

STRATEGY

PROPERTY ASSET CLASS STRATEGY

JEN AM TP 00005

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2	10/11/2017		Update to new ACS Template and make necessary changes and updates
3	29/06/2017		Update with team feedback including update Property Team objectives for better alignment with ABS and AM Policy objectives
4	22/01/2020		Review to align with other JEN network and non-network ACS

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	6
ASSET CLASS OBJECTIVES	6
ASSET CONDITION AND RISK	7
Risk	7
1 INTRODUCTION	8
1.1 PURPOSE / OBJECTIVES	8
1.1.1 PROPERTY PRINCIPLES	9
1.2 ASSET MANAGEMENT SYSTEM	9
1.3 DESCRIPTION OF ASSETS COVERED	9
1.4 GOVERNANCE	10
2 STRATEGIC DRIVERS	12
2.1 MARKET AND COMPETITIVE POSITION	12
2.2 CUSTOMER AND COMMUNITY EXPECTATIONS	12
2.3 LONG TERM SUSTAINABLE COSTS AND SHAREHOLDER EXPECTATIONS	13
2.4 INNOVATION AND TECHNOLOGY	14
2.5 REGULATORY AND LEGISLATIVE ENVIRONMENT	14
3 ASSET CLASS OBJECTIVES	16
3.1 GROUP STRATEGY	16
3.2 ASSET CLASS OBJECTIVES	17
3.3 ASSET CLASS FUNCTION, PERFORMANCE AND REQUIREMENTS	19
3.3.1 FUNCTION	19
3.3.2 PERFORMANCE	19
3.3.2.1 MAINTAIN EFFECTIVE STAKEHOLDER AND LANDOWNER MANAGEMENT AND ENGAGEMENT TO ENSURE OUR RELATIONSHIPS FACILITATE OPTIMUM OUTCOMES FOR CUSTOMERS	20
3.3.2.2 MANAGE PROPERTY ASSETS TO ENSURE THE SAFETY OF EMPLOYEES, CONTRACTORS AND THE PUBLIC	20
3.3.2.3 ENSURE ALL PROPERTY STATUTORY REQUIREMENTS ARE MET	21
3.3.2.4 DRIVE PROPERTY COST REDUCTIONS WHILST MAINTAINING THE REQUIRED LEVELS OF PERFORMANCE OF PROPERTY ASSETS	21
3.3.2.5 OPTIMISE THE PERFORMANCE OF OUR PROPERTY ASSETS IN A RELIABLE AND SUSTAINABLE MANNER, WITH CONSIDERATION TO PERFORMANCE, COST AND RISK	22
3.3.2.6 CONSISTENTLY DELIVER AGAINST PROPERTY CAPITAL AND OPERATING EXPENDITURE PLANS	22
3.3.2.7 FOSTER A CULTURE OF CONTINUOUS IMPROVEMENT WITHIN THE PROPERTY TEAM	22
3.3.2.8 SUPPORT BUSINESS DEVELOPMENT AND OPPORTUNITIES FOR GROWTH	23
3.3.2.9 IMPROVE THE CAPABILITY AND ENGAGEMENT OF THE PROPERTY TEAM	23
4 ASSET SUB-CLASS STRATEGIES	24
4.1 NETWORK PROPERTY	24
4.1.1 INTRODUCTION	24
4.1.2 RISK	25

4.1.2.1	CRITICALITY	25
4.1.2.2	FAILURE MODES	25
4.1.2.3	CURRENT RISKS	26
4.1.2.4	EXISTING CONTROLS.....	27
4.1.2.5	FUTURE RISKS	27
4.1.3	PERFORMANCE	27
4.1.3.1	REQUIREMENTS	27
4.1.3.2	LIFE EXPECTANCY	27
4.1.3.3	ASSESSMENT	27
	An assessment of the current portfolio of network property assets is captured in Table 4-4: Summary of non-network property status, condition and strategies.....	27
4.1.3.3.1	Age profile.....	27
4.1.3.3.2	Condition assessment	28
4.1.3.3.3	Utilisation	28
4.1.3.3.4	Performance analysis	28
4.1.4	LIFE CYCLE MANAGEMENT	28
4.1.4.1	CREATION.....	28
4.1.4.2	ASSET REPLACEMENT/DISPOSAL	29
4.1.4.2.1	Asset replacement.....	29
4.2	NON-NETWORK PROPERTY.....	29
4.2.1	INTRODUCTION.....	29
4.2.2	RISK.....	29
4.2.2.1	CRITICALITY	30
4.2.2.2	FAILURE MODES	30
4.2.2.3	CURRENT RISKS	31
4.2.2.4	EXISTING CONTROLS.....	32
4.2.2.5	FUTURE RISKS	32
4.2.1	PERFORMANCE	32
4.2.1.1	REQUIREMENTS	32
4.2.1.2	LIFE EXPECTANCY	35
4.2.1.3	ASSESSMENT	35
4.2.1.3.1	Age profile.....	35
4.2.1.3.2	Condition assessment	35
4.2.1.3.3	Utilisation	35
4.2.1.3.4	Control effectiveness	35
4.2.1.3.5	Performance analysis	35
4.2.2	LIFE CYCLE MANAGEMENT	35
4.2.2.1	CREATION.....	36
4.2.2.2	ASSET OPERATION AND MAINTENANCE	36

4.2.2.2.1	Site inspections.....	36
4.2.2.2.2	Reactive and corrective maintenance.....	37
4.2.2.2.3	Planned and preventative maintenance.....	37
4.2.2.3	ASSET REPLACEMENT/DISPOSAL	38
4.3	INFORMATION	38
5	CONSOLIDATED PLAN	43
5.1	CAPITAL FORECAST.....	44
6	TERMS AND DEFINITIONS	45

EXECUTIVE SUMMARY

This asset class strategy (ACS) is for Jemena Electricity Network's (JEN) property asset class.

Non-network properties include offices, depots, storage facilities and a number of contaminated sites* that Jemena has ongoing responsibility for. Network properties include property held for the construction, operation and maintenance of network assets.

This document is commonly referred to as the JEN Property ACS.

This Property ACS sets out the asset class objectives, lifecycle strategies and key activities/replacement programs identified for property assets over the next seven years (aligned with Jemena Asset Investment Plans), and has a broader network outlook over a 20-year planning horizon.

The following property principles are applied to all JEN non-network property decisions. These property principles require all property decisions to:

- be financially sustainable;
- be cognisant of employee impacts;
- promote co-location and collaboration;
- consider proximity to Jemena assets; and
- facilitate Jemena's future operating model.

* Costs from contaminated sites are not recovered through regulated charges

ASSET CLASS OBJECTIVES

While there are similarities across the asset objectives for the various Jemena businesses, there are also some differences. Therefore, rather than map property asset class objectives directly to all of the objective defined in each ABS, this ACS presents the property asset class objectives aligned to the four pillars and goals outlined in the Group Strategy. Given the various ABS' are directly informed by the Group Strategy, this approach ensures broad alignment with each of the Jemena business' needs. The property asset class objectives are presented in the following table.

Table 0-1: Jemena Property Asset Class Objectives

Jemena Business Plan Pillar & Goal	Property Asset Class Objective
Customer Have our customers advocate for us based on their experience of our products	<ul style="list-style-type: none"> • Maintain effective stakeholder and landowner management and engagement to ensure our relationships facilitate optimum outcomes for customers • Manage property assets to ensure the safety of employees, contractors and the public • Ensure all property statutory requirements are met
Operational excellence Build efficient operations with the capacity to grow with us	<ul style="list-style-type: none"> • Drive property cost reductions/avoid cost increases whilst maintaining the required levels of performance of property assets • Optimise the performance of our property assets in a reliable and sustainable manner, with consideration to cost and risk • Consistently deliver against property capital and operating expenditure plans • Foster a culture of continuous improvement
Growth Grow profitably and sustainably	<ul style="list-style-type: none"> • Support business development and opportunities for growth

Our people

Ensure we have the right people and capability to deliver the plan

- Provide highly engaging, collaborative and functional workspaces
- Improve the capability and engagement of JEN

Each of these asset class objectives has a specific measure and KPI to manage overall performance.

A summary of current performance against these KPIs, including initiatives designed to improve performance, is provided in section 3.3.2 of this Property ACS.

ASSET CONDITION AND RISK

The condition of property assets is determined by various means and differs for Network and Non Network property assets. In most instances network property consists of land only, whereas for non-network property the condition of the building is also considered.

Monthly inspections of buildings and properties are currently conducted at all non-network sites.

These are visual inspections, which assess the physical condition of the building and its components and identify any apparent maintenance requirements.

The maintenance identified may be added to the:

- Preventive Maintenance Schedule
- Conducted as reactive maintenance
- Scheduled as part of our CAPEX program, and
- Classed as either ad-hoc or scheduled lifecycle.

The type of maintenance or replacement required will determine if the cost is OPEX or CAPEX in nature.

An overall broad and subjective condition and functionality report is conducted with the site occupier on all non-network Depots' and EEHA's every three years. The last one was conducted in April 2019. This provided information for all building assets which considered fit for use, health and safety, security, functionality and amenity. From this information, decisions around maintenance and lease options are actioned.

Lifecycle management plans for all major sites have been established and are used to plan replacement CAPEX items. Plans are being established for other sites as part of our continual improvement approach.

RISK

Currently all identified property risks are rated in line with the targeted level of risk. Current risk controls are considered adequate, however, ongoing monitoring of risk and performance is factored into the lifecycle management plans that are being produced for each property.

An overview of the current risk ratings for network and non-network property are provided in sections 4.1.2 and 4.2.2.

1 INTRODUCTION

Jemena manages a diverse portfolio of property assets in support of its portfolio of Australian energy and utility asset businesses. Jemena's asset businesses are:

- Jemena Gas Network (JGN),
- Jemena Electricity Network (JEN)
- Queensland Gas Pipeline (QGP)
- Eastern Gas Pipeline and its laterals (EGP)
- Darling Downs Pipeline (DDP)
- Northern Gas Pipeline (NGP)

This ACS covers all property owned or leased by JEN. The property asset class is divided into two sub-classes:

- **Network properties** – land held for the construction, operation and maintenance of network assets for all JEN.
- **Non network properties** – offices, depots, emergency equipment holding areas (EEHAs), offices and accommodation.

