Non-network Capex: Property Plan 2025-30

31 January 2024

energex
Part of Energy Queensland

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EXECUTIVE SUMMARY

This document describes the Energex Property Plan for the 2025-30 regulatory control period. All figures in this document reflect SCS non-network capital expenditure ($ June 2025) (unless otherwise stated).

The Property Plan for 2025-30 aims to deliver a safe, sustainable, fit-for-purpose and people-centric property portfolio as part of the journey towards 'Empowering an Electric Life'. Our strategy supports Queensland communities by ensuring the infrastructure assets we own and operate support the business to deliver the state's energy requirements now and into the future. These assets need to be positioned in the right locations with the right investment decisions to enable the safe and efficient operation of the distribution network.

A safe, efficient, fit-for-purpose and people-centric property portfolio will create value for our customers. By investing in our long-term operational assets at the right time and in the right way, we ensure that costs of maintenance are minimised in an industry best practice asset lifecycle approach. We will continue to strive to reduce operational expenditure through effective investment decisions, weighing long-term cost effectiveness and sustainability.

Our proposed property expenditure over the 2025-30 period is $138.0 million[1]. This represents a 19% increase on our expected spend compared to the 2020-25 period. This increase is primarily driven by several major (one-off) projects within the 2025-30 period required to address capacity constraints and condition-based assessments on our non-network property assets.

Table 1: Property capital expenditure 2025-30, $m 2024-25

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Major	**15.7**	**33.4**	**22.6**	**15.9**	**6.0**	**93.8**
Beaudesert Depot						
Caboolture Depot						
Geebung Expansion						
Network Operating Centre (NOC) Solution						
Oxley Depot						
Rocklea Training						
Training – Apprentice Growth Strategy						
Minor	**5.4**	**5.0**	**4.0**	**4.9**	**5.4**	**24.7**
Base	**1.9**	**1.8**	**1.4**	**1.8**	**1.9**	**8.8**
Security	**1.1**	**1.0**	**0.8**	**1.0**	**1.1**	**5.0**
Carryover	**5.7**					**5.7**
Total	**30.0**	**41.2**	**28.8**	**23.6**	**14.5**	**138.0**

Note: The capex reported above represents gross capex. The proposed land sales are included in Section 5.4.

[1] Excluding capitalisation of property leases. For capitalised leases see Section 5.3.

1 OPERATING ENVIRONMENT

1.1 Who we are

Energy Queensland Limited (EQL) supplies electricity to over 2.3 million customers across 1.7 million km^2 throughout the state of Queensland. The Government Owned Corporation is made up of two 'poles and wires' distribution businesses **Energex** and Ergon Energy, our regionally based retailer, Ergon Energy Retail and an unregulated energy services division, Yurika. Together, EQL operates one of the largest and most diverse electricity networks in Australia.

1.2 Our Vision, Purpose and Values

EQL maintains a consistent Vision, Purpose and Values statement:

The Purpose statement and Values are core to our culture; setting the foundation upon which our priorities and 'ways of working' are developed.

1.3 Our Business Priorities

EQL has set four business priorities from which business planning, performance indicators and investment alignment is measured against.

- **Safety** – The safety of our people, customers and communities is our first priority.
- **Keeping the lights on** – We will design, build and maintain a safe and reliable electricity network.
- **Financial Sustainability** – We will ensure funds spent are done so prudently and we will grow our revenue streams.
- **People and Culture** – Continue to build a capable and productive workforce to ensure we deliver EQL's electric life ambition.

1.4 Property Portfolio

The primary purpose of the Energex property portfolio is to support our people to build, maintain and operate the South-East Queensland electricity distribution network. Our property portfolio is designed to accommodate both office and field staff along with the necessary materials, tools, equipment and vehicles they need to successfully complete their daily tasks. The below table provides a summary of the property portfolio and the classification scheme.

Property Portfolio Summary

Site Classification	Energex Portfolio
Major Hubs (Depots)	2
Minor Hubs (Depots)	4
Depots	14
Offices*	4
Training Facilities*	1
Distribution Warehouses*	2
Staff Housing	0
Real Property Parcels#	932

** where sites are stand-alone and not incorporated into depots*
 # includes parcels for network assets

1.5 Drivers Shaping our Property Strategy

Several drivers, both current and emerging, are influencing the strategic priorities for the property portfolio. These drivers are identified as the leading impact on upcoming investment decisions and their associated cost for our infrastructure portfolio, including our regulatory proposal. These are not the only challenges facing the portfolio but are the most relevant and emergent. Note: Impact refers to what level the Driver subjectivity influences the total cost of the Property Program.

1. Portfolio Diversification and Continuity
2. Energy Transformation and Growth
3. Construction Market Instability
4. Portfolio Disparity
5. Hardening our Technology & Security Backbone
6. Responding to our Corporate Responsibility
7. Maturity of Local Government Development & Planning Requirements

Portfolio Diversification and Continuity (SD1)

Source:	Internal	Impact:	High	Longevity:	Indefinite

Our depots are the engine rooms of our property portfolio from which we build and maintain the electricity network. Energex operates 24 depots & offices of various sizes across the South-East network area. In the last two years our depots have made a conscious effort to better develop their self-sustainability and continuity by ensuring each site can suitably deliver their services independently from the reliance on other depots. This has been driven by a series of factors, most notably the worsening SAIDI performance results on our non-urban feeders since 2017-18[2]. Other factors include; the implementation of a new operating model (2019), maturity in our disaster response processes, diversification of network infrastructure, standardisation of governance & resourcing, supply chain disruption events (Covid-19) and an increasing customer expectation in the reliability of their supply for the cost[3].

The impact on our portfolio is that our depots have had to grow in size and in some cases need to be supplemented by satellite sites for the storage of poles, materials and equipment. New assets have been provisioned at each depot to ensure they all meet their regulatory obligations (e.g. environmental via wash bays), operate more safely (e.g. modern pole racking solutions) and deliver their services more efficiently (e.g. safer traffic flows, separate entry/exit points).

Energy Transformation and Growth (SD2)

Source:	External	Impact:	High	Longevity:	10 years

The energy market is changing. While Energex continues to serve our customer base across this diverse state, our service offering must shift in line with customer expectations. The QEJP developed by our shareholder, the Queensland Government, acts as the framework and roadmap for this industry-wide change. Key targets include: 60% renewal energy supply by 2030 (currently 21%), 70% by 2032 and 80% by 2035; by 2037-38 coal generation will be phased out, replaced by wind, solar PV and storage solutions; CopperString 2.0, a 1,000km high-voltage network connecting the North-West to the National Electricity Grid; and major energy infrastructure projects which form the 'Queensland SuperGrid'[4]. This $62 billion worth of investment will not be possible without Energex's critical contribution to see its fulfillment. Energex (as part of EQL) needs to ensure its property portfolio is ready to support this once-in-a-generation level of investment by ensuring our depots can grow in conjunction with the local workforce, champion the transition to renewal energy solutions on our own sites and have the land ready and available to store the related network project packs (i.e. equipment & poles).

[2] *As publicly reported SADI & SAIFI performance in Energex & Ergon Energy Annual Reports from 2017/18 to 2021/22*

[3] *As per Queensland Household Energy Survey 2022 – Satisfaction with Restoration Times*

[4] *All figures as reported https://www.epw.qld.gov.au/__data/assets/pdf_file/0029/32987/queensland-energy-and-jobs-plan.pdf*

Construction Market Instability (SD3)

Source:	External	Impact:	Medium	Longevity:	Short

The construction industry is in a period of 'boom or bust'. Due to the sharp increase in labour and material costs and the nature of fixed price contracting, 1,753 construction companies have collapsed during the 2023/24 financial year[5]. The construction market, especially in regional areas, has tightened, resulting in lower competition, increased cost, heightened risk ownership and delayed programmes. This has resulted in quotes/tenders offering lower quality service outcomes and/or higher premiums to complete the work. These factors are demonstrated in the PPI Construction Index, with the Australian Bureau of Statistics recording an annual increase of 15.2% (Dec 2021 to Nov 2022) during the same period where CPI increased 7%. While the industry is expected to settle leading into the next regulatory period, our cost estimates have had to factor in the consequences of recent market instability as an enduring impact.

Portfolio Disparity (SD4)

Source:	Internal & External	Impact:	Medium	Longevity:	Indefinite

Energex operates as the DNSP for South-East Queensland, which is predominately metropolitan in nature, services ~1.4 million customers and with a population density of 108 persons per square kilometre. Its sister company Ergon Energy is the DNSP for Regional Queensland which has ~760,000 customers and a population density of 0.7 persons per square kilometre. The two DNSP's sit at opposite ends of the spectrum when averaging population density, travel time, environmental conditions**,** and circuit/route line length. The disparity between the two DNSP's means the application of standard systems and processes, as well as the methodology for prioritising work cannot always be considered on equal terms. As a result, our infrastructure projects are designed and delivered predominately on a site-by-site basis rather than an asset basis which changes how economies of scale are achieved. This is detailed further in the *Forecast Methodology.*

Hardening our Technology & Security Backbone (SD5)

Source:	Internal	Impact:	Medium	Longevity:	Medium

Energex has been progressively improving the operational resilience of its SCADA/DMS solutions and telecommunications infrastructure to meet our cybersecurity responsibilities. Specifically, the Australian Energy Market Cyber Security Framework (AESCSF)[6] is used as the foundation to inform our short and medium-term goals and includes the requirement to meet a minimum tier 3 standard for our technology hosting facilities (as per Uptime Institute and the Telecommunications Infrastructure Standard for Data Centres). This ensures a 'concurrently maintainable facility' and redundant configuration enabling target of 99.982% availability. Energex will invest in its hosting facilities across the region during the 2025-30 period as cybersecurity breaches continue to be a widespread challenge for Australian organisations.

