

# Regulated Network Property Strategy

prepared for the 2024-29 regulatory period

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# Executive Summary

Power and Water Corporation ('Power and Water') is a Northern Territory Government-owned Corporation that is responsible for the provision of electricity, water and sewerage services across the Northern Territory, an area of more than 1.3 million square kilometres. The three regulated networks in the Northern Territory that Power and Water is responsible for are:

- The northern network that services about 150,000 people and stretches from Darwin to the south of Katherine including Batchelor, Adelaide River, Pine Creek, Mataranka and Larrimah
- The Tennant Creek network that services about 7,000 people in and around Tennant Creek
- The southern network that services about 28,000 people in the Alice Springs area.

As the Network Service Provider for the local electricity systems in the Northern Territory, Power and Water is responsible for planning, building, operating and maintaining safe, efficient, reliable and cost-effective electricity networks to transmit electricity between generators and consumers, supporting the growth of the Northern Territory economy. Power and Water's vision is:

*A proud, trusted, modern multi-utility delivering value now and into the future.*

Power and Water's primary obligation and focus is to plan, build, operate and maintain the electricity distribution network. Property and buildings are vital to support Power and Water's field and office-based operations. Optimal property facilities assist in the delivery of efficient, reliable and safe business performance. Within this context, the role of Power and Water's Property and Facilities team is to support the business, both in the long-term as it negotiates a rapidly changing environment, and in the day-to-day operations of the business in the delivery of efficient, reliable and safe network performance.

This Property Strategy describes our approach, asset management plan and expenditure forecasts in relation to property and buildings required to deliver our regulated network services for the next regulatory period, including maintenance, refurbishment and optimisation of offices, operational depots, warehouses, training facilities, and other specialist facilities.

This Property Strategy outlines the key challenges and opportunities that are faced by Power and Water for its regulated business including:

- Continuing to provide fit-for-purpose and safe offices and depots to enable the efficient and effective delivery of the business' strategic direction and operational requirements.
- Ensuring ongoing compliance with a range of legislative and regulatory compliance obligations, including Security of Critical infrastructure and a changing security environment.
- Aging property infrastructure.
- Operational needs of customers provided by different business units linked to property and buildings owned and leased by Power and Water.
- Optimisation of property locations and maximisation of productivity to minimise non-productive time in the ongoing delivery of work programs and during emergency response activities.

Power and Water owns and leases a range of properties across the Northern Territory and the expenditure and projects outlined in this document relate to the maintenance and refurbishment of commercial and industrial properties, depots, and office accommodation classified as 'Corporate' locations. There are six corporate site properties across the Northern Territory:

- Ben Hammond Complex, Mitchell Centre and Jacana House in Darwin.

- Sadadeen Valley Complex in Alice Springs.
- Victoria Highway Complex in Katherine.
- Standley Street Complex in Tennant Creek.

Together they accommodate over 1,000 staff who all rely on the continued level of functionality of the premises in order to perform their roles and facilitate the supply of power to residents of the Northern Territory.

Power and Water has taken into consideration historical performance as well as expenditure drivers to develop a robust expenditure forecast for property and buildings to meet the ongoing operational and safety requirements of the regulated business.

Power and Water is proposing \$5.6 million (real 2021/22) capital expenditure for property leases for the next regulatory control period compared to approximately \$14.2 million (real 2021/22) estimated to be incurred in the current regulatory control period. This difference is due to the timing of capitalisation of leases.

In addition to property leases, Power and Water is proposing \$88 million (real 2021/22) for property and building capital expenditure for the next regulatory control period compared to \$6.6 million (real 2021/22) estimated to be incurred in the current period. This difference is primarily due to the total cost of the single site consolidation project.

# 1 Purpose and Scope

The purpose of this Regulated Network Property Strategy is to outline Power and Water's strategic approach for the Property and Buildings expenditure relating to the regulated business activities for Power Services division for the upcoming five-year period from 1 July 2024 to 30 June 2029. This Property Strategy encompasses the property assets in Power and Water's portfolio which relate to its regulated network activities including those owned and leased administration and support buildings essential to the provision of distribution services and dispersed across the Northern Territory.

The purpose of this document is to ensure that property assets that provide regulated services are managed efficiently and effectively and that decisions regarding safety, procurement, maintenance, and management of property assets are undertaken in a consistent and transparent manner.

The scope of this document is limited to Power and Water's regulated activities and seeks to support sound property management services and functions.

The Regulated Network Property Strategy describes our asset management plan and expenditure program for the 2024-29 regulatory control period to meet Power and Water's strategic objectives and operational business requirements for the regulated electricity network.

Key challenges and opportunities for Power and Water's regulated buildings and property for the next regulatory control period include:

- Continuing to provide fit-for-purpose and safe offices and depots to enable the efficient and effective delivery of the business' strategic direction and operational requirements
- Ensuring ongoing compliance with a range of legislative and regulatory compliance obligations, including Security of Critical infrastructure and a changing security environment
- Maintaining and upgrading aging property infrastructure
- Optimisation of property locations and maximisation of productivity to minimise non-productive time in the ongoing delivery of work programs and during emergency response activities.

The aim of property and facilities management is to provide safe, fit for purpose and cost-effective property and building assets that contribute to Power and Water's ability to deliver its vision of being "A proud, trusted, modern multi-utility delivering value now and into the future."

## 2 Business Context

### 2.1 About Power and Water Corporation

Power and Water is a Northern Territory Government-owned Corporation operating under the Government Owned Corporations Act 2001. As a multi-utility, it provides a range of electricity, gas, system control, water, and sewerage services. These services are provided to urban, rural, regional, and remote communities and to a diversified demographic customer base.

### 2.2 Geographic and operating environment

Our operating environment is dynamic, harsh, and unique. It presents substantial challenges, risks, and opportunities as we transition to the new operating model and become further influenced by the governance mechanisms of the Australian Energy Regulator (AER).

