

APPENDIX 31

Property strategic plan

Energex

Non-System Asset Strategy 2015-20

Strategic Property Plan



positive energy

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APPENDICES

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1. Executive Summary

1.1. Overview

Energex has developed its Non-System Asset Strategy (NSAS) for Property known as the *Strategic Property Plan 2015-2020* (SPP), for the forthcoming regulatory period operating from July 2015 to June 2020. The intent of the SPP is to detail the background, objectives and deliverables for the program of work proposed to be implemented over the five year period, and its associated capital funding requirements.

The Property Services Group is responsible for supporting the accommodation needs of the organisation and its operations through the improvement, maintenance and management of the Energex property portfolio. These portfolio functions will be carried out in accordance with the SPP for the 2015-2020 timeframe.

Over the course of the current regulatory period, Australian Energy Regulator (AER) approved funding has been utilised in alignment with the existing NSAS for Property, the *Corporate Property Strategy 2010-2015* (CPS), and the same prudent and efficient approach is intended for the present strategy's successor, the SPP.

1.2. Approach

This report presents the process undertaken in developing the SPP, explaining the influencing factors that have led to the proposed program of work for the 2015-2020 regulatory period.

These factors include: the achievements and learnings from the implementation of the CPS over the 2010-2015 period; changes in business priorities and organisational direction; stakeholder interaction; awareness of the condition of individual properties; and external market factors, among others. These are examined in terms of their role in the future direction for the portfolio.

Resulting from this process is the required program of work and property deliverables for 2015-2020. This program of work will ensure Energex operates prudently and efficiently to achieve the most appropriate non-system property outcomes for operation and support of the distribution network and for the needs of the broader organisation.

1.3. Key Outcomes

The table below outlines the capital expenditure requirements for the SPP program of work over the five year period, as further detailed in the following report and appendices:

<i>Strategic Property Plan</i>	Year 1	Year 2	Year 3	Year 4	Year 5	5-Year
	FY16	FY17	FY18	FY19	FY20	Total
Annual Expenditure (\$million)*	\$21.17	\$21.91	\$13.08	\$8.11	\$12.60	\$76.87

Table 1: *Strategic Property Plan 2015-2020 proposed capital expenditure by year.*

*Approximate cost estimate of capital expenditure across whole program of work in \$2014/15. Costs do not include on-costs, overhead charges or CPI escalation.

2. Purpose, Vision and Direction

2.1. Purpose

The purpose of this report is to detail the Non-System Asset Strategy (NSAS) for the Energex non-system property portfolio over the 2015-2020 regulatory period, known as the *Strategic Property Plan 2015-2020* (SPP), and the capital funding requirements for the associated program of work.

To help explain the core principles and objectives of the SPP, it is essential to understand Energex's organisational vision and strategic direction and the alignment that exists between the two, as described further below. In addition to these concepts, the background of the *2010-2015 Corporate Property Strategy* (CPS) (refer Appendix A) that has been implemented over recent years is reviewed, as well as the influence it has had on development of the SPP. With these matters considered, the key initiatives driving the SPP program of work and its property project deliverables are detailed, and the way in which they will achieve the SPP objectives.

Property Services, a group within the Procurement, People and Services division of Energex, is responsible for development, management and implementation of the SPP over 2015-2020.

2.2. Energex and Property Services

Energex builds, owns, operates and maintains the energy distribution network supplying electricity to approximately 1.4 million residential, commercial and industrial customers across South East Queensland, comprising a population base of around 3.2 million people (refer Appendix B, *Energex Network Area of Supply Map*).

The Property Services Group plays an essential role in supporting Energex to align property and accommodation requirements with the dynamic operational needs across the distribution area.

Property Services has responsibility for the Energex property portfolio, comprising more than 1,000 owned and leased properties in both the Corporate (non-system) and Network (system) areas of the business. The key functions within the Property Services Group are:

- **Strategy and Accommodation:** maintaining strategic alignment and direction between property services activities, as well as responsibility for management of the overall property portfolio through an outsourced property management provider;
- **Property Operations:** delivery of property upgrade and major works construction projects as well as responsibility for facility management and maintenance across Corporate property and some elements of Network property, within the portfolio;
- **Network Program Management:** referral, advisory, acquisition, disposal and town planning services for both Network and Corporate Property operational requirements;
- **Corporate Security:** protecting people, information, property and assets for both Network and Corporate operations.



Image 1: Pole & cable yard at Southern Distribution Depot, Larapinta, a CPS project, completed July 2011.

2.3. Organisational Level: Energex

Energex's corporate vision for the forthcoming regulatory period is summarised below, and further detailed in the document: *Summary of Energex's 5 year Corporate Plan – June 2015*.

2.3.1. Vision and Purpose

The *Vision* and *Purpose* for Energex outlines its organisational ethos:

- **Vision:** *Delivering energy services for a sustainable future.*
- **Purpose:** *Provide choice and affordability to meet customers' evolving energy needs.*

2.3.2. Strategic Direction

From a longer term perspective, the overarching strategic objective for Energex guides the organisation's direction:

- **Objective:** *Achieve balanced commercial outcomes by understanding and effectively managing the customer, risk and financial elements of its business.*



Diagram 1: From Summary of Energex's 5 year Corporate Plan, page 5

Towards 2020, Energex's five key target areas within the operational context of the organisation which are directly applicable to the non-system property portfolio are:

- **Maintaining operational performance:** Keeping the lights on and a safe and high-performing workforce;
- **Queensland energy market reform:** Stable and predictable customer prices while successfully integrating externally driven initiatives;
- **Revenue, asset value and shareholder value:** Protecting economic value and effectively managing the balance sheet to continue delivery of appropriate returns to shareholders;
- **Business efficiency and optimisation:** Optimise asset utilisation to minimise inefficiencies and produce a favourable cost base.
- **Future capability:** Provide capability within infrastructure to accommodate changing expectations, behaviours and technology.

2.3.3. Energex Values

Within the framework of the organisation's vision, purpose and strategic direction, Energex conducts its day-to-day activities in accordance with its values, reflecting the priorities for the business:



2.4. Group Level: Property Services

2.4.1. Vision

As an essential support provider to the broader organisation, the Property Services Group's vision supports that of Energex and demonstrates the Group's contribution to efficient operational deliverables:

- **Vision:** *The Property Services Group will drive sustainable property outcomes.*

In this context, the term *sustainable* applies to: the individual properties within the portfolio; the overall portfolio; and the functions and actions of Property Services, and is defined as:

Being able to maintain its own viability, as an action or process.

The vision of keeping the Energex property portfolio running sustainably is considered essential across all areas to achieve: safe, efficient, compliant, economical, customer-focused and environmentally responsible property outcomes.

2.4.2. Strategic Direction

Aligned with this Vision is the Strategic Objective for the direction of Property Services under the SPP, over the course of the 2015-2020 regulatory period:

- **SPP Objective:** *The Property Services Group will manage the property program of work over the 2015-2020 period to deliver flexible, efficient, cost-effective property outcomes supporting safety, environmental and customer performance standards.*

The three main initiatives through which this objective will be delivered under the SPP are:

- **Maintain the existing portfolio:** with the condition of the portfolio substantially improved over the 2010-2015 period through the CPS, it is important to maintain the improved standards of compliance, safety and efficiency established. Also of importance is the ability to adjust the portfolio to align with changing legislative, operational and technological requirements over the 2015-2020 period.
- **Expand key efficiency initiatives:** the opportunity exists to extend the successful operational efficiency initiatives implemented under the CPS across additional properties within the portfolio, driving further benefits. These initiatives include: developing fit-for-purpose facilities; improving security of tenure for facilities; and possible site consolidations, among others.
- **Progress opportunities to reduce costs:** opportunities have been identified and investigated to further reduce costs across the portfolio through such programs as: disposal of redundant properties; lease and sublease of surplus and underutilised facilities; and workplace optimisation schemes in office environments to maximise occupancy efficiencies.

These objectives align directly with the Energex Strategic Objectives:

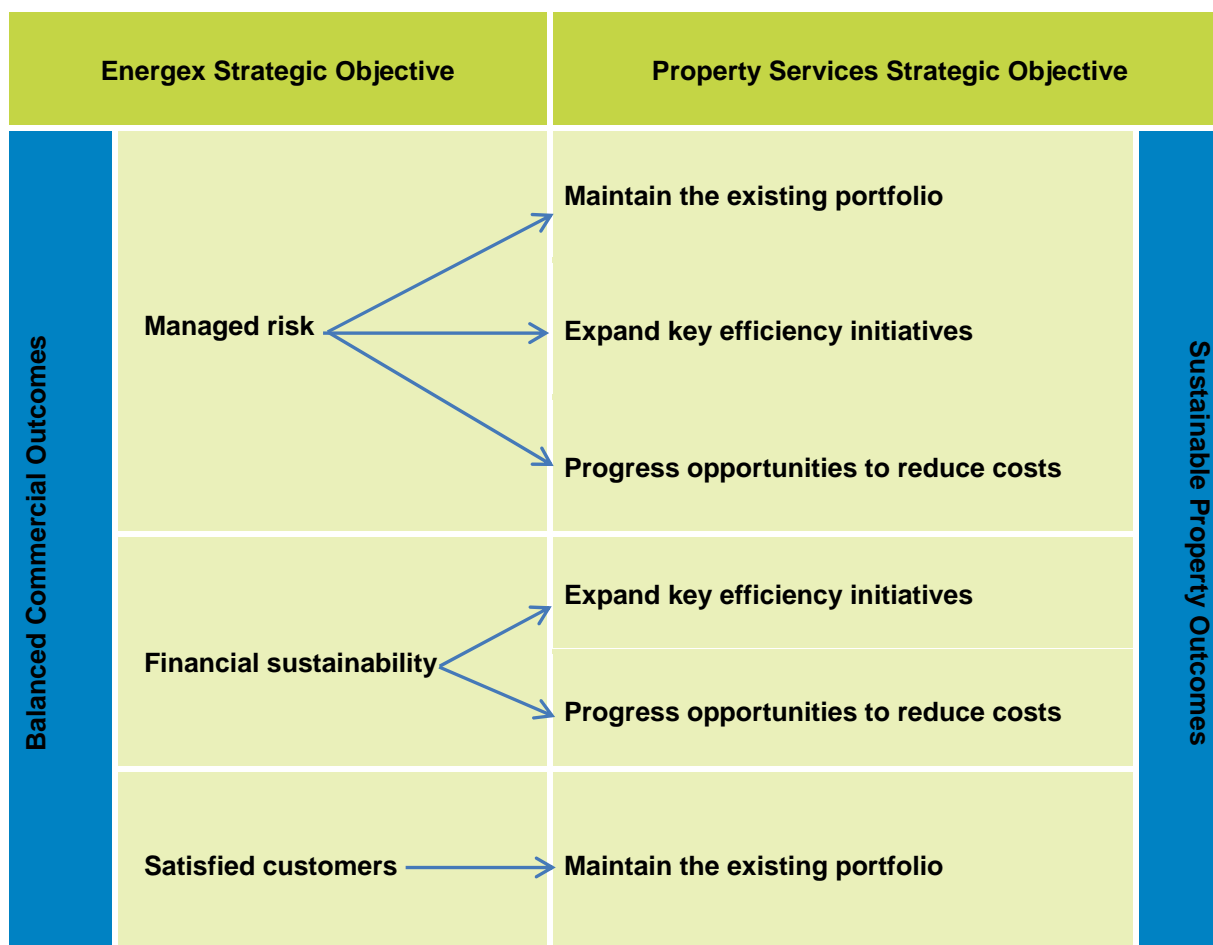


Table 2: Demonstration of the components of the Energex Strategic Objective and how the Property Services Strategic Objective delivers on these organisational commitments.

2.4.3. Principles

Alignment between the strategic objectives of Energex and the Property Services Group also considers the values of the organisation. The SPP principles ensure Energex values are incorporated in the context of the property portfolio for all decisions made and activities undertaken, with key examples including:

- **Safety & Compliance:** Putting safety first is a key priority for Energex and ensuring facilities are designed and developed with this at the front of mind is critical. All facilities need to maintain compliance with legislative and regulatory requirements and be designed in consideration of the end-user to assist them in undertaking their operational activities safely.
- **Efficiency:** Delivering balanced commercial results includes minimising operational costs over time by operating facilities efficiently, as well as setting a great example in helping the organisation to undertake their tasks more efficiently. Creating fit-for-purpose facilities requires working as a team with stakeholders throughout the design, delivery and ongoing operation of individual property projects.
- **Flexibility & Scalability:** Facilities must be designed and built to allow for flexibility and scalability in the event of changing storage and workforce accommodation needs, to further deliver balanced results. Respecting and supporting the organisation through ongoing communication and consultation with stakeholders is essential to ensure this works effectively.

2.5. Benefits Delivered

The benefits that will be delivered in relation to the SPP principles, objectives and initiatives over the 2015-2020 timeframe include:

1) Maintain the existing Property Portfolio

The property portfolio has been substantially improved through the 2010-2015 implementation of the CPS, and it is essential that this is maintained through measures including:

- Continually maintain and improve safety standards for operational staff through provision of facilities compliant with legislative and regulatory requirements;
- Reduced tenure risks and improved business continuity by owning fit-for-purpose operational properties rather than leasing them, as leased sites are subject to lease expiries, options, reviews and the conditions of the market and landlord;
- Focus on maintaining safe operational environments in the design, configuration and operation of facilities. An example of this is providing adequate separation between operational and administrative functions and through this, minimising pedestrian/vehicle and light/medium/heavy vehicle traffic conflicts;
- Aligning facilities with organisational and business needs, enabling properties to be flexible, scalable and adapt to changes in operational processes and technologies;
- Improving health and well-being of staff through providing up-to-date, modern facilities, equipment and amenities in alignment with contemporary standards.

2) Expand key efficiency improvements

Opportunities for efficiency exist both in the ongoing operation of properties as well as in development of new facilities:

Operational Efficiency

- Reduced operational expenditure through processes such as site consolidation and vacation of facilities, where practical, for properties that are no longer fit-for-purpose to meet the needs of the business, or are surplus to requirements;
- The exit of leased premises where applicable by consolidating on Energex owned sites;
- Reduction of site cost and improvement in security of tenure, through ownership of operational properties to ensure capital expenditure on the facilities remains in the control of Energex;
- Construction of fit-for-purpose facilities that enable efficient operation of the facilities, allowing flexibility and scalability to adjust to organisational change;
- Development or refurbishment of facilities to incorporate more efficient building services, reducing ongoing maintenance costs;
- Improved environmental efficiency through the use of up-to-date electricity and water technologies in new and refurbished facilities and workplaces;
- Selection of appropriately located and zoned sites with compatible surrounding uses, considering logistical needs for rapid access to transport routes and minimisation of operational constraints for day-to-day activities, reducing transport and labour costs;
- Designing and building property projects in close consultation with stakeholders to ensure the facilities being developed are fit-for-purpose to their operational needs;
- Consolidating facilities where practical, achieving economies of scale in operating costs.

Cost Efficiency

- Approaching project development processes such as acquisition, procurement and construction from a pragmatic, commercial perspective, and ongoing maintenance requirements through an outsourced business model;
- Competitive tender of professional services and construction processes as well as outsourced service provision contracts. This includes adhering at all times to Energex procurement practices and policies to ensure value for money in reference to the current market;
- Incorporating value management in the design process of new facilities to ensure balance between the core requirements and the requests of the end business user;
- Flexibility in development approach, such as staged development, delivering crucial accommodation elements initially but with opportunity for later stages if demand or operational needs change. Designing multi-functional facility spaces where practical.

3) Progress opportunities to reduce costs

Further opportunities to off-set maintenance and operational expenditure across the property portfolio include:

- Sublease of surplus leased accommodation;
- Disposal of surplus property;
- Implementation of Workplace Optimisation plans, such as “Activity Based Workplaces” to make the most prudent and efficient use of the space.

Ongoing review and investigation during the 2015-2020 timeframe could also identify additional cost recovery and reduction potential across the broader portfolio.

Delivery of the individual property projects in the SPP Program of Work will achieve many of these objectives, and have been factored in to the forecast for the portfolio, going forward.

Maintaining the upgraded property portfolio, driving further efficiency improvements and implementing opportunities for further cost recovery are the key initiatives of the Strategic Property Plan 2015-2020.

3. Property Deliverables

3.1. Introduction

The Property Services Group is responsible for day-to-day operation and monitoring of the property portfolio, funded through an operational expenditure budget (refer Appendix C, *Property Services Group – OPEX Requirements*). This responsibility enables continual interface and consultation with facility users and exposure to the accommodation requirements of the broader organisation, providing awareness of issues, concerns, potential improvements and possible opportunities for individual properties within the portfolio.

Where a need is urgent and reactionary, minor repairs, replacements and upgrades can be managed through the operational repair and maintenance budget or alternatively the base capital expenditure budget, where a minor capital improvement is involved.

Large scale property projects involving substantial organisational change require significant time, effort, consideration and planning to determine the most prudent and efficient option available. Projects such as these are investigated, evaluated, reviewed, and the appropriate deliverables included as key projects in the NSAS for Property, as occurred with the CPS submission, and as has been undertaken for the SPP.

3.2. Property Requirement Process

At a high level, a number of drivers generate the requirements for Corporate (non-system) property assets within Energex. These drivers include: electricity distribution and the ongoing maintenance and support of Network (system) properties; alignment with organisational direction, including workforce and resource planning; and other critical factors such as legislative and regulatory standards, the external property and construction markets and ensuring continuity of business operations and processes.

Delivering property requirements and maintaining operation of the portfolio involves the different departments in the Property Services Group, which all contribute to the management process.

- **The Network:** *The driver is the requirement for electricity distribution.*

The Energex distribution network involves electricity infrastructure, such as substations, padmounts and line corridors. Suitable locations for this infrastructure are determined by Network planning, however the individual sites for the infrastructure are acquired by Network Program Management, a department of the Property Services Group;

- **The Resources:** *The driver is the resources necessary to support the electricity distribution infrastructure.*

To develop and maintain Network infrastructure sites, appropriately located non-system hubs, depots and storage facilities are necessary to accommodate employee, vehicle, equipment and material resources for response to Network infrastructure maintenance and construction needs. The Strategy and Accommodation Department investigates the feasibility of the need and possible options to achieve the requirement in association with relevant stakeholders and the Property NSAS. The acquisition function of the Network Program Management department negotiates and acquires the selected sites when options have been evaluated and a market price negotiated.

- **The Support:** *The driver is a requirement to accommodate the support resources.*

Support facilities on the acquired sites need to be compliant with legislative and regulatory requirements and the scale of the facility determined in response to the storage and workforce needs for the particular site and broader organisational plans. The facility must also suit the needs of the end user, requiring stakeholder consultation and involvement in

the development process. Office-based facilities are also required to support the administrative and corporate functions of the organisation and often involve leased office properties, requiring input from the property management function of the Strategy and Accommodation department. The project management function of the Property Operations department is responsible for physical delivery of the final accommodation requirement;

- **The Maintenance:** *The driver is a requirement to maintain the support facilities.*

Following establishment of facilities, maintenance, monitoring and upgrade works are an ongoing necessity to ensure the condition and operation of the facilities remains compliant with all requirements. The facilities management function of the Property Operations department, the property management arm of the Strategy and Accommodation department and Corporate Security all play a part in this process.

3.4. From Drivers to Deliverables

In relation to Energex processes and influences, the path through which drivers become deliverables in the Energex property program is demonstrated in the following diagram.

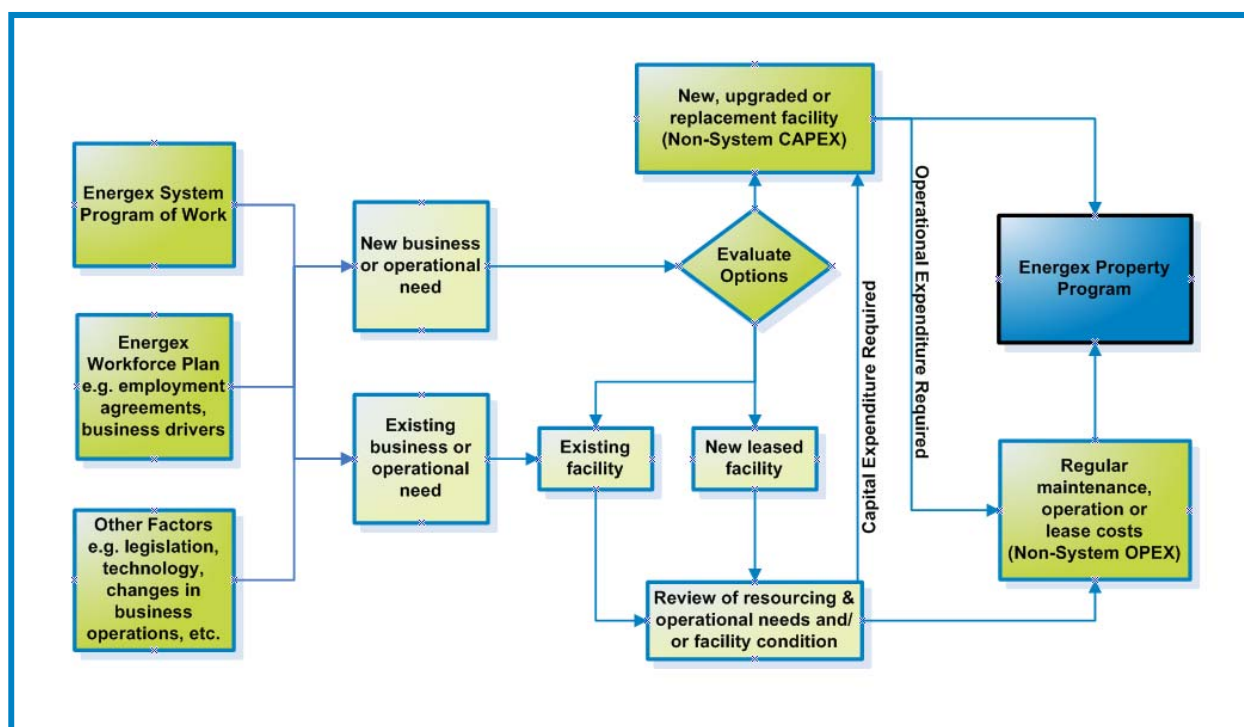


Diagram 2: The diagram above provides greater detail around the property deliverable process within Energex and the drivers which influence this.

The deliverable determination process culminates in development of Business Cases (seen as the “Evaluate Options” decision point in Diagram 2) to determine the appropriate accommodation solutions.

Business cases outline the background, proposal, risk and financial analysis of the recommended option, compared to other scenarios investigated. In addition to the recommended proposal, these options also include a scenario as close as possible to a “Do Nothing” situation. Even under this option however, there are often maintenance and construction works that need to occur at older facilities to ensure compliance with current regulatory, legislative and safety standards and ensure efficient operations for the business.

Specific project business cases prepared for the proposed deliverables through the SPP are discussed further in Section 6 of the report.

3.5. Program Management and Governance

The Non-System Asset Strategy (NSAS) for Property currently operates as the Corporate Property Strategy (CPS) for the 2010-2015 regulatory period. This will be superseded by the Strategic Property Plan (SPP) in the forthcoming 2015-2020 regulatory period. The Property NSAS provides the guiding principles, objectives, directives and indicative program of work for the period.

The framework for the governance, management and implementation of the Property NSAS is contained within a suite of overarching documents: the *Non-System Asset Management Policy*, the *Non-System Asset Governance Manual* and the related *Non-System Asset Property Management Manual* (available on request).

Property NSAS project approvals are run through a Governance Committee on the basis of the required financial delegation, and for the first three years of the current regulatory period this was the Property Strategy Governance Committee comprising: members of the Energex Executive Management Team, including the CEO and CFO; Property Services Managers; and stakeholders from relevant areas of Energex.

For the final two years of the CPS, program governance will operate under a new committee known as the Non-System CAPEX Governance Committee (Governance Committee). The committee has been formed to enable greater communication and collaboration with other Non-System Asset groups. This increased transparency will assist in identifying opportunities across groups to provide further benefits and cost savings for the organisation.

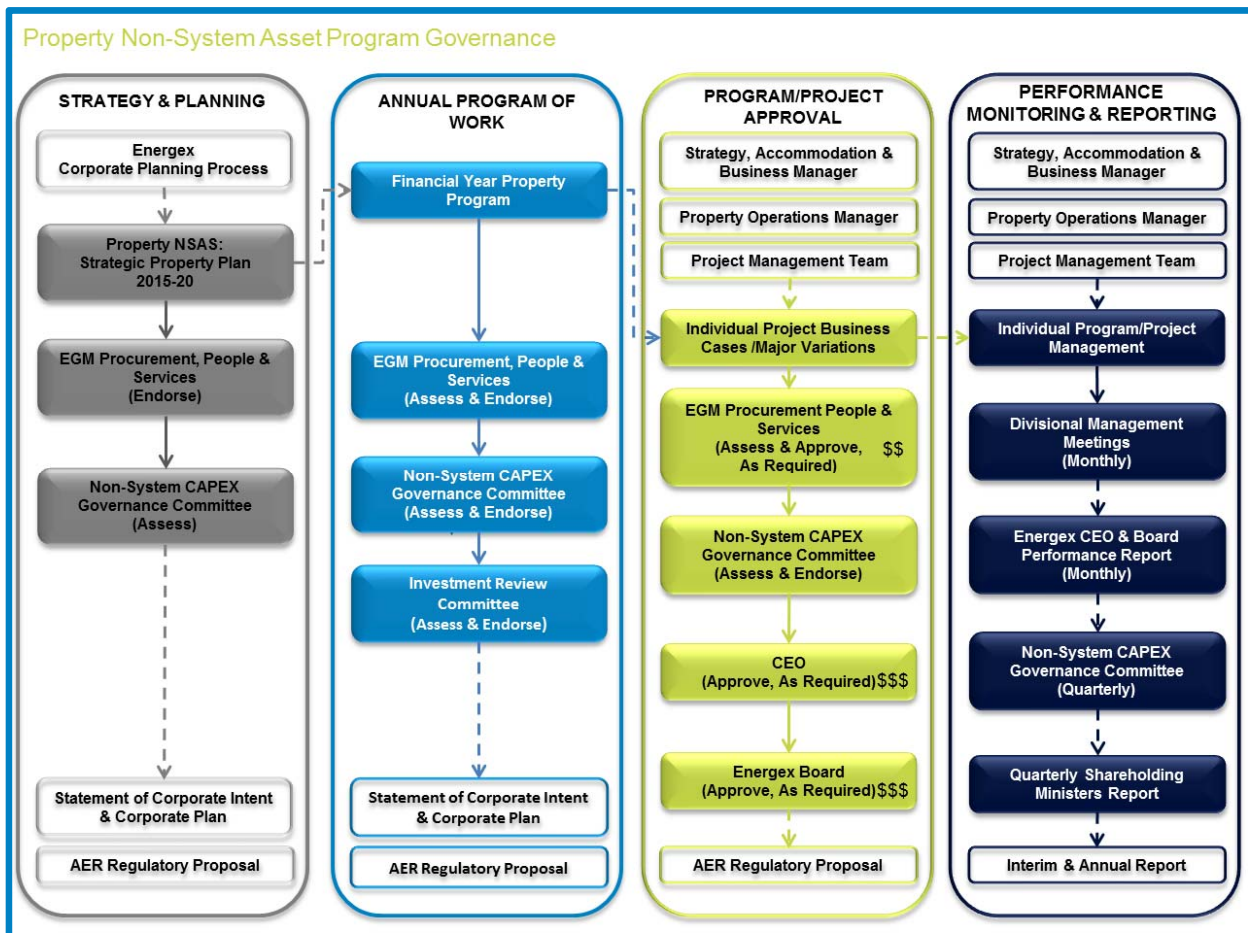


Diagram 3: Flowcharts above represent different elements of the approval processes for program and individual projects within the Governance structure.

