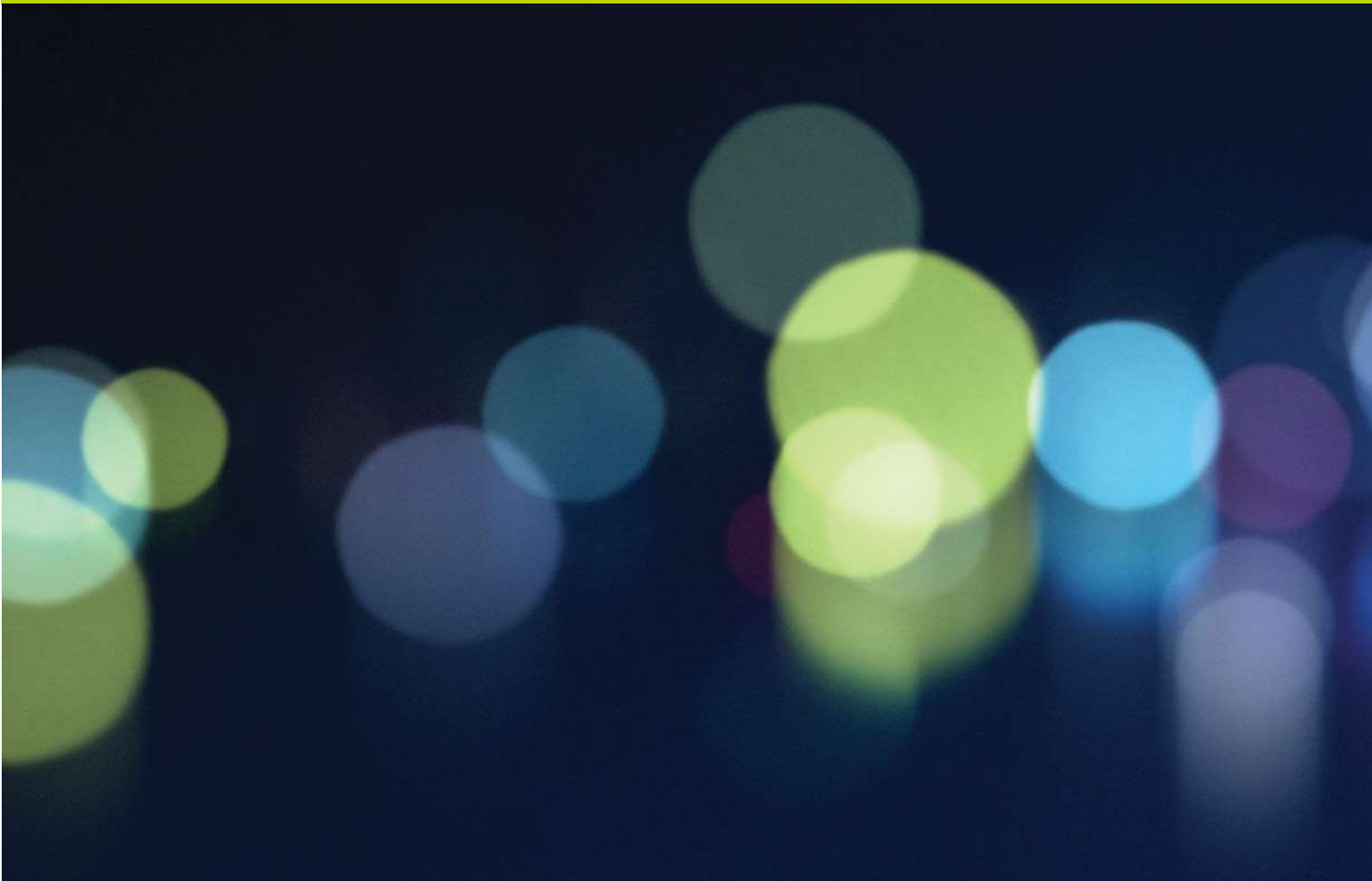


Buildings & Property and Other Non-System Asset Strategy – 2024-29



Contents

Executive Summary	3
Purpose and Scope	6
Our Buildings and Property and Other Non-System Capex Operating Environment	8
Current Period Performance	11
Expenditure Methodology, Assumptions and Drivers	21
Next Period Forecasts	22
Asset Management and Investment Governance	31

-
-
-
-
- **Property and Other Non-Network 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 grow 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 Buildings & Property and Other Non-System Asset Strategy describes our strategic approach, asset management plan and expenditure forecasts for the 2024-29 period. This document encompasses buildings and property expenditure for the acquisition, refurbishment and optimisation of Endeavour Energy's non-system buildings and facilities as well as 'other non-system' capital expenditure¹, which accommodate our staff and house plant, equipment and inventory used to provide distribution network services and standard control services.

Our non-system buildings and property, as well as plant, tools furnishings and equipment, are essential to supporting system investment, maintenance and operational activities. The forecast program of work, together with work locality and forecast employee numbers are key drivers of expenditure by having a direct relationship and influence on the number and type of property, workshops and offices that are required to support the business' operational needs. This non-system buildings and property asset strategy seeks to deliver flexible, efficient, cost-effective outcomes that support the safety, environmental and service performance standards.

In managing our portfolio of buildings and property and other non-system assets, Endeavour Energy must ensure that we:

- Optimise the enterprise value of the buildings and property portfolio
- Minimise the holding and operational costs of the assets
- Provide safe, efficient and fit-for-purpose assets to facilitate the efficient and effective delivery of our strategic direction and operational requirements
- Ensure ongoing compliance with the range of legislative and regulatory compliance obligations
- Continue to focus on Environment, Social and Governance (ESG) in our decision making.

Endeavour Energy has historically underinvested in its non-system assets, prioritising investment in system assets and focusing on affordability for customers. As a result, Endeavour Energy has identified a pressing need for refurbishment for our Field Service Centres (FSCs) and Head Office to ensure these remain compliant, better utilised and attractive to both current and future employees.

At the time of submitting our 2019-24 Regulatory Proposal, Endeavour Energy was not anticipating any significant buildings and property related capital expenditure projects. However, subsequent to our submission, Endeavour Energy received an unsolicited offer for our Huntingwood Head Office. Following this offer, Endeavour Energy engaged an independent third party to review and conduct a financial assessment of the offer including the financial impacts and risks as well as potential relocation options. This offer coincided with material changes to working patterns during and post COVID-19 which led to decreased utilisation of the Huntingwood facility thereby providing an opportunity to move to a smaller, better utilised and more cost-effective office accommodation.

¹ This document includes both buildings and property expenditure and other non-system expenditure, the latter which comprises tools and equipment, furniture, fittings, security and the capitalisation of non-system property leases.

-
-
-
-
- **Property and Other Non-Network Asset Strategy**
- **2024-29**

Following this financial review and assessment, the decision was made to sell the Huntingwood Head Office and lease new, but smaller and better utilised premises. At the same time (and given declining patterns of utilisation), Endeavour Energy undertook detailed analysis to establish a future workplace and cultural change strategy. This identified that a distributed office network incorporating existing under-utilised FSCs and a smaller corporate office would be best suited to reduce costs, reduce commuting time for Endeavour Energy staff and to promote collaboration and communication across the business, ultimately driving improved customer service and responsiveness. Kings Park, Hoxton Park and Glendenning were ultimately selected as FSC sites based on an analysis of the potential demand and the capacity of these sites to be augmented within their existing office footprints.

A corporate office in Parramatta (Parramatta Square) was chosen due to its location and access to public transport, as well as to key stakeholders and represented the best value. We believe this solution will provide the most optimal outcome for our staff, customers, stakeholders and the community.

As a result, Project Dyurali was established to augment the FSCs at Kings Park, Hoxton Park and Glendenning and the fitout of the new Parramatta Square corporate office, as well as other enabling works. A business case has been developed to support this direction, which indicated that this was the preferred approach with an NPV of \$24.3m and BCR of 1.30 (FY23 nominal)². The net impact on the opening RAB value for 2024-29 of the Parramatta Office lease capitalisation in FY22 is \$24.7m (nominal) or \$25.4m (FY24\$ real) which represents the opening value of the lease in July 2024³.

During the current period, Endeavour Energy is expected to spend \$84.0m (\$2024) on Non-System Buildings and Property and \$15.4m on Other Non-System expenditure. The aggregated spend forecast for 2019-24 for these two categories of expenditure is above Endeavour Energy's allowance of \$64.8m (\$2024), which has driven by the spend of \$56.7m on Project Dyurali, that was unanticipated at the time of the 2018 Regulatory Submission⁴.

We currently lease some of our properties and historically, we have treated our leases as operating expenditure by accounting for lease payments in the year in which they were incurred. Endeavour Energy for the year ending 30 June 2020, adopted the changes to 'Australian Accounting Standard AASB 16 – Leases' from an accounting perspective. Endeavour Energy is proposing to adopt AASB 16 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. The renewal of the lease for the small office in the Sydney CBD will be subject to this change. The new lease for the Parramatta Square office, which is effective from March 2023, will be treated as a RAB roll forward adjustment as on 30 June 2024. This amount is \$25.4m (\$2024). There will also be an adjustment of \$0.34m to reflect the FY24 renewal capitalisation of the 3 Year City Office lease which will also be added to the RAB through the roll forward adjustment as of 30 June 2024. A FY23 Base Year adjustment of \$0.84m (City Office (\$0.12m) and Parramatta Square (\$0.72m)) will need to be made to reflect the reduction in opex from 1 July 2024 resulting from the implementation of AASB16. Full details are explained in our Lease Capitalisation Paper.