Power and Water operates across a geographic area of 1.3 million square kilometres and within a range of diverse environmental conditions, ranging from the arid dry of the central desert to the tropical monsoon of the top end. This geographic spread and diverse environmental conditions influence both the property and facilities services we provide and the costs of delivering those services.

# 3 Strategy overview

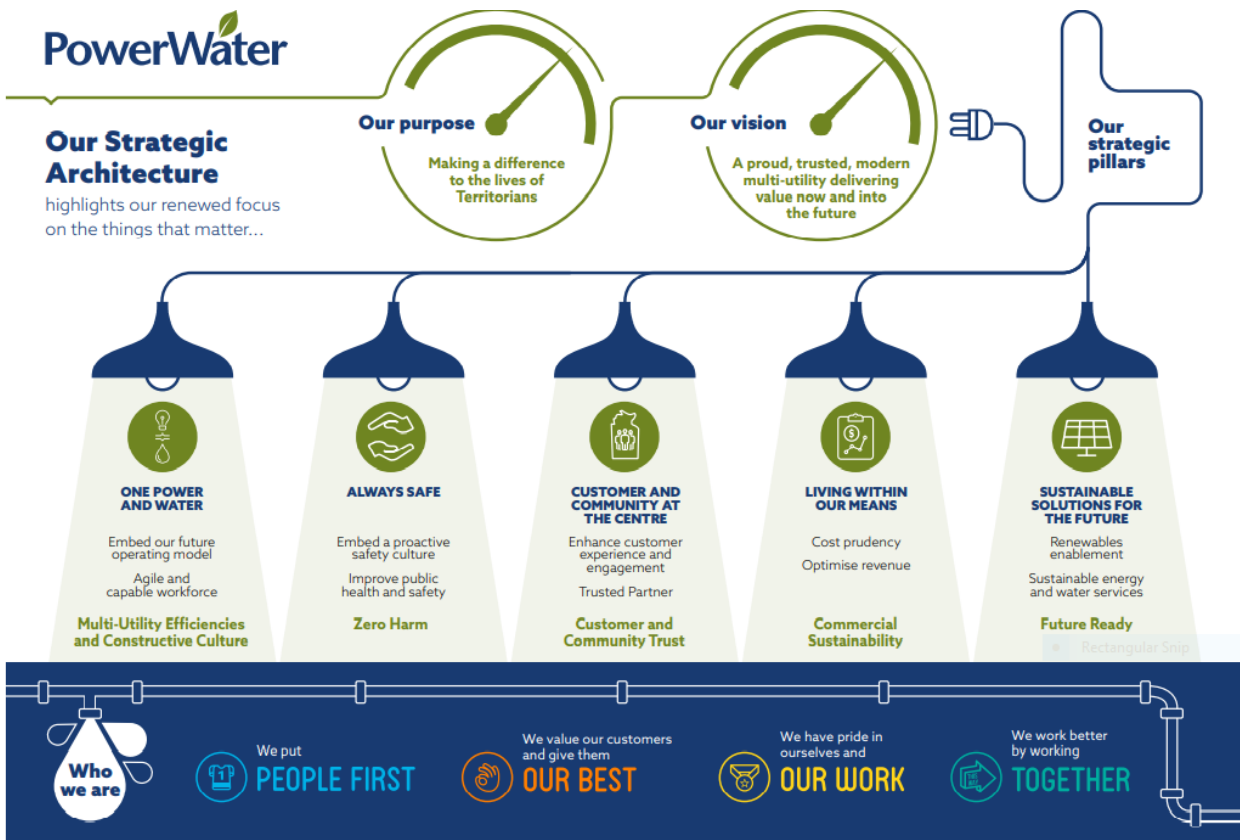
## 3.1 Alignment to Corporate Strategy

The strategic intent for property management is the provision of fit-for-purpose, safe and compliant property assets to enable the business to achieve its strategic priorities and operational objectives. The aim of this strategy is to identify the contribution of the property assets to the strategic objectives of regulated distribution services which Power and Water provides.

Power and Water has experienced significant changes in its regulatory, economic, industry and social environment in the past five years and with this in mind, the organisation tested its strategic direction to ensure that it can continue to meet the changing needs of the business, its customers and the Northern Territory economy and market. Power and Water’s strategic direction now has a more targeted focus designed to successfully position itself for the future.

Power and Water’s Purpose and Vision links to the refreshed strategic pillars, key strategic focus areas, and established values, as outlined in Figure 2.

Figure 1 Strategic direction and architecture



Power and Water is committed to making a difference to the lives of Territorians. The corporation’s purpose and vision links to refreshed strategic pillars, key strategic focus areas, and established values. A new strategy map has been established unifying all these elements to ensure a coherent strategy.



## 3.2 Property strategy objectives

This Property strategy is based on the objectives, performance and specifications of the properties owned and leased by Power and Water and is designed to be customer-focused and fit-for-purpose. The Strategy will subsequently be used to inform forecasts for the regulatory control period and Power and Water’s future asset portfolio.




The aim of Property Services is to provide safe, fit for purpose, reliable and cost-effective operational property and building assets, contributing to Power and Water’s ability to deliver its vision of being “A proud, trusted, modern multi-utility delivering value now and into the future.”

Table 1 provides an overview of the alignment between this Property strategy and Power and Water’s strategic pillars.

