



Echuca depot construction

**PAL BUS 8.02 - Echuca - Jan2020 - Public
Regulatory proposal 2021–2026**

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1 Overview

Business	Powercor Australia
Title	Echuca depot construction
Project ID	PAL BUS 8.02 - Echuca - Jan2020 - Public
Category	Other non-network capital expenditure
Identified need	The current depot site is of insufficient size to cater for operational requirements as evidenced by the need to lease additional land. In addition, there are existing logistical inefficiencies with materials (predominantly poles) being moved between sites on a daily basis due to insufficient storage.
Recommended option	Option 2: development of a new depot on a "Greenfield" site
Proposed start date	2023/24
Proposed commission date	2024/25
Supporting documents	1. PAL MOD 8.02 - Property - Jan2020 - Public

In-line with the company wide review of the operational performance of all depots, the existing Echuca depot has been identified as requiring significant upgrades to cater for workforce growth, additional material storage and more diversity in the workforce.

2 Background

The current Echuca depot is located at 16 Mundarra Rd, housing operational employees on a land size of 5500sqm/1.4 acres. Capital improvements were completed at the depot throughout 2013. This upgrade project consisted of refurbishment to the main office and significant expansion to the undercover storage for network materials with a total project cost of \$0.6m. The opportunity to expand the current site is severely limited due to the existing HV (66kv) line that adjoins the depot.

As a result we purchased land for a replacement site in 2019, valued at \$1.2m.

3 Identified need

Strong population growth in Echuca has increased the operational requirements of the depot. Between 2013 and 2026 (the period between which depot works were last completed and the end of the upcoming regulatory period), the number of residential dwelling is forecast to grow by 17% in total.¹ The closest depots from which we could get additional resources or stores are located at least an hour away in Shepparton and Cobram, which are already highly utilised and would have limited capacity to service the Echuca depot.

The current depot site is of insufficient size to cater for operational requirements as evidenced by the need to lease an additional 500sqm for the storage of network equipment. This lease was established in 2015 at a cost of \$0.01m per annum. Further, a zone substation and associated HV cables located next to the depot restricts our ability to expand further on the site.

As a result of space constraints, there are existing logistical inefficiencies with materials (predominantly poles) being moved between sites on a daily basis given there is insufficient space to store all materials at the depot site. The limited onsite storage space means that materials are scattered throughout the site making loading materials, prior to commencing works, cumbersome and time consuming.

A health, safety and environment review of the Echuca depot found that the confined depot layout presented a number of risks, namely:

- a shared area for private car parking and heavy fleet vehicles, meaning pedestrian activity is occurring in close proximity to the operation of heavy vehicles and cranes
- vehicles exiting the depot having to perform a turn onto the busy Midland Highway
- large store trailer having to reverse into the store area representing a risk to staff operating within the store area
- drivers having to manoeuvre large vehicles within tight confines due to the lack of adequate traffic flow throughout the site.

The company approach to diverse and inclusive employment has seen the introduction of female field workers which will necessitate the construction of separate female change rooms and the current depot layout does not have sufficient space to accommodate this.

¹ PAL MOD 9.03 - CIE customer number forecast - Jan2020 - Public.

4 Options analysis

The three options that have been explored are:

- option 1 - refurbish current depot site which would include the demolition of existing buildings, construction of new buildings, change room facilities, stores and truck parking facilities and realignment of vehicle entry and exit points
- option 2 - construct a new depot on a vacant land and to a specification that meets operational needs
- option 3 - purchase a site with existing commercial/industrial buildings and redevelop it into a productive operational depot.

Table 1 Cost analysis, \$m June 2021

	Option	Cost
1	Redevelopment of the existing depot site	9.2
2	Development of a new depot on a "Greenfield" site	13.8
3	Development of a new depot on a "Brownfield" site	12.3

Source: Powercor

To determine efficient spend, the proposed options were costed using the following information:

- material and construction costs are based on prior depot builds of a similar size and scale. Our depot builds are outsourced to independent third parties through market tender processes
- lease costs for any temporary facilities are based on reviewing the average rate for suitable properties currently available for lease in the area
- land costs are derived by reviewing recent land sales and market valuations in the area to determine an average per square meter rate and applying that to the land size required for the depot.