Excluding the amount allocated for capitalised leases, it is anticipated that our forecast expenditure for 2024-29 will return to historical long-term trends with a proposed capex for 'buildings and property', as well as 'other non-system' of approximately \$54.8m (\$2024). This includes \$9.5m (\$2024) for the continued implementation of agile and connected workspaces within FSCs as part of the workplace and cultural change strategy (Project Dyurali) as well as \$23.7m (\$2024) for other buildings and property refurbishments in order to ensure compliance with relevant building and regulatory standards and repair

² 2.3 Project Dyurali Cost Benefit Analysis_AY v20220111_Base_defer G2 to FY25- Summary and Key figures

³ FY23-29 Lease Capitalisation FINAL V9 31102022

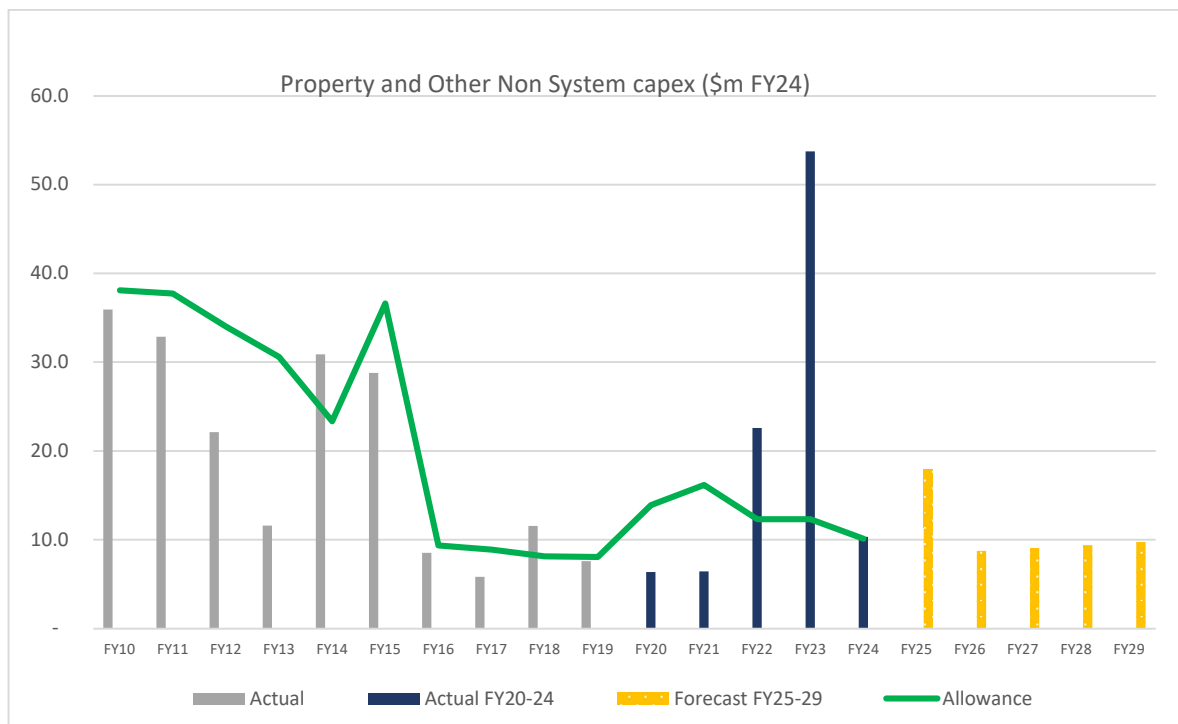
⁴ G:\CFO\Commercial and Decision Support\Group Planning and Reporting\04 Bud_5Yr\2306 FY24 MBP\04 Inputs - Milestone 1\16 Property excl Dyurali\Attachment C - Endeavour Energy Draft Property Strategy RH - 121022.xlsx"

Property and Other Non-Network Asset Strategy 2024-29

ageing assets, both of which are supported by detailed business cases. The proposed capex for other non-system is \$21.6m (\$2024).

Figure 1 below provides an overview of historical performance compared to the forecast for the next regulatory control period.

Figure 1 – Forecast property and buildings and ‘other non-network’ expenditure compared to historical performance



Property and Other Non-Network Asset Strategy 2024-29

Purpose and Scope

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, customer engagement and financial performance metrics				
Strategic Goals	1. Health, safety & environment	2. Employee engagement	3. Customer & communities	4. Performance	5. Growth through innovation
	<ul style="list-style-type: none"> Establish an organisation-wide culture of safety Establish streamlined systems and processes 	<ul style="list-style-type: none"> Lift Performance through clear expectations and performance-oriented mindsets Build leadership capability 	<ul style="list-style-type: none"> Establish easy connection with customers Enhance recognition by customers through valued interactions and relationships 	<ul style="list-style-type: none"> Optimise work program and risk allocation Improve quality, speed and cost to deliver 	<ul style="list-style-type: none"> Leverage existing asset base to create value Augment network with smart investments and new technology
Priority Themes	 Safe, affordable & reliable		 Resilience	 Sustainable growth	 Future Energy Choice

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.

Property and Other Non-Network Asset Strategy 2024-29

Each of the priority themes are reliant on an ongoing investment in buildings and property assets and other non-system assets to enable the delivery of efficient, capable and sustainable outcomes for Endeavour Energy and its employees so they can deliver the service outcomes that customers expect.

In practical terms, for Endeavour Energy to deliver these customer service outcomes there is a need to have in place operational facilities (offices, workshops, logistics) as well as the necessary tools, equipment and other supporting assets that are both fit for purpose and appropriately located to respond to the investment, maintenance and operational of the network in serving these customers.

This Property and Other Non-System Assets Strategy has been developed to assist the AER, our customers and other stakeholders to understand the capex associated with maintaining and operating our non-system buildings and property assets and other non-system assets such as furniture, fittings, plant, tools and equipment, that will be required to effectively support the day-to-day provision of standard control services for the 2024-29 regulatory period.

The aim of this document is to ensure Endeavour Energy can deliver safe, efficient, fit-for-purpose and customer-centric services as well as demonstrates that our capex is:

- Prudent and the basis for the expenditure has been based on careful consideration and is informed by current data and information
- Efficient and not in excess of the amount reasonably required to support the next investment and day-to-day operational activities
- Based on a balanced approach to risk management.

This document provides information regarding how the forecasts for non-system buildings and property and other non-network assets have been developed and the influencing factors driving proposed investments to ensure we continue to achieve the most efficient outcomes to support the strategic objectives of the business. It excludes expenditure for system related property associated with substations and line easements, as these are included and managed as part of system capex forecasts.

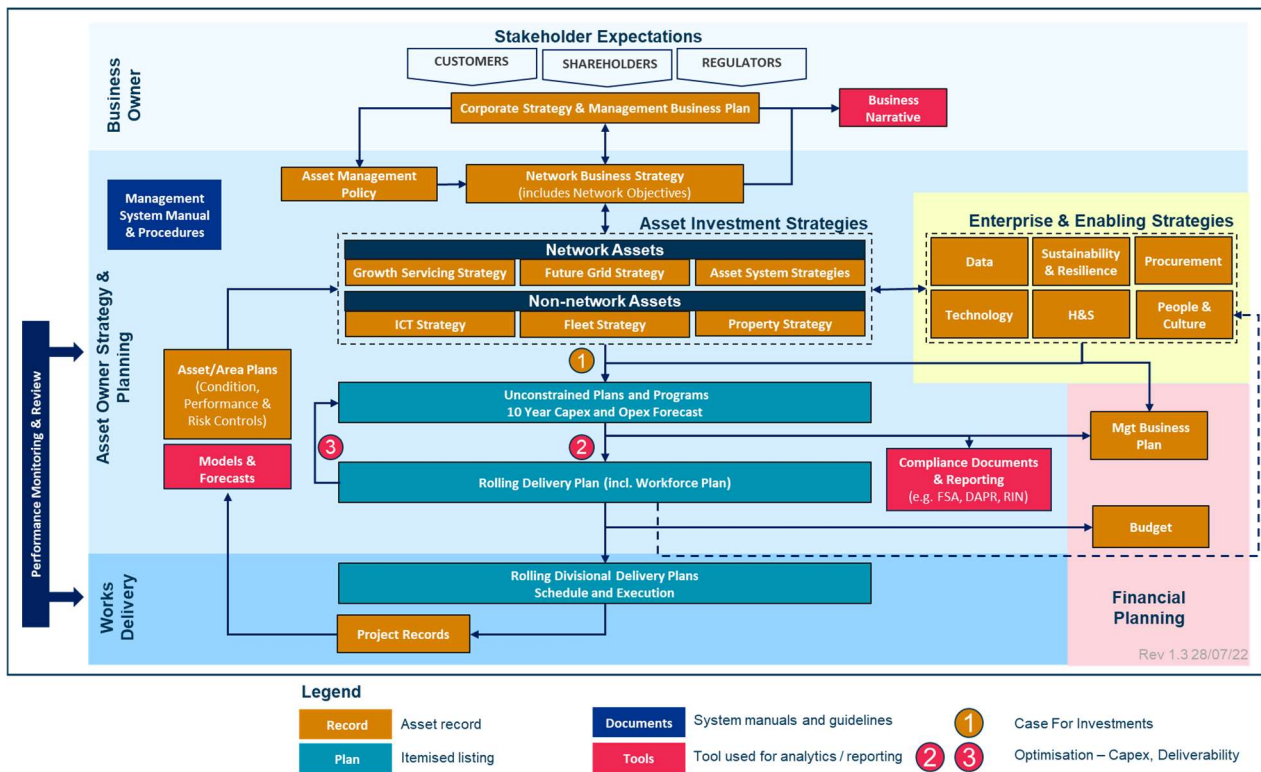
This Strategy forms part of Endeavour Energy's Asset Management Framework, which is a comprehensive model that ensures all elements of the asset management life cycle are documented, aligned and optimised. The relationship between this document and the other elements within Endeavour Energy's Asset Management 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 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 expenditure included in this document has been allocated to those assets that provide standard control services.