Table 1 Alignment between the strategic pillars and property strategy

Power and Water Strategic Pillar	What are we doing differently?	What does this mean for Property
<b>One Power and Water</b> 	Power and Water is committed to implementing its Operating Model and uplifting its culture to become fit for the future	It will operate as one Power and Water enabled by a sustainable operating model. Power and Water’s focus is on uplifting its culture, improving capabilities, and enhancing the way it works through a new organisational structure and embedding a continuous improvement mindset.  This pillar will be reflected in the property management standard by ensuring continuous improvement of property management to drive efficiency in day-to-day operation and use of property and buildings.
<b>Always Safe</b> 	Power and Water puts its people and customers safety first in all that it does	Safety to its people and all Territorians is a key priority and obligation for Power and Water. We will continue to deliver on safety targets and proactively improve our safety culture to better ensure safety for our people and for all Territorians.  This includes managing and maintaining property and buildings to ensure the safety of employees, contractors, and the public.
<b>Customer and Community at the Centre</b>	Power and Water places customers and	Customers and community are at the centre of the way we do business. Power and Water’s focus is on improving customer experiences, cultivating relationships and being a trusted



Power and Water Strategic Pillar	What are we doing differently?	What does this mean for Property
	community at the centre of all that we do	partner with our customers, community, and stakeholders.
<p data-bbox="181 528 400 595"><b>Living Within Our Means</b></p> 	Power and Water lives within its means to ensure commercial sustainability	<p data-bbox="837 528 1404 719">Power and Water will continuously strengthen its financial management practices and optimises revenue generation. We must spend money wisely and practices prudent cost management.</p> <p data-bbox="837 741 1145 775">For property this means:</p> <ul data-bbox="837 792 1404 1021" style="list-style-type: none"> <li>• achieving the lowest sustainable cost when maintaining and managing properties and buildings</li> <li>• maintaining cost-effective and timely processes for management and maintenance of property and buildings.</li> </ul>
<p data-bbox="181 1055 448 1122"><b>Sustainable Solutions for the Future</b></p> 	Power and Water has clarified the big shifts required based on the challenges it will face over the next 10 years	Power and Water proactively enables sustainable services in the NT for the future which includes reviewing building maintenance practices and energy needs to ensure sustainable outcomes.

Power and Water’s property decisions are undertaken to ensure fulfilment of the strategic objectives set out in Figure 2.

Figure 2 Property strategic objectives



### 3.3 Single site consolidation

Power and Water is investigating the viability and prudence of a potential single site consolidation within the latter years of the next regulatory control period. The objective of a single site consolidation project is to co-locate Power and Water key business services and support functions into a consolidated single site to enhance corporate inter-operability and long-term fiscal prudence. The intent is to develop and optimise the Ben Hammond Complex for shared business/operational functions and enable the consolidation of employees from the Mitchell Centre, Woods Street, Hudson Creek and 19 Mile Depot facilities.

Currently our Darwin-Katherine staff are located across multiple sites including Ben Hammond complex, Mitchell Centre, Woods Street, Hudson Creek and 19 Mile Depot facilities. This includes a mix of properties that we own and lease. While we are still at the early stages of business planning, initial analysis suggests there may be a net benefit in consolidating our staff in one site by developing the Ben Hammond complex. The project comprises the construction of a multi-level office, together with associated project management costs. Total project cost is estimated at \$159.1 million. The portion allocated to standard control services is forecast at \$89.8 million. We recognise this is a material investment and requires deeper analysis of benefits and costs. Initial analysis suggests the benefits include reduction in lease costs across all sites, improved efficiency of staff from collaboration, improved response to faults and outages, and improved emergency response.

A business case will be developed for approval in accordance with the established expenditure governance process. In the meantime, the property and building forecasts anticipate an extension of the current Mitchell Centre lease but only for five years (rather than the current 10 year term) to provide flexibility for adopting the Single Site Consolidation approach with the added benefit of shorter leases as the single site consolidation project is expected to be completed by 2030. A 2-year development is assumed, with expenditure forecast to be incurred in FY28 and FY29.

## 4 Governance and delivery

When making decisions around property acquisition and management, Power and Water gives significant consideration to financial sustainability, risk and governance. Figure 3 outlines the end-to-end planning process and the relationship between the corporate strategic framework and the business-as-usual planning for property and facilities.

Figure 3 Overview of Planning and Governance Framework



### 4.1 Corporate Strategic Framework

The Statement of Corporate Intent defines the nature and scope of Power and Water’s business activities and legislative obligations. It outlines Power and Water’s objectives, strategies, risk management, capital investment plans and performance measures.

### 4.2 Property and Facilities Planning

The Property Planning and Management Process is outlined in Figure 4.

Figure 4 Property Planning and Management Process



Program works are informed and initiated within the business planning process. Works prioritised within the business planning process are initiated, executed, monitored, and reviewed within the constraints of the Enterprise Project Management Framework. The scope of works will determine the approval gateways, which are required to progress the initiative.

The Facilities Team, in conjunction with the business units, develop the forecasts for the property and building expenditure. The Finance Team uses the costs and details of the lease agreements in order to perform the cost capitalisation calculations for the property lease capital expenditure forecasts.

### 4.3 Property Management

Accountability for each owned/leased property, its lease agreement and subsequent maintenance remains with the responsible business unit (the Asset Owner). Business units are responsible for program works proposals and procurement activity. Accountability for the delivery of program works remain with the authorised delegate/lead of the responsible business unit.

The process of acquiring new or renewal lease agreement is set out in Figure 5.

Figure 5 Process for a New or Renewal Lease Agreement



All records and correspondence relating to the Power and Water Property Management are maintained within Content Manager (an enterprise level records management system which securely tracks, archives, and collates records and information).

## 5 Asset Management Approach

Power and Water is focusing on managing property assets throughout their whole of life cycle to continue to optimise whole-of-life expenditure. There will be an increasing emphasis over the next regulatory control period on preventative rather than reactive expenditure.

### 5.1 Asset Overview

Power and Water's properties and facilities provide a 24-hour emergency and business-as-usual support role and need to be maintained to be able to provide both office and field-based employees with the environment to safely deliver distribution services. The strategic location and geographical spread of our properties and facilities is essential to ensure Power and Water can continue to reliably maintain the network.

Power and Water manages a property portfolio across the Northern Territory from the city of Palmerston to Alice Springs. The facilities servicing the distribution network in Northern Territory need to be maintained to operate services efficiently and effectively to the customer base.