For network properties, JEN only has responsibility for tenure and stakeholder engagement.

Maintenance on these sites is the responsibility of Jemena's Services & Projects teams and therefore outside the scope of this Property ACS.

1.1 PURPOSE / OBJECTIVES

The purpose of this ACS is to explain the approach and principal methods by which the property asset class contributes to delivering the asset objectives, as defined in the JEN Asset Business Strategy (ABS). The Property ACS is based on information about the following areas:

- **asset profile** – includes information about the type, specifications, life expectancy and age profile of properties in service across all Jemena asset businesses;
- **asset risk** – includes identifying threats, opportunities, strengths and weakness, including asset performance objectives and measures, criticality and condition, to ensure all issues, risks and opportunities are documented;
- **asset performance** – provides information about performance objectives, drivers, and service levels, and the technical and commercial risks associated with property management;
- **asset strategy** – outlines property asset management practices. This includes key property strategies that support the corporate and functional group business plan, strategies and objectives, and inform expenditure plans and programs of work;
- **asset objectives** – the objectives and targets for the asset class, and how these contribute to the overall relevant Jemena asset objectives. These provide the essential link between Jemena's business plan, the Asset Business Strategy and Asset Investment Plans; and
- **asset expenditure assessment** – provides information about the expenditure decision-making processes (and how expenditure options are analysed) as well as historical and forecast.

This Property ACS is then used in combination with the ACSs for other asset classes to develop each Asset Investment Plan (AIP) and expenditure forecasts for the next seven years.

The expenditure forecasts provided in each AIP form the basis of budget planning and regulatory proposals, therefore, the Property ACS plays an important role in Jemena's asset management system.

The ACS covers the whole life of the assets. The asset management practices in this ACS seek to ensure reliable performance and sufficient return on investment to maintain Jemena's long-term viability, while maintaining regulatory compliance and considering risk, asset condition, performance, technology, and growth.

1.1.1 PROPERTY PRINCIPLES

As directed by our Board of Directors, the following property principles must be applied to all non-network property decisions. These property principles require all property decisions to:

- be financially sustainable;
- be cognisant of employee impacts;
- promote co-location and collaboration;
- consider proximity to Jemena assets; and
- facilitate Jemena's future operating model.

1.2 ASSET MANAGEMENT SYSTEM

The Property ACS creates line of sight between the Group Strategy, relevant Jemena Asset Business Strategies, and the Asset Investment Plan.

A detailed description of JEN's asset management system and its constituent parts is available in the Jemena Asset Management System Manual and the Asset Management System Guidelines.

1.3 DESCRIPTION OF ASSETS COVERED

The Property ACS applies to all properties held by Jemena for which JEN has visibility and is categorised into two asset sub-classes:

- Network property; and
- Non-network property

All property costs are collected in SAP and then settled out to the relevant Jemena asset business, consistent with our cost allocation methodology. Some property assets are held by and for exclusive use of the respective Jemena assets and all costs are allocated directly, and others are used by several assets, and costs are apportioned over each asset. (e.g. 99 Walker St and 567 Collins St).

Where the term 'major sites' is referred to in this ACS. Major sites are the following non-network sites:

- Melbourne, 567 Collins St.
- North Sydney, 99 Walker St.
- Broadmeadows, 48 King William St.
- Tullamarine, 77 Keilor Park Drive.

The following table shows the number of JEN **network** sites.

Table 1-1: Jemena network sites (at 31 March 2019)

Jemena asset business	No. of owned network sites	No. of leased/licenced network sites	No. of easements	No. of land crossing agreements
JEN	684	>240	>1000	0

The following table lists Jemena's **non-network** sites.

Table 1-2: Jemena non-network sites (at 31 March 2019)

State	Address	Tenure	Asset	Function
NSW	North Sydney, L9-15, 99 Walker St	Leased	Corporate	Office
VIC	Broadmeadows, 34-46 King William St	Owned	JEN	Vacant Land
VIC	Broadmeadows, 48-56 King William St	Owned	JEN	Depot
VIC	Melbourne, L11-17, 567 Collins St	Leased	Corporate	Office
VIC	Tullamarine, 77 Keilor Park Dve	Owned	JEN	Depot

The above list encompasses non-network properties, including contaminated sites. JEN maintains contaminated sites outside of remediation. Once in remediation, the site is no longer the responsibility of Asset Management, so will fall outside of the scope of this AMS during these times. None of the sites in the above table are currently under remediation.

1.4 GOVERNANCE

This ACS is reviewed annually to ensure ongoing alignment with the Group Strategy and asset objectives outlined in the various ABSs, and to account for any new asset performance and risk information.

Table 1-3 sets out responsibilities for this ACS.

Table 1-3: RASCI governance table for ACS

Role	Responsibilities	Group/Person
Responsibility	Who is responsible for carrying out the entrusted task?	Property Team

Accountable (Approval)	Who is responsible for the whole task and who is responsible for what has been done?	GM Property
Support	Who provides support during the implementation of the activity / process / service?	Service Delivery Property Team
Consultation	Who can provide valuable advice or consultation for the task?	Customer & Markets Asset Investment Service Delivery Asset Risk & Management Systems
Inform	Who should be informed about the task progress or the decisions in the task?	EGM Asset Management

2 STRATEGIC DRIVERS

As detailed in the Group Strategy and JEN ABS, the operating environment and stakeholder expectations are crucial inputs into how we operate and invest in property. External factors, including regulations, technical standards, technological advance and customer requirements are regularly evolving, which means we must regularly review and monitor the strategic drivers for investment.

Jemena identifies the following strategic drivers that influence how we manage our assets:

- market trends and competitive position;
- customer and community expectations;
- long term sustainable costs and shareholder expectations;
- innovation and technology; and
- regulatory and legislative environment.

A summary of how these strategic drivers relates to the property asset class is provided in the following sections.

2.1 MARKET AND COMPETITIVE POSITION

As highlighted in the JEN ABS, the energy market in Australia is changing. Energy consumers are looking for cleaner, affordable, more reliable energy, and considerable focus is being placed on whether the traditional energy network structures in place today will be appropriate in the future.

While demand for electricity is expected to remain strong, the way in which consumers use energy – and therefore the way Jemena transports electricity – may change over the coming decades. These changes in our network businesses have a direct impact on acquisition, retention and disposal of property.

Key considerations when we review and manage our property portfolio include:

- Do we require the property short or long-term?
- What is the property used for, and is that usage likely to change?
- Does our property portfolio align with expected growth or changes in energy consumption patterns?
- Are our property costs competitive and how can we reduce capital intensity and operating costs to remain competitive?

Property decisions are largely driven by the market availability of suitable properties. This can vary greatly across Australia due to location, the local economy, supply and demand in the area and JEN's requirements for the property.

2.2 CUSTOMER AND COMMUNITY EXPECTATIONS

As highlighted by Jemena's customers through its customer engagement program, at the most basic level customers seek a safe, reliable and affordable electricity supply. However, with customers increasingly adopting a greater focus on social responsibility, environmental challenges and innovation, customers' expectations have an additional degree of sophistication.

As part of a safe, reliable and affordable energy supply, our customers and communities expect:

- environmental responsibility;
- enhanced public amenity;
- timely incident response;
- quality customer service and engagement;
- consistent levels of service to all customers; and
- prudent cost management.

Jemena considers customer and community expectations during the lifecycle management of all properties, from acquisition to utilisation, maintenance and eventual renewal/replacement/divestment.

With cost, reliability and safety being the three key drivers identified by our customers, the property team considers these as a priority in the property decision making process. The property team principal of financial sustainability aims to ensure that costs to the customer through our property holdings are prudent and efficient.

Jemena is required to service the network and respond to incidents within specified service level timeframes, in order to maintain the reliability and safety of our assets for our customers. In order to facilitate this, JEN must ensure depots and Emergency Equipment Holding Areas (EEHAs) are located in proximity to our assets and within specific travel times. Properties also need to be fit-for-purpose and secure.

Environmental responsibility is also an important driver of property management. Waste management and energy consumption are key considerations when managing non-network properties, while acquisition and disposal of network property is done so in accordance with relevant environmental protection Acts and standards. The Property Team also interacts with property stakeholders in relation to the land our assets are located on. This is a legislative requirement in relation to AS/NZS:2885 assets.

How JEN interacts with landowners (including government departments), contributes to the community's perception of Jemena and the services we provide. We aim for a professional and consistent level of service to all customers and stakeholders across Jemena's entire asset portfolio. The same high standards of service apply when supporting all our utility businesses.

Property costs make up a significant part of Jemena's ongoing expenses. Consistent with requirements of the National Electricity Rules, JEN seeks to acquire and manage property at the lowest sustainable cost, acting efficiently in long-term interests of consumers.

2.3 LONG TERM SUSTAINABLE COSTS AND SHAREHOLDER EXPECTATIONS

As highlighted in the Group Strategy and associated ACSs, it is vital Jemena has a long term sustainable cost structure. Like most companies and corporations, our shareholders expect a reasonable opportunity to recover their investment. The property decisions we make today not only need to be prudent from our customers' perspective in the long-term, they also need to be prudent from our shareholders' perspective.

When making decisions around property acquisition and management consideration must be given to financial sustainability, risk and governance. Questions to be considered around financial sustainability and governance include:

- Is it affordable to own property in the required locations, is it better value over the term to lease or purchase, upfront costs of options, maintenance and improvement costs?

- Are our work environments providing productivity enhancing accommodation for employees?
- What are the risks?
- Have we followed Jemena procedures and meet legislative requirements?

Expenditure strategies that directly affect management of the property asset class include:

- assessing whether it is better value over the term to lease or purchase property;
- considering whole-of-life costs, including asset maintenance, improvement and disposal;
- consideration of risk;
- Jemena procedural and legislative requirements;
- pursuing innovative solutions, reducing cost intensity of current investments, and incorporating changes in design standards or deferring spend (where it is safe and prudent to do so); and
- reducing expenditure by avoiding unnecessary costs and re-work.