Further, Endeavour Energy's 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.

Property and Other Non-Network Asset Strategy 2024-29

Figure 3 Asset Management Framework



Our Buildings and Property and Other Non-System Capex Operating Environment

Buildings and Property operational arrangements

Endeavour Energy manages a substantial and varied property portfolio under complex ownership structures and governance requirements. Over 1200 properties with a combined area of 11.7 million square metres, plus a network with in excess of 40,000 easements make up the portfolio of owned, leased and licensed sites across the franchise area. This is in addition to office, Field Service Centre and communication buildings. For the sake of this Buildings and Property Asset Strategy, the document encompasses both non-system buildings and property and other non-system capex.

Non-system buildings and property capex, as well as other non-system capex (furniture, fittings, plant, tools and equipment), are both essential in supporting the day-to-day system investment, maintenance and operational activities of Endeavour Energy's network. Changes in the level and type of system capex and its locality will often drive a proportional change in the amount of non-system expenditure needed to efficiently support the level of planned capital works.

Table 1 below reveals the relative contribution of non-system buildings and property capex and other non-system capex to total capex over recent years.

Property and Other Non-Network Asset Strategy 2024-29

Table 1 – Relative change in property and building capex to total capex

(\$M2024)	2017-18 (A)	2018-19 (A)	2019-20 (A)	2020-21 (A)	2021-22 (A)	2022-23 (F)	2023-24 (F)
Total Capex	410.4	478.4	371.5	379.5	449.0	444.9	366.8
Buildings and Property	7.5	4.2	3.8	4.2	11.0	3.8	4.5
Project Dyurali	-	-	-	-	8.2	46.3	2.2
Other Non-System	4.1	3.4	2.5	2.2	3.3	3.6	3.6
Proportion (%)	2.8%	1.6%	1.7%	1.7%	5.0%	12.1%	2.8%

* Note that Other Non-System includes Tools and Equipment, Security Expenditure and Major Equipment and Furnishing Upgrades. Capitalisation of the Sydney CBD office would normally be allocated here, however for the purposes of this table it has not been included. Similarly, lease cost for the new Parramatta head office have also not been included

Endeavour Energy is experiencing significant customer number and connection growth in greenfield areas in Western Sydney, and this is anticipated to continue into 2024-29. The existing network will continue to undergo significant augmentation to support these planned developments.

Our growing network has also required us to review the effectiveness of our existing facilities to support the ongoing development, maintenance and operations of this network. This has required a review of our FSCs, including their locations and functional capabilities. Work activity at FSCs is expected to increase and these sites will need to be adequately equipped and capable of supporting our program of works and our new ways of working.

Buildings and Property Portfolio

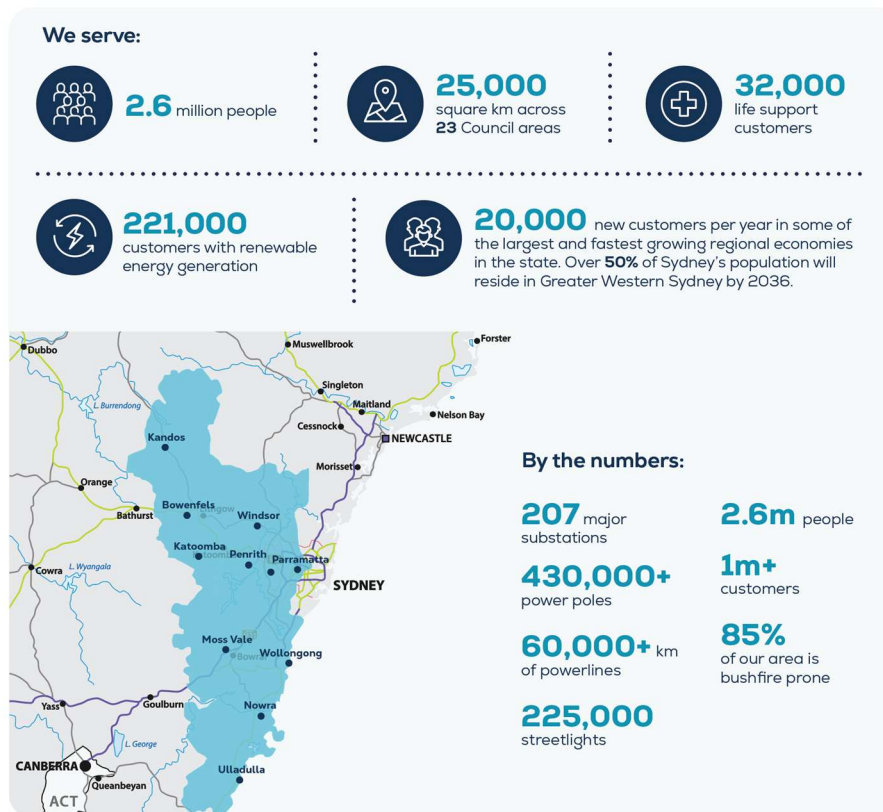
Our portfolio of non-system buildings and properties comprises of:

- **Field Service Centres** – Endeavour Energy has 16 FSCs, located across our network supply area. Our FSCs provide a strategic operational base from which our staff conduct construction, maintenance and operational activities and respond to supply interruptions. FSCs perform an important role in maintaining the reliability and safety of the distribution network in accordance with our compliance obligations and strategic objectives.
- **Offices** – Endeavour Energy's offices provide an important base for staff involved in the planning of network projects and activities, control centre operations as well as other back-office support functions such as finance, technology, human resources, legal, facilities management and billing
- **Specialist Sites** – Endeavour Energy's specialist sites may include logistical facilities, warehouses, pole storage yards, the transformer workshop, testing facilities and training centres.

The location of our FSCs and offices are displayed in Figure 4 below.

Property and Other Non-Network Asset Strategy 2024-29

Figure 4 Endeavour Energy Network Supply Area



In managing our portfolio of buildings and property assets and other non-system assets, Endeavour Energy must continue to ensure that we:

- Minimise the holding and operational costs of the assets through prudent and efficient investments.
- Provide safe, efficient and fit-for-purpose assets to facilitate the efficient and effective delivery of our strategic direction and operational requirements.
- Ensure ongoing compliance with the range of legislative and regulatory compliance obligations.
- Continue to focus on Environment, Social and Governance (ESG) in our decision making and governance approach.

Other Non-System Assets

All remaining non-system assets are collectively referred to as 'Other Non-System' and typically includes:

- Tools and Equipment – items that are required to construct, repair and maintain the network. Expenditure is required to ensure utilisation and access to a variety of tools and equipment, some of which are specialised and highly technical.
- Major Equipment and Furnishing Upgrades – items associated with the planned upgrade and replacement as required based on age and condition across operational sites of carpet, vinyl

Property and Other Non-Network Asset Strategy 2024-29

flooring, window furnishings, furniture, ice machines, air-conditioners, water pumps, hot water systems, storage racking and other miscellaneous equipment.

- Security infrastructure – items used to enhance the security and safety of both system and non-system sites. The constant and ongoing review of these items is critical in ensuring the protection of our assets, staff and property.
- City Office Lease Capitalisation – includes expenditure under AASB 16, where the full amount (over its term) of an operating or finance lease will be capitalised up-front when it is first entered into or renewed. The capitalisation for the renewal of the lease for the small office in the Sydney CBD will be included here.

Current Period Performance

Summary

Table 2 below provides an overview of the current period performance against the AER allowance, which includes both 'Non-System Buildings and Property' as well as 'Other Non-System'. Actuals reported have been derived from the CA RINs reported to the AER each year. Overall, the overspend against allowance has primarily been driven by the decision to sell the Huntingwood Head Office and then lease a smaller corporate office at Parramatta coupled with augmenting the office capacity, on the same footprint, of Kings Park, Hoxton Park and Glendenning FSCs to accommodate the Huntingwood staff.

A small number of planned projects included in the current period allowance have been either cancelled or reduced as a result of the Huntingwood Head Office sale. This includes works at Huntingwood itself such as on the building exterior, the communications tower and renovating the control room plus some other program works within FSCs.

Table 2 – 2019-24 Buildings & Property and Other Non-System against AER Allowance – Actual/Forecast

(\$M2024)	2019-20 (A)	2020-21 (A)	2021-22 (A)	2022-23 (F)	2023-24 (F)	Total
AER Allowance	13.9	16.2	12.3	12.3	10.1	64.8
Buildings and Property	3.8	4.2	11.0	3.8	4.5	27.3
Project Dyurali	0.0	0.0	8.2	46.3	2.2	56.7
Other Non-System	2.5	2.2	3.3	3.6	3.6	15.4
Total (Subject to rounding)	6.4	6.4	22.6	53.7	10.4	99.4
Variance	7.5	9.7	-10.2	-41.4	-0.2	-34.7

The \$64.8 million AER allowance for 2019-24 consists of \$43.5 million for Buildings and Property projects (which by definition would also include Project Dyurali) and \$21.3 million for Other Non-System capex.

Property and Other Non-Network Asset Strategy 2024-29

Tables 3, 4, 5, 6, 8, 9 and 10 provide further detail on the specific projects/programs which comprise the forecast expenditure for 2019-24 of \$99.4 million and the reasons for any material variances.