An update on the budget, program and status for the Property NSAS is presented at each Governance Committee meeting and individual projects discussed. Where endorsement is sought for a specific project a business case is developed including an evaluation of the planned project, the options explored, business benefits gained, possible risks and financial analysis to determine the most favourable scenario to achieve the project objective. Following Governance Committee endorsement, dependent on financial delegation required, projects are then presented for either CEO approval or alternatively Board approval, where the project value exceeds that of the CEO's financial delegation.

In addition, the anticipated budget for the Property NSAS program of work planned for each forthcoming financial year is presented on an annual basis for endorsement. This budget and program outlines the capital expenditure anticipated for individual projects already underway as well as those commencing in the forthcoming year and the directives driving these projects.

During implementation of the CPS, influencing factors including: the government and regulatory environment; market conditions; business priorities; and organisational focus, have varied from assumptions made at the time of the original regulatory submission for 2010-2015.

In order to maintain alignment with these changing influences, the CPS is under constant review, with actual spend and timing varying from the original submission on some projects in order to adapt appropriately to varying circumstances.

3.5.1. Risk Management

Energex has adopted the International Risk Management Standard (ISO 31000). The Property group maintains consistency with the Energex enterprise risk management policy and procedure.

In directly applying risk management to Property NSAS deliverables, various risk categories are considered in project implementation including:

- **Safety:** providing safe, compliant premises and facility maintenance in alignment with operational health and safety standards;
- **Legislative:** providing premises that adhere to legislative and regulatory requirements;
- **Operational:** maintaining ongoing business continuity and ensuring security of tenure for operational properties;
- **Economic:** ensuring efficient cost outcomes in the context of external commercial factors, balanced with the accommodation requirements of the organisation;
- **Community:** working to minimise impacts on the community from the operations of non-system property assets through careful site selection and facility design;
- **Environmental:** minimising the impact of facilities on the environment, including energy and water efficient technologies and remediation of sites, where required.

Property projects and programs, whether in development, construction or maintenance phases are assessed against each of the risk categories, ensuring adequate consideration in all decision-making and operational processes throughout the Property NSAS governance framework.

3.5.2. Portfolio & Investment Optimisation

The property portfolio investment process considers the management of projects and programs proposed on a consistent basis by:

- Reviewing program justifications relative to drivers, risks, costs & performance targets;
- Reviewing risks if the proposed projects/programs did not proceed and how the untreated risk could be otherwise managed to tolerable levels; and
- Optimising the portfolio of the program to deliver an appropriate balance between risk, resources, financial benefit and achievement of performance targets

Optimising performance of the property portfolio and prioritisation of projects requires consideration of a number of factors to achieve the most appropriate portfolio outcomes. These factors include:

- **Risk minimisation:** maintaining ongoing business continuity, including throughout project construction processes and where the site is subject to uncertainty around lease expiries, options, reviews, market conditions and landlord approvals;
- **Business efficiency:** providing fit-for-purpose facilities suited to the needs and processes of the business user; location of facilities on appropriately zoned sites according to logistical response and delivery requirements, reducing travel costs; design of practical facility layouts, equipment and systems to support day-to-day functions;
- **Facility efficiency:** developing and maintaining efficient facilities and building systems to reduce operational costs; competitive tender model for outsourced services; consolidation of facilities, where practical, to achieve economies of scale in operating costs; maximisation of occupancy efficiency in office locations through subleasing of surplus accommodation and utilising alternate office layouts, where appropriate;
- **Cost effectiveness:** acquisition of new sites, value management of design processes and procurement of construction contracts from a commercial perspective according to appropriate market conditions and values; review and disposal of redundant portfolio assets; building flexible, scalable facilities where possible to meet the changing needs of the business, i.e. staging developments and creating flexible multi-purpose spaces.
- **Staff impact:** providing up-to-date, modern facilities, equipment and amenities for staff that adhere to health and safety standards and undertaking suitable consultation, change management and stakeholder involvement in property projects.
- **Community impact:** locating facilities on appropriate sites to enable suitable customer response times; minimisation of negative impacts on areas surrounding operational facilities;
- **Environmental impact:** provision of energy efficient water and energy systems in facilities to reduce consumption and operational expense; remediation of contamination on former Energex sites, where required.

The underlying objectives and principles of the SPP and the NSAS program management and governance framework incorporate processes and measures to ensure these matters are considered adequately for any property decisions and actions undertaken.

3.5.3. Stakeholder Involvement

The impact of facilities within the Energex non-system portfolio on external customers is largely indirect. These impacts occur in terms of response times and efficiency of operations, which are influenced by the location and design of facilities and produce positive impacts if planned appropriately.

In terms of direct impacts, members of the broader community located adjacent or near to Energex non-system facilities can be affected by noise, dust and traffic impacts generated by operational functions. A key focus of the CPS, and which will continue under the SPP, has been to develop new facilities in appropriately zoned areas (i.e. industrially zoned land) so surrounding uses are compatible with Energex functions, minimising these impacts. All facilities are developed in accordance with relevant authority requirements, including neighbour notifications where required.

Internally, the most direct customers are the occupants and users of property facilities within the portfolio, being Energex employees and contractors (refer Appendix D). Representatives from all levels of Energex affected by individual projects are involved in property project implementation. This ranges from executive level attendees of the

Governance Committee to the monthly Property catch-up meetings at the Group and Department Manager level, as well as one-off meetings to manage issues that may arise.

Individual property projects also involve nominated stakeholder representatives at the concept and detailed design stages. For larger projects, stakeholder steering and change management committees are often involved during design, construction and handover stages to ensure the completed facility is transitioned appropriately to operational status.

Stakeholder involvement, risk management, portfolio optimisation and the governance framework are essential in ensuring prudent, efficient project delivery across the property portfolio.



Image 2: Original office set-up in demountable buildings at the Landsborough Depot prior to CPS works.



Image 3: Expanded, upgraded office & facilities at the Landsborough CPS project, completed July 2012.

4. Performance to Date

NOTE: all figures in Section 4 are expressed in nominal dollars, unless otherwise stated. Information within Section 4 and related appendices is current as of 1 July, 2013. Some projects described as underway at this point in time will have been completed by the date of final document publication.

4.1. 2010-2015: Corporate Property Strategic Plan

4.1.1 Background

As part of the Energex 2010-2015 regulatory period submission to the Australian Energy Regulator (AER), Property Services developed a Non-System Asset Strategy for the property portfolio program of work, called the Corporate Property Strategy (CPS).

The CPS was developed principally to address safety, compliance and cost issues related to the age, condition and inefficiency of the Energex non-system property portfolio. Over the years the non-system property portfolio had not been suitably improved and maintained in alignment with the expanding and increasing network and other non-system infrastructure systems, resulting in a high and ever increasing risk profile across a number of measures.

In its 2010-2015 determination the AER included recognition of an allowance for Capital funding of \$266.42 million for Energex non-system property to implement the CPS over the 2010-2015 period. Current capital expenditure operates in accordance with this strategy, which includes key initiatives to address the issues identified:

- Renewal and replacement of property assets that are beyond their useful life;
- Resolution of significant safety and compliance issues across the portfolio;
- Reduction in ongoing maintenance expenditure at facilities within the portfolio through efficient, fit-for-purpose design, and;
- Provision of a platform for improvement programs and portfolio flexibility to occur.



Image 4: Photos of a selection of the projects developed through the CPS 2010-2015.

4.1.2. Aim

At the end of the 2010-2015 period, and by operating in accordance with the CPS, Property Services anticipates achieving:

- Consolidation, relocation, vacation and decommissioning of a number of redundant or surplus facilities and land parcels covering a gross floor area of around 50,000 square metres and in excess of 25 hectares of land;
- This includes significant financial benefits expected during the balance of the 2010-2015 program as a result of the closure of a dilapidated, unsafe, aged workshop and warehouse facility at Banyo;
- Delivery of around 25 new and refurbished fit-for-purpose property facilities including approximately:
 - 33,000 square metres of highly efficient warehouse space;
 - 15,000 square metres of modern offices and amenities;
 - 95,000 square metres of covered and uncovered hardstand space;
 - 20 hectares of site and facility acquisitions.
- Improved site safety and compliance, security of tenure, condition of premises, site functionality and efficiency, and environmental measures, resulting in a reduced risk profile across the portfolio;
- Directly measurable financial benefits to the organisation in the form of operational cost savings, along with numerous indirect or qualitative benefits relating to the operations, activities, and employees that utilise the properties within the portfolio.
- Examples of some of the directly measurable financial benefits achieved to date under the CPS are detailed in the following table:

Activity	OPEX Annual Cost Savings (\$million)*	Year Achieved	Supporting CPS Project	Comments
Beenleigh Lease & Owned Site: Exited	\$0.21	2011	Southern Distribution Depot, Larapinta	Aged pole depot facility exited, lease ended, moved to new facility
Pinkenba Cable Storage Contract: Exited	\$0.40	2011	Southern Distribution Depot, Larapinta	Cable storage contract ended, moved to new facility
Zillmere Warehouse Lease: Exited	\$0.41	2011	New Distribution Centre, Eagle Farm	Leased warehouse exited, moved to new facility
Richlands Depot Lease: Exited	\$0.40	2012	Southern Metropolitan Office	Leased depot exited, relocated to new office and refurbished depot
Gympie Depot Lease: Ended	\$0.17	2012	Base CAPEX	Leased depot purchased, lease ended
Northgate Depot Lease: Exited	\$1.56	2013	Geebung Redevelopment Project	Leased depot exited, moved to upgraded existing depot facility
Owned Nambour Depot: Exited	\$0.06	2013	Yandina Replacement Depot	Aged depot replaced, exited to new facility
Cost Savings per annum	\$3.22			

Table 3: Examples of annual OPEX cost savings that have been generated by implementation of projects under the CPS 2010-2015.

*OPEX costs expressed in equivalent \$2014/15 lease costs, as per lease agreement annual rent review rates.

4.2. CPS: 2010-2013

Over the first three years of the CPS, approximately \$168.60 million of the \$266.42 million approved AER capital funding had been utilised to deliver multiple property facilities and achieve the associated strategic objectives. Implementation of the CPS objectives through completion of significant major projects has focused on the initiatives listed below.

- Consolidation and decommission of redundant, aged sites with fit-for-purpose replacement facilities, providing significant safety, compliance and environmental improvements;
- Reduction in maintenance expenditure through renewal of the ageing portfolio;
- Removing office-based employees from operational facilities through establishing regional offices, reducing safety risks and congestion at operational sites and improving efficiencies;
- Improved logistical presence across the region for efficiencies in distribution and response times and securing the required footprint for current and future needs of the organisation;
- General refurbishment of facilities to improve condition and function of the overall portfolio.



Image 5: Aerial view of the completed Distribution Centre, Eagle Farm CPS project, completed November 2011.

4.2.1. Projects Delivered

The significant major projects delivered over the first three years of the CPS have enabled many of the objectives outlined to be achieved (refer Appendix E) including:

- The Distribution Centre at Eagle Farm (refer Image 5);
- The Southern Distribution Depot at Larapinta;
- Southern Metropolitan Office at Upper Mt Gravatt and
- Northern Metropolitan Office at Nundah;
- Landsborough Depot Upgrade;
- Replacement of Nambour Depot with the new Yandina Depot (refer Images 6 and 7).

Land has been acquired to provide sites for the above projects, however additionally, other land and facilities have been acquired over the period to realise operational efficiencies and for future operational requirements (refer Appendix F) including:

- Lytton and Narangba, for establishment of unmanned depots and future needs;
- Berrinba, to replace the existing Underwood site, deemed unsuitable and;
- Gympie, to enable security of tenure through ownership of operational sites.

Strategically, these acquisitions have secured a large proportion of the logistical footprint required by Energex over the South-East Queensland service area.



Image 6: The aged, dilapidated former Energex depot facility at National Park Road, Nambour.



Image 7: The new, fit-for-purpose replacement for the National Park Road, Nambour depot, located at a logistically superior site in Yandina, a short distance away from the dilapidated facility.

4.2.2. Project Delivery: Cost Efficiency

Over the first three years of the CPS implementation, capital expenditure of approximately \$168.60 million has funded: projects and acquisitions that have been completed; projects that are still underway; and minor expenditure base capital works.

The projects and acquisitions fully completed in the first three years of the CPS were delivered through capital expenditure of approximately \$108.84 million. In comparison, the AER approved capital funding for those specific completed projects and acquisitions totalled \$133.84 million, resulting in delivery costs around \$25.00 million below funding.

Preparation of the CPS utilised qualified Quantity Surveyors for construction cost estimates based on concept designs. At the time of preparing the CPS, South East Queensland was experiencing a relatively strong market for commercial and industrial property and development of same. This had the impact of strong competition for sites and construction labour, reflected in the cost estimates for both components. Following the Global Financial Crisis in late 2008 however, after the CPS had already been submitted to the AER, both the property market and construction industry activity decreased significantly, resulting in a favourable buyer's market for property, and lower than anticipated construction prices.

These aspects together with application of competitive tender processes and continual program management have subsequently resulted in the majority of the completed projects and acquisitions being delivered below initial estimated costs. This prudent and efficient delivery has resulted in a \$25.00 million reduction in capital expenditure for the projects completed to date listed in Table 4.

AER Project Name	Energex Project Reference	AER Approved Project Funding (\$million)		Actual Project Expenditure (\$million)*		Variance (\$million)
		Land	Building	Land	Building	
Banyo: Replacement Distribution Centre	Eagle Farm: New Distribution Centre	\$22.13	\$37.29	\$17.20	\$35.04	-\$7.18
Boonah: Depot Upgrade	Boonah: Depot Upgrade		\$1.51		\$0.70	-\$0.81
Cannon Hill: Land Purchase	Lytton: Land Purchase	\$7.90		\$4.71		-\$3.19
Gatton: Depot Upgrade	Gatton: Depot Upgrade		\$5.87		\$0.74	-\$5.13
Landsborough: Depot Extension	Landsborough: Depot Upgrade		\$5.23		\$6.89	\$1.66
Nambour: Depot Replacement	Yandina: New Replacement Depot	\$3.29	\$8.64	\$4.41	\$2.87	-\$4.65
Narangba: Land Purchase	Narangba: Land Purchase	\$5.27		\$4.49		-\$0.78
REGIONAL OFFICE Metro North	Northern Metropolitan Office		\$9.43		\$3.64	-\$5.79
REGIONAL OFFICE Metro South	Southern Metropolitan Office		\$5.33		\$3.85	-\$1.48
Rocklea: Training Replacement	Rocklea: Flood Recovery		\$1.63		\$1.88	\$0.25
New Southern Pole Depot	Larapinta: Pole & Cable Depot	\$13.12	\$7.20	\$12.83	\$9.59	\$2.10
Total		\$51.71	\$82.13	\$43.64	\$65.20	-\$25.00

Table 4: Provides comparison on a project-by-project basis between AER approved funding and actual capital expenditure to achieve deliverables on completed projects, demonstrating a \$25 million saving.

*Cost are in nominal dollars, reflecting expenditure in year of program and delivery.

4.3. CPS: 2013-2015

With many of the CPS major projects completed in the first three years of the program, capital remaining from the original funding approval will be utilised over the final two years to:

- Finalise the remaining key CPS projects not yet completed. Finalising design, drawings, approvals and tenders for these projects will largely occur in Year 4, which will be evident with reduced spend through that year. Construction on most projects will commence toward the end of Year 4 with the majority of construction through to completion, and associated greater expenditure, occurring in Year 5;
- Undertake minor capital works where required ensuring safe, efficient, compliant conditions.

As with projects completed to date, scope, timing and the funding allocated to these works is on the basis of prudent and efficient delivery, according to changing circumstances.

It is anticipated on the basis of cost estimates for the remaining program of work that funding required for completion of these projects over the last two years of the CPS is approximately \$72.28 million, resulting in total capital expenditure of \$240.88 million over the program, or \$25.54 million below the approved AER budget of \$266.42 million, in nominal dollars.

Corporate Property Strategy Implementation Expenditure	Year 1 2010/11	Year 2 2011/12	Year 3 2012/13	Year 4 2013/14	Year 5 2014/15	5-Year Total
Expenditure (\$million)*	\$57.72	\$55.68	\$55.20	\$22.48	\$49.80	\$240.88

Table 5: Total actual and anticipated expenditure across the CPS 2010-2015 program of work, including capital spent in the first three years of the program and forecast expenditure for the final two years of the program.

*All costs are nominal, reflecting expenditure in year of delivery for years 1-3 and forecast costs for years 4 & 5.

4.3.1. In Progress Projects

Key projects approved for funding as part of the CPS that are currently in progress and will be finalised over the coming two years include (refer Appendix G):

- Provision of fit-for-purpose North Coast, South Coast and Western region offices (refer Images 8 and 9);
- Finalisation of the major Geebung Redevelopment Project (refer Image 10);
- Base building upgrade at the Victoria Park Control and Disaster Recovery Centre;
- The new Berrinba Depot project (formerly known as the Underwood Depot);
- Upgrade to the Beaudesert Depot facility;
- Minor works and improvements at depots not already addressed, across the portfolio.

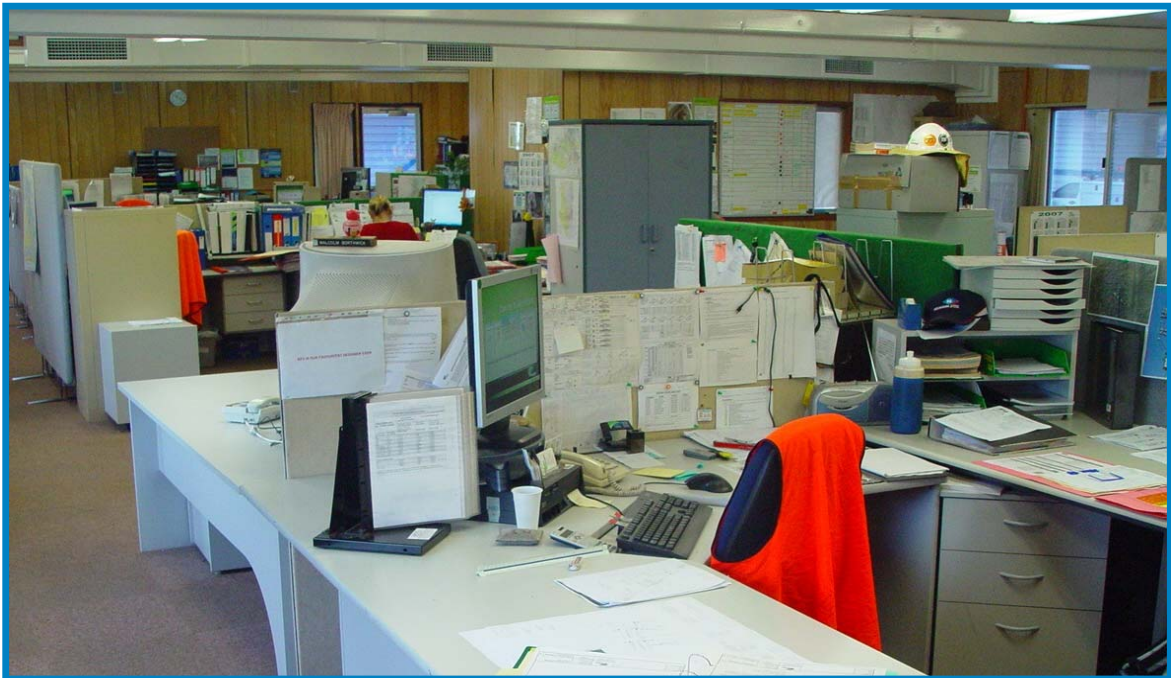


Image 8: Interior view of the existing crowded, dilapidated demountable office at Raceview.



Image 9: Artists impression of the new Western Regional Office development at Raceview, currently underway. This will replace the dilapidated demountable office building.

By the end of the 2010-2015 period it is anticipated that all of the required deliverables set out in the CPS will have been addressed, including the largest and most immediate needs of the organisation on the North Coast, South Coast, North Metropolitan and Western regions, providing sustainable property outcomes in to the future. While achievement of required objectives has not always aligned precisely with the original planned method of implementation, continual management of the program of work has delivered the most prudent and efficient option for considering changing circumstances and influences.

Over the course of implementing the CPS, it has become apparent that further opportunities for improvement exist in the South Metropolitan area. While these opportunities were not apparent at the time of the 2010-2015 submission, this region will be further considered in the 2015-2020 period to optimise potential benefits.



Image 10: Construction progressing at the Geebung Redevelopment Project site.

4.3.2. Program Refinement and Project Consolidation

While the anticipated total expenditure for the CPS implementation is close to the approved funding amount, a number of opportunities to achieve additional efficiency benefits have been identified and realised in delivery of the program of work.

To ensure prudent and efficient implementation of the CPS, refinements have been made to the original strategy submission, enabling approved project funding to be saved or reallocated, based on changing priorities, while still delivering the intended objectives through other property projects undertaken.

Through continual monitoring of current markets, government decisions, business priorities and ongoing management and review of the CPS program of work, efficiency objectives identified in original projects were able to be achieved through consolidation with other CPS projects. Examples of this are detailed in Table 6.

AER Project Name	AER Approved Funding (\$million)*	CPS Project Consolidation	Objective Delivered
Blacksoil	\$4.27	Raceview: Western Regional Office	Depot upgrade replaces future Blacksoil need
Narangba	\$0.62	Geebung Depot	Current storage need incorporated into new facility
Cannon Hill	\$0.62	Geebung Depot	Current storage need incorporated into new facility
Crestmead	\$4.52	Berrinba Depot	New depot location replaces future Crestmead need
Warry Street	\$5.73	Victoria Park	Amalgamation of functions in to one facility
Caloundra West	\$0.65	Landsborough Depot	Incorporated storage need into depot upgrade
Various Sites	\$2.29	Base CAPEX	Funded required works through Base CAPEX budget
Island Sites	\$2.88	Base CAPEX	Funded required works through Base CAPEX budget
Reallocation/Saving	\$21.57		

Table 6: Examples of deliverables achieved by consolidation of projects, where practical.

*Cost are expressed in nominal dollars, reflecting expenditure in year of program and delivery.

4.3.3. Project Refinement and Enhanced Benefits

In response to changing business priorities, market conditions and other influences, implementation of the CPS has involved scope and cost refinement for certain projects. Some projects have been de-scaled, providing cost savings in delivery while still achieving the intended objectives and others have seen benefits from market circumstances. In the case of the Geebung Redevelopment Project the scope was increased in order to provide additional benefits, including the ending of the lease at the Northgate Depot facility (refer Table 3, Section 4.1.2.) and accommodation of further facilities as part of the Banyo Exit Strategy. Table 7 outlines project refinements across a number of CPS projects.

AER Project Name	AER Approved Funding (\$million)*	CPS Budget (\$million)*	Scope Change	Project Refinement Benefit Delivered
Geebung	\$13.73	\$53.50	Facility scale increased to house additional functions	Enabled Northgate lease exit, providing \$1.56m saving p.a. & accommodation of Banyo functions for site exit
Nambour	\$11.93	\$7.28	Reduced construction requirement	Existing improvements on site purchased provided savings
REGIONAL OFFICE Metro North	\$9.43	\$3.64	Reduced fit-out scope/cost	Cost saving from favourable market, landlord incentives
REGIONAL OFFICE Metro South	\$5.33	\$3.85	Reduced fit-out scope/cost	Cost saving from favourable market, landlord incentives
Gatton	\$5.87	\$0.74	Aspects of depot upgrade descaled	Descal cost saving due to business priorities
Boonah	\$1.51	\$0.70	Aspects of depot upgrade descaled	Descal cost saving due to business priorities

Table 7: Examples of project refinement and cost changes during CPS implementation.

*Cost are expressed in nominal dollars, reflecting expenditure in year of program and delivery.

4.3.4. Projects Completed, Underway and In Planning

The following Diagrams 4 and 5 indicate the status of projects and acquisitions completed, underway and in planning across the Energex distribution area, in Regional and Metropolitan Areas, as at the end of year 3 of CPS implementation, June 2013.

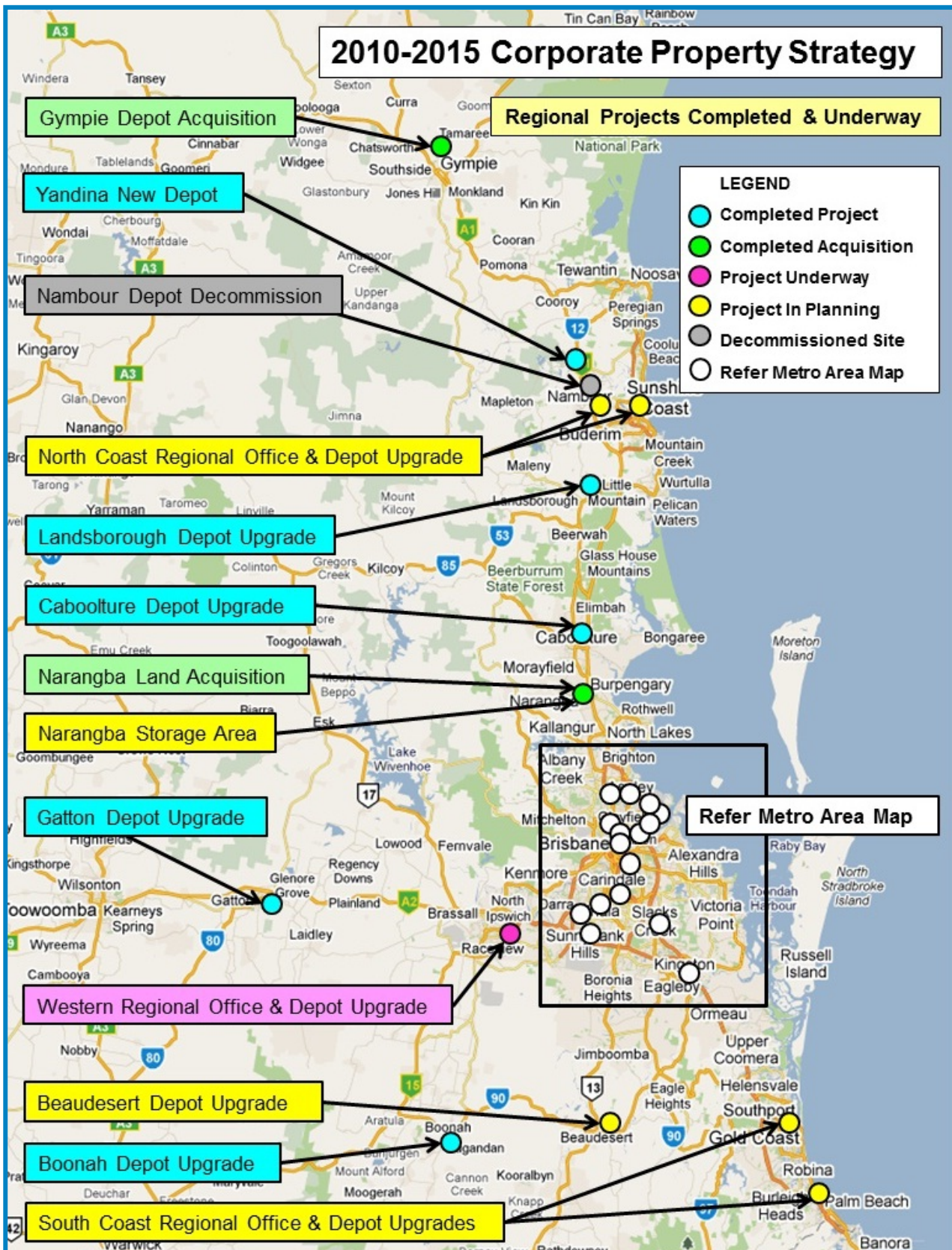


Diagram 4: Map indicating status of regional area projects included in the CPS as of end of June 2013.

