



# Mornington depot upgrade

UE BUS 8.03 - Mornington - Jan2020 -  
Public

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**Regulatory proposal 2021–2026**

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# 1 Overview

Business	United Energy
Title	Mornington depot upgrade
Project ID	UE BUS 8.03 - Mornington - Jan2020 - Public
Category	Other non-network capex
Identified need	The existing Mornington depot requires alteration due to the lack of adequate material storage, severely dated office buildings, poor traffic flow throughout the site and the lack of proximity to major arterial roads
Recommended option	Option 2: purchase Greenfields site
Proposed start date	2023/24
Proposed commission date	2024/25
Supporting documents	<ol style="list-style-type: none"> <li>1. UE MOD 8.02 - Property - Jan2020 - Public s</li> <li>2. UE ATT067 - McKenzie - Building code Mornington - Feb2019 - Confidential</li> <li>3. UE ATT057 - Legal obligations property - Jan2020 – Public</li> <li>4. UE ATT187 - Zinfra - UE depot safety concerns - Jan2020 - Public</li> </ol>

In-line with the company wide review of the operational performance of all depots; the existing Mornington depot has been identified as requiring changes due to the lack of adequate material storage, severely dated buildings, poor traffic flow throughout the site, the lack of proximity to major arterial roads and possible adverse impacts on diversity, health and safety of employees. After considering three options, we recommend option 2, involving the purchase and development of a Greenfields site.

# 2 Background

The current Mornington depot is located at 126 & 126B Watt Rd Mornington, housing 80 operational employees on a land size of 24,000sqm/2.4ha. The current depot was purchased in 1994 and previously operated as the Telstra depot. Hence the site is severely dated and was not purpose built to function as an operational depot for electricity distribution. The last capital improvements to the site were completed approximately 15 years ago and comprised of internal upgrades to the office building. Alterations to our depot will be required to comply with the requirements of the Building Code of Australia.

The buildings, consisting of portables, are old and deteriorating, with rotting windows and leaks in the roofing. Asbestos is present in some areas, which would increase costs upon demolition of the buildings. There is also no generator coverage onsite. Some fences are also deteriorating, resulting in security issues. Ultimately, the site would not be compliant with Health and Safety Standards if built today.

The site also requires work to ensure equipment can be operated safely. Mobile plant (forklifts and mobile cranes) should be operated on adequately designed paved surfaces, not crushed rock for example which has a tendency for potholes to form, which subsequently destabilise loads. The safety implications of operating this equipment on unstable ground has been raised by the ETU as a safety concern. In addition, the ETU have raised concerns that G&B vehicles and barrier vehicles should be stored under cover to ensure optimal safety performance.<sup>1</sup>

In respect of our Occupational Health and Safety obligations, the WorkSafe Compliance Code: Workplace amenities and work environment<sup>2</sup> (**WorkSafe Code**) sets out that all employees are to have access to clean and hygienic toilet facilities at all times and employees who are required to change in and out of clothing or other apparel need to have access to private, convenient changing areas with secure storage for personal belongings. The WorkSafe Code also sets out numbers of toilet facilities required based on the workforce size and the requirement to provide separate male and female changing rooms.

Fifty six male employees and seven female employees currently work at the depot, and have access to four male toilets, one female toilet and one disabled toilet, meaning that if the female workforce increased by only eight employees, the depot would no longer comply with the requirements of the WorkSafe Code.

The current depot site does not contain effective purpose-built storage including the absence of a suitable bunded area to contain oil for the storage of transformers, which do not meet current Australian Standards or current environmental requirements. Yard space has also become constrained making it difficult to service on-site fleet vehicles.

The development of the site is difficult due to ground conditions in certain areas and the driveway access is not ideal for heavy fleet, with the constrained space posing potential safety issues and attracting noise complaints from neighbouring sites. The location of the site creates sub-optimal travel routes to service areas further down the peninsula (e.g. Rosebud, Sorrento).

See Appendix A for some site photos capturing some of the issues described above.

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<sup>1</sup> UE ATT187 - Zinfra - UE depot safety concerns - Jan2020 - Public

<sup>2</sup> (accessed 20 October 2019), <https://content.api.worksafe.vic.gov.au/sites/default/files/2018-07/ISBN-Workplace-amenities-and-work-environment-compliance-code-2008-09.pdf>

# 3 Identified need

The existing Mornington depot has been identified as requiring changes due to the lack of adequate material storage, severely dated office buildings, poor traffic flow throughout the site and the lack of proximity to major arterial roads.