Buildings and Property

A summary of forecast expenditure on Buildings and Property against the AER Allowance for 2019-24 is set out in Table 3.

Table 3 – 2019-24 Buildings and Property against AER Allowance – Actual/Forecast (\$M2024)

	2019-20 (A)	2020-21 (A)	2021-22 (A)	2022-23 (F)	2023-24 (F)	Total
Actual/Forecast	3.8	4.2	19.2	50.1	6.7	84.0
Buildings and Property	3.8	4.2	11.0	3.8	4.5	27.3
Project Dyurali	0.0	0.0	8.2	46.3	2.2	56.7
AER Allowance	8.4	10.8	9.0	8.7	6.5	43.4
+ Under / - Overspend	4.6	6.6	-10.2	-41.4	-0.2	-40.6

As a former government-owned enterprise, Endeavour Energy has historically underinvested in its non-system assets, prioritising investment in system (network) assets and focusing on the affordability for customers. As a result, there has been an identified need for refurbishment for Endeavour Energy's FSCs to ensure that these operational centres remain compliant, fully utilised and attractive to both current and future employees.

The scope and scale of the services and activities provided from each FSC is dependent on the level and type of support needed to adequately and efficiently support system (network) investment in its surrounding area in order to ensure affordable customer service outcomes. The focus during 2019-24 has been to ensure that each of the FSCs can operate productively and have been adequately resourced so that staff can deliver safely and efficiently their program of work.

In addition to the above, Endeavour Energy is focused on designing and delivering a workspace ecosystem that fosters a culture of change and connectivity that will ignite innovation and drive an inclusive common purpose to serve our customers. This focus is also about increasing the utilisation of FSCs to create better connections, collaboration and accelerate change.

Our vision is to move away from a traditional workplace hierarchy to one that is more flexible, responsive and built on higher levels of connections, ultimately driving greater service outcomes for our customers.

Project Dyurali, which is covered later on in this strategy document, is focussed on commencing the rollout of this new direction, which has been enabled by the sale of the Huntingwood Head Office.

The category termed **Buildings and Property** (forecast 2019-24 spend of \$27.3m) comprises the following three programs of expenditure, subject to rounding:

- Building Refurbishment and Upgrades (\$15.3m);

-
-
-
-
- **Property and Other Non-Network Asset Strategy**
- **2024-29**

- FSC Yard Works (\$7.9m); and
- Fix on Fail (\$4.2m).

Project Dyurali for the purposes of regulatory reporting, is a major project under Building Refurbishment and Upgrades, however for the purposes of this strategy document it has been separated as a discrete project associated with the sale of the Huntingwood Head Office, and the subsequent leasing of a smaller office in Parramatta, combined with the augmentation of office space (using the same footprint) at Kings Park, Hoxton Park and Glendenning FSCs to accommodate staff from Huntingwood, plus other enabling works including the relocation of the data centre and communication tower. It should be noted that only the buildings and property portion of Project Dyurali is reported here in this strategy document, with other portions such as technology (captured under ICT), data room (ICT) and the communications tower (system).

The following sections provide additional information on each of the three programs of expenditure under *Buildings and Property*.

Building Refurbishment and Upgrades

This program encompasses expenditure required for the renewal, replacement and expansion of non-system buildings which within Endeavour Energy's context includes the Huntingwood Head Office, FSCs and other operational buildings such as logistics centres and communications facilities. The catalyst for such expenditure being the age, condition and state of compliance and whether the asset still meets the business priorities of the organisation.

A summary of the overall forecast of expenditure on non-system building refurbishment and upgrade projects for 2019-24 against our 2018 Submission estimates is set out in Table 4. The table also provides comments where projects and program have not proceeded as intended and the rationale for any material variation.

Property and Other Non-Network Asset Strategy 2024-29

Table 4 – 2019-24 Building Refurbishment and Upgrades - Actual/Forecast (\$M2024)

Description	Benefits	2018 Submission Estimate	Actual/Forecast and Material Variance Rationale
Workplace Refurbishment and Air Conditioning Projects Workspace refurbishment and/or air conditioning replacement projects being completed at 20 sites: Ulladulla, Springhill, Hoxton Park, Technical Training Centre, Glendenning CLF, Kandos, Picton, Moss Vale, Katoomba, Bowenfels, Nowra, Narellan, Shellharbour, Glendenning, Parramatta, Penrith, South Windsor, Kings Park, Huntingwood, and the Transformer Workshop with the Transformer Workshop (a 40-year-old facility) being the only project that exceeded \$0.5m.	To address various safety, compliance, age and condition issues to ensure that the operational premises are fit for purpose. The work at the Transformer Workshop was the largest of these workspace refurbishment / air conditioning replacement projects and the only one that exceeded \$0.5m.	8.90*	6.70 (Includes Transformer Workshop at 1.55). Some projects were deferred because of supply issues, the impact of Covid and the reprioritisation to Project Dyurali.
Kings Park FSC building slab remediation Remediation of the ground floor office slab to correct structural and drainage issues which have been monitored for a period and which have caused water ingress.	Required to address a material structural and drainage issue.	0.00	1.33 Project not considered material at time of submitting the 2019-24 Regulatory Proposal. Structural Engineer's report in 2020 recommended monitoring. Subsequent deterioration and drainage issues led to a decision to remediate to enable Project Dyurali to proceed.
Installation of truck hoists to meet compliance obligations Installation of new truck hoists at 10 FSC Mechanic Workshops to meet Australian Standards requirements.	Needed to address both safety and compliance issues.	0.00	0.90 Project not considered at time of submitting the 2019-24 Regulatory Proposal. The required 20-year inspection revealed the need to rectify a number of issues.
Huntingwood and Springhill Control Rooms Renovations associated with the rollout of the new ADMS system	The implementation of the new ADMS required an upgrading of the operating environment with the removal of paper-based wall boards, larger operating	3.65	0.84 Stage 2 did not proceed due to the pending sale of Huntingwood. Also, better than expected pricing on the work completed.

Property and Other Non-Network Asset Strategy 2024-29

Description	Benefits	2018 Submission Estimate	Actual/Forecast and Material Variance Rationale
	desks to accommodate the installation of additional and larger computer screens and improved lighting to enable improved operating efficiencies commensurate with a modern control room.		
Solar panel installation Installation of solar panels, inverters and some batteries on various operational sites	Reduce carbon emissions and decrease energy costs. Implemented as part of the business' sustainability strategy.	0.00	2.30 Project not considered at time of submitting the 2019-24 Regulatory Proposal. Business case coupled with energy efficiency opportunities provided the catalyst.
LED Lighting upgrades Replacement of internal building lighting at Huntingwood and FSCs with LED technology	Reduce carbon emissions and decrease energy costs. Implemented as part of the business' sustainability strategy.	3.08	0.73 This work was substantially conducted under the apprentice program and therefore was completed at a lower cost.
Huntingwood Communication tower refurbishment Structural repairs and repainting to maintain integrity	Needed to address safety and compliance issues identified by the structural engineer	1.82	0.67 Full project did not proceed due to the pending sale of Huntingwood. The priority structural deficiencies were rectified along with some recoating.
FSC Programs at various sites Multiple programs of work across various facilities associated with fire-doors, auxiliary power supplies, BMS upgrades, ventilation enhancements, roof anchors installation, roof works, rust treatment, asbestos removal, equipment replacement, racking, meeting room adjustments, automatic gates and other minor works associated with age and condition.	To address various safety, compliance, age, and condition issues to ensure that the operational premises are fit for purpose	See Footnote**	1.83

Property and Other Non-Network Asset Strategy 2024-29

Description	Benefits	2018 Submission Estimate	Actual/Forecast and Material Variance Rationale
Total		See Footnote***	15.3

* Based on the 2018 Submission estimates of \$4.45m for Workplace Refurbishment and \$4.45m for Air Conditioning Projects, totalling \$8.90m.

** Based on the 2018 Submission estimates of \$0.80m for Auxiliary Power Supplies, \$0.46m for FSC Building Management Systems and an allocation from the \$17.8m Base Capital Estimate***.

*** As described earlier in this document, the regulatory reporting category of Buildings and Property has been broken down in this document into Buildings Refurbishment and Upgrades; FSC Yard Works and Fix on Fail for the purposes of the 2024-29 submission. As no such structure was made in the 2019-24 Regulatory Proposal, it is not easy to allocate an original budget to each of these three sub-categories. Where no budget has been allocated to individual project initiatives within Building Refurbishment and Upgrades, expenditure on this activity, along with other smaller program and project activities associated with Tables 4 and 5, was included in the \$17.8m (\$2024) program category termed 'Base Capital' in our submission for 2019-24. As per Tables 2, 3, 9 and 10, overall expenditure for Buildings and Property is forecast to be \$27.3m for 2019-24 against an AER allowance of \$43.4m, excluding Project Dyurali. The shortfall has contributed to partially funding Project Dyurali.

FSC Yard Works

In addition to the major projects and programs outlined above, Table 4 below provides an overview of other significant expenditure incurred on external yard works within Field Service Centres during the current regulatory period.

