still the best outcome. A similar analysis for Lifter Borers, however has shown that refurbishment at 10 years to extend the life to 15 years is the better outcome. The fleet program for 2024-29 has been developed on this basis.

<sup>1</sup> 2022-10-10\_Endeavour Energy NSE Fleet Reconciliation Graph Workings





Endeavour Energy is proposing capex for the 2024-29 period of \$46.9m (\$FY24), made up of \$29.1m for fleet purchases/refurbishments and \$17.8m for fleet lease capitalisation, which is lower than the expected spend for 2019-24 period and more in line with historical levels.

This proposed spend of \$29.1m for fleet purchases/refurbishments has been a conscious decision to manage within a top-down constraint to mitigate impacts on customer electricity pricing. Without this constraint, the application of our replacement/refurbishment criteria to our fleet as a bottom-up assessment would have led to a requirement for \$45.4m. With a priority to apply Australian Standards to both EWPs and Lifter Borers, expenditure on Heavy Commercial Vehicles has had to be reduced to operate within this top-down constraint. To enable additional Heavy Commercial Vehicles to be replaced during this period there will be a focus on efficiency improvement and innovation across the overall fleet program.

We lease 386 of our 405 passenger and light commercial fleet. In forecasting our proposed 2024-29 spend for fleet leasing, we also applied a top-down constraint by applying a 12% reduction in the number of renewed fleet leases over the 2024-29 period. This reduces the number of required renewed fleet leases by 48 to 338. We intend to achieve this constrained volume by proactively looking at the condition and kilometrage of each vehicle as it approaches lease expiry; and proactively extending the lease term coupled with fleet reduction opportunities as they arise due to low utilisation. If fleet leases are unconstrained, \$20.2m would be required for fleet lease capex instead of the proposed \$17.8m.

Adjustments to this fleet program will no doubt occur as we progress through 2024-29 to reflect the priorities and constraints of the day.

Historically, we have treated our leases as operating expenditure (opex), accounting for lease payments in the year in which they are incurred. Endeavour Energy has adopted the changes to Australian Accounting Standard AASB 16 - Leases from a financial accounting purpose for the year ending 30 June 2020. Endeavour Energy is intending to apply AASB16 to fleet leases for regulatory accounting purposes from 1 July 2024, which means the full amount (over its term) of an operating or finance lease will be capitalised when it is first entered into or is renewed. An amount of \$17.8m (FY\$24) for the capitalisation of fleet leases is proposed for 2024-29. This in turn will result in a corresponding reduction in operating expenditure for 2024-29. Under the base-step-trend framework to determine opex for 2024-29, the opex for the base year of FY23 will be adjusted downwards by \$4.83m (nominal) or \$5.02m (real) to reflect the application of AASB 16. For the purposes of the incentive schemes relating to current period performance, no adjustments will be made.

Figure 1 below provides an overview of historical expenditure, as well as current period performance compared to our next period proposal, recognising that fleet leasing is a change from both past and current periods.



- Fleet Asset Strategy 2024-29
  - Fleet Capex \$m (FY24 Real\$) 40.0 35.0 30.0 25.0 20.0 15.0 5.0 5.0 FV10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21 FY22 FY23 FY24 FY25 FY26 FY27 FY28 FY29 Fleet purchase capex actuals VIII FY12 FY18 FY19 FY20 FY21 FY22 FY23 FY24 FY25 FY26 FY27 FY28 FY29

#### Figure 1 – Forecast expenditure compared to historical expenditure

#### **Purpose, Scope and Strategic Direction**

Endeavour Energy's Purpose, Vision, Strategic Goals and Priority Themes for the period to 2029 are summarised in Figure 2.

Purpose	Powering communities for a brighter future										
Vision	To be amongst the best performing networks in Australia as measured by safety, cus engagement and financial performance metrics										
Strategic Goals	1. Health, safety & environment	2. Employee engagement	3. Customer & communities	4. Performance	5. Growth through innovation						
	<ul> <li>Establish an organisation-wide culture of safety</li> <li>Establish streamlined systems</li> </ul>	Lift Performance through clear expectations and performance- oriented mindsets	<ul> <li>Establish easy connection with customers</li> <li>Enhance recognition by</li> </ul>	<ul> <li>Optimise work program and risk allocation</li> <li>Improve quality, speed and cost to</li> </ul>	<ul> <li>Leverage existing asset base to create value</li> <li>Augment</li> </ul>						
	and processes	Build leadership	customers through valued	deliver	network with smart						

#### Figure 2: Endeavour Energy's Purpose, Vision, Strategic Goals and Priority Themes



The proposed investments set out in Endeavour Energy's 2024-29 Regulatory Proposal are focussed on addressing these priority themes which are described in more detail in the following:





- Meet core customer expectations for a safe, affordable and reliable electricity supply by continuing to invest in the replacement and renewal of assets across our network to ensure they continue to meet our customers' expectations for a network that is safe for both our workers and the community and provides a reliable electricity supply to our customers.
- Enable and facilitate customers' future energy choices and known preferences as customers seek to connect more distributed energy resources and increase the use of sophisticated digital platforms our objective is to enable customers' future energy choices for a sustainable future, moving use towards the future integrated and low carbon energy system.
- Providing a resilient network for the community against increasing external hazards. As the effects of a changing climate become more impactful, our infrastructure needs to meet our high levels of service in an increasingly challenging environment. Our organisation needs to be prepared, enabling our trained personnel to respond to incidents and provide support services to those in need. Additionally, cyber security and a more variable and decentralised generation mix require investments to strengthen the stability and security of networks.
- Support the sustainable growth of our communities. As the ongoing transformation of Greater Sydney continues to drive growth across the Endeavour Energy network, we need to align the timing of our investments with other lead infrastructure providers by facilitating grid technologies that will be adaptable to the evolving needs of businesses and communities. This growth will require substantial network investment that will support a wider suite of Government plans and initiatives for promoting affordable housing, industries, employment opportunities and economic growth in our network area.

Each of the priority themes are reliant on an ongoing investment in fleet assets to deliver efficient, capable and sustainable fleet outcomes for Endeavour Energy and its employees in order to deliver the services that customers expect.

To enable this corporate direction within the context of Fleet Services, a Fleet Transformation Strategy was developed. This was endorsed by Endeavour Energy's Investment Management Committee in March 2022 and is attached as Appendix 1. This transformation strategy sets out the strategic direction, principles and implementation plan to transform Fleet Services at Endeavour Energy over the next 10-15 years. It responds to changing business needs, commercial imperatives, and a changing regulatory and sustainability framework. This strategy supports the organisation's goals in becoming among the best performing networks in Australia for safety, customer outcomes and financial performance metrics. It outlines a range of strategic directions grouped into three key themes of service and performance, innovation and sustainability, and creating value.

Whilst the Fleet Transformation Strategy provides the long-term direction and links closely to the existing strategic framework at Endeavour Energy, this Fleet Asset Strategy specifically supports the Fleet Transformation Strategy by focussing on achieving outcomes through the short to medium term to 2029. The Fleet Asset Strategy applies to our regulated network and demonstrates that our fleet capex:

- Is prudent and informed by current data and information;
- Is efficient and is not exceeding the amount reasonably required to support investment and day-today operational activities;
- Incorporates the benefits of previous and future cost saving initiatives and fleet productivity improvements; and
- Is based on a balanced approach to risk management.





The Fleet Asset Strategy forms part of Endeavour Energy's Asset Management Framework, which is a comprehensive model that ensures all elements of the asset management life cycle are documented, aligned and optimised. The relationship between this document and the other elements within Endeavour Energy's Asset Management Framework is illustrated in Figure 3 below. A detailed description of Endeavour Energy's asset management system and its constituent parts is available in the Asset Management System Manual and the Asset Management System Guidelines.

In combination, these elements demonstrate that Endeavour Energy's capex forecast is required in order to achieve both the National Electricity Rules and the capex objectives, including the ability to meet or manage the expected demand for standard control services, comply with relevant regulatory obligations and maintain the safety of the distribution system. The forecasts that are included in this document have been allocated to standard control services.

Further, Endeavour Energy's fleet forecasts and direction aim to promote the National Electricity Objective by ensuring the efficient investment in, and efficient operation and use of, electricity services for the long-term interests of consumers of electricity with respect to the price, quality, safety and reliability and security of supply of electricity.



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- Fleet Asset Strategy 2024-29



#### Figure 3 - Asset Management Framework

#### **Our Fleet and Operating Environment**

#### **Fleet Services**

Fleet Services is responsible for developing and delivering strategies which guide the effective provision of fleet related services, that enable us to efficiently deliver planned capital projects, maintenance programs and other operational commitments. Our fleet of vehicles are critical in mobilising our workforce to effectively deliver regulated network services.

In managing our fleet, the Fleet Services must:

- Develop and maintain effective fleet standards;
- Provide and maintain a fleet of 'fit for purpose' vehicles and plant items that are safe, compliant, environmentally friendly and cost effective;
- Establish and maintain a framework to efficiently and responsibly manage all aspects of fleet operations;
- Provide fleet related business intelligence that facilitates informed operational, safety and financial decisions;
- Maintain compliance with all relevant legislative and regulatory requirements; and
- Remain up-to-date with new and emerging technologies that ensure the safety, productivity and mobility of our employees in the most efficient manner.



Fleet Asset Strategy 2024-29

#### Changing technology and operational needs

Fleet Services has identified the need to be more innovative in fleet operations in order to meet customer needs and support new operational requirements. This includes a need for to enhance the current commercial Fleet Management System, so that it can integrate and centralise management of fleet assets, service information, time records, tolls and fuel data, incident and infringement data and replacement planning.