2.4 INNOVATION AND TECHNOLOGY

Changes in technology and innovation have a direct impact on the way Jemena manages and operates its network. Improvements in and customer uptake of distributed energy resources, energy storage, demand management and data management are changing the way customers think about using electricity and how we think about delivering electricity to customers.

Our customers have told us they expect us, and other parts of the energy industry, to innovate and plan for the future so that they can access affordable electricity in the longer term, as we move to a zero-carbon future. This is why JEN is looking at alternative technologies and innovation trials; so we can ensure our businesses remain commercially sustainable in the future.

Property and land access is an important component of Jemena's innovation strategy. As Jemena's network and pipeline businesses evolve, it is essential they have access to the right property, located in the right places, for the right tenure.

For example, the property requirements of a microgrid or a more modular distribution network business are likely to be very different from the current centralised models, with a greater focus on localised operation support – which would impact Depot and EEHA locations.

Furthermore, demand management activities can defer the need for network expansion, which directly impacts future land access and easement requirements.

These are all factors that Jemena take into consideration when managing property assets and planning property acquisition and disposal.

2.5 REGULATORY AND LEGISLATIVE ENVIRONMENT

Property acquisition, management and divestment is governed by a range of regulatory requirements. Table 2-1 summarises the key legislative requirements and technical standards relating to network and non-network assets. These requirements are factored into our asset management strategies and help inform the investments and operating activities we undertake.

Table 2-1: Summary of key legislative requirements and technical standards relating to the property asset class

Legislative requirement / technical standard	Summary of requirements
Building Code of Australia	Provides the minimum necessary requirements for safety, health, amenity and sustainability in the design and construction of new buildings (and new building work in existing buildings) throughout Australia.
Disability and Discrimination Act 1992 (Cth)	Informs requirements for property and building accessibility and facilities.
Several state based Residential Tenancy Acts	Set out tenant and landlord obligations when leasing property in each state.
Several state based Sale of Land Acts	Set out requirements for acquisition and transfer of land and property in each state.
Several state based electricity supply related Acts	Set out the overarching objectives governing the safe supply of electricity and establish obligation for network operations to lodge implement and review safety and operating plans.
Several state based environmental protection Acts	Set out requirements for minimising impact of electricity operations on the environment. This includes requirements relating to land access and conserving Australian's biodiversity.
Jemena Network Operator Rules	These rules are issued by Jemena and form part of Jemena's Safety and Operating Plan (SAOP) for its networks.
Electricity Safety Cases	Describes the requirements for operating electricity assets in a safe manner.
National Electricity Rules	National Electricity Rules governs access to electricity transmission and distribution networks. It includes economic value tests that set requirements for efficient capital and operating expenditure.

3 ASSET CLASS OBJECTIVES

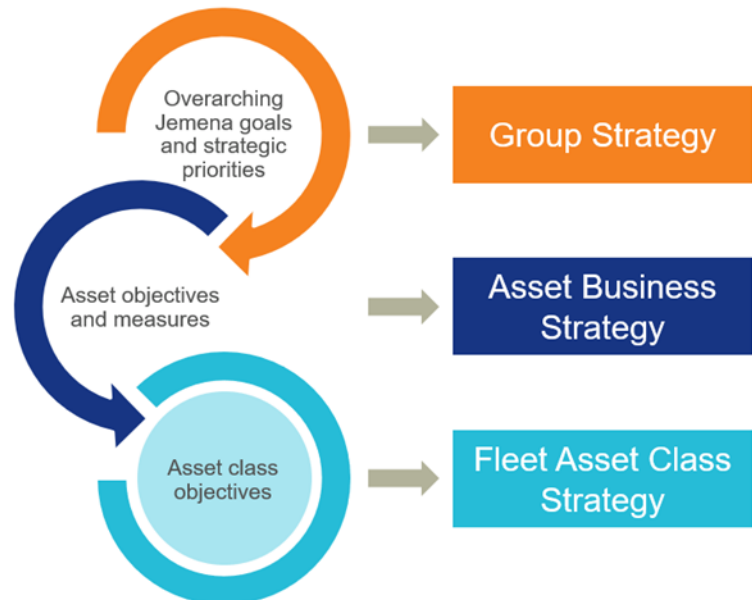
This section provides the line of sight from corporate goals through to the property asset class objectives.

The Property ACS supports the JEN business. JEN maintains an ABS, which outlines its asset objectives. The asset objectives are in turn informed by the goals described in the Group strategy.

This Property ACS considers the asset objectives detailed in the ABS, along with current performance data on relevant assets. It then defines a series of asset class objectives that apply to property assets.

These asset class objectives then help determine the appropriate property management strategies to support JEN deliver electricity distribution services to its customers.

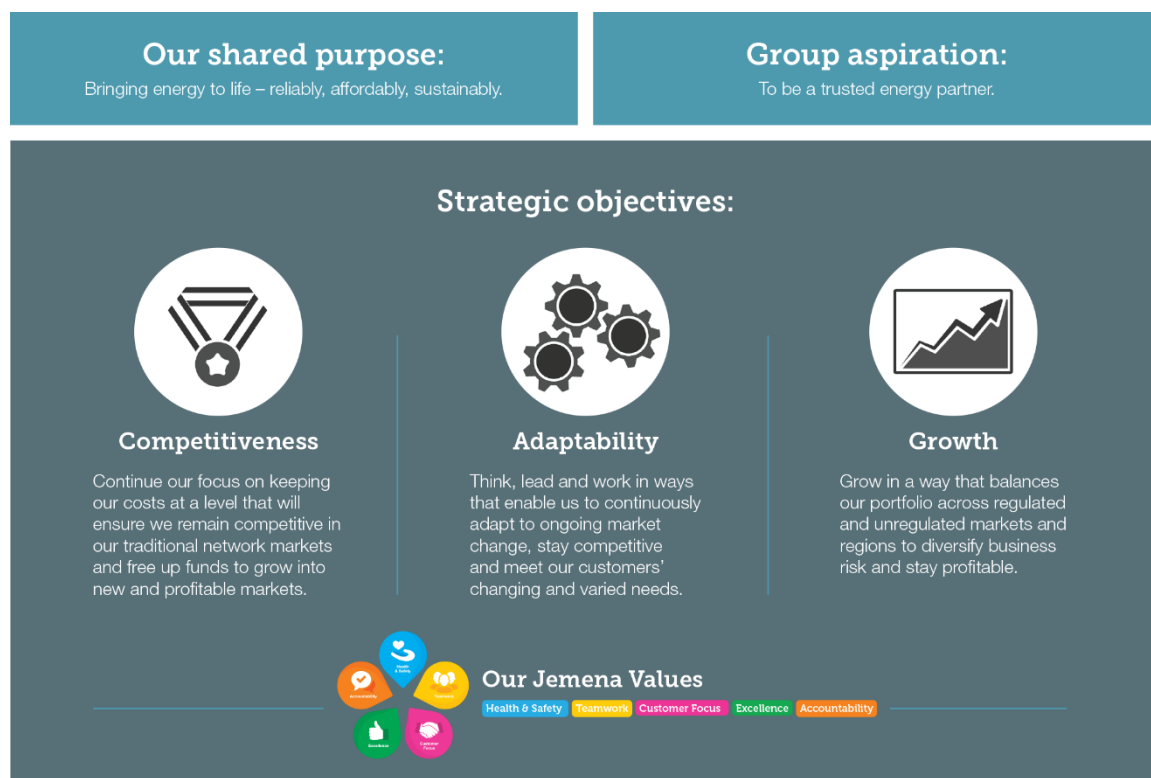
Figure 2-1: Documents that contain the various corporate and asset-specific goals, pillars and objectives.



3.1 GROUP STRATEGY

The Group Strategy is presented in Figure 3-2 below.

Figure 3-2: Overview of Group Strategy



The three pillars under the Strategic Objectives of the Group Strategy are overarching goals that apply to JEN, and are used to inform the specific property asset class objectives through several key objectives shown in Figure 3-3 below.

Figure 3-3: Key success measures and objectives



3.2 ASSET CLASS OBJECTIVES

This JEN property ACS aligns the property asset class objectives to key strategic objectives (as shown above) which support the Group Strategy. Given the JEN ABS is directly informed by objectives which support our Group Strategy this approach ensures broad alignment with JEN's needs. The property asset class objectives are presented in Table 3-1 below.

Table 3-1: JEN property asset class objectives

JEN Key Objective	Property asset class objective	Measure	Target
Customer Have our customers advocate for us based on their experience of our products	Maintain effective stakeholder and landowner management and engagement to ensure our relationships facilitate optimum outcomes for customers	Stakeholder/landowner engagement activities delivered against plan	98%
		Tenure currency for network sites	Tenure for Network sites managed in accordance with Property tenure Risk Strategy
		Non-network lease currency	All leases within 6 month currency
	Manage property assets to ensure the safety of employees, contractors and the public	Property risks updated in JCARS	All risks identified and subsequent actions to be captured in JCARS by end of relevant quarter
		Preventative maintenance schedules completed and reports completed on time	100%
		Reactive maintenance within SLAs	95%
		LTIFR due to property malfunction	Zero
	Ensure all property statutory requirements are met	Installation certification and certifier sign off, development consent, landlord approval BCA compliance, DDA compliance Occupancy certificates	All relevant approvals, certificates and compliance requirements are met.