Table 5 – 2019-24 FSC Yard Works - Actual/Forecast (\$M2024)

Description	Benefits	2018 Submission Estimate	Actual/Forecast and Material Variance Rationale
Concreting across various sites Concreting at various FSC sites to replace blue metal surfaces and/or concrete of which Katoomba FSC was the largest of these sites	Increase pedestrian and vehicle safety, efficiency and access during periods of both dry and wet weather. The work at Katoomba was the largest of these yard concreting projects. Work associated with improving pedestrian safety within FSCs was also undertaken as part of these projects and its cost allocated here.	6.95*	4.38 (Includes Katoomba FSC at 0.89). Some projects were deferred because of the impact of Covid and the reprioritisation to Project Dyurali).
Awnings across various sites Construction at various sites of awnings and shelters, including truck shelters for the protection of EWPs when they are not in use, of which Kings Park FSC was the largest of these sites	To provide protection of equipment and trucks, thereby reducing costs associated with outdoor exposure	Included in \$17.8m Base Capital Estimate**	3.52 (includes Kings Park FSC at 1.15)

Property and Other Non-Network Asset Strategy 2024-29

Description	Benefits	2018 Submission Estimate	Actual/Forecast and Material Variance Rationale
Total		See Footnote**	7.9

* Based on the 2018 Submission estimates of \$4.33m for Concreting and \$2.62m for Pedestrian Safety, totalling \$6.95m.

** As described earlier in this document, the regulatory reporting category of Buildings and Property has been broken down in this document into Buildings Refurbishment and Upgrades; FSC Yard Works and Fix on Fail for the purposes of the 2024-29 submission. As no such structure was made in the 2019-24 Regulatory Proposal, it is not easy to allocate an original budget to each of these three sub-categories. Where no budget has been allocated to individual project initiatives within FSC Yard Works, expenditure on this activity, along with other smaller program and project activities associated with Tables 4 and 6 was included in the \$17.8m (\$2024) program category termed 'Base Capital' in our submission for 2019-24. As per Tables 2, 3, 9 and 10, overall expenditure for Buildings and Property is forecast to be \$27.3m for 2019-24 against an AER allowance of \$43.4m, excluding Project Dyurali. The shortfall has contributed to partially funding Project Dyurali.

Fix on Fail

As items within our buildings and property portfolio fail due to wear and tear, age and damage, Endeavour Energy has a need to reactively replace and upgrade these items to keep the business functioning and sites operational. These include weather affected items and assets that have been damaged from unforeseen circumstances such as vandalism and security breaches, mains water backflow prevention valve replacements, rectification of washroom issues. Given fix on fail expenditure is reactive in nature and does not form part of planned expenditure, this is usually forecasted on historical trends.

Table 6 – 2019-24 Fix on Fail – Actual/Forecast (\$M2024)

Description	Benefits	2018 Submission Estimate	Actual/Forecast and Material Variance Rationale
Fix on Fail Unplanned repair and replacement of damaged/failed facility equipment on a reactive basis.	Ensuring equipment is available and operational to support critical operations of the FSCs and other facilities	Included in \$17.8m Base Capital Estimate*	4.20
Total		Included in \$17.8m Base Capital Estimate*	4.2

* As described earlier in this document, the regulatory reporting category of Buildings and Property has been broken down in this document into Buildings Refurbishment and Upgrades; FSC Yard Works and Fix on Fail for the purposes of the 2024-29 submission. As no such structure was made in the 2019-24 Regulatory Proposal, it is difficult to allocate an original budget to each of these three sub-categories. For the purposes of Fix on Fail, expenditure on this activity, along with other smaller program and project activities associated with Tables 4 and 5, would have been included in the \$17.8m (\$2024) program category termed 'Base Capital' in our submission for 2019-24. As per Tables 2, 3, 9 and 10 overall expenditure for Buildings and Property is forecast to be \$27.3m for 2019-24 against an AER allowance of \$43.4m, excluding Project Dyurali. The shortfall has contributed to partially funding Project Dyurali.

-
-
-
-
- **Property and Other Non-Network Asset Strategy**
- **2024-29**

Project Dyurali

Project Dyurali is a program of capital works that reflects the need to augment and consolidate Endeavour Energy's non-system property assets, ensuring that they remain fit for purpose and providing better value to customers by increasing the utilisation of Endeavour's property assets and decreasing operating costs, as well as improving the overall sustainability of the property portfolio.

It includes the sale of the Huntingwood Head Office, and its replacement with a smaller corporate office in Parramatta Square, coupled with the augmentation of Field Service Centres at Kings Park, Hoxton Park and Glendenning, the relocation of both the data room and communication tower and other enabling works.

Only the buildings and property capex components of Project Dyurali are included here in this strategy document. Capex for the implementation of both the technology solutions and the relocation of the data room is being funded from the ICT allowance. Capex for the relocation of the communication tower is being funded by the system allowance.

For the purposes of RIN reporting, the buildings and property capex components of Project Dyurali are including in Buildings and Property. For the purposes of this document, they have been separated as a discrete project associated with the sale of the Huntingwood Head Office.

At the time of submitting the 2019-24 Regulatory Proposal, Endeavour Energy was not anticipating any significant buildings and property related capex projects. However, in July 2020, Endeavour Energy was made an unsolicited offer for its Huntingwood Head Office. Following this offer, Endeavour Energy engaged an independent third party to review and conduct a financial assessment of the offer including the financial impacts and risks of the credible options available.

Following this financial review and assessment the decision was made to sell the Huntingwood Head Office and lease new, but smaller and better utilised premises. At the same time (and given declining patterns of utilisation), Endeavour Energy undertook detailed analysis to establish a future workplace and cultural change strategy. This identified that a distributed office network incorporating existing FSCs and a smaller corporate office would be best suited to reduce costs, reduce commuting time for Endeavour Energy staff and to promote collaboration and communication across the business. Kings Park, Hoxton Park and Glendenning were ultimately selected as FSC sites based on an analysis of the potential demand and the capacity of these sites to house additional office staff within their existing office footprints.

A corporate office in Parramatta was chosen due to its location and access to public transport, as well as to key stakeholders. This solution provided the most optimal outcome for our staff, our customers, our stakeholders and the community.

Project Dyurali will unlock significant benefits such as enabling innovative new ways of working, agility for the business, ultimately driving improved customer service and responsiveness.

A business case has been developed to support the sale of Huntingwood Head Office and the move to a distributed office network involving a corporate office at Parramatta Square, augmented premises at Kings Park, Hoxton Park and Glendenning FSCs; a relocated data room and communication tower and other enabling works. This business case indicates that the 'Sell and Lease' option (the preferred option) is superior to the other options considered, being 'Sell and Build' or 'Sell and Buy'. The 'Sell and Lease' option has an NPV of 24.3m and BCR of 1.30 (FY23 nominal) against the Base Case of staying at Huntingwood.⁵

⁵ 2.3 Project Dyurali Cost Benefit Analysis_AY v20220111_Base_defer G2 to FY25- Summary and Key figures

Property and Other Non-Network Asset Strategy 2024-29

Table 7 – Project Dyurali Business Case – Options Analysis

Nominal FY23, \$m	Base Case	Option 1: Sell and Build	Option 2: Sell and Buy	Option 3: Sell and Rent (Preferred)
Costs	45.0	175.4	116.6	80.7
Benefits	0.0	141.0	126.2	105.0
NPV	-45.0	-34.4	9.5	24.3
BCR	0.00	0.80	1.08	1.30

The net impact on the opening RAB value for 2024-29 of the Parramatta office is \$24.7m (nominal) or \$25.4m (FY\$24 real) which represents the opening value of the lease in July 2024. A base year adjustment of \$0.844m will be made to reflect the reduction in opex from 1 July 2024 resulting from AASB16 Leases.

The following table provides an overview of the buildings and property components of Project Dyurali that have been undertaken or are planned for completion during 2019-24, expressed in FY24\$.

Table 8 – 2019-24 Project Dyurali (Building Refurbishment & Upgrades) – Actual/Forecast (\$M2024)

Description	Benefits	2018 Submission Estimate	Actual/Forecast and Material Variance Rationale
Parramatta Square Establishment of smaller corporate office in leased premises in Parramatta	Enables the implementation of Endeavour Energy's workplace and culture change strategy by providing greater workforce flexibility, decrease staff travel time, improved staff connectivity and greater business agility, whilst fostering an environment of innovation and more efficient and sustainable outcomes for the benefit of customers.	0.0	39.6 Project not considered at time of submitting the 2019-24 Regulatory Proposal as described above
FSC Augmentation Augment the office capacity (using the same footprint) at Kings Park and Hoxton Park FSCs. Glendenning FSC will be augmented in FY25		0.0	15.5 Project not considered at time of submitting the 2019-24 Regulatory Proposal as described above
Other Works Other enabling works		0.0	1.6 Project not considered at time of submitting the 2019-24 Regulatory Proposal as described above
Total		0.0	56.7

Other Non-System

The category termed **Other Non-System** comprises of the following four programs of expenditure which have been described earlier in this document:

- Tools and Equipment;
- Major Equipment and Furnishing Upgrades;
- Security, including padmount substation locking cylinders; and
- City Office Lease Capitalisation

Property and Other Non-Network Asset Strategy 2024-29

A summary of the overall forecast of expenditure on Other Non-System against the AER Allowance for 2019-24 is set out in Table 9.

Table 9 – 2019-24 Other Non-System against AER Allowance – Actual/Forecast (\$M2024)

	2019-20 (A)	2020-21 (A)	2021-22 (A)	2022-23 (F)	2023-24 (F)	Total
Actual/Forecast	2.5	2.2	3.3	3.6	3.6	15.4
AER Allowance	5.4	5.3	3.3	3.6	3.6	21.3
+ Under / - Overspend	2.9	3.1	0.0	0.0	0.0	5.9

The forecast expenditure for 2019-24 for each of the sub-categories of expenditure for Other Non-System is set out in Table 10.