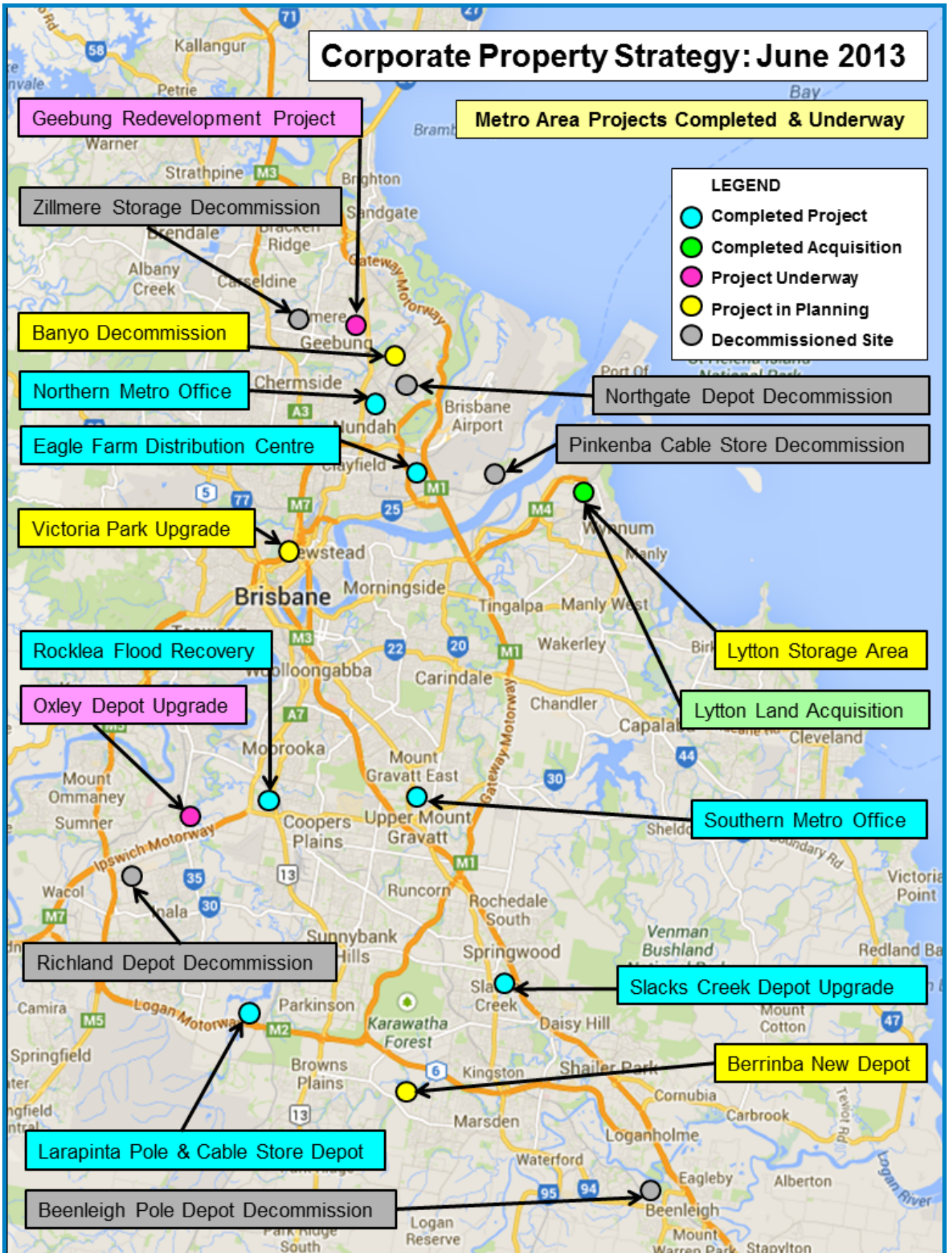


Diagram 5: Map indicating status of metropolitan area projects included in the CPS as of end of June 2013.

5. Strategy Evolution & Transition

5.1. Organisational Focus

Structural changes to Energex and subsequently the Property Services Group over the first three years of the CPS have strongly influenced the implementation of the program of works and priorities for expenditure.

For the Property Services Group the most significant structural changes have involved the merging of Network and Corporate property groups and addition of the Security department, giving the group a broader focus. Another major change has been the outsourcing of Property Management and some substation Facilities Management functions, which has reduced internal staff numbers but increased capability and efficiency in managing the property portfolio.

Since 2010 there has been a greater recognition of the impact of electricity prices on cost of living pressures within the broader organisation.

In addition the Queensland Government set in motion a reform strategy aimed at achieving an outcome where electricity is delivered in a financially sustainable manner from their perspective. This strategy was underpinned by a number of key reviews being ENCAP, IDC and IRP. This review process has resulted in a lowering of performance obligations for Energex with respect to service reliability and security of supply. In response, Energex's Network Program of Work has been lower over the 2010-2015 regulatory period in relation to the AER approved program. This de-scaling of the program will continue in the 2015-2020 regulatory period.

The work undertaken on the property portfolio in response to these changes will have a positive benefit in coming years. Ensuring efficiency in maintenance and operation of the support facilities for the Network Program of Work aligns with the organisation's strategic direction.

Additional measures towards reducing and offsetting costs have also been investigated and reviewed in the current period, such as the *Workplace Optimisation Plan* (refer Appendix H). Ongoing focus on initiatives like these will continue to support the organisational direction.

5.2. Planning for 2015-2020

When the 2010-2015 AER submission was developed particular projects were prioritised based on those requiring the most urgent attention.

Several of the efficiency initiatives successfully implemented through these projects have been recognised as applicable to other facilities in the portfolio. These initiatives include site consolidation, enhanced security of tenure and flexibility and scalability of accommodation. Property Services will look to extend these initiatives over additional properties in the next regulatory period to enhance the efficiency and performance of the broader portfolio.

With this potential identified, rather than considering the 2010-2015 and 2015-2020 regulatory periods as completely separate programs of work, there is benefit to be achieved in smoothing the transition between the two strategies. The requirement for certain projects to be delivered early in the 2015-2020 period and the opportunity to set the groundwork for these projects in the current period will achieve greater benefit by taking advantage of current favourable market conditions and ensuring a faster start-up process when the next period commences.

As earlier noted, the delivery of the 2010-2015 CPS is expected to be achieved with all objectives delivered at less expenditure than was approved, with no projects carried over to the 2015-2020 regulatory period. An opportunity currently exists to utilise any savings to bring forward elements of the 2015-2020 planned program of work, enabling consistency of delivery in the transition between the periods. This has been considered in planning for 2015-2020 and contributed to a significant reduction in capital expenditure anticipated for the period, as discussed further in Section 6.

Successful delivery of the 2010-2015 program of work and awareness of property requirements for 2015-2020 will support an efficient transition between the two periods.

6. Program of Work: 2015-2020

6.1 Introduction

Capital funding over the 2015-2020 regulatory period will be utilised to implement the Energex planned program of work on the basis of the *2015-2020 Strategic Property Plan (SPP)*.

The SPP aims to acknowledge the benefits and improvements from the experiences of the 2010-2015 CPS implementation while aligning with Energex's evolving organisational direction and allowing flexibility to adjust to changing circumstances.

In comparison to the funding approved and the objectives delivered through the 2010-2015 CPS implementation, the 2015-2020 SPP requested funding is significantly less, as demonstrated in Table 8, and focuses on several key projects to deliver the objectives of: maintaining the existing portfolio; expanding key efficiency improvements; and progressing opportunities to further reduce costs.

Property NSAS AER-Approved Funding (\$million)*	Year 1	Year 2	Year 3	Year 4	Year 5	5-Year Total (\$million)
<i>2010-2015: Corporate Property Strategy</i>	\$94.58	\$65.46	\$31.93	\$15.13	\$20.01	\$227.12
<i>2015-2020: Strategic Property Plan</i>	\$21.17	\$21.91	\$13.08	\$8.11	\$12.60	\$76.87

Table 8: Figures are expressed in \$2014/15, exclusive of overheads and on-costs, for comparison purposes.

Maintaining the upgraded property portfolio, driving further efficiency improvements and implementing opportunities for further cost recovery are the key initiatives of the 2015-2020 Strategic Property Plan.

6.2. Actions

The principles and objectives of the 2015-2020 SPP form the foundations of the specific actions to deliver the initiatives planned for this period:

- Continuing Operational Efficiency:** With a substantial improvement delivered across the Energex property portfolio through the CPS program of work, the majority of sites are now in a safe, compliant, fit-for-purpose condition. It is however essential to keep track of the ongoing maintenance of these sites to ensure maximum operating efficiency continues to achieve the expected and required standards. This will be maintained and monitored under the Property Services external Facilities Management and Property Management contracts.
- Site Consolidation, Relocation and Replacement:** Sites that are no longer fit-for-purpose will be replaced and re-established at an alternative site and redundant sites disposed of. This process will take advantage of opportunities to consolidate closely located sites in order to achieve economies of scale as well as establishing safer, more efficient facilities where existing sites are not fit-for-purpose. This initiative will be focused particularly in the Metro South region.
- Security of Tenure and Risk Reduction:** Significant focus during the CPS implementation has been placed on owning rather than leasing operational sites, where possible. Energex operations are very specific in their accommodation needs meaning that significant capital works are often necessary at the outset of leases to make facilities fit-for-purpose. Expenditure is also required when the property is exited to "make good" the fit-for-purpose works undertaken. Owning operational sites rather than leasing them not only improves security of tenure, reducing risk of having to relocate facilities at lease expiry, but also

ensures significant capital expenditure on the facility is owned by Energex and retained on the asset register for the full depreciable life rather than having to be written off.

- **Minor Depot Replacement:** A number of minor depot sites within the portfolio are located on sites that are not ideal for the future. This includes: inappropriate land use zoning, incompatible surrounding uses, ageing facilities and constrained sites. These concerns have been addressed for some minor depots under the CPS to keep them operating efficiently for the next 5-10 years or longer, however others have pressing issues that need to be addressed sooner.
- **Redundant Site Disposal:** Several redundant facilities were replaced, consolidated and relocated under the CPS, and numerous surplus Network sites were disposed of over the same period. Similar opportunities exist under the SPP, delivering further cost recovery. This is through a reduction in ongoing holding costs as well as revenue received for the property, which will balance disposal costs such as remediation, rezoning and marketing.
- **Optimisation and Subleasing Opportunities:** An extension of the redundant site disposal is the utilisation of properties within both the Corporate and Network aspects of the Energex portfolio to reduce holding costs. Sub leasing of under-utilised accommodation and future network sites not required for a particular period of time can help to reduce accommodation and holding costs for the properties. Optimisation of facilities by re-organising office layouts and fit-out arrangements to improve efficiencies is another opportunity. Once in place these activities will be managed and maintained under the Property Services external Property Management contract.

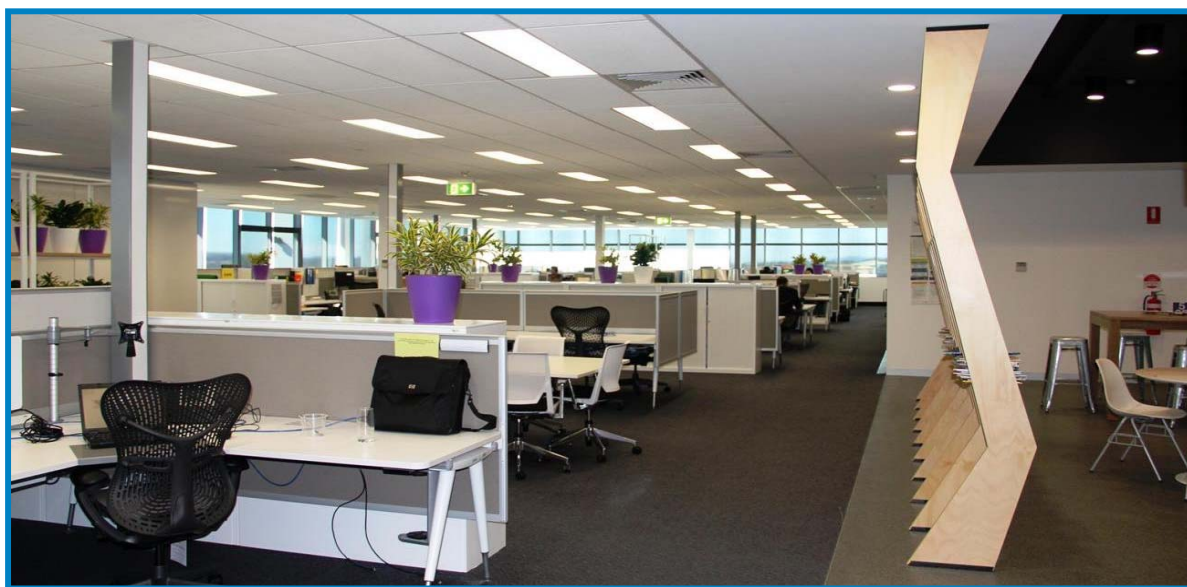


Image 11: Flexible, scalable workplace settings at the Southern Metropolitan Office, completed July 2011.

6.3. Project Determination Process and Deliverables

As an everyday business-as-usual process in maintaining the portfolio and throughout the implementation of the CPS, Property Services are in continual discussion and consultation with stakeholders who occupy and utilise Energex properties. This level of involvement has enabled Property Services to maintain ongoing awareness of changing business priorities, organisational direction, market conditions and the state of individual properties, and to understand the future requirements and direction of the portfolio.

By aligning this understanding with the core objectives and initiatives of the SPP and then through further consultation, revision and refinement with the relevant stakeholders, the necessary program of work for the 2015-2020 period has been developed.

Table 9 highlights the key projects proposed to be delivered through the SPP and their indicative total costs expressed in 2014/15 dollars (refer *Appendix I: Strategic Property Plan: Detailed CAPEX Budget*, for more detailed cost information). The following diagram then demonstrates the interrelationship between the specific Energex facilities involved in project implementation (refer *Appendix J: Project Plans*, commercial in confidence document for further individual project detail). All relevant properties across Energex Network and Corporate portfolios will be involved in the *Site Security Upgrades* and *Base CAPEX* projects.

Key Projects	Objective	Principles	Initiatives/Drivers	Actions	Cost (\$million)*
City Property Strategy	Improve security of tenure through site consolidation, new replacement depot and greater use of existing sites	<ul style="list-style-type: none"> ➢ Safety & Compliance ➢ Efficiency ➢ Flexibility & Scalability 	<ul style="list-style-type: none"> ➢ Maintain existing portfolio ➢ Expand key efficiency improvements ➢ Progress opportunities to reduce costs 	<ul style="list-style-type: none"> ➢ Continuing Operational Efficiency ➢ Consolidation, Relocation & Replacement ➢ Security of Tenure & Risk Reduction ➢ Redundant Site Disposal 	\$11.82
Southside Consolidation Plan	Drive further efficiencies across Metro South region through program of consolidation, relocation & replacement	<ul style="list-style-type: none"> ➢ Safety & Compliance ➢ Efficiency ➢ Flexibility & Scalability 	<ul style="list-style-type: none"> ➢ Maintain existing portfolio ➢ Expand key efficiency improvements ➢ Progress opportunities to reduce costs 	<ul style="list-style-type: none"> ➢ Continuing Operational Efficiency ➢ Consolidation, Relocation & Replacement ➢ Security of Tenure & Risk Reduction ➢ Minor Depot Replacement ➢ Redundant Site Disposal 	\$5.14
Training Facility Refurbishment	Refurbish existing training facility to update end-of-life elements in a more efficient layout. This will provide for future opportunities	<ul style="list-style-type: none"> ➢ Safety & Compliance ➢ Efficiency ➢ Flexibility & Scalability 	<ul style="list-style-type: none"> ➢ Maintain existing portfolio ➢ Expand key efficiency improvements ➢ Progress opportunities to reduce costs 	<ul style="list-style-type: none"> ➢ Continuing Operational Efficiency ➢ Optimisation & Subleasing Opportunities 	\$10.50
Replace Minor Depots	Replace aged, inefficient minor depot sites. Acquire land to replace minor depots where required in future	<ul style="list-style-type: none"> ➢ Safety & Compliance ➢ Efficiency ➢ Flexibility & Scalability 	<ul style="list-style-type: none"> ➢ Maintain existing portfolio ➢ Expand key efficiency improvements ➢ Progress opportunities to reduce costs 	<ul style="list-style-type: none"> ➢ Consolidation, Relocation & Replacement ➢ Security of Tenure & Risk Reduction ➢ Minor Depot Replacement ➢ Redundant Site Disposal 	\$10.32
Site Security Upgrades	Upgrade security to provide a consistent, safe, efficient system across Network & Corporate portfolio	<ul style="list-style-type: none"> ➢ Safety & Compliance ➢ Efficiency 	<ul style="list-style-type: none"> ➢ Maintain existing portfolio ➢ Expand key efficiency improvements ➢ Progress opportunities to reduce costs 	<ul style="list-style-type: none"> ➢ Continuing Operational Efficiency ➢ Security of Tenure & Risk Reduction 	\$4.34
Base CAPEX	Ensure property portfolio remains in a safe, compliant, efficient condition in alignment with requirements	<ul style="list-style-type: none"> ➢ Safety & Compliance ➢ Efficiency ➢ Flexibility & Scalability 	<ul style="list-style-type: none"> ➢ Maintain existing portfolio ➢ Expand key efficiency improvements ➢ Progress opportunities to reduce costs 	<ul style="list-style-type: none"> ➢ Continuing Operational Efficiency ➢ Security of Tenure & Risk Reduction ➢ Optimisation & Subleasing Opportunities 	\$34.75

Table 9: Shows examples of deliverables achieved by consolidation of projects, where possible.

*Approximate estimate of capital expenditure across whole project in \$2014/15. Costs do not include expenditure towards project in current regulatory period or on-costs, overhead charges or CPI escalation.

6.4. Program of Work and Budget

The staging of projects during the 2015-2020 SPP implementation period is dependent on a variety of factors. Certain deliverables of projects are of higher business priority, while others are dependent on the timing of lease expiries, or require early stages of a particular project to be completed before the next stages can proceed.

On this basis, the timelines during the five years of the SPP during which each project is planned to proceed is demonstrated at a high-level on the following diagram. Also indicated is the anticipated annual capital expenditure by project, and as a program.

Further details on the specific activities, timing and financial expenditure involved in each project are discussed in the *Strategic Property Plan: Detailed CAPEX Budget, Project Plans* and *Project Financial Analysis* documents (refer Appendix I and Appendices J & K, commercial in confidence documents).

Strategic Property Plan Key Projects*	Year 1 FY16	Year 2 FY17	Year 3 FY18	Year 4 FY19	Year 5 FY20	SPP Project Total (million)
City Property Strategy	\$7.84	\$3.98				\$11.82
Southside Consolidation Plan	\$3.10	\$2.04				\$5.14
Training Facility Refurbishment		\$5.20	\$5.30			\$10.50
Replace Minor Depots	\$2.74	\$3.04			\$4.54	\$10.32
Site Security Upgrades	\$0.83	\$0.85	\$0.87	\$0.88	\$0.90	\$4.34
Base CAPEX	\$6.65	\$6.80	\$6.92	\$7.22	\$7.16	\$34.75
Annual Expenditure (million)	\$21.17	\$21.91	\$13.08	\$8.11	\$12.60	\$76.87

Table 10: Anticipated capital expenditure by project and by year across the 2015-2020 period of the SPP program of work.

*Approximate cost estimate of capital expenditure across program of work in \$2014/15. Costs do not include on-costs, overhead charges or CPI escalation.

6.5. Program Management and Governance

As described in Section 3.5, implementation of the SPP program of work will occur in accordance with the Property NSAS governance framework.

As with implementation of the CPS, continual oversight and program management of the SPP will be essential to ensure the program of work maintains alignment with the dynamic nature of various influencing factors and with risk management oversight. These include business priorities, organisational direction, market conditions and new opportunities to produce more efficient outcomes.

In addition to this governance process, it is the day-to-day interaction and relationship between stakeholders and the Property Services Group that best informs this process and delivers prudent and efficient outcomes.

6.6. Summary

Through identification of the underlying principles and objectives for the property portfolio and alignment with the strategic direction of Energex, the required deliverables for the property portfolio in the next regulatory period have been established.

Appropriate governance, process and management has been developed in the current regulatory period and will be expanded on and further refined in the forthcoming period to ensure the program of work is delivered prudently and efficiently.

Appendix A

Energex Corporate Property Strategic Plan (2010-2015)



ENERGEX Corporate Property Strategic Plan

(2010-2015)



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ENERGEX VISION

- A customer-centric organisation that is recognised as an employer of choice
- A trusted community partner building sustainable growth in South East Queensland and supporting our customers' 21st century lifestyle aspirations
- A safe, efficient, environmentally sustainable and commercial organisation.



Supported by the

Property Vision

Delivering balanced commercial outcomes by creating safe, efficient, sustainable workplaces

Alignment to ENERGEX KRA's & Strategies

Key Result Area	Strategies	Objectives	Key Initiatives
Safety	People and Safety Strategy	<ul style="list-style-type: none"> ➤ Improved efficiency ➤ Reduce the safety and compliance risks ➤ Reduce site cost and improve security of tenure ➤ Improved environmental outcomes ➤ Improved staff outcomes – Recruitment and retention 	<ul style="list-style-type: none"> ➤ Site Consolidation and relocation ➤ Regional Offices –White Collar ➤ Unmanned Depots –Blue Collar ➤ Major Site Replacements ➤ Minor Depots
People			
Financial Performance	Financial Performance Strategy		
Network Performance	Network Performance Strategy		
Operational Excellence	Operational Excellence Strategy		
Customers	Customer and Community Strategy		
Community			
Environment	Environment Strategy		

Executive Summary

Historically ENERGEX has focussed on investing in system infrastructure to meet the challenges of sustained growth. The significant growth in network and other non system (e.g. fleet) capital expenditure over the last five years has not been mirrored by proportional increases property expenditure. ENERGEX have instead sought to minimise the capital expenditure and maximise the useful life of our existing property assets.

The impact of network growth and underinvestment in corporate property has resulted in an asset portfolio that has:

- Significantly old buildings that have exceeded their useful life
- A number of current safety issues that cannot be resolved without an upgrade or replacement
- Sites and buildings that are incompatible with surrounding residential uses
- Ineffective space utilisation at some sites, and
- Significant environmental issues at some sites.

This has a significant negative impact on the ENERGEX Corporate Key Result Areas as there are increased:

- Safety risks
- Operating expenditure
- Statutory non compliance and
- Business Continuity risk

How should ENERGEX respond to this situation? The clear choice was to implement a strategic approach to achieve a desired state where the Corporate Property assets are fit for purpose, cost effective and efficient.

ENERGEX developed a **2010 -2015 Corporate Property Strategy** that requires capital expenditure funding of \$250.2M. This represents the first time a Corporate Property Strategy and request for significant capital expenditure has been developed and submitted to the Regulator for approval. Whilst this also represents a significant step change in funding over the current regulatory period this expenditure represents the minimum required to reposition, refresh and extract maximum value from the corporate property assets.

The **2010 -2015 Corporate Property Strategy** consists of a number of initiatives designed to remove or reduce significant safety issues, reduce real property costs over the longer term and provide facilities that enable the efficient achievement of the ENERGEX Program of Work. This is achieved by: vacating sites that are deemed unsuitable for future use; maximising available space on existing owned sites by upgrading, replacing or providing additional capacity; purchasing land in strategic areas for future use as unmanned depots, and; the relocation of white collar functions to regional office facilities.

ENERGEX Corporate Property Strategic Plan 2010-2015

Background

The ENERGEX Property Portfolio has two major segments:

1. Infrastructure Assets (system property – substations)
2. Non System Property (Corporate Property)

Corporate property is segmented into three broad facility types that are either owned or leased:

1. Corporate office accommodation
2. Multi functional depots /hubs
3. Specialist sites (e.g. storage, training facilities)

The focus of the **2010 -2015 Corporate Property Strategy** is non system property. The Newstead Office Accommodation Project is excluded from the strategy and regulatory submission as it is expected to be completed in the 2010 calendar year. System property is covered in the Network Strategic Plan.

The **2010 -2015 Corporate Property Strategy** was developed and will be implemented utilising a planned phased approach (**Attachment 1**).

Phase 1 Preliminary Phase <i>(mid 2007)</i>	Phase 2 Research Phase <i>(early 2008)</i>	Phase 3 Concept Planning Phase <i>(late 2008)</i>	Phase 4 Design & Implementation Phase <i>(2009)</i>	Phase 5 Development and Construction Phase <i>(2010 – 2015)</i>
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The strategy was developed and linked to the achievement of the ENERGEX corporate goals on delivering balanced commercial outcomes. It enables ENERGEX to balance: positive customer outcomes; sustainability; financial performance, and; the management of business risks.

Interviews, workshops and presentations were undertaken and conducted with key internal resources across ENERGEX. The **2010 -2015 Corporate Property Strategy** and requisite capital investment requirements of \$250.2M were approved in December 2008 by the ENERGEX Executive Management Team. The strategy, program and funding requirements formed part of the ENERGEX Regulatory Submission which was approved by the Board and submitted to the Australian Energy Regulator in 2009.