Fleet Services currently make use of an off-the-shelf Fleet Management System (Ausfleet) for the sole purpose of managing pool car bookings, which it has used for years. The 'Ausfleet' software is modular, and different modules can be purchased individually on an annual subscription basis. These modules include service and maintenance, inventory management, transactions and reporting for example. Endeavour Energy recently has adopted some additional modules in order to expand the use of the system from simply pool booking management to entire fleet management. As part of this process, Fleet Services has gone through a process of data cleansing and correction, and imported information which is currently stored in disparate systems, including asset information, service and maintenance regimes, toll tag information and annual registration renewal information. This data will be kept aligned with other corporate systems once it is in use.

During 2022-23, the system will be activated for the purposes of recording service and maintenance information across the various workshops, and will also capture time spent on maintenance, tolls, fuel card usage and registration renewals. It will allow mechanics to record the service information from iPads into the system, which will be available to workshop supervisors immediately. It will also facilitate better management of staff resources, with visibility of work across all workshops by workshop managers. In 2023-24, it is expected that additional customer facing apps will be activated to make pool bookings, service requests and fault reporting easier and quicker for staff. In 2024-29, it is anticipated that additional integrations will be developed to link the data to other corporate systems such as SAP, telematics or PowerBI if the benefits of doing so warrant it. Provision for this has been captured as a 'small works' item in the ICT Plan.

The expected outcomes will be the consolidation of all fleet maintenance records into a single system. Future benefits include the removal of paper based maintenance records and processes, the eventual 'live' reporting of issues by field teams, visibility of maintenance across all workshops, and improved productivity due to automated processes.

Continual refinement and improvement to safety specifications and features included in new and replacement vehicles is part of how we work. As new technologies emerge, Fleet Services will implement best-in-class features and systems to continue to lead the way in the provision of a safe environment.

Vehicle technologies, management systems, ways of working and the need for agility have driven changes to the existing tools and techniques for fleet management. The fleet industry is changing, both in terms of the types of vehicles available, and the operating models associated with in-house fleets. The advent of electric, hydrogen and alternatively fuelled vehicles means that Endeavour Energy will need to reassess the types, numbers, and purpose of vehicles in its current fleet to ensure that it is well-placed to select new types of vehicles as they become available, are economic for purchase and are fit for use in the electricity industry. When choosing new types of vehicles, Endeavour Energy will ensure that there is a good understanding of the new technology from a service and maintenance, operating cost, and customer outcomes perspective.

As a socially and environmentally responsible corporation, Endeavour Energy will move to acquiring vehicles with lower carbon emissions as well as introducing improved efficiencies to optimise the fleet, where it is economically efficient to do so.



- Fleet Asset Strategy 2024-29
  - Fleet size and composition

The Endeavour Energy fleet of vehicles includes:

- Passenger vehicles
- Utilities
- Vans
- **Trucks and Trailers**
- Stand-alone and truck mounted plant items
- Elevated Work Platforms (EWPs)
- Lifter Borers.

The varied composition of our fleet reflects the need for our diversely skilled and gualified workforce to perform a variety of activities. These fleet items are specified, selected and allocated based on the fit-forpurpose operational needs of the business.

Our fleet numbers for our major fleet categories are provided below in

Table 1. As at 30 June 2022, of the 702 vehicles, five are EVs. This includes four passenger EVs and one EV truck.

	•	•	•	
Fleet Category	Fleet Units	Average kms travelled per annum	Owned or Leased	Average Asset Life (years)
Passenger Vehicles	29	7,117	Leased and Owned (EVs only)	5 years / 150,000kms
Light Commercial Vehicles	376	15,264	Leased	5 years / 150,000kms
Lifter Borers	18	9,304 Owned		10 years (Refurbishment) 15 years (Replacement)
EWPs	80	10,381	Owned	10 years (Replacement)
Heavy Commercial Vehicles	199	13,075	Owned	<7500kg 15 years / 200,000 kms
Total	702	13,604	-	-

#### Table 1 – Fleet composition (as at 30 June 2022)

Our vehicle fleet is an essential enabler in supporting the investment, maintenance and operational activities of our system assets. Changes in the level and type of system capex will often drive a proportional change in the amount of non-system expenditure needed to efficiently support the level of planned capital works.

Table 2 below identifies the relative contribution of fleet capex to total capex over recent regulatory periods and the proposed fleet capex compared to forecast total capex for the next regulatory period. The fleet capex forecast for the next period (adjusted for fleet leasing) as a proportion of total forecast capex is decreasing compared to the forecast for the current period. It should be noted that fleet capex trend tends to be lumpy as it reflects both vehicle type and when vehicles are replaced at 'end of life'.

![](_page_9_Picture_23.jpeg)

- Fleet Asset Strategy 2024-29

		ve change in heer cape		
(\$m FY2024)	2009-14	2014-19	2019-24	2024-29
Total Capex	3,355.7	1,815.9	2011.2	1,882.2
Gross Fleet Capex	77.6	21.4	45.1	46.9**
Disposals	NA*	(1.4)*	(4.2)	(3.1)
Net Fleet Capex	77.6	20.0	40.9	43.8
Proportion	2.31%	1.10%	2.03%	1.38%***

#### Table 2 – Relative change in fleet capex to total capex

\* Data on Historical Disposal proceeds is available from FY17 only.

\*\* The proposed amount of \$46.9m for 2024-29 is a top-down constraint, noting that a bottom-up assessment yielded an amount, including fleet leasing, of \$64.3m.

\*\*\* This percentage is exclusive of the \$17.8m proposed for the capitalisation of fleet leases in order to provide a valid comparison against previous periods.

#### **Fleet operational arrangements**

Endeavour Energy has historically financed and sourced its fleet requirements through a combination of:

- Purchasing specialised vehicles through the capital allowance.
- Entering into conditional leasing arrangements for passenger and light commercial vehicles. Fleet leasing is currently arranged through two fleet management companies, engaged through a tender process.

A key consideration in our Asset Management Framework for fleet is to minimise the total asset life-cycle costs. Reflecting this, we periodically review our fleet operations, standards, market prices and existing commercial arrangements to ensure opportunities to derive cost savings from changes to our fleet are being identified and taken advantage of in a timely manner.

A regular analysis of leasing and buying arrangements for vehicles (including resale values, the cost of capital, and maintenance and life cycle costs) provides a foundation for informed decisions about the best structure and model for fleet at Endeavour Energy. Having appropriate data on hand to assist in this work is essential to undertake useful and timely analysis. In some cases, such as when the second-hand vehicle market is particularly strong, as well as when funding costs are low, a change from the status-quo to take advantage of the prevailing market and financial conditions delivers better value. Fleet Services aims to be agile to quickly shift modes of operation and create organisational value.

Endeavour Energy proposes to continue with the current approach to lease our light fleet and purchase our heavy fleet of vehicles, including EWPs and Lifter Borers. However, the continued effectiveness of the leasing strategy will be periodically reviewed, consistent with historic practice.

#### Fleet acquisition, replacement and disposal

The fleet acquisition program is reviewed annually to ensure on-going coordination with the delivery of system (network) projects and investments. The fleet acquisition program is driven by decisions to:

![](_page_10_Picture_21.jpeg)

- Fleet Asset Strategy 2024-29
  - Replace existing vehicles replacement decisions are primarily based on the replacement program of existing fleet that meet the relevant replacement criteria (based on age and kilometres travelled as a proxy for usage and condition). This includes an assessment of continued operational need, sharing opportunities and utilisation. Replacement may also be initiated through incidents, accidents or excessive wear and tear that may mean it is uneconomical or unsafe to repair the vehicle.
  - Increase the size of the existing fleet this may be required when current fleet and utilisation levels can no longer be optimised and are insufficient to deliver the network program of work and meet customer expectations. The acquisition of additional new fleet requires supporting justification, and endorsement by the relevant senior managers.

The optimal replacement criteria for each class of fleet have been carefully set to maximise the performance of the fleet from both a lifecycle cost management and operational flexibility perspective. The replacement program is also developed with consideration of relevant Australian and International Standards and Workplace Health and Safety legislation. It is recognised that capital constraints will from time-to-time mean some vehicles will not be replaced in accordance with replacement criteria. In these situations, replacement is prioritised on the basis of safety requirements; then complying with Australian Standards; and then vehicle age, kilometres and condition.

Fleet Services periodically reviews the appropriateness of the fleet category specific replacement thresholds to maximise the performance of our fleet both from a whole of life cost management and operational flexibility perspective. The fleet category specific replacement guidelines are maintained in *Company Procedure GTT0019 – Administration of Company Vehicles and Plant.* 

The age and usage threshold criteria are used as a reference point to plan the replacement of fleet subject to a detailed condition assessment, operational prioritisation and cost effectiveness analysis. The results of these assessments are then used to inform whether the vehicle will undergo refurbishment or repair and be retained in the fleet beyond its normal service life. Alternatively, the asset will be disposed of and potentially replaced.

Our fleet replacement schedule is designed to ensure compliance with relevant standards and legislative obligations. The retention criteria are critical in ensuring our employees are equipped with vehicles that are safe, reliable and can adequately perform their intended function as required. Table 1 above sets out the current replacement criteria that is currently being applied.

In September 2022, our previous analysis was updated to determine whether EWPs and Lifter Borers should continue to be replaced every 10 years or refurbished at 10 years in order to extend their lives to 15 years. This analysis showed that EWPs should continue to be replaced after 10 years, whereas Lifter Borers should be refurbished after 10 years and then replaced at 15 years. <sup>2</sup> This analysis, which is available, is summarised in Tables 3 and 4:

<sup>2</sup> NPV Model EWPs & Lifter Borers - Sensitivity Analysis Final v2

![](_page_11_Picture_11.jpeg)

- Fleet Asset Strategy 2024-29

Table 3 – NPV Analysis for Replacing or Refurbishing EWPs (Nominal \$)

	Option 1 - Hire	Option 2 - Replacement	Option 3 - Refurbishment
EWP Quantity	80	80	80
Annual Opex PV - \$m	6.74	1.30	1.40
NPV - \$	213.5	104.2	110.6

#### Assumptions:

Option 1 - Hire: Annual long term hire of full fleet of EWPs with trucks

Option 2 – Replacement: EWPs are fully replaced once asset reaches the 10-year life threshold

**Option 3 – Refurbishment:** EWPs are refurbished at the 10-year life threshold to extend the life for a further 5 years. Downtime period is assumed to be 3 months and 13-18 metre EWPs are hired during downtime as business backups.