Table 10 – 2019-24 Other Non-System - Actual/Forecast (\$M2024)

Description	Benefits	2018 Submission Estimate	Actual/Forecast and Material Variance Rationale
Tools and Equipment Provision and replacement of everyday tools and equipment, including hand tools and workshop equipment.	Ensures staff have fit for purpose tools and equipment to perform work safely and efficiently and ensure our workshop facilities are compliant	9.9	7.2 Spend generally reflects the level of work activity which has been impacted by Covid and supply issues
Major Equipment and Furnishing Upgrades Planned upgrade and replacement as required based on age and condition across 20 operational sites of carpet, vinyl flooring, window furnishings, furniture, ice machines, air-conditioners, water pumps, hot water systems, storage racking and other miscellaneous equipment.	Ensuring both equipment and furnishing are available and fit for purpose to support FSC operational requirements	3.8	4.2
Security including Padmount Cylinders Provision of security locks, CCTV, electronic security systems and upgrade of locking cylinders on padmount substations.	Compliance driven to ensure physical access and control of system assets remains restricted to authorised personnel	7.6	3.9 Some projects, particularly the upgrade of locking cylinders on padmount substations, were deferred because of supply issues and the impact of Covid

Property and Other Non-Network Asset Strategy 2024-29

Description	Benefits	2018 Submission Estimate	Actual/Forecast and Material Variance Rationale
City Office Lease Capitalisation Capitalisation of the lease renewal of the small office in the Sydney CBD as per our lease capitalisation policy in accord with AASB16	Provides a work location for staff when operating from the Sydney CBD from time to time	0.0	0.0
Total (Subject to Rounding)		21.3	15.4

Expenditure Methodology, Assumptions and Drivers

Property investment drivers

The network program of work and employee numbers are two key drivers for property and other non-system capex and have a material influence on the quantity, type and location of assets. Endeavour Energy also has to take into consideration the most efficient approach to meeting customer requirements, business culture and transformation initiatives as well as responding to the significant customer growth in in Western Sydney when developing future property and building capex requirements. Other drivers for property and other non-system expenditure include:

- Compliance with various regulatory and legislative obligations such as building codes, workplace health and safety requirements, and environmental standards.
- Ensuring security of critical infrastructure and day-to-day security to mitigate theft and vandalism
- Planning for necessary building maintenance and repairs to ensure the properties and buildings remain fit-for-purpose and safe.
- Ensuring Endeavour Energy continues to meet the day-to-day needs of our customers and stakeholders.
- Supporting workforce productivity and efficient use of workspaces.

A significant portion of our planned investment for property and buildings focuses on corrective replacement or refurbishment of aged, damaged, faulty or inefficient property assets. These needs are recurrent and forecast expenditure is based on condition-based assessments to determine if they remain fit-for-purpose and compliant.

Forecasting methodology

Our forecast is driven by our four key investment themes which are then balanced with an overall objective of developing an affordable proposal that is in the long-term interests of customers.

Property and Other Non-Network Asset Strategy 2024-29

Within this context, our property and buildings forecast is also informed from historical trends and the development of a bottom-up portfolio of projects supported by business cases and investment governance approval processes that respond to our corporate priorities. Endeavour Energy then prioritises these projects using an assessment tool, as follows:

- The prioritisation tool which is based on a ranking mechanism, assists in identifying which projects are to be delivered and which projects can be deferred when there are funding constraints. The nature of the scoring of benefits includes risk mitigation, qualitative benefits, and financial returns.
- All projects for the defined period (2024-29) are listed, reviewed, and scored.
- The tool ranks projects based on a weighted score for each benefit category, of which there are 13 in total. Benefits are categorised broadly into two categories: Corporate Operational Risks; and Strategic Synergies.
- Each addressed benefit is given a standardised score between 1 – 5 (1 being the lowest and 5 being the highest) and a weighting is applied to each score. The scores are then added up and the project with the highest score will attract a higher rank. Based on this ranking, a portfolio is constructed by sorting by rank lowest to highest.
- Each project receives a total score, if the score is below 200 it is not considered a priority and will be listed for deferring. The 200 score is the selected pass point, as any score under 200 results from low scoring in the individual critical benefits.
- A business case is then prepared for each listed project when required by governance and procurement and processes.
- When a project is being prepared for commencement, designs are prepared, scope is finalised, and procurement processes implemented.
- Prior to the project commencing, approval in line with the company policy on delegations is obtained and recorded.

Expenditure assumptions

In developing the expenditure forecasts for non-system property, a number of assumptions have been made including:

- Inflation will continue to rise which will impact input costs
- Staff will continue to desire flexible working arrangements
- The network (system) program of work and employee numbers will remain stable
- The transition to the new head office at Parramatta Square will progress according to plan
- Property leases will be capitalised from 1 July 2023.

Next Period Forecasts

Buildings and Property

During 2024-29 the planned capex for non-system buildings and property is grouped into four categories as outlined in below:

- Building Refurbishments and Upgrades
- FSC Yard Works
- Implementation of Agile and Connected Workspaces (named Project Dyurali in the 2019-24 period) – noting that for the purposes of regulatory reporting this is a discrete project under Building Refurbishments and Upgrades
- Fix on Fail

Property and Other Non-Network Asset Strategy 2024-29

Table 11 – 2024-29 Buildings and Property Summary

(\$2024M)	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Building Refurbishment and Upgrades	2.8	3.2	3.4	3.7	3.8	16.9
FSC Yard Works	0.7	0.6	0.7	0.6	0.7	3.3
Implementation of Agile and Connected Workspaces	9.5	0.0	0.0	0.0	0.0	9.5
Fix on Fail	0.7	0.7	0.7	0.7	0.7	3.5
Total	13.7	4.5	4.8	5.0	5.2	33.2

A significant proportion of the proposed expenditure (\$16.9m) is dedicated to Building Refurbishment and Upgrades with individual business cases prepared for all projects which exceed \$1.0m, so as to ensure all issues have been considered and expenditure is prudent and efficient

Building Refurbishment and Upgrades

To continue the ongoing initiative to modernise our existing workplaces, \$16.9m is forecast to be spent in 2024-29 on various improvements across various sites with the highest investment to be undertaken on the following six projects for a total estimated cost of \$9.6m:

- **FSC Site Consolidation** - Consolidation of existing FSCs to more efficiently provide customer service outcomes. This could include relocation, rationalisation and/or consolidation of facilities for a project estimate of \$1.96m
- **Bowenfels FSC** - Office and building renovations and associated building refurbishments, structural enhancements and roller doors replacements on an aged facility (>50 years) for a project estimate of \$1.74m.
- **Narellan FSC** - Office and building renovations, outside building refurbishment, bund storage area and roller door replacement for a project estimate of \$1.69m
- **Glendenning FSC** - Building renovations, new truck shelter and outside building refurbishment for a project estimate of \$1.63m
- **Communications Buildings** - Building site upgrades and refurbishment across 23 sites for a project estimate of \$1.31m.
- **Katoomba FSC** – Office and building renovations, outside building refurbishment, structural enhancements, asbestos removal and roller door replacement for a project estimate of \$1.31m.

A business case has been prepared for each of these six projects. A summary of all proposed Building Refurbishment and Upgrades expenditure is set out in Table 12.

Property and Other Non-Network Asset Strategy 2024-29

Table 12 – 2024-29 Building Refurbishments and Upgrades

Project	Expenditure (\$M2024)	Benefits	Description
FSC Site Consolidation	1.96	Consolidation of existing FSCs to provide more efficient customer value outcomes	Could include relocation, rationalisation and/or consolidation of facilities
Bowenfels FSC	1.74	Improved workplace safety through compliance with building codes and ensuring that the facility is accessible, fit for purpose and can meet the needs of the business	Office and building renovations and associated building refurbishments, structural enhancements and roller doors replacements on an aged facility (>50 years)
Narellan FSC	1.69	Improved workplace safety through compliance with building codes and ensuring that the facility is accessible, fit for purpose and can meet the needs of the business	Office and building renovations, outside building refurbishment, bund storage area and roller door replacement
Glendenning FSC	1.63	Improved workplace safety through compliance with building codes and ensuring that the facility is accessible, fit for purpose and can meet the needs of the business	Building renovations, new truck shelter and outside building refurbishment
Communications Buildings	1.31	Improved workplace safety through compliance with building codes and ensuring that the facility is accessible, fit for purpose and can meet the needs of the business	Structural and other repairs to 23 communications buildings including window and door repairs and roof repairs
Katoomba FSC	1.31	Improved workplace safety through compliance with building codes and ensuring that the facility is accessible, fit for purpose and can meet the needs of the business	Office and building renovations, outside building refurbishment, structural enhancements, asbestos removal and roller door replacement
Kings Park FSC	0.87	Improved workplace safety through compliance with building codes and ensuring that the facility is accessible, fit for purpose and can meet the needs of the business	Extend EWP shelter and outside building refurbishment

Property and Other Non-Network Asset Strategy 2024-29

Project	Expenditure (\$M2024)	Benefits	Description
Nowra FSC	0.71	Improved workplace safety through compliance with building codes and ensuring that the facility is accessible, fit for purpose and can meet the needs of the business	Workshop and store renovations, outside building refurbishment, structural enhancements and some roller door replacement
Penrith FSC	0.65	Improved workplace safety through compliance with building codes and ensuring that the facility is accessible, fit for purpose and can meet the needs of the business	Workshop, store and pole yard office renovations, outside building refurbishment, structural enhancements
Small FSC Projects	1.93	Improved workplace safety through compliance with building codes and ensuring that the facility is accessible, fit for purpose and can meet the needs of the business	Small individual projects at Ulladulla, Springhill, Hoxton Park, Technical Training Centre, Glendenning CLF, Kandos, Picton and Moss Vale
FSC Programs at various sites	3.10	Improved workplace safety through compliance with building codes (employee and contractor safety) and ensuring equipment is available to support critical operations	Nine programs of work across various facilities associated with fire-doors, data rooms refurbishment, BMS upgrades, ventilation enhancements, roof anchors installation, awning works, rust treatment, asbestos removal and other minor works associated with age and condition
Total – Building Refurbishment and Upgrades	16.9		

FSC Yard Works

In addition to the major project works outlined above, continued investment of \$3.3 million is also proposed to support, refurbish and upgrade as appropriate the external yard infrastructure of various FSCs. This includes work associated with concrete and asphalt surfaces (used for material storage and parking of operational vehicles), security fencing and automatic gates, roadway and carpark upgrades, lighting, solar/battery installations and vegetation and garden works. This is to ensure that these facilities are fully accessible and reliable to support critical operations and comply with relevant codes. Hoxton Park FSC is receiving the largest portion of investment, where \$0.71m is being spent on concrete and asphalt replacement. A further breakdown of the FSC Yard Works program is provided in Table 13.