Current Situation

As part of the preliminary and research phases, ENERGEX assessed the existing Corporate Property Portfolio (building condition, site suitability, safety and capacity issues and cost implications), proposed network growth, future ENERGEX resource and functional requirements, land availability and regional planning issues and constraints. This process confirmed the existing view that a number of property assets were:

- Dilapidated and require significant repair
- Poorly laid out, resulting in congestion occurring between heavy and light vehicles and pedestrians
- Located in conflict with incompatible adjacent uses, especially residential as a result of changes in surrounding developments

For ENERGEX business this results in:

- Significant safety issues
- Limits on operational capacity
- Inability to reorganise for efficiency improvements
- Excessive maintenance costs
- Inability to meet environmental obligations and standards

A number of key issues were identified that impact on the ability of the existing property assets to support the significant growth in the Program of Work, being:

- Increasing Staff Numbers
- Environmental Issues such as the Queensland State Government target for a minimum 4 Star Green Star rating and a 4.5 National Australian Built Environment Rating System (NABERS) OFFICE Energy rating for its new office buildings, office refurbishments, fit-outs and for leases in excess of 2,000m² in new office buildings
- Difficulties in meeting requirements of new safety and fire legislation
- Statutory planning limits on the percentage of commercial space (office) allowed on general industry zoned sites (generally 10 percent gross floor area)
- Technology changes for field based staff such as the increased use of Field Force Automation (FFA)
- Expanding Network footprint affecting staff travel times
- Future availability and cost of land in South East Queensland

In summary the existing property portfolio is poorly positioned to effectively and efficiently support the significant growth in the Program of Work.

Strategy

Two options were initially considered:

1. Renew, replace and expand the property portfolio in line with existing modes of operation; or
2. Continue a reactive “repair and maintain” approach.

Both options were discarded. The first option was rejected outright because the cost (\$500M over a five year period) was considered excessive and untenable. The second option was also rejected as this represented a high risk strategy that had the potential to negatively impact on the continuity of the ENERGEX business.

A Strategic Approach was developed

ENERGEX has devised a strategic approach that combines necessary renewal and replacement of assets which are beyond their useful life with changes in business processes that will, on a proportional basis, reduce its overall corporate property requirements. It is estimated that this approach will reduce required capital spending from in excess of \$500m to \$250m over the regulatory period. The approach will also reduce ongoing maintenance expenditure, resolve pressing safety issues and provide the platform upon which other improvement programs and capacity expansion will be based.

Principles

Each project within the Property Strategy will be planned in accordance with the following principles:

- *Safety*
Each facility must keep our people and the public safe and healthy.
- *Fit-for-purpose Efficiency*
Each facility must be designed to suit the purpose for which it is required in the most efficient way possible and located in the appropriate zoned location
- *Flexibility and Scalability*
Facilities must be capable of timely expansion or contraction according to the evolving needs of ENERGEX.
- *Whole-of-life Costs*
Establishment, operation, maintenance, decommissioning and disposal costs must all be considered when assessing the financial implications of a project.

ENERGEX Corporate Property Strategic Plan 2010-2015

Objectives

The objectives upon which the strategy is based include:

Improved efficiency

- Relocate industrial sites currently in conflict with adjacent residential areas
- Consolidate nearby sites to achieve economies of scale
- Replace sites which are operating beyond safe and efficient operational capacity
- Support the POWIP Strategy by facilitating “Centres of Excellence” and consolidate administrative staff from industrial sites to regional offices. In northern Brisbane for example, staff from 4 industrial sites will be relocated into 1 office location.

Reduce the safety and compliance risks

- Remove white collar staff from industrial sites to free up space for industrial purposes
- Enable reduced reliance on depots through installation of vehicle compounds and unmanned storage sites
- Reduce property resources required for logistics operations.

Reduce site cost and improve security of tenure

- Preference to own key industrial facilities to minimise business interruptions
- Dispose of redundant owned sites
- Close inadequate leased sites
- Replace facilities where excessive maintenance costs cannot otherwise be reduced
- Integrated fitout of office facilities.

Improved environmental outcomes

- Target a minimum 4 Star Green Star rating and a 4.5 National Australian Built Environment Rating System (NABERS) Office Energy rating for new regional offices
- ENERGEX will adopt Environmentally Sustainable Development (ESD) principles during the planning, design and construction phases for all new buildings and operations to ensure immediate and long term gains in the areas of energy efficiency, water recycling systems, material selection, occupant comfort and health, waste generation, recycling and waste avoidance, environmental impact, workflow efficiency, indoor air quality management.

Improved staff outcomes –Recruitment and retention

- Improved facilities (Greenstar, health and wellbeing)
- Improved lifestyle outcomes (location, amenities, public transport options)



Initiatives

The Property Strategy is supported by a number of initiatives:

- *Site Consolidation and relocation*

Sites that are no longer fit for purpose will be altered or re-established at an alternative site, and redundant sites disposed of. This process will take advantage of opportunities to consolidate closely located sites in order to achieve economies of scale.

- *Regional Offices –White Collar*

Regional offices will be established in order to remove the majority of white collar staff from industrial facilities. This will enable more efficient offices and more efficient industrial facilities. This does not affect white collar staff directly supporting field operations.

- *Unmanned Depots –Blue Collar*

The creation of unmanned depots is a longer term business and property initiative which is intended to be fully executed in the 2016-2021 regulatory period. The strategy underpinning this initiative is based on the current and future use of new technology (FFA) for the allocation of field staff to jobs which makes the requirement for regional boundaries largely redundant. The intention is to create a series of unmanned depots in key high-workload population areas which will have vehicle parking space and a supply of more commonly required stores. Field staff will utilise the unmanned depots as opposed to the current practice of utilising the hub and depot facilities which are often significant distances from work sites. Business efficiency is improved as response times are improved and job materials are located closer to job sites.

- *Minor Depots*

In order to reduce travel time and therefore increase the productive capacity and efficiency of the field force, additional small minor depots will be established in strategic locations.

- *Major Site Replacements:*

- *Banyo*

The Banyo facility performs a number of functions and is the primary distribution centre for ENERGEX. It was established 45 years ago and the buildings on the site are showing significant signs of obsolescence. As a consequence, it is inefficient and presents considerable OH&S issues. The facility is located in a residential area and as such, its operation conflicts with this use.

- *Beenleigh Pole Depot*

ENERGEX Pole depots are currently located at Beenleigh, Landsborough and Stapylton. The Beenleigh Pole Depot facility is problematic, having insufficient capacity and operational issues including truck access issues, flooding problems and community complaints over noise and dust.

ENERGEX Corporate Property Strategic Plan 2010-2015

- *Nambour National Park Road*

The existing ENERGEX depot in National Park Road, Nambour is in poor condition and as a consequence is experiencing a range of OH&S issues and operational inefficiencies. Due to the dated industrial facilities on the property as well as its poor location in respect of a proximate residential neighbourhood, the ENERGEX Corporate Property Strategic Plan contemplates the closure of this depot, to be replaced with a new depot established to better service the Nambour region.

- *Control Centre/Data Centre Upgrade*

The Joint Working Steering Committee which includes representatives from both ENERGEX and ERGON have adopted a strategy to upgrade the data centre at Victoria Park as the primary facility and to revert the Charlotte Street data centre from a primary to secondary facility. In the medium term, IT infrastructure in the two Ergon data centres in Rockhampton will be migrated into the upgraded facility at Victoria Park.

Program Development/Project Prioritisation

Putting safety first and driving both financial and network performance are ENERGEX business priorities against which performance is measured. To ensure strategic fit and alignment to these key result areas the property program and projects were against three clear drivers:

- Risk reduction
- Increased business efficiency and
- Growth in line with the network footprint and Program of Work activity.

As part of the research and concept planning phases risk assessments were conducted at existing ENERGEX sites to determine the safety, building compliance and environmental issues that existed. Fitness for purpose was assessed and rectification plans developed and pressure tested with the key relevant stakeholders in the business. Additional land and building requirements to meet the future business growth and efficiency was assessed and confirmed with key business stakeholders. The base capital needed to meet business as usual requirements was forecast using historical trends and expenditure. The base capital program covers all corporate owned and leased sites and is required to meet all unplanned safety criteria when identified.

Individual projects covering land acquisition and site construction were developed and costed (**Attachment 2**). Base capital was treated as a bundled amount of capital expenditure for each of the 5 years. The projects were split into three programs:

- Priority Replacement - Sites that require immediate replacement. Significant business continuity risks
- Mandatory Compliance - Sites that have significant OHS and building compliance issues
- Business Efficiency

ENERGEX Corporate Property Strategic Plan 2010-2015

Two industrial sites, Banyo and Beenleigh are a major risk to the business continuity with significant safety and operational efficiency risks. These projects were categorised as priority replacement or stay in business given their criticality to the business.

The program was built by allocating the mandatory priority replacement projects to year 1 and the mandatory compliance project to years 1-3. Based on feedback from business efficiency projects were prioritised across the full five years.

Property Project Costs

- *Lease –v Own sites*

ENERGEX has historically chosen to purchase rather than lease its specialised operational property requirements (as evidenced by the current situation – majority owned). The basis for this approach has been the requirement for long term certainty & security of serviced delivery capability for network maintenance. By enabling early security of site through purchasing we avoid unnecessary public conflict which arises when ENERGEX attempts to acquire a property in an established locality.

Whenever ENERGEX requires a site for operational use significant expenditure is required to ensure it is fit for purpose. Traditionally this expenditure relates to specialised communications requirements, security, heavy vehicle facilities, and staff OH&S requirements such as ice machines and eye wash facilities. If ENERGEX were to lease operational site significant expenditure would also be required to make good at lease end.

The ENERGEX location preference for these specialised facilities, with high cost infrastructure, is to position them adjacent to network assets such as sub-stations to buffer other conflicting development (such as residential). Recent examples include Beaudesert, Ormiston and West Caloundra where land for Depots has been purchased adjacent to substations.

Leasing these facilities exposes ENERGEX to uncontrollable risks in terms of rental escalations, term extensions, terminations and Landlord consent for any required additional alterations.

ENERGEX has traditionally leased non-operational properties such as office requirements as these are of a generic nature and readily available in the market. The ENERGEX commitment to its new office headquarters at Newstead is by lease.

- *Land Costs*

Land values used in development of the strategy were based on input from a number of sources, including:

- The Ranbury Report, which included market advice from international property agency and advisory firms Colliers and Knight Frank;
- Australian property data reports from RPData; and
- Anecdotal evidence of property transactions occurring at that time.

ENERGEX Corporate Property Strategic Plan 2010-2015

- *Building Costs*

Constructions costs based on preliminary designs and detail. Cost estimates were based on either empirical data or current reputable building industry cost guides. Major construction projects were referred to an external quantity surveyor. Allowances for professional and authority fees, escalations and contingencies were applied to the base cost.

- *Disposals*

ENERGEX will dispose of redundant owned sites in accordance with the relevant BMS document. Lease agreements for redundant sites will be terminated.

Business Proposals and Business Cases Development

- *Develop Strategic Estimate*

The strategic estimate has been completed for all projects required for the 2010-2015 period. This process involves:

- Assessment of current property – status, risks, issues
- Determining business need
 - Hold and maintain current facility
 - Change existing facility
 - Build new facility
- Market research
 - Opportunities, risks and trends
- High level estimation
 - Land values
 - Construction costs
 - Lease costs

The strategic estimate is used as an input into the development of the business proposal and business case.

The **2010 -2015 Property Strategy** together with the strategic estimate forms the basis of the submission to the AER.

Business Proposal - Business Case

Business Proposals are developed in accordance with the ENERGEX Investment Lifecycle. The proposal includes indicative benefits (financial and non financial), a risk management plan and change scope and business readiness assessment. When you develop business proposals a key question is “does this proposal have AER funding approval?”. Market testing for property (land/site availability, indicative costs and development options) via an Expression of Interest may be completed at this time.

The initial value risk assessment (VARA) is determined and scored independently and sent to the Investment Review Committee (IRC) for endorsement to proceed to Business Case development.

Business Case Set includes: Business Case; Project Plan; Benefits Management Plan; Risk Management Plan & NPV model. The purpose of the Business Case is to:

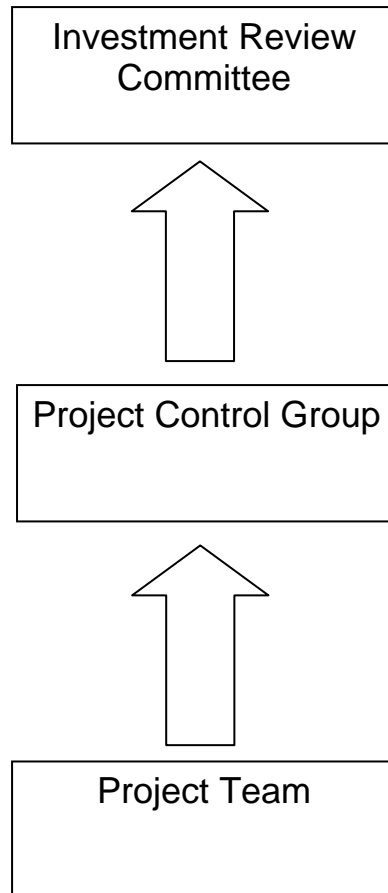
- Substantiate the value of the proposal
- Lock in benefits with clear identification and accountability
- Provide sufficient information for full value assessment (strategic alignment, business worth, risk)
- Define the whole of life costs to accurately reflect the financial impact
- Define the project sufficiently to reduce the risk of failure
- Gain approval to deliver the project.

Full market testing for property acquisitions via an Expression of Interest and /or open or closed tender process will be completed. Assessment and negotiations for the form of transaction (e.g. Agreement to Lease, Turnkey, Design and Construct) will be completed to enable costs and benefits to be fully analysed and detailed in the business case.

The Business Case set is sent to the IRC for approval. Once approval is obtained funding approval is required by the relevant financial delegate to approve the transaction (e.g. Board, CEO).

Program Management

- *Governance Structure*



Roles & Responsibilities

- Endorse objectives & strategy
- Approve expenditure and delegate authority
- Assist PCG to resolve issues and manage risks
- Communicate to Board where required

- Ensure objectives are achieved
- Provide guidance and direction to Project Team
- Assign resources
- Recommend and approve expenditure
- Agree business requirements and solutions
- Report to EMT on high level status, budget, risks, issues

- Plan, resource and do work to achieve objectives
- Identify resource requirements
- Recommend expenditure
- Document business requirements and solutions
- Report to PCG on status, budget, risks, issues
- Communicate to business as agreed by PCG

ENERGEX Corporate Property Strategic Plan 2010-2015

- *Resources*

Program management will be resourced internally and specialised external advice will be sourced on an as needed basis, such as:

- Existing internal resources will manage the base capital including the development and construction of small-to-medium scale facilities
- Existing internal resources supported by external resources will manage the development and construction of medium-to-large facilities

- *Change Management*

Property Projects will be managed in accordance with the change management process associated with the Newstead Office Accommodation Project. The objective is to manage and coordinate the workplace change by:

- encouraging an organisational culture conducive to the relocation through staff education, engagement and communications management
- developing, implementing and managing a set of strategies and plans, which will assist staff with the smooth transition to Newstead Riverpark
- gaining the support of management
- identifying and managing the environmental changes
- managing people's expectations and addressing their concerns about the impacts of the impending changes, at all levels of the organisation and at all stages of the project's lifecycle, so they are prepared for implementation, through communications and staff management, response to feedback
- ensuring identified changes are embedded and sustained within the business, post implementation through effective staff engagement and expectation setting

Success will be measured through continuous monitoring, review and evaluation of the effectiveness of each of the actions above regular reporting and a post occupancy survey.

- *Procurement*

Procurement of development and construction goods and services will be managed by the Property Services Group in accordance with relevant policies, with guidance from ENERGEX Procurement and General Council.

- *Performance Measurement*

Property Projects will be managed against the following criteria:

- On time delivery – project plan
- On budget – Business Case
- Benefits realisation – Business Case

Summary

The **2010 -2015 Corporate Property Strategy** represents a significant step change from both in terms of strategy development, acquisition and construction of facilities and required capital expenditure. Significant work utilising both internal and external resources has been completed.

The strategy is designed to position the ENERGEX business to maximise efficiency and value from the Property Portfolio whilst minimising the safety, environmental and compliance risks to the business.

The strategy provides clear direction, principles and objectives against which future property initiatives can be assessed. It is clearly linked to the ENEREX vision and is positioned to positively impact on the key result areas against which business performance is measured. The property projects that underpin the initiatives will be developed and managed in accordance with ENERGEX Investment Lifecycle process and governance requirements.

Attachment 1

Phases	Description
1	Preliminary Phase
(mid 2007)	Pilot for Geebung commenced to demonstrate opportunities and risks across the property portfolio
	Market Research – SEQ population trends and housing analysis
	Benefit of ENERGEX Corporate Property Strategic Plan presented to EMT
2	Research Phase
(early 2008)	Master Planning of balance of major facilities
	Consolidated review of master plans and hub regions
	Market Research and update of SEQ population trends and housing analysis
3	Concept Planning Phase
(late 2008)	Consolidated review of all Master Plans and South East Queensland trends <ul style="list-style-type: none"> - Detailed Market Research (in light of GFC) - Financial Real Estate costings undertaken by Ranbury & CBRE - Construction and Development costings undertaken by WT Partnership
	Draft AER submission finalised and submitted to EMT
	Detailed Requirements Analysis

Phases	Description
4	Design and Implementation Phase
(early 2009)	AER submission refined to include all relevant supporting data
	Property Strategy Project Manager engaged
	Detailed Requirements Analysis
	Detailed Market Research
(mid 2009)	Implementation of priority replacement projects commenced
	Property Strategy endorsed by EMT for inclusion in AER submission
	Detailed Facility Specification
	Expression of Interest for Distribution Centre and Northern Metro Office
(late 2009)	Tender Period – 1. Distribution Centre and Pole Cable Storage
	2010-2015 Property Strategy updates provided to the Board
	Development of Property Program Office to ensure compliance with AER submission
5	Development and Construction Phase
(2010-2015)	Tender Period – 2. Northern Metro Office
	Communication Roll-out
	Commence construction of Distribution Centre
	Development Approval for Geebung Re-development
	Acquisition of Southern Metro Office
	Acquisition and Development of pole and cable storage facility
	Other sites identified in accordance with strategy



Attachment 2

Property Services Group
AER Capex Program

Version: Final
As at 27/11/08

Year	Location	E.D Priority	E/N/L	Long Term Development Strategy	Development Intensity Budgeted For in Current Period (2010-2015)	Land / Construction	Cost	Cost Incl Escalation & Contingencies	Priority Explanation	Safety	Environment	Building Compliance
2010-11	Banyo		N	New Facility	New Facility	Land Acquisition	\$20,250,000	\$ 25,430,532	Insufficient capacity, Dilapidated long term use, Community opposition	Asbestos, vehicle movement conflicts within site	Contamination	Town Planning (encroaching redefinition of land use), Water Issues
2010-11	Banyo		N	New Facility	New Facility	Construction	\$29,740,000	\$ 38,066,568				
2010-11	Coochiemudlo Island	B	E	New Unmanned Depot	New Vehicle Compound	Construction	\$350,000	\$ 447,993	Business efficiency, crew staging yards, improved response times, logistics improvement		Impact on Carbon Footprint	
2010-11	Karragarra Island	B	N	New Unmanned Depot	New Vehicle Compound	Construction	\$350,000	\$ 447,993	Business efficiency, crew staging yards, improved response times, logistics improvement		Impact on Carbon Footprint	
2010-11	Lamb Is	B	N	New Unmanned Depot	New Vehicle Compound	Construction	\$350,000	\$ 447,993	Business efficiency, crew staging yards, improved response times, logistics improvement		Impact on Carbon Footprint	
2010-11	Landsborough	A	E	Existing Depot		Construction	\$3,200,000	\$ 4,095,932	Currently a "temporary" pole depot with white collar on site, current and future expansion issues due to space limitations	Potential WH&S (white collar staff)		Temporary sub-standard building
2010-11	Macleay Island	B	E	New Unmanned Depot	New Vehicle Compound	Construction	\$350,000	\$ 447,993	Business efficiency, crew staging yards, improved response times, logistics improvement		Impact on Carbon Footprint	
2010-11	Rocklea Training Replacement		E	New Facility	Extension/Upgrade	Construction	\$1,000,000	\$ 1,279,979	Esi-Train decentralised (Relocate pole training to powerlink facility)			
2010-11	Russell Island	B	E	New Unmanned Depot	New Vehicle Compound	Construction	\$350,000	\$ 447,993	Business efficiency, crew staging yards, improved response times, logistics improvement		Impact on Carbon Footprint	
2010-11	Southern Pole Depot		N	New Facility		Land Acquisition	\$12,000,000	\$ 15,069,945	Council pressure, Two overflowing site (Burnside Rd & adjoining leased site)	Insufficient space to stack pole, vehicle access limited	Community impact of dust	Town Planning (Commercial), encroaching redefinition of land use
2010-11	Southern Pole Depot		N	New Facility	New Facility	Construction	\$5,770,000	\$ 7,385,477				
2010-11	Underwood	A	E	New Major Depot	New Major Depot	Construction	\$11,740,000	\$ 15,026,951	Business efficiency, crew staging yards, improved response times, logistics improvement		Impact on Carbon Footprint	
2010-11	Various Sites	A	E	New Vehicle Compound	New Vehicle Compound	Construction	\$1,400,000	\$ 1,791,970	Business efficiency, crew staging yards, improved response times, logistics improvement		Impact on Carbon Footprint	
2010-11	Z Base CAPEX		E			Construction	\$4,000,000	\$ 5,119,915	Unplanned capital spend (capital replacement, reconfiguration)			
2010-11	Ormiston	A	E	New Minor Depot	New Minor Depot	Construction	\$3,560,000	\$ 4,556,724				
Total 2010-11 Year					\$ 120,063,956				yards, improved response times,		Footprint	
2011-12	Cannon Hill	A	N	New Minor Depot	New Vehicle Compound	Land Acquisition	\$6,000,000	\$ 7,874,046	Business efficiency, crew staging yards, improved response times, logistics improvement		Impact on Carbon Footprint	
2011-12	Geebung		E	Existing Hub	Extension/Upgrade	Construction	\$10,430,000	\$ 14,084,438	Inability to accommodate RedEquip and Fleet (24x7 operation) at Banyo			
2011-12	Nambour		N	New Minor Depot		Land Acquisition	\$2,500,000	\$ 3,280,853	Residential encroachment, sub-station expansion	Significant Asbestos	Asbestos	Currently non-compliant, New fire panel installed
2011-12	Nambour		N	New Minor Depot	New Minor Depot	Construction	\$6,560,000	\$ 8,858,477				
2011-12	Narangba	A	N	New Minor Depot	New Vehicle Compound	Land Acquisition	\$4,000,000	\$ 5,249,364	Business efficiency, crew staging yards, improved response times, logistics improvement		Impact on Carbon Footprint	
2011-12	Stradbroke Island	B	E	New Unmanned Depot	New Vehicle Compound	Construction	\$350,000	\$ 472,632	Business efficiency, crew staging yards, improved response times, logistics improvement		Impact on Carbon Footprint	
2011-12	Z Base CAPEX		E			Construction	\$4,000,000	\$ 5,401,510	Unplanned capital spend (capital replacement, reconfiguration)			
2011-12	REGIONAL OFFICE Metro North		L	New Facility	New Facility	Construction	\$5,540,000	\$ 7,481,092	Functional capacity issues at existing Depot Requirement for decentralisation of CBD offices	Mixing white & heavy vehicle movements	Impact on Carbon Footprint	
2011-12	REGIONAL OFFICE Metro South		L	New Facility	New Facility	Construction	\$3,130,000	\$ 4,226,682	Functional capacity issues at existing Depot Requirement for decentralisation of CBD offices	Mixing white & heavy vehicle movements	Impact on Carbon Footprint	
Total 2011-12 Year					\$ 56,929,094							
2012-13	Cannon Hill	B	N	New Minor Depot	New Vehicle Compound	Construction	\$350,000	\$ 498,627	Business efficiency, crew staging yards, improved response times, logistics improvement		Impact on Carbon Footprint	
2012-13	Control Centre		E	Existing Facility	Services Upgrade	Construction	\$11,500,000	\$ 16,383,456	Upgrade HVAC, Fire Systems, Electrical and security infrastructure	QFRS, Surge protection, security		
2012-13	Narangba	B	N	New Minor Depot	New Vehicle Compound	Construction	\$350,000	\$ 498,627	Business efficiency, crew staging yards, improved response times, logistics improvement		Impact on Carbon Footprint	
2012-13	Z Base CAPEX		E			Construction	\$4,000,000	\$ 5,698,593	Unplanned capital spend (capital replacement, reconfiguration)			
2012-13	REGIONAL OFFICE North Coast		L	New Facility	New Facility	Construction	\$2,860,000	\$ 4,074,494	Functional capacity issues at existing Depot Requirement for decentralisation of CBD offices	Mixing white & heavy vehicle movements	Impact on Carbon Footprint	

3
Year
4
Year
5


Year	Location	E.D Priority	E/N/L	Long Term Development Strategy	Development Intensity Budgeted For in Current Period (2010-2015)	Land / Construction	Cost	Cost Incl Escalation & Contingencies	Priority Explanation	Safety	Environment	Building Compliance
2012-13	REGIONAL OFFICE South Coast		L	New Facility	New Facility	Construction	\$2,821,000	\$ 4,018,933	Functional capacity issues at existing Depot Requirement for decentralisation of CBD offices	Mixing white & heavy vehicle movements	Impact on Carbon Footprint	
2012-13	REGIONAL OFFICE Western		L	New Facility	New Facility	Construction	\$2,925,000	\$ 4,167,096	Functional capacity issues at existing Depot Requirement for decentralisation of CBD offices	Mixing white & heavy vehicle movements	Impact on Carbon Footprint	
Total 2012-13 Year					\$ 35,339,827							
2013-14	Blacksoil	A	N	New Minor Depot	New Vehicle Compound	Land Acquisition	\$2,500,000	\$ 3,582,773	Business efficiency, crew staging yards, improved response times, logistics improvement		Impact on Carbon Footprint	
2013-14	Boonah	A	E	Existing Depot	Extension/Upgrade	Construction	\$820,000	\$ 1,232,463	Expected 10% growth allowance			
2013-14	Caloundra West	B	E	New Minor Depot	New Vehicle Compound	Construction	\$350,000	\$ 526,051	Business efficiency, crew staging yards, improved response times, logistics improvement		Impact on Carbon Footprint	
2013-14	Warry Street		E	Existing Facility	Services Upgrade	Construction	\$3,100,000	\$ 4,659,312	HVAC infrastructure redundant	Potential health risks		
2013-14	Z Base CAPEX		E			Construction	\$4,000,000	\$ 6,012,016	Unplanned capital spend (capital replacement, reconfiguration)			
Total 2013-14 Year					\$ 16,012,616							
2014-15	Beaudesert - Enterprise	A	E	New Minor Depot	New Minor Depot	Construction	\$3,560,000	\$ 5,644,982	Town Planning/ Community/ Overcrowding issues	Overcrowded site Neighbouring groundworks undermine structure		Town planning
2014-15	Blacksoil	B	N	New Minor Depot	New Vehicle Compound	Construction	\$350,000	\$ 554,984	Business efficiency, crew staging yards, improved response times, logistics improvement		Impact on Carbon Footprint	
2014-15	Crestmead	A	N	New Minor Depot		Land Acquisition	\$3,000,000	\$ 4,492,797	Business efficiency, crew staging yards, improved response times, logistics improvement		Impact on Carbon Footprint	
2014-15	Gatton (A)	A	E	Existing Depot	Extension/Upgrade	Construction	\$3,070,000	\$ 4,868,005	Expected 10% growth allowance			
2014-15	Z Base CAPEX		E			Construction	\$4,000,000	\$ 6,342,677	Unplanned capital spend (capital replacement, reconfiguration)			
Total 2014-15 Year					\$ 21,903,446							
					\$ 250,248,939	Totals:	\$186,476,000	\$250,248,939				