Not upgrading the site would result in detrimental impacts on:

- operational performance - including ongoing and escalating reductions in workforce productivity due to the lack of materials storage and poor traffic flow, particularly in high fault weather events.
- future network reliability as workload growth driven by growth on the Mornington peninsula cannot be accommodated, particularly given the sub-optimal site location relative to growth through the growth in the southern end of the peninsula, from Rosebud to Sorrento
- workforce, diversity and health and safety standards - buildings are compliant with relevant historic standards, but not with current standards or codes. See attachment UE ATT057 - Legal obligations property - Jan2020 - Public for further information about our legal obligations relating to building standards, occupational health and safety and equal opportunity.

# 4 Options analysis

The 3 options that have been explored are:

- Option 1 - redevelop existing site
- Option 2 - purchase "Greenfield" Site
- Option 3 - purchase "Brownfield" Site

Table 1 Cost Analysis, \$m June 2021

	Option	Cost
1	Redevelopment of the existing depot site	12.2
2	Development of a new depot on a vacant site closer to the Peninsula Link (new Greenfield site)	15.5
3	Development of a new depot on a site with existing commercial / industrial buildings (new Brownfield site)	12.8

Source: United Energy

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 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 - Redevelop existing site**

Advantages	Disadvantages
Lowest cost option, no need to purchase new land.	<p>Development options are constrained by poor ground conditions in the Northeast and Southwest corners of the sites which would make constructions of buildings in those areas difficult.</p> <p>Poor traffic flow throughout the site leading to delays in loading and unloading vehicles.</p> <p>The current site location is not ideal for servicing areas further down the peninsula given the distance from the site to the Peninsula link and growth in the southern end of the peninsula.</p>
Improved workforce health, safety and diversity through upgrading to current standards.	<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 Mornington 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: United Energy

## 4.2 Option two

Purchase vacant land closer to the Peninsula Link road and construct a new depot to a specification that meets operational needs. The existing site would be sold in the next regulatory period following completion of the depot build in 2025/26.

**Table 3 Options analysis - purchase Greenfield site**

Advantages	Disadvantages
Ability to target optimal location to service the region and accommodate growth on the peninsula.	Higher 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, enabling improved operational performance and productivity.	
Minimal disruption to staff with the current site to be retained until construction is completed.	
Improved workforce health, safety and diversity through upgrading to current standards.	

Source: United Energy

## 4.3 Option three

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

**Table 4 Options analysis - purchase 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 and therefore operation performance and productivity would not improve as much as under option 2.
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.
Improved workforce health, safety and diversity through upgrading to current standards.	

Source: United Energy

# 5 Recommendation

We recommend option 2, to acquire a vacant site and construct a new depot in order to service Mornington and the surrounding region. This strategy will allow for a purpose built depot that can be constructed in a manner which efficiently caters for current and future operational 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 site and sub-optimal location would prevent the most efficient delivery of network support services for the region. Similarly the scarcity of supply of established sites and the potential requirement to compromise the optimal layout to allow for existing structures on the site means that option 3 is not considered efficient in the long term.

We have forecast asset disposals in 2025/26 for the sale of the existing site.

