



Program Business Need Identification

Power and Water Corporation

CONTROLLED DOCUMENT

PRD33459

Upgrade 19 Mile Depot



Proposed:

Approved:

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Business Support
Date: 16/2/2018

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Date: 27/2/2018

Refer to email
D2018/72353

Refer to email
D2018/72315

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Date: 16/2/2018

Finance Review
Date: 06/02/2018

PMO QA
Date: 15/02/2018



1 Program Summary

Program Name:	Upgrade 19 Mile Depot		
Program No:	PRD33459	SAP Ref:	
Financial Commencement:	Year 2019-20		
Business Unit:	Business Services		
Program Owner (GM):	John Rearden	Phone No:	898 58432
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Date of Submission:	23-02-2018	File Ref No:	D2018/61796
Submission Number:		Priority Score:	/100
Primary Driver:	Compliance	Secondary Driver:	Commercial/ Efficiency
Program Classification:	Capital Works Program		

2 Recommendation

2.1 MAJOR PROJECT

It is recommended that IRC note the proposed upgrade of PWC 19 Mile Depot and access road for an estimated budget of \$6.5M and approve inclusion of this upgrade into the SCI for this amount, with a corresponding completion date of FY20.

It is also recommended that IRC approve expenditure of \$90,000 to cover required design work associated with upgrading the access road; development of concept drawings; and investigate resolution of known building compliance issues critical to further development of the site. This will inform the Preliminary Business Case.

3 Description of Issues

The existing depot at 19 Mile has the following issues:

- The facilities are in poor condition and require refurbishment of the the warehouse, offices and ablutions to comply with building occupancy requirements. The septic system also does not comply with current requirements and will not support any future development.
- The access road into the 19 Mile Depot does not currently comply with Austroads standards (2005).



- The existing warehouse is not large enough to accommodate required storage of critical spare parts to support network infrastructure.
- The site does not have effective security.

As Darwin and Palmerston continue to develop concentrically into the rural area and population density increases there is a need to consider strategic relocation of Power Network crews to ensure ongoing service delivery excellence. When considered concentrically the 19 Mile Depot at Coolalinga is central to PWC’s customer base in the Palmerston and Rural areas. Hence the location of 19 Mile is considered optimal.

An option to consolidate services at the depot would potentially allow the closure of the East Arm Depot with a saving in lease costs of approximately \$610,000 pa. However, until the access road is upgraded no further development at the 19 Mile Depot can take place because the access road in its current state does not comply and will not allow the safe access of rigid body vehicles that carry EWP’s and semi-trailer vehicle body trucks to the site.

3.1 Project Drivers

3.1.1 Demand
This project is needed to meet the future demands on Power Networks’ service delivery as the Darwin and Palmerston population develops into the rural area where transmission infrastructure is predominantly overhead.
3.1.2 Safety
This Project is needed to allow safety of staff entering the site and safety of the general public using the Stuart Highway and neighbouring facilities such as Freds Pass Reserve. Currently there is no acceleration lane when entering the Stuart Highway North bound. This part of the highway is a 100kph speed zone. With no acceleration lane, vehicles exiting the 19 Mile Depot present a real collision risk to north bound traffic.
3.1.3 Compliance
The current access road does not comply with Austroad Standards (2005) additionally the existing built infrastructure including the warehouse, offices and ablutions do not comply with building occupancy requirements, the septic system also does not comply with current requirements and wil not support any future development.
3.1.4 Quality of supply (if not compliance obligation)
The project has no impact on quality of supply.



3.1.5 Reliability (if not compliance obligation)

The project is needed to maintain service delivery excellence and reliability in the distribution system as Darwin and Palmerston continues to develop into the rural area. Strategic relocation of certain Power Network work groups to the 19 Mile Depot would allow efficient timely response to faults and outages that would assist in the maintainance of reliability outcomes as the number of network assets expands.

3.1.6 Security (if not compliance obligation)

Redevelopment of the 19 Mile Depot will include upgrade of the existing security fencing and installation of CCTV. Having secure facilities at 19 Mile Depot for PWC staff, assets and vehicles will mitigate risk to acceptable levels helping to reduce damage to property and theft of copper and critical spares.

