



Bendigo depot upgrade

**PAL BUS 8.05 - Bendigo - Jan2020 - Public
Regulatory proposal 2021–2026**

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1 Overview

Business	Powercor
Title	Bendigo depot upgrade
Project ID	PAL BUS 8.05 - Bendigo - Jan2020 - Public
Category	Other non-network capital expenditure
Identified need	The Bendigo depot has poorly laid out material storage areas and front offices and contact centre have not been upgraded in a number of years.
Recommended option	Option 1: Redevelopment of current site
Proposed start date	2022/23
Proposed commission date	2022/23
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 Bendigo depot has been identified as requiring significant upgrades to cater for workforce growth and additional material storage.

2 Background

The current Bendigo depot is located at 601–611 Napier Street Epsom, housing approximately 250 employees on a land size of approximately 44,000sqm/11 acres. In addition to being an operational depot, the centralised customer contact centre also operates from this site.

The contract centre currently services all calls for CitiPower and Powercor and is an important employer in the Bendigo area.

Capital improvements were last completed at the depot in 2017. This minor upgrade consisted of refurbishment of the rear office area due to a sub-optimal layout with a total project cost of \$4.9m.

The site is in an ideal, central location to service the region and it is difficult to find suitably zoned land close to the area.

3 Identified need

The current material storage areas are poorly laid out resulting in inefficiencies when loading materials to undertake project or rectification works. A car park is located in the middle of the depot so that workers must cross depot grounds where vehicles are operating in order to access the office buildings, which creates potential safety issues. In addition the front office facilities have not been upgraded in over 15 years and require significant modifications in order to modernise the facility and maximise the available space.

Strong population growth in Bendigo has increased the operational requirements of the depot. Between 2016 and 2026, the number of residential dwelling is forecast to grow by 31%.¹ If we do not upgrade the Bendigo depot we will not be able to keep pace with forecast growth in workloads and materials storage requirements leading to detriments to response times and network reliability performance.

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

4 Options analysis

The 3 options that have been explored are:

- option 1 - redevelopment of the existing depot site
- option 2 - development of a new depot on a "Greenfield" site
- option 3 - development of a new depot on a "Brownfield" site

Table 1 Cost analysis, \$m June 2021

Option	Cost
1 Redevelopment of the existing depot site	11.1
2 Development of a new depot on a "Greenfield" site	16.9
3 Development of a new depot on a "Brownfield" site	15.3

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

Refurbish current depot site which would include remodelling the office and contact centre areas, construction of material storage sheds and reconfiguration of the existing hard stand storage areas. It is expected that the staff could remain on site while staged development takes place.

Table 2 Options analysis - existing site

Advantages	Disadvantages
Lowest cost option, as there is no need to purchase new land.	Development may be constrained by having to retrofit existing facilities as opposed to a new ground up build.
Allows for the retention of the current location, which is considered optimal for servicing the region.	
Will allow for reconfiguration of the site to maximise the available space providing improved traffic flow and material storage to facilitate a more effective service delivery for customers.	
Maintains current levels of network reliability performance	

Source: Powercor

4.2 Option two

Purchase vacant land and construct a new depot to the specification that meets operational needs.

Table 3 Options Analysis - Greenfield Site

Advantages	Disadvantages
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.	Highest cost option as it requires the acquisition of land and a ground up build.
Minimal disruption to staff and customers with the current site to be retained until construction is completed.	The limited availability of suitable land within the region may mean that a compromise may need to be made on location which may impact fault response times.
Maintains current levels of network reliability performance.	

Source: Powercor

4.3 Option three

Purchase a site with existing commercial/industrial buildings and redevelop it into a productive operational depot.

Table 4 Options analysis - Brownfield site

Advantages	Disadvantages
Lower construction costs compared to option 2 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.
Minimal disruption to staff and customers with the current site to be retained until construction is completed.	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.
Maintains current levels of network reliability performance.	

Source: Powercor

5 Recommendation

It is recommended that Option 1, the redevelopment of the existing site, be undertaken in order to service Bendigo and the surrounding region. This strategy will allow for more effective service delivery at the lowest cost to customers. This option will ensure we can maintain current levels of operational and network performance.

The scarcity of supply of established and vacant sites and the high cost associated with sourcing these sites meant that options 2 and 3 are not considered efficient relative to option 1.

Table 5 Recommended option 1: expenditure profile, \$m June 2021

Expenditure forecast	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Capital expenditure		11.1				11.1

Source: Powercor