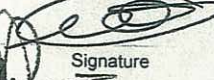
E/N/L = (E) Existing Land Held (N) Land yet to be sourced (L) Lease Proposal

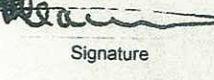
	Mandatory/Priority Replacement	\$114,527,234
	Mandatory/Compliance	\$47,266,536
	Efficiency	\$88,455,169
	Energy Delivery - Priority A	58,416,008
	Energy Delivery - Priority B	4,790,884
	BSS Efficiency - Regional Offices - Metro North, Metro South, North Coast, South Coast, Western	23,968,297
	NPP Efficiency - Rocklea	1,279,979
		88,455,169


APPROVAL RECOMMENDED:

Mike Power
Property Services Manager
Wayne Smith
Group Manager
Commercial & Finance
Peter Weaver
GM Customer Service
Bill Lyon
GM Energy Delivery


Signature
26-11-08
[Dated]


Signature
26-11-08
[Dated]


Signature
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Signature
N/A.
[Dated]

Appendix B

Energex Network Area of Supply Map



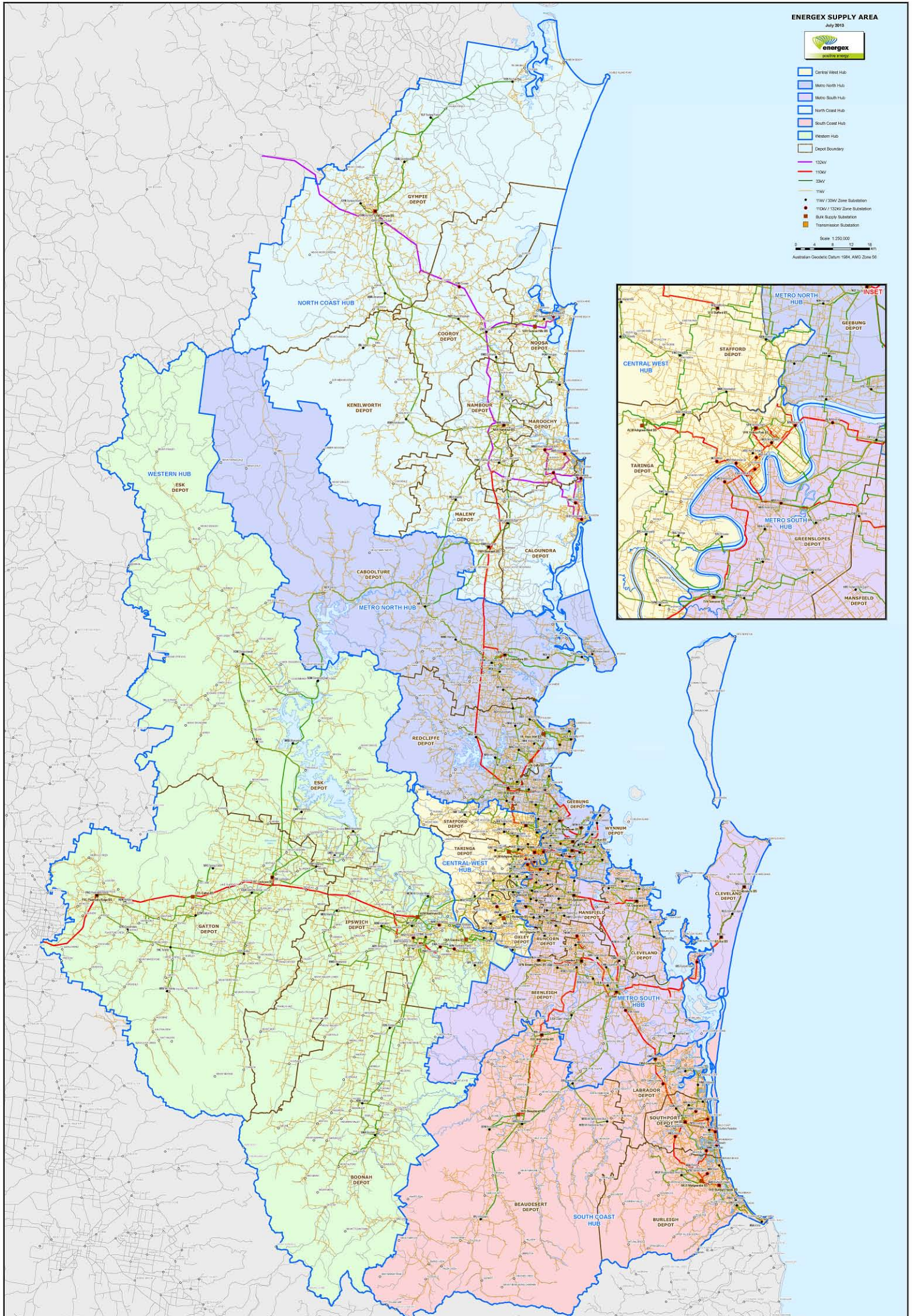
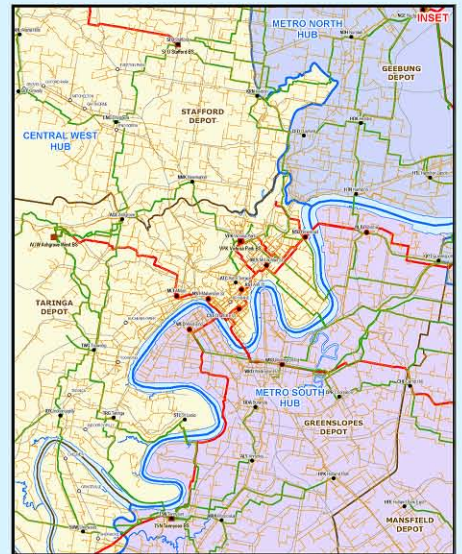


- Central West Hub
- Metro North Hub
- Metro South Hub
- North Coast Hub
- South Coast Hub
- Western Hub
- Depot Boundary

- 132kV
- 110kV
- 33kV
- 11kV

- 11kV / 33kV Zone Substation
- 110kV / 132kV Zone Substation
- Bulk Supply Substation
- Transmission Substation

Scale 1:250,000
Australian Geocentric Datum 1984, AMG Zone 56



The map provides details of the ENERGEX supply network. An individual may wish to independently verify the accuracy or completeness of the information provided. Energex provides no liability for errors and omissions, and is not responsible for any loss or damage arising from the use of this information.

Appendix C

Property Services Group: OPEX Requirements



1. Operational Expenditure

1.1. Annual Expenditure

The Property Services Group is responsible for maintaining the Energex property portfolio for Corporate property assets as well as some aspects of the Network property assets. As a result, operational expenditure (OPEX) is a significant cost item for the group on an ongoing basis, with the majority of these costs being non-discretionary expenses such as: rates, land tax, lease costs and utilities, as well as property repair and maintenance, security, cleaning and waste.

Growth in the Network Program of Work during the 2005-2012 timeframe led to requirements for additional facilities and space to support an increase in employees, inventory, vehicles and plant. Additional facilities and space were derived via a number of means including: development of new facilities; the lease of new facilities; and expansion or upgrade of existing facilities, where the current location was suitable for the provision of efficient service delivery.

As a result, development of new and upgraded facilities has enabled decommissioning of older facilities that have been replaced and are no longer required. This is anticipated to result in a forecast decrease in the overall footprint of the portfolio over the forthcoming 2015-2020 regulatory period. However during the construction and upgrade phase of facilities there is some overlap of operational costs incurred while the new and upgraded sites are established and redundant sites are decommissioned and prepared for disposal.

With this process in mind, the portfolio is anticipated to stabilise at its final reduced footprint level by the end of the 2017/18 financial year, following which operating costs will have reached their reduced, stabilised state, or step change. From this point onwards, operational cost escalations are anticipated to occur principally from: annual rent reviews; land tax and rate increases; utility increases and repair and maintenance costs, rather than due to portfolio growth.

1.2. Activity Efficiencies

Each of the major Property Services operational expenditure areas investigates and strives to deliver on opportunities for further efficiencies from a cost perspective. Many of these areas can be operated efficiently through prudent and diligent management processes and practices, while others have been realised as part of the 2010-2015 CPS implementation and its associated property deliverables.

1.2.1. Rent & Leases

Rent and Lease costs represent the greatest expenditure of the Property Services operational categories, and is also the area where some of the greatest cost efficiencies have been driven.

A key focus of the CPS and the forthcoming SPP is to end leases over operational properties where possible, owning these type of properties instead. Leased operational properties:

- incur high rental costs, with annual rent review increases typically greater than CPI;
- have uncertainty of tenure beyond the lease term and conditions;
- and provide only limited control over site management and approval processes, with landlord approvals required for any physical changes to the site.

As a sole operator within its market, Energex operational facility needs are very specific with significant costs to create fit-for-purpose facilities. More often than not, in leased properties this retrofitting process is at Energex's cost, as is the make good process to remove improvements when the lease term ends, further identifying the benefits of owning operational facilities.

In terms of leased office properties, Property Services undertook a successful process of reviewing office accommodation requirements and exiting or subleasing surplus accommodation during the period 2012-2013. This has delivered significant cost recovery for office leases across a number of properties, forecast to be in the order of approximately \$2.93 million per annum in cost recovery in the 2014/15 financial year.

Energex will continue to monitor opportunities to further consolidate its workforce and create additional opportunities to free up and sub-lease surplus office space, as well as to operate more efficiently from its leased facilities, as the workforce continues a downward trend. Initiatives for more efficient office accommodation opportunities are further discussed in: *Appendix H – Energex Workplace Optimisation Plans*.

Another efficiency driver in the Rent & Leases area is through the outsourced Property Management contract commenced in January 2013, and described further in Section 1.3.2.

1.2.2. Facilities Maintenance

All R&M (Repairs and Maintenance - both planned and unplanned) across the portfolio is delivered by an external service provider under a comprehensive outsourced Facilities Management contract.

The contract was last publicly re-tendered in 2009, and in 2013 an extension was provided following a review of performance and a market value assessment by Energex's Procurement specialists. During the first three year term, the contractor completed a detailed review of all sub-contractors and re-tendered a range of services to secure annual savings of approximately \$2.5 million per annum, which have been passed on to Energex. The next market test for value will be undertaken in late 2016 with a public re-tendering of the contract.

The exit of redundant facilities and their disposal, together with the exit of a number of leased premises, will also contribute to a step reduction in operating costs, minimising cost increases in the later years of the 2015-2020 regulatory period.

1.2.4. Land Tax

The Property Services Group includes a number of employees who are registered Valuers and who annually review the Energex portfolio statutory value assessments, undertaken by the Valuer General's office, which directly influences the Land Tax determination. This review includes all of Energex's property holdings, both system and non-system. A thorough evaluation and negotiation process with the Valuer General's office regularly provides significant reductions between the initial determination notice and the final land tax payment.

1.2.5. Rates & Utilities

Statutory charges such as rates are largely non-contestable, although consumption data around water use is checked monthly to identify any irregularities such as water leaks. Electricity consumption is also monitored and reported monthly and all facility upgrades completed during 2010-2013 have incorporated energy efficient devices which have assisted in achieving an approximate 25% reduction in overall organisational consumption since 2007.

The development and implementation of an ongoing review program for the whole portfolio to identify surplus property and disposal of sites has also assisted in achieving cost savings in this area, as well as in land tax expenditure.

1.3. Outsourced Services

With over 1000 properties within the Energex portfolio, the time, effort and management of maintaining the portfolio is substantial. As this function is not Energex's core responsibility, the Property Services Group outsources two key areas of management in regard to this through contracts, being: a Facilities Management contract; and a Property (lease) Management contract.

Outsourcing these functions provides specific benefits including: resource flexibility with the expansion or contraction of contract services; availability of industry specific IT systems and technology; value-for-money through periodic market assessment; and the ability to leverage the service provider's broader diverse expertise and experiences to improve service delivery performance and efficiency.

1.3.1. Facilities Management

Facilities Management across the Energex Corporate portfolio has been an outsourced function for the Property Services Group since 2001, and during that time it has evolved and expanded significantly in services and sites. The Facilities Management contractor is appointed through an extensive competitive tender and evaluation process in alignment with Energex Procurement policies, processes and standards.

The Facilities Management contract is an integrated and mature contract with services including:

- **Management Services:** asset management, performance reporting, planned maintenance and scheduling, reactive maintenance, procurement and subcontractor management, help desk, financial management, and facilities management IT systems.
- **Technical Services** (hard facilities management): covering statutory services including fire, electrical, hydraulic, heating and ventilation; security systems; maintenance of operational assets; essential services; lifecycle replacement; plant and equipment maintenance and building fabric maintenance.
- **Non-Technical Services** (soft facilities management): including cleaning, static guards, security patrols and response, grounds maintenance, waste management, and pest control.

Within the facilities management contract, subcontractor performance is reviewed on an ongoing basis as sub-contracts come up for renewal, to ensure value for money, compliance with current regulations and standards, and opportunities for efficiencies in service delivery. A more formal detailed assessment is also undertaken on an ongoing basis and includes:

- **Scope and Services Review** - a comprehensive assessment of scope and services, benchmarking, review of service delivery and scope, and retendering of services.
- **Asset Condition Audit** - assessment of current asset condition, remaining economic life, and cost to replace or upgrade the asset.

Increasingly, the scope for the Facilities Management Contractor has started to incorporate the management of facility services at Network properties, including substations and pad-mount transformer sites. Some of the initial drivers and benefits achieved in transitioning services to the Facilities Contract include: increased value for money through economies of scale; opportunity to use the same subcontractor at both Corporate and Network sites, especially where sites are adjacent or in close proximity to one another; service consistency; and utilisation of existing technical expertise to supervise services at Network properties.

Currently the Facilities Management Contractor for the Energex Property portfolio is Brookfield Johnson Controls, following their successful appointment through a competitive tender process in 2009. The initial contract term was for a period of three years, with two, two-year option periods beyond that, both of which have been exercised up to August 2016. After this point, the Facilities Management Contract will go out for tender again.

The continuing appointment of Brookfield Johnson Controls is subject to ongoing performance reviews including an annual performance review that is conducted around May of each year.

1.3.2. Property Management

Until 2013, Property Management of the Energex property portfolio was managed internally within Property Services, with a number of permanent staff employed to manage the expense leases, licences, rates and utilities payments for all properties within the portfolio. Externally, numerous individual property managers were engaged to manage the commercial, industrial and residential properties within the portfolio that were tenanted, and therefore provided revenue leases.

The involvement of numerous external property managers, the need for internal staff to be across such a large portfolio without an appropriate management system, and the disjointed record-keeping and accounts management for a significant number of properties and agents was not seen as an efficient way to undertake this management. It also carried a high level of risk around potentially failing to maintain lease obligations. As a result, in late 2012 Property Services went

out to competitive tender in accordance with Energex Procurement policies, processes and standards, to seek a single contractor to provide a coherent, coordinated, well-managed approach to these various tasks across the whole portfolio.

The result of this was the engagement of the external specialist Property Management contractor, Knight Frank, as of January 2013. Like the Facilities Management contract, this arrangement enables many of the requirements under the contract to be performed by sub-contractors, with a lower risk of internal key resource skills being lost and unable to be replicated. This has also provided a subsequent decrease in the requirement for many of the internal Energex staff who had previously been employed in these functions. Following the first full year of engagement of Knight Frank, an annual performance review and action plan has been developed to ensure adequate provision of the services required under the contract.

The term of Knight Frank's contract is for three years with no options, ending in December 2015, after which point the contract will be competitively retendered again.

1.4. Trend Analysis and Future Operational Costs

Energex Property Services OPEX over the past five years has displayed two clear trends: firstly, an increase in the number of properties within the portfolio as new projects were completed under the 2010-2015 CPS, and a corresponding growth in operational costs; followed by a downwards trend in costs, as disposal of redundant properties and exiting of leased facilities has been undertaken.

Table 1 sets out the net annual historical operating costs for the Property Services Group for the financial years 2008/09-2013/14 (in green), reflecting these trends, as well as the anticipated OPEX costs over the forthcoming regulatory period (in blue).

While the Property Services Group includes elements that perform a level of work related to the Network Property component of the portfolio, these Network-related elements have been excluded from the figures in Table 1. In addition, for the purposes of trend analysis, operational expenditure that has constituted "one-off costs" has been removed from the actuals figures to accurately reflect the "Base-Step-Trend" representation of OPEX.

In consideration of this, the forecast OPEX costs reflect a continuing downward trend over the forthcoming 2015-2020 regulatory period that aligns with a continuing reduction in the size of the portfolio, to reach the portfolio's stabilised size from 2017/18 onwards.

Year	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020
OPEX* (\$million)	34.9	47.8	45.5	46.2	41.7	41.0	40.2	38.7	37.9	37.8	37.7
	<i>30.8**</i>	<i>43.6**</i>	<i>42.2**</i>	<i>43.9**</i>	<i>40.8**</i>						
Change* (%)	n/a	37.0	-4.8	1.6	-9.9	-1.7	-2.0	-3.9	-1.9	-0.3	-0.2

*OPEX figures reflect adjustment of costs to Base-Step-Trend. Change reflects comparison of figures expressed in \$2014/15.

**Figures in italics reflect nominal costs for period.

Table 1: Annual OPEX from 2009/10-2013/14 (in green) escalated to \$2014/15 and forecast expenditure from 2014/15-2019/20 (in blue), also expressed in \$2014/15, for comparison purposes.

With regard to the actual OPEX prior to removal of "one-off costs" over the period from 2010/11-2013/14, some of the key one-off operational expenditure items that occurred included:

- an overlap of office rental costs during the organisational relocation from the Energex Brisbane CBD head office to the new head office in the CBD fringe location at Newstead;
- remediation of a former gasworks site at Toowoomba;
- costs associated with sub-leasing of surplus vacated office space;
- costs associated with make-good obligations and fit-out write-offs, associated with exiting leased premises;
- and a cost write-off associated with a major project that did not proceed.

All of these examples have an impact on the actual operating cost result, and there are a number of these additional one-off costs that will come in to play over 2014/15. These items, plus future costs anticipated in years to come, mean that actual costs do not fully reflect the standard operational expenditure incurred in performing the business-as-usual responsibilities of Property Services.

Additional costs anticipated over the next few years relate to site disposals and lease exits that will have material impacts on Property operating costs. The site disposals in question, including the 6.5 hectare Banyo site and the 2.8 hectare Beenleigh site, are very large and complex, with major work required on aspects such as environmental investigations, remediation and value maximising activities such as rezoning, subdivision, and demolition. These activities will ensure Energex is able to maximise cost realisation on disposal. While some activities such as Town Planning reviews are able to be undertaken prior to vacation of the site, others such as extensive environmental testing cannot be undertaken until the sites are completely vacated due to impacts on business operations, resulting in operational expenditure even after the sites are no longer being used for operational purposes.

Despite the forthcoming costs, the intent of these processes is being achieved in continuing to decrease the Energex property portfolio footprint and associated ongoing operational costs, as shown in the overall OPEX trend to date. It is forecast over the 2015-2020 period that this trend will continue through a further reduction in space, as the organisation's POW decreases with subsequent reductions in workforce, plant, vehicles and inventory.

It is anticipated that by the end of the 2017/18 financial year the majority of these processes will be completed and the downward trend in the portfolio size will stabilise, with redundant owned sites and further leased sites disposed of and replaced with more efficient, fit-for-purpose, cost effective facilities.

Appendix D

Energex Stakeholder Analysis



Stakeholder Assessment				Property Services AER submission Stakeholder analysis																
Document Summary - This document has been prepared by Adrian Findlay. It outlines the stakeholders for the AER submission for Property Services.																				
Stakeholder	Division	Department	Position	Who	COMMUNICATION REQUIREMENT	Impact (H/M/L)	Role				Contribution required				Day-to-day	Non-system capex	Monthly Catch Up	Monthly Update	Project Specific	
							B	C	E	T	A	B	C	D						
Energex	Energex	All	Chief Executive Officer	Terry Effenev	Non-System CAPEX Governance Committee	H														
Service Delivery	Service Delivery	All	Executive General Manager Service Delivery	Peter Weaver	Non-System CAPEX Governance Committee	H														
	Service Delivery	Network Operations	Group Manager Network Operations	Eric Sonogo	Monthly Property Update Report	L														
	Service Delivery	Network Program Management	Group Manager Network Program Management	David Russell	Monthly Property Update Report	L														
	Service Delivery	Field Services North	Group Manager Field Services North	Jeff Phillipson	Monthly Property Update Report	H														
	Service Delivery	Field Services North	Field Services Manager North Coast	Lawrie Zarb	Monthly Property Update Report	M														
	Service Delivery	Field Services North	Field Services Manager Metro North	Glen Dolan	Monthly Property Update Report	M														
	Service Delivery	Field Services North	Field Services Manager Central West	Graham Burke	Monthly Property Update Report	M														
	Service Delivery	Field Services South	Group Manager Field Services South	Paul Rainbird	Monthly Property Update Report & Catch-Up Meeting	H														
	Service Delivery	Field Services South	Field Services Manager Metro South	Henry Plumiers	Monthly Property Update Report	M														
	Service Delivery	Field Services South	Field Services Manager South Coast	Brian Uren	Monthly Property Update Report	M														
	Service Delivery	Field Services South	Field Services Manager Western	Mark Bowen	Monthly Property Update Report	M														
	Service Delivery	Design	Group Manager Design	Darren Lloyd	Project Specific Meetings	L														
	Service Delivery	SD Business Operations	Group Manager SD Business Operations	Kevin Ball	Monthly Property Update Report & Catch-Up Meeting	M														
	Service Delivery	Commercial Business	Commercial Business Manager	Matthew Smith	Monthly Property Update Report & Catch-Up Meeting	H														
	Service Delivery	Commercial Business	Service Delivery Business Improvement Manager	Justin Madsen	Monthly Property Update Report & Catch-Up Meeting	H														
	Procurement People & Services	Procurement People & Services	All	Executive General Manager Procurement People & Services	Chris Arnold	Non-System CAPEX Governance Committee & Day-to-Day	H													
		Procurement People & Services	Field Support Group	Group Manager Field Support Group	Jane Smith	Monthly Property Update Report & Catch-Up Meeting	H													
Procurement People & Services		Field Support Group	Esitrain Manager	Jason Herbohn	Project Specific Meetings	M														
Procurement People & Services		Business Support Services	Group Manager Business Support Services	Tracy Consoli	Monthly Property Update Report & Catch-Up Meeting	H														
Procurement People & Services		Procurement & Supply	Group Manager Procurement & Supply	Sharyn Scriven	Monthly Property Update Report & Catch-Up Meeting	H														
Procurement People & Services		Procurement & Supply	Supply Manager	Andrew Murphy	Monthly Property Update Report & Catch-Up Meeting	L														
Procurement People & Services		Business Operations & Performance	Group Manager Business Operations & Performance	Wayne Smith	Day-to-Day	M														
Procurement People & Services		Director Business Transformation	Director Business Transformation	Donna Bibo	Project Specific Meetings	L														
Procurement People & Services		Property Services	Group Manager Property Services	Mike Power	Day-to-Day	H														
Procurement People & Services		Property Services	Strategy, Accommodation & Business Manager	Adrian Findlay	Day-to-Day	H														
Procurement People & Services		Property Services	Property Operations Manager	Stephen Ward	Day-to-Day	H														
Procurement People & Services		Property Services	Corporate Security Manager	Matt Murphy	Day-to-Day	H														
Procurement People & Services		Property Services	Network Program Manager	Shannon O'Connell	Day-to-Day	H														
Procurement People & Services	Property Services	Town Planning Manager	Chris Fogarty	Day-to-Day	H															
Asset Management	Asset Management	All	Executive General Manager Asset Management	Peter Price	Non-System CAPEX Governance Committee	M														
Customer & Corporate Relations	Customer & Corporate Relations	All	Executive General Manager Scustomer & Corporate Relations	Dayle Grant	Project Specific Meetings	L														
	Customer & Corporate Relations	General Counsel	General Counsel	Joanne Keen	Project Specific Meetings	M														
	Customer & Corporate Relations	General Counsel	Legal Counsel	Ingrid Fuentes	Day-to-Day	H														
	Customer & Corporate Relations	General Counsel	Senior Legal Counsel	Simon Batten	Day-to-Day	H														
	Customer & Corporate Relations	Corporate Communications	Group Manager Corporate Communication	Ron Watson	Project Specific Meetings	L														
Finance Regulation & Strategy	Finance, Regulation & Strategy	All	Executive General Manager Finance Regulation & Strategy	Kevin Kehl	Non-System CAPEX Governance Committee	M														
	Finance, Regulation & Strategy	Taxation	Corporate Taxation Manager	Karen Kwok	Project Specific Meetings	L														
	Finance, Regulation & Strategy	Corporate Governance & Company	Director Corporate Governance & Company Secretary	Michael Russell	Project Specific Meetings	L														
	Finance, Regulation & Strategy	Corporate Governance & Company	Corporate Governance Manager	Marnie White	Project Specific Meetings	L														
	Finance, Regulation & Strategy	Business Performance & Analysis	Group Manager Business Performance and Analysis	Darrel Rowell	Non-System CAPEX Governance Committee	M														
	Finance, Regulation & Strategy	Business Performance & Analysis	Commercial Manager	Anthony Mathers	Day-to-Day	H														
	Finance, Regulation & Strategy	Business Performance & Analysis	Senior Commercial Analyst	Nicole Adamson	Day-to-Day	H														
Sparq	Sparq	Sparq	Chief Executive Officer	Peter Effenev	Project Specific Meetings	L														
	Chief Financial Officer	Sparq	Chief Financial Officer	Jonathan Thompson	Project Specific Meetings	L														
	Chief Financial Officer	Sparq	Commercial Services Manager	Sharon McAvoy	Project Specific Meetings	L														

Appendix E

Corporate Property Strategy: Completed Projects



Distribution Centre – Eagle Farm

The relocation of warehouse and logistics functions from the aged, dilapidated Banyo facility into a purpose built Distribution Centre at Eagle Farm, was identified as a priority project and a critical first step in exiting the Banyo site - a key focus of the Corporate Property Strategy (CPS) 2010-2015. The establishment of the new facility also enabled a warehouse lease in Zillmere to be ended.

Key Information	
AER Approved Budget	\$59.42 million (includes land purchase and construction)
Actual Expenditure	\$52.24 million*
Construction Period	July 2010 - August 2011
Commenced Operations	August 2011
Employees impacted	90

**Cost are in nominal dollars, reflecting expenditure in year of program and delivery.*

Benefit	Description
Banyo Exit Strategy	Relocating warehouse and logistics operations into a purpose built Distribution Centre is a critical step in exiting Banyo.
Onsite safety improvements	With several disparate functions operating out of the Banyo, safety risks were high due to multiple vehicle and pedestrian movements and conflicts.
Improvement in community relations	The nature of the warehouse and logistics function created frustration and complaints within the local community due to noise and operational activities.
24 hour operations	Due to zoning within Banyo, operations were time restricted. Operating within an Industrially Zoned area at the new facility, means operations now have a 24/7 capability.
Additional leases	A separate warehouse storage facility at Zillmere was leased to augment Banyo depot. This was a costly and inefficient property, and this development has allowed the lease to be ended.