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				6.4	9.1	15.5

Source: United Energy

# A Site photographs



Figure 1: Bunding area



Figure 2: bunding area

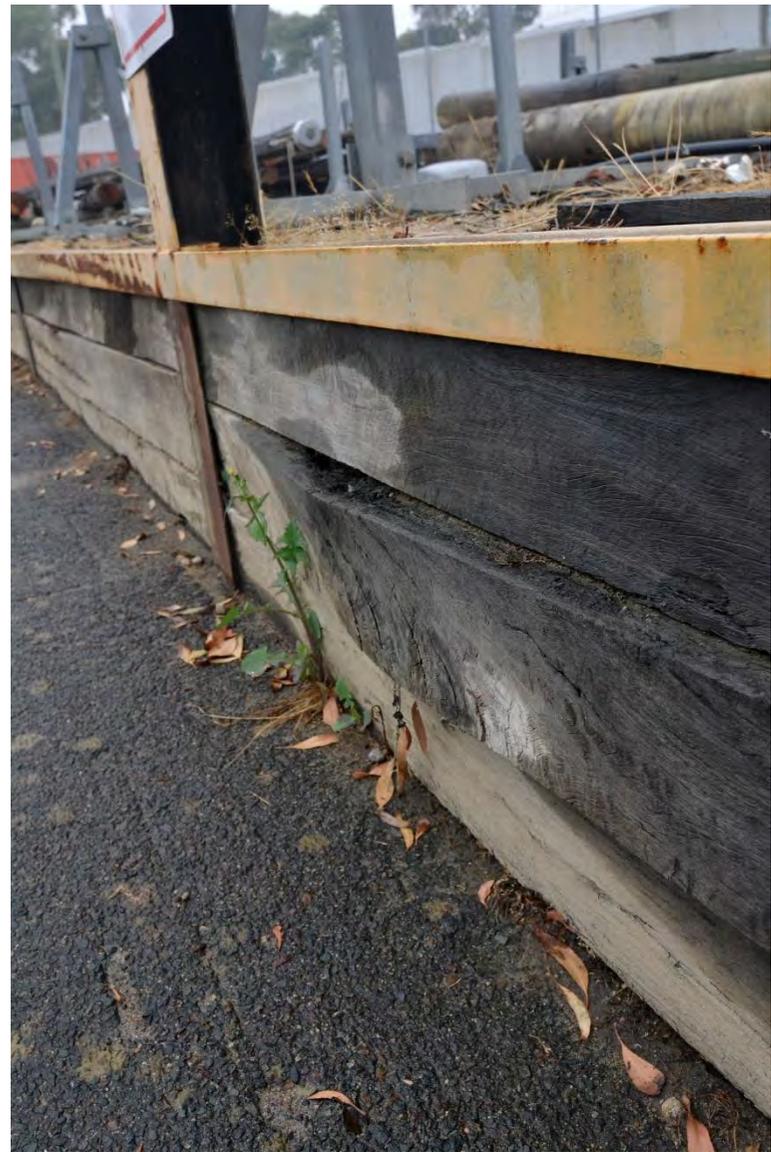


Figure 3: Compromised side wall



Figure 4: main office corridor



Figure 5: Female toilet doubling as disabled toilet



Figure 6: Interior of female/disabled toilet



Figure 7: Rusting lockers



Figure 8: Ceiling affected by leaks near light source

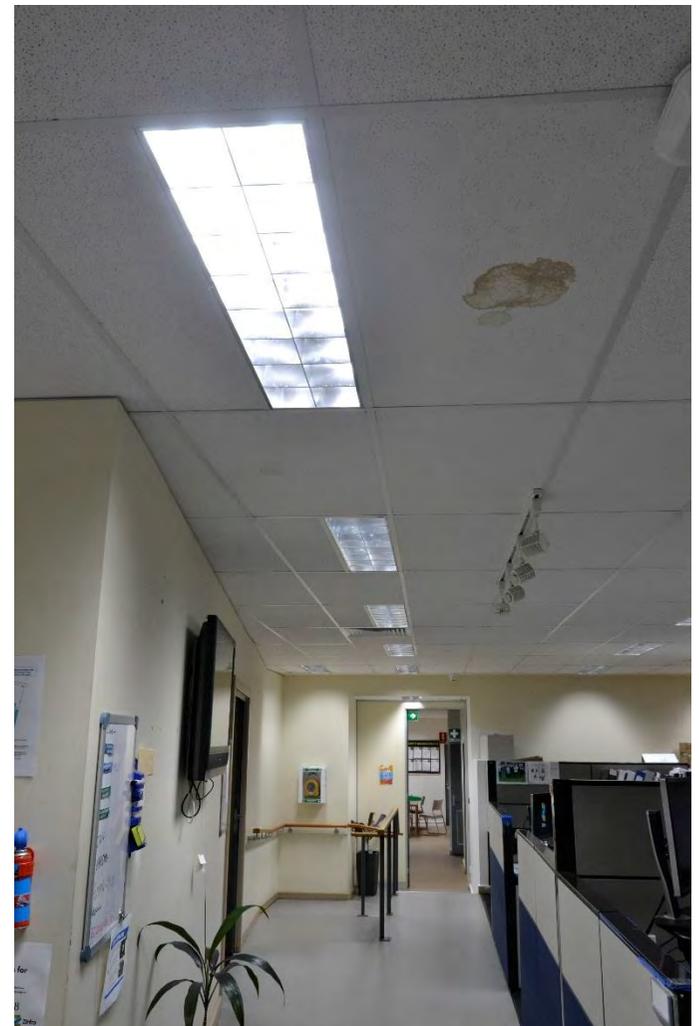


Figure 9: Ceiling further affected by leaks near light source



Figure 10: External walkway



Figure 11: Close up of rusted air conditioner present in external walkway



Figure 12: Rotting timber in awning of external walkway



Figure 13: Rotting timber in end awning



Figure 14: Enlargement of rot



Figure 15: Window partially obscured by



Figure 16: close up of rotting window



Figure 17: further enlargement of rot



Figure 18: Hole in front exterior wall due to urgent repairs to flooding septic tank



Figure 19: Insufficient undercover space for vehicles, creating safety issues from asset deterioration



Figure 20:



Figure 21



Figure 22



Figure 23: Stores room at



Figure 24: Lack of quick close roller doors creates presence of birds



Figure 25: Bird droppings



Figure 26: Wall reinforced with old poles



Figure 27: Decommissioned mezzanine with insufficient storage space on ground level



Figure 28: Steep drive with tight turning angle for larger vehicles



Figure 29: Larger vehicles must mount curb to be able to turn into the property