#### Parameters:

- WACC 5.72%
- CPI 2.5%
- Modelling based on 80 EWPs with Trucks over a 30 year period
- Buy/Refurbish Nifty Lift EWPs
- Long term and short term rentals assumed from tendered rates provided by Sherrin

	Option 1 - Hire	Option 2 - Replacement	Option 3 - Refurbishment
Lifter Borer Quantity	18	18	18
Annual Opex PV - \$m	2.24	0.33	0.38
NPV - \$	70.9	29.8	27.3

#### Table 4 – NPV Analysis for Replacing or Refurbishing Lifter Borers (Nominal \$)

#### Assumptions:

Option 1 – Hire: Annual long term hire of full fleet of Lifter Borers with trucks

**Option 2 – Replacement:** Lifter Borers are fully replaced once asset reaches the 10-year life threshold **Option 3 – Refurbishment:** Lifter Borers are refurbished at the 10-year life threshold to extend the life for a further 5 years. Downtime period is assumed to be 3 months and Lifter Borers are hired on a monthly contract rate during downtime as business backups.

#### Parameters:

- WACC 5.72%
- CPI 2.5%
- Modelling based on 17 Lifter Borers with Trucks over a 30 year period
- Buy/Refurbish Ozzy Crane Borers
- Long term and short term rentals assumed from tendered rates provided by McMahon

In summary, the analysis showed a 5.8% NPV advantage in replacing EWPs at 10 years, whereas for Lifter Borers there was 8.4% NPV advantage if refurbished at 10 years and then replaced at 15 years. Sensitivity analysis was conducted for both EWPs and Lifter Borers at different vehicle hires rates and CPI rates. This analysis did not impact the outcome.

The analysis also identified that the replacement approach would also provide a number of other nonfinancial benefits and minimise some of the risks of ageing assets, including:

• Increased reliability and less downtime for service vehicles

![](_page_12_Picture_33.jpeg)

- - Fleet Asset Strategy 2024-29
- Reduced unscheduled maintenance/repair work for fleet
- Minimise risk in procurement and longer lead time to source spare parts
- Earlier access to any new technology or safety improvements
- Reduced vehicle transitions between existing, hired and refurbished vehicles
- Improved safety and morale of staff.

Notwithstanding, this Fleet Asset Strategy has been developed using the above NPV outcomes to develop a fleet program for 2024-29.

Removing under-utilised vehicles from our fleet, where it was determined that their removal would not adversely impact network safety or service performance, has allowed us to achieve improved fleet utilisation and performance. Table 5 provides an overview of the fleet units over a number of years as reported in the Category Analysis (CA) Regulatory Information Notices (RINs). It shows a steady decline in fleet numbers over time, driven by a combination of transformation initiatives including an associated reduction in staff. Heavy commercial vehicles include Lifter Borers in the RIN data; however they have been extracted in Table 5.

Fleet Category	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Passenger vehicles	191	162	114	93	78	61	50	17	29
Light Commercial	510	456	404	362	372	357	345	382	376
Lifter borers	18	19	18	18	17	20	17	17	18
EWPs	118	117	112	105	89	85	80	85	80
Heavy Commercial	291	267	230	209	227	210	199	198	199
Total	1,128	1,021	878	787	777	733	691	699	702

#### Table 5– Fleet numbers (as at 30 June 2022)

#### Fleet Standardisation and Efficiencies

There has been a significant drop (38%) in fleet asset numbers over the past eight years, which has been driven by a concerted effort to improve efficiencies and better align the fleet numbers and allocation with operational demands. This includes the consolidation of vehicle variants (e.g. at present there are only five light vehicle models and ten truck models across the company) through standardisation of operation and position specific fleet requirements. The consolidated range of vehicles has enabled establishment of structured supplier arrangements (including pricing rebates, smart forecasting and delivery programs), 'right sizing' of internal maintenance resources, better fleet sharing opportunities and operational familiarity benefits.

Endeavour Energy has taken into careful consideration 'essential' versus 'desirable' requirements to reduce customisation and update specifications. The ultimate outcome will enable acquisition of standard 'off the shelf' products that enable efficient operations with consideration of safety and cost effectiveness. Existing assets will progressively be replaced using the updated specifications to commence realisation of the improvement opportunities. The fleet standardisation process is documented in Company Procedure GTT 0010 – Fleet Standardisation Process.

![](_page_13_Picture_19.jpeg)

• Fleet Asset Strategy 2024-29

#### **Benchmarking of Asset Lives for Fleet**

Using the appropriate asset life is important as it affect both the predicted capex replacement costs that customers will pay for, as well as the depreciation schedule and associated maintenance costs. Having a longer asset life may also lead to a trade-off between capital and operational expenditure, where capital costs are reduced while operational maintenance costs are higher. It is noted that a range of factors, including climatic conditions, will influence the replacement lives assigned.

A benchmarking analysis of asset lives for fleet was undertaken against eight other distributors to validate Endeavour Energy's approach as set out in Table 5. Key differences between Endeavour Energy and peers can be seen for Light Commercial 4x4s, EWPs and Lifter Borers for the following reasons:

- Endeavour Energy currently leases all its Passenger and Light Commercial fleet from leasing companies that have been sourced through competitive tender. These companies have a standard leasing period of five years. They do not offer seven- year lease terms as standard, due to the diminished value of the asset for resale purposes at the end of seven years term and their funding arrangements. However, each vehicle is considered on its utilisation and condition at the end of its lease or if it reaches a distance threshold early. In cases where the distance threshold is not met at the end of a lease, it becomes a candidate for ad-hoc lease extension to obtain maximum value from the entire lease arrangement. In all cases, underutilised vehicles are considered for permanent removal from the fleet.as and when required.
- Endeavour Energy has carried out an NPV Analysis for EWPs (Table 3) which shows that replacement at 10 years is the best financial outcome. This is largely consistent with peers; however three distributors do replace their EWPs at periods up to 15 years as shown in Table 6.

Endeavour Energy has carried out an NPV Analysis for Lifter Borers (Table 4) which shows that refurbishment at 10 years to extend the vehicle life to 15 years is the best financial outcome. This is longer than most peers as shown in Table 6.

![](_page_14_Picture_9.jpeg)

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#### Fleet Asset Strategy

- 2024-29
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Table 6– Asset replacement lives benchmarking analysis

	Endeavour Energy	Relative to peers	Power and Water	SA Power Networks	PowerCor	Ausgrid	Essential Energy	Ergon	Energex
Passenger	5 years / 150,000kms (Leased)	Largely consistent with peers	4 years / 80,000kms	5 years / 150,000kms	5 years / 150,000kms	5 years/ 100,000kms	5 years / 150,000kms	4 years / 100,000kms	7 years/ 140,000km
Light Commercial 4x2	5 years / 150,000kms (Leased)	Largely consistent with peers	N/A	5 years / 150,000kms	5 years / 150,000kms	7 years / 150,000kms	5 years / 150,000kms	150,000kms	7 years/ 140,000km
Light Commercial 4x4	5 years / 150,000kms (Leased)	Lower than majority of peers, however extension available by exception	5 years / 125,000kms	5 years / 150,000kms	6 years / 140,000kms	7 years / 150,000kms	5 years / 120,000kms	7 years / 140,000kms	7 years / 140,000kms
Light Commercial – Heavy Duty	5 years / 150,000kms	Largely consistent with peers	5 years / 125,000kms	5 years / 150,000kms	300,000kms	7 years / 150,000kms	5 years / 120,000kms	4 years / 150,000kms	5 years / 150,000kms
EWP	10 years As per NPV Analysis	Largely consistent with peers	10 years	10 years	15 years	15 years	10-15 years	10 years	10 years
Crane	10 years (Refurbishment) 15 years (Replacement)	Largely consistent with peers		14 years	10 years / 300,000kms – Cab 20 years Crane	15 years	10-15 years	10-15 years	10 years
Borers and Wire Winders	10 years (Refurbishment) 15 years (Replacement) As per NPV Analysis	Longer than a majority of peers		20 years	10 years / 300,000kms – Cab 20 years Borer	10 years	10 years	10 years	10 years
Commercial Trucks	<7500kg 15 years / 200,000 kms	Largely consistent with peers		15 years	15 years / 300,000kms	15 years/ 250,000kms	10-15 years	10-15 years	10-15 years
Miscellaneous Equipment	15 years	Largely consistent with peers		20 years	10 years	15 years	15 years	15 years	15 years
Trailers	15-20 years	Largely consistent with peers	As needed basis	15 years	15 years	15 years	15 years	15 years	10 years

![](_page_15_Picture_9.jpeg)

![](_page_16_Picture_0.jpeg)

#### Benchmarking of historical fleet expenditure against total non-system expenditure

A benchmarking analysis was undertaken to compare Endeavour Energy's historical fleet expenditure as a percentage of total non-system expenditure against eight other distributors<sup>3</sup>. Data was sourced from each distributor's RIN submissions publicly available on the AER website. The key findings are summarised below and provided graphically in Figure 2, Figure 3 and Figure 4 below:

- Endeavour's annual fleet operational expenditure is 19% of its total non-system operational expenditure. This is in line with the benchmarked median of 20%
- Endeavour's annual fleet capital expenditure is 10% of its total non-system capital expenditure. This is lower than the benchmarked median of 17%
- Endeavour's annual fleet total expenditure is 15% of its total non-system expenditure. This is slightly lower than the benchmarked median of 18%

![](_page_16_Figure_6.jpeg)

#### Figure 2: Benchmarking of fleet operational expenditure against total non-system operational expenditure

—— Endeavour Energy

Benchmark Median
Other Distributor

<sup>3</sup> Ausgrid, SAPN, Energex, Essential Energy, TasNetworks, CitiPower, evoenergy (ActewAGL), Power and Water Corporation

![](_page_16_Picture_12.jpeg)

![](_page_17_Picture_0.jpeg)

![](_page_17_Figure_1.jpeg)

Figure 3: Benchmarking of fleet capital expenditure against total non-system capital expenditure

Figure 4: Benchmarking of total fleet expenditure against total non-system expenditure

![](_page_17_Figure_4.jpeg)

![](_page_17_Picture_6.jpeg)

![](_page_18_Picture_0.jpeg)

#### **Current Period Performance**

#### Summary

Our fleet capex relative to the AER allowance for the current regulatory period is provided in Table 7. Actuals reported have been based on the data provided to the AER in the CA RINs. Endeavour Energy is forecast to spend \$20.6m more than the AER allowance, primarily driven by the above-mentioned decision to implement the replacement of EWPs rather than the previous refurbishment approach.