Image 1: Banyo drive through areas being temporarily sectioned off to receive deliveries (left) and multiple trucks on-site with forklift movements in and around the site (right), creating vehicle and pedestrian conflicts.



Image 2: Internal storage areas within the new Distribution Centre warehouse.



Image 3: Aerial of Distribution Centre, hardstand storage area and car park, well located for logistics being in close proximity to north-south freeways and within General Industrial zoning.

Southern Distribution Depot - Larapinta

The new pole and cable storage facility at Larapinta, known as the Southern Distribution Depot, was identified as a critical project under the CPS. The new facility was planned to replace an owned pole depot facility at Beenleigh and two leased sites, one adjacent to the Beenleigh facility and another located at Pinkenba and used for cable storage. The Beenleigh pole depot site had grown increasingly difficult to operate from due to operational restrictions around traffic movements and surrounding residential growth generating complaints over noise and dust.

The new facility has provided modern, fit-for-purpose facilities in a location compatible with surrounding uses and highly accessible to major transport routes, as well as enabling the future disposal of the Beenleigh owned site and the exit of the two leases at Beenleigh and Staplyton.

Key Information	
AER Approved Budget	\$20.32 million (includes land purchase and construction)
Actual Expenditure	\$22.42 million*
Construction Period	May 2010 – July 2011
Commenced Operations	July 2011
Employees impacted	19

**Cost are in nominal dollars, reflecting expenditure in year of program and delivery.*

Benefit	Description
Community satisfaction	Due to the residential growth of the area surrounding the Beenleigh Pole Depot, complaints around dust, noise and large vehicle traffic had been ongoing
Rationalise pole storage	Opportunity to rationalise existing storage spaces at Beenleigh, Staplyton and Pinkenba within the one location.
Safety improvements	In order to make some deliveries, traffic management was required to support vehicle movements. Space onsite was restricted since the inclusion of a substation. Both these points increased safety risks onsite and also reduced the efficiency of operations.
Site efficiency	The site at Larapinta is General Industry zoned and close to major transport infrastructure. B Double vehicle access, 24x7 operational capability, compatible zoning, size/growth capability.
End additional leases	Two sites at Beenleigh and Pinkenba were leased to store poles and cable drums that were unable to be housed at the owned-Beenleigh site. These leases could now end, as all poles and cable drums could be located at Larapinta.



Image 4: On site facility constraints and traffic restrictions at the old Beenleigh Pole Depot meant that both private and operational vehicles were parked on the site, resulting in added safety risks.



Image 5: The new, fit-for-purpose pole and cable storage facility at Larapinta has provided significant improvements to operational efficiencies, reduced safety risks and enabled cost savings through exiting leased sites.

Northern Metropolitan Office - Nundah

A key strategy within the CPS was to relocate white-collar clerical functions out of depots and hubs to reduce safety risks and congestion at the operational sites. Based on this broad initiative, a series of regional offices were proposed under the strategy, including one in Brisbane's northern suburbs, the Northern Metropolitan Office (NMO). The NMO, located in Nundah, was a key element in enabling Energex to exit the obsolete Banyo facility. Enabling office based functions across north side depots in Northgate, Geebung and Banyo to relocate into this facility.

With no existing office buildings available in the preferred area, Energex entered in to a heads of agreement that enabled construction to begin on a new office building in the northern Brisbane suburb of Nundah. The agreement reached with the developer enabled the majority of fit-out and furniture for the office to be funded by the Landlord, at no cost to Energex, enabling a significant cost saving from the approved funding amount.

Key Information	
AER Approved Budget	\$9.43 million
Actual Expenditure	\$3.64 million*
Construction Period	August 2011 - October 2012
Commenced Operations	November 2012
Employees impacted	320

*Cost are in nominal dollars, reflecting expenditure in year of program and delivery.

Benefit	Description
Reduce congestion at existing depots and hubs	By relocating white-collar resources from operational sites (Geebung, Northgate and Banyo) this reduced congestion.
Reduce safety risks	Relocating white-collar teams out of depots and hubs, will reduce safety risks onsite e.g. vehicle/pedestrian conflicts.
POWIP Centres of Excellence	The Program of Work Improvement Project developed the concept of 'centres of excellence' as an enabler to the efficient and effective delivery of work at the regional offices.
Improved work/life balance for staff at NMO	Located in more appropriate work accommodation, in close proximity to public transport, shopping, child minding and banking amenities and facilities.
Banyo Exit Strategy	Contributed to the eventual closure of Banyo by relocating all office-based teams from the site into the NMO.
Additional meeting space	With the infrastructure within Newstead, the NMO created a second meeting hub for Energex in the north of Brisbane. This has reduced the need for employees to pay for parking or taxi trips to Newstead (because of lack of parking).
Sublease Level 6 & 7	Following a workforce reduction the anticipated number of employees reduced at NMO; additional space on levels 6 & 7 of the NMO and car parking have since been subleased.



Image 6: Office accommodation at the Banyo facility, now vacated.

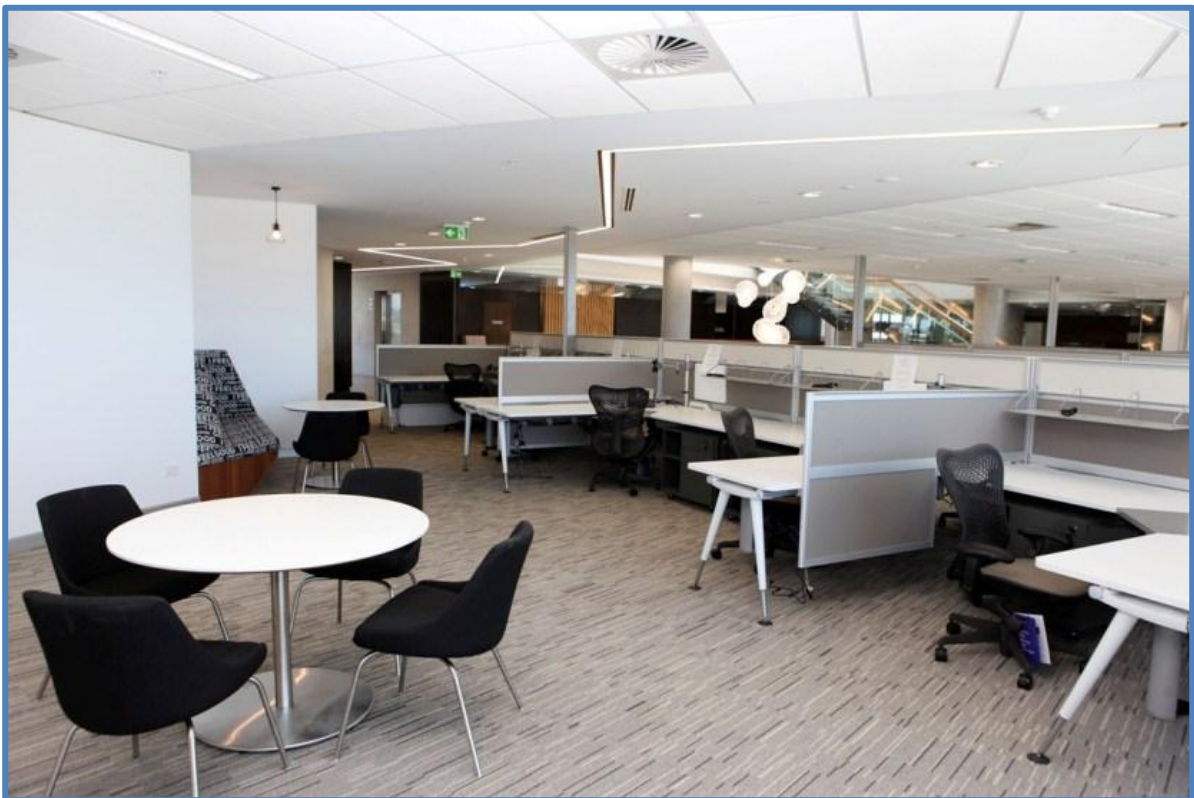


Image 7: Modern, efficient, ergonomic office accommodation at the completed Northern Metropolitan Office.

Landsborough Depot Upgrade

Prior to commencement of the 2010-2015 regulatory period, construction of a substation was planned on part of the Landsborough Depot site that would require demolition of the existing depot facility. A new warehouse structure was developed to partly replace the operational component of the existing depot, however office needs were accommodated in a series of demountable buildings and growth of the depot's storage needs accommodated in containers.

Landsborough Depot Upgrade was identified and funding approved through the CPS submission to provide permanent office accommodation and additional storage facilities. The upgrade project has delivered new, modern office accommodation, enabling employees to relocate from the demountable buildings and has also provided greater operational efficiencies and reduced safety risks across the site through a redesign in functions and traffic flow.

Key Information	
AER Approved Budget	\$5.23 million
Actual Expenditure	\$6.89 million*
Construction Period	July 2010 – November 2012
Commenced Operations	December 2012
Employees impacted	25

**Cost are in nominal dollars, reflecting expenditure in year of program and delivery.*

Benefit	Description
Workplace health and safety for employees	Employees were located in demountable offices that only housed one unisex toilet. The upgrade enabled relocation into permanent offices with male and female facilities.
Improved work processes	The site was designed to support more efficient and safer site operations so improved work processes and site flows were identified and implemented into the design.
Improved safety onsite	A permanent shed built to support the Pole Distribution function at Landsborough; this provided safer working practices onsite and separated the work from the other functions onsite.
Meeting Facility	A permanent office provided the site and its workgroups with meeting and meals areas for meetings.



Image 8: Previous Landsborough office accommodation within the small office demountable buildings.



Image 9: Modern, efficient office accommodation in the new Landsborough facility.

Southern Metropolitan Office – Upper Mount Gravatt

A key strategy within the CPS was to relocate white-collar clerical functions out of depots and hubs to reduce safety risks and congestion at the operational sites. Based on this broad initiative, a series of regional offices were proposed under the strategy, including one in Brisbane’s southern suburbs, the Southern Metropolitan Office (SMO). The SMO, located in an existing office building in the suburb of Upper Mt Gravatt, was established to relocate white-collar functions from existing depots at Greenslopes, Oxley and Richlands.

As an incentive as part of the office leasing agreement, the landlord provided a financial contribution towards the office fit-out, enabling delivery of the project at a cost saving to the AER approved funding for the project. The SMO project was also a key contributor to the exit of a leased Energex depot site at Richlands, providing operational cost savings.

Key Information	
AER Approved Budget	\$5.33 million
Actual Expenditure	\$3.85 million*
Construction Period	October 2010 – June 2011
Commenced Operations	July 2011
Employees impacted	220

**Cost are in nominal dollars, reflecting expenditure in year of program and delivery.*

Benefit	Description
Reduce congestion at existing depots and hubs	Relocating office staff from operational sites (Greenslopes, Oxley and Raceview), congestion was reduced at these sites.
Reduce safety risks	Relocating white-collar teams out of depots and hubs, will reduce safety risks onsite e.g. vehicle/pedestrian conflicts.
Reduced operational and capital costs across the portfolio	Avoid costs associated with office upgrades at depot sites and allow the termination of Richlands Depot Lease.
POWIP Centres of Excellence	The Program of Work Improvement Project developed the concept of ‘centres of excellence’ as an enabler to the efficient and effective delivery of work.
Improved work/life balance for staff at SMO	Located in more appropriate work accommodation, in close proximity to public transport, shopping, child minding and banking amenities and facilities.
Economies of scale of key resources	Design, contract delivery, planning, project and works management and construction management in one location.
Level 3 Sublease Opportunity	Due to a reduction in staff numbers, the anticipated number of employees reduced at SMO; this was managed by negotiating with the landlord to remove one level of office space from the lease, saving operational costs and ensuring flexibility.



Image 10: Cramped and dark office facilities at Oxley (left) and Greenslopes Depot (right).



Image 11: Modern amenities and working facilities at the Southern Metropolitan Office.

Nambour Depot Replacement: Yandina Depot

A major project delivered under the CPS was the replacement of the dilapidated, unsafe Nambour Depot with a new fit-for-purpose facility. The project was achieved through the purchase of a partially constructed industrial warehouse in the town of Yandina and completion of the development as a fit-for-purpose depot facility.

The location of the new facility is logistically superior to the previous depot, being positioned at a junction of the Bruce Highway major arterial, providing readily accessible travel both north and south through the Sunshine Coast hinterland. The size of the land holding and partially constructed warehouse also presented a significant opportunity for the new Yandina Depot to provide additional benefits greater than just a replacement, with the capacity and opportunity for a gradual de-loading of the congested Maroochydore Depot in the future.

Key Information	
AER Approved Budget	\$11.93 million (including land purchase and construction)
Actual Expenditure	\$7.28 million*
Construction Period	July 2012 - July 2013
Commenced Operations	July 2013
Employees impacted	29

**Cost are in nominal dollars, reflecting expenditure in year of program and delivery.*

Benefit	Description
Workplace health and safety for employees	Employees could be relocated from aged, dilapidated facility at National Park Road.
Improved work processes	The site was designed to support site operations so improved work processes and site flows were identified and implemented into the design.
Improved logistics	The location of the site at a junction of the main north-south route through the Sunshine Coast hinterland is essential for
De-load Maroochydore	Additional scope to further utilise the Yandina Depot to de-load staff and resources at the congested, aged Maroochydore Hub.



Image 12: Location of Yandina Depot is ideal due to access to Bruce Highway, servicing the North Coast region.



Image 13: The aged, dilapidated former Energex depot facility at National Park Road, Nambour.



Image 14: The new, fit-for-purpose replacement for the National Park Road, Nambour depot, located at a logistically superior site in Yandina, a short distance away from the dilapidated facility.

Boonah Depot Upgrade

An upgrade to the Boonah Depot was conducted as part of the Corporate Property Strategy. The upgrade saw an extension of the hardstand area, which included fencing; additional security measures; construction of a covered vehicle storage area to support equipment change over and parking. In addition to those works, the removal of a significant amount of contaminated soil from a substation expansion project was required and completed.

The scope of works to be completed as part of the depot upgrade was scaled back on review with the relevant stakeholders as business priorities had changed for the facility, providing a cost saving in comparison to the AER funding approval for the project.

Key Information

AER Approved Budget	\$1.51 million
Actual Expenditure	\$0.70 million*
Construction Period	December 2012 - March 2013
Commenced Operations	March 2013
Employees impacted	23

*Cost are in nominal dollars, reflecting expenditure in year of program and delivery.

Benefit	Description
Workplace health and safety	Undercover area will support workforce when conducting equipment change overs in inclement weather.
Improved work processes	Additional hardstand and pole racks will reduce congestion on the site and support improved work processes on the site.
Improved onsite safety	Provide for separation of vehicle movement and material storage to improve site safety.
Enhanced security monitoring	Through the establishment of expanded, will enable enhance security monitor of the site to increase safety and productivity.



Image 15: Constrained hardstand and open-air vehicle washing area prior to upgrade works.

Gatton Depot Upgrade

An upgrade of the Gatton Depot was conducted as part of the Corporate Property Strategy. The scope of works to be completed as part of the depot upgrade was scaled back on review with the relevant stakeholders as business priorities had changed for the facility, providing a cost saving in comparison to the AER funding approval for the project.

The upgrade saw the replacement of asphaltic concrete paving on hardstand and driveways around the depot site; additional after-hours access through new store building security and access control and replacement of roof sheets with colourbond steel to improve the heat issues being experienced by store room employees.

Key Information	
AER Approved Budget	\$0.74
Actual Expenditure	\$0.74 million*
Construction Period	August 2011 – December 2011
Commenced Operations	December 2011
Employees impacted	43

**Cost are in nominal dollars, reflecting expenditure in year of program and delivery.*

Benefit	Description
Workplace health and safety	Addressing high temperatures within the store area will improve the workplace health and safety conditions for employees.
Improved onsite safety	Replacing aged and failing asphaltic concrete throughout the site will improve onsite safety.
Enhanced security	Installation of a new personnel access within the store area for after-hours entry / exit will assist in security audits for the site.
Reduce risk of industrial action	By address the high heat conditions within the store, will reduce the risk of industrial action occurring.



Image 16: Gatton hardstand and driveway area prior to works.



Image 17: New improved hardstand, driveways, parking areas and security fencing.

Appendix F

Corporate Property Strategy: Land Acquisitions



1. Land Acquisitions

1.1. Land and Facilities Acquired

The following table lists site and facility acquisitions that have taken place as part of the Corporate Property Strategy implementation, as at the end of June 2013.

Site	AER Approved Funding (\$million)*	Actual (\$million)*	Reasoning
<p>Berrinba</p> <p>Address: 8-18 Kellar St, 11-19 & 21-29 Huntress Rd</p> <p>Land Area: 22,500sqm</p>	\$0.00	\$5.17	<p>A proposal was included in the original AER submission to construct a new depot within Brisbane's growing Metro South area on an existing site at Underwood to meet current and future service delivery requirements, improve operational efficiency, and reduce congestion at the Greenslopes Depot.</p> <p>Securing tenure over this site provides for a new depot to replace the Underwood site that is no longer suitable due to a change in Council's zoning of the site.</p> <p>The Berrinba site was purchased due to its close proximity to major arterials including Logan Motorway and the Wembley Road interchange, zoned for 24/7 industrial operations, and has frontage to three streets with good access and site layout flexibility.</p> <p>Land acquisition cost was not originally included in AER approved funding, however was funded through savings on other projects.</p>
<p>Lytton (formerly Cannon Hill)</p> <p>Address: 62 Export Street</p> <p>Land Area: 13,900sqm</p>	\$7.90	\$4.71	<p>The site at Lytton was identified as a key land purchase as part of the CPS to support operational requirements. The project was originally known as Cannon Hill however the eventual site purchased is in the nearby suburb of Lytton, in a better location logistically.</p> <p>Securing the site will enable Service Delivery to improve response time and field services to the industrial areas of the Trade Coast, Port of Brisbane, Wynnum and surrounding region, all currently serviced by Geebung.</p> <p>The storage needs originally planned for this site have been incorporated into the Geebung facility during the 2010-2015 period, however the future need for an unmanned depot on the site will be required in the future as the industries around the Port of Brisbane expand.</p>
<p>Narangba</p> <p>Address: Lot 13A, 448 Old Gympie Road</p> <p>Land Area: 16,832sqm</p>	\$5.27	\$4.49	<p>The Narangba site was identified as a key land purchase as part of the CPS to support operational requirements.</p> <p>Securing the site will enable Service Delivery to improve response time and field services to the growing urban area around North Lakes in Brisbane's northern suburbs. These areas are currently serviced by Geebung.</p> <p>The storage needs originally planned for this site have been incorporated into the Geebung facility during the 2010-2015 period, however a need for an unmanned depot on the site will be required in the future as Brisbane's northern suburbs expand.</p>

Site	AER Approved Funding (\$million)*	Actual (\$million)*	Reasoning
<p>Yandina</p> <p>Address: 26 Machinery Road, Yandina</p> <p>Land Area: 18,000sqm</p>	\$3.29	\$4.41	<p>Identified within the CPS was a requirement for a new site to accommodate a replacement depot for the National Park Rd, Nambour facility. The Nambour depot is dilapidated, contains significant quantities of asbestos within the building fabric and is not well located from an operational perspective.</p> <p>A site at Yandina was purchased in November 2011 that is located within an established industrial node and will be able to accommodate the operations currently based at National Park Rd, Nambour.</p> <p>The property comprises a 1.8ha land parcel and a partially built industrial warehouse of approximately 3,000m² in size. The existence of the partially constructed industrial building included with the land purchase reduced construction costs in the development of the new facility.</p>
<p>Larapinta</p> <p>Address: Lots 13 & 14 Axis Place, Larapinta</p> <p>Land Area: 42,891sqm</p>	\$13.12	\$12.83	<p>A new site in Larapinta was purchased to build the Southern Distribution Depot.</p> <p>The new facility on the site has now replaced an owned facility at Beenleigh, which was now deemed inappropriate due to residential and commercial growth that had occurred around the site since its purchase, and leased sites at Beenleigh and Pinkenba for additional pole storage and cable drum storage.</p>
<p>Geebung</p> <p>Address: 110 Zillmere Road, Boondall</p> <p>Land Area: 4,450sqm</p>	\$0.00	\$1.96	<p>Throughout the Geebung Redevelopment design process it was identified that with additional teams relocating into the facility, more land would be required for storage and parking.</p> <p>As a result an adjoining parcel of land at 110 Zillmere Road was purchased to support the additional requirements. The purchase of this land also provided an additional point of access/egress from the Geebung, assisting in traffic circulation.</p>
<p>Eagle Farm</p> <p>Address: Schneider Road</p> <p>Land Area: 52,700sqm</p>	\$22.13	\$17.20	<p>The relocation of warehouse and logistics functions from Banyo into a purpose built Distribution Centre at Eagle Farm, was identified as a priority project and critical first step of exiting Banyo. The establishment of a Distribution Centre also enabled a lease in Zillmere to be ended.</p> <p>The site at Eagle Farm was selected based on its close proximity to major arterial roads, industrially zoned area, green credentials and close location to major Energex sites including Greenslopes and Geebung.</p>
<p>Gympie</p> <p>Address: 50 Corella Road, Gympie</p> <p>Land Area: 20,197sqm</p>	\$0.00	\$1.69	<p>The Gympie Depot was initially occupied by Energex as a leased operational facility, however an opportunity arose to purchase the site from the Landlord in late 2012. Following negotiations, the facility was acquired, in line with the CPS initiative of owning operational sites. The site also includes additional land adjacent to the depot that could be used for expansion in the future, if required.</p>

*Cost are in nominal dollars, reflecting expenditure in year of program and delivery.

Appendix G

Corporate Property Strategy: In Progress Projects



Western Regional Office: Raceview Depot

As part of the Corporate Property Strategy (CPS) submission a leased Western Regional Office facility was planned to be established within the Ipswich area for white-collar functions working on operational sites.

After a review in 2012 it was identified that a low number of white-collar staff in the region, in addition to geographical separation of the western region operational facilities, did not justify the establishment of a separate leased office. However sufficient office-based employees are located at Raceview Depot, the major Energex hub site for the region and a long term property holding, to justify improving the site facilities to create a centralised office location.

With substantial population growth having been experienced in the areas surrounding Ipswich and with significant future growth anticipated in the nearby Ripley Valley area, the Raceview facility is well positioned for major transport corridors to service this area, supporting a decision to upgrade the Raceview Depot offices site along with the upgrade.

The Raceview redevelopment will see the expansion of a permanent office to replace a dilapidated office demountable, improved separation between operational and office-based functions to reduce safety and congestion risk, environmental improvements to manage potential flood impacts to the site and civil works including a new car park, improved vehicle flows and hardstand extensions.

Key Information

AER Approved Budget	\$5.20 million
Planned Expenditure	\$7.20 million*
Construction Commencement	September 2013
Expected Completion	August 2014
Employees impacted	70

**Cost are in nominal dollars, reflecting expenditure in year of program and delivery.*

Benefit	Description
Safe office environment	Expansion of the existing office will replace a current dilapidated office demountable.
Compliance with Development Approval	Satisfy a current DA condition requiring construction of additional car parking for vehicles currently parking on grassed areas.
Environmental compliance	Improve existing storm water overflow and mitigate potential future flooding due to further redevelopment of adjoining lots.
Improve operational safety	Elimination of traffic (light and heavy vehicle) and pedestrian conflict points.
Industrial relations Issues	Energex has continued to receive negative feedback from unions regarding the state of the Raceview site and condition of the demountable accommodation.



Image 1: Overcrowded, aged office accommodation within the Raceview demountable office building.

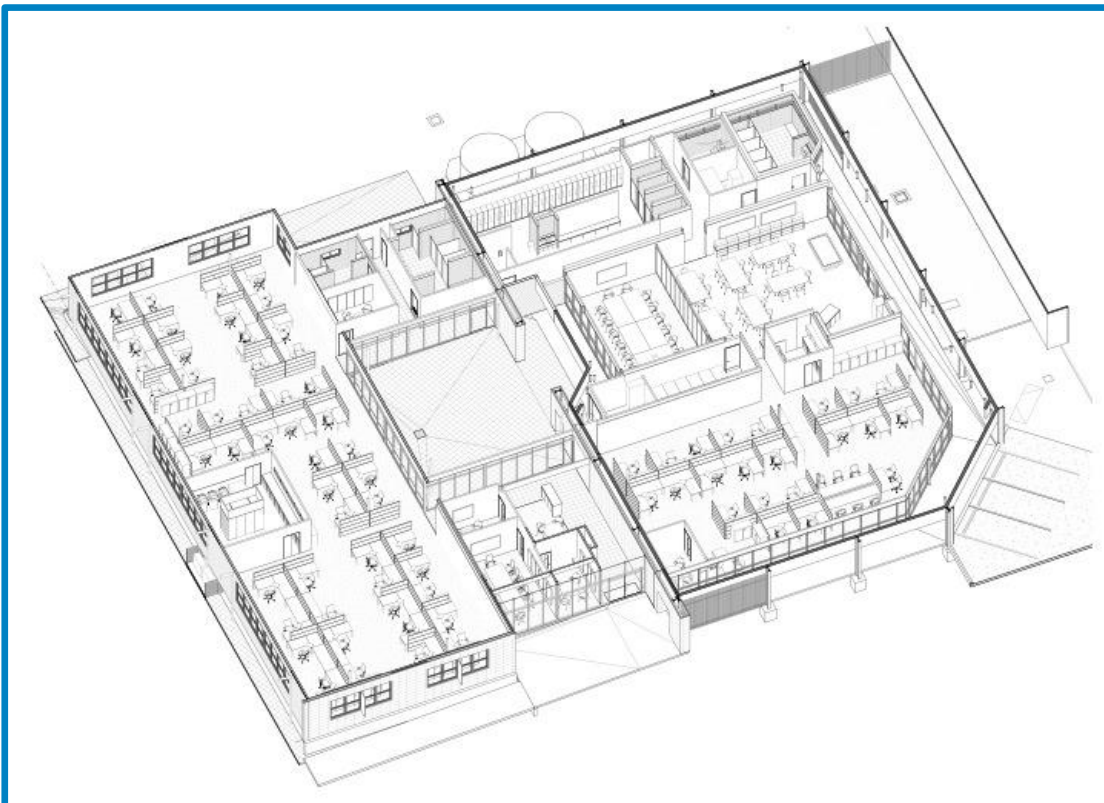


Image 2: Open and modern office layout in the new facility extension, post development works.

Geebung Redevelopment Project

The Geebung Redevelopment Project is a key element of exiting the Banyo Hub facility, an aged, dilapidated, unsafe operational site. The Geebung project will see the complete redevelopment of the former Geebung Depot site to better utilise the land size, zoning and prime logistical location and accommodate operational teams from a number of sites in a consolidated, multi-function facility.