[5] *https://www.abc.net.au/news/2023-05-31/housing-crisis-half-built-homes-as-builders-collapse/102407294*

[6] *https://www.energy.gov.au/government-priorities/energy-security/australian-energy-sector-cyber-security-framework*

Responding to our Corporate Responsibilities (SD6)

Source:	Internal & External	Impact:	Medium	Longevity:	Medium

Energex is responsible for managing its portfolio of real property that may have had an impact on our environment. Whether through the historical use of PFAS firefighting equipment or asbestos containing material, mould remediation, storage of oily transformers, inadvertent transfer of invasive flora or our management of cultural heritage, Energex has a responsibility to continue investing in our management of these issues according to best practice. Over the last five years, a $11.5 million has been spent on stand-alone projects to undertake remediation activities to address our historical environmental impact and implement preventative solutions to avoid these impacts in future. From a classification perspective these projects remain within the 'Base' and 'Minor' programs of work (if capitalisable) and are called out as a lead driver for continued investment in these programs. Specific legislation that EQL is responding to includes:

- Building Act 1975
- Building Regulation 2021
- Disability Discrimination Act 1992
- Environmental Protection and Other Legislation Amendment Act 2023 (Environmental Protection Act 1994)
- Aboriginal Cultural Heritage Act 2003
- National Construction Code 2022
- Queensland Development Code MP1.1 – MP6.1

Maturity of Local Government Development & Planning Requirements (SD7)

Source:	External	Impact:	Medium	Longevity:	Indefinite

Energex is subject to the development approval process of Councils across Queensland for most of its code & impact assessable infrastructure projects. Councils have grown in maturity and community expectation over the last 5-10 years. Compared to our past developments, more recent applications have been expected to meet a higher standard across the assessment criteria, including community amenity, acoustic & visual treatment, setback, choice of building material, boundary articulation and landscaping. This factor has contributed to some recent projects not receiving development approval or conditioned heavily, resulting in substantial cost increases for those projects. In a recent example, to support a proposed depot development application, Council feedback necessitated repeat noise assessment reporting to be completed at the cost of three times the original allowance. The reporting proved our proposed development met the Acoustic Quality Objectives (AQO) criteria of the *Environmental Protection (Noise) Policy 2019*; however, the development application was still rejected. Despite this township not having any readily available appropriately zoned land for an electricity depot, Energex is now required to purchase another parcel of land and repeat the development application process without any assurances that the new parcel of land would be looked upon any more favourably for our purposes.

1.6 Property Strategic Principles

Our strategic principles are the core of the Property Strategy, informed by the strategic drivers. They define our measures of success and direct our future decision making.

These four principles each speak to several of the strategic drivers and the manner in which we will meet those challenges. They do not reflect all that is important to the Property portfolio, but these are most fundamental in representing what 'future success' looks like. The following section helps inform to a greater level of detail how these principles translate into actions.

Principle 1 - We deliver property and infrastructure related services to all of Energy Queensland in service of our communities (SP1).

- Property is a service provider to business operations; we help the business to deliver its core services by providing non-network assets, infrastructure and facilities services.
- As experts in these fields, we provide these services to the benefit of EQL and its subsidiaries which indirectly supports our customers, our shareholders, and the Queensland Government who are the elected representatives of the people of Queensland, the exact communities we serve.

- The buildings, and the land they sit on, ensure all the resources, equipment and materials that are used to deliver our core services, have a safe and secure home base.

Principle 2 - The Property portfolio will prioritise the safety of our people, the compliance of our assets and the cost-effectiveness of our solutions (SP2).

- Safety is Energex's number one priority; it is embedded in every process, every conversation and every implemented asset.
- Our property assets will be built and maintained in a manner which complies with all applicable and relevant laws, regulations and codes of practice.
- After meeting the first two priorities, we will ensure investment decisions consider the long-term cost effectiveness based on the best available knowledge at the time.

Principle 3 - Portfolio growth is planned and justified while retaining flexibility, thereby reducing the long-term cost impact to our customers (SP3).

- Changes to the property portfolio will be achieved in a considered and planned manner, rather than reactively, to ensure an appropriate level of due diligence is attained.
- This due diligence ensures changes to the property portfolio are defensible and can demonstrate they meet our priorities of safe, compliant, and cost-effective.
- By being cost-effective, we ensure that any growth in the property portfolio minimises the long-term cost impact to our customers through their electricity bills.

Principle 4 - Our infrastructure goals are consistent across the portfolio, but solutions are tailored to meet the unique context of each challenge (SP4).

- The goals of the property portfolio will be consistent across all sites and assets, striving towards achieving best practise asset management outcomes (aligned to ISO55001).
- Given the diverse nature of our portfolio, the implementation of these goals on a site-by-site basis will consider the unique challenges being presented, including the historical context, future workforce requirements and current asset lifecycle.
- The solution will be tailored to meet those challenges in consultation with our impacted workforce, whilst maintaining our priorities of safe, compliant, and cost-effective.

2 STRATEGIC ACTION PLAN

2.1 Offices

Energex operates several stand-alone offices in addition to office buildings co-located at our major and minor operational hub depots. Our stand-alone offices, based in Queensland's larger population centres, provide a wide range of corporate, shared and support related functions. Office-based staff embedded at hub depots tend to provide more direct support to field operational staff and shared services. The mix of staff at our depot-embedded offices has grown more diverse in recent years due to the relaxation of where staff can be based across the region, resulting in more functional teams being represented in at least one regional area in addition to a major population centre.

Supporting Principles - Maintained
❖ Energex will continue to lease (rather than own) office buildings in major population centres.
❖ Leasing arrangements will seek to establish long-term agreements during easing market periods and shorter-term agreements during rising market periods.
❖ Office accommodation outside of population centres will be connected to operational depots (Energex owned sites) and prioritise staff who directly support field crews.
❖ Energex will continue to consolidate our leasing portfolio in South-East Queensland, thus managing fewer but larger leased properties.

Supporting Principles - New	Alignment
❖ Fit-out of future office buildings will avoid elaborate stairway interconnection between floors to improve our ability to implement ring-fencing requirements and our capacity to enter sublease agreements.	SP3, SP4
❖ Our offices will be re-established as the preferred location for corporate employees in locations (within 50km) where the option exists to utilise either an office or depot, thereby freeing up depot workstations for staff directly supporting field operations.	SD1

Strategic Action Plan	Alignment
❖ The lease for Northern Metro Office at Nundah will be relinquished when it expires in 2027.	SP3
❖ Office accommodation will be refurbished as fit-outs reach end-of-life with the aim to improve utilisation (on a square meterage basis), and connections between teams in line with workforce changes.	SP2

2.2 Depots

Operational depots are the engine rooms of the organisation, responsible for building, maintaining and augmenting the distribution network providing power to over 2.3 million customers across 1.7 million km^2 (Ergon & Energex combined). Depots come in different sizes and varieties; each one categorised into one of 7 classes for ease of comparison and reporting: major hub, minor hub, classes A to D and unmanned. Major and minor hubs are large operational sites that represent the head location for a given distribution area. They accommodate several field-based workgroups, support staff, corporate staff, large volumes of equipment and material, and often provide a range of other specialist engineering-based functions. Hubs support the smaller class depots in their distribution area through the provision of additional labour, materials and storage.

Depots classed A, B, C or D are historically known as 'spoke depots', and provide services specific to a particular township, suburb/s or remote area/s. Their class assignment reflects the size and service provision typically provided by that depot, with class A representing the smallest types of manned depots and class D being the largest class, a step below minor hubs. Unmanned depots are sites which have no permanently assigned staff and are used as lay over locations during long journeys or material storage for travelling crews. The *Depot Masterplan Report* is referenced in *Appendix 3* which details the key infrastructure metrics of each depot class.

Supporting Principles – Maintained

- Energex will continue to own, rather than lease, depot sites across the state. Depots with a tenure other than freehold (e.g. reserve, state lease) will be progressively converted.
- Depot size and functionality will continue to reflect the services delivered by that site to its local community and any other depots it supports down the supply chain.
- Energex maintains a single Distribution Centre model, with supporting pole yards, to supply goods to all SEQ depots.
- Depots will continue to improve their stand-alone continuity in response to harsher climate conditions and increasing need to meet outage response times.
- Minor capital investment in the property portfolio generally follows a 5-tier prioritisation system based on the category of issue the investment resolves.
- Energex will continue to address immediate risks to people health & safety and the environment as a priority. We proactively and immediately manage asbestos containing material, mould outbreaks, non-combustible cladding and preservation of cultural heritage as soon as it is identified.

Supporting Principles - New	Alignment
❖ Most depots are situated on long-established land parcels (40+ years). When the infrastructure & facilities on-site reach the site's constraints, the land parcel needs to grow. In metro locations, adjacent land is rarely available for purchase to enable natural site growth. Therefore, supplemental sites will be purchased, and a functional split created between the two locations to manage growth.	SD1, SD7, SP3
❖ Maintaining the network is a field/outdoor-based task in most situations. Energex staff are required to work in all environmental conditions, despite the changing climate. To better manage the risk of heat stress and in line with our HSE priorities, depots are progressively being rolled out with additional shade structures, prioritising those with the greater level of risk. These shade structures support staff in undertaking pole fitting, loading/unloading, oil decanting and other depot-based tasks.	SD4, SP2
❖ Energex is pivoting towards the QEJP objectives. Two objectives for our depots have been established and include the roll-out of electric vehicles across our fleet by installing EV charging stations at select depots and installing solar PV arrays across the portfolio of properties (backed by financially prudent business cases).	SD2, SP1, SP2
❖ The field-based workforce has historically been male-dominated, although recent changes have started to trend the gender balance closer to parity. This trend will continue in line with EQL's target of 50% female apprentice intake. Our depots will respond to this change in the form of providing amenities that are future proofed for staffing populations of this mix. While all depots are currently compliant, they risk future non-compliance once staff balance changes, due to the historic provision of predominately male amenities.	SD6, SP2
❖ Due to the long-standing nature of our depots, some sites don't conform to the current building access standards for people with disability (conformed at time of build). All new depots built or augmented will be fully compliant to today's requirements, while a prioritised program will be developed and implemented to address historical depots with known issues.	SD6, SD7, SP2
Strategic Action Plan	**Alignment**
❖ The Oxley depot is over 50 years old with buildings A & B reaching their physical constraints during 2022/23, as well as requiring over $2.5mil of corrective work over the next 3 years to maintain the property. These buildings will be replaced with one fit-for-purpose administration building for field workers and support staff to continue to serve their community.	SP2, SP3

❖ The Caboolture depot has reached end-of-life and is unable to grow beyond boundary constraints to support community & staff growth of 35%+ over the last 10 years (29% undersized). Greenfield land was purchased in 2019 as a future depot site in Caboolture. Build new depot, transfer operations and sell existing residentially zoned site.	SD7, SP2, SP3
❖ The Beaudesert depot has reached end-of-life and is severely constrained on a residentially zoned site (42% undersized). The depot is unable to grow beyond boundary constraints to support community & staff growth of 26%+ over the last 10 years. Owned land next to substation will be utilised for new depot. Build new depot, transfer operations and sell existing site.	SD7, SP2, SP3
❖ The Geebung depot is fully constrained and requires a supplemental site to manage existing operational functions safely due to historical growth. Source an additional site within Geebung or a nearby suburb, renovate to meet the needed functional requirements and transfer those functions across. Make safe existing Geebung functions.	SD2, SP2, SP3

2.3 Warehousing

Energex operates one stand-alone warehouse site, various smaller warehousing mixed-use facilities at the majority of our depots and several stand-alone pole yards. Equipment, materials, power poles, frequently used job items (FUJI), backup resources and larger stock allowances are provided at these locations. Energex utilises a centralised 'Distribution Centre' warehouse and logistics system based at Eagle Farm which supports all of the hubs and depots in SEQ.