\$m FY2024	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Allowance	7.6	4.6	4.9	5.6	1.8	24.5
Actual / Forecast (ex. Disposals)	8.2	5.4	14.6	13.2	3.8	45.1
Difference	(0.6)	(0.8)	(9.7)	(7.6)	(2.0)	(20.6)

Table 7 – Current actual/forecast period performance (2019-24)<sup>4</sup>

#### Table 8 – Forecast Fleet Capex spend 2019-245

	2019 Act	9-20 ual	202 Act	0-21 tual	202 Ac	1-22 tual	202 For	2-23 ecast	202 Fore	3-24 ecast	201 Fore	9-24 ecast
Fleet Category	Units	\$m:	Units	\$m:	Units	\$m:	Units	\$m:	Units	\$m:	Units	\$m:
Passenger vehicles	-	-	-	-	4	0.3	-	-	-	-	4	0.3
Light Commercial	-	-	-	-	15 <sup>2</sup>	0.8	-	-	-	-	15	0.8
Lifter borers	-	1.7	4	0.3	2	0.5	-	-	-	-	6	2.5
EWP – Replacement	1	2.8	13	2.9	5	5.7	6	7.4	11	1.5 <sup>3</sup>	36	20.3
EWP - Refurbishment	-	-	8	0.1	4	0.9	12	2.5	-	-	24	3.5 <sup>4</sup>
HCV – Truck	20	3.1	13	1.6	23	5.3	7	2.5	4	0.9	67	13.4
HCV – Other	33	0.6	13	0.5	45	1.1	42	0.8	31	1.4	164 <sup>1</sup>	4.4
Total	54	8.2	51	5.4	98	14.6	67	13.2	46	3.8	316	45.1

<sup>4</sup> 2022-10-10\_Endeavour Energy NSE Fleet Reconciliation Graph Workings
 <sup>5</sup> FY20-24 Fleet Capex Actual + Forecast Spend

![](_page_18_Picture_10.jpeg)

# Fleet Asset Strategy 2024-29

- The number of 164 is comprised of 93 truck-mounted cranes (but not the underlying chassis) which have reached their 10-year 'end of life' and are to be refurbished, 7 trailers, 2 generators, 2 mast boom lifts, 1 vacuum truck, 1 skid steer loader, 1 mini excavator, forklifts, and additional safety trackers for use on plant items. The governance around new items is in line with policies, including business case documentation and management approval processes.
- 2. A decision was taken to purchase 15 vehicles for the unregulated business which would be funded by the unregulated business through hourly charge payments to the regulated business.
- 3. The reporting of vehicle units refers to whole vehicles. Reported expenditure without vehicle units represents progress payments.
- 4. Notwithstanding the criteria to replace EWPs at 10 years rather than refurbish, market supply challenges resulted in 24 EWPs being refurbished in 2019-24 in order to satisfy Australian Standards.

The fleet capex reported in the FY20, FY21 and FY22 RINs is in alignment with this strategy. The number of fleet units reported in the FY22 RIN is also in alignment with this strategy, however there is inconsistency with respect to the FY20 and FY21 RINs.

The primary reason why our fleet units in this strategy differ from our FY20 and FY21 RIN submissions is due to a change in our ERP system from Ellipse to SAP and hence the source of data and methodologies used for count quantities has changed. For the FY20 and FY21 RINs, the equipment register in Ellipse and an internal management report was used to prepare the submissions, whereas for the FY22 RIN and this strategy, the data was prepared using both the SAP equipment listing and our newly extracted fleet management master data file that did have slight categorisation differences to historical Ellipse data. Given there had also been multiple personnel changes in RIN preparation over the years, it has been challenging to track the year-on-year changes. The FY22 RIN submission is considered to be correct.

#### **Fleet Program Governance**

Governance of fleet capex is provided through many different levels:

- Investment governance this include this Fleet Asset Strategy, plus annual fleet budgets, long term fleet forecasts and any associated analysis, which is submitted to the Investment Management Committee for approval on an annual basis, along with quarterly monitoring of spend against these plans by the same committee. More detail on this governance is set out in the 'Investment Governance' section of this document.
- Purchasing governance this relates to the assessment of individual vehicle investments in order to implement the approved program. Endeavour Energy has in place governance processes to ensure its fleet expenditure is prudent and efficient. In particular, all purchases need to be in accord with company procedure GSU 0001 on Procurement and approvals of these purchases in accord with company policy 1.1.1 on Delegations. Table 9 below, sets out the governance process for each vehicle type.

![](_page_19_Picture_12.jpeg)

Fleet Asset Strategy 2024-29

Table 9 – Governance Processes for Approval of Fleet Capex						
Fleet Category	Governance Process					
Passenger and Light Commercial	<b>Vehicle Replacement</b> : Vehicle utilisation is reviewed at end of lease by Fleet Services and if average annual usage is greater than 15,000kms per year approval to replace is made by the operational Section Manager. Approval to replace any vehicles which have been identified as underutilised can only be made by the Branch Manager.					
Vehicles (Leased)	<b>Purchase of Additional Vehicle</b> : Requires the submission of a business case to the General Manager for approval.					
	<b>Procurement:</b> Following a competitive tender process, two lease vehicle suppliers have been contracted which each competitively quote for the supply of each vehicle. The most competitive quote is awarded the lease contract for the individual vehicle.					
	<b>Vehicle/Plant Replacement</b> : Vehicle and/or plant condition, including life-cycle cost impacts and utilisation, is reviewed by Fleet Services and decision to replace made by the operational Section Manager, on the recommendation of Fleet Services, if both the condition, life-cycle costs and utilisation warrant its replacement. Approval to replace any vehicle/plant which have been identified as underutilised can only be made by the Branch Manager.					
Lifter Borers, EWPs and Heavy	<b>Purchase of Additional Vehicle/Plant:</b> Requires the submission of a business case to the General Manager for approval.					
and Heavy Commercial Vehicles/Plant (Purchase / Refurbishment)	<b>Procurement:</b> In line with company procedure GSU 0001, the process varies by value and risk in line with the matrix in the procedure. For purchases such as contracts for EWPs and Lifter Borers of high value (greater than \$1m per year), the process set out in the procedure for 'Strategic Sourcing' category must be followed, whereby endorsement is required from the Contract Award Panel, made up of independent members of Endeavour Energy's Executive, with approval then provided by the responsible Executive, CEO or Board as appropriate in accordance with the company policy 1.1.1 on delegations. Once approved, a contract is managed through expenditure delegations which are coded into the purchasing system (SAP). This ensures that only employees with approved delegations can approve orders.					

#### Achievements

Key outcomes and strategies that have been achieved during the current regulatory period to date include:

- Implementation of an off-the-shelf Fleet Management System to manage particular functions such as pool car bookings and introducing new functionality from the same system to enhance fleet utilisation, including better reporting systems and data integrity, which have enabled improved monitoring of utilisation and performance
- Setting of an emissions reduction target
- Alignment of the Fleet with changes in operational requirements which have influenced the type and specification of vehicles
- Purchase of five EVs and establishment of charging stations
- Implementing a new investment prioritisation tool (Copperleaf) across Endeavour Energy which enables better decision-making for asset management, portfolio planning and business management. This has allowed the organisation to proactively bring forward investments to optimise outcomes arising from capital investments as compared to understanding and quantifying the consequence of saving money by deferring investments.

![](_page_20_Picture_10.jpeg)

![](_page_21_Picture_0.jpeg)

#### **Expenditure Methodology, Assumptions and Drivers**

#### **Fleet expenditure drivers**

In addition to our strategic priorities, there are several key operational drivers in developing the fleet expenditure needs and forecasts, which include:

- **Compliance with regulatory and legislative obligations** ensuring fleet complies with the evolving regulatory landscape, including heavy vehicle legislation, environmental considerations, safety requirements and driver behaviour management.
- System (Network) program of work and employee numbers the demand for fleet and motor vehicles is proportionally linked to the network (or system) program of work, crewing structures, and work practices.
- **Fleet operational and management** decisions relating to fleet ownership and replacement are critical to developing forecasts and ensuring efficient delivery and management of the fleet assets.
- **Standards and Specifications** ensuring fleet services maintains designs and specifications to ensure vehicle selection and acquisition is cost effective, fit-for-purpose and based on best industry practice.
- **Emerging Technologies** new technology and fuel options play a significant role in fleet expenditure and planning.

#### Forecasting methodology

The forecast for fleet has been built through a bottom-up build, based on the drivers and assumptions outlined in this Fleet Asset Strategy, including the replacement of assets based on assumed asset lives and maintenance (asset life cycle costs).

Our fleet capex is based on minimising the total life cycle cost of our fleet assets in meeting our operational requirements and regulatory obligations for the next regulatory period. This is achieved by ensuring our employees are equipped with vehicles that are capable of supporting the planned network program of work through an optimum mix of fleet resources.

In addition to the expenditure drivers highlighted above, the key forecasting considerations include:

- Planned fleet replacement schedule and criteria
- Cost of maintaining each vehicle against the alternatives
- Current market costs
- Ongoing availability and access to suitable fleet.