The property portfolio is currently comprised of property assets that we own and lease across:

- **Core Operations** – Core Operations leads the system control, market operations, SCADA and communications, strategic asset governance, and metering functions. There are nine owned properties considered within this category.
- **Facilities, Finance, Technology, Business and Corporate Services** – These units provide centralised business support services across the corporation. There are four owned properties within this category. Also, there are two leased properties within this category (Darwin Michell Centre and Jacana House).
- **Power Services including Remote Services** – Power Services plans, builds, operates and maintains safe, reliable and efficient electricity networks (including meters) to transmit electricity between generators and both regulated and non-regulated customers in the Northern Territory. Remote Services coordinates the delivery of electricity, water, and sewerage services to 72 geographically isolated and dispersed Aboriginal communities and 66 outstations. There are 44 owned properties considered within this category. Also, there are four leased properties within this category (Jabiru depot, Jabiru and Yulara staff accommodation, Tennant Creek staff accommodation and Mitchell Street switching station).

For the purposes of this document, expenditure associated with the assets relating to water and non-regulated services are not included, with costs allocated to the regulated parts of the business that provide standard control services.

### 5.2 Asset Condition and Risk Assessment

Power and Water is conducting a proactive Building Compliance Program to identify building-related non-compliance, environmental and security risks. In 2020, Power and Water initiated an audit to evaluate the compliance of its buildings and structures in accordance with the requirements of the *National Construction Code (NCC)*, the *Building Amendment (Occupancy Certification) Act 2016* and the *NT Work Health and Safety (National Uniform Legislation) Act 2011*. These audits were initiated on the back of

Power and Water's facilities and infrastructure management framework, which seeks to leverage condition and compliance data to better inform:

- Facilities and infrastructure risk
- The delivery of long-term capital works
- Ongoing service requirements
- Financial forecasting.

The intent and objective of the audit was to:

- Build a compliance picture for Power and Water with regard to building standards and regulatory provisions
- Establish the overall risk context in accordance with the Enterprise Risk Management Framework
- Inform the decision-making processes which surround the corrective actions needed to control and/or rectify building and structural non-compliances.

The Building Compliance Program is scheduled to be completed by the end of FY2026.

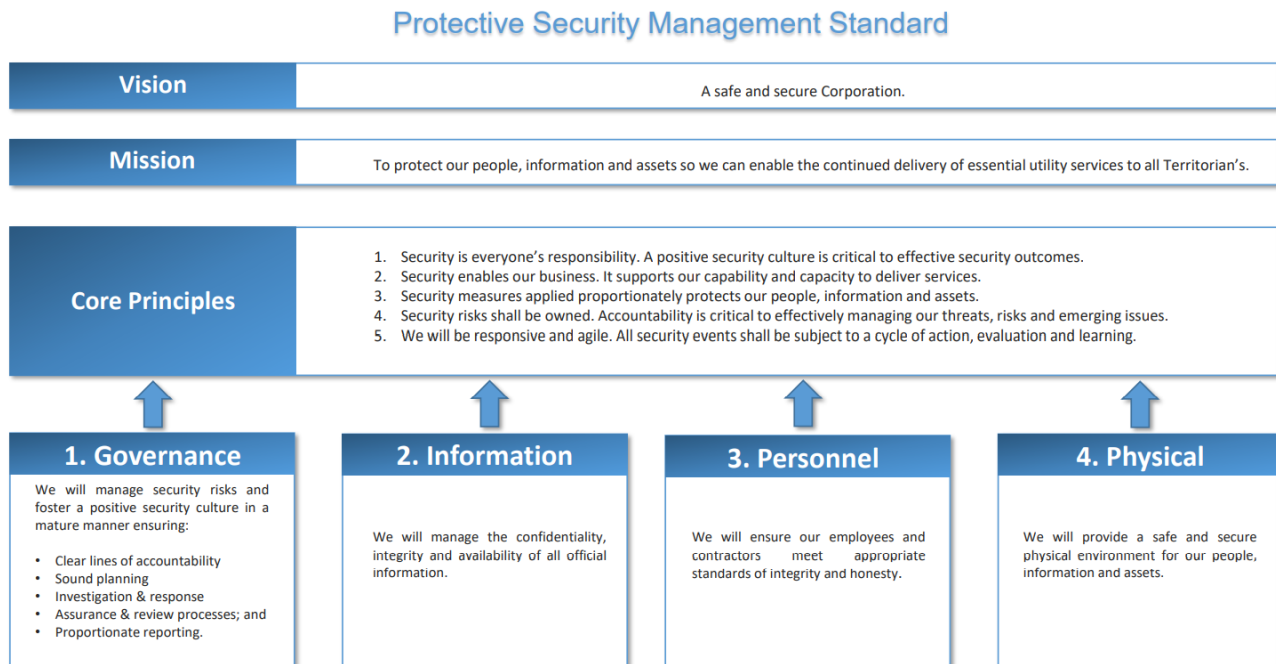
### 5.3 Protective Security Management

Power and Water's Protective Security Management Standard has been prepared to support the compliance obligations of the *Security of Critical Infrastructure Act* ('SOCI Act'). The intent of this Standard is to provide purpose and direction for the safety and security of Power and Water's people, information and physical assets and aligns Power and Water with Northern Territory and National arrangements for protective security.

The Protective Security Management Standard outlines five Core Principles, which provide the foundation for all priorities, key requirements, deliverables and accountabilities. Figure 6 provides an overview of the core principles.

One of the key priorities of the Standard is to ensure the physical security of Power and Water's resources and facilities.