Supporting Principles - Maintained
❖ Warehouses will continue to be physically positioned near major arterial roads with clearly delineated paths of transport to the sites they service.
❖ Warehouse sites will be held in freehold tenure by Energex, ensuring control, continuity, and that they remain fit for their intended purpose.
❖ The centralised DC model utilised in SEQ will continue for the foreseeable future, ensuring supplied depots are not space constrained by material & equipment storage and this functional separation continues to enable greater economies of scale.

Supporting Principles – New	Alignment
❖ As depots grow, maintaining warehouse co-location in regional hubs will continue to be assessed on a case-by-case basis, ensuring the most cost-effective solution is implemented based on physical parameters.	SD1, SD4
❖ Warehouses will be increasingly supported by stand-alone pole yards in towns that are at a greater risk of road closures or that have vaster distances to travel. This ensures greater continuity of pole supply and de-loads large spaces at depots for other functions.	SD1, SP3, SP4

Strategic Action Plan	Alignment
❖ Complete annual reviews of the Eagle Farm distribution centre to determine its utilisation, efficiency and capacity values, to enable effective planning for any future overflow or supplementary requirements.	SD2, SP3

2.4 Training Facilities

Energex operates one standalone training centre at Rocklea and several supporting training facilities embedded at depots to provide network related theoretical and practical skills development. As a Registered Training Organisation (RTO), Ergon operates a well-respected program of technical training courses for apprentices, employees and contractors, unique across the State of Queensland. Not all training facilities are the same, as the size of the training yard usually dictates which type of training can be provided. Our stand-alone Rocklea training centre in Brisbane is able to provide all types of training and is our most comprehensive site for the delivery of training for employees and contractors within the Ergon or Energex portfolio.

Supporting Principles – Maintained
❖ Energex will continue to provide skills training specific to building and maintaining the state's distribution network internally, as no industry-available alternative exists that can be leveraged to develop the suite of skills our employees require.
❖ Our Apprentice Program exists to recruit new and emerging talent on a large scale into the business, ensuring we are countering our natural attrition, plus fulfilling future skill gaps in the business. It is a cornerstone of our recruitment & retention strategy.
❖ Online learning systems will be increasingly utilised to provide non-practical training requirements to employees, freeing up classrooms and training resources to focus on those that need to be delivered in-person or have practical components.

Supporting Principles - New	Alignment
❖ Our Executive have committed to increase our intake of apprentices by 10% every year until 2030[7], resulting in a doubling of our active apprentices (assuming 4-year program) from 460 in 2022, to 900 by 2030. This will result in the need to construct additional classrooms, larger training yards and expand existing facilities.	SD2
❖ Energex will need to recruit talent that does not currently exist internally and develop new skillsets for existing employees, to meet the EQL's response to the QEJP, specifically utilising new technology such as hydrogen and bioenergy. Our facilities will support the development of these skills by providing the infrastructure assets, tools and equipment either by augmenting existing facilities or building new ones.	SD2

[7] *Internal Workplace post: https://energyq.workplace.com/groups/ExecutiveUpdates/permalink/1617737292002376/*

Strategic Action Plan	Alignment
❖ Implement the Stage 2 Redevelopment of the Rocklea Training Facility, following on from completion of stage 1 in 2024/25. This stage will expand building 1 with new classrooms, enabling the relocation from temporary demountables into a permanent fit-for-purpose building.	SP3
❖ Invest in a new Training Facility within the EQL portfolio to meet the apprentice and skills growth targets. Brisbane North is under consideration as a possible location, although a final decision on the ideal locality remains open and will be based on a site selection process.	SD2, SP3

2.5 Network Control Centres

Our Network Control Centres provide a network-critical service in maintaining a safe and operational distribution network state-wide. Energex has two control centres based in [redacted]. Our Control Centres operate 24/7 and have unique infrastructure requirements due to the essential and specialised nature of their work, deeming their locations as 'critical sites'. These sites require dual redundancy for both power and data supply, additional security and access measures, and require a higher level of responsiveness to manage issues as they arise.

Supporting Principles - Maintained	
❖ Energex will maintain two Network/Operational Control Centres, delivering network-critical services through two SEQ-based centres for the Energex network. This ensures continued redundancy and disaster response capability if one location is impacted.	
Supporting Principles - New	**Alignment**
❖ Both SEQ-based Control Centres are located in leased buildings, creating a tenure risk for both critical sites. [redacted] has recently had its lease extended and remains a key office for EQL. It is proposed to shift the second SEQ control centres to an EQL-owned location thereby reducing this risk and safeguarding continuity of this network-critical service.	SD5, SP3, SP4
❖ Network Control Centres have recently moved to full digitisation of their network & outage management systems (away from paper-based network drawings). This means their infrastructure requirements have changed resulting in the need to complete minor refits of their working areas.	SD5, SP1
Strategic Action Plan	**Alignment**
❖ Construct a new fit-for-purpose control centre to replace the [redacted] facility once the lease expires and review [redacted] as an option as it is geographically positioned south of the Brisbane River (as opposed to [redacted] north of the river), and it has dual redundancy already established on site and is held in freehold tenure.	SD5, SP4

2.6 Data Centres & Operational Technology Handling Facilities

Energex operates several data centres and one operational technology hosting facilities (OTHF) across the property portfolio which require unique infrastructure to operate and maintain. These systems have various operational, security and redundancy requirements due to their criticality to business operations, in addition to contracted services to external customers who use a segregated part of our telephony network for their internet service provision. Data and OTH Facilities are embedded into our major regional hubs and offices, although third party 'cloud based' data centres continue to be utilised for a reducing portion of our data.

Supporting Principles - Maintained
❖ Property will continue to support the infrastructure requirements of EQL data centres and OTHFs within our major depot hubs. This includes the consolidation of IT data services into these facilities and upgrading to a tier 3 standard according to AESCSF.
❖ OTHFs will be maintained within Energex owned sites as a first priority, then leased sites if that is not achievable. This enables greater flexibility in managing and maintaining these sites to our standards and ensures continuity in these services long-term.
❖ The Property portfolio will continue to budget and fund upgrade projects of this nature for those components that are principally infrastructure in nature.

Supporting Principles - New	Alignment
❖ The use of third-party data hosting facilities is reverting to our internal data centres within owned or leases properties to mitigate against cybersecurity risks. The property portfolio will support this strategy through minor adjustments to data centres and their space allocation.	SD5, SP4
❖ Upgrades to the remaining Energex data centres that do not currently meet Tier 3 standard will be supported. This will include the consolidation of multiple data facilities within the same town or suburb. The Australian Energy Market Cyber Security Framework (AESCSF) includes the requirement to meet a minimum tier 3 standard for our technology hosting facilities (as per Uptime Institute and the Telecommunications Infrastructure Standard for Data Centres).	SD5

Strategic Action Plan	Alignment
❖ Support the upgrade of the remaining EQL data centres to Tier 3 standard through the provision of funding and project administration.	SD5

2.7 Other Specialist Facilities

Energex operates several specialist facilities that help support the health and development of the distribution network. These facilities generally align to major population centres and most fall within the regulated services provision as they support core services. These specialist facilities include Fleet Workshops, Substation Test Workshops, Manufacturing Workshops, Oil Handling Facilities and Engineering Laboratories (e.g. metering). Our fleet workshop at Geebung which accommodates substation workshop and testing functions is an area of strategic change in future years.

Supporting Principles - Maintained
❖ These unique specialist functions will continue to be embedded at our operational sites, where the physical space and capacity is available to help achieve economies of scale.
❖ Our fleet workshop, operating from the Geebung hub depot, will be maintained as a function of our business, supporting the timely maintenance and servicing of our operational fleet vehicles across the state.
❖ The compliance of our oil handling facilities remains a priority for the property portfolio, ensuring we are limiting the environmental impact of these services. Energex will continue to remediate sites with a historical use of oily equipment and material.

Supporting Principles - New	Alignment
❖ The growth of fleet assets and the inability of the market to manage the effective servicing of our fleet portfolio in a timely manner means growth of the Fleet Workshop function. This growth will be considered in a regional area first to create an alternative to SEQ thus reducing distances vehicles have to travel.	SD4, SP2
❖ While co-locating specialist facilities within depots reduces overall running costs, the operational functions of these depots will always take priority. Growth in those functions may force specialist functions off-site into their own properties as a result.	SD1, SP3