Our fleet of vehicles can be used to perform a range of regulated and unregulated services. We ensure that that the full fleet capex cost is attributed and reported under Standard Control Services, however these costs, including Fleet operating costs, are then allocated between regulated and unregulated activities as per the AER approved Cost Allocation Model. The proportion to which fleet capex is allocated reflects the predicted usage of the vehicle in providing each type of service. Some vehicles lend themselves to a variety of activities, while others may be more activity specific. This means that the proportion of costs for each of these services will not be uniform across the class of vehicles.

#### **Expenditure assumptions**

Our forecast investments and expenditure are based on the following assumptions:

![](_page_21_Picture_21.jpeg)

![](_page_22_Picture_0.jpeg)

- Vehicles will be replaced at end of life, which will impact expenditure requirements and will result in 'lumpy' expenditure trends.
- Vehicles will continue to be replaced on a like-for-like basis until the transition to net zero emission vehicles becomes the most efficient and least-cost option.
- For fleet lease projections and based on experience, a 12% reduction in renewed fleet leases is targeted. While the total fleet size is not intended to be reduced over time, we intend to achieve this constrained volume by proactively looking at the condition and kilometrage of each vehicle as it approaches lease expiry; and proactively extending the lease term coupled with fleet reduction opportunities as they arise due to low utilisation.
- Unit costs have been assumed to remain steady.
- Fleet leases as they are entered into will be capitalised from 1 July 2024.
- The network (or system) program of work and employee numbers will remain stable from their current position as at 30 June 2022.

The resultant bottom-up build forecast is then compared to the top-down constraint and if there is insufficient funding then the fleet forecast is then prioritised first to meeting safety requirements, then satisfying Australian Standards, then vehicle condition, age, and kilometres.

![](_page_22_Picture_9.jpeg)

![](_page_23_Picture_0.jpeg)

#### **Next Period Forecast**

Table 10 outlines the number of vehicles (by category and type) that we anticipate will be replaced (or refurbished) for each year of the next regulatory period. It indicates that 445 vehicles will require capex which includes both replacement (or refurbishment) and leased vehicles and items of plant whether standalone or associated with a vehicle. This forecast of 445 vehicles is the resultant program after top-down capital funding constraints have been applied as set out in the footnotes to Table 10.

Fleet Type	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Passenger vehicles	1	6	6	12	4	29*
Light Commercial	33	89	39	126	22	309*
Lifter Borers	1	0	2	0	6	9
EWPs	3	12	18	9	1	43
HCV – Truck	4	2	4	3	1	14**
HCV – Other	9	8	8	8	8	41***
Total	51	117	77	158	42	445

<b>Fable 10 –</b>	Forecast	fleet repla	acement	schedule	(numbers)	6
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\* Top-down funding constraints have been applied to fleet leases for both passenger vehicles and light commercial vehicles with an assumed 12% reduction in the number of renewed leases during 2024-29, resulting in a reduction in lease renewals at lease expiry from 386 to 338. This will be achieved by proactively looking at the condition and kilometrage of each vehicle as it approaches lease expiry; and proactively extending the lease term coupled with fleet reduction opportunities as they arise due to low utilisation.

\*\* The application of the replacement criteria for Heavy Commercial Vehicles (Trucks) required that 59 vehicles be replaced during 2024-29, however top-down capital constraint has limited this to 14 vehicles. Efficiency improvement and innovation initiatives will be pursued to enable more vehicles to be replaced within the period.

\*\*\* Top-down capital constraints has reduced this down from an assumed 200 units of activity to 41.

<sup>6</sup> FY25-29 Fleet Capex Summary

![](_page_23_Picture_10.jpeg)

![](_page_24_Picture_0.jpeg)

#### **Unit Cost Assumptions**

The capital expenditure required to replace and perform major overhauls (refurbishment) for each vehicle type is used to derive a capital expenditure forecast for each category of fleet. The cost of vehicle replacement is determined through a tender procurement process which provides us the best opportunity to elicit the most competitive market price. Information and data provided by heavy fleet suppliers and repairers is used to derive costs of major overhauls.

Table 11 provides the current replacement and refurbishment capital costs for each vehicle type. As the cost of refurbishment can vary depending on the nature and extent of remedial work involved, an average cost based on recent historical experience has been applied, exclusive of high cost overhauls related to rare and exceptional circumstances. It should be noted that no refurbishments are anticipated in the next regulatory period. However, experience in the current period has identified that supplier capacity constraints apply from time to time. Should that occur, it may be necessary to refurbish some items in order to maintain operational availability.

Replacement costs for new units are based on actual average costs for units in the 2019-24 regulatory period. The procurement policy (GSU0001) indicates a market-tested process for the provision of goods or services in excess of \$1m. This includes provision of specification documentation and release to the market via the Tenderlink electronic portal. Approval to conclude contractual arrangements is via the Contract Award Panel.

Fleet Type	Replacement	Refurbishment	Leasing
Passenger vehicles	-	N/A	\$51,000
Light Commercial	-	N/A	\$57,000
Lifter Borers	\$682,000	\$175,000	-
EWPs	\$525,000	\$175,000	-
Heavy Commercial including equipment	\$275,000	N/A	-

Table 11 – Fleet replacement, refurbishment, and leasing capital expenditure average cost per unit (\$FY24)

We currently lease 386 of our 405 passenger and light commercial fleet and historically, we treated our leases as operating expenditure by accounting for lease payments in the year in which they were incurred. Endeavour Energy adopted the changes from Australian Accounting Standard AASB 16 - Leases from a financial accounting purpose for the financial year ending 30 June 2020. Endeavour Energy is proposing to adopt the AASB16 for fleet leases for regulatory reporting purposes from 1 July 2024, which means the full amount (over its term) of an operating or finance lease will be capitalised up-front when it is first entered into or is renewed.

Our forecasts for fleet leases and fleet purchases/refurbishments for 2024-29 are provided in the Tables 12 and 13 respectively, based on the constrained program set out in Table 10 and the unit cost assumptions set out in Table 11. The forecast fleet expenditure will allow us to efficiently:

![](_page_24_Picture_10.jpeg)

![](_page_25_Picture_0.jpeg)

- Replace the fleet we expect will no longer be fit-for-purpose
- Conduct refurbishments and overhauls following condition-based assessments
- Provide our staff with safe and reliable vehicles that comply with appropriate industry and company standards
- Support the delivery of our network program of work.

The total proposed capex for both fleet leases (\$17.8m) and fleet purchases (\$29.1m) is approximately \$46.9m. The proposed fleet lease capex of \$17.8m reflects the capitalisation of lease costs that were previously included as operating expenditure. Under the base-step-trend framework to determine opex for 2024-29, the opex for the base year of FY23 will be adjusted downwards by \$4.83m (nominal) or \$5.02m (real) to reflect the application of AASB 16. For the purposes of the incentive schemes relating to current period performance, no adjustments will be made. Further detail on the approach to lease capitalisation can be found in the Lease Capitalisation Paper produced by Endeavour Energy's Finance Group.

\$m, FY2024	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Fleet lease no.	34	95	45	138	26	338
Lease addition \$m	2.0	5.4	2.3	6.8	1.3	17.8*

#### Table 12 - Forecast fleet units and capex requirements – fleet leases

\*The unconstrained program would require \$20.2m for fleet lease capex instead of the proposed \$17.8m.

#### Table 13 – Forecast fleet units and capex requirements – fleet purchases/refurbishments<sup>7</sup>

	Unit	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Lifter Borers	no.	1	0	2	0	6	9
EWPs	no.	3	12	18	9	1	43
HCV – Trucks	no.	4	2	4	3	1	14
HCV – Other	no.	9	8	8	8	8	41
Fleet purchases	no.	17	22	32	20	16	107
Fleet purchases \$FY24	\$m	3.1	7.1	11.1	5.8	2.1	29.1*

\*The unconstrained program would require \$45.4m for fleet purchase/refurbishment capex instead of the proposed \$29.1m.

<sup>7</sup> FY25-29 Fleet Capex Summary

![](_page_25_Picture_14.jpeg)

![](_page_26_Picture_0.jpeg)

#### **Investment Governance**

Figure 5 below provides an overview of the structured governance hierarchy and investment oversight that exists from Board, Investment Management Committee to levels of management. The level of oversight depends on the investment's materiality, risk and complexity.

![](_page_26_Figure_3.jpeg)

The annual fleet budget, expenditure plan and long-term fleet forecast are prepared by Fleet Services before being submitted to the Investment Management Committee on an annual basis for approval. The annual review is to ensure on-going coordination with the delivery of projects and programs across the organisation and ensures the most efficient combination of operational, financial and safety outcomes.

In accordance with *Company Procedure GFC 0034 – Budgeting and Forecasting*, quarterly reporting of actual spend against the approved budget and expenditure plan is submitted to the Investment Management Committee for on-going monitoring of performance.

Expenditure plans are developed and delivered in accordance with Endeavour Energy's Investment Management Framework to ensure clear guidance and accountability across the life cycle of investment justification, selection and execution. This framework is shown below.

Figure 5 - Investment Management Framework								
Need	Options	lustification	Preliminary	Final Business	Investment	Project		

![](_page_26_Figure_8.jpeg)

Endeavour Energy's Value Framework is at the core of evaluating and justifying investments to ensure alignment to regulatory requirements, corporate and investment strategies and customer expectations. The Value Framework puts the needs of our customers first and is embedded into all our investment decisions. It considers public and worker safety, network reliability, bushfire and environmental impacts to

![](_page_26_Picture_11.jpeg)

![](_page_27_Picture_0.jpeg)

help us understand where investments will have the greatest value for our customers. The Net Present Value (NPV) for each investment is calculated using a value function that incorporates a selected set of relevant value measures. A positive NPV is required to justify the business case. Additionally, the NPV of an investment is used to determine its standing among other Investments competing for resources in a constrained optimisation process.