Performance Build efficient operations with the capacity to grow with us	Drive property cost reductions/avoid cost increases whilst maintaining the required levels of performance of property assets	Monthly building and property performance reporting	Reporting completed on time and key data fed into budget forecasts
	Optimise the performance of our property assets in a reliable and sustainable manner, with consideration to performance, cost and risk	Desk utilisation at major non-network sites	>85%
		Car park utilisation at Melbourne and Nth Sydney	>95%
	Consistently deliver against property capital and operating expenditure plans	Network property acquisition plan	All network property acquired/disposed of in accordance with Property tenure Risk Strategy
		Non-network leasing, acquisition and maintenance program	All non-network property managed activities completed within total budget
	Foster a culture of continuous improvement within JEN	No. of ASPIRE incidents relating to property failure or fault at zero	Zero per annum
Growth Grow profitably and sustainably	Support business development and opportunities for growth	Continual improvement initiatives implemented	3 initiatives implemented by end 2019
		Network land access (excluding project)	100% of land access requirements associated with network expansion secured within project timeframes.
		Non-network property leases/access	100% of lease/property access requirements associated with market expansion secured within agreed project timeframes.

People Ensure we have the right people and capability to deliver the plan	Improve the capability and engagement of the Property Team	Property Team training and communications sessions held	Property Team members to participate in at least 4 sessions per year
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A summary of performance of the asset class against these objectives, as well as key projects identified to address and/or maintain performance is provided in the following section.

3.3 ASSET CLASS FUNCTION, PERFORMANCE AND REQUIREMENTS

This section provides an overview of performance across the property asset class, measured against the asset class objectives. It includes a high level description of the asset class function, current performance and condition requirements.

This section also includes a summary of the key projects/actions required to maintain non-network property asset performance and mitigate risk, informed by the most recent property lifecycle and maintenance plans.

More detailed information of performance, risk and specific projects at the asset sub-class level is provided in section 4 of this ACS.

3.3.1 FUNCTION

The function of JEN's *network* property assets is to accommodate JEN's network assets (e.g. Electricity Zone Substation).

The function of JEN's *non-network* property assets is to accommodate JEN's equipment and employees in order to operate the JEN business. This includes depots, EEHAs and offices.

3.3.2 PERFORMANCE

The condition of property assets is determined by various means and differs for Network and Non-Network property assets. In most instances network property consists of land only, whereas for non-network property the condition of the building is also considered.

Monthly inspections of buildings and properties are currently conducted at all non-network sites. These are visual inspections, which assess the physical condition of the building and its components and identify any apparent maintenance requirements.

The maintenance identified may be added to the:

- Preventive Maintenance Schedule
- conducted as reactive maintenance, or
- scheduled as part of our CAPEX program.

These are classed as either ad-hoc or scheduled lifecycle and the type of maintenance or replacement required will determine if the cost is OPEX or CAPEX in nature.

An overall broad and subjective condition and functionality report is conducted with the site occupier on all non-network Depots' and EEHA's every three years. The last one was conducted in April 2019. This provided information for all building assets considering fitness for use, health and safety, security, functionality and amenity. From this information decisions around maintenance and lease options are actioned.

Lifecycle management plans for all major sites have been established and these are used to plan replacement CAPEX items. Plans are being established for other sites as part of our continual improvement approach.

The following sections detail current performance against the asset objectives presented in Table 3-1, including a summary of key initiatives designed to help achieve each objective.

3.3.2.1 Maintain effective stakeholder and landowner management and engagement to ensure our relationships facilitate optimum outcomes for customers

Measure	Target	Current performance
Stakeholder/landowner engagement activities delivered against plan	98%	Current performance is tracking at 100% (as at 30 June 2019).
Tenure currency for network sites	Tenure for Network sites managed in accordance with Property tenure Risk Strategy	Currently all key network sites have tenure (as 30 June 2019) in accordance with the Property tenure Risk Strategy.
Non-network lease currency	All leases within 6 month currency	Currently all non-network sites have at least 6 months remaining with Non-network property leases set for review within the next 12 months.

The following key initiatives have been identified for 2019 to help improve customer service performance and engagement:

- Implement landowner and stakeholder strategies, policies and procedures <http://ecms/otcs/cs.exe/app/nodes/311366717>.
- Implement Transactions Procedure, detailing consistent methodologies for property acquisition and divestment.
- Implement standard registration of Jemena interest on title procedure.
- Integrate SAP screens for property relating to all construction jobs.

3.3.2.2 Manage property assets to ensure the safety of employees, contractors and the public

Measure	Target	Current performance
Property risks updated in JCARS	All newly identified or closed out risks captured in JCARS by end of relevant quarter	JCARS is up to date as at 30 June 2019
Preventative maintenance schedules completed and reports on file on time	100%	This is a new target for 2019.
Reactive maintenance within SLAs	95%	This is a new target for 2019.

LTIFR due to property malfunction	Zero	As at 30 June 2019, there were zero lost time incidents due to property malfunctions in the preceding 12 months.
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The following key initiatives have been identified for 2019 to help improve safety performance and stakeholder perception/awareness of safety performance:

- Implement of SASSI contractor management system.
- Ensure lifecycle management plans are in place for all major sites.
- Preventative maintenance schedules in place and complied with.
- Reactive maintenance recorded and measured within SLAs.
- Conduct annual risk assessments of key property risks.
- Implement project stakeholder engagement plans.

3.3.2.3 *Ensure all property statutory requirements are met*

Measure	Target	Current performance
Ensure all property statutory requirements are met	Installation certification and certifier sign off, development consent, landlord approval	As at 30 June 2019, all non-network properties hold valid certification and approvals, or relevant approvals were pending.

The following key initiatives have been identified for 2019 to help ensure all property statutory requirements improve safety performance and stakeholder perception/awareness of safety performance:

- Ensure lifecycle management plans are in place for all major sites.
- Implement continual improvement of IT solutions to ensure property data is accurate, timely and reliable.

3.3.2.4 *Drive property cost reductions whilst maintaining the required levels of performance of property assets*

Measure	Target	Current performance
Monthly building and property performance reporting	Reporting completed on time and key data fed into budget forecasts	Monthly reporting has been delivered on time during the period up to 30 June 2019. Relevant information has been input into JEN budgets.

The following key initiatives have been identified for 2019 to help reduce costs without compromising performance:

- Implement documented property policies, procedures and work instructions which comply with Jemena policies and procedures and the asset management system.
- Document and mapping all property processes and intersection points.
- Ensure lifecycle management plans are in place for all major sites.

- Implement continual improvement of IT solutions to ensure property data is accurate, timely and reliable.

3.3.2.5 *Optimise the performance of our property assets in a reliable and sustainable manner, with consideration to performance, cost and risk*

Measure	Target	Current performance
Desk utilisation at major non-network sites	>85%	Tracking to target
Car park utilisation at Melbourne and Nth Sydney	>95%	Tracking to target

The following key initiatives have been identified for 2019 to help optimise our property portfolio:

- Introduce regular benchmarking of financial and other performance of property assets.
- Ensure lifecycle management plans are in place for all major sites.

3.3.2.6 *Consistently deliver against property capital and operating expenditure plans*

Measure	Target	Current performance
Network property acquisition plan	All network property acquired/disposed of within total budget	Tracking to target and within budget
Non-network leasing, acquisition and maintenance program	All non-network property managed activities completed within total budget	Tracking to target and below budget

The following key initiatives have been identified for 2019 to help ensure we deliver against capital and operating plans:

- Comply with project management and contract management frameworks as far as practicable.
- Introduce regular benchmarking of financial and other performance of property assets.

3.3.2.7 *Foster a culture of continuous improvement within the Property Team*

Measure	Target	Current performance
No. of ASPIRE incidents relating to property < 5 per annum	zero per annum	In the 12 months to 31 March 2019, there were zero ASPIRE incidents to property.

The following key initiatives have been identified for 2019 to help increase engagement and continual improvement:

- Implement continual improvement of IT solutions to ensure property data is accurate, timely and reliable.
- Implement the Property Integration Procedure.
- Quarterly Property Team all-ins providing opportunities for learning and innovation.

3.3.2.8 Support business development and opportunities for growth

Measure	Target	Current performance
Continual improvement initiatives implemented	3 initiatives implemented by end 2019	3 continual improvement initiatives were delivered during 2018. These were: updated property document procedure and implemented new AMS Document Management Framework, completed streamlined land titles registration procedure, 3 will be identified for delivery during 2019.
Network land access	100% of land access requirements associated with network/pipeline expansion secured within agreed project timeframes. (exc Projects)	Current performance is tracking at 100% (as at 30 June 2019).
Non-network property leases/access	100% of lease/property access requirements associated with market expansion secured within project timeframes.	Current performance is tracking at 100% (as at 30 June 2019).

The following key initiatives have been identified for 2019 to help position JEN to best support business growth:

- Implement continual improvement of IT solutions to ensure property data is accurate, timely and reliable.
- Ensure lifecycle management plans are in place for all major sites.
- Implement the Property Integration Procedure.

3.3.2.9 Improve the capability and engagement of the Property Team

Measure	Target	Current performance
Property Team training and communications sessions held	All Property Team members to participate in at least 4 sessions per year	Engagement sessions have been placed on hold for 2019, following the completion of the organisational restructure and to be re-planned for 2020.

The following key initiatives have been identified for 2019 to help increase collaboration, and functionality of workspaces:

- Provide cross team collaboration and learning opportunities within and outside of the Property Team.
- Quarterly Property Team all-ins providing opportunities for learning and innovation.

4 ASSET SUB-CLASS STRATEGIES

The following sections provide further detail on the sub-classes of Jemena property assets. It describes the current performance assessment of each asset sub-class and the maintenance and replacement strategies applied to each asset. It also covers asset lifecycle management, from asset creation through to disposal.

The property asset sub-classes are:

- network property; and
- non-network property.

4.1 NETWORK PROPERTY

4.1.1 INTRODUCTION

Utility service providers require rights on parcels of land where network assets are required to be constructed and maintained. These rights protect JEN's ability to install the asset on the land and to access and maintain those assets.

Network property consists of primarily land only. Where JEN assets are housed within a building, Jemena's usual practice is to ensure responsibility for maintaining the building remains with the owner of the land. JEN has visibility of both permanent and temporary property rights. Permanent rights include title (ownership) and easements registered on title. Temporary rights include leases and licenses. These property rights comprise the property assets in relation to network property.

Maintenance of network sites is not the responsibility of the Asset Management functional group (this sits with Service and Projects) and is therefore outside the scope of this ACS. The acquisition and divestment of these parcels of land, however, are the responsibility of JEN.