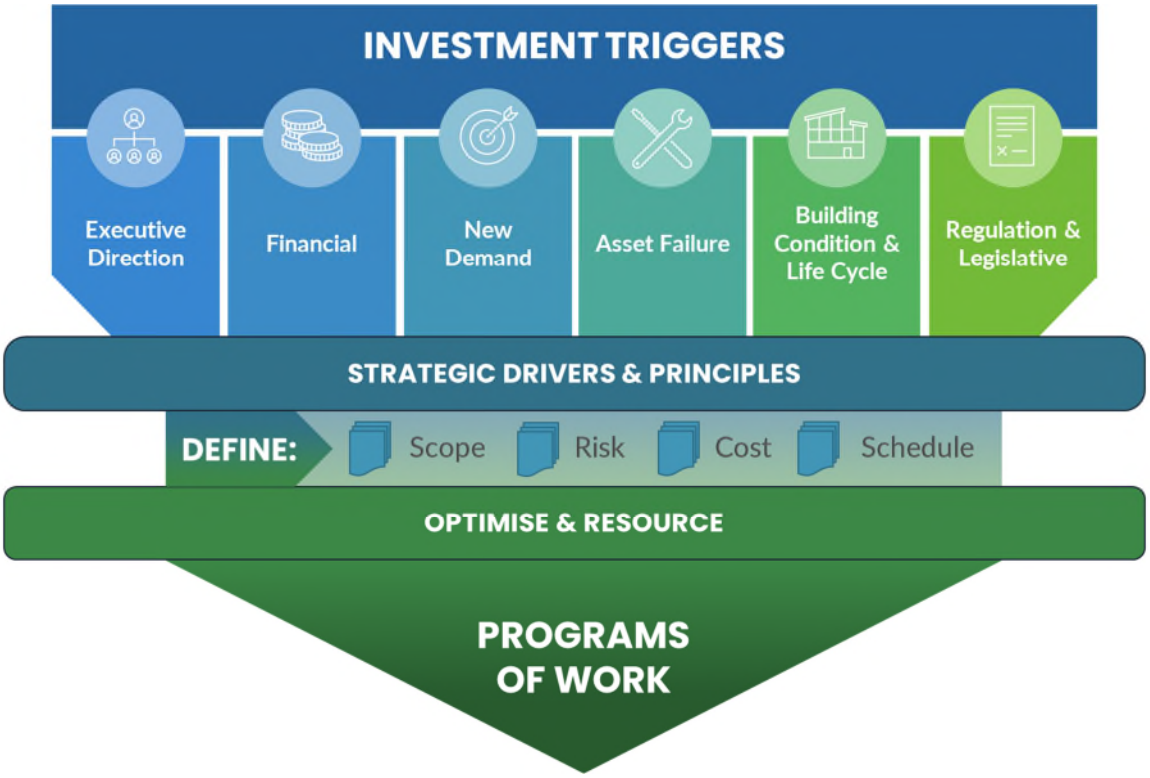
Strategic Action Plan	Alignment
❖ A feasibility study will be undertaken to determine the potential need, capacity, and cost for a second fleet workshop based outside of Brisbane. This feasibility study will inform whether cost efficiencies can be gained by continuing to service heavy fleet vehicles, whilst maintaining safety standards, and sending regional fleet vehicles to a more central location other than Brisbane.	SD2, SD4, SP3

3 INVESTMENT FORECAST METHODOLOGY

3.1 General Approach

EQL Property is responsible for delivering the capital and operational work requirements for all non-network land and building infrastructure and facilities across the Ergon Energy and Energex portfolios. The general approach to investment forecasting is described below.

1. An investment is initially triggered through one or more mechanisms (see next section). This initial trigger helps define its primary driver, with secondary drivers noted and a priority assigned to the proposed investment.
2. The investment is considered in the context of the strategic principles in consultation with internal stakeholders. A series of deliverables are developed and propagated across various documents to seek support for the investment: Approval memos, site roadmaps, early-release business cases etc.
3. The priority and risk of each investment is assessed and weighted against all others to establish a prioritised program on an annual & 5-yearly basis. This prioritised program is mapped against forecast resourcing availability to finalise the list of investments.
4. A cost forecast is developed for each specified investment with Quantity Surveyor or handbook support along with an established cash-flow and delivery schedule.
5. The itemised forecasts are rolled into the deliverable program of work based on work categorisation and formalised into budget submissions.



3.2 Investment Triggers

The investment triggers represent the point of intervention in an asset's lifecycle when investment is required. These triggers can occur concurrently and can be either planned or unplanned in terms of their timing. They are financially treated as a capital or operational expense depending on the required response.

Executive Direction			
Timing:	Unplanned	Anticipated Priority:	2
The Executive Direction trigger represents those moments where members of the Executive Committee (CEO or EGM) or Board Members make a decision to intervene in state of a specific site, building or series of assets. This direction is always given with consideration to other possible triggers and is usually unplanned in nature and requires a more reactive and immediate response. The reason executive direction may be triggered can include a risk to the corporate image/brand, social currency risk, community standing risk, to take advantage of a government partnership or a broader community benefit.			
Financial			
Timing:	Planned	Anticipated Priority:	3
The Financial trigger represents those moments where there is a clear financial benefit to intervene in an asset's lifecycle. These moments can be represented within life cycle reporting or may occur unforeseen. Key examples can include: the sale of a property where market conditions change drastically in our favour, purchasing a leased property which EQL has a long-term vested interest in, an asset replacement where new technology enables a far superior benefit that the current model, or simply where the cost of replacing an asset outweighs the cost of continuing to maintain it.			
New Demand			
Timing:	Planned	Anticipated Priority:	3
The New Demand trigger represents those moments where the business decides to add a new asset to the portfolio. An investment is made in the purchase of a 'new-to-market' asset or modifying an existing asset in a new configuration to take advantage of new technology or an innovative outcome. The new demand can take various forms and usually has a cost component related to the initial investment (purchase), then a cost component to run and maintain it. Examples include constructing a first-time depot in a new location/suburb, installing a new solar solution to a site, a new type of operational vehicle that requires different storage requirements (e.g. Iveco EVs) or new video conferencing technology.			
Asset Failure			
Timing:	Unplanned	Anticipated Priority:	1
The Asset Failure trigger represents those moments where an asset or series of assets fails to perform its requisite function, usually ahead of its normal useful life. The asset may not function at all, or only function partially, or it could be functioning but in an unsafe state that risks injury to employees or the community. Asset failures are generally unplanned and usually require immediate action to return the asset to service. Examples include: a generator that has a broken			

part meaning it cannot run, an air-conditioner that operates but can't maintain adequate temperature for its environment or part of a fence is on a lean and at risk of toppling.			
Building Condition & Life Cycle			
Timing:	Planned	Anticipated Priority:	3
The Building Condition & Life Cycle trigger represents those moments where an asset naturally reaches the end of its useful life, where the cost to maintain is greater than the cost to replace. It is usually represented by the intersection of the operational cost which increases over time, with the cost to replace (static or reducing over time), representing that the asset has reached the end of its useful life. The measure of 'useful life' or 'end of life' is usually independent to the rate of depreciation in a commercial sense. However, this measure can be used when dealing with assets where their age is less observable, such as soft furnishings (e.g. blinds, carpets) as depreciable rates reflect the standard life of a given category of assets. End of life can also trigger prematurely, if the cost of resolving an asset defect is greater than the replacement cost. Responding to this investment trigger (i.e. anticipated priority) is dependent on other metrics captured in the building condition reporting, including the criticality of the asset and its dependency to other assets or being able to operate in a 'business-as-usual' fashion.			
Regulation & Legislative			
Timing:	Planned	Anticipated Priority:	1
The Regulation & Legislative trigger represents those moments where a change or amendment in a governing Regulation or Act mandates an investment response. This change may trigger a response to the manner or timing of asset maintenance, or trigger the purchase of new assets, or the replacement of existing assets. Key examples include: Building Fire Safety Legislation Amendment Regulation 2016 mandating the roll out of interconnected and permanently installed photoelectric smoke alarms in all EQL employee residence and Covid-19 Emergency Response Act 2020 (QLD) requiring businesses to mitigate the effect of Covid-19 through the provision of attendance documentation, enforce the reduction of physical contact and implement health & safety measures such as sanitiser stations and mask kits.			

3.3 Major Program of Work

The Major Program of Work is defined as any capital investment performed at one of Energex's hubs or strategic locations of a substantial size in both scope and cost (usually $5+ million). Specific investments in the major program cross multiple financial years, resolve multifaceted issues and are developed as the result of comprehensive investigation, planning, design and analysis. This ensures the projects represent the best approach to serving the community's needs.

The triggers for major capital investments are usually a combination of all six. Due to the long-term commitment and significant investment cost, alignment to key strategic drivers now and into the future is particularly important. The proposed investment must be consistent with EQL's vision, operational requirements, consideration of future staffing trends and must demonstrate prudency through a return on investment.

Major project investment is forecast based on the most cost-effective option (using a detailed NPV option analysis) in a building block approach where the costs are calculated by Quantity Surveyors with a reasonable degree of confidence. This allows the forecast expenditure to best represent the

information available at the time while allowing the investment opportunity to be progressively refined as the scope becomes more robust. If during the exploratory phase circumstances significantly change such that the need for the project no longer exists, the capital investment can be reallocated without significant cost to the business or our customers.

The gated business case methodology provides the approval mechanism for executing major investments. It links the forecast investment to a quantifiable and actionable project scope. At each step of the gated process the information and analysis regarding viable options, timing and accuracy of the forecast is improved. If the individual investment forecast is greater than $50 million, EQL Board approval is sought with Shareholding Ministerial approval required for projects in excess of $75 million. Otherwise, those investments estimated in $5 to $50 million range are approved internally by the EQL Executive Committee (ExComm). The final output of the process is an approved business case complete with a detailed financial and investment options analysis backed up by documentation to support the prudent decision making.

Each business case and financial assessment presents the preferred option which represents the forecast captured in the forward program. The preferred option is assessed against other options which have some degree of feasibility to them. Non-feasible options are disregarded in the financial assessment but are noted within the business case if considered as part of overall investment strategy. Business cases submitted within the regulatory proposal have received business endorsement even though they may not be at the stage of formal financial approval.

Programming these investments is primarily dependent upon the strategic business need, supported by asset condition reporting, with a secondary consideration to the availability of resources. Consideration is also given to smoothing out large expenditure items within the context of the regulatory program, however this is not always possible due to the nature of a large infrastructure portfolio. The right time to intervene is broadly dictated by the trade-off between opex and capex to ensure the lowest cost outcome for our customers. Arbitrarily delaying an investment by 5 or 10 years will result in a higher eventual cost to our customers, or a lost opportunity.

3.4 Minor Program of Work

The Minor Program of Work represents specified investments undertaken across Energex (non-network) properties which have a significant impact on that site, are not defined as a major project, but still require a higher-level of financial commitment ($500,000+).

These investments are important as they occur across the portfolio of depots across Queensland (detailed in Appendix 1) who provide the services that support our customers who seek a reliable and cost-effective of supply of electricity. The intent of the Minor Program of Work is to maintain the portfolio of property assets by ensuring responsive and operationally efficient depots in a safe and responsible manner. As such, the expected outcome of this expenditure sub-category is the assurance that the portfolio of Non-Network Property assets remain fit-for-purpose, safe and compliant in accordance with the applicable legislation and standards.

The triggers for forecasting minor capital investments are a combination of demand, asset failure, life-cycle analysis, condition assessments and financial. These triggers can be assessed in two parts, firstly the demand or asset related requirements for the site are documented in consultation with stakeholders, then the condition and life cycle data is considered and collated to develop a wholly informed scope of work. Due to the broad scale of potential investment in this category, the triggers can be varied and numerous but still come together to form the complete justification.