#### **Future Strategy and Innovation**

This Fleet Asset Strategy reflects the direction for Fleet Services as set out in the Fleet Transformation Strategy. This Fleet Asset Strategy will be revised annually in line with the organisational strategy and direction, and to reflect fleet development trends and new technologies. The Fleet Transformation Strategy will be updated every 2-3 years or sooner if there are material changes in the operating environment.

The focus for 2024-29 will be on transforming Endeavour Energy to provide innovative, high performing, sustainable services to our customers. We will do this by partnering with our stakeholders to understand business requirements, making safety a priority, putting the customer first, embracing agility, using data to make timely and relevant decisions, and measuring performance. Fleet Services will support this transformation by moving forward and implementing the directions set out in both the Fleet Transformation Strategy and this Fleet Asset Strategy.

There is an expectation from both our customers and stakeholders that we act in good faith and in accordance with social and corporate responsibilities. This includes investigating and implementing where appropriate innovative and cost-effective fleet solutions to transition to net zero emissions, where life-cycle costs are comparable and fit for purpose vehicles are available.

The Federal Government's recent passing of legislation governing Australia's approach to action on climate change (Climate Change Act, 2022 and the Climate Change (Consequential Amendments) Act, 2022) will provide a more direct influence on a move towards an EV fleet. This will involve a continuous monitoring of advancements in EV technology and supporting infrastructure in order to support the transition process. Endeavour Energy's sustainability strategy will need to be refreshed to reflect the obligations of the new Federal legislation.

For the purposes of the developing this Fleet Asset Strategy for the 2024-29 Regulatory Proposal, it has been assumed that capital costs are comparable and therefore cost neutral. However, we will continue to monitor life-cycle costs during the next regulatory period and will make economic decisions that are in the best long-term interests of customers, whilst also recognising sustainability obligations.

![](_page_27_Picture_9.jpeg)

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	Elast Sarvicas
	Iranstormation Stratog

Driving Service Driving Performance Driving Innovation Driving Sustainability

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# Contents

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•

•	Executive Summary	5
•	Business Context – Organisational Purpose and Vision	8
•	Business Context – Safety	9
•	Business Context – Customer Requirements	9
•	Business Context – Changing Technology	10
	Strategic Principles – Background	12
	Strategic Principles – Principles	12
	Strategic Principles – Change management considerations	13
	Strategic Principles – Program interdependencies	13
	Methodology – Strategy Development and Adoption	15
	Service – Background	18
	Service – Key Issues	18
	Service – Strategy	18
	Performance – Background	19
	Performance – Key Issues	19
	Performance – Strategy	19
	Innovation – Background	22

![](_page_30_Picture_3.jpeg)

•	Innovation – Key Issues	22
•	Innovation – Strategy	22
•	Sustainability – Background	23
•	Sustainability – Key Issues	23
•	Sustainability – Strategy	23
•	Creating Value – Effective and Efficient	25
•	Creating Value – Lease vs Buy	25
•	Creating Value – Branding	25
•	Creating Value – Leverage Workshops	25
•	Measures – What Success Means	27
•	Summary – Actions	35
	Summary – Indicative Timeframes	37

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# : Vision: Service, Performance,

## : Innovation, Sustainability

Fleet Services will transform to provide innovative, high performing, sustainable services to its customers.

It will do this by partnering with stakeholders to understand business requirements, making safety a priority, putting the customer first, embracing agility, using data to make timely and relevant decisions, and measuring performance.

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#### Executive Summary

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- This Fleet Transformation Strategy sets out the background, strategic principles, and methodology for changes to the delivery of Fleet Services at Endeavour Energy over the next 10-15 years. It responds to
- changing business needs, commercial imperatives, and a changing regulatory and sustainability
- framework. The document also seeks to provide leadership in the fleet space to contribute towards the
- organisational goal of being among the best performing networks in Australia for safety, customer
- engagement and financial performance metrics.
- The document outlines strategic choices grouped into three strategic themes:
- Service and Performance which covers changes and improvements to business-as-usual activities
- Innovation and Sustainability to identify new and proposed changes and programs to lead the way
- Creating Value to capture additional value and opportunities through agile approaches
- The document is divided into distinct sections, which are:
  - 1. Background and Information, which comprises information and assumptions relating to:
    - a. Business context
      - b. Strategic Principles
      - c. Methodology
  - 2. Strategic Choices, which sets out the problem statements and opportunities in three broad themes:
    - a. Service and Performance
    - b. Innovation and Sustainability
    - c. Creating Value
    - 3. Measures, which defines and proposes how success will be measured and reported

The document also contains a summary and timeline to provide an indication of the action plan and completion of those actions.

The methodology includes benchmarking and consultation to inform the strategic choices to be made by the organisation. The document will be regularly reviewed and updated over the life of the strategy to ensure continuous improvement and relevance to changed circumstances.

![](_page_33_Picture_26.jpeg)

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# Service and Performance

Improvements and changes to existing services, programs, and processes

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#### •

Innovation and Sustainability

New programs, projects, and strategic directions

#### Creating Value

Being agile to capture additional value opportunities

- Customer service focus
- Fleet Management System
- Simplified Policies, Procedures, and Processes
- Online Workshop
- Support Field Productivity
- Data Driven | Dashboards
- Electric Fleet
- Intelligent Route Planning
  - Effective and efficient
  - Lease vs Buy comparison
- Branding
- Leverage in-house workshops

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# : Business Context

Organisational purpose and vision, changing technology, customer requirements and safety

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- Business Context

#### **Business Context – Organisational Purpose and Vision**

The energy distribution industry is becoming more volatile and complex, with greater regulatory pressure to reduce costs, resulting in investment uncertainty.

Digitisation of the industry is offering opportunities for increased efficiency while also opening the industry to new unregulated business, competitors and driving demands for greater customer empowerment.

Endeavour Energy has a vision to be amongst the best performing networks in Australia as measured by safety, engagement, customer, and financial performance metrics.

To achieve this vision, Endeavour Energy has established five strategic goals which are:

- safety for our staff and community and support a sustainable environment;
- provide employees with a great place to work, develop and do their best every day;
- provide an improved customer experience and better engagement with strategic stakeholders;
- optimise the effectiveness and efficiency of operational and capital expenditure to drive customer value; and,
- leverage our existing asset base with smart investment and new technology to create value.

The strategies adopted by the organisation to achieve the respective corporate goals include:

- embedding a safety culture and address causes of injury;
- open and transparent communications, develop leadership capabilities and lift decision quality;
- multi-channel customer self-service options supported by customer journey insights;
- value-based investment optimisation, operational efficiency, and customer-focussed network investments; and,
- Grow the un-regulated business and future-proof the network business.

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#### Business Context

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#### **Business Context – Safety**

Safety is the way things are done at Endeavour Energy and should never be compromised when undertaking work.

Endeavour Energy's Health and Safety Policy and Commitment Statement supports the company's commitment to providing a safe and healthy place of work for all employees, contractors, visitors, and members of public.

Fleet Services supports safety in the workplace by providing safe and fit-for-purpose vehicles and plant to operational teams across the organisation. Continual refinement and improvement to safety specifications and features included in new and replacement vehicles is part of how we work. As new technologies emerge, Fleet Services will understand and implement best-in-class features and systems to continue to lead the way in the provision of a safe environment.

#### **Business Context – Customer Requirements**

Endeavour's fleet requirements are driven by the needs of its customers. In the case of internal service provision, the customers of Fleet Services are operational teams in transmission, distribution, emergency services and streetlighting, for example.

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#### Business Context

The needs of the customers are changing. There are new ways of working, such as starting and finishing from home, multi and cross-skilling of teams, hiring out of work teams to commercial entities and the use of agile work methods. This change means that Fleet Services needs to change to respond to these new requirements with innovative, flexible, and fit-for-purpose solutions.

#### **Business Context – Changing Technology**

The fleet industry is changing, both in terms of the types of vehicles available, and the operating models associated with in-house fleets.

The advent of electric, hydrogen and alternatively fuelled vehicles means that Endeavour will need to reassess the types, numbers, and purpose of vehicles in its current fleet to ensure that it is well-placed to select new types of vehicles as they become available and fit for use in the electricity industry.

It is critical that Endeavour lead the way in choosing new types of vehicles where possible to ensure that there is a good understanding of the new technology from a service and maintenance, operating cost, and customer satisfaction perspective.

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As a socially and environmentally responsible corporation, Endeavour can demonstrate leadership by choosing vehicles with lower carbon emissions as well as introducing improved efficiencies to optimise the fleet while meeting operational needs.

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# **Strategic Principles**

Guiding change

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- Strategic Principles

#### Strategic Principles – Background

The demand for fleet investment across Endeavour Energy exceeds the financial and resource capacity of the organisation.

Principles are needed that will guide the decisions on which opportunities will be prioritised.

Investments need to be made within the context of the overall Endeavour Energy asset portfolio and not as isolated initiatives.

#### **Strategic Principles – Principles**

The following principals will guide decisions on what outcomes to fund and how they should be delivered:

- 1. Funding Limits: investments within a planning horizon must not exceed the AER approved capital funding limits and will be prioritised through engagement across the business and sound business case development.
- 2. Justification and Prioritisation: Projects must be justified in accordance with the Investment Management Framework. Criteria for prioritising must include consideration of the following:
  - a. Safety: supporting the safety goals of the organisation.
  - b. Regulatory Compliance: adapt fleet services to meet the evolving regulatory landscape, including ringfencing, heavy vehicle legislation and driver behaviour management.
  - c. Service continuity: ensuring the continued delivery of existing fleet services to Endeavour Energy by addressing risks of service disruption and building resilience.
  - d. Corporate Strategic Goals: supporting or enabling the achievement of the Endeavour Energy Strategic Plan.
  - e. Organisational productivity: the use of fleet services to increase organisational efficiency, effectiveness, and adaptability.
  - f. Return on Investment: financial and non-financial benefits must be identified to create a Benefit/Cost Ratio while not all initiatives will need a BCR>1 to be funded, it will guide prioritisation within investment categories.
  - g. Program interdependencies: jointly prioritise projects delivering desired outcomes with their supporting initiatives required for a viable solution.
- 3. Standardisation: Reduce complexity and total cost of ownership through common technologies, platforms, designs and skillsets wherever possible. Seek to consolidate identical capabilities to a single vendor and leverage those capabilities across the value chain.
- 4. Ownership: investments that deliver capabilities and outcomes across the organisation will be sponsored and owned by Fleet Services. Investments that deliver outcomes for a specific division will be sponsored and owned by that division, with the support of the Fleet Service team.
- 5. Sourcing of Services: Services will be sourced using the following order of precedence criteria:
  - a. Safety
  - b. Fit for purpose
  - c. Sustainability

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#### • Strategic Principles

- d. Efficiency
- e. Reputation
- f. Cost
- 6. Support and Maintainability: The fleet must be supported and maintainable, by a combination of internal resources and /or reputable vendors, for the life of the asset.