4.1 Option one

Redevelopment of the existing site, which would include the demolition of existing buildings, construction of new buildings, change room facilities, stores and truck parking facilities and realignment of vehicle entry and exit points.

Table 2 Options analysis - existing site

Advantages	Disadvantages
Lowest cost option, as there is no need to purchase new land.	<p>Development options are heavily constrained by the configuration of the site and the adjoining ZSS. The limited land size would not address the identified need and operational performance due to:</p> <ul style="list-style-type: none"> • poor traffic flow throughout the site leading to delays in loading and unloading vehicles and potential safety incidents • a requirement to move materials around the site to free up space as required • the inability to hold large quantities of stock leading to potential stock outs and the inability to meet planned construction or maintenance works.
Able to develop additional change room facilities to support a diverse and inclusive work place.	<p>Would require significant disruption with staff having to be relocated twice (i.e. pre and post construction).</p> <p>A temporary facility would need to be secured on a short term basis, with the probability of locating a suitable location within the Echuca region considered to be very low. Any temporary location is likely to require a compromised service model due to layout and facilities, leading to inefficient work practices and potential delays in customer response times.</p>

Source: Powercor

4.2 Option two

Greenfield site - construct a new depot on vacant land to a specification that meets operational needs. The depot would be constructed on land purchased in 2019 for \$1.2m, with construction commencing from 2023/24 once other projects were completed following the prioritisation of planned works across our portfolio. The existing site would be sold in 2025/26 following completion of the depot build.

Table 3 Options analysis - Greenfield site

Advantages	Disadvantages
Ability to target optimal location to service the region.	Highest cost option as it requires the acquisition of land and a ground up build.
Not constrained by current site configuration, allowing the construction of a purpose built operational depot and the allocation of sufficient space to house adequate materials to meet planning / stock requirements.	
Minimal disruption to staff and customers with the current site to be retained until construction is completed.	
Safety risks associated with traffic flows would be reduced	
Able to develop additional change room facilities to support a diverse and inclusive work place.	
Logistical inefficiencies associated with materials storage and traffic flow would be removed.	

Source: Powercor

4.3 Option three

Brownfield site - purchase a site with existing commercial/industrial buildings and redevelop it into a productive operational depot. The existing site would be sold in 2025/26 following completion of the depot build.

Table 4 Options analysis - Brownfield site

Advantages	Disadvantages
Lower construction costs due to the ability to utilise existing structures.	Development will be constrained by the existing buildings and site configuration.
Quickest build time (subject to the ability to purchase a suitable site).	Limited supply of suitable sites will make acquisition difficult and may require paying a premium above market.
Safety risks associated with traffic flows would be reduced.	Limited sites may also lead to some compromises in optimal layout and facilities. This in turn may reduce the operational performance and efficient delivery of network support services and lead to inefficient work practices and potential delays in customer response times.
Logistical inefficiencies associated with materials storage and traffic flow would be removed.	
Able to develop additional change room facilities to support a diverse and inclusive work place.	

Source: Powercor

5 Recommendation

It is recommended that option 2, subsequent construction of a new depot on vacant land, be undertaken in order to service Echuca and the surrounding region. This strategy will allow for a purpose built depot that can be constructed in a manner which caters for current and future operational and HSE requirements whilst also maintaining current operational support at the existing depot during the construction phase.

While it is acknowledged that refurbishing the current site represents the lowest cost option (option 1), the constraints on the development due to the configuration of the site and limited options to expand beyond the current footprint would prevent the efficient delivery of network support services. Option 1 would not address our identified need as logistical inefficiencies relating to materials storage and traffic flow would remain and worsen over time, and the safety risks from poor traffic flow would not be mitigated.

Similarly the scarcity of supply of established sites and the potential requirement to compromise the optimal layout to allow for existing structures means that option 3 (Brownfield site) is not considered efficient in the long term.

Table 5 Recommended option 2: expenditure profile, \$m June 2021

Expenditure forecast	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Capital expenditure			5.7	8.2		13.8

Source: Powercor