Programming the forward 5Y program for this category uses a base-step-trend approach, based on historical expenditure, quantified in line with identified bottom-up forecast investments where numerous individual investments are categorised and grouped into logical units for delivery over a set period of time. This process ensures that the highest level of risk is removed for the given level of expenditure while consolidating items for an efficient delivery where possible. For items in the Minor Program internal and external estimating methods are used to quantify the expected delivery costs and forecast schedule depending on the size and complexity of the project. Collectively, these items output as a single line item to represent the forecast Minor Program.

The bottom-up investments are individually ranked based on our strategic principles and priority matrix (includes risk values). Approval is gained internally from the respective financial delegate through a short-form business case, financial approval memo or detailed project initiation form (depending on the value, risk and impact of the project). Generally, the program of work is assessed against the following priority levels, to ensure the highest risks are addressed first:

Priority	Primary Driver Categorisation
1	Health & Safety, Disaster Response, Compliance breach
2	Environmental, Imminent non-compliance, Operational Integrity & Continuity
3	Operational efficiency, Risk elimination (vs controlled), Asset degradation
4	Quantifiable benefit, Cost efficiency, Futureproofing
5	Does not meet operational requirements, unjustified

Those items identified by Property as the lowest priority (five) are not justifiable and are held from the proposed program until a mutually acceptable justification can be realised. Regular reviews are undertaken to reassess the priority of the Minor Program projects and items are escalated and demoted as needed against the assessment criteria.

3.5 Base Program of Work

The Base Program of Work represents a pool of investments undertaken across Energex (non-network) properties which have a minor impact on those sites and generally require a lower level of individual financial commitment (<$500,000). Investments within the base program are a combination of specific investments and multi-site programs which augment one or more assets at a site, or series of sites, but do not prevent normal operational activity from continuing.

These investments are important as they impact a large spread of sites across Queensland through smaller-scale optimisations, efficiencies and right-time lifecycle renewals which prevent future more-costly capital investment or reactive work. The intent of the Base Program of Work is to maintain the full asset lifecycle portfolio by investing at the optimum time, thereby reducing the overall cost and risk to the business and our customers. As such, the expected outcome of this expenditure sub-category is the assurance that the portfolio of Non-Network Property assets remain fit-for-purpose, safe and compliant in accordance with the legislation and standards.

The triggers for forecasting base capital investments can be a mix of all six mechanisms. Similar to the Minor Program, the broad scale of potential investments in this category are varied but each project will come together to form the complete justification.

Forecasting these investments year-on-year uses a base-step trend programming approach with consideration for a step trend change if the collective value of the specified investments is greater than or less than the value of the trend. Identified investments at a site will be used as an opportunity to leverage imminent lifecycle or condition items, to ensure efficiencies of scale are identified in the implementation of each project. For items in the Base Program both internal and external estimating methods are used to quantify the expected delivery costs and forecast schedule depending on the size and complexity of the project. Collectively, these items output as a single line item to represent the forecast Base Program.

For investments that are specified, a similar ranking system is used based on our strategic principles and priority matrix (includes risk values). Approval is gained internally from the respective financial delegate through a short-form business case, financial approval memo or detailed project initiation form (depending on the value, risk and impact of the project). Several base program investments can be approved collectively using the same mechanisms for a collection of identical assets/improvements at several sites at one time.

Priority	Primary Driver Categorisation
1	Health & Safety, Disaster Response, Compliance breach
2	Environmental, Imminent non-compliance, Operational Integrity & Continuity
3	Operational efficiency, Risk elimination (vs controlled), Asset degradation
4	Business benefit quantified, future-proofing
5	Does not meet operational requirements, unjustified

3.6 Security Program of Work

The Security Program of Work represents the pool of investments identified to maintain an efficient, modern and coordinated security system across individual properties within the EQL Corporate and Network property portfolios. Investments within the Security program are a combination of specific investments and multi-site programs which augment one or more assets at a site, or series of sites and are all based on compliance with the Australian Government's Protective Security Framework Policy (PSFP).

EQL uses an enterprise-wide security system to provide electronic access control and security alarm monitoring capabilities for Network and Non-Network sites across the portfolio. This system includes local hardware, IT networking infrastructure and a centralised server and database. Having a single, coordinated security system across the entire EQL portfolio of properties supports an efficient security management system. It standardised procedures and protocols for accessing sites and responding to security alarms, with common security capabilities at each facility, as well as a common hardware and software platform through which to implement changes and upgrades as required.

The primary drivers for the security program of work are the safety of employees and the public. It is vitally important maintain physical security and control over energised network facilities to prevent intrusion onto electricity infrastructure resulting in injury or death. This is also relevant in terms of operations, as trespass on electricity infrastructure can impact electricity distribution and network reliability. There has been a continuing increase year-on-year in the number of reported incidents of theft and trespass into EQL properties.

The triggers for forecasting Security capital investments are generally asset failure, demand and financial driven based on site-specific Security Risk Assessments (SRAs) that are completed every 5-years or as needed, similar to life cycle costing reports. Forecasting the overall program year-on-year uses a base-step trend programming approach with consideration for a step trend change if the collective value of the specified investments (captured through the SRAs) out-weighs the value of the trend.

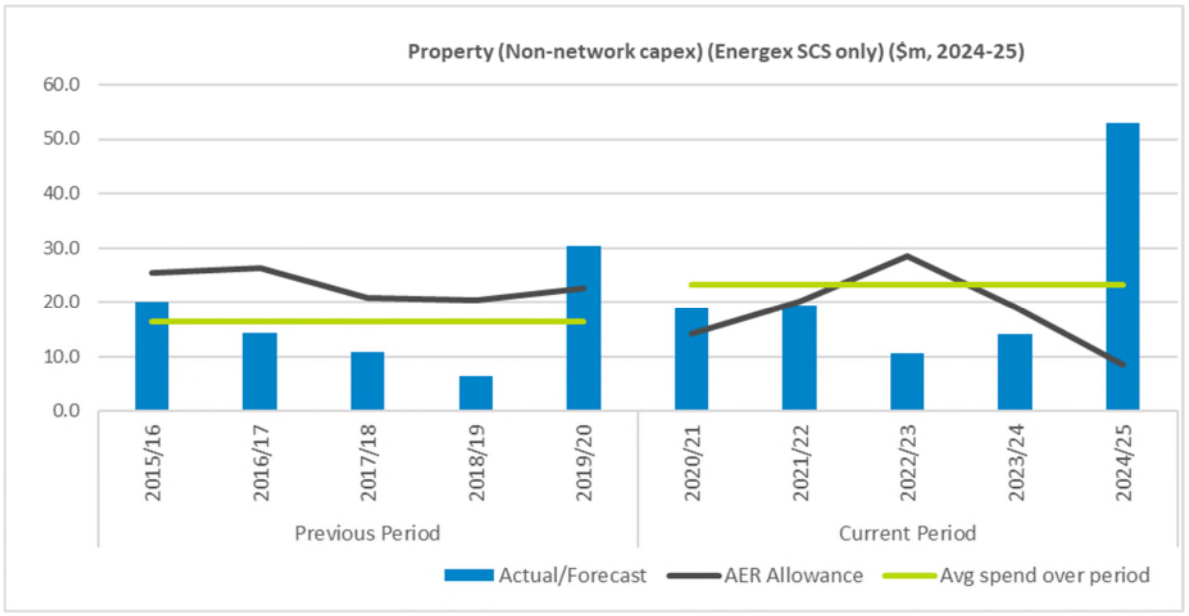
The cost of individual items in the Security Program are estimated using historical project values during early phases of program development, with market values utilised closer to the point of implementation. Collectively, these items output as a single line item to represent the forecast Security Program.

4 CURRENT PERIOD EXPENDITURE (2020-25)

Energex is forecast to spend $116 million on non-network property capex in the current 2020-25 regulatory period. This is against an AER allowance of $90.3 million, representing a 28 per cent overspend.

Table 2: Energex Property capital expenditure 2020-25, $m 2024-25

Property SCS capex	2020-21	2021-22	2022-23	2023-24 (forecast)	2024-25 (forecast)	Total
AER allowance	14.1	20.2	28.5	19.1	8.5	**90.3**
Actual/Forecast	18.9	19.3	10.5	14.3	53.2*	**115.8**
Under/Overspend	+4.8	-0.9	-18.0	-4.8	+44.7	**+25.8**



The forecast overspend in the 2020-25 period is driven by a number of major projects as outlined below.

	Specified Investment	Start	Completion
Energex	**Greenslopes Depot Redevelopment**	Jan 2020	April 2022
	The Greenslopes Depot underwent a significant redevelopment, reaching practical completion April 2022. Located in Central Brisbane this major hub services Brisbane CBD through emergencies such as storm-related electricity outages and issues where police, ambulance and firefighters need power cut for safety reasons. Along with the original 120 operational staffed based at the site, the Greenslopes depot is now home to an additional 100 field, design and support staff from various Energex sites, in one central location. The depot includes a 3,500sqm office building with storm rooms, an upgraded 3,300sqm storage warehouse and hardstand capable of holding 130 light vehicles and 80 heavy rigid vehicles. This redevelopment enabled the relinquishment of a costly near-CBD operating lease.		

Specified Investment	Start	Completion
Rocklea Training Stage 1 Redevelopment	Jan 2024	Est. Jun 2025

The Rocklea Training facility is the largest of Energex's training facilities. The buildings on site are beyond end-of-life and are unable to respond effectively to increasing training demands which support Queensland's transitioning electricity industry. Stage 1 included a purpose-designed & consolidated training classroom and workshop facility, supported by offices and amenities. Construction of this new building will enable the demolishment of three large deteriorating buildings on site and create efficiencies by consolidating that mixed space together and establishing on-site parking, support services and more modern training tools. The upgraded facilities will enable more apprentices to be recruited (and trained) and allow EQL to accept a greater volume of government-supported training programs and contractor based training courses, improving revenue generation.

Geebung Expansion Site	Mar 2025	Jun 2028

Energex has identified a site which will enable an effective expansion of its depot in Geebung, which is experiencing considerable constraints to its staffing accommodation, fleet parking and equipment storage. The cost of this investment is forecast to be captured in the 2024/25 financial year and is considered a one-off asset purchase. This expenditure was not included in the AER allowance for the 2020-25 period. The site will be fitted-out within the 2025-30 regulatory period, and a supporting business case has been supplied for this purpose. The acquisition of the new site will fulfil the spatial demands essential for servicing the region's needs over the long term. [redacted] and the enlarged hardstand and storage areas will allow for additional carparking, workshop space and a formal LUEZ area, which will significantly reduce the constraints of the existing site and reduce safety incidents.