#### Strategic Principles – Change management considerations

The Fleet Transformation Strategy seeks to support the achievement of the Endeavour Energy Corporate Strategic Goals. Consequently, the implementation of the Fleet Strategy will drive changes to the way our staff, customers and other stakeholders utilise Endeavour Energy services. The expected organisational implications of the Fleet Strategy include the following:

- Workforce flexibility initiatives will mostly simplify existing work practices with seamless adoption expected across the organisation. Awareness programs will be required to gain the full benefits of collaboration work practice opportunities. Training and familiarisation programs will be required where 'tools of the trade' are being introduced or changed.
- The introduction of contemporary fleet platforms and business systems will provide opportunities for business process reengineering as part of the broader Endeavour Energy transformation program.

#### Strategic Principles – Program interdependencies

The work streams of the Fleet Strategy have been developed to be largely independent programs of work, with dependencies between initiatives managed within the respective Programs. There are a few notable interdependencies between Programs:

- The effectiveness of the new fleet systems and platforms depends heavily on the quality of data and the maintenance of that data accurately and in a timely way. The resources to do this will be critical to the ongoing success and usefulness of the systems.
- Acceptance of new vehicles and ways of working rely heavily on appropriate and thorough consultation with customers before, during and after the purchase of new plant and equipment. If new equipment enables new ways of working, the realisation of the full benefits will be dependent on collaboration with the users of the equipment to ensure they are socialised, understood and incorporated into business-as-usual processes.

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# : Methodology

How we will develop, improve, and adopt a fleet strategy

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- Methodology

#### Methodology – Strategy Development and Adoption

The development of a strategy to set the future direction of Fleet Services is an iterative process, which is revised at least annually in line with the organisational strategy and direction, along with the development of trends and new technologies in fleet.

The strategy developed as set out in this document has now been tested and modelled in conjunction with Finance. Consultation has taken place with a range of operational teams, and this will be ongoing through the life of the strategy.

Implementation of the approved strategy will be over a considerable period (estimated to be up to 15 years, which is approximately a complete turnover period for the entire fleet for most assets). Over that time, the strategy will be refined and amended as circumstances require it.

For the initial strategy development period until adoption, it should be noted that any projects and programs which are undertaken in advance of the formal strategy adoption will not significantly lock the organisation into a fixed path due to the long turnover period for the fleet as a whole. In addition, any such programs are designed to align with the overall strategy envelope.

The strategy development pathway and timeline are outlined in the diagram on the next page.

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![](_page_44_Figure_0.jpeg)

- **Methodology**

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# : Service and Performance

Improvements and changes to existing services, programs, and processes

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#### Service and Performance

#### Service – Background

Fleet Services has transitioned from being within the Finance Division, to the Business Services Division. This has provided an additional opportunity to re-evaluate priorities, policies, procedures, and processes. Over time, a series of quite complex procedures and processes have driven the functioning of the team, rather than a focus on the outcome for customers. In some cases, this has caused communication with operational teams to be poor and produced rigid outcomes.

As the organisation moves towards a more agile, flexible, and commercial focus, Fleet Services needs to better understand the needs of its customers, provide innovative and high-quality solutions, and facilitate easier pathways so that focus transfers to the outcome instead of the process.

#### Service – Key Issues

As a result of consultation with several stakeholder teams, key issues have been identified as being the most important and are:

- Complex policies and procedures
- Numerous manual forms
- Inequality in the application of outcomes
- Inflexibility
- Lack of relevant and timely information

There are of course workforce implications of changes, including the possibility of reducing workloads in some areas, increased workloads in others – or even additional requirements for positions depending on the strategic choices made. For example, if servicing of the light fleet is brought in-house, additional mechanics will likely be required to undertake the work. The implications of choices will be modelled and identified during the implementation phase for each strategic element to ensure it is a net positive for the business.

#### Service – Strategy

- Simplify
- Review and re-create policies, procedures, and documentation to simplify complex processes and remove inconsistencies and inequality built into the existing fleet management systems
- Remove classifications of employees to increase understanding of the fleet processes
- Remove unnecessary authorisation processes throughout the fleet item lifecycle to reduce administrative overheads and time delays while waiting for authorisations

Automate

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#### Service and Performance

 Investigate and implement automated forms and workflow to reduce data entry, storage issues and complexity

#### Apply Customer Focus

- Investigate and implement ways to put the customer at the centre of Fleet Services
- Prefer self-service options where available to put resources and data in the hands of the customer
- Consider communications strategies and tools to best engage with customers

#### Performance – Background

Fleet Services is using several systems to manage assets, replacement planning, and workshop operations. In some circumstances, these systems are partly manual, fragmented and not purpose designed with fleet operations in mind.

Time spent on administrative processes reduces availability for productive work on vehicles and plant, as well as replacement planning and consultation with customers. Consideration of the tools used within Fleet Services may enhance performance, and consequently, customer satisfaction.

#### **Performance – Key Issues**

Key issues have been identified relating to Fleet Services performance:

- Lack of integrated Fleet Management System
- Administrative burdens
- Inability to harness data to provide timely and accurate insights for both internal management purposes, and for customer consumption
- Workforce profile presents risks to the ongoing operation of the fleet at Endeavour Energy

#### **Performance – Strategy**

- Introduce a Fleet Management System
  - Integrate and centralise management of fleet assets, service information, time records, tolls and fuel data, incident and infringement data and replacement planning – using an off the shelf solution
  - Consider integration possibilities with other systems including SAP and Click
  - Harness data through business intelligence tools and reporting to provide timely, accurate and useful information
- Transition to Online Workshop

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#### • Service and Performance

- Move to streamline service and maintenance processes
- Reduce administrative overhead burden on mechanics to make better use of available time
- Integrate stores and parts for more accurate and efficient spare parts process
- Use data to find more efficient ways of working and provide better customer service
- Succession planning
  - Investigate ways of future proofing by building appropriate skills, knowledge, and capabilities – such as apprentices, cross-skilling, and training opportunities

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# **:** Innovation and Sustainability

Measures, actions, and projects designed forge a new direction in sustainable and innovative fleet management

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- Innovation and Sustainability

#### Innovation – Background

Fleet Services has operated in broadly similar ways for a considerable period. Vehicle technologies, management systems, ways of working and the need for agility have all changed around the existing tools and techniques.

To support the business' commercial focus, enhancements to systems and processes as well as the imperative to become the best network distributor within five years, Fleet Services will need to change and innovate to match customer requirements, support new operational requirements, and establish a position at the forefront of the fleet industry.

#### **Innovation – Key Issues**

As a result of consultation with stakeholder teams, key issues have been identified as being the most important, and are:

- Innovative fleet to meet operational needs
- Availability of data and tools to inform business decisions
- Flexibility in ways of working to support new operational requirements

#### Innovation – Strategy

- Innovate
- Key cabinets for pool vehicles to automate pool fleet bookings and remove logbook requirements
- Electronic work diaries for heavy vehicles to eliminate paper-based solutions
- Adapt vehicle acquisition strategy to allow for new types of vehicle technologies and types to enter the fleet, with a focus on new fuel technologies:
  - Electric
  - Hydrogen
- Apply Customer Focus
  - Investigate tools to simplify and streamline service bookings, fault reporting and repair management
  - Consider ways to enhance the ability of operational teams to start and finish onsite including:
    - Technology solutions
    - Vehicle types and fit outs

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#### Innovation and Sustainability

 Partner with operational teams to deliver intelligent route planning functionality to reduce unnecessary journey times, emissions and enhance productivity

#### Sustainability – Background

Fleet Services is presently using a carbon-intensive fuelling arrangement, with a lack of capacity to move to new and innovative technologies which will lead to lower emissions, and a more sustainable future for the organisation and the community.

Administrative processes are paper intensive and require physical document storage as a well as form processing. To move towards a more sustainable future, Fleet Services needs to address both internal processes, and the broader fleet fuel base.

#### Sustainability – Key Issues

Key issues have been identified relating to Fleet Services sustainability:

- Paper based processes
- Vehicle fuel options are limited

#### Sustainability – Strategy

- Emission reductions targets for the Fleet to
  - achieve zero emissions in all new vehicles by 2030; and,
  - achieve zero emissions from the fleet by 2040.
- Simplify and automate paper-based processes and achieve completely online operations by 2025 including all forms and documentation.
- Investigate new fuel technologies such as:
  - Electric
  - Hydrogen
- Transition to lower carbon emission fuels and vehicles where the costs are comparable and fit for purpose vehicles are available.

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# **Creating Value**

Being agile to capture additional value opportunities

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- Creating Value

#### **Creating Value – Effective and Efficient**

Ensuring business as usual activities are as efficient and effective as possible will optimise the use of existing infrastructure, resources, and assets. By undertaking activities such as:

- · Ensuring optimal vehicle loading techniques are used;
- Minimising unnecessary assets to reduce registration and insurance expenses; and,
- Ensuring the right types of vehicles are available to use;

maximum value can be obtained from existing resources.

