

Minor New Works – Corporate Sites

Regulatory Business Case (RBC) 2024-29

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1. Summary

This business case has been prepared to support the 2024-29 Regulatory Proposal. The business case demonstrates that Power and Water has undertaken appropriate analysis of the need for the expenditure and identified credible options that will resolve the need and ensure that Power and Water continues to meet the National Electricity Objectives and maintain the quality, reliability, and security of supply of standard control services and maintain the safety of the distribution system.

The proposed expenditure identified in this business case will undergo further assessment and scrutiny through Power and Water’s normal governance processes prior to implementation and delivery.

The focus of this business case is addressing the purchase of items related to the necessary ongoing maintenance and refurbishment of corporate sites.

1.1 Business need

Each financial year Power and Water allows for expenditure for Minor Works Program, which allows for the purchase of items related to the necessary ongoing maintenance and refurbishment of corporate sites. Over time, corporate sites, or certain facilities in the building or on the site, may deteriorate to the point that they are no longer functional or safe to use. Such a deterioration creates workplace health and safety hazards and may increase the risk of incidences and injuries and may also result in building standards not being met.

This business case considers the expenditure for minor (generally expenditure less than \$20,000) refurbishments or repair relating to such items as Office space and meeting rooms, toilets, kitchens, and lighting.

The need to undertake such maintenance and refurbishment is often identified during the course of the year either as a result of periodic audits/inspections or otherwise on an ad hoc basis. Therefore the expenditure forecast for this work is rarely for more than one year ahead and it is then subject to change (e.g. due to identification of new issues during the course of normal business or following more thorough analysis of previously identified asset condition). If an issue is identified, it is escalated to the appropriate person to approve (or otherwise) in accordance with Power and Water’s governance process.

1.2 Options analysis

The options considered to resolve this need are shown in Table 1.

Table 1 Summary of credible options

Option No.	Option name	Description	Recommended
1	Do Nothing	This option proposes no action is taken and no budget is set aside to allow for ad hoc minor works. This is the base case.	No
2	Reactive Program	This option proposes ad hoc minor works by undertaking the maintenance and	Yes

		refurbishment in response to an unsafe situation of failure.	
3.	Proactive Program	This option proposes proactive replacement and refurbishment of minor works prior to failure or deterioration.	No

1.3 Recommendation

The recommended option is Option 2 - Reactive Program at an estimated cost of \$1.59 million (real 2021/22). across the next RCP (i.e. an average of \$0.21 million p.a). This option has superior benefits compared with the options assessed, at a lower cost. Specifically, this option:

- Ensures adequate and operational facilities to accommodate all Power and Water staff and contractors.
- Mitigates health and safety risks that may be present on site.
- Allows for proactive scheduling and completion of works minimising the need for unplanned outages and to realise cost efficiencies.

The forecast expenditure for the next regulatory control period allocated to Standard Control Services as per the CAM is outlined in Table 2 for the 2024-29 regulatory period.

Table 2 Annual capital and operational expenditure (\$m, real 2021/22)

Item	FY25	FY26	FY27	FY28	FY29	Total
Capex	0.34	0.25	0.33	0.33	0.34	1.59
Opex	-	-	-	-	-	-
Total	0.34	0.25	0.33	0.33	0.34	1.59

2. Identified need

The purpose of this section is to demonstrate and provide the background information for the identified need to invest, and that the investment is aligned to the Power and Water's strategic objectives.

2.1 Investment driver

The primary driver behind this investment is standard end-of-life replacement (or upgrade) of aspects of Corporate property assets such as:

- Office space and meeting rooms
- Toilets
- Kitchens
- Lighting
- Building façade
- Car parks
- Shade structures
- Sheds
- Fencing.

Other relatively minor property assets that need upgrading or replacement such as furniture and fittings, appliances, and electrical equipment are subject to a separate business case.¹

If the assets are not replaced, the potential for failure increases rapidly. The risks are discussed further in section 2.5. End-of-life timing of the replacement or upgrade of the assets is determined by the condition of the asset and the risk it poses to safety or operations. Considerations include:

- General wear and tear, as equipment becomes unserviceable - buildings and facilities do not remain in functioning condition indefinitely. As time goes on and the age of each asset increases, the level of deterioration also increases
- Asset obsolescence (such as at or soon after 'end of support' notification from vendors)
- To meet user expectations and ensure equipment is 'fit for purpose'
- To upgrade to current technology to enable efficient work practice and minimisation of errors.