To enable the accommodation of a greater number of Banyo functions than was originally anticipated, as well as to consolidate the Northgate Depot into the redevelopment and storage needs originally planned for the Narangba and Lytton unmanned sites, the layout, scale and final functions of the redevelopment were increased substantially. The extra benefits and efficiencies gained through the consolidation of these accommodation needs, including significant operational cost savings through enabling the conclusion of the Northgate Depot lease, will create significant operational improvements for Energex.

The site previously accommodated around 200 employees made up of one division. The redeveloped site will house over 500 operational employees belonging to three different business divisions.

Key Information	
AER Approved Budget	\$13.7 million
Planned Expenditure	\$53.5 million*
Construction Commencement	May 2010
Expected Completion	March 2014
Employees impacted	Over 500

**Cost are in nominal dollars, reflecting expenditure in year of program and delivery.*

Benefit	Description
Reduce congestion at existing depots and hubs	By only having essential white-collar resources working from Geebung, this will reduce congestion on the site including overall site e.g. vehicle and within the office areas.
Reduce overcrowding at existing sites	Geebung and Northgate were overcrowded due to the increase in office-based workers at these sites. The redeveloped Geebung facility will accommodate operational employees only with essential-only office based staff.
Fit for purpose site	Geebung was designed to accommodate different operating teams and therefore eliminates / reduces safety risks experienced at older sites.
Reduced operational and capital costs	Avoid costs associated with major upgrades and allow the termination of Northgate Lease.

Benefit	Description
Banyo Exit Strategy	Will allow the eventual closure of Banyo by relocating all operational teams to the redeveloped Geebung site and office-based teams to the Northern Metropolitan Office.
Better inventory control	To take advantage of the fleet workshop ceiling height (20m) an automated materials handling system was incorporated on the site to reduce the need to use hardstand and allow the business to better control its inventory. The system also reduces the number of forklift movements required on the site.
Efficiencies in co-location	Having several operational teams occupy one site has led to a multitude of efficiencies including: Shared plant workshop, Reduced number of wash bays, Central stores area (instead of three), Materials managed centrally - reduces loss and double handling and one delivery point instead of three.



Image 3: The Geebung Redevelopment Project underway.



Image 4: Workshop areas and undercover working area underway at the Geebung site redevelopment.



Image 5: Aerial view of the former Geebung Depot, showing extent of underutilised land in a prime location.

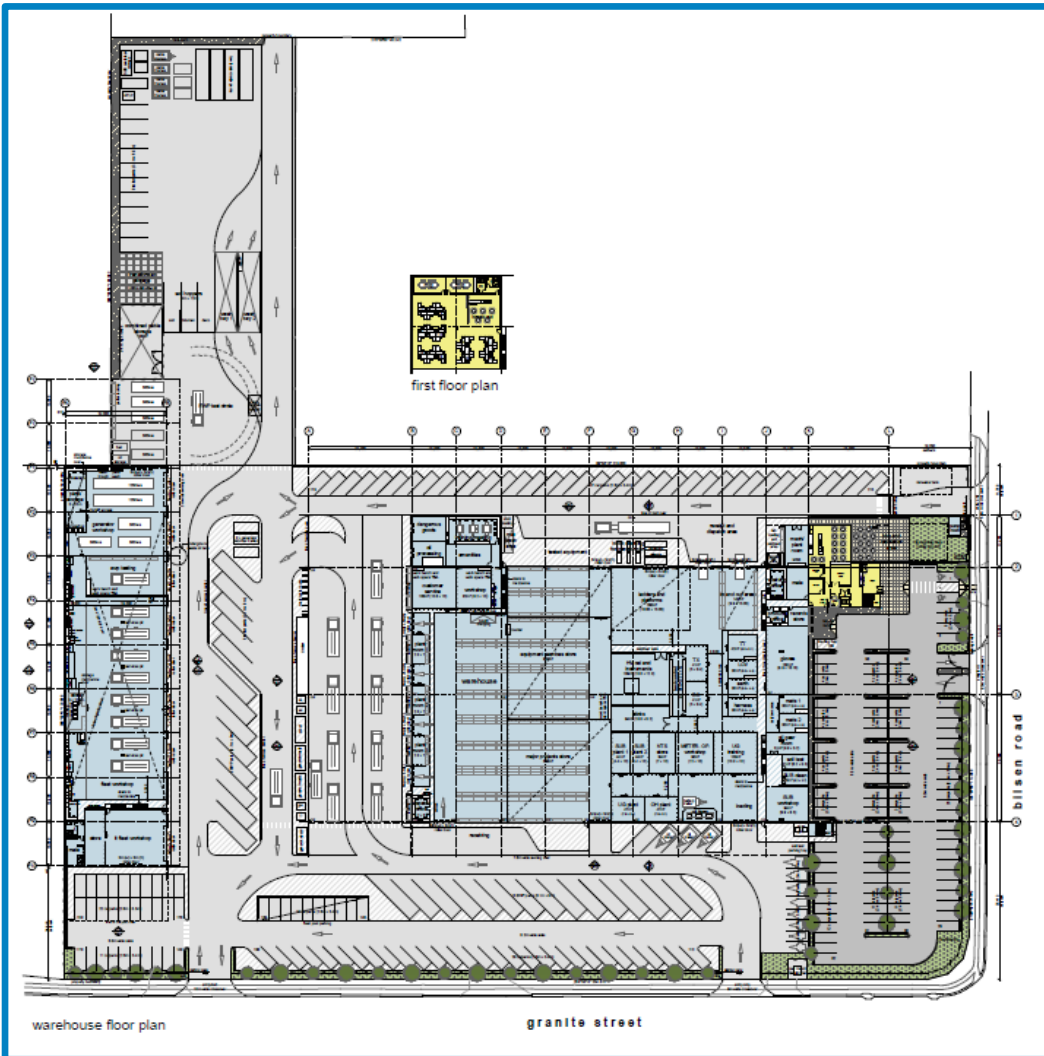


Image 6: Site plan of the redeveloped site including multi-functional accommodation for different groups.

Berrinba Depot (formerly Underwood)

The Berrinba Depot Project was identified to support future Metro South Operations. The original 2010-2015 AER submission was to utilise an existing Energex site at Underwood, However when planning approval was sought, Council indicated the operational depot use was no longer appropriate for the site due to zoning amendments. For this reason Energex was required to investigate, evaluate and eventually purchase an alternate site located at Berrinba as an appropriate alternative. The Underwood site will eventually be sold as it is now surplus to Energex needs.

The majority of Metro South operations are currently being serviced out of the Greenslopes Hub. This facility whilst currently adequate to service the existing network has very limited expansion capability due to its location, small physical size and operational restrictions due to adjoining residential properties. Berrinba will support the future growth and allow for further de-loading of Greenslopes as required.

Key Information

AER Approved Budget	\$15.45 million
Planned Expenditure	\$15.45 million* (including new land purchase)
Construction Commencement	May 2014
Expected Completion	May 2015
Employees impacted	Around 70

**Cost are in nominal dollars, reflecting expenditure in year of program and delivery.*

Benefit	Description
Service network operations	Efficiencies due to location and site design, in servicing network operations in the central and southern end of the Metro South area.
Reduced congestion at Greenslopes	As a major depot servicing Metro South, the Greenslopes site is extremely congested. De-loading teams to Berrinba will reduce this congestion and improve safety for onsite teams.
Reduce safety risks	Relocating white-collar teams out of depots and hubs, will reduce safety risks onsite e.g. vehicle/pedestrian conflicts.
Reduced real estate property costs	Berrinba will allow the future consolidation of the Slacks Creek Depot and some of Staplyton, reducing property costs.
Termination of lease	The new depot will eventually allow the termination of the Staplyton lease through accommodating some of the staff.
Property sale	Once Slacks Creek teams relocate to depot, the property can be sold with no future use requirements.
Ease of access	Berrinba is close to major arterial roads and provides an improved location to Greenslopes Depot or Underwood site.
Site improvements	Industrial zoned area allowing for 24/7 operations.



Image 7: Greenslopes car area that is used for private and operational vehicles, forklift movements and storage.

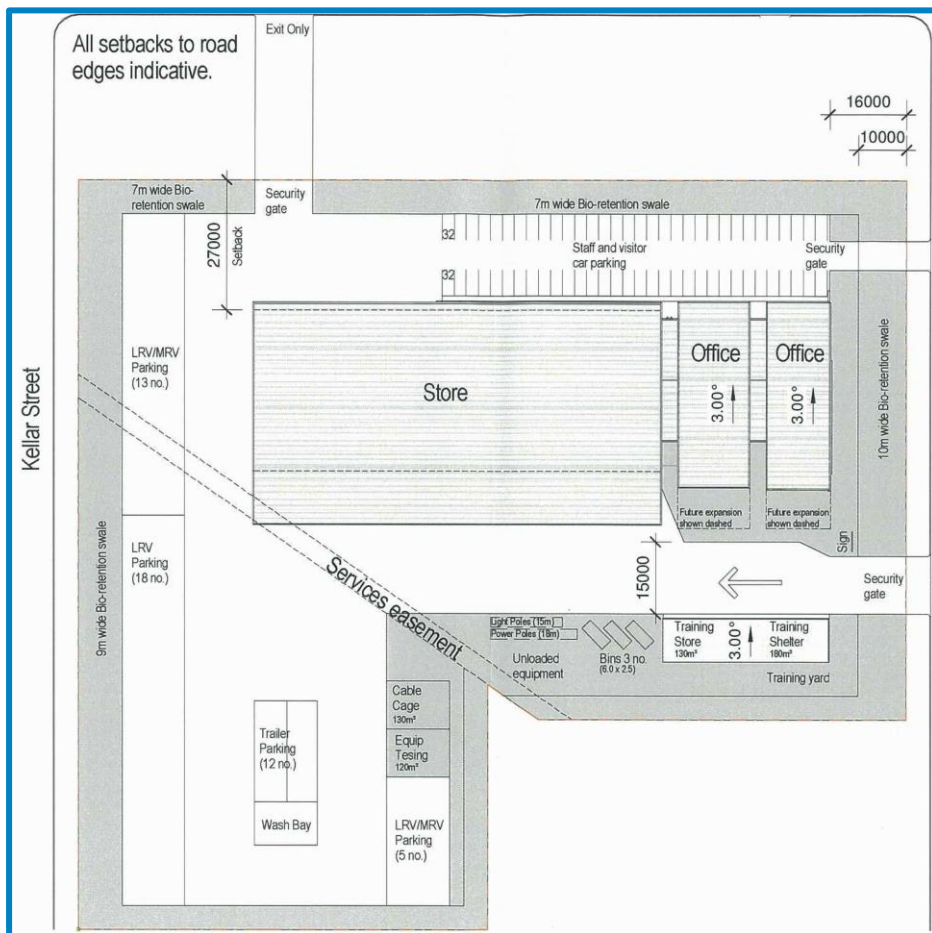


Image 8: Plan of Approved Development Application for the new Berrinba Depot site shows the separation between private and operational vehicles, and storage areas.

Beaudesert Depot Refurbishment

The existing Beaudesert Depot is experiencing numerous operational and safety concerns. As part of the AER submission, the Beaudesert Depot was identified for a complete redevelopment on an existing Energex Network site. However, when planning commenced on the planned site, the site gradient and proximity to a creek created design issue that made the site unviable for a depot facility.

To ensure improvements to the site's operations, planning is underway to provide an upgrade which will keep the site functioning safely and efficiently for the coming regulatory period, with an eventual requirement to source a new site and build a new depot facility in next 10 years. The upgrade will include the removal of a redundant demountable building, replacement of the live line washing facility, refurbishment of the internal office fit out and rationalisation of storage, fencing gates, lighting and security.

Key Information	
AER Approved Budget	\$6.8 million
Planned Expenditure	\$0.7 million*
Construction Commencement	May 2014
Expected Completion	March 2015
Employees impacted	Over 30

**Cost are in nominal dollars, reflecting expenditure in year of program and delivery.*

Benefit	Description
Planned use of the site	The project will provide structured and planned usage of the site, compared to the ad-hoc approach over recent years.
Improved safety	Separation of operational and office based tasks will improve safety and reduce those conflict points.
Removal of asbestos	The existing live line wash shed is identified as an asbestos risk, with significant portions currently under management. Removal and replacement will remove the asbestos and reduce the health and safety risk to employees.
Rationalisation of storage	Storage can be rationalized onsite with the removal of the redundant demountable building meeting room. This will provide additional hardstand for the site.
Resolve storage issues	Due to site storage constraints, this has led to ad-hoc storage spilling over to the Energex Sub-Station site located in the industrial area at Enterprise St Beaudesert.



Image 9: On-site constraints and ad-hoc storage at Beaudesert Depot.

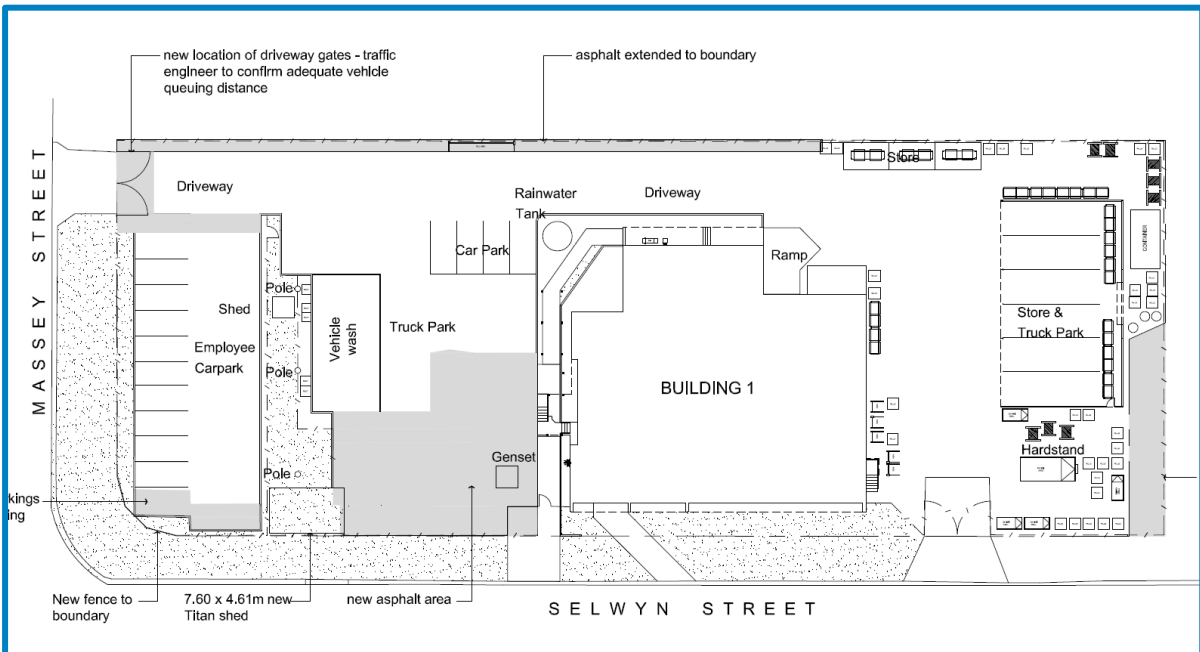


Image 10: Plan showing a number of onsite improvements proposed for the facility.

South Coast Regional Office: Burleigh Heads & Southport

Included in the CPS was the proposal for a South Coast Regional Office. Following a more recent review in 2012, it identified that the low number of white-collar staff and the geographical separation of the different operational sites did not warrant a separate leased office space. Upgrading the office area and operational facilities at the existing owned Burleigh and Southport depots will be appropriate in creating the necessary office accommodation and separation from operational areas on the South Coast.

Projects on the two sites will include demolition or refurbishment of existing redundant office at end of life, refurbishment of an unused warehouse at Burleigh into new office accommodation, standardisation of workstation size and layout, upgrade of building services and amenities (where required), reorganisation of site to improve parking and hardstand, upgrade of lighting and site security and provision of future vehicle storage facilities.

Key Information	
AER Approved Budget	\$5.01 million
Planned Expenditure	\$6.07 million*
Construction Commencement	April 2014
Expected Completion	May 2015
Employees impacted	250

**Cost are in nominal dollars, reflecting expenditure in year of program and delivery.*

Benefit	Description
De-load Southport	Southport depot office is currently over-crowded. The Burleigh upgrade will enable staff to relocate and de-load Southport.
Increase office capacity	By reorganising Burleigh and Southport, additional capacity can be gained without providing extensions.
Improved safety	By separating white-collar and blue-collar functions onsite, will improve safety and conflict points at that site.
Fit for purpose office facility	As a long-term property holding, Burleigh and Southport will be designed to current work standards and provide a modern facility to support current and future Energex teams.
No additional lease required	Upgrading the owned Burleigh and Southport sites to improve office accommodation will eliminate the need to lease space.
Improved amenity	New furniture, refurbished bathrooms, additional meeting room, additional kitchen facilities, fresh paint and carpet.
Expanded hardstand and parking	By reorganising the site, existing hardstand areas will be increased, in addition to car parking facilities.
Modern facility	The upgrade will include the replacement of aged and inefficient building plant and equipment.



Image 11: Overcrowded and aged office facility in Burleigh.

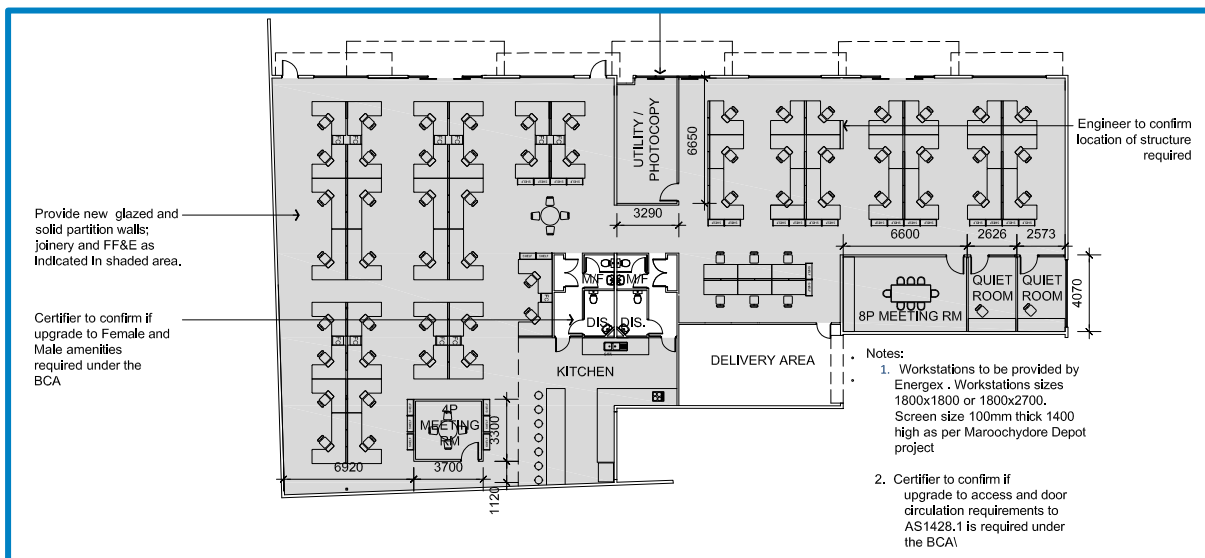


Image 12: Planned conversion of an underutilised warehouse in good condition at Burleigh to new office accommodation.

North Coast Regional Office – Nambour & Maroochydore

Included in the 2010-2015 CPS was the proposal for a North Coast Regional Office. Following a more recent review in 2012, it identified that the low number of white-collar staff and geographically dispersed operational facilities did not warrant a separate leased office. Reorganisation of the existing Nambour, Howard Street office would provide an additional 50% capacity and allow for de-loading of office functions from the Maroochydore Depot.

The North Coast Regional Office Project will comprise refurbishing the existing office including standardising workstations (size and layout), basic office amenities, rationalisation of internal storage and extension of the existing car park.

Concurrently, the de-loading of Maroochydore Depot office-based staff to the new Nambour office facility will enable improvements to the site as well. Over the last 25 years there has been no substantial reorganisation of the Depot, which has led to an inefficient design and use of the site. As a long-term property holding, refurbishing the Maroochydore office will enable 25 employees to relocate from a temporary demountable providing additional hardstand area and an overall upgrade of the site.

Key Information	
AER Approved Budget	\$5.08 million
Planned Expenditure	\$4.02 million*
Construction Commencement	April 2014
Expected Completion	April 2015
Employees impacted	150

**Cost are in nominal dollars, reflecting expenditure in year of program and delivery.*

Benefit	Description
De-load Maroochydore	Maroochydore depot is currently over-crowded. The Nambour upgrade will allow for white-collar employees to relocate to the site and de-load Maroochydore.
Improved safety	By separating white-collar functions from Maroochydore, this will improve safety and conflict points at that site.
Fit for purpose office facility	As a long-term property holding, Nambour will be designed to current work standards and provide a modern facility to support current and future office-based Energex teams.
No additional lease required	By upgrading the owned Nambour site to become the North Coast Regional Office, eliminates the need to commence an additional lease to the existing portfolio.
Improved amenity	New furniture, refurbished bathrooms, additional meeting room, additional kitchen facilities, fresh pain and carpet.



Images 13 & 14: Out of date, poor standard of office accommodation at existing Howard Street, Nambour office.

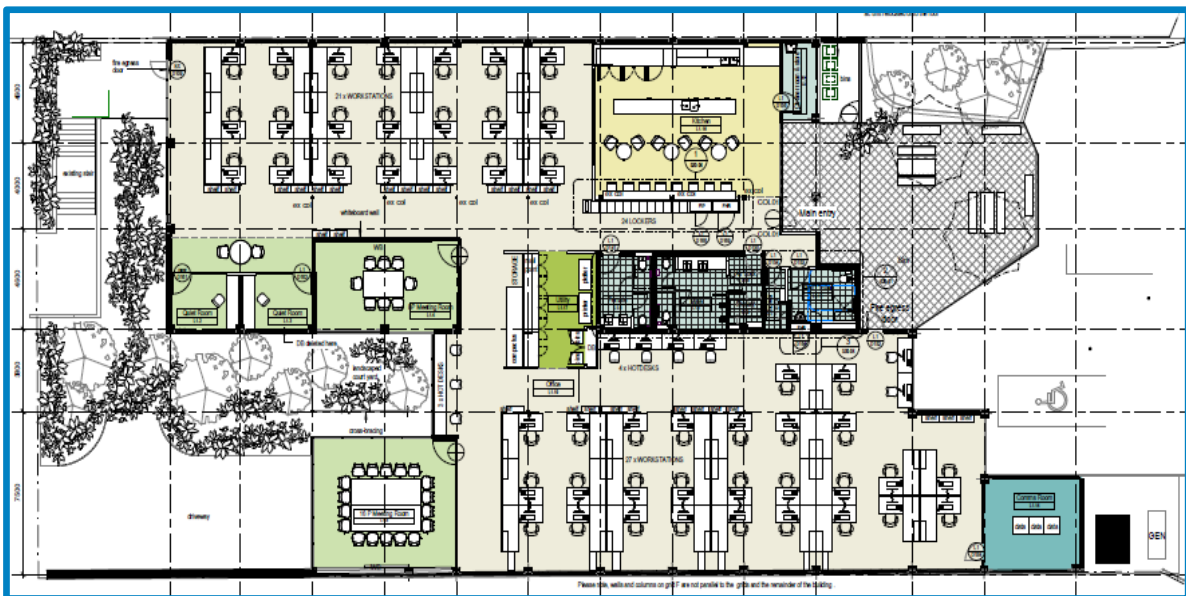


Image 15: Proposed office layout of North Coast Regional Office

Victoria Park Upgrade

A primary component of the CPS is delivery of safe facilities that meet current legislation. Services audits at the Victoria Park facility reported significant deficiencies in this area. The site is planned for ongoing use so a substantial building upgrade is necessary to provide safe working conditions, reliable building services, and reduced building maintenance costs.

The site is also classified as “Critical Infrastructure” from a network service and data perspective and therefore is a high priority. It is also proposed to centralise backup emergency response and disaster recovery functions at Victoria Park, replicating similar capability at Newstead. Backup contact centre operations are currently located at the nearby Warry Street site and under the proposal would be relocated to Victoria Park. By also investing some additional capital in the Victoria Park upgrade to enable this, it would allow the Warry Street upgrade funding to be incorporated in the amalgamated project and the site eventually decommissioned and potentially disposed of.

The Victoria Park Upgrade Project will include the upgrading of fire and emergency requirements to meet current legislation, upgrading and centralising HVAC systems, refurbishment of building electrical systems, improving building security and creating office areas for teams currently located at Warry Street including the backup contract centre and emergency management functions through the rebuilding of Level 4.

Key Information	
AER Approved Budget	\$23.50 million (including Victoria Park & Warry Street projects)
Planned Expenditure	\$28.50 million*
Construction Commencement	June 2014
Expected Completion	July 2015
Employees impacted	200

**Cost are in nominal dollars, reflecting expenditure in year of program and delivery.*

Benefit	Description
Improved Safety	The recent audit reported the current building standard as placing staff safety at potential risk and legal risk in the event of injury.
Meets legislation and standards	The building will meet current legislation and health and safety standards to protect employees and Energex.
Improved reliability	These fragmented building services are currently delivered in an ad-hoc and inefficient manner reducing reliability.
Centralised emergency response	A centralised emergency response operation into a single site allowing for greater communication and interaction.
Fit for purpose	Replacement of aged and inefficient building plant and equipment will ensure the site is modern and fit for purpose.
Reduction in real property costs	Building services are currently delivered in an ad-hoc & inefficient manner, increasing operating & maintenance costs.
Exit & Dispose	Provides ability to exit, decommission and potential disposal of Warry Street facility, subject to further studies and approvals.

Appendix H

Energex Workplace Optimisation Plans



1. Workplace Optimisation Trials

1.1. Overview

Increased Energex focus on cost efficiency and associated workforce reductions has made the ability to manage flexibility and scalability of facilities essential. Concurrently, operating facilities in the most efficient means possible has always been an important foundation of the 2010-2015 Corporate Property Strategy.

In line with these factors, several workplace optimisation initiatives have been trialled throughout 2010-2013 to investigate effective methods to achieve these goals. Initiatives investigated have included reviewing: standard desk set-ups; office layouts; introducing 'Activity Based Workplaces'; and the concept of a 'permanent' desk as opposed to a 'hot' desk. By proactively consulting and engaging with stakeholders throughout the trials to ensure feedback and individual work functions are considered, these studies have demonstrated how Energex could potentially apply such approaches.

The main benefit that could be achieved through such activities is a reduction in operational costs, including lease and outgoings expenses, whilst also maximising space and creating flexibility within existing and new sites. This is especially important in leased office facilities where Energex is contractually obligated to a set area of space over a period of time.

Trial projects are described further in this document and include:

- Southern Metropolitan Office – Field Officer Work Area – 2010
- Geebung Redevelopment Project – Standard workstation allocation – 2012
- Newstead Office – Property Services Hot Desk Trial - 2013
- Northern Metropolitan Office – Project Manager Hot Desk Trial - 2013
- Workstation Standardisation Initiative – Multiple Sites – Current

Common findings from the Workplace Optimisation Trials are outlined in Table 1, along with implications for implementation of the learnings over the 2015-2020 period.