#### Creating Value – Lease vs Buy

A regular analysis of leasing and buying vehicles (including resale values, the costs of capital, and maintenance costs over the lifecycle of a vehicle) will provide the foundation to make informed decisions about the best structure and model for fleet at Endeavour Energy.

Having appropriate data on hand to assist in this work is essential to undertake a useful and timely analysis. In some cases, such as when the second-hand vehicle market is particularly strong, as well as when funding costs are low, a change from the status-quo to take advantage of the prevailing market and financial conditions delivers better value. Fleet Services needs to be agile enough to quickly shift modes of operation to take advantage of this in order to create value for the organisation.

Current modelling supports a transition to a 'buy' model of vehicle procurement for the light fleet.

#### **Creating Value – Branding**

The use of vehicles to enhance the brand of large organisations is well established. However, to date, Endeavour Energy has not taken advantage of this real estate to explore co-branding opportunities or investigate community messaging as vehicles travel around the area.

#### **Creating Value – Leverage Workshops**

Endeavour currently leases its passenger and light commercial fleet on a fully maintained basis. A consideration of bringing the maintenance in-house is needed to fully understand whether there is an opportunity to create value for the organisation by removing the maintenance costs from the lease. As vehicles become more advanced and reliable – indeed with future electric vehicles having far fewer moving parts, this could be a source of significant savings for the organisation for a proportionally low level of capital and operational expenditure.

Current modelling supports a transition to an 'in-house' maintenance model.

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### • Measures

What we will measure and how we will measure it

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- Measures

#### Measures – What Success Means

The following measures set out a range of criteria that Fleet Services will use to measure the performance of the section against both internal datasets and against benchmarked information from other organisations across Australia.

In time, these measures will be refined and adjusted based on the results and the priorities of the organisation as they change over time.

The measures cover not only basic fleet management functions, but financial performance, safety, and customer service to provide an overall picture of the performance of Fleet Services over time. The measures will be published on the intranet to provide transparency and accountability.

Legend
Implementation
Planning Stage
Concept Stage

Туре	Description	Measure	Objective	Strategic Link	Status
Fleet Utilisation	Stage 1. Establish fleet category specific minimum utilisation thresholds to measure performance using data from fleet telematics.	<b>Example 1</b> - >75% usage/week (Available hours vs Actual usage hours). Available hours to be determined in consideration of agreed working hours and maintenance downtime.	Data to inform decisions, including - retention of fleet assets / fleet reduction and/or sharing opportunities between business units / ownership or temporary hire / appropriate allocation	Performance	

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- Measures

Туре	Description	Measure	Objective	Strategic Link	Status
	Dashboard to enable visibility by Company / Business Unit / Depot Location / Fleet Category.	<b>Example 2</b> - > 12 hours/week of plant utilisation, for major plant items like EWPs, Lifter Borers, Large Cranes.	and composition of fleet per depot location. Underutilised assets to require specific justification for on- going retention.		
	<b>Stage 2.</b> Incorporate data from 'Click' to further refine effectiveness of utilisation data from fleet telematics. That is, was the utilisation of the fleet aligned with scheduled work program?	<b>Example</b> - >95% of utilisation aligned with scheduled work program.		Performance	
Fleet Numbers	Benchmark category specific fleet numbers against similar utilities across the nation. Company-wide, Division, Business Unit specific	Vehicles per staff ratio (Vehicle numbers versus FTE numbers)	Be the best in class, associated cost savings.	Performance	
Fleet Maintenance	Review potential of internal maintenance of the leased light fleet. Requires confirmation of terms & conditions from the leasing companies, assessment of workshop specific capacity - resource and equipment (e.g.,	Identify workshop specific capacity - (Required maintenance hours versus available resource hours). Internal maintenance cost versus Current cost (Profit or Loss)	Data to inform workshop specific capacity to maintain the leased light fleet. Reduced downtime, including travel to external service providers. Profit generation/savings potential - (reduce overall lease rates for leased fleet).	Creating Value	

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- Measures

Туре	Description	Measure	Objective	Strategic Link	Status
	hoists). Final decision to include investment cost to set up relevant workshops for such work and the potential for an increase in maintenance FTE numbers based on value proposition	Labour cost per hour versus productivity benefits (Customer value)			
	Introduce shift working hours for mechanics to improve access to vehicles for maintenance and repairs, in consideration of availability of breakdown assistance during normal work hours. Will require consultation with staff and trade unions. Also review potential cost implication of shift work pay rates	Review location specific mechanic numbers versus fleet numbers.	Increase fleet utilisation through better availability of fleet during normal business hours, thus improving productivity. Timely completion of required repairs, ultimately improving safety and reducing major repair costs.	Creating Value	
	Confirm fleet category & age specific maintenance cost	Average fleet category & age specific maintenance cost	Cost saving opportunity. Inform fleet selection decisions, cost effective retention thresholds for the owned fleet. (Leased fleet is already determined in this manner).	Performance	

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- Measures

Туре	Description	Measure	Objective	Strategic Link	Status
	Determine vehicle specific fuel consumption and compare against category average consumption	Establish category specific average fuel consumption thresholds (min / max) and compare against individual vehicle consumption, highlighting excessive consumption exceptions.	Identify opportunities to improve poor driving habits/behaviour, vehicle defects leading to timely action (promoting safe/good driving habits/behaviour & cost savings). Adequacy of maintenance frequency, vehicle retention thresholds. Inform vehicle selection, including EVs. Also promote good/positive driver behaviour.		
Fuel Cost	Engage with Finance to explore fuel hedging option. Example - fixed or capped cost via a commodity swap or option. (If the company buys a fuel call option and the price of fuel increases, the company will receive a return on the option that offsets their actual cost of fuel).	Cost of hedging versus potential exposure to increase in fuel costs	Prevent against exposure to un- budgeted increased spend on fuel (price volatility)	Creating Value	
	On-site fuel storage at selected depot locations in consideration of number & type of vehicles, access	On-site bulk fuel cost versus Pump price over a period (Variance to inform decision)	Cost saving opportunity. Reduced downtime, including travel to external fuel outlets - (i.e., fill up at depot). Reduced travel.	Creating Value	

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- Measures

Туре	Description	Measure	Objective	Strategic Link	Status
	to fuel outlets, cost of set-up vs ROI.				
Fleet Selection & Design	Further review activity specific operational requirements, focusing on essential requirements, rather than 'nice to haves'. While processes already exist for this to occur, strong engagement and cooperation from the stakeholders & the ELT will be critical in further streamlining of the company fleet standards.	Category specific cost of vehicle acquisition/leasing	Reduce cost of acquisition/leasing. Reduce delivery lead time through leaner fit out requirements.	Service	
Fleet Acquisition versus Leasing	Analyse and re-confirm the benefits and savings associated with ownership versus leasing of the fleet categories. Currently - only lease the light fleet and forklifts, should we also lease the heavy fleet, or should we also purchase the light fleet?	NPV analysis to determine outcome. Periodic review, every 3 years to re-confirm position.	Cost saving opportunity.	Creating Value	

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Туре	Description	Measure	Objective	Strategic Link	Status
Fleet Administration	Review opportunities to in- source administration services currently provided by the leasing companies or out- source services currently managed internally	Current cost versus Potential Cost of Changes	Cost saving opportunity	Creating Value	
Fleet Innovation	Continue monitoring advancements in EV technology and supporting infrastructure. Advice to the ELT to enable acquisition/leasing of EVs.	Cost of Operating EV versus Internal Combustion Engine (ICE) vehicles, in consideration of other benefits, e.g., V2G.	Cost saving opportunity. Informed decisions relating to adopting new technology. Environment benefits.	Innovation	
Customer Service	Undertake customer feedback surveys following interactions at a specified level with Fleet Services by 2023	90% of internal survey responses neutral or positive by 2025 95% of internal survey responses positive by 2027	Improve subjective perceptions of Fleet Services within the organisation as an enabler rather than a roadblock	Service	

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- Measures

Туре	Description	Measure	Objective	Strategic Link	Status
Safety	Review safety results relating to vehicle-specific safety concerns	10% annual reduction in vehicle- specific safety reports	Reduce the number of vehicle- related safety incidents over time	Performance	
Sustainability	Measure and reduce CO <sup>2</sup> emissions over the fleet replacement cycle	All new vehicles are tailpipe CO2 emission free by 2030 Zero CO2 emissions from Fleet by 2040	Improve sustainability of the fleet operations within the organisations. Set targets to provide benchmark and allow regular reporting on progress.	Sustainability	

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Summary

Key actions, indicative timeframes, conclusions

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- Summary

#### Summary – Actions

There are a range of key actions contained in this strategy, and they are:

Legend				
Short Term (1-3 years)				
Medium Term (4-8 years)				
Long Term (9-15 years)				

Service	Performance	Innovation	Sustainability	Creating Value
Review and simplify policies and procedures	Introduce fleet management system	Investigate tools to simplify and streamline service books, fault reporting and repair management	Set emission reductions targets for the Fleet as a whole: zero emissions in all new vehicles by 2030 and zero emissions from the fleet by 2040.	Regular lease vs buy analysis
Automate forms and workflow	Consider integration opportunities with other systems	Consider ways to enhance operational team productivity – field productivity	Simplify and automate paper- based processes to achieve online operations by 2025.	Investigate co- branding opportunities
Apply customer focus by establishing consultation and self-service models	Harness data through business intelligence tools	Consider key cabinets and removal of paper logbooks to automate pool fleet bookings	Investigate new low-carbon fuel technologies	Leverage workshop investments to identify opportunities to reduce servicing costs through leases

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- Summary

Transition to online workshop	Consider electronic work diaries for heavy vehicles	Transition to lower carbon emission fuels and vehicles	
Develop succession planning to build skills and capabilities	Deliver intelligent route planning		
	Adapt vehicle acquisition strategy to allow EV / Hydrogen and other new fuelling options		

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- Summary

#### **Summary – Indicative Timeframes**

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