Figure 6 Protective Security Management Standard



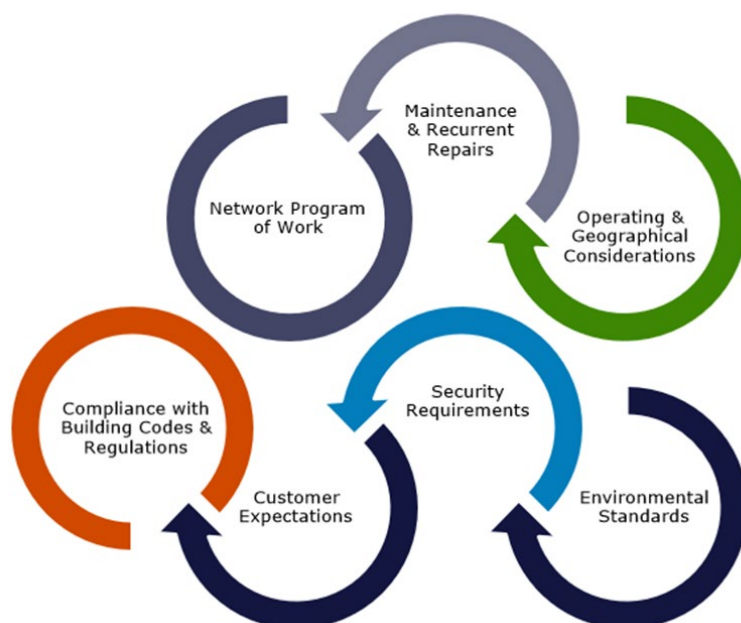


## 6 Expenditure Forecasting

### 6.1 Expenditure drivers

The drivers for property expenditure programs are outlined in Figure 7.

Figure 7 Drivers for Expenditure



The network program of work is a key driver of property expenditure. Forecast work volume and employee and contractor numbers has a material influence on the level of resourcing required across non-network parts of the business, including property and buildings, to ensure the efficient delivery of the network program of work.

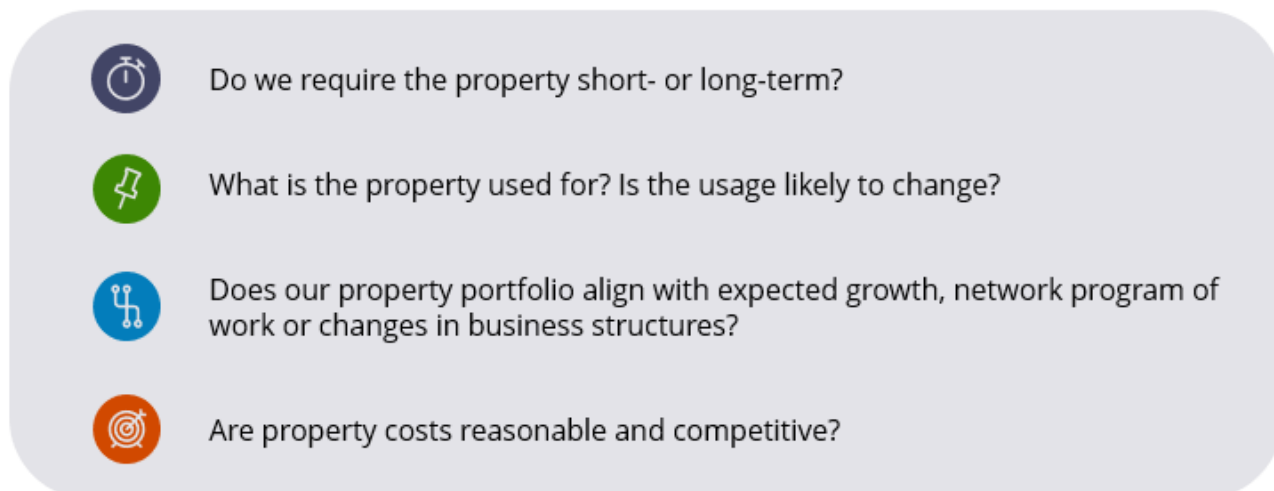
Another key driver is the recurrent repairs and maintenance that is required to service and address ongoing defects, which may include:





- Air-conditioning refurbishment
- Gate and fence replacement
- Car parking replacement/upgrade
- Security system repair/replacement
- Refit and reconfiguration of office facilities
- Reconfiguration of warehouse facilities and equipment to provide a more efficient service.

More recent drivers for expenditure also include the need to ensure properties and buildings have adequate physical security for both employees and assets.

When managing and reviewing our property portfolio, there are a number of key considerations we take into account, as set out in Figure 8.

Figure 8 Key Considerations for Property Portfolio Management



-  Do we require the property short- or long-term?
-  What is the property used for? Is the usage likely to change?
-  Does our property portfolio align with expected growth, network program of work or changes in business structures?
-  Are property costs reasonable and competitive?

## 6.2 Forecasting methodology

The forecast for property and buildings has been developed by applying a combination of bottom-up and top-down methodologies. A bottom-up build was undertaken based on the drivers and assumptions for the expenditure outlined above. A top-down analysis was also completed, with historical trends and benchmarking taken into consideration.

The property forecast is reflective of the following inputs:

- Risk assessment and priorities according to safety, compliance and operational requirements
- Assessment of current asset portfolio and condition assessments
- High level estimate of lease costs

The initial property and buildings forecasts provided the total expenditure required for Power and Water as a whole-of-business. This total expenditure was then allocated to the different business units including Power Services and Core Operations and further allocated to standard control services. The allocation percentage is based on the approved Cost Allocation Method approved by the AER for Power and Water. Forecasts presented in this document are for the regulated network business Power Services.

## 6.3 Forecasting assumptions

The property lease forecasts have been developed based on the assumption that current leases and conditions will continue and where required, leases will be renewed. Where leases are renewed, they will be capitalised when entering into a new lease.

The property and building forecasts have been developed based on the following assumptions:

- The SOCI Act will apply during the next regulatory control period
- Continuation of compliance and remediation works identified during the current regulatory control period will be required
- Current leases will be renewed in accordance with five-year terms and similar conditions with lease costs to increase in line with CPI

- There are no 100% dedicated properties for regulated or standard control service purposes, though there are some sites directly allocated to Power Services
- Single site consolidation project is expected to be completed by 2030 with the total cost split between FY28 and FY29. This also means that shorter property leases will be required in the future.

## 7 Expenditure plan

### 7.1 Current Period Performance

#### 7.1.1 Overview

The tables below provide an overview of the actual and estimated expenditure on property leases and property compared to the original forecast included in the AER allowance for the current regulatory control period. The actual expenditure for 2019-20, 2020-21 and 2021-22 has been derived from the RIN data reported to the AER.