5 EXPENDITURE FORECAST (2025-30)

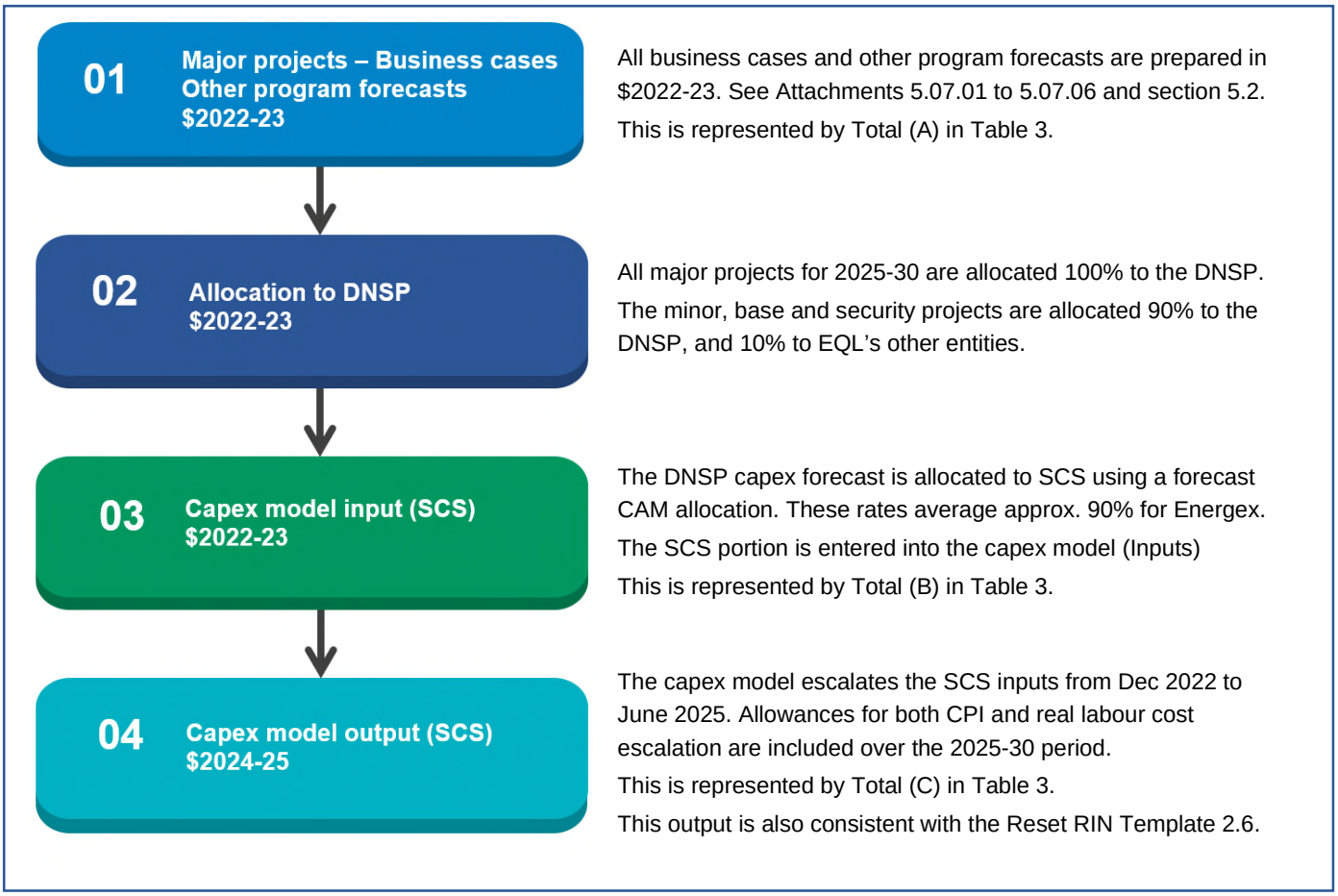
5.1 Overview

The non-network property capex for the 2025-30 regulatory control period is grouped into four main investment categories, as outlined in Section 3:

- **Major** – specific major capital investment projects (generally >$5 million each).
- **Minor** – specified investments (generally >$500,000 each).
- **Base** – pool of investments (generally <$500,000 each), and
- **Security** – investments identified to maintain security systems across the property portfolio.

The property forecast is prepared in $2022-23 pre-CAM dollars, before conversion to SCS expenditure, as required for the regulatory proposal. This process is outlined in Figure 1 below.

Figure 1: Process for conversion of original property forecast to SCS capex



5.2 2025-30 Forecast

Our proposed non-network property capex for the 2025-30 regulatory control period includes:

- A new fit-for-purpose depot at an industrial site in Beaudesert (including the sale of the existing site), primarily driven by growth at the site.
- A new fit-for-purpose depot at an industrial site in Morayfield (including the sale of the Caboolture site), primarily driven by growth at the site and building condition.
- An expansion at the Geebung Depot Hub, primarily driven by growth in employee numbers, assets and functions at the site.
- Relocation of the Network Operations Centre, primarily driven by the end of lease.
- Redevelopment of the depot at Oxley, primarily driven by growth at the site and building condition.
- Stage 2 Redevelopment at the Rocklea training facility, primarily driven by growth in training requirements and demountable building condition; and
- Capex on our minor, base and security programs in line with historical spend.

Table 3: Total property capital expenditure 2025-30

			(A)	(B)	(C)
Category	**Expenditure Driver**	**NPV (compared to counterfactual) $m 2022-23**	**Total forecast capex (pre-CAM) $2022-23**	**Total forecast capex (SCS) $2022-23**	**Total forecast capex (SCS) $2024-25**
Major			**93.2**	**83.9**	**93.8**
Beaudesert Depot	*Growth*	*+0.8*	[redacted]	[redacted]	[redacted]
Caboolture Depot	*Growth & Condition*	*+1.5*	[redacted]	[redacted]	[redacted]
Geebung Expansion	*Growth*	*+25.9*	[redacted]	[redacted]	[redacted]
Network Operating Centre (NOC) Solution	*Lease Expiry*	*+9.7*	[redacted]	[redacted]	[redacted]
Oxley Depot	*Growth & Condition*	*+3.7*	[redacted]	[redacted]	[redacted]
Rocklea Training	*Growth & Condition*	*+5.5*	[redacted]	[redacted]	[redacted]
Training – Apprentice Growth Strategy	*Growth*	*0.0*	[redacted]	[redacted]	[redacted]
Minor	*N/A*	*N/A*	**27.3**	**22.1**	**24.7**
Base	*N/A*	*N/A*	**9.7**	**7.8**	**8.8**
Security	*N/A*	*N/A*	**5.5**	**4.5**	**5.0**
Carryover	*N/A*	*N/A*	**5.7**	**5.1**	**5.7**
Total			**141.3**	**123.4**	**138.0**

The forecast above represents the total cost across the 2025-30 regulatory period. For the annual SCS breakdown please see Table 4.

Table 4: Annual property capital expenditure 2025-30, $m 2024-25

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Major	**15.8**	**33.4**	**22.6**	**15.9**	**6.0**	**93.8**
Beaudesert Depot			[redacted]	[redacted]		[redacted]
Caboolture Depot	[redacted]	[redacted]				[redacted]
Geebung Expansion			[redacted]			[redacted]
Network Operating Centre (NOC) Solution	[redacted]	[redacted]				[redacted]
Oxley Depot	[redacted]	[redacted]				[redacted]
Rocklea Training		[redacted]	[redacted]			[redacted]
Training – Apprentice Growth Strategy				[redacted]	[redacted]	[redacted]
Minor	**5.4**	**5.0**	**4.0**	**4.9**	**5.4**	**24.7**
Base	**1.9**	**1.8**	**1.4**	**1.8**	**1.9**	**8.8**
Security	**1.1**	**1.0**	**0.8**	**1.0**	**1.1**	**5.0**
Carryover	**5.7**					**5.7**
Total	**30.0**	**41.2**	**28.8**	**23.6**	**14.5**	**138.0**

Note: The capex reported above represents gross capex. The proposed land sales are included in Section 5.4.

5.3 Capitalised leases

The previous accounting standard AASB 117 *Leases* was replaced by AASB 16 *Leases* on 1 July 2019. AASB 16 *Leases* introduces a new requirement for a lessee to recognise assets and liabilities for the rights and obligations created by leases. For regulatory reporting purposes, Energex will adopt this change from 1 July 2025.

Our proposed capitalised leases expenditure over the 2025-30 period is $13.9 million. This represents a new component of our capital expenditure as leases were treated as operating expenditure (opex) in the 2020-25 period.

The forecast represents the capitalisation of property leases for the existing office sites at Townsville and Cairns[8], which have five-year lease extensions proposed in the 2025-30 period.

Table 5: Capitalised leases 2025-30, $m 2024-25

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Property leases				11.9	2.0	**13.9**

The capitalised leases forecast in Table 5 above represents two of our existing office sites only and assumes that the preferred options for the major projects listed in Table 4 are fully supported.

[8] Although these offices are in the Ergon DNSP area, EQL considers that major office locations are considered EQL assets and the costs are subsequently shared across both DNSPs and the unregulated business based on a CAM allocation.

If the counterfactual option was to proceed as the preferred solution for any of the major projects, additional expenditure relating to capitalised leases would be required for those solutions where the counterfactual option includes a leased site.

5.4 Proposed property sales

Our proposed non-network property sales over the 2025-30 period are $7.9 million. This forecast represents the sale of the Beaudesert and Caboolture Depots based on the assumption that the proposed major projects are fully supported.

Table 6: Proposed property sales forecast 2025-30, $m 2024-25

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Property sales			[redacted]		[redacted]	[redacted]

5.5 Capex/opex adjustments

There were no significant capex/opex adjustments requiring a step change in the 2025-30 opex model.

While the business cases for some of the major projects indicated opex savings over the 2025-30 period, the majority related to lease costs. Any savings relating to lease costs are not applicable as these lease costs will be reported as capex in the 2025-30 period.