By way of elaboration, the following factors are considered:

Compliance: Power and Water must ensure all Corporate sites are at all times compliant with the Health and Safety (National Uniform Legislation) Act 2011 (NT). The specific obligations contained in this piece of legislation are discussed below.

Safety: In line with Power and Water's Statement of Corporate Intent and strategic goals, acting to ensure the continued safety of all staff, contractors and members of the public is a driver of this investment need.

Geographical operations: The remote location and nature of the terrain in the Northern Territory impact the asset life and structural requirements of various aspects of Power and Water's Corporate sites may shorten the effective life beyond what might be considered 'normal' elsewhere.

¹ Facilities Low Value Pool Business Case

Service: In order for staff and contractors to perform their employment duties and provide the best services possible to customers, all equipment and workplaces must be functional and safe.

2.2 Asset overview

Power and Water has six corporate site properties across the Northern Territory, set out in Table 3. Together they accommodate 1,060 staff (at the time of writing this document) 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.

Table 3 Power and Water Corporate Locations

Property	Location	Number of Staff	Description of Use
Ben Hammond Complex	Iliffe Street, Stuart Park NT 0820	520	An urban corporate site which accommodates people and infrastructure which is responsible for the operational delivery of essential utility services (power, water and gas).
Sadadeen Valley Complex	25 Berger Court, Sadadeen NT 0870	88	A regional corporate site which accommodates people and infrastructure who are responsible for providing strategic and corporate support needed to enable the delivery of essential utility services (power, water and gas)
Victoria Highway Complex	88 Victoria Highway, Katherine NT 0850	18	A regional corporate site which accommodates people and infrastructure who are responsible for providing strategic, operational and corporate support needed to enable the delivery of essential utility services (power, water and gas)
Mitchell Centre	55 Mitchell Street, Levels 2 / 6 & 7, Darwin NT 0800	312	An urban corporate site which accommodates people and infrastructure who are responsible for providing strategic and corporate support needed to enable the delivery of essential utility services (power, water and gas)
Jacana Place (Wood Street)	39 Woods Street, Levels 2 / 6 & 7. Darwin NT 0800	109	An urban corporate site which accommodates people and infrastructure who are responsible for providing strategic and corporate support needed to enable the delivery of essential utility services (power, water and gas)
Standley Street Complex (also	Lot 2505 Standley Street,	13	A regional corporate site which accommodates people and infrastructure who are responsible for providing strategic, operational and corporate

called Tennant Creek Complex)	Tennant Creek NT 0862		support needed to enable the delivery of essential utility services (power, water and gas)
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2.3 Compliance requirements and considerations

The Health and Safety (National Uniform Legislation) Act 2011 (NT) ('NT Health and Safety Act') sets out the key principles, duties, obligations and rights in respect to occupational health and safety in the Northern Territory. Under this Act, Power and Water and its management staff have a duty to ensure, so far as is reasonably practicable, that the workplace, means of entering and exiting the workplace and anything arising from the workplace are without risks to the health and safety of any person. The provision of a safe workplace will extend to ensuring any furniture and fittings, appliances and electrical equipment are functional and safe. The duty is contained in section 20(2) of the NT Health and Safety Act.

2.4 Current management program

Minor works projects are identified on an ad hoc basis. Facilities raise a new Minor Works Project to allow for office refurbishments and building upgrades to existing Power and Water Corporate Sites to be delivered in a timely manner to accommodate Power and Water staff.

By way of example, a description of the minor new works at each location in 2021/22 is shown in the table below. These minor new works will not necessarily be repeated in the upcoming 2024-29 regulatory period as the expenditure is incurred on an as-needed basis with the specific investment drivers changing over time.

