Beaudesert – New Depot Development

Business Case

31 January 2024

energex
Part of Energy Queensland

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(select all applicable)</td><td>☐ Legislation ☐ Regulatory compliance
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The Beaudesert Depot has been operating for over four decades on a 4,200m^2 lot at 3-5 Selwyn Street, Beaudesert. The site is located in a retail precinct with residential homes nearby. Operations on site have grown over the time to be equivalent to a class D depot based on the employee & vehicle numbers on site, volume of stock and size of operations. Against the standard specification for a Class D depot, the site is undersized by 6,000m^2. This has created several risks & issues, including the on-street parking of fleet & employee's vehicles, inability to create safe loading/unloading zones, mixed pedestrian and vehicle movement paths, site access blockages several times a day and non-compliant turning paths for semi-trailers. Projected growth on site means an investment is required within the next regulatory period before these issues become unmanageable.
Why Now?
The site is currently heavily constrained for warehouse & storage functions, vehicle movement and office space and will be unable to handle the 2029/30 forecast growth. Furthermore, some assets are at the end of their life useful now, while all others will reach this point by 2028 – they will require investment between now and then to address their lifecycle. Implementing the new depot development by 2028/29 will ensure the growth can be addressed before another significant jump in employee & fleet growth by 2029/30.</td></tr>
<tr><td>Summary of preferred option</td><td>Option A – Construct new depot at Enterprise Street site.
126-144 Enterprise Drive was previously purchased in the Beaudesert Industrial Precinct. One half of the site is a substation, and the other half of the site is a vacant greenfield portion earmarked as the location of the new Beaudesert Depot.</td></tr>
<tr><td>Capital Expenditure ($real)</td><td>
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<tr><th>Year</th><th>Previous period</th><th>2025-26</th><th>2026-27</th><th>2027-28</th><th>2028-29</th><th>2029-30</th><th>2025-30</th></tr>
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The capital expenditure forecast above sourced from the NPV model is provided in $m, 2022-23. See Appendix 2 for a conversion table which shows how this forecast is represented in the capex model and reset RIN.
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<tr><td>NPV</td><td>+$0.85m (compared to counterfactual)</td></tr>
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Efficient fit-for-purpose site due to optimised layout at a greenfield site.
New site replaces end of life assets at current site. Located in an industrial zone.</td></tr>
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Customer importance	At the residential customer focus session held in August, we tested with a focus group of customers their thoughts around the location of our depots and the benefits and drawbacks of having depots located in residential or industrial areas. Our customers told us that they generally favoured industrial areas over residential sites while recognising that there are a range of considerations in assessing site suitability or redeveloping an existing site. Customers also told us they were interested in maximising customer value.

2 OVERVIEW

2.1 Purpose and scope

This is a preliminary business case describing the required investment to proceed with the replacement of the Beaudesert Depot which has reached full capacity and an alternative solution is required.

The purpose of this document is to provide a forecast of the investment required in coordination with the Australian Energy Regulator (AER). Prior to investment, a Gate 3 business case will be prepared with further detail to be assessed in accordance with the established Energy Queensland investment governance processes.

2.2 Background

2.2.1 Site Summary

The Beaudesert Depot, which has been operating for over four decades, is situated on a 4,200m^2 lot at 3-5 Selwyn Street, Beaudesert. There are three buildings onsite: Building A – Office and workshop, Building B – Vehicle Shed and an additional storage shed, with each of these supporting the operational functions of Field Delivery and Design and Delivery Standards.

Figure 1:Current Beaudesert Depot (Selwyn St, Beaudesert)

The current depot is on a landlocked site, surrounded by a mix of retail and residential zones. Over time, the depot has encountered challenges owing to the limitations imposed by the relatively small site it is located on. Currently, many of the fleet and personal vehicles are parked on the street and council verge (shown above), equipment and assets are stored on the ground (non-compliantly) in pick-up and put-down zones, mix of pedestrian & various vehicle movement paths conflict and the office is over 100% utilised.

To address the existing limitations, enhance operational efficiency and modernise the depot, a proposed solution involves relocating it to an alternative site, currently owned and used by Energex in an industrial area. The designated site which was purchased over 15 years ago, is based within

the Beaudesert Enterprise Precinct and provides ample space adjacent to the Beaudesert Bulk Supply Substation (SSBDS) to accommodate the new depot. This strategic decision aims to consolidate resources, optimise logistical processes, and align the depot with both current and future demands of Energy Queensland.