An adjustment to the base year opex has been made to remove any existing lease costs from the 2023-24 base year opex. For additional detail see section 6 of the Regulatory Proposal.

6 INVESTMENT GOVERNANCE AND DELIVERY

6.1 Investment Governance

Individual investments within the **Minor, Base & Security** Programs are governed by processes internal to Property and utilise a series of documents that progressively build the proposed project with the relevant detail. Regardless of the investment trigger, an initial Project Justification (PJ) is developed which details the fundamental requirements, including the specific issues that need resolving, the proposed solution, the stakeholders involved, a preliminary risk assessment and the forecast cost.

Each investment that is supported within the upcoming financial years program, is assigned to a Project Manager along with the respective project justification. The Project Manager commences the project initiation phase, informed by the PJ, and submits a request to raise a project using a Project Initiation Form (PIF) and completes Part A which represents the scope of the design phase, along with its expected cost. The PIF is issued to the appropriate financial delegate for approval and if approved, the project is created, ready to capture invoicing & internal costs. Assuming the successful completion of design, in consultation with the primary stakeholders, the project will move into the tender phase, which involves seeking quotes or tenders from the market.

Once tenders have been received and an evaluation completed in line with EQL's Procurement processes, the PIF is updated with Part B which represents the scope of the construction phase, along with the total cost of the project, including design, construction and defect-liability phases. The PIF is again issued to the appropriate financial delegate (which could be the same person as Part A or a more senior position) for approval. The approval at this stage will generally include the recommendation of the tender evaluation and a breakdown of costs, timing, and deliverables.

If approval is received, the tender evaluation closes, a contract is signed, and the project moves into its construction phase until completion. Throughout this process, the Project Manager is responsible for the successfully delivering the outcomes of the project. Independence is incorporated into the project approval, procurement/tender phase, project creation and documentation review phases of the project, ensuring that other Energex personnel outside the project team are providing oversight, governance, and support.

Major investments require the development of a business case which follow EQL's Investment Management Framework (IMF). The business case provides the approval mechanism for executing major investments. It links the forecast investment to a quantifiable and actionable project scope. If the individual investment forecast is greater than $50 million, EQL Board approval is sought with Shareholding Ministerial approval required for projects in excess of $75 million. Otherwise, those investments estimated in the $5 to $50 million range are approved internally by the EQL Executive Committee (ExComm). The final output of the process is an approved business case complete with a detailed financial and investment options analysis backed up by documentation to support prudent decision making.

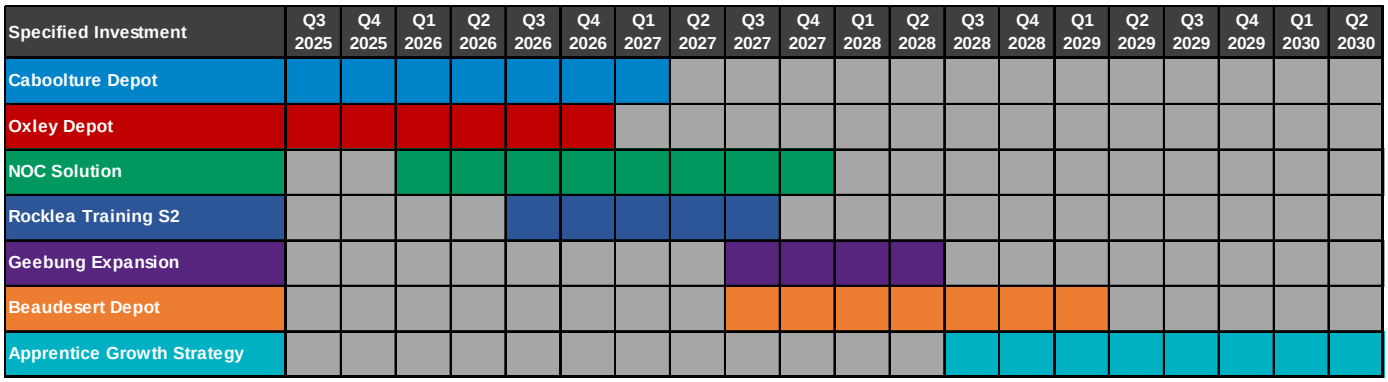
Each business case and financial assessment presents the preferred option which represents the forecast captured in the forward program. The preferred option is assessed against other options which have some degree of feasibility to them. Non-feasible options are disregarded in the financial assessment but are noted within the business case if considered as part of overall investment strategy. Business cases submitted within the regulatory proposal have received business endorsement even though they may not be at the stage of formal financial approval.

Once the business case is approved by the appropriate financial delegate, project administration and governance follows the same process as minor investments (above), with the business case taking the position of the PJ and document.

6.2 Delivery Timeframes

Our proposed non-network property specified investments for the 2025-30 regulatory control period are scheduled based on their priority with consideration to any prerequisites or specific timing constraints (eg lease expiry). Section 6.5 notes the forecast resource availability, which peaks in the 2026/27 FY, allowing for the proposed investment timeframes to align to the internal resourcing profile. The timing of all investments are subject to change.

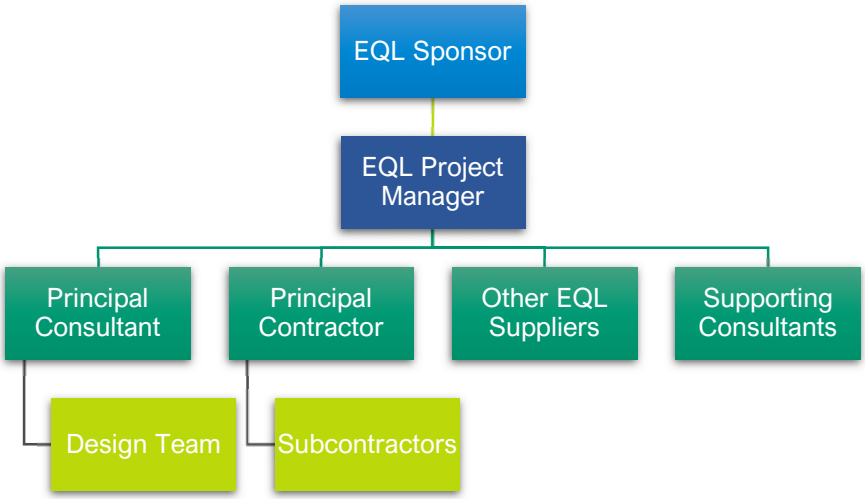
Figure 2: Proposed Timing of Specified Investments



6.3 Program Resourcing & Optimisation

The Program of Work is delivered through a combination of internal and external resources as part of our systematic delivery model (more information on the delivery model is provide in section 6.4 of the *EQL Property Project Management Framework*). Each investment regardless of its size has an assigned Project Manager, an internal EQL employee, who is supported by a team of externally engaged personnel. Generally, this includes a principal consultant and a principal contractor, with additional support provided by Quantity Surveyors, Town Planners (internal & external), engineers and maintenance providers, depending on the size of the project. The principal consultant role is assigned to the lead architect within the consultancy team, who supports the project through all phases of design, construction and defect liability. The principal contractor is the construction company that has been engaged through a formal tender or quoting process and is responsible to physically deliver the project scope.

The resourcing model for each project is represented as follows:



6.4 Ability to Deliver

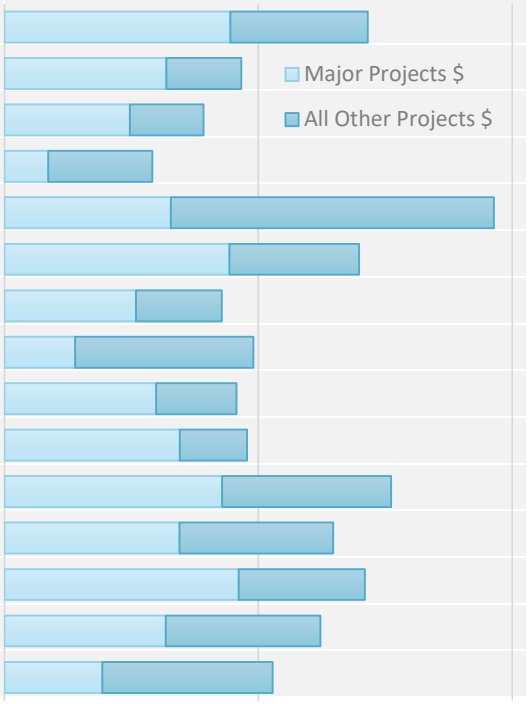
The ability to deliver on an annual program of work is dependent on the pool of resources available internally to project manage each investment. The number of projects always outweighs the number of project managers, which means they have a one-to-many relationship with their projects, and their capacity is measured on the time they have available across the year to deliver their portion of the program. The resourcing requirement for an annual program is measured on the volume of projects (post-optimisation process), each assessed on their size and complexity, and rolled up into the total estimated hours.

The optimisation and resourcing phase is an iterative process which arranges the individual projects that make up the minor, base, residence and security programs into their final position on the forward program. The cut-off is drawn based on the forward resourcing profile in line with the businesses applicable risk tolerance. Priority 1 and 2 projects are always resourced, while priority 4 and 5 are generally not. Priority 3 projects usually form the bulk of the proposed program, and it is within this tier that the projects are either accepted on next year's program or deferred to the following year, usually with a temporary measure implemented to enable the deferral.

This iterative process also considers the question of whether the program should dictate the resourcing requirement, or whether the available resources dictate the proposed program. This question is considered on a case-by-case basis, dependent on the volume of projects proposed by the investment triggers for that year and businesses risk appetite for those projects that are deferred. Due to their complexity and large time commitment, the major program has a greater influence on changes to the resourcing profile, while the smaller sub-programs tend to fit around the resourcing changes this creates. This is demonstrated in the historical resource trend measured against the capital expenditure over time (below). Some flexibility in resource allocation is embedded into the program of work to ensure these peaks and troughs can be responded to sufficiently as a business.