Expenditure reported has been allocated to the regulated business and standard control services (SCS). Expenditure for property leases for the current period is expected to be underspent compared to the AER allowance due to much lower than expected lease costs. There is expected to be a slight overspend for property / buildings capex over the course of the current regulatory control period.

Table 2 Comparison of actual/Estimated property lease capex to AER allowance – current period (\$m, real 2022)

	2019-20	2020-21	2021-22	2022-23	2023-24	Total
<b>AER Allowance</b>	4.69	0.11	16.12	0.06	0.55	21.53
<b>Actual/estimated expenditure</b>	2.92	0.78	6.93	0.00	3.60	14.23
<b>Variance</b>	-1.77	+0.67	-9.19	-0.06	+3.05	-7.30

Table 3 Comparison of actual/Estimated property and buildings capex to AER allowance – current period (\$m, real 2022)

	2019-20	2020-21	2021-22	2022-23	2023-24	Total
<b>AER Allowance</b>	2.29	0.76	0.76	0.76	0.76	5.33
<b>Actual/estimated expenditure</b>	0.60	1.13	1.76	1.89	1.25	6.63
<b>Variance</b>	-1.69	+0.37	+1.00	+1.13	+0.49	+1.30

#### 7.1.2 Summary of major projects

The table below provides an overview of the type of major capital projects that have been undertaken and are planned to be delivered in the current period for building compliance and remediation.

Table 4 Current period projects, expenditure and drivers – Building Compliance and Remediation (\$k, real 2022)

Project	Year of Delivery	Description	Capital Expenditure	Driver
<b>Ben Hammond Fire Sprinkler Upgrade</b>	FY20	Upgrade fire sprinkler and fire hydrant systems at Ben Hammond	9	Compliance
	FY21		112	
	FY22		658	
<b>Fire System Upgrades</b>	FY21	Upgrades to the Fire Indicator Panels at Ben Hammond Complex and Victoria Highway Complex	86	Compliance Renewal and replacement
<b>BHC, Chlorine Yard</b>	FY21	Removal and encapsulation of surface asbestos at the Ben Hamond Complex Chlorine Yard	177	Compliance
<b>Fire Indicator Panel Upgrades</b>	FY22	To ensure Ben Hammond Complex and Sadadeen Valley Complex all have fire indicator panels	220	Compliance Renewal and replacement
<b>Minor Works – Compliance Remediation Victoria Highway Complex</b>	FY22	Rectify non-compliant structures identified through the building compliance program	241	Compliance Renewal and replacement
<b>Minor New Works – Compliance Remediation Ben Hammond Complex</b>	FY22	Rectify non-compliant structures identified through the building compliance program	8	Compliance Renewal and replacement
<b>Minor Works – Compliance Remediation Sadadeen Valley</b>	FY22	Rectify non-compliant structures identified through the building compliance program	4	Compliance Renewal and replacement
	FY23		100	

The table below provides an overview of the type of major capital projects that have been undertaken and are planned to be delivered in the current period for minor new works.

Table 5 Current period projects, expenditure and drivers - Minor New Works (\$k, real 2022)

Project	Year of Delivery	Description	Capital Expenditure	Driver
<b>Minor New Works Corporate Support</b>	FY20	Minor new works including office refurbishment and building upgrades to Corporate sites	413	Renewal and replacement
	FY21		386	Service Improvement
	FY22		611	Service Improvement
<b>Sadadeen Valley Complex - Refurbishment of Amenities Building</b>	FY20	Refurbishment of the first floor of the administration building	158	Renewal and replacement
<b>Bitumen Upgrades</b>	FY21	Minor new works to upgrade the bitumen at Sadadeen Valley following damage from a burst pipe	138	Renewal and replacement
<b>Victoria Highway Complex Upgrades</b>	FY21	Refurbishment of administration/office area, including modernized furniture	156	Renewal and replacement
				Service Improvement
<b>Minor New Works – Corporate Support Sadadeen Valley</b>	FY22	Office refurbishment and building upgrades	60	Renewal and replacement Service Improvement
<b>Regional Accommodation – Victoria Highway</b>	FY22	Construct and install demountable accommodation.	49	Commercial / Efficiency Growth / Demand
<b>Minor New Works Program – Victoria Highway Complex Corporate Support</b>	FY22	Refurbishment of administration/office area.	171	Renewal and replacement Service Improvement

The table below provides an overview of the type of major capital projects that have been undertaken and are planned to be delivered in the current period for corporate site security.

Table 6 Current period projects, expenditure and drivers - Corporate Site Security (\$k, real 2022)

Project	Year of Delivery	Description	Capital Expenditure	Driver
Physical Security Infrastructure Upgrade Program – Corporate Sites	FY22	Replace / upgrade & enhance physical security infrastructure across defined Corporate sites, namely: <ul style="list-style-type: none"> <li>▪ Ben Hammond Complex</li> <li>▪ Mitchell Centre</li> <li>▪ Victoria Highway Complex</li> <li>▪ Tennant Creek</li> <li>▪ Sadadeen Valley</li> </ul>	440	Renewal and replacement
				Compliance
Electronic Security Access & Hardware Upgrades – Corporate Sites	FY22	Replace/upgrade end-of-life electronic security infrastructure across defined Corporate sites, namely: <ul style="list-style-type: none"> <li>▪ Ben Hammond Complex</li> <li>▪ Mitchell Centre</li> <li>▪ Victoria Highway Complex</li> <li>▪ Tennant Creek</li> <li>▪ Sadadeen Valley</li> </ul>	310	Renewal and replacement
				Compliance

The table below provides an overview of the type of major capital projects that have been undertaken and are planned to be delivered in the current period for low value pool.