The portion of land proposed offers ample space for a new depot in addition to a poles and materials storage yard, effectively complementing the primary depot's functions. This expansion not only addresses the limitations of the current depot but also prepares EQL to handle future growth and evolving requirements.

By relocating the depot to the Beaudesert Enterprise Precinct and establishing a purpose-built storage yard, EQL can significantly enhance its operational capabilities and overall effectiveness. This forward-looking approach aligns with the long-term vision of the organisation, enabling it to better serve its customers and stakeholders while ensuring the highest standards of safety and compliance.

2.3 Identified Need

2.3.1 Capacity

The Beaudesert Depot has seen consistent growth, evidenced by a 25% rise in its workforce since 2017/18. This growth is correlated with the overall population increase experienced in the region. Notably, a significant proportion of the depot's staff primarily consists of field personnel who play a crucial role in supporting the network within the area.

Table 1: Growth Summary

Growth Forecast	2017/18	2019/20	2021/22	2022/23	2023/24	2025/26	2029/30
Staffing Type*	**Actuals**					**Forecast**	
Office staff	3	3	4	4	4	5	6
Mixed staff	4	5	7	7	8	8	9
Field Staff	21	22	24	21	23	29	34
Total Staff	**28**	**30**	**35**	**32**	**35**	**42**	**49**
Fleet Vehicles				32	31	34	36

** Office & mixed staff require a permanent workstation. Field staff generally utilise hot desks at 1 per 4 people.*

Having been established in Beaudesert for over 40 years, the depot's current operational demands have surpassed the site's original infrastructure in terms of personnel, fleet & equipment storage. Furthermore, projections indicate that the number of personnel is expected to increase 20% by the 2025-26 year, based on current recruitment strategy to stand-up another field crew to address the growing community requirement for underground distribution supply in the Scenic Rim region, before returning to the standard 4% p.a. This necessitates a strategic approach to accommodate these forthcoming challenges.

It is evident that both the building and yard areas of the current site fall significantly below the standard requirements expected of a depot with the operational characteristics of Beaudesert. When measured against the optimal requirements of a similar depot in the EQL portfolio, based on

the operational functions, the number of employees and the fleet of vehicles at the site, the Beaudesert Depot would be classified as a D Class Depot based on standard requirements (as summarised in the Property Strategy 2023+). However, it is clear that the site area allowance and floor space provisioned fall significantly short of even meeting C Class standards.

Table 2: Property Spatial Requirements

Spatial Requirements	Standard C Class	Standard D Class	Beaudesert	
Employees	15-25	30	35	
Site Area	8,000m2	10,000m2	4,286m2	
Total Building & Workshop Area	1,137m2	1,540m2	815m2	
Carparking	**# Parking**	**# Parking**	**# Parking**	**# Vehicles Onsite**
Heavy Rigid Vehicles	6	7-8	3	9
Medium Rigid Vehicles	2	2	0	0
Light Vehicles	10	10-12	4	14
Trailers	4-5	5-8	8	8
Staff and Visitor	7-8	21	11	32

The disparity between the actual site's capacity and the expected standards has far-reaching implications on the depot's ability to carry out its functions effectively, as vehicles have to cycle in and out between the depot and on-street parking to enable loading & unloading zone functions before commencing their jobs. Pedestrian and vehicle paths overlap far too unsafely, as staff and visitor car parking needs to cross light vehicle parking, trailer parking and the designated LUEZ (loading & unloading zone) to access the office while staying within the secure zone.

Further items have been identified in the 2019 Road Safety Audit completed by PSA Consulting, and include:

1. Daily refuse pick-up (since moved) now blocks the rear entrance of the site preventing vehicles from exiting and forming queues along the side of the office building.
2. Servicing of the pole cut-offs & larger skip bins block the exit point and require movement against the established pathing through the site. The 8-meter-wide allowance is fully utilised during this function, resulting in a pause of all other loading, unloading and pedestrian movement while this is performed.
3. Delivery vehicles of a semi-trailer size or longer (19m) do not having a designated LUEZ in line with EQL's LUEZ policy because the required exclusion zone cannot physically be created due the constrained space on site. Coordination of other vehicles on site (EWP's & forklifts) must occur before the semi-trailer enters the site to ensure free movement and no contact with parked vehicles due to the tight turning allowance.
4. The environmental wash bay is regularly blocked at the beginning and end of the day due to the number of vehicles required to be securely parked overnight. This means the final couple of vehicles that return to the depot are unable to be washed down in accordance with EQL's environmental policy.