Table 4 Minor New Works at Corporate Sites in 2021/22

Property	Business Case	Date	Description of Works
Victoria Highway Complex	CFK30004	07/21 to 06/22	Refurbishment of administration office area; repairs to curb and road due to burst pipe; installation of flag poles; replace barb wire on external fence; installation of Zip hydro taps; installation of fan and touch screen interface; erect galvanised shade hut with concrete slab; and installation of ice machine in shed.
Sadadeen Valley Complex	CFA30015	07/21 to 06/22	Refurbishment to the first floor of the admin building; installation of a glazed partition in Power Services office area; and an upgrade to existing lighting with energy efficient lighting throughout the site.
Ben Hammond Complex	CFD30065	07/21 to 06/22	Installation of new energy efficient LED lighting; refurbishment of CEO office and quiet room; removal of old CBUS system and replacement with new switch and motion sensor system;

Property	Business Case	Date	Description of Works
			flooring upgrade to overhead crib room; installation of swipe access to 7 doors; and labour and installation of TV.
Victoria Highway Complex	CFD30065	07/21 to 06/22	Repairs to curb and road due to burst pipe; supply and installation of floodlights, cage and flagpole.
Tennant Creek Complex	CFD30065	07/21 to 06/22	Carpark works; replace AC unit with sterile air unit (mould contamination); installation of foot bridge over floodway; replacing existing halogen floodlights with LED.
Mitchell Centre	CFD30065	07/21 to 06/22	Supply and installation of two access controls on Level 2 doors; soundproofing of office walls on level 6; refurbishment of offices on level 7;
Level 8, Jacana House	CFD30065	07/21 to 06/22	Soundproofing of the Senior manager operating Model Programs Office;

2.5 Risk Assessment

Over time, corporate sites, or certain facilities in the building or on the site, may deteriorate to the point that they are no longer functional or safe to use. Such a deterioration creates safety hazards and means that accommodation standards are not met.

In demonstrating the need to invest, Power and Water’s “*Enterprise Risk Management Standard*” and Values Framework was applied.

2.5.1 Health and Safety

Power and Water has a proactive safety culture across the corporation based on accountability, trust and ethical behaviour. There is a high appetite to prevent any harm to staff, contractors or the general public resulting from its activities. The definition of harm is very broad, ranging from minor injury or sickness to severe illness, permanent disability and fatality. To avoid the potential for harm, it is essential that all buildings and facilities used by Power and Water staff and contractors are safe and fit for purpose.

2.5.2 People and Culture

Power and Water aims to have a high performing, diverse workforce that has the capability to drive business effectiveness. A highly engaged and capable workforce with a constructive workplace culture is not possible without a safe and operational working environment. This extends to the office working environments. All buildings and facilities must be serviceable, fit for purpose, functional and safe.

2.5.3 Legal and Regulatory

Power and Water must adhere to the laws and regulations relevant to its business in order to maintain its 'License to Operate'. Failure to maintain safe and serviceable equipment may be in breach of various OH&S standards, therefore jeopardising Power and Water's ability to operate and provide power services to the residents of the Northern Territory.

2.5.4 Likelihood

Based on experience, facility assets are almost certain to be identified throughout the course of the next RCP that will require replacement or upgrading due to one of the end-of-life factors referred to above.

2.5.5 Consequences

Action on this issue is required to maintain business as usual throughout Power and Water. Without appropriate workplace functionality and accommodation standards, staff and contractors will not be able to properly perform their roles, meaning the service provided to customers will decline.

Additionally, reference to Power and Water's "**Culture Kit – Values in Action**" reveals that failure to address the issues identified would result in a breach of the values framework. Power and Water's top value is 'putting people first'. Signature behaviours that action this value include putting safety 'first, last and every moment in between' and looking after staff, contractors and the public at all times. Ensuring Power and Water staff and contractors have a safe and functional workplace feeds into this value and supports its continued realisation.

Whilst the individual consequences of each deteriorated asset remaining in service is Minor, in aggregate if there was no action to rectify the facilities by July 2029, the consequence would be Moderate.

2.6 Summary

Corporate site assets deteriorate over time and with extended use. In order to minimise risks to health and safety, people and culture and legal and regulatory areas, this equipment must undergo recurrent renewal and replacement. Maintaining the useability and safety of such equipment allows for the proper provision of services to customers while upholding Power and Water's values.

The overall risk if nothing is done to rectify identified issues by the end of the next RCP is assessed to be 'Moderate'.

Section 3 discusses the options that will efficiently manage these risks.