Jemena acquires properties as required by its asset business. The requirement for property may be initiated by a customer request for our services or a Jemena requirement to extend or maintain our networks. The different property rights are:

- **Freehold (Title)** - a title is an official record detailing the ownership of a parcel of land. The land is held in fee simple by the relevant JEN entity. This is the strongest form of land tenure available in Australia and provides exclusive possession amongst other rights and responsibilities.
- **Easement** – an easement provides for enduring rights over land held by a third party. Typically, the type of rights conferred via easement will include rights of access and egress, restriction on land uses and activity rights for any infrastructure to remain on the land and rights to undertake necessary maintenance and other activities. Typically, easement rights will be registered on title and carry with the land.
- **Lease** – a lease represents an agreement between a landowner and another party to rent a portion of or a parcel of land. A lease arrangement is characterised by exclusive possession, duration and end date and payment of rental for the lease. It is typically registered on title and will carry with the land.
- **Licence** – a licence represents an agreement between a land owner and another party to use a parcel of land for a specified time. It is usually not registered on title and is a non enduring right.

The acquisition strategy for network property tenure is largely driven by the asset on site and the business requirements for the site. Jemena's preference is to own any critical properties e.g. zone substation sites, to reduce the tenure risk that these sites present to the business.

Easements remain in perpetuity. Any leases or licences requiring renewal are managed by Jemena using critical date monitoring. These leases/licences are renegotiated with landowners on an as-needs basis.

It is not Jemena's normal practice to dispose of minor network sites when no longer in use. These sites are typically tenured by way of an easement. The property tenure is maintained for potential future use, unless the landowner requests our tenure be removed/relinquished. For most network sites this is usually a more inexpensive option than relinquishing land rights and then trying to re-establish land rights for future network assets at a later date.

For major network sites which are leased or owned, an internal review is conducted to determine any potential future use of the land by Jemena. Following this, a best future use analysis may be conducted, particularly where Jemena owns the land. The analysis will include both internal and external uses for the site and determine the best future use of the site from a risk and financial perspective. A recommendation, based on the report is then completed and submitted for Board Approval under the Jemena DFA.

4.1.2 RISK

The primary types of risk that impact property are:

- inaccurate data around land records;
- expired leases/licences on network sites;
- unable to negotiate suitable land tenure;
- unable to negotiate on current terms (better than commercial rates); and
- high volume of inaccurate or no property tenure across assets.

4.1.2.1 Criticality

Criticality of network property has been assessed as minor (using the corporate risk matrix). While this rating applies to the sub-class as a whole, the inability to acquire and maintain land access rights around major electricity assets would rate as serious or higher using the corporate risk matrix. Land rights around the JEN zone substations are considered critical.

Criticality is also determined to be higher on any property tenure that is responsible for servicing a large number of customers. The more customers relying on the asset to deliver energy, the higher the criticality of the property tenure.

4.1.2.2 Failure modes

Not applicable.

4.1.2.3 Current risks

Risks related to network property are recorded in JCARS. The following table gives an overview of the current risks that impact network property.

Table 4-1: Summary of network property risks

Type of risk	Description of specific asset sub-class risk	Likelihood	Consequence	Target risk rating	Current risk rating	Control
Financial Reputational	Inaccurate data around land records	Possible	Minor	Moderate	Moderate	Audit of data complete for JEN and other Jemena Group Property assets
Financial	Expired leases/licences on network sites	Likely	Minor	Moderate	Moderate	Lease / licence register, regular review
Financial Operational (supply)	Unable to negotiate suitable land tenure	Possible	Serious	Moderate	Moderate	Skilled employees, early engagement by the business
Financial	Unable to negotiate on current terms (better than commercial rates)	Possible	Minor	Moderate	Moderate	Skilled employees, early engagement by the business
Financial Reputational	High volume of inaccurate or no property tenure across assets (particularly JEN)	Likely	Minor	Moderate	Moderate	New property tabs and process in SAP Property included in gating process

4.1.2.4 *Existing controls*

See Table 4-1.

4.1.2.5 *Future risks*

The ACS contemplates risk over a 20-year horizon, with all current and emerging risks captured in JCARS. The following potential risk relating to network property has been identified:

- High volume of encroachments in south west Sydney.

This risk will be investigated further and mitigation strategies developed pending further information regarding its likelihood and potential impact.

4.1.3 PERFORMANCE

Network sites tend to be land, therefore asset performance is not applicable. Current performance against asset objectives related to network sites (tenure and stakeholder/landowner engagement) is detailed in section 3.3.2. Initiatives related to achieve asset objectives are also summarised in section 3.3.2.

4.1.3.1 *Requirements*

A summary of current requirements, including information on asset age, condition and asset management strategies is provided in Table 4-4, in section 4.2.1.1 of this document.

4.1.3.2 *Life expectancy*

The life expectancy of network property assets is determined by the tenure type as detailed below:

- Freehold (Title) - the nominal life of a freehold property without improvements is in perpetuity. The nominal life of the asset on the property, can be found in the relevant Asset Class Strategy;
- Easement – the nominal life of an easement is in perpetuity, excluding any extinguishment or resumption;
- Leasehold – the nominal life of a leasehold property is aligned to the duration of the lease over the site. For network sites the lease period is typically somewhere between 10 and 100 years.

Factors affecting life expectancy include:

- the terms of a lease;
- the terms of a licence; and
- the ability to renegotiate terms.

Information on the life expectancy of the current portfolio of property assets is captured in Table 4-4.

4.1.3.3 *Assessment*

An assessment of the current portfolio of network property assets is captured in Table 4-4: Summary of non-network property status, condition and strategies

4.1.3.3.1 *Age profile*

The age profile of network property assets is determined from the date of acquisition. Land tends not to deteriorate over time, therefore the age profile is irrelevant.

4.1.3.3.2 Condition assessment

There are no condition assessments performed in relation to network property assets by the Property Team, however, the condition of the land (insofar as it may affect the energy asset owned by Jemena – through subsidence, development or vegetation growth) is monitored and managed by Service Delivery as part of its accountability to manage network properties.

Jemena do, however, undertake audits and assessments in relation to Jemena's tenure status on network properties. This helps underpin Jemena's overall understanding of its network property assets' condition.

4.1.3.3.3 Utilisation

The network property asset is used to accommodate electricity network assets.

4.1.3.3.4 Performance analysis

Performance analysis is not conducted on this sub asset class.

4.1.4 LIFE CYCLE MANAGEMENT

JEN manages the life cycle integrity of assets as outlined in section 7 of the AMS Manual.

Options for asset lifecycle management reflect a trade-off between capital and operating expenditure. The preferred asset lifecycle management option for this asset sub-class involves ensuring the most appropriate land tenure is pursued at or below commercial terms. Jemena tenure is usually only disposed of at the request of the landowner (e.g. release an easement) and when the tenure is no longer required.

The maintenance of all network property land tenure is the responsibility of Services and Projects and the Distribution ACS and Primary Plant ACS.

4.1.4.1 *Creation*

Network property assets are created (acquired) when the business requires land to locate/relocate an asset in order to supply customers. Steps involved with network property asset creation are:

1. Generate enquiry in SAP detailing the requirement for land;
2. Consider the type of land tenure required – e.g. permanent, short term, long term;
3. Negotiate commercial terms;
4. Complete documentation;
5. Register Jemena land tenure on title as required.

The creation of land tenure could also be triggered by a lease or licence renewal. In the case of renewal, steps 2-5 are followed. The acquisition strategy for network property tenure is driven by the asset on site and the business requirements of the site. Asset operation and maintenance

The operation and maintenance of network property is the responsibility of Services and Projects and outside this ACS.

However, the Property Team has responsibility for ongoing landholder engagement and relations.

A procedure detailing the approach to landholder and stakeholder engagement is located in ECMS.

4.1.4.2 *Asset replacement/disposal*

4.1.4.2.1 Asset replacement

Land tenure for network property is generally not disposed of regularly. The assets located on the land are usually long term in nature, which dictates land tenure.

Jemena tenure is usually only disposed of at the request of the landowner (e.g. release an easement) and when the tenure is no longer required.

4.2 NON-NETWORK PROPERTY

4.2.1 INTRODUCTION

Non-network property includes properties held for the purposes of storing equipment and accommodating employees and contractors to operate the Jemena business. Non network properties includes EEHAs, depots and corporate offices. Jemena acquires and maintains these properties as required by the business.

The different types of property tenure rights utilised for non-network properties are leased or freehold. The acquisition strategy for non-network property tenure is to own critical sites, where financially sustainable to do so.

JEN is responsible for maintenance of non-network assets. The maintenance strategy for non-network property depends on the tenure type.

Where properties are owned, JEN's responsibility for the site extends to:

- the exterior and interior fit out of the building in its entirety; and
- the land on title surrounding the building.

Where properties are leased, JEN's responsibility is usually limited to:

- management of the right to occupy (lease);
- management of preventative and regular maintenance items in accordance with the terms of the lease; and
- management of the fit out in accordance with the terms of the lease.

Jemena's responsibility does not usually include structural and integral fittings – e.g. replacement of air conditioning, plumbing and electrical. These remain the responsibility of the building owner.

A summary of the non-network sites currently owned/leased by Jemena is provided in section 1.3.

4.2.2 RISK

The primary types of risk that impact property are:

- exposure to asbestos;
- accident caused by poor traffic management;
- injury to employees or member of the public caused by property malfunction;
- inability to negotiate suitable property tenure; and
- loss of a critical site leading to operational impacts.

4.2.2.1 Criticality

The criticality of non-network property has been assessed using the Asset Criticality Assessment Procedure (JEM AM PR 0016) and the Corporate Risk Matrix as follows. The results are summarised in the table below.