Trial Findings	Implications for 2015-2020 Scheme
Resistance to adopting a hot desk/bench is cultural	Education across the organisation is required to outline the 'modern workplace' and how non-traditional layouts can support the organisation and improve efficiencies.
Managers must lead Workplace Optimisation Initiatives	Support and training for Managers is required prior to delivering whole of site initiatives.
No Energex policy reference regarding provision of furniture	Opportunity to include furniture provision within relevant policies to improve efficiencies e.g. hot benches for mobile roles.
Activity Based Workspaces leads to greater collaboration	Capture stories of greater collaboration between teams when implementing across the organisation.
Layout areas can replace the need for a larger design desk	Solutions to support larger drawings must be available to these groups prior to shifting to a standard sized desk.
Incorporating activity based work spaces into Energex sites can reduce operational costs	Demonstration of the positive financial outcomes that can be achieved must be communicated to relevant stakeholders to encourage use of alternative working arrangements.

Table 1: Findings from trials undertaken and potential implications for Energex.

2. SMO: Field Officer Desk Allocation

2.1. Situation

In 2011 several office-based administrative teams were relocated from depots in the Metro South region into the Southern Metropolitan Office (SMO). A workplace optimisation opportunity was identified in a group of Field Officers formerly located at the Oxley Depot.

The role of the Field Officer was to inspect and audit external contractors, to ensure the quality of their work was Energex compliant. Field Officers are allocated a permanent desk, vehicle, mobile phone and laptop. Due to the nature of their role, they are in the office a maximum of 2 hours per day.

2.2. Workplace Optimisation Approach

A work area was developed for the team, which reduced the footprint they occupied while also supporting their work. Instead of a standard workstation for each employee, the employees were allocated a workbench and shared storage. In addition, a large bench was provided where plans could be laid out when required.

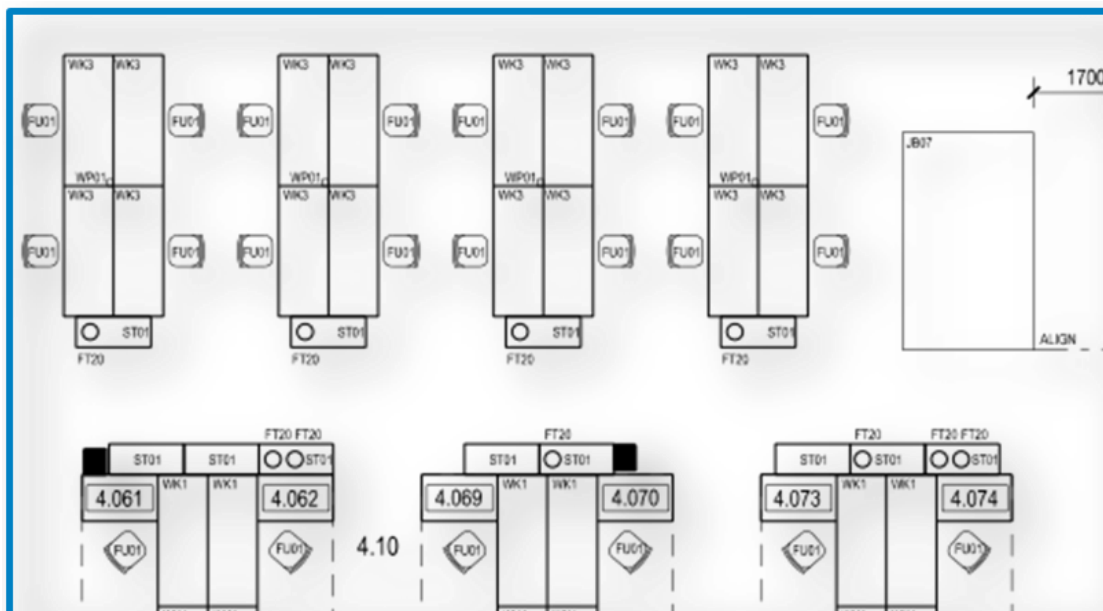


Image 1: Plan of the hot desk area and layout table that was installed at the SMO.

2.3. Findings

The outcomes of this trial were deemed neutral. Whilst the area supported the Field Officer role, the majority of employees resisted the new arrangement. Onsite observations, interviews and surveys concluded the reason for resistance was Senior Leadership.

Two managers led the Field Officers. One manager was very proactive, supportive and progressive, who assisted their team in accepting and embracing the new arrangement. They remain in the same position today. The second manager would not publicly support the new arrangement (despite agreement throughout the lengthy design process), so for this group of employees, the initiative was abandoned several weeks later.

3. Geebung: Standard Workstation

3.1. Situation

When designing the Geebung Redevelopment Project facility, the team needed to accommodate 10 larger sized designer desks located at the former Northgate Depot site.

3.2. Workplace Optimisation Approach

Instead of automatically providing the larger desk, the Project Team discussed the benefits of providing only standard sized desks in the new fit-out to allow for greater flexibility and reduced costs. The Group Managers agreed to keep all desk standard sizes and that it would be a permanent arrangement.

3.3. Findings

The findings of this arrangement were deemed successful. Employees who previously used the larger sized desks have not reported any issues with using a standard sized desk, as their work is supported and they understood the need for a standard approach.

4. Newstead: ‘Experience Street’ Trial

4.1. Situation

In 2013, the Property Services Group undertook a three-month ‘hot desk’ trial within the Newstead office. Whilst the majority of the team is office based, several members work outside of their normal office on a semi-regular basis e.g. Project Managers.

4.2. Workplace Optimisation Approach

Throughout the three-month trial, four members of the Property Services Group permanently used the bench-style layout (see Image 2), whilst over twenty other team members operated from the area for a week-long period to experience the set-up. All employees used the area as a non-permanent desk set-up e.g. clean desk policy, shared storage, IT solutions enabling flexible seating arrangements etc.



Image 2: The change in workstation layout trialled, shown in red, converting 5 desks to 7, in the same footprint.

4.3. Findings

The findings of the Experience Street trial were very successful. The area adequately supported employees in their work, with a survey completed at the end of each week-long trial indicating over half of the participants preferred this arrangement to the traditional allocation of a permanent desk and reported greater collaboration within the broader property group.

By converting 5 standard workstations to 7 bench-style workstations and providing one fewer desk than the number of employees involved in the week-long trial (i.e. 8 employees participating per week), to account for people away on leave or working from other spaces, two key points were identified:

- This set-up improved efficiency on the basis of an employee to square metre occupied ratio, by 40%, through occupying 7 bench-style workstations within the space normally occupied by 5 standard workstations;
- Due to some employees being on sick leave, annual leave, working in the field or from other offices at any point in time, the number of desk spaces required was a maximum of approximately 85% of the number of employees.

Although the situation may be different for different Energex workgroups, dependent on their standard job functions, the trial demonstrated that greater possibilities were available to make more efficient use of the space occupied.



Image 3: Staff members of the Property Services Group participating in the 'Experience Street' Trial.

5. NMO: Project Manager Hot Benches

5.1. Situation

Project Managers at Energex deliver a multitude of projects for the organisation. At the time of this trial, the majority of the Project Managers were based at Newstead and the Southern Metropolitan Office (SMO), with a group preparing to relocate to the new Northern Metropolitan Office (NMO).

Senior Project Managers are provided with a vehicle, mobile phone and laptop to support their mobile work. As the Project Managers are provided with a permanent allocated desk, yet spend a lot of their working time in the field, for the majority of the time their allocated desks remain vacant.

5.2. Workplace Optimisation Approach

The NMO Project Team created a 'hot desk' area at the NMO to support the more mobile Project Managers. An agreed three-month trial period was established, where they were provided storage, double monitors and access to parking.

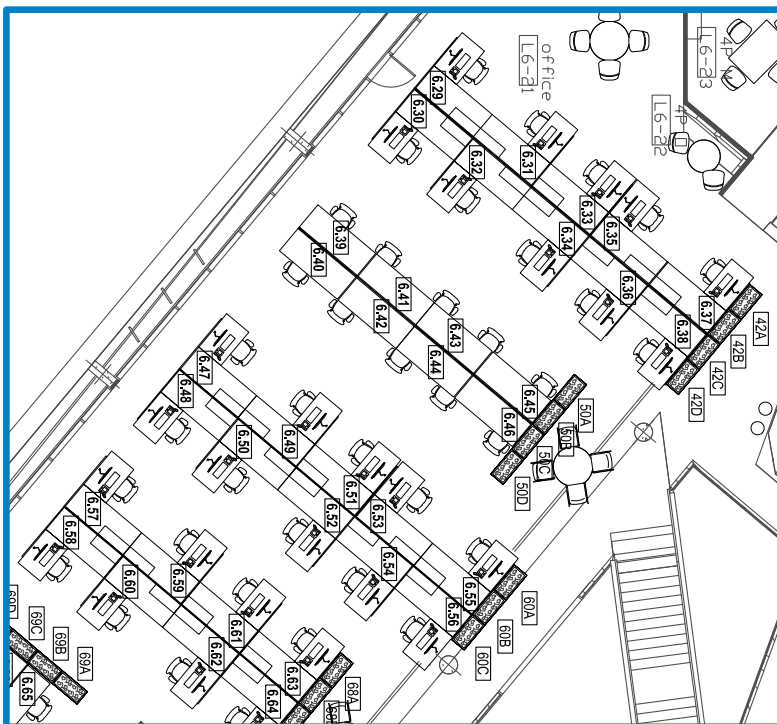


Image 4: Layout of the Hot Desk area that was used by the Project Managers during the trial

5.3. Findings

The findings of the hot desk trial were neutral. Whilst the hot desk met the requirements for the Project Managers, several Project Managers did not embrace the new environment. Interviews conducted following the trial indicated that stronger adoption and behavioural change would have occurred if more onsite support was provided, post relocation.

The group suggested that to implement the arrangement on a permanent basis, it would need to be introduced and applied across all sites where Project Managers reside, so at the Newstead and SMO sites as well.

6. Workstation Standardisation Plan

6.1. Situation

Currently at Energex, employees who undertake specialist design work are automatically provided with a larger-than-standard workstation of 2.1 metres x 2.7 metres in size, providing an additional 0.6 meters in length to the standard workstation. This is to allow A1 and A2 sized plans to be lay-out on the desk.

Providing larger, non-standard workstations is more expensive for the organisation in terms of both provision of larger, specialist furniture and the floor space the workstation occupies. This also reduces the flexibility within and across each work site i.e. when relocations and team changes occur.

6.2. Workplace Optimisation Approach

The Workstation Standardisation Initiative is an effort to reduce the organisation's operating costs, whilst improving flexibility within and across Energex work sites by providing a standard workstation (2.1 metre x 2.0 metre).

No immediate changes will happen in existing Energex sites, however when relocations are required and sites are refurbished, those currently operating from larger desks will be provided with the alternative solutions, as new sites will only accommodate the standard workstation.

This change will occur on a site-by-site basis, with alternative arrangements designed to suit the specific space and requirements of the particular location. Alternative solutions may include: centrally located 'plan desks' where plans can be spread out; mobile tables that can be wheeled over when plans are being reviewed, but don't permanently occupy floor-space; and a more thorough review of those designers requiring a larger desk, for example, some designers typically work off A3-sized plans, but have been provided with the larger desks automatically in the past.

6.3. Findings

This Initiative will be employed in the Raceview (Western Regional Office) and Nambour (North Coast Regional Office) refurbishment projects, currently underway, with findings to be monitored and reported post-implementation.

Appendix I

Strategic Property Plan: Detailed CAPEX Budget



Strategic Property Plan: 2015-2020 Program of Work*						
PROPERTY PROJECTS	2015/16 Year 1	2016/17 Year 2	2017/18 Year 3	2018/19 Year 4	2019/20 Year 5	Project Totals
City Property Strategy						
City Property Strategy Total						
Southside Consolidation Plan						
Southside Consolidation Plan Total						
Training Facility Refurbishment						
Training Facility Refurbishment Total						
Replace Minor Depots						
Replace Minor Depots Total						
Site Security Upgrades						
Site Security Upgrades Total						
Base CAPEX						
Base CAPEX Total						
	2015/16 Year 1	2016/17 Year 2	2017/18 Year 3	2018/19 Year 4	2019/20 Year 5	Overall Totals
OVERALL						

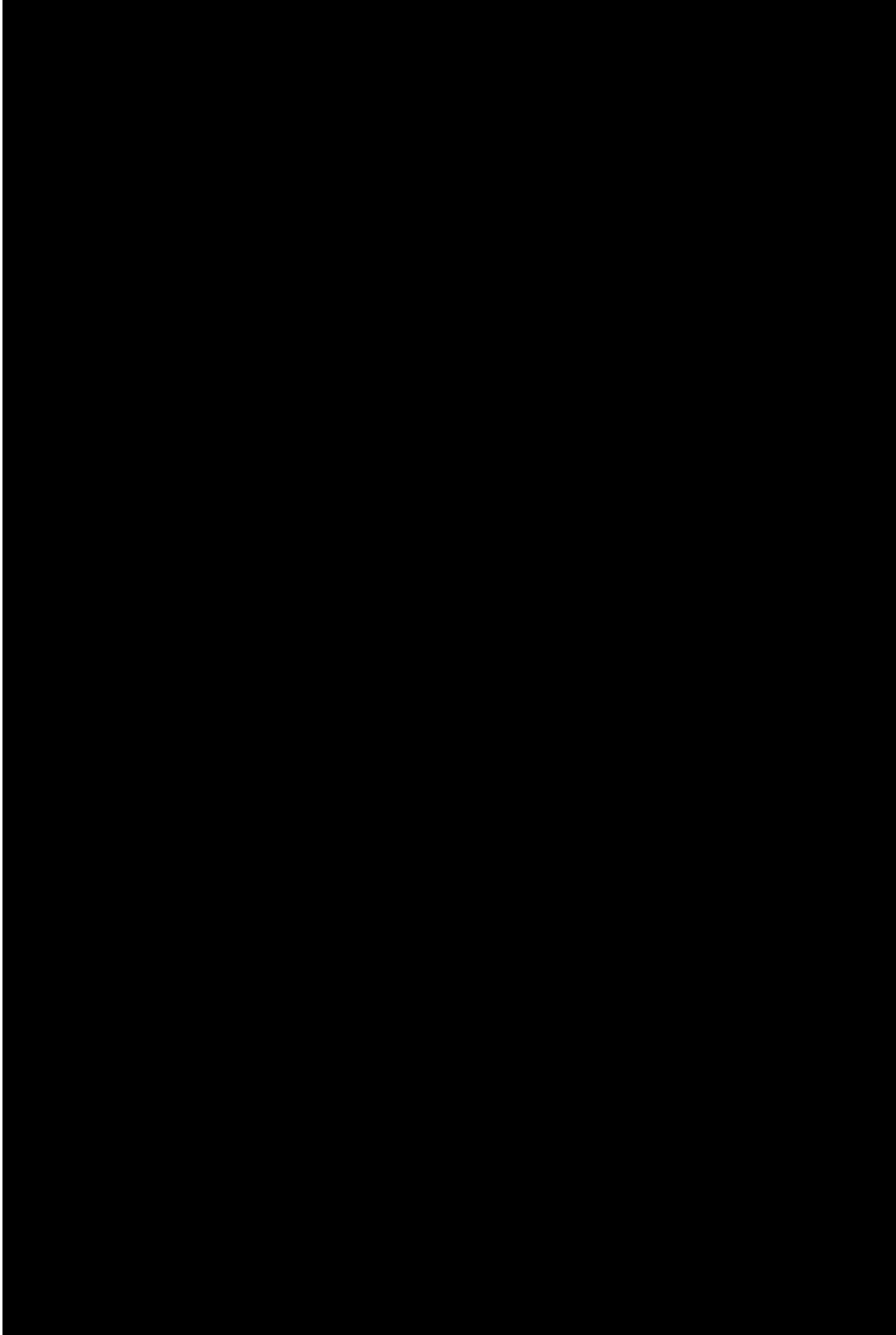
*Approximate cost estimate of capital expenditure across Strategic Property Plan program of work for 2015-2020.
All figures expressed in \$2014/15. Costs do not include on-costs, overhead charges or CPI escalation.

Appendix J

Strategic Property Plan: Project Plans

COMMERCIAL IN CONFIDENCE

SPP: Project Plans



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1. City Property Strategy

1.1. Objective

[Redacted]

1.2. Background

[Redacted]

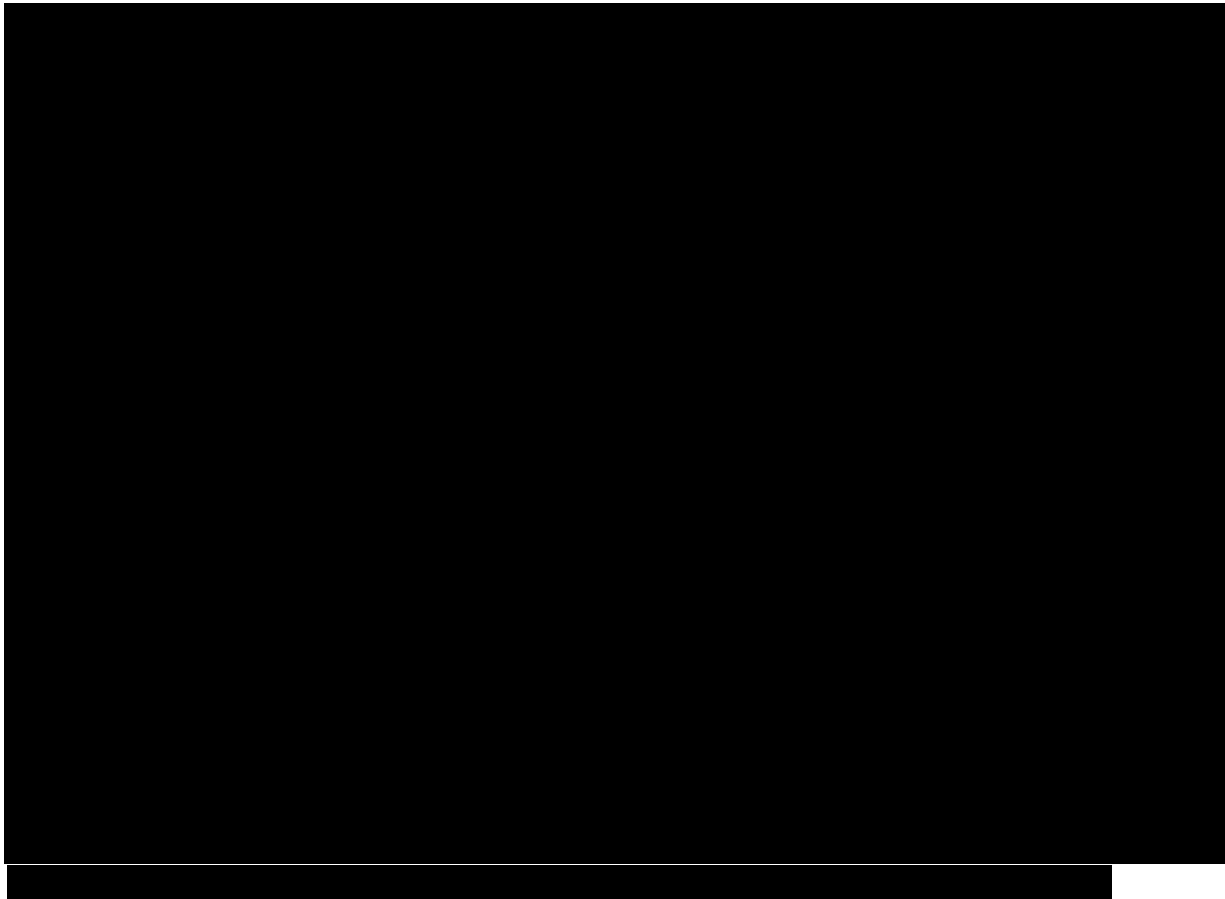
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1.3. Proposal

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1.4. Initiatives and Drivers

1.4.1. Maintain the Existing Portfolio

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1.4.2. Expand Key Efficiency Initiatives

- [Redacted]
- [Redacted]

1.4.3. Progress Opportunities to Reduce Costs

- [Redacted]
- [Redacted]

1.5. Program

Financial Year	Year of Strategy	Activities	CAPEX (\$million)*		
			Land	Building	Furniture
[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]

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1.6. Financial Analysis

[REDACTED]

1.7. Benefits

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- [REDACTED]
- [REDACTED]

1.8. Recommendation

[REDACTED]

2. Southside Consolidation Plan

2.1. Objective

[REDACTED]

2.2. Background

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2.3. Proposal

- [REDACTED]

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2.4. Initiatives and Drivers

[Redacted]

2.4.1. Maintain the Existing Portfolio

[Redacted]

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2.4.2. Expand Key Efficiency Initiatives

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2.4.3. Progress Opportunities to Reduce Costs

- [Redacted]
- [Redacted]

2.5. Program

Financial Year	Year of Strategy	Activities	CAPEX (\$million)*		
			Land	Building	Furniture
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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2.6. Financial Analysis

[REDACTED]

2.7. Benefits

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2.8. Recommendation

[REDACTED]

3. Training Facility Refurbishment

3.1. Objective

[Redacted]

3.2. Background

[Redacted]

[Redacted]

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3.3. Proposal

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3.4. Initiatives and Drivers

3.4.1. Maintain the Existing Portfolio

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3.4.2. Expand Key Efficiency Initiatives

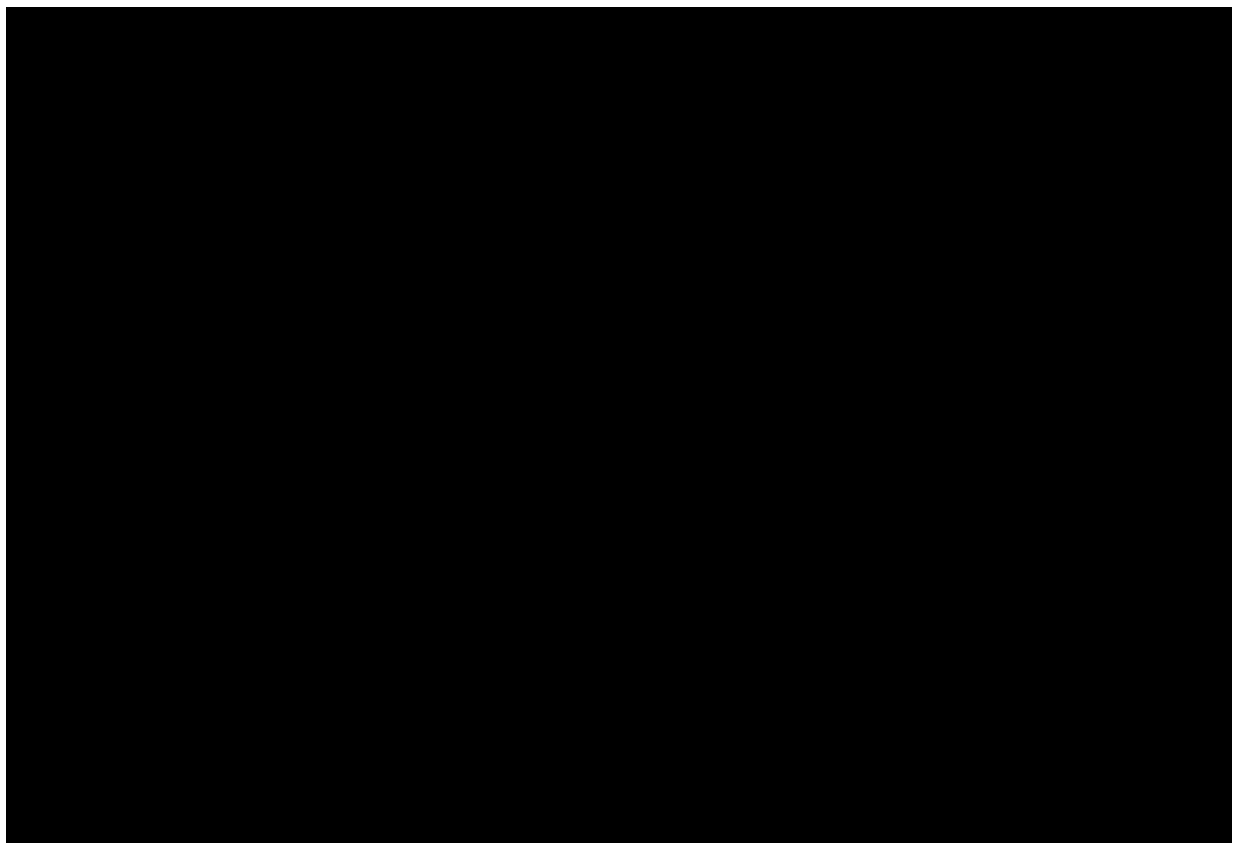
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3.4.3. Progress Opportunities to Reduce Costs

- [REDACTED]
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3.5. Program

Financial Year	Year of Strategy	Activities	CAPEX (\$million)*		
			Land	Building	Furniture
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3.6. Financial Analysis

[REDACTED]

3.7. Benefits

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3.8. Recommendation

[REDACTED]

4. Minor Depot Replacement

4.1. Objective

[Redacted]

4.2. Background

[Redacted]

[Redacted]

[Redacted]

[Redacted]

4.3. Proposal

4.3.1. Esk Depot Replacement

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4.3.2. Caboolture Depot Future Site Acquisition

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4.4. Initiatives and Drivers

4.4.1. Maintain the Existing Portfolio

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4.4.2. Expand Key Efficiency Initiatives

- [Redacted]

[REDACTED]

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4.4.3. Progress Opportunities to Reduce Costs

- [REDACTED]

4.5. Program

Financial Year	Year of Strategy	Activities	CAPEX (\$million)*		
			Land	Building	Furniture
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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4.6. Financial Analysis

[REDACTED]

4.7. Benefits

- [REDACTED]
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- [REDACTED]
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4.8. Recommendation

[REDACTED]

5. Security System Upgrades

5.1. Objective

[Redacted]

5.2. Background

[Redacted]

[Redacted]

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[Redacted]

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5.3. Proposal

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5.4. Initiatives and Drivers

5.4.1. Maintain the Existing Portfolio

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5.4.2. Expand Key Efficiency Initiatives

- [Redacted]

5.4.3. Progress Opportunities to Reduce Costs

- [Redacted]

5.5. Program

Financial Year	Year of Strategy	Activities	CAPEX (\$million)*		
			Land	Building	Furniture
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5.6. Financial Analysis

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5.7. Benefits

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5.8. Recommendation

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6. Base CAPEX

6.1. Objective

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6.2. Background

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6.3. Proposal

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6.4. Initiatives and Drivers

6.4.1. Maintain the Existing Portfolio

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6.4.2. Expand Key Efficiency Initiatives

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6.4.3. Progress Opportunities to Reduce Costs

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6.5. Program

Financial Year	Year of Strategy	Activities	CAPEX (\$million)*		
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6.6. Financial Analysis

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6.7. Benefits

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6.8. Recommendation

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Appendix K

Strategic Property Plan: Project Financial Analysis

COMMERCIAL IN CONFIDENCE

1. City Property Strategy

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COMMERCIAL IN CONFIDENCE

2. Southside Consolidation Plan

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3. Training Facility Refurbishment

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