



# Program Business Need Identification

## Power and Water Corporation

### CONTROLLED DOCUMENT

**PRD33454**

### Minor Capex Program

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Proposed:

Fleur Crowe  
Business Manager  
Power Networks  
Date: 1/2/2018

Approved:

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

Djuna Pollard  
Executive General Manager  
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Date: 1/2/2018

Refer to email D2018/72353

Finance  
Date: 06/02/2018

Refer to email D2018/78290

PMO QA  
Date: 20/02/2018

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## 1 Program Summary

<b>Program Name:</b>	<b>Minor Capex Program</b>		
<b>Program No:</b>	PRD33454	<b>SAP Ref:</b>	
<b>Financial Commencement:</b>	<b>Year</b> 2019-2024		
<b>Business Unit:</b>	Power Networks		
<b>Program Owner (GM):</b>	Djuna Pollard	<b>Phone No:</b>	08 8985 8431
<b>Contact Officer:</b>	Fleur Crowe	<b>Phone No:</b>	08 8985 8431
<b>Date of Submission:</b>	23/02/2018	<b>File Ref No:</b>	D2017/418874
<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 Minor Capex program for an estimated budget of \$0.5 million per annum (total of \$2.4 million over the 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. The Minor Capex program forecast will be included in the 2019-24 Regulatory Proposal to the Australian Energy Regulator (AER).

## 3 Description of Issues

This Program BNI is to cover the purchase of:

- plant and equipment;
- furniture and fittings; and
- Minor capital items.



The purchased goods are treated as capital expenditure (low value pooled expenditure) in line with PWC’s Fixed Assets Plan. Accordingly, they fall within the PWC capital governance framework.

### 3.1 Project Drivers

<b>3.1.1 Demand</b>
These assets enable the delivery of electricity network services. In the absence of these, the program of work may not be delivered effectively or efficiently.
<b>3.1.2 Safety</b>
These assets enable the delivery of electricity network services.
<b>3.1.3 Compliance</b>
There is no specific regulatory obligation pertaining to these assets.
<b>3.1.4 Quality of supply (if not compliance obligation)</b>
These assets are essential to the maintenance of the distribution network to ensure that power quality is maintained to prescribed standards.
<b>3.1.5 Reliability (if not compliance obligation)</b>
These assets are essential to works to ensure the security of the distribution system, either to maintain compliance with the System Control Technical Code (or its successor) or under the direction of the System Controller.
<b>3.1.6 Security (if not compliance obligation)</b>
Not applicable.
<b>3.1.7 Customer consultation or other benefits (if not compliance obligation)</b>
Not applicable.



## 4 Potential Solution

### 4.1 Preferred Option

The preferred solution is to continue with the current annual Minor Capex 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

The forecast capex enables the delivery of the work program, which is itself designed to implement the Strategic Asset Management Plans and Asset Management Plans.

## 6 Timing Constraints

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

## 7 Expected Benefits

Driver	Benefit	Measure
Asset Renewal	The forecast capex enables PWC to provide distribution services.	Sufficient plant & equipment available for staff to provide services.
Service Improvement		

## 8 Milestones

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

Investment Planning	Project Development	Project Commitment	Project Delivery	Review
01/2018	01/2018	07/2019	06/2024	07/2024



## 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 – Power Networks' Business Management	<ul style="list-style-type: none"> <li>Responsible for management of the program</li> </ul>

## 10 Delivery Risk

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

## 11 Financial Impacts

### 11.1 Expenditure Forecasting Method

Forecast costs are based on an average of historical expenditure. Data was sourced from Power Networks' Trial Balance and includes costs for the following accounts:

Expenditure	Account
Furniture & Fittings (Less than \$2000)	24261
Plant & Equipment (Less than \$2000)	24262
Other Attractive Items (Less than \$2000)	24263
Capital Items (Greater Than \$1000 less than \$2)	24267

### 11.2 Historical and Forecast Expenditure

Historical actual expenditure is shown in Table 11.1.

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

Item		2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
\$nominal & \$'000								
Total		\$519	\$495	\$372	\$356	\$477	\$287	\$543



Total forecast expenditure is shown in Table 11.2.

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

Item \$real 2017-18 & \$'000	2019-20	2020-21	2021-22	2022-23	2023-24
Total	\$475	\$475	\$475	\$475	\$475

### 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 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	\$475	\$475	\$475	\$475	\$475	<b>\$2,374</b>
Review						
<b>Total</b>	\$475	\$475	\$475	\$475	\$475	<b>\$2,374</b>

### 11.5 Opex Implications

The purchased goods are now treated as capital expenditure (low value pooled expenditure) in line with PWC's Fixed Assets Plan. Historically, some of the expenditure has been treated as operating expenditure, however, PWC will ensure that it is not included in the operating expenditure base year for the purposes of the 2019 Distribution Determination.

### 11.6 Variance

None.