Table 4-2: Non-network asset criticality assessment

Rating	Rating description	Property implications	Sites/Key Assets
AC1 (Low)	Negligible impact on Jemena. Issues are routinely dealt with by operational areas	Applies to an asset that offers absolutely no return to the basic core business requirements. Could include sites which we lease to others. These sites are earmarked for potential disposal.	N/A
AC2 (Moderate)	No material impact on Jemena, issues are dealt with internally	Whilst the site is required to meet the basic needs of the business, if the site was lost we could easily replace or make other arrangements in the short term.	N/A
AC3 (Significant)	Moderate impact on Jemena strategies or operational activities. Significant stakeholder concern/interest	Applies to assets which are required to meet the basic needs of the business. Assets which are very important to Jemena including large depots servicing our networks. Could include access to vehicles and/or stock supplies. Could also include strategically placed facility where no other options in proximity to asset.	Broadmeadows, Tullamarine, ,
AC4 (High)	Significant impact on strategies or operational activities. Significant stakeholder concern/interest	Allows for a high level of criticality to core business requirements without being rated extreme. High profile sites with critical components including control rooms, large number of employees. Loss of site would incur large impacts which could be HSE, operational reputational, financial, regulatory or compliance related.	567 Collins St Melbourne, 99 Walker St North Sydney,
AC5 (Extreme)	N/A	N/A	N/A

Property assets have been assessed in terms of the property as a whole, rather than the individual components of each property. As our AMS matures, consideration will be given to the benefits of assessing criticality of individual property components.

4.2.2.2 Failure modes

The primary failure modes (risks) and controls that apply to non-network property are presented in Table 4-3.

4.2.2.3 Current risks

Risks related to non-network property are recorded in JCARS. The following table gives an overview of the current risks that impact non-network property.

Table 4-3: Summary of non-network property risks

Type of risk	Description of specific asset sub-class risk	Likelihood	Consequence	Target risk rating	Risk rating	Control
Safety Financial Reputational	Exposure to asbestos	Rare	Serious	Low	Low	<ul style="list-style-type: none"> Asbestos audits on all non-network sites, action items/plan to HSE New audit every five years Asbestos Register
Safety, Reputational	Accident caused by poor traffic management	Unlikely	Severe	Moderate	Moderate	<ul style="list-style-type: none"> Traffic management safety training Use of accredited traffic management contractors Design, review of incidents
Safety, Reputational	Injury to employees or member of the public caused by property malfunction	Unlikely	Major	Significant	Significant	<ul style="list-style-type: none"> Regular building inspections Aspire incident reporting Annual test and tag
Financial	Unable to negotiate suitable property tenure	Rare	Minor	Low	Low	<ul style="list-style-type: none"> Early engagement of Property Team to determine business requirements Regular reviews of lease expiries Flexibility in lease agreements Purchase of critical sites, where possible
Financial Reputational Operational (supply)	Loss of a critical site leading to operational impacts	Rare	Severe	Moderate	Moderate	<ul style="list-style-type: none"> Regular reviews of lease expiries Regular building inspections Fire safety audits BCP

4.2.2.4 *Existing controls*

See Table 4-3: Summary of non-network property risks

4.2.2.5 *Future risks*

The ACS contemplates risk over a 20-year horizon, with all current and emerging risks captured in JCARS. The following potential risk relating to non-network property has been identified:

- Scalability resulting from purchase or divestment of assets and operating in a rapidly changing environment.

Potential controls for this emerging risk include flexibility in leases, expansion and contraction clauses, and establish Property Team resources across states.

This risk will be investigated further and mitigation strategies developed pending further information regarding its likelihood and potential impact.

4.2.1 PERFORMANCE

Performance of the non-network property asset sub-class as a whole is assessed via performance against the asset class objectives outlined in section 0. Performance against these asset class objectives is summarised on section 3.3.2.

Performance of individual non-network assets is recorded in the relevant asset lifecycle plan.

4.2.1.1 *Requirements*

A summary of current requirements, including information on asset age, condition and asset management strategies is provided in Table 4-4.

Table 4-4: Summary of non-network property status, condition and strategies

Non-network site address	Utilisation	Lifecycle plan	Ownership status	Lease expiry	Condition assessment	Description and strategy
567 Collins Street, Melbourne	Commercial office	Lifecycle Management Plan under review	Leasehold	31/07/28	Good - excellent	<p>In August 2015 Jemena entered into a long term lease for this site to accommodate office employees from Mount Waverley, Forest Hill and Docklands.</p> <p>The strategy for this site is to continue to occupy the premises on a long term basis. The lease for this site has been structured to provide flexibility to accommodate Jemena's future growth or contraction.</p> <p>As part of the lease agreement, Jemena is required to keep the building in good repair and replace worn or damaged items with items of similar quality.</p> <p>As key components of the building reach their useful life, if they are not replaced, faults and breakdowns of plant and equipment will escalate and HSE and compliance risks will escalate accordingly. The scale and cost of the refurb will depend on the condition of the building and its components at the time and the ongoing requirements of the Jemena asset businesses occupying it.</p>
99 Walker Street, North Sydney	Commercial office	Lifecycle Management Plan under review	Leasehold	28/02/28	Good - excellent	<p>In March 2015 Jemena entered into a long term lease for this site to accommodate office employees previously located in Sydney Olympic Park and 111 Pacific Highway, North Sydney. The strategy for this site is to continue to occupy the premises on a long term basis. The lease for this site has been structured to provide flexibility to accommodate Jemena's future growth or contraction.</p> <p>As part of the lease agreement, Jemena is required to keep the building in good repair and replace worn or damaged items with items of similar quality.</p> <p>As key components of the building reach their useful life, if they are not replaced, faults and breakdowns of plant and equipment will</p>

						<p>escalate and HSE and compliance risks will escalate accordingly. The scale and cost of the refurb will depend on the condition of the building and its components at the time and the ongoing requirements of the Jemena asset businesses occupying it.</p>
48-56 King William Street, Broadmeadows	Depot and Field Office	Lifecycle Management Plan under review	Freehold	n/a	Very good	<p>The Property Team completed construction of the new Broadmeadows Depot in November 2017.</p> <p>The strategy for this site is to continue to occupy the redeveloped premises on a long term basis.</p> <p>Jemena's practice is to undergo refurbishment every eight to ten years as it is current industry good practice and also co-incides with end of life for key building components eg. Mechanical, hydraulics, electrical, fire. The ten year period for this building will occur in 2027.</p> <p>As key components of the building reach their useful life, if they are not replaced, faults and breakdowns of plant and equipment will escalate and HSE and compliance risks will escalate accordingly. The scale and cost of the refurb will depend on the condition of the building and its components at the time and the ongoing requirements of the Jemena asset businesses occupying it.</p>
77 Keilor Park Drive, Tullamarine	Depot	Lifecycle Management Plan under review	Freehold	n/a	Fair	<p>This site was purchased in and development completed in 2014 to accommodate the field operations employees in the northern suburbs of Melbourne. The strategy for this site is to continue to occupy the premises on a long term basis.</p> <p>Jemena's practice is to undergo refurbishment every eight to ten years as is current industry good practice and also co-incides with end of life for key building components eg. Mechanical, hydraulics, electrical, fire. The ten year period for this building will occur in 2024.</p> <p>As key components of the building reach their useful life, if they are not replaced, faults and breakdowns of plant and equipment will escalate and HSE and compliance risks will escalate accordingly. The scale and cost of the refurb will depend on the condition of the building and its components at the time and the ongoing requirements of the Jemena asset businesses occupying it.</p>

4.2.1.2 Life expectancy

The life expectancy of network property assets is determined by the tenure type as detailed below:

- Freehold (Title) - the nominal life of a freehold property without improvements is in perpetuity. The nominal life of the asset on the property, can be found in the relevant Asset Class Strategy;
- Easement – the nominal life of an easement is in perpetuity, excluding any extinguishment or resumption;
- Leasehold – the nominal life of a leasehold property is aligned to the duration of the lease over the site. For network sites the lease period is typically somewhere between 10 and 100 years; and

Factors affecting life expectancy include:

- the terms of a lease;
- the terms of a licence; and
- the ability to renegotiate terms.

Information on the life expectancy of the current portfolio of non-network property assets is captured in Table 4-4.

4.2.1.3 Assessment

An assessment of the current portfolio of non-network property assets is captured in Table 4-4.

4.2.1.3.1 Age profile

See Table 4-4.

4.2.1.3.2 Condition assessment

See Table 4-4.

4.2.1.3.3 Utilisation

See Table 4-4.

4.2.1.3.4 Control effectiveness

See the summary of risk controls in Table 4-3.

4.2.1.3.5 Performance analysis

See Table 4-4.

4.2.2 LIFE CYCLE MANAGEMENT

JEN manages the life cycle integrity of its assets as outlined in section 7 of the AMS Manual. The options available for asset lifecycle management reflect a trade-off between capital and operating expenditure. The preferred asset lifecycle management option for the non-network property asset class involves reducing risk and maintenance costs through proactive lifecycle management of non-network properties.

Lifecycle management plans are in place for all major sites. There are also strategies in place to address preventative maintenance, energy efficiency and efficient space utilisation for major sites.

JEN's preferred lifecycle strategy is to undertake proactive management. This involves properly maintaining buildings and fit outs to ensure the working environment for JEN employees is structurally

safe and operationally efficient. A Proactive maintenance approach includes preventative maintenance and a fix on fail approach. This approach is taken for all occupied JEN non-network sites.

A distinction should be made between freehold and leased sites. While Jemena holds the overall responsibility for the lifecycle management plan and all maintenance for freehold sites, at leasehold sites Jemena's responsibility for maintenance is dictated by the terms of the lease.

4.2.2.1 *Creation*

Non-network property assets are created following the identification of a business requirement for property. The property portfolio transactions procedure <http://ecms/otcs/cs.exe/app/nodes/311548537> details the steps taken to acquire a property.

A business requirement for property may be due to:

- acquisition or creation of a new network asset;
- expiry of an existing lease;
- identification of poor condition, functionality or utilisation of a current property; or
- a change in business strategy or direction.

The acquisition strategy for non-network property tenure is to own critical sites where possible. Critical sites are those sites which are categorised as Criticality levels AC5 - AC 3. This strategy aims to ensure we have control over these key properties in the long term.

