

Investment Evaluation Summary (IES)



Project Details:

Project Name:	Replace Meter Panels
Project ID:	00760
Thread:	Connection Assets
CAPEX/OPEX:	CAPEX
Service Classification:	Standard Control
Scope Type:	B
Work Category Code:	SCMPA
Work Category Description:	Meter Panels
Preferred Option Description:	Replace meter panels
Preferred Option Estimate (Nominal Dollars):	\$5,700,000

	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
Unit (\$)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Volume	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Estimate (\$)										
Total (\$)	\$285,000	\$285,000	\$285,000	\$285,000	\$285,000	\$285,000	\$285,000	\$285,000	\$285,000	\$285,000

Governance:

Project Initiator:	Darryl Munro	Date:	30/03/2015
Thread Approved:	Darryl Munro	Date:	16/10/2015
Project Approver:	Darryl Munro	Date:	16/10/2015

Document Details:

Version Number:	1
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Related Documents:

Description	URL
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Section 1 (Gated Investment Step 1)

1. Background

There are approximately 280,000 meter panels installed in the network.

Panels installed prior to 1984 contain a small amount of asbestos (5-10%). Whilst the advice of independent consultants indicates that the asbestos is safe as long as the particles are not disturbed by drilling or cutting, TasNetworks has made the decision to replace these panels when meters are replaced at an installation with an asbestos panel.

1.1 Investment Need

This program is required to replace meter panels that contain asbestos or are not compatible with new metering configurations. Panels are replaced when meters are replaced.

1.2 Customer Needs or Impact

TasNetworks continues to undertake consumer engagement as part of business as usual and through the Voice of the Customer program. This engagement seeks in depth feedback on specific issues relating to:

- How its prices impact on its services
- Current and future consumer energy use
- Outage experiences (frequency and duration) and expectations
- Communication expectations
- STPIS expectations (reliability standards and incentive payments)
- Increasing understanding of the electricity industry and TasNetworks

Consumers have identified safety, restoration of faults/emergencies and supply reliability as the highest performing services offered by TasNetworks.

Consumers also identified that into the future they believe that affordability, green, communicative, innovative, efficient and reliable services must be provided by TasNetworks.

This project specifically addresses the requirements of consumers in the areas of:

- safety, restoration of faults/emergencies and supply reliability
- affordability, green, communicative, innovative, efficient and reliable services

Customers will continue to be consulted through routine TasNetworks processes, including the Voice of the customer program, the Annual Planning Review and ongoing regular customer liaison meetings.

1.3 Regulatory Considerations

This project is required to achieve the following capital and operational expenditure objectives as described by the National Electricity Rules section 6.5.7(a) and 6.5.6(a).

6.5.7 (a) Forecast capital expenditure

- (1) meet or manage the expected demand for standard control services over that period;
- (2) comply with all applicable regulatory obligations or requirements associated with the provision of standard control services;
- (3) to the extent that there is no applicable regulatory obligation or requirement in relation to:
 - (i) the quality, reliability or security of supply of standard control services; or
 - (ii) the reliability or security of the distribution system through the supply of standard control services, to the relevant extent;
 - (iii) maintain the quality, reliability and security of supply of standard control services; and
 - (iv) maintain the reliability and security of the distribution system through the supply of standard control

services; and

(4) maintain the safety of the distribution system through the supply of standard control services.

2. Project Objectives

Purchase and install replacement meter panels.

3. Strategic Alignment

3.1 Business Objectives

Strategic and operational performance objectives relevant to this project are derived from TasNetworks 2014 Corporate Plan, approved by the board in 2014. This project is relevant to the following areas of the corporate plan:

- We understand our customers by making them central to all we do;
- We enable our people to deliver value; and
- We care for our assets, delivering safe and reliable networks services while transforming our business.