Table 7 Current Period Projects, expenditure and drivers - Facilities Low Value Pool (\$k, real 2022)

Project	Year of Delivery	Description	Capital Expenditure	Driver
Low Value Pool Assets	FY20	The purchase of standard office and electrical equipment with a value between \$0.01 and \$20,000.00.	150	Renewal and replacement
	FY21		310	Service Improvement
	FY22		165	Service Improvement

There may be small differences between the total expenditure indicated in the tables above, and the category summaries provided in Table 2 and Table 3. This differences, whilst minor and reducing since FY20, are due to small differences in classification of expenditure to projects and use of separate reporting systems for delivery of the projects.

## 7.2 Forecast Capital Expenditure

### 7.2.1 Overview

Power and Water is anticipating that a number of projects that were undertaken in the 2019-24 period will also need to be continued into the 2024-29 period due to their recurring nature.

The forecast expenditure for the next regulatory control period allocated to Standard Control Services as per the CAM is outlined in Table 8.

Table 8 Property and Building expenditure forecast (\$m, real 2022)

	2024-25	2025-26	2026-27	2027-28	2028-29	Total
<b>Property leases</b>	0.00	0.00	4.98	0.00	0.65	5.63
<b>Property Buildings</b>	0.94	0.72	2.48	34.02	49.87	88.03
<b>Total</b>	<b>0.94</b>	<b>0.72</b>	<b>7.46</b>	<b>34.02</b>	<b>50.52</b>	<b>93.66</b>

Property leases are anticipated to reduce compared to the current regulatory period, whereas expenditure for property (buildings) is expected to be slightly higher due to increased compliance and remediation works.

The high proportion of non-network (property and fleet) investment reflects our plans to co-locate our Darwin staff in the one Power and Water owned location. The single site consolidation project is expected to cost around \$89.8 million. It will see the Ben Hammond complex upgraded to provide shared business and operational functions, before the staged conclusion of two commercial property leases.

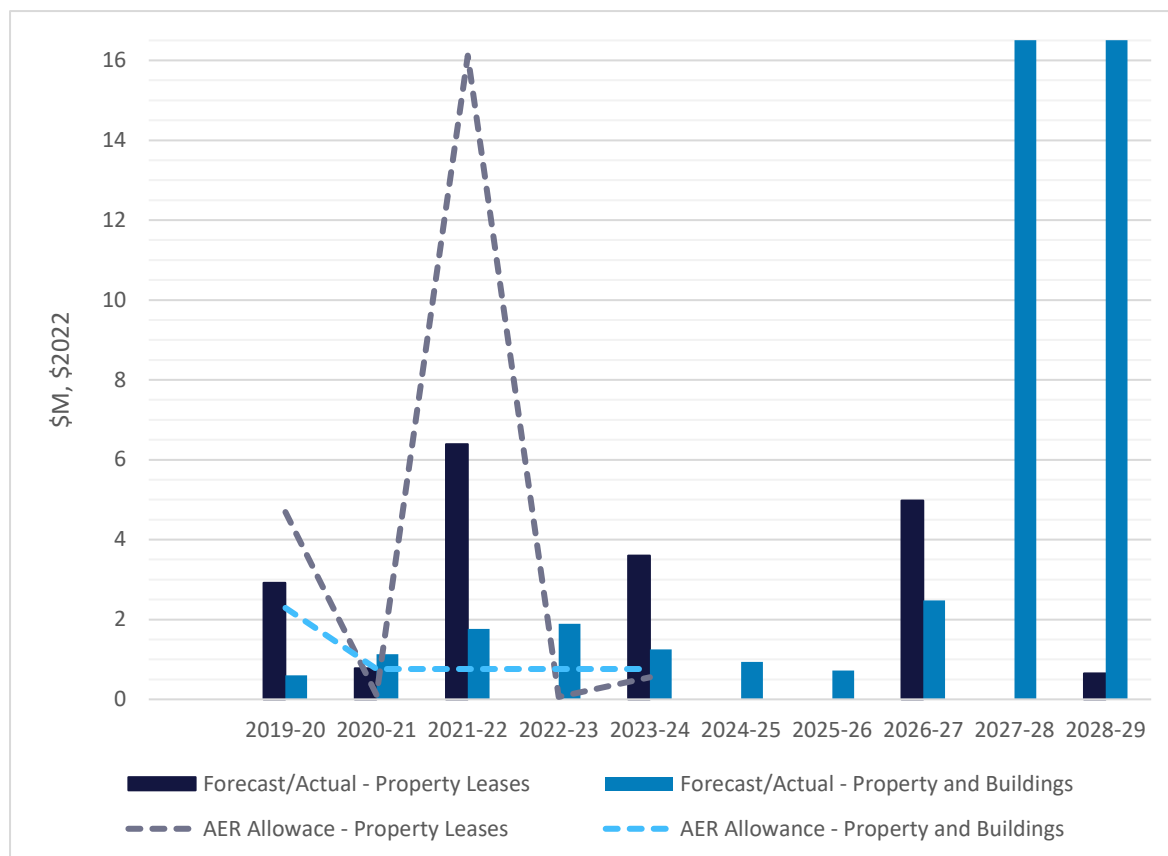
The remaining small increase in expenditure for property and buildings is driven by compliance and remediation projects and increased security requirements.

The forecast for property leases relates to commercial leases at two sites – Mitchell Centre and Mitchell Street Switching Station. A reduced term has been included in the cost of the lease at Mitchell Centre in anticipation of a business case for single site consolidation.

An overview of the major projects and associated drivers for the expenditure required in the next regulatory period is provided in the following section. Figure 9 provides an overview actual / forecast spend in the current period compared to the forecast for next regulatory control period.



Figure 9 Actual and Forecast Capital Expenditure



### 7.2.2 Overview of major projects

The forecast expenditure includes initiatives relating to the security, compliance and maintenance of property and buildings as described below.