While this represents the ideal property tenure, this is not always possible. JEN has a series of property principles (see section 1.1.1), which are used in considering all property acquisitions after considering these principles, ownership may not be the most prudent or efficient option, in which case a leasing arrangement will be pursued.

Non-critical sites are usually leased for a period of not less than three years, but this may be dictated by the business requirements.

Jemena procurement and DFA policies must be followed in the acquisition of non-network property.

4.2.2.2 *Asset operation and maintenance*

Jemena's maintenance program is based on a proactive maintenance approach, which conforms to Australian Standards, legislation and manufacturers warranties. The program for each site may vary slightly, depending on the size, location, criticality and utility of the property

There are three major components of our proactive management approach:

- site inspections;
- reactive and corrective maintenance; and
- planned and preventative maintenance.

4.2.2.2.1 *Site inspections*

While all major sites are informally inspected daily, a formal condition assessment is conducted against a structured criteria checklist at regular intervals as follows:

- major sites – monthly;
- other buildings – annually.

Condition assessments are conducted by way of a detailed walkthrough assessing all items throughout the building from air-conditioning units to paintwork and carpet tiles. All items on the checklist are inspected and recorded.

In addition to these condition assessments, a fortnightly walkthrough of all major sites is undertaken with our cleaning contractor for the purposes of checking their work and obtaining a view on the ongoing cleanliness of each site. Any identified issues are also raised, recorded and reviewed at this meeting.

Mechanical and other technical inspections where applicable, are conducted by suitably qualified and licenced contractors. All contractors, whether conducting inspections or maintenance and repairs, are monitored and controlled using SASSI, our contractor management system.

All contractors on site are required to have recorded their licence details, insurance details and Safe Work Method Statements into SASSI before entering our sites. An alert is sent to our facilities team when a noncompliance occurs.

The results of these inspections identify maintenance requirements, which are then scheduled on the reactive or planned and preventative maintenance schedule. Where possible, low priority maintenance requirements are grouped together to gain better value for money from trade contractors undertaking the works. It can also be of value to undertake these repair works during a 'window of opportunity' when contractors are attending for other preventative maintenance items.

On an annual basis the results of these inspections are used to inform lifecycle management plans, which in turn drives budget requirements.

4.2.2.2.2 Reactive and corrective maintenance

Reactive and corrective maintenance is identified through inspections and also by employees in the buildings. Our online facility logging system is accessible through the Jemena Intranet, for all major sites. This system allows maintenance issues to be logged and prioritised for completion.

Issues are prioritised according to criticality of asset, criticality of plant and equipment item, and other critical event criteria which has been predetermined and loaded into the software.

Reactive and corrective maintenance prioritisation categories are:

- Urgent – to commence within 1 hour of notification and be completed within 12 hours;
- Corrective – work to commence within 4 hours of notification and be completed within 2 working days;
- Routine – to commence within 2 days of notification and be completed within 10 working days, and
- Scheduled – in accordance with manufacturer's specification, maintenance program or as required.

4.2.2.2.3 Planned and preventative maintenance

Preventative maintenance schedules are in place for all non-network sites. Schedules consider statutory maintenance, lifecycle efficiency maintenance and maintenance required under manufacturers warranties.

Maintenance is scheduled according to manufacturer's warranties on equipment, statutory requirements and other maintenance required for the support of the operational needs of the organisation. The planned and preventative maintenance program for each site may be slightly different depending on the size, location, criticality, type of facility and the individual fit out, plant and equipment located at the property.

4.2.2.3 Asset replacement/disposal

Disposal of non-network property assets held by freehold or leasehold is recommended by the Property Team in consultation with the business and based around business requirements.

Where non-network properties are considered to be surplus to requirements, following confirmation from the business, a detailed business case is constructed and the appropriate approvals are pursued in accordance with the Jemena DFA.

4.3 INFORMATION

Jemena's AMS provides a hierarchical approach to understanding the information requirement to achieve Jemena's business objectives at the asset class. In summary, JEN's Business Plan, the ABS and various ACSs all provide the context for and determine the information required to deliver the Jemena property asset class objectives.

As presented in section 0, the property asset class objectives are as follows:

- Maintain effective stakeholder and landowner management and engagement to ensure our relationships facilitate optimum outcomes for customers
- Manage property assets to ensure the safety of employees, contractors and the public
- Ensure all property statutory requirements are met
- Drive property cost reductions whilst maintaining the required levels of performance of property assets
- Optimise the performance of our property assets in a reliable and sustainable manner, with consideration to performance, cost and risk
- Consistently deliver against property capital and operating expenditure plans
- Foster a culture of continuous improvement within property teams
- Support business development and opportunities for growth
- Provide highly engaging, collaborative and functional workspaces
- Improve the capability and engagement of property teams

From these business objectives, it is possible to identify at a high-level the business information systems' content required to support these objectives (Table 4-18).

Table 4-19 identifies the current and future information requirements to support the asset class's critical decisions and their value to the asset class.

Table 4.20 provides the information initiatives required to provide the future information requirements identified in Table 4.19. Included within this table is the risk to the asset class from not completing the initiative.

Summary

All of the information required by the property network asset class is available within Jemena's current business systems.

Table 4-5: Property asset class objectives and information requirements

Business objective	Jemena information sources	Externally sourced data
Maintain effective stakeholder and	<u>Network Properties</u>	<ul style="list-style-type: none"> • Current Cadastre (including land

landowner management and engagement to ensure our relationships facilitate optimum outcomes for customers	<ul style="list-style-type: none"> • ECMS – <ul style="list-style-type: none"> ◦ Land tenure records, property and transaction procedures, strategies and plans http://ecms/otcs/cs.exe/app/nodes/302084281 • SAP – <ul style="list-style-type: none"> ◦ enquiry screens/property tabs <p><u>Non Network Properties</u></p> <ul style="list-style-type: none"> • ECMS – <ul style="list-style-type: none"> ◦ Property and Transaction procedures, strategies and plans, Business case workflows http://ecms/otcs/cs.exe/app/nodes/302084281 • Property share drive - <ul style="list-style-type: none"> ◦ draft documentation, negotiations, requirements and correspondence 	<p>ownership) for each asset's geographical extent.</p> <ul style="list-style-type: none"> • Aerial Imagery for each asset's geographical extent • Base Mapping • Google 'Street View' • Land title information • FIRB legislation • Contractual documentation • Market property data and reports Property
Manage property assets to ensure the safety of employees, contractors and the public	<ul style="list-style-type: none"> • ECMS – <ul style="list-style-type: none"> ◦ Property Lifecycle management plans, ◦ property ACS, ◦ AMS, ◦ Property plans, policies and procedures http://ecms/otcs/cs.exe/app/nodes/302084281 • JCARS • Share Drive - Asset performance metrics and reports. • Hazard and Aspire incident reporting. 	<ul style="list-style-type: none"> • Legal and compliance documentation
Ensure all property statutory requirements are met	<p><u>Network Properties</u></p> <ul style="list-style-type: none"> • ECMS – <ul style="list-style-type: none"> ◦ Land tenure records, property and transaction procedures, strategies and plans http://ecms/otcs/cs.exe/app/nodes/302084281 • SAP – <ul style="list-style-type: none"> ◦ enquiry screens/property tabs <p><u>Non Network Properties</u></p> <ul style="list-style-type: none"> • ECMS – <ul style="list-style-type: none"> ◦ Property and Transaction procedures, strategies and plans, Business case workflow http://ecms/otcs/cs.exe/app/nodes/302084281 • Property share drive - <ul style="list-style-type: none"> ◦ draft documentation, negotiations, requirements and correspondence 	<ul style="list-style-type: none"> • AER benchmarking • Published audit reports / regulatory reviews • Legal and compliance documentation
Drive property cost reductions whilst maintaining the required levels of performance of property assets	<ul style="list-style-type: none"> • ECMS – <ul style="list-style-type: none"> ◦ Preventative maintenance plans, property audits and checklists, lifecycle management plans, property policies, procedures and work instructions http://ecms/otcs/cs.exe/app/nodes/302084281 • SAP – <ul style="list-style-type: none"> ◦ OPEX and CAPEX budget allocation and availability • Property performance metrics • Excel spreadsheets, ad hoc reporting 	<ul style="list-style-type: none"> • O&M Manuals • Supplier warranties • Contractor/Supplier recommendations

Optimise the performance of our property assets in a reliable and sustainable manner, with consideration to performance, cost and risk	<ul style="list-style-type: none"> Serraview reports (Space utilisation) Condeco reports (meeting room utilisation) SAP – <ul style="list-style-type: none"> CAPEX Budget allocation and availability ECMS – <ul style="list-style-type: none"> Jemena and property policies and procedures http://ecms/otcs/cs.exe/app/nodes/302084281 Property performance metrics <ul style="list-style-type: none"> Excel spreadsheets, ad hoc reporting 	<ul style="list-style-type: none"> BCA Legislative requirements
Consistently deliver against property capital and operating expenditure plans	<ul style="list-style-type: none"> SAP – <ul style="list-style-type: none"> CAPEX Budget allocation and availability AMS, AMP's and ACS 	<ul style="list-style-type: none"> AER benchmarking AER regulatory determinations
Foster a culture of continuous improvement within the Property Team	<ul style="list-style-type: none"> Property LT and Team meeting minutes Property Team all -ins agenda's and minutes 	<ul style="list-style-type: none"> Industry/peer analysis AER benchmarking AER regulatory determinations
Support business development and opportunities for growth	<ul style="list-style-type: none"> Property share drive – draft documentation, property records, business cases etc. 	<ul style="list-style-type: none"> AER benchmarking AER regulatory determinations
Provide highly engaging, collaborative and functional workspaces	<ul style="list-style-type: none"> Serraview reports (space utilisation) Condeco reports (meeting room utilisation) Engagement Survey responses 	<ul style="list-style-type: none"> Industry/peer analysis
Improve the capability and engagement of the Property Team	<ul style="list-style-type: none"> ET Web, performance reviews Success factors – training records 	<ul style="list-style-type: none"> External training courses