Several other minor issues are identified and can be found in the report. Overall, the report recommends the relocation of the depot to a larger site to properly resolve these risks & issues.

2.3.2 End of Life Assets

The Beaudesert Depot has been independently assessed by a building condition auditor and the site has been found to contain multiple major and minor defects requiring rectification. A summary of those findings are as follows:

Table 3: Defect Summary

Site Asset	Major Defects	Minor Defects	Defect Summary
Yard	2	5	Lack of drainage, retaining wall damage, major asphalt deterioration, surface failures
Building Externals	4	1	Foundations, masonry cracks, water ingress, roof sheeting,
Admin & Workshop	4	5	Roof corrosion, repair fittings, low services, repainting, PWD access, No PWD amenities

Yard Surface – Concrete cracking

Yard Surface – cracking along joins

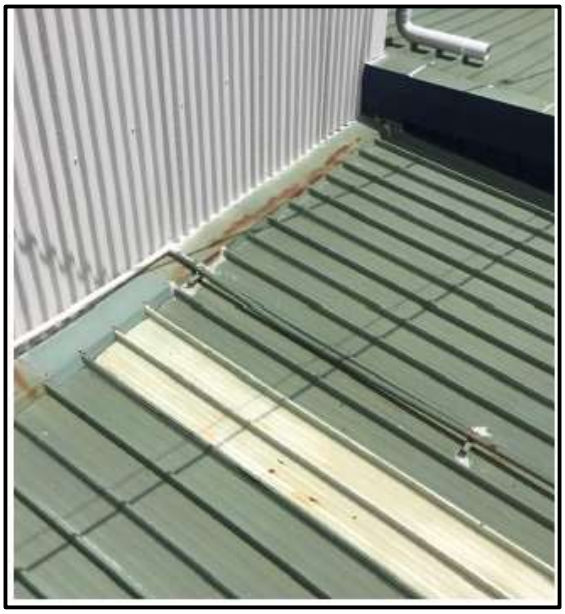
Yard Surface – Bitumen crocodile cracking

Yard Surface – Bitumen crocodile cracking

Yard – Storage of equipment in parking are due to lack of space

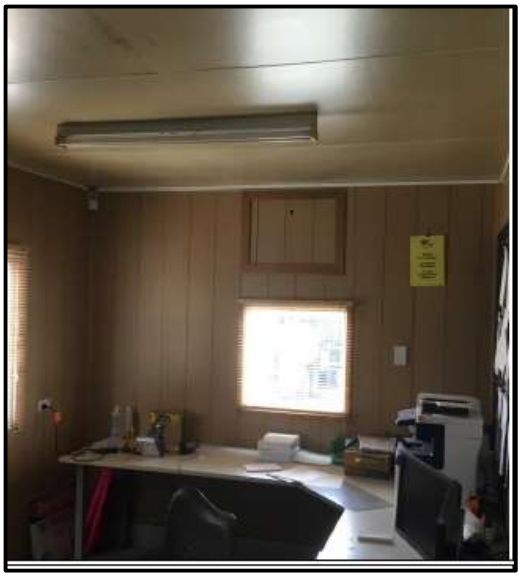
High-level storage – Considered unstable, severe cracking, foundation concerns

High-level storage – Masonary cracking



Admin – Roof sheet corrosion and flashing failure

Admin – A/C plant protection failing



Workshop – Storemans office

Site – Overflow parking on street

The hardstand sections of the depot are considered the worse, with crocodile cracking, join failures, break-up, water ingress and level changes through the depot. Repairs have been made over time in patches, however these tend to provide an extra 3-5 years of life before creating a bigger issue. The constrained nature of the site, the use of heavy vehicles turning over the same areas of the yard over time have continued to cause break-up of the surface, which is then penetrated by water causing failure of the sub-grade material.

The internals of the administration building have been well maintained and were partially refurbished in 2018 during an asbestos removal project. However, parts of the building that weren't addressed are showing their age and general inefficient use of space.

The external storage building used for flammable storage is of concern, indicating potential foundation failure, made worse by water ingress, creating cracking across the masonry brick work.