3. Options analysis

This section describes the various options that were analysed to address the increasing risk to identify the recommended option. The options are analysed based on ability to address the identified needs, prudence and efficiency, commercial and technical feasibility, deliverability, benefits and an optimal balance between long term asset risk and short-term asset performance.

3.1 Comparison of credible options

Credible options are identified as options that address the identified need, are technically feasible and can be implemented within the required timeframe. The following options have been identified:

- Option 1 – Do nothing. This option proposes no action is taken and no budget is set aside to allow for ad hoc minor works. This is the base case.
- Option 2 – Reactive program. This option proposes ad hoc minor works by undertaking the maintenance and refurbishment in response to an unsafe situation of failure.
- Option 3 – Proactive program. This option proposes proactive replacement and refurbishment of minor works prior to failure or deterioration.

A comparison of the three identified options and the issues they address in the identified need is depicted in the table below. A detailed discussion of each option is provided below.

Table 5 Summary of options analysis outcomes

Assessment metrics	Option 1	Option 2	Option 3
NPV (\$m, real FY22)	-	-	-
Capex (\$m, real FY22)	-	1.59	3.00
Opex (\$m, real FY22)	-	-	-
Meets customer expectations	○	◐	●
Aligns with Asset Objectives	○	◐	●
Technical Viability	○	◐	◑
Deliverability	○	◐	◑
Preferred	✘	✓	✘
Ranking	3	1	2

- Fully addresses the issue
 ◐ Adequately addresses the issue
 ◑ Partially addresses the issue
 ○ Does not address the issue

As this program of works is required for compliance, the benefits have not been quantified and hence the NPV is negative. A NPV has not been calculated.

3.1.1 Option 1 – Do Nothing

Under this option, no minor works will be carried out and Power and Water’s corporate sites will continue to deteriorate further. This option has no capital expenditure during the 2024-29 regulatory period, instead delaying potential replacement costs until the following regulatory period. Further to this, as items are not replaced, this will result in various assets becoming unusable throughout the upcoming 2024-29 regulatory period. This has a flow on effect to ability of Power and Water staff and contractors to provide services to customers.

The advantages and disadvantages of this options are shown in the table below.

Table 6 Option 1: Advantages and Disadvantages

Advantages	Disadvantages
No upfront costs, although it will result in higher costs in the long term	Increases the workplace health and safety compliance risk and potential fines and penalties
	Does not address deterioration issues that require immediate action, meaning certain facilities or assets may become unusable
	A replace on failure model means that costs and timing of spending is unpredictable, and will lack the smoothing of a structured capital program

Option 1 does not address the need identified and poses an unacceptable level of risk. The replacement of deteriorating elements of the corporate sites will be halted, allowing for the deterioration of various assets and facilities. Health and safety, people and culture, and legal and regulatory risks will materialise as various items become unsafe or unusable. Allowing the materialisation of such risks does not align with Power and Water’s strategic objectives. It would go against the embedded principles of a proactive safety culture and an agile and capable workforce.

Based on the above information, Option 1 Do Nothing is not the preferred option because it does not address any of the issues identified above in section 2. Accordingly, a financial assessment of this cost has not been undertaken.

This option is not recommended.

3.1.2 Option 2 – Reactive Program

This option ensures continuation of ad hoc minor works and purchasing and undertaking the maintenance and refurbishment when it becomes unsafe or inefficient to continue using the item. This option is estimated to cost \$1.59 million (real 2021/22).

It is assumed for the purpose of this business case that a similar level of expenditure to the current regulatory period will be required.

The advantages and disadvantages of this options are shown in the table below.

Table 7 Option 2: Advantages and Disadvantages

Advantages	Disadvantages
Ensures adequate and operational facilities to accommodate all Power and Water staff and contractors	Costs may be uncertain and are based on historical trends. Some years will be higher than others and the budget needs to accommodate this uncertainty.
Mitigates health and safety risks that may be present on site	
Allows for proactive scheduling and completion of works minimising the need for unplanned outages and to realise cost efficiencies	

Based on the above information, Option 2 Reactive Program is the preferred option because it is prudent in that it addresses the identified need in a technically feasible manner, and it is efficient in that it is the least cost option to do so.