Table 4-6: Property assets critical decisions business information requirements

Critical business decision	Current information usage	Future information requirement	Value to asset class (High, Medium, Low with justification)
How we secure and protect appropriate property land tenure (Acquiring the preferred/actual land tenure for Jemena's network and non-network assets)	<p>Relevant legislative rights and requirements</p> <p>Market data: external source</p> <p>Valuations: external source</p> <p>SAP – property screens</p> <ul style="list-style-type: none"> - Lease critical dates for network property - current geospatial representation of the all cadastre – Road and property, all easements types, lot numbers, etc 	<p>JEN secondary land tenure records uploaded to ECMS</p> <p>Enables improved records, identification and mitigation of tenure risk and provides single source of truth.</p>	High – Financial, reputational and potential network supply impacts

How we manage legacy land tenure risks (Mitigating the risk of no or inappropriate legacy asset land tenure) (Network Properties)	ECMS - land tenure records	JEN secondary land tenure records uploaded to ECMS Enables improved records, identification and mitigation of tenure risk and provides single source of truth.	High – Financial, reputational and potential network supply impacts
How we acquire and divest property	ECMS - Land tenure information - Property and transaction procedures, strategies and plans -Business Case workflows SAP - Business requirements, asset type – network properties - Budget allocations		High - Financial, reputational and potential network supply impacts
How we maintain Non-Network Property sites	ECMS - preventative maintenance schedules - lifecycle management plans - specifications, warranties etc - property audits and checklists SAP - Budget allocation and availability	Upload preventative maintenance schedules and lifecycle management plans to ECMS	Medium- Financial, reputational, safety and potential network supply impacts
How we use our buildings E.g. changes to fit out, seating arrangements, space utilisation	ECMS - Site plans - Jemena and property policies and procedures SERRAVIEW (workspace utilisation) - Utilisation reporting – workstations at major sites SAP - Budget allocation and availability HR systems - Headcount and forecast headcount	Upgrade of reporting capability for building/space utilisation More accuracy, more efficient, less labour intensive Headcount and forecast headcount to include employees and contractors by site More timely planning	Medium -Financial, safety and employee engagement impacts

How we deliver projects	Property Share drive - Architectural plans, consultant reports, costings SAP - Budget allocation and availability ECMS - Business Case workflow		Medium- Financial, safety and reputational impacts
How we measure the performance of our property assets	Stored in and collated from disparate systems Spreadsheets, share drive, ECMS, SAP	Merge into single system for analysis and reporting Creates efficiencies, less labour intensive	Medium- Financial, Safety impacts

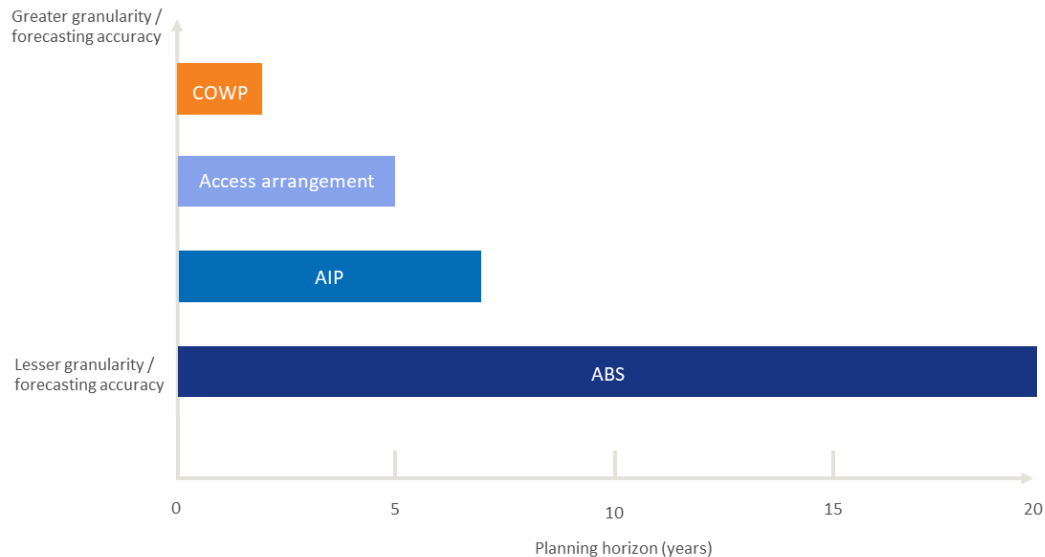
Table 4-7: Information initiatives to support business information requirements

Information initiative	Use case description	Asset class risk in not completing	Data quality requirement
Upload to ECMS	JEN secondary land tenure records uploaded to ECMS	Low	All files identified, transferred and managed via ECMS.

5 CONSOLIDATED PLAN

provides a high level estimate of capex and opex expected to be incurred over the next 20 years. The long-term expenditure profile in this ACS is one of four forecasting horizons JEN considers when incurring expenditure, with the two-year Capital and Operation Work Plan (COWP) being the most accurate.

Figure 5-1: Jemena expenditure planning horizons



The capex forecast is indicative only and represents the projects required for this asset class to continue to support the JEN objectives. The opex profile is also used to continually refine and optimise the cost of mitigating risk using opex solutions. .

Over time, these profiles have been informed by

- The objectives outlined in the ABS as well as customer expectations;
- JEN's regulatory and operating environments, asset condition and risk
- The forecast beyond two years is therefore subject to change as any of these factors change, and even more so beyond year seven¹.

These long-term expenditure profiles are used to help inform the various asset class strategies, providing an expenditure order of magnitude for the Property Team to work within. The property ACS is used to develop the various Jemena asset business AIPs, which include the capex and opex for that business for the next seven years.

The expenditure forecasts in the AIP form the basis of budget setting and actual expenditure. The itemised asset capex and opex for the first two years of the AIPs are included in the various COWPs.

¹ Seven years is the planning horizon of the AIP.

5.1 CAPITAL FORECAST

Property capex budgets are prepared by site with each site belonging to an asset. Costs are collected by site/project and then settled back to the relevant asset. Each year an amount is budgeted for each asset for property ad-hoc capex. This is to cover furniture and fittings and minor capex projects which are usually unforeseen at the time of budgeting.

The high-level long-term capex forecast for Jemena properties is presented in the following table.

Table 5-1: Forecast JEN long term capital expenditure

Category	Forecast capex (\$'000s, \$2019)					
	2020	2021	2022	2023	2024	2025
General Adhoc Allowance - Buildings	35	35	35	35	35	35
General Adhoc Allowance - Furniture	104	104	104	104	104	104
Tullamarine refurbishment- Buildings	0	0	382	0	0	0
Tullamarine refurbishment - Furniture	0	0	1,145	0	0	0
99 Walker refurbishment - Buildings	0	0	0	50	0	0
99 Walker refurbishment - Furniture	0	0	0	150	0	0
567 Collins refurbishment - Buildings	0	0	0	0	246	0
567 Collins refurbishment - Furniture	0	0	0	0	739	0
Broadmeadows Property Strategy - Buildings	0	0	0	0	0	382
Broadmeadows Property Strategy - Furniture	0	0	0	0	0	1,146
Total	138	138	1,666	338	1,124	1,666

6 TERMS AND DEFINITIONS

Capital expenditure (capex)	Expenditure to buy fixed assets or to add to the value of existing fixed assets to create future benefits.
operating expenditure (opex)	Expenditure (ongoing) for running a product, business, or system.
Asset business/businesses	Refers to the collection of tangible and non-tangible assets required to provide a product or service to its customers. Jemena consists of the following asset businesses: Jemena Electricity Network (JEN), Jemena Gas Network (JGN), Queensland Gas Pipeline (QGP), Eastern Gas Pipeline (EGP), Colongra Gas Pipeline (CGP), Northern Gas Pipeline (NGP), Evoenergy and Rosehill Recycled Water (AquaNet).
Asset class	A separation of the Assets into smaller manageable components that enable decision-making relating to implementing broader strategies in a meaningful way. Example is Facilities.
Asset Investment Plan (AIP)	The Asset Investment Plan provides the optimised plan to manage the assets, understanding the existing and future customer requirements and operating environments, balancing the competing requirements of financial constraints, commercial & business objectives, regulatory requirements, and asset condition (including risk/opportunities). It informs the 7 year operational and capital expenditure and the two-year plan of work.
Asset management policy	A short statement that sets out the principles by which Jemena intends to apply asset management to achieve its objectives.
Corrective maintenance	A repair or adjustment made to an asset or component after it has deteriorated beyond a predefined threshold, or where it has failed. Corrective maintenance typically occurs as a result of after maintenance tasks such as On-condition tasks or Failure-finding tasks have been conducted, or after a random failure which could not be predicted.
Condition based maintenance	Maintenance activities based on the condition of the asset. This concept relies on the existence of a feasible and consistent indicator that can be used to identify the health of an asset at any point in its life.
Major sites	Includes Melbourne, North Sydney, Broadmeadows and Tullamarine
Network sites	This includes property held for the construction and operation of network assets for Jemena Assets (JEN).
Non-network sites	This includes property held for the purposes of accommodating staff, including our corporate offices, Depots, and Emergency Equipment Holding Areas (EEHA's), required to operate the Jemena business.
Predictive maintenance	A task or activity undertaken to measure the condition or health of an asset or component to enable subsequent corrective actions to be made in order to avoid failure. Predictive Maintenance includes condition-based maintenance. Measuring the thickness of a wear bar, or conducting vibration monitoring are both examples of predictive maintenance, where the component is kept in service on condition it performs satisfactorily.

Preventive maintenance

A maintenance activities or tasks involving either the restoration or replacement of complete components in order to restore the condition and capability of an asset following an age related deterioration. It is typically conducted at regular fixed intervals in order to avoid failure. Replacing an oil filter is one example of a scheduled discard. Scheduled Discard and Scheduled Restoration Maintenance is also known collectively as Preventive Maintenance.

Refer to Scheduled Restoration or Scheduled Discard. Preventive maintenance is also known as preventative maintenance.