3.1.7 Customer consultation or other benefits (if not compliance obligation)

No external customer consultation has taken place in relation to the upgrade of the 19 Mile Depot.

The proposed upgrade of 19 Mile allows PWC to vacate rented accommodation at 6 O’Sullivan Crt at East Arm. The vacation of East Arm is being driven by the need to reduce overall expenditure.

Facilities Services is managing the East Arm vacation project and active consultation about this body of work is ongoing with a number of IR/HR matters needing resolution.

4 Potential Solution

Three options were considered:

1. Do nothing
2. Undertake capital works to address the current compliance issues at a cost of \$3.64M
3. Upgrade 19 Mile Depot at a cost of \$6.5M

Option 1 do nothing is not an acceptable option as we do not currently comply with road safety standards and building code requirements. PWC must undertake works at 19 Mile Depot to ensure we meet our legal obligations.

Option 2 and 3 were assessed in a cost/benefit analysis. As shown in the table below, Option 3 has a lower NPV over a 10 year period and hence is preferred.

Option	NPV (\$Real, FY18)
1 – Do nothing	Na
2 – Fix current compliance issues only	-\$9,043,672



Option	NPV (\$Real, FY18)
3 – Upgrade 19 Mile Depot and close East Arm Depot	-\$7,443,253

4.1 Preferred Option

The preferred option is to upgrade the 19 Mile Depot and access road and close the East Arm Depot avoiding lease costs for the East Arm Depot of approximately \$610,000 pa capex (Option 3).

If Option 3 is not approved and Option 2 is approved, ongoing Capex funding of approximately \$610,000 per annum along with the upfront remediation costs of \$3.64 million will be required.

The table below highlights the work required under both Option 2 and Option 3.

Requirement	Option 2	Option 3 (Preferred Option)
Road Upgrade	✓	✓
Hydraulic works, sewerage systems	✓	✓
Accommodation for ≤ 60 office base people and service workers	-	✓
Ablutions, male, female and ambulant 100%	✓	✓
Lunchroom	-	✓
Shaded parking for EWP's relocated from Ben Hammond Complex	-	✓
Electrical, Communications and Data	✓ (50%)	✓
Civil works, internal car parking and landscaping	-	✓
Security, upgrade fencing and install CCTV	✓	✓
Storage facility	-	✓
Miscellaneous (incl. project mgmt. and review)	-	✓

4.2 Capex/Opex substitution

The project has no impact on opex. This is due to the introduction of accounting standard (IFRS16) which will see lease costs treated as Capex from 1 July 2019.

4.3 Contingent Project

Not applicable.



5 Strategic Alignment

This project is contributing to the achievement of the Key Strategy of Customer Focus, Sustainability and Safety by upgrading Power Networks' Rural Depot at 19 Mile. This will help improve service to rural customers by having quicker response times to faults. It will also assist to serve customers with the ongoing development of suburbs at Coolalinga and future development at Noonamah Heights south of the 19 Mile Depot.

This aligns with the Boards Strategic directions paper by ensuring PWC becomes the best practice, commercially focused and customer centric utility.

6 Timing Constraints

The lease for the East Arm Depot expires on 31 July 2018. It is not anticipated that the lease would be renewed. Staff would be temporarily relocated to other depots, including the Ben Hammond Complex, until the upgrade is completed. Hence, it is critical that this project be completed as early as possible, by December 2019, to minimise disruption and to ensure customer service is maintained in areas of future expansion south of Darwin.