This option is recommended.

3.1.3 Option 3 – Proactive Program

This option involves the proactive replacement and refurbishment of minor works to prior to failure or deterioration. This option is estimated to cost \$3.0 million (real 2021/22).

The advantages and disadvantages of this options are shown in the table below. Table 8 Option 3: Advantages and Disadvantages

Advantages	Disadvantages
Ensures adequate and operational facilities to accommodate all Power and Water staff and contractors	This is the most expensive option with high costs
Mitigates health and safety risks that may be present on site	Assets may be replaced too early, giving artificially short lifespans and wasting previously allocated finances
Allows for proactive scheduling and completion of works minimising the need for unplanned outages and to realise cost efficiencies	

Based on the above information, Option 3 Proactive Program is not the preferred option. While it is prudent in that it addresses the identified need in a technically feasible manner, it is not the least cost option to do so making it inefficient. This option is not recommended.

4. Recommendation

The recommended option is Option 2 – Reactive Program at an estimated cost of \$1.59 million (real 2021/22) to be most prudent and cost effective to meet the identified needs.

The proposed program is consistent with the National Electricity Rules Capital Expenditure Objectives as the expenditure is required to maintain the quality, reliability, and security of supply of standard control services and maintain the safety of the distribution system.

4.1 Strategic alignment

The “Power and Water Corporation Strategic Direction” is to meet the changing needs of the business, our customers and is aligned with the market and future economic conditions of the Northern Territory projected out to 2030.

This proposal aligns with Asset Management System Policies, Strategies and Plans that contributes to the D2021/260606 “PWC Strategic Direction” as indicated in the table below.

Table 9 Strategic Direction focus areas

	Strategic direction focus area	Strategic direction priority
1	Always Safe	Embed a Proactive Safety Culture
2	One Power and Water	Agile and Capable Workforce

4.2 Benefits

The table below sets out the benefits and benefit measurements associated with carrying out the recommended option, Option 2.

Table 10 Benefits of Recommended Option

Benefits	Benefit Measurements
Improved productivity and operational efficiency	This is an indirect benefit.
Improved customer service and outcomes	This is an indirect benefit linked to employee engagement and retention.
Improved safety	Overall reduction in safety incidents on Corporate sites.
Risk reduction and mitigation	Overall reduction in Corporate site risks, also lowering exposure to fines or penalties.
Increased employee engagement	This is a qualitative measurement based on access to better facilities and workspaces.

4.3 Dependent projects

There are no known projects or other network issues that are dependent on the resolution of this network issue.

4.4 Deliverability

There are no known deliverability or supplier issues.

4.5 Expenditure profile

The forecast expenditure for the next regulatory control period allocated to Standard Control Services as per the CAM is outlined in Table 11 for the 2024-29 regulatory period.

Table 11 Annual capital and operational expenditure (\$m, real 2021/22)

Item	FY25	FY26	FY27	FY28	FY29	Total
Capex	0.34	0.25	0.33	0.33	0.34	1.59
Opex	-	-	-	-	-	-
Total	0.34	0.25	0.33	0.33	0.34	1.59

4.6 High-level scope

The program described in this business case forms part of an enterprise-wide program.

The scope included for this business case is restricted to the regulated portion of Power and Water Corporation. Any capital expenditure pertaining to the non-regulated areas of the business will be out of scope. In addition, the scope is limited to minor works at Corporate sites.

Appendix A. Key assumptions and limitations

The following limitations exist for this business case:

- Due to previous data recording processes and management systems, Power and Water does not have a large amount of robust, high-quality data available for benefit quantification. Although the data recording processes and management systems have since been overhauled and will be accurate and reliable going forwards, this means that any past data on may be incomplete. For example, the number of safety incidents (and corresponding incident details).
- As such, it was not possible to conduct a full cost-benefit assessment or properly quantify the benefits and costs.

As per the 'Business Plan – Supply Chain Strategy and Operations (2021-2025)', this program has the following KPIs:

- Delivered on Time
- Delivered on Budget (+/- 10%)
- Delivered Safely (No Loss Time Injury / No Recordable Injuries / No Safety Incidents)

These KPIs will ensure the project is delivered prudently and efficiently, and in a manner which minimises potential risks.

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