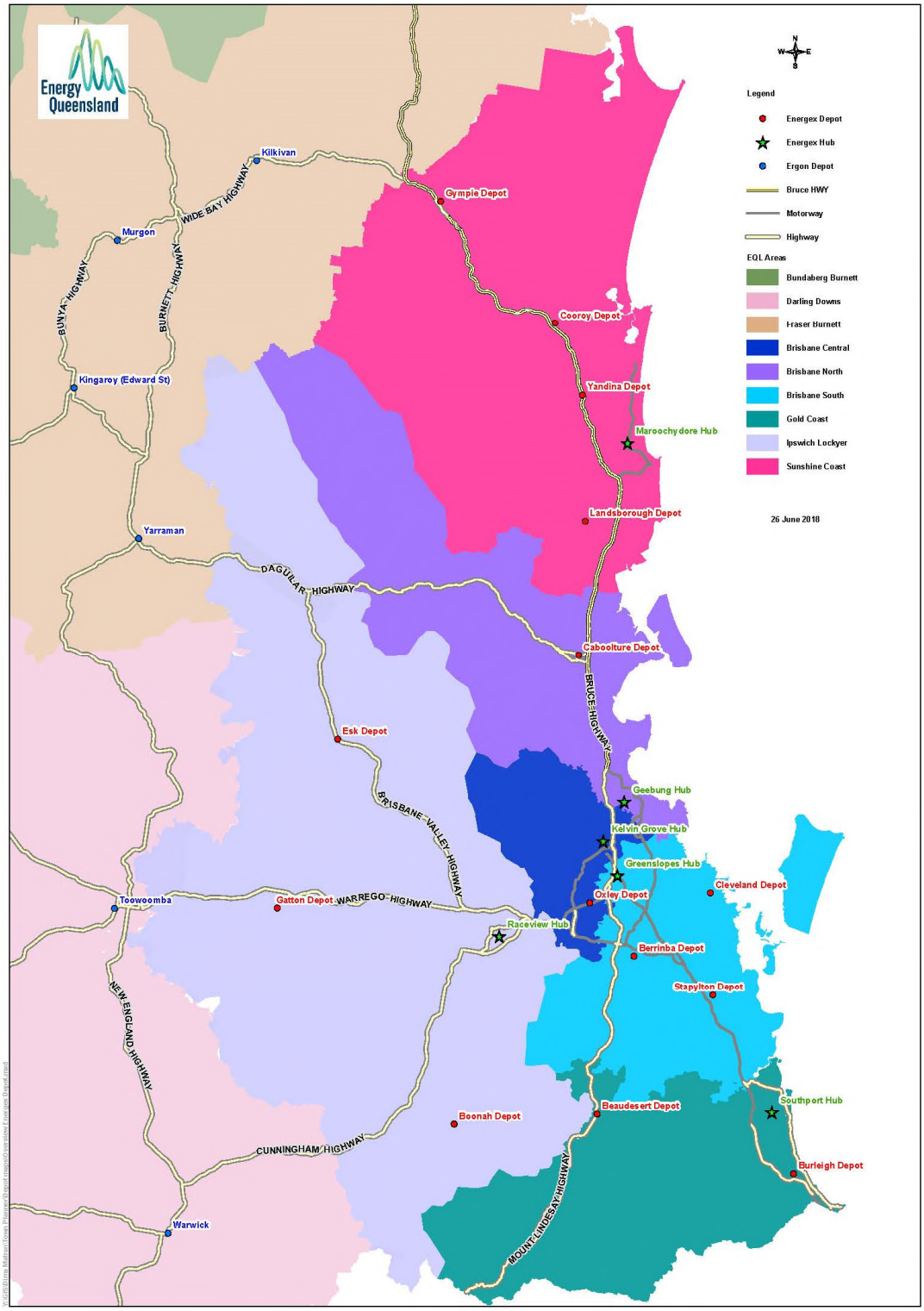
6.5 Program of Work – Historical & Future Resourcing Trend

The number of internal resources assigned to the Capital Program of Work since 2015/16 for both Ergon Energy and Energex combined is noted below. The number of resources does not represent an exact FTE figure or full commitment to the program and should be used as a guide only. Resource levels do not have a direct relation to the total volume or value of projects, as infrastructure programs have many complexities and influences that may dictate actual performance. This data should be used *cautiously* to guide any conclusions regarding EQL's likely capacity to deliver future programs of work.

FY	Internal Resources assigned to deliver Program each FY		Capital Program Value $
2015/16	13	*Program Actual*	
2016/17	11	*Program Actual*	
2017/18	12	*Program Actual*	
2018/19	13	*Program Actual*	
2019/20	16	*Program Actual*	
2020/21	14	*Program Actual*	
2021/22	11	*Program Actual*	
2022/23	12	*Program Actual*	
2023/24	15	*Program Forecast*	
2024/25	15	*Estimate only, subject to change*	
2025/26	17	*Estimate only, subject to change*	
2026/27	17	*Estimate only, subject to change*	
2027/28	15	*Estimate only, subject to change*	
2028/29	15	*Estimate only, subject to change*	
2029/30	15	*Estimate only, subject to change*	

APPENDICES

APPENDIX 1: ENERGEX DEPOT MAP



APPENDIX 2: RECONCILIATION TO RESET RIN

Table 8 below provides a reconciliation between the property forecast (including business cases) which are prepared in $2022-23, with the property forecast in the AER capex model/Reset RIN ($June 2025). For additional details on the methodology, see Section 5.1.

Table 7: Reconciliation of property forecast to expenditure in AER capex model/Reset RIN

Expenditure	DNSP	2025-26	2026-27	2027-28	2028-29	2029-30	2025-30
Major projects $m, direct 2022-23	Energex Pre-CAM	15.7	33.2	22.5	15.8	6.0	**93.2**
Expenditure for other programs $m, direct 2022-23	Energex Pre-CAM	15.0	8.5	6.8	8.5	9.4	**48.2**
Total Property expenditure $m, direct 2022-23	Energex Pre-CAM	30.8	41.7	29.3	24.3	15.4	**141**.3
Allocation to DNSP (where applicable)							
DNSP capex ($m, 2022-23)	Energex	29.8	40.8	28.6	23.4	14.4	**137.1**
Allocation to SCS capex							
SCS capex ($m, 2022-23)	Energex SCS	26.8	36.8	25.7	21.1	12.9	**123.4**
Add escalation adjustments							
Escalation from $2022-23 to $2024-25	Energex SCS	3.2	4.3	3.0	2.5	1.5	**14.6**
Expenditure in AER capex model/Reset RIN $m, 2024-25	**Energex SCS**	30.0	41.2	28.8	23.6	14.5	**138.0**

APPENDIX 3: DEPOT MASTERPLAN KEY METRICS

	Depot				Hub	
	A Spoke	B Spoke	C Spoke	D Spoke	Minor Hub (Regional)	Minor Hub (Metro)
	Millmerran	Moranabh & Esk	Boonah & Whitsunday	Stapylton	Hervey Bay	Stafford
Site Area (existing) (m²)	6,000	7,000	7,000	7,500 - 8,000	16,000	9,300
Vehicle Parking						
Trailer	4	4	4	4 - 8	4 - 8	4 - 8
HRV - Heavy Rigid Vehicle	1	1	2 - 8	6 - 8	6 - 8	6 - 8
MRV - Medium Rigid Vehicle	1	1	1 - 2	1- 2	1 - 2	1 - 2
Light Fleet	6	6 - 8	9 - 11	11	30	15 - 20
Staff and Visitor	8	8	5 - 12	20	70	50
	Note: Some vehicle parking in metropolitan areas can be substituted for bicycle and motorcycle parking					
Main yard						
Minimum Total Yard Size (m²)	4,500	5,000 - 5,500	5,500 - 6,000	6,000	10,000	4,500
Pole Storage (m²)	150	250	300	350	400	30 (poles stored another depot)
Transformer Storage (m²)	50	100	100	100	100	100
Pole Bins	1	1	1	1	1	1
Scrap Bins (m²)	50	100	150	150	150	150
Job Lots (m²)	50	150	300	400	650	650 (in workshop)
Cable Storage (m²)	50	100	100	150	150	150
Training Yard	n/a	yes	yes	yes	yes	yes
Wash Bay	yes	yes	yes	yes	yes	yes
Semi Trailer Access	yes	yes	yes	yes	yes	yes

	Depot				Hub	
	A Spoke	B Spoke	C Spoke	D Spoke	Minor Hub (Regional)	Minor Hub (Metro)
	Millmerran	Moranabh & Esk	Boonah & Whitsunday	Stapylton	Hervey Bay	Stafford
Workshop						
Minimum Workshop Size (m²)	285	350	420	650	480	1,755
Store - Secure (m²)	35	50	90	270	tbc	210
Store - General (m²)	250	280	270	370	450	1,480
Tools/ Work Area (m²)	tbc	10	40	tbc	30	55
Office (m²)	tbc	10	10 - 20	10 - 20	tbc	10 - 20
Non-standard facilities	To be considered on a case by case basis					
Drying Room (m²)	tbc	tbc	20	tbc	tbc	tbc
Live Line Washbay Room (m²)	tbc	20	20	20	20	20
Office/ Amenities						
Staff numbers	8	8, 15	20, 22	30	75	120-150
Sign-In	at front entrance	at front entrance	at front entrance	at front entrance	at front entrance	at front entrance
Office (m²)	45	35 - 70	100 - 160	130	710	605
Workstations	4	4	8	8	65-70	65-70
Hot-Desks	0-2	2-4	3	6	tbc	10
Meeting Rooms (m²)	combined with lunchroom	50	50 - 110	90	120	300
Lunch Room (m²)	30	35	55	65	100	140
Amenities (m²)	20	40	50	120	100	160
Outdoor Area (m²)	40	20 - 50	20 - 50	50	200	65
Utilities and Storage (m²)	10	10 - 40	25 - 60	65	80	125

APPENDIX 4: GLOSSARY

Term	Definition
ACS	Alternate Control Service
AER	Australian Energy Regulator
BCR	Building Condition Report
CEMT	Corporate Emergency Management Team
CPI	Consumer Price Index
DMS	Distribution Management System
DNSP	Distribution Network Service Provider
EQL	Energy Queensland Limited
EXCOMM	Executive Committee
FTE	Full-time Equivalent
HV	High Voltage
IMF	Investment Management Framework
LCC	Lifecyle Costing
LUEZ	Loading and Unloading Zone
LV	Low Voltage
NetOps	Network Operations
NOC	Network Operations Centre
NPV	Net Present Value
PIF	Project Initiation Form
PJ	Project Justification
QEJP	Queensland Energy and Jobs Plan
QS	Quantity Surveyor
RIN	Regulatory Information Notice
RTO	Registered Training Organisation
SCADA	Supervisory Control and Data Acquisition
SCS	Standard Control Service
SEQ	South East Queensland
SoCI	Security of Critical Infrastructure
WACC	Weighted Average Cost of Capital