Property and Other Non-Network Asset Strategy 2024-29

Table 13 – 2024-29 FSC Yard Works

Project/Program	Proposed Expenditure (\$2024M)	Benefits	Description
Hoxton Park FSC – Concrete and asphalt replacement	0.71	Improved accessibility and workplace safety through compliance with codes	Repairs / replacement of existing concrete and asphalt areas that are deteriorating due to age and to ensure access in all weather conditions
Penrith, Nowra and Ulladulla FSCs – Concrete and asphalt replacement	0.65	Improved accessibility workplace safety through compliance with codes	Repairs / replacement of existing concrete and asphalt areas that are deteriorating due to age and to ensure access in all weather conditions
Security Fencing Upgrades at various FSCs	0.60	Ensuring ongoing security of operations from both a staff, and asset perspective	Repairs and replacement of gates and fencing due to age and vandalism to ensure ongoing security
Solar and Battery Installation at various FSCs	0.46	Ensuring equipment is available to support critical operations (customer service)	Replacement of LEDs, installation of solar panels and batteries and repairs and replacement of other related electrical assets to driver lower cost and improve sustainability.
Road and carpark upgrades and refurbishment at various sites	0.22	Improved accessibility and workplace safety through compliance with codes	Repairs of existing roads, paths and carparks that are deteriorating due to age and to ensure access in all weather conditions
Vegetation and garden works at various sites	0.19	Improved workplace safety through compliance with codes	Ongoing works to ensure the continued safety around trees and garden beds
Other smaller refurbishment programs at various FSCs	0.47	Ensuring operational facilities are fit for purpose and safe for staff, contractors and customers	Includes yard LED and emergency lighting, site electrical works, automatic vehicular gates
Total – FSC Yard Works	3.3		

Property and Other Non-Network Asset Strategy 2024-29

Implementation of Agile and Connected Workspaces

With substantial completion of Project Dyurali planned for 2019-24, it is intended to finalise the completion of Project Dyurali by undertaking works at Glendenning FSC in 2024-25, in addition to some smaller works that is beyond the scope of Project Dyurali across other FSCs. This is part of rolling-out of Endeavour Energy's workplace and cultural change strategy across the business as appropriate to create a connected network of agile and connected workspaces. Other than Glendenning FSC, the actual sites and the timetable for the rollout have yet to be determined, however a total amount of \$9.5m has been proposed for both completing Project Dyurali (Glendenning FSC) and these other works.

Table 14 – 2024-29 Implementation of Agile and Connected Workspaces

Project	Proposed Expenditure (\$2024M)	Benefits	Description
Glendenning FSC	9.1	Continue to implement the workplace and cultural change strategy which is focussed on achieving productivity, staff flexibility, innovation and sustainable outcomes for the benefit of customers.	Fully implement Project Dyurali, associated with the sale of Huntingwood Head Office and the relocation of staff to a smaller office at Parramatta and to augmented offices at Kings Park, Hoxton Park and Glendenning FSCs
Other sites yet to be determined	0.4	Continue to implement the workplace and cultural change strategy.	These sites, which are beyond the scope of Project Dyurali, are yet to be determined however, these investments will be minor.
Total – Implementation of Agile and Connected Workspaces	9.5		

Fix on Fail

The Fix on Fail expenditure category is for unplanned or reactive work associated with minor plant and equipment which is not covered by the planned work programs. This includes items such as mains water backflow prevention valve replacements, toilet replacements, air-conditioning system adjustments, roller doors/gates and weather affected items. Common reasons for these works are:

- Damage equipment or building fittings either by usage/fault or vandalism,
- Sudden failure,
- Change of operation and/or changes in compliance without notice.

The proposed expenditure has been estimated based on historical trends taking into account the age and condition of the non-system property and building portfolio and the proposed building refurbishment and upgrade program.

Property and Other Non-Network Asset Strategy 2024-29

Table 15 – 2024-29 Fix on Fail

Project	Proposed Expenditure (\$2024M)	Benefits	Description
Fix on Fail	3.5	Ensuring equipment is available and operational to support critical operations of the FSCs	Unplanned repair and replacement of damaged/failed facility equipment on a reactive basis.
Total – Fix on Fail	3.5		

Other Non-System

The proposed amount for Other Non-System capital expenditure against its four sub-categories of activity for the period 2024-29 is set out in Table 16.

Table 16 – 2024-29 Other Non-System Summary

(\$2024M)	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Tools and Equipment	2.4	2.4	2.4	2.4	2.4	12.2
Major Equipment and Furnishing Upgrades	0.9	0.9	1.0	1.0	1.3	5.0
Security including Padmount Cylinders	0.8	0.8	0.8	0.8	0.8	4.1
City Office Lease Capitalisation	0.0	0.0	0.4	0.0	0.0	0.4
Total (Subject to rounding)	4.2	4.1	4.6	4.3	4.5	21.6

The proposed expenditure for Tools and Equipment of \$12.2m is an increase against the forecast for 2019-24 of \$7.2m, all expressed in \$2024. This increase is driven by the need to purchase tools and equipment for the planned growth in the use of external contractors to work alongside our employees in response to the growth in Western Sydney. This includes expenditure for testing instruments and essential spares so that equipment can be kept in good working condition. Access to appropriate serviced tools and equipment will ensure that the work is delivered in a consistent and efficient manner.

The proposed expenditure for Major Equipment and Furnishing Upgrades of \$5.0m is an increase against the forecast of \$4.2m for 2019-24, all expressed in FY24\$. This increase is mainly driven by the need to replace office furniture, furnishings (carpet and blinds), air-conditioning upgrades (including large chiller

Property and Other Non-Network Asset Strategy 2024-29

unit at the Technical Training Centre), ice machines and other equipment which will be at end of life during the next period.

During 2024-29, it is proposed to renew the lease on the City Office, which will be capitalised under Endeavour Energy's accounting policy in accord with AASB16. Other than the City Office, Endeavour Energy is not proposing to enter into any new property leases or renew any existing leases during the next regulatory period, which need to be capitalised.

Table 17 – 2024-29 Other Non-System

Project	Proposed Expenditure (\$2024M)	Benefits	Description
Tools and Equipment	12.2	Ensures staff have fit for purpose tools and equipment to perform work safely and efficiently and ensure our workshop facilities are compliant.	Provision and replacement of everyday tools and equipment, including hand tools and workshop equipment.
Major Equipment and Furnishing Upgrades	5.0	Ensuring both equipment and furnishing are available and fit for purpose to support FSC operational requirements.	Planned upgrade and replacement as required based on age and condition across 20 operational sites of carpet, vinyl flooring, window furnishings, furniture, ice machines, air-conditioners (including a large chiller unit at Technical Training Centre), water pumps, hot water systems, storage racking and other miscellaneous equipment.
Security, including Padmount Cylinders	4.1	Compliance driven to ensure physical access and control of system assets remains restricted to authorised personnel.	Provision of security locks, CCTV, electronic security systems and upgrade of locking cylinders on padmount substations.
City Office Lease Capitalisation	0.4	Provides a work location for staff when operating from the Sydney CBD from time to time.	The capitalisation of the lease renewal of the small office in the Sydney CBD as per our lease capitalisation policy in accord with AASB16.
Total Other Non-System (Subject to rounding)	21.6		

Property and Other Non-Network Asset Strategy 2024-29

Summary of Next Period Forecast

A summary of proposed capital expenditure for 2024-29 for Buildings and Property (and its program categories) and Other Non-System (and its program categories) is set out in Table 18.

Table 18 – 2024-29 Forecast Summary

(\$2024m)*	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Buildings and Property						
Building Refurbishment & Upgrades	2.8	3.2	3.4	3.7	3.8	16.9
FSC Yard Works	0.7	0.6	0.7	0.6	0.7	3.3
Implementation of Agile and Connected Workspaces within FSCs	9.5	-	-	-	-	9.5
Fix on Fail	0.7	0.7	0.7	0.7	0.7	3.5
Total - Building and Property	13.7	4.5	4.8	5.0	5.2	33.2
Other Non-System Capex						
Tools & Equipment	2.4	2.4	2.4	2.4	2.4	12.2
Major Equipment and Furnishing Upgrades	0.9	0.9	1.0	1.0	1.3	5.0
Security including Padmount Cylinders	0.8	0.8	0.8	0.8	0.8	4.1
City Office Lease Capitalisation	0.0	0.0	0.4	0.0	0.0	0.4
Total - Other Non-System	4.2	4.1	4.6	4.3	4.5	21.6
Total - Property & Other Non-System	17.9	8.6	9.3	9.3	9.7	54.8

*Subject to rounding

-
-
-
-
- **Property and Other Non-Network Asset Strategy**
- **2024-29**

Asset Management and Investment Governance

All property transacted and managed by Endeavour Energy is owned by the Epsilon Distribution Ministerial Holding Company (EDMHC). Through the Distribution Network Lease (DNL), EDMHC has leased the property assets of Endeavour Energy to the Network Operating Partnership (NOP) through a 99-year lease. Under the DNL, Endeavour Energy is required to secure legal tenure over all network assets.

