



# Program Business Need Identification

## Power and Water Corporation

**CONTROLLED DOCUMENT**

**PRD33456**

**Property program (capex)**

Proposed:

Approved:

Phil Joyce  
A/Facilities Manager  
Business Support  
Date: 20/2/2018

Michael Thomson  
Chief Executive  
Power and Water Corporation  
Date: 23/2/2018

John Rearden  
Senior Executive  
Business Services  
Date: 20/2/2018

D2018/72353

Finance  
Date: 6/02/18

D2018/78221

PMO QA  
Date: 20/02/18



## 1 Program Summary

<b>Program Name:</b>	Property program		
<b>Program No:</b>	PRD33456	<b>SAP Ref:</b>	
<b>Financial Commencement:</b>	<b>Year</b>	2019-2024	
<b>Business Unit:</b>	Business Services		
<b>Program Owner (GM):</b>	John Rearden	<b>Phone No:</b>	8985 8432
<b>Contact Officer:</b>	Paul Rice	<b>Phone No:</b>	8924 5547
<b>Date of Submission:</b>	23/02/2018	<b>File Ref No:</b>	D2017/385113
<b>Submission Number:</b>		<b>Priority Score:</b>	/100
<b>Primary Driver:</b>	Asset Renewal	<b>Secondary Driver:</b>	Service Improvement
<b>Program Classification:</b>	Capital Program of Works		

## 2 Recommendation

### 2.1 MAJOR PROJECT >\$1M OR PROGRAM

It is recommended that IRC note the proposed Property program for an estimated budget of \$0.7 million per annum (\$3.4 in million over the 2019-24 regulatory control period) and approve inclusion of this program into the SCI for this amount, with a corresponding completion date of June 2024.

The expenditure included in the program is treated as capital expenditure in line with PWC's Fixed Assets Plan. Historically these assets haven't been recorded in Power Networks' Regulated Asset Base. However, from 2019-20, Power Networks' portion of corporate assets have been transferred over. The property program forecast will be included in the 2019-24 Regulatory Proposal to the Australian Energy Regulator (AER).

## 3 Description of Issues

PWC own and lease a number of properties and buildings. Each year, defects occur and are remediated. This BNI covers the capex needed to undertake this remediation. Typical activities are:

- Air-conditioning refurbishment;



- Gate and fence replacement;
- Car parking replacement/upgrade;
- Ablutions repair/replacement/upgrade;
- Security system repair/replacement;
- Refit and reconfiguration of office facilities;
- Modifications to hard-stand storage areas (to improve efficiency or increase asset lives); and
- Reconfiguration of warehouse facilities and equipment to provide a more efficient service.

PWC’s Facilities group, sitting within PWC’s Corporate Business Services business unit, is responsible for the management of this work and it is funded through their Minor New Works capital budget.

### 3.1 Project Drivers

<b>3.1.1 Demand</b>
The demand for the Property program is ongoing.
<b>3.1.2 Safety</b>
This Project is needed to allow safety of staff entering and using the property assets.
<b>3.1.3 Compliance</b>
Not addressing property defects can lead to non-compliance with regulations, including those for occupancy, noise, and building requirements.
<b>3.1.4 Quality of supply (if not compliance obligation)</b>
Service response times will be reduced by spending capex to ensure efficiency of operations.
<b>3.1.5 Reliability (if not compliance obligation)</b>
The project has no direct impact on reliability of supply, however, not addressing property defects could result in delays to field staff who respond to faults and emergencies. In addition, operational improvements will enable more efficient and effective service delivery.
<b>3.1.6 Security (if not compliance obligation)</b>
Property defects involving gates, fences, CCTV, access control, locksmiths and other security devices could result in reduced security, allowing public access to electrical network assets.



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

No external customer consultation has taken place in relation to the Property expenditure.

**4 Potential Solution**

**4.1 Preferred Option**

The preferred solution is to continue with the current annual Property program.

**4.2 Capex/Opex substitution**

The expenditure included in this program has been excluded from PWC’s operating expenditure base year for the 2019-24 Regulatory Proposal to the AER.

**4.3 Contingent Project**

Not applicable.

**5 Strategic Alignment**

This project is contributing to the achievement of the Key Strategy of Sustainability and Safety by ensuring Property assets are fit for purpose.

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

**6 Timing Constraints**

There are no timing constraints associated with this program of works.

**7 Expected Benefits**

Driver	Benefit	Measure
Asset Renewal	Property is maintained fit for purpose.	Number of Safety incidents relating to property.
Service Improvement		

**8 Milestones**

The Property program is a continuous program, incorporated into the annual budgeting cycle.



Investment Planning	Project Development	Project Commitment	Project Delivery	Review
-	-	July 2019	June 2024	-

## 9 Key Stakeholders

Stakeholder	Responsibility
PWC Shareholding Ministers	<ul style="list-style-type: none"> <li>Responsible to the NT Community</li> </ul>
PWC Board	<ul style="list-style-type: none"> <li>Responsible to the Shareholding Ministers;</li> <li>Approval of capital funding for the project.</li> </ul>
PWC ELT	<ul style="list-style-type: none"> <li>Responsible for effective management of PWC</li> </ul>
PWC – PMO	<ul style="list-style-type: none"> <li>Responsible for approving Business Case and IRC papers</li> </ul>
PWC - Staff	<ul style="list-style-type: none"> <li>Users of Property services</li> </ul>
PWC – Facilities	<ul style="list-style-type: none"> <li>Responsible for management of Property</li> </ul>

## 10 Delivery Risk

There is no delivery risk associated with this program of works.

## 11 Financial Impacts

### 11.1 Expenditure Forecasting Method

The 2019-24 forecast has been based on the historical average of PWC Facilities' minor new works expenditure escalated into real \$2017-18. Only Power Networks' allocation of this expenditure has been included in this forecast, with the allocator sourced from PWC's Corporate CAM.

### 11.2 Historical and Forecast Expenditure

Historical actual expenditure for all services is shown in Table 11.1.



Table 11.1: Property program (total) – Capex (\$'000, nominal)

Item \$nominal \$'000	2010-10	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Total	\$478	\$810	\$644	\$384	\$521	\$486	\$1,074

Total forecast expenditure is shown in Table 11.2.

Table 11.2: Property services program (total) – Capex (\$'000, real 2017-18)

Item \$real 2017-18 & \$'000	2019-20	2020-21	2021-22	2022-23	2023-24
Total	\$681	\$681	\$681	\$681	\$681

### 11.3 Validation

The program has been developed from historic costs. No further validation is proposed.

### 11.4 Capex Profile

The table below shows the forecast capex (for all services) in \$2017-18, excluding capitalised overheads and cost escalation.

Phase \$real 2017-18 & \$'000	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Investment Planning						
Project Development						
Project Commitment						
Project Delivery	\$681	\$681	\$681	\$681	\$681	<b>\$3,405</b>
Review						
<b>Total</b>	\$681	\$681	\$681	\$681	\$681	<b>\$3,405</b>

### 11.5 Opex Implications

There will be no change in opex as a result of this BNI.

### 11.6 Variance

None.