Table 9 Summary of projects, expenditure and drivers (\$k, real 2022)

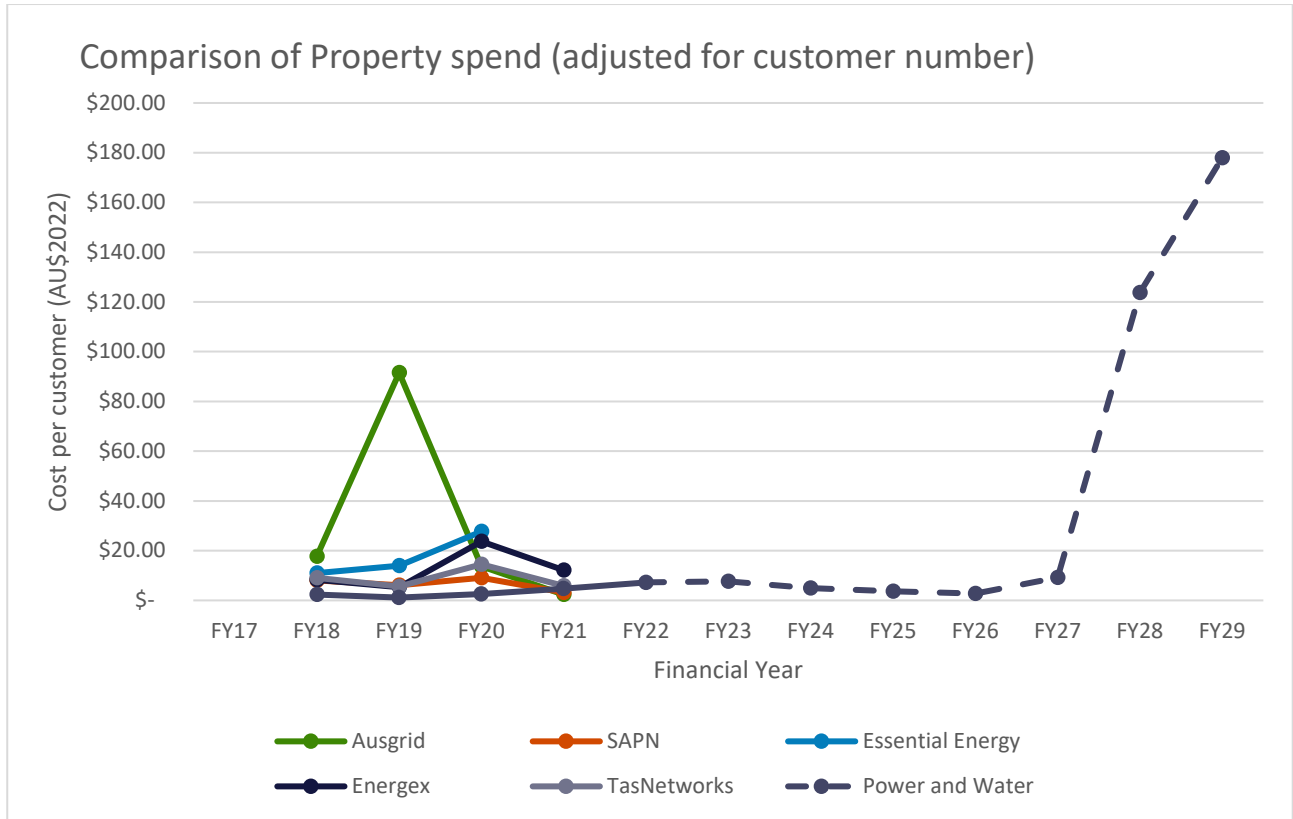
Project	Description	Expenditure	Driver
<b>Building Compliance and Remediation</b>	Rectify non-compliant structures identified through the building compliance program.	4,235	Compliance Renewal and replacement
<b>Minor New Works Program - Corporate Support projects - CORPORATE SITES</b>	Minor capital works such as office refurbishments and building upgrades to existing Power and Water Corporate Sites to accommodate staff.	1,592	Compliance Renewal and replacement
<b>Corporate Site Security Project</b>	The installation and upgrade of physical and electronic security infrastructure throughout Corporate Sites.	1,446	Compliance Security

Project	Description	Expenditure	Driver
<b>Minor New Works Program – SADADEEN ASP</b>	Minor capital works such as office refurbishments and building upgrades to accommodate staff.	299	Compliance Renewal and replacement
<b>Minor New Works Program – VHC KATHERINE</b>	Minor capital works such as office refurbishments and building upgrades to accommodate staff.	215	Compliance Renewal and replacement
<b>Facilities Low Value Pool Asset Program – All Sites</b>	Purchase of low value items between \$0.01 and \$20,000.00 GST Exc that with normal use has a greater life than 1 year.	554	Renewal and replacement
<b>Minor New Works – Ben Hammond Complex – Building Compliance Remediation Works</b>	Rectify non-compliant structures identified through the building compliance program.	424	Compliance Renewal and replacement
<b>Minor New Works – Sadadeen Valley Complex – Building Compliance Remediation Works</b>	Rectify non-compliant structures identified through the building compliance program.	226	Compliance Renewal and replacement
<b>Minor New Works – Victoria Highway Complex – Building Compliance Remediation Works</b>	Rectify non-compliant structures identified through the building compliance program.	102	Compliance Renewal and replacement
<b>Minor New Works – Tennant Creek Complex – Building Compliance Remediation Works</b>	Rectify non-compliant structures identified through the building compliance program.	113	Compliance Renewal and replacement
<b>Single Site Consolidation</b>	Co-locate Power and Water key business services and support functions into a consolidated single site to enhance corporate inter-operability and long-term fiscal prudence.	78,832	Compliance Renewal and replacement

### 7.3 Comparison to peers

Figure 10 provides an overview of the benchmarking undertaken to compare actual and forecast expenditure against its peers. We consider that the underlying level of property expenditure – excluding the one-off single site consolidation project – on a per customer basis is in line with industry performance.

Figure 10 Benchmarking of property and building capital expenditure



Assumptions: customer numbers increase by 2% each year; all \$ values are real \$2022, all numbers up to FY22 are based on publicly available CA RIN data, FY22 and beyond based on internal forecast spreadsheets

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