3.2 Business Initiatives

The business initiatives that relate to this project are as follows:

- Safety of our people and the community, while reliably providing network services, is fundamental to the TasNetworks business and remains our immediate priority
- We care for our assets to ensure they deliver safe and reliable network services
- We will transform our business with a focus on:
 - An appropriate approach to the management and allocation of risk
- The strategic key performance indicators that will be impacted through undertaking this project are as follows:
 - Customer engagement and service – customer net promoter score
 - Price for customers – lowest sustainable prices
 - Culture and people engagement – Culture score
 - Zero harm – significant and reportable incidents
 - Network service performance – meet network planning standards
 - Network service performance – outcomes under service target performance incentive schemes
 - Sustainable cost reduction – efficient operating and capital expenditure

4. Current Risk Evaluation

Do nothing is not an acceptable option to TasNetworks' risk appetite. The level of risk identified above is such that a treatment plan is required to reduce the risks to a tolerable level, in line with TasNetworks' Risk Management Framework.

4.1 5x5 Risk Matrix

TasNetworks business risks are analysed utilising the 5x5 corporate risk matrix, as outlined in TasNetworks Risk Management Framework.

Relevant strategic business risk factors that apply are follows:

Risk Category	Risk	Likelihood	Consequence	Risk Rating
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Network Performance	Inability to deliver customer / retailer request to install metering equipment in a timely manner.	Unlikely	Minor	Low
Safety and People	Exposure to asbestos	Unlikely	Severe	High

Section 1 Approvals (Gated Investment Step 1)

Project Initiator:	Darryl Munro	Date:	30/03/2015
Line Manager:		Date:	
Manager (Network Projects) or Group/Business Manager (Non-network projects):		Date:	
[Send this signed and endorsed summary to the Capital Works Program Coordinator.]			

Actions			
CWP Project Manager commenced initiation:		Assigned CW Project Manager:	
PI notified project initiation commenced:		Actioned by:	

Section 2 (Gated Investment Step 2)

5. Preferred Option:

Replace meter panels that contain asbestos or do not meet the requirements for customer requests (eg installation of PAYG metering).

5.1 Scope

Purchase and install meter panels for customer initiated works, meter replacement and fault. Work is issued via service orders in SOM/TVD under the MENIN, MEREP and ARMER categories of work with materials obtained from the warehouse issued under this category. Labour is journaled to this category from MENIN, MEREP and ARMER based on the percentage of the unit rate for the other categories.

5.2 Expected outcomes and benefits

Removal of meter panels containing asbestos whenever a meter is replaced provides replacement at the lowest cost as the crew is already mobilised and on site. Removal of asbestos is the safest method of managing the risk.

5.3 Regulatory Test

6. Options Analysis

6.1 Option Summary

Option description	
Option 0	Do nothing
Option 1 (preferred)	Replace meter panels

6.2 Summary of Drivers

Option	
Option 0	Lowest cost option. Does not effectively manage risk.
Option 1 (preferred)	Safety - to remove customer and employee exposure to asbestos.

6.3 Summary of Costs

Option	Total Cost (\$)
Option 0	\$0
Option 1 (preferred)	\$5,700,000

6.4 Summary of Risk

This section outlines an overall residual asset risk level, for each of the options.

Option	Risk Assessment
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Option 0	Medium
Option 1	Low

6.5 Economic analysis

Option	Description	NPV
Option 0	Do nothing	\$0
Option 1 (preferred)	Replace meter panels	\$0

6.5.1 Quantitative Risk Analysis

N/A

6.5.2 Benchmarking

Benchmarking has not been completed for this item.

6.5.3 Expert findings

No expert findings have been used for this item.

6.5.4 Assumptions

Replacement meter panels will be required whenever a meter is replaced that is older than 1985 (year asbestos panels ceased being installed) (approx 3000 pa) or a customer requests PAYG / PAYG replacement due to the requirement for a PAYG compatible panel (3000 pa). Increased volumes from current period due to changed Asbestos Handling Policy - to remove all asbestose whenever possible.

Section 2 Approvals (Gated Investment Step 2)

Project Initiator:	Darryl Munro	Date:	30/03/2015
Project Manager:		Date:	

Actions

Submitted for CIRT review:		Actioned by:	
CIRT outcome:			