7 Expected Benefits

Driver	Benefit	Measure
Growth / Demand	PWC can better service future growth	Closer proximity to future suburbs.
Compliance	Compliant road access and buildings reduce legal and insurance risk to PWC	Upgrade/construction of new facilities and septic sewerage systems. Upgrade the access road.
Service Improvement	Closer proximity to rural faults	Faster response times to faults.
Commercial / Efficiency	No ongoing lease cost	Measurable cost savings
Social / Environmental	Less Carbon emissions	Lower fuel bills for vehicles

8 Milestones

Investment Planning	Project Development	Project Commitment	Project Delivery	Review
03/2018	07/2018	07/2019	12/2019	03/2020

9 Key Stakeholders

Stakeholder	Responsibility
PWC Shareholding Ministers	<ul style="list-style-type: none"> Responsible to the NT Community



Stakeholder	Responsibility
PWC Board	<ul style="list-style-type: none"> Responsible to the Shareholding Ministers; Approval of capital funding for the project.
PWC ELT	<ul style="list-style-type: none"> Responsible for effective management of PWC
PWC – PMO	<ul style="list-style-type: none"> Responsible for approving Business Case and IRC papers
Power Networks	<ul style="list-style-type: none"> Responsible for 19 Mile Depot
PWC – Facilities	<ul style="list-style-type: none"> Responsible for management of the 19 Mile Depot Delivery and Project Management of the upgrade project
Dept. of Infrastructure, Planning and Logistics	<ul style="list-style-type: none"> Responsible for approval of road upgrade and development consent approvals building permit and certificate of occupancy.
Design Consultants	<ul style="list-style-type: none"> Responsible for development of road designs and building plans Responsible for development of development application and permit to build.

10 Resource Requirements

Resource Type/Role	How Many?	Internal/ External
Project Manager	1	Internal
Project Supervisor	1	Internal
Civil Engineer Consultant		External
Architectural Consultant, including structural; hydraulic, electrical, mechanical and building services	1	External
Building Certifier	1	External
Civil contractors	1	External
Building Contractors	1	External

11 Delivery Risk

- Cost estimate has not been fully tested due to not having design concepts for the required building works or more detailed road designs
- Political interference derails the project
- Meeting required timeframes, time frames are high level and subject to change once this BNI is approved and we are able to commence development of more details design concepts



- Lost time in productivity to Power Networks staff whilst works are undertaken this risk is manageable through good project management and consultation
- Resources, a more detailed resource plan will be developed when this BNI is approved and project matures
- Change management Plan not implemented correctly
- Scope creep due to HR/IR issues associated with the closure of the East Arm Depot.

12 Financial Impacts

12.1 Expenditure Forecasting Method

The costings for the required building upgrades are based on use of permanent prefabricated buildings and a recently completed project in the Tennant Creek Region. Expenditure forecasting for other elements of this project is currently at a high level (+/- 25%) and has not been tested due to the need to broadly complete the road design and concept designs for the built infrastructure. Facilities Services is still in discussion with DIPL and design consultants to ensure we meet current road design standards and will be based on the size and types of vehicles PWC will station at 19 Mile and frequency of exiting and entering the premises.

12.2 Capex Profile (Option 3)

The expenditure is non-recurrent. Forecast expenditure is shown in Table 12.1.



Table 12.1: Property services 19 Mile Depot– Capex (\$m, real FY18, excluding capitalised overheads and cost escalation)

Item	Requirement	How Many	Cost \$
█	██████████	█	██████████
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12.3 Validation

The costing has not been validated due to the preliminary nature of the main component (Road Upgrade). The costings will be validated by obtaining quotations during the project development phase.

12.4 Capex Profile

The capex in the table below is in \$2017-18, and is excluding capitalised overheads and cost escalation

Phase	2019-20 (\$'000)	2020-21 (\$'000)	2021-22 (\$'000)	2022-23 (\$'000)	2023-24 (\$'000)	Total (\$'000)
Investment Planning						
Project Development						
Project						



Phase	2019-20 (\$'000)	2020-21 (\$'000)	2021-22 (\$'000)	2022-23 (\$'000)	2023-24 (\$'000)	Total (\$'000)
Commitment						
Project Delivery	6,500					6,500
Review						
Total	6,500					6,500

12.5 Opex Implications

The ongoing OPEX cost associated with the 19 Mile depot will rise with the increased staff numbers working from the site. This increase is expected to be fully offset by the reduced opex resulting from the close of the East Arm Depot (ignoring lease costs which are capitalised). No difference in opex is expected.

13 Definitions

Not applicable.