Endeavour Energy's property holdings and transactions are managed under a suite of comprehensive governance arrangements and compliance obligations.

Property Protocol

Prior to execution of the DNL in 2017, all property assets were owned and transacted by Endeavour Energy. In view of the new ownership structure, a Property Protocol was jointly developed by Endeavour Energy and EDMHC to provide clarity and direct staff in the processes involved with multiple forms of property transactions.

All system (network) property assets are now owned by EDMHC and are subject to the Property Protocol. While this can be amended with the agreement of both parties, it must reflect the underlying requirements under the terms of the DNL. A suite of documents has been developed and annexed to the Protocol (reviewed and approved by EDMHC) as Standard Agreed Terms.

The Property Protocol allows Endeavour Energy to execute, under Power of Attorney, all easement dealings secured under contestable works within those Standard Agreed Terms. EDMHC is still required to execute Contracts for Acquisition, Sale (disposal), Surrender of Lease, Variations to DNL and Transfer of Land.

Mortgagee Consents

Although freehold assets are not mortgaged, they are listed as assets on the mortgage over the DNL. As a result, any disposal of freehold land, or surrender of a lease must obtain the Mortgagee's Consent. Regular audits of registered variations must also be conducted under the terms of the DNL.

Foreign Investment Review Board (FIRB)

Due to the foreign interests of some shareholders, Endeavour Energy is required to apply for an exemption from the FIRB in respect to 'interest in Australian land' under section 12 of the *Foreign Acquisitions and Takeovers Act 1975* (Cth). This application process occurs every two years and limits the amount that may be invested within the period.

Reporting

The complexity of the ownership structure also requires extensive and regular reporting to multiple entities. Reports to be submitted include Quarterly Activity Statements to EDMHC advising on the status of all property related transactions, an annual reconciliation of all properties with the NSW Government Property Register, briefing notes to EDMHC for all Property transactions (apart from NOP Properties & Easements where standard terms are used), and FIRB reporting (required monthly for Network Asset Partnership (NAP) and NOP, and quarterly for Network Unregulated Partnership (NUOP)) to provide details on all acquisitions of interests in Australian land.

Additionally, Endeavour Energy must also inform the Centre for Property Acquisitions (CPA) of all compulsory acquisitions undertaken.

-
-
-
-
- **Property and Other Non-Network Asset Strategy**
- **2024-29**

Facilities Management

Endeavour Energy's Facilities Management team are responsible for managing the non-system property portfolio and supporting the accommodation needs of the business. Their role is essential in supporting the business to align property requirements with the operational and priorities needs across the network.

The key functions of Facilities Management are:

- **Strategic Alignment** – maintaining strategic alignment and direction between property related services and core business objectives
- **Property operations** – delivery of property upgrade and maintenance works in an efficient manner whilst allowing the business to meet its system priorities.

Facilities Management are responsible for:

- Identifying the need
- Investigating viable options
- Selecting the most prudent option
- Prioritising expenditure
- Seeking endorsement of proposed major investments
- Delivery oversight in accordance with policies and procedures.

Governance

Governance of Buildings & Property and Other Non-System capex is provided through many different levels:

- Investment governance – this includes this Buildings & Property Strategy and Other Non-System Asset Strategy, plus annual budgets, long term expenditure 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 below.
- Purchasing governance – this relates to the assessment of individual project investments in order to implement the approved program. Endeavour Energy has in place governance processes to ensure its 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 17 below, sets out the purchase governance process for each expenditure level.

Property and Other Non-Network Asset Strategy 2024-29

Table 17 – Governance for Capex Purchases

Category ^{1, 2}	Purchasing Governance Process
Transactional (<\$0.1m)	<p>Approach: Minimum of one Quote to be obtained.</p> <p>Approval: By the financial delegate only set out in company policy 1.1.1 (Delegations) with the processing of purchase orders in alignment with these delegations pre-coded into the purchasing system (SAP). This ensures that only employees with approved delegations can approve orders.</p>
Tactical (\$0.1m to \$1.0m)	<p>Approach: Minimum of three Quote to be obtained.</p> <p>Market Engagement: Market engagement approach is to be documented and approved in accordance with GSU 0001.</p> <p>Evaluation: Quotations are to be evaluated and the outcomes documented and signed off in accordance with GSU 0001.</p> <p>Approval: By the financial delegate only set out in company policy 1.1.1 (Delegations) with the processing of purchase orders in alignment with these delegations pre-coded into the purchasing system (SAP). This ensures that only employees with approved delegations can approve orders.</p>
Strategic (>\$1.0m or any high-risk procurements >\$0.1m)	<p>Approach: A sourcing strategy is to be developed and approved in accordance with GSU 0001, requiring an open market tender.</p> <p>Market Engagement: Market engagement approach is to be documented and approved in accordance with GSU 0001.</p> <p>Evaluation: Quotations are to be evaluated and the outcomes documented and signed off in accordance with GSU 0001, including a negotiation plan as required.</p> <p>Endorsement by Contract Award Panel: Submission is required to be provided to the Contract Award Panel for endorsement prior to approval. The Panel consists of independent members of Endeavour Energy's Executive.</p> <p>Approval: By the financial delegate only set out in company policy 1.1.1 (Delegations) with the processing of purchase orders in alignment with these delegations pre-coded into the purchasing system (SAP). This ensures that only employees with approved delegations can approve orders.</p>

1. Contract value is the estimated contract value or a minimum of annual estimated spend.
2. Risk is based on commercial, supplier market, complexity and/or nature of product, performance and supply schedules and is completed at the start of the procurement process. Procurement will assess the residual risk to determine if it needs to go to the Contract Award Panel for consideration.

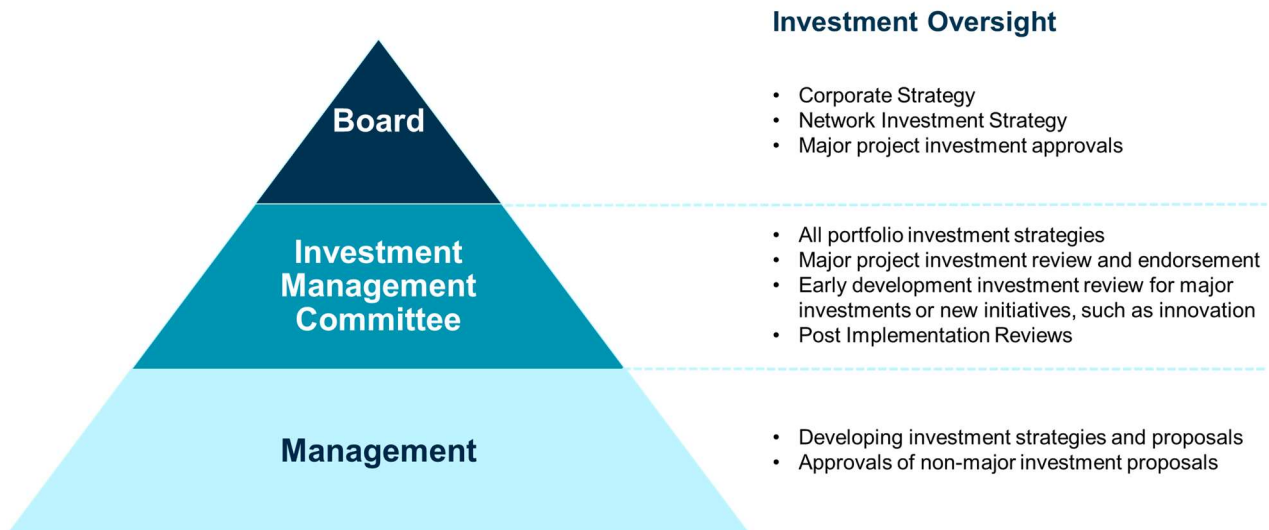
Investment Governance

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.

Property and Other Non-Network Asset Strategy 2024-29

Figure 5 Investment governance



The annual property and facilities budget and expenditure plan and long-term property forecast are prepared by the Facilities Team before being submitted to the Investment Management Committee (IMC) on an annual basis for approval. The annual review process 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 is submitted to the IMC 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 6 - Investment Management Framework



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 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.

-
-
-
-
- **Property and Other Non-Network Asset Strategy**
- **2024-29**

The process for developing forecasts is further guided by:

- Consultation across a number of business units to ensure that expenditure aligns with business objectives and need.
- Involving site managers in our forecasting process, which allows us to develop an informed bottom-up build of investments.
- Review of the audit results to identify preventative, upgrade and / or replacement projects that are required.

Endeavour has an established and well-defined procurement process to ensure a fair and transparent tendering process is undertaken for outsourced capital investment. Competitive tendering of building and facility works ensures value for money is achieved. For all prospective asset and equipment upgrades, replacements and refurbishments, the following steps are taken by the Facilities Team to assess investment requests:

- Review of service reports and inspections.
- Review of age, condition, and capabilities of assets.
- Detailed consultation with site managers.
- Use of an internal prioritisation to determine and rank business impacts such as safety, life cycle, return cost.
- Development of a final capex program based on priority grading.

Produced by Property branch

W Endeavourenergy.com.au
E news@endeavourenergy.com.au
T 131 081



ABN 11 247 365 823