2.3.3 Optimisation

The existing site's operational inefficiencies are apparent, with clear indicators such as a poorly oriented wash bay, lack of storage solutions and a glaring shortage of parking spaces to meet the site's requirements. The current wash bay's layout necessitates cumbersome vehicle manoeuvres within an already confined area, further exacerbating the site's challenges.

Additionally, the insufficient number of onsite carparks significantly hampers the site's circulation, considering there are only 7 designated carparks available for a fleet of 24 vehicles. Consequently, fleet vehicles are forced to utilise car spaces intended for employees and resort to parking within the site's circulation and storage areas.

To compound matters, the site has 11 designated employee carparks to cater to a workforce of 32 employees, leading to a highly constrained and challenging parking situation where employees must park on the street or nature strip.

The depot is positioned within a retail precinct, bordered by low density residential houses, therefore not strategically positioned within the Council's planning scheme. Council and our customers prefer Energex operations, which can operate outside of normal business hours, to be positioned in an industrial area, thus reducing noise and illumination transfer to residential homes.

The proposed new location is currently utilised as a secondary storage site to help alleviate capacity constraints at the current depot. However, this arrangement presents challenges with coordinating daily work and leads to inefficiencies.

Figure 2: Beaudesert Depot Zoning

2.4 Customer importance

At the residential customer focus session held in August 2023, we tested with a focus group of customers their thoughts around the location of our depots and the benefits and drawbacks of having depots located in residential or industrial areas. Our customers told us that they generally favoured industrial areas over residential sites while recognising that there are a range of considerations in assessing site suitability or redeveloping an existing site. Customers also told us they were interested in maximising customer value.

2.5 Compliance

Legislation, Regulation or Code	Obligations	Relevance to Investment
Queensland Work Health and Safety Act 2011 and Work Health and Safety Regulation 2011	We have a duty of care, ensuring so far as is reasonably practicable, the health and safety of our staff and other parties. This includes the suitable provision and maintenance of work environments, premises, plant and structures, such that workers are not exposed to risks to health and safety.	In light of the concerns outlined in section 2.3, EQL must adopt a heightened level of scrutiny in the management of this site due to insufficient site circulation and storage limitations. These factors contribute to heightened safety risks that necessitate diligent attention and proactive measures to mitigate potential hazards

Legislation, Regulation or Code	Obligations	Relevance to Investment
		and ensure the well-being of the organisation and its personnel.
Safe Work Australia – Managing the Work Environment and Facilities. Code of Practice – Dec 2011	Consistent with the Work Health and Safety Act, this code of practice defined specific safe work obligations relating to: • Access and egress • Work areas and workstations • Flooring, lighting and housekeeping • Ventilation, heating and cooling • Provision of worker facilities • Emergency planning	The consistent reliance on reactive measures to manage site operations, including repurposing carparks for storage and the utilisation of a secondary, pose challenges for EQL in maintaining a safe work environment. Additionally, the office and workshop areas, fall well below the provisions expected for a depot of this magnitude.
Car Parking Standards AS/NZS 2890. Part 1 & 2 (2004) and Part 6 (2009)	We must comply with standards regarding the provision of car parking. We must similarly meet the car parking obligations for each site as defined through the site development approvals with Council which also align with AS/NZS 2890.	The current depot's capacity is insufficient, with 32 staff and only 11 carparks, in addition to accommodating 24 fleet vehicles with only 7 available spaces. These numbers fall significantly below the required obligations of providing 1 carpark per employee and ensuring sufficient onsite carparks to cater to the site's service provisions adequately. The proposed new depot will resolve this issue with the ample space available at the site.

3 OPTIONS ANALYSIS

3.1 Options overview

This section considers the following options analysis:

- Counterfactual Option – Reactive response; lease surplus site to accommodate growth
- Option A – Construct a new fit-for-purpose depot at Enterprise Drive site.
- Option B – Defer Enterprise Drive investment 5 years.

Other options were considered when assessing the Beaudesert strategy, including leasing a property, purchasing a new greenfield site, or upgrading the existing site vertically, however all these options were found to be much more costly or riskier than those presented here.

These assumptions are considered to be calculated at the point of investment, unless otherwise specified and are applied to all options assessed.

Table 4: Business case assumptions

Assumption	Value	Source
Standard Rates		
NPV Escalation Rate	2.75%	Based on EQL Corporate Assumptions
NPV WACC Rate	6.35%	Based on EQL Corporate Assumptions
Useful Life – New Building	40	EQL standard useful life schedule & ATO useful life definitions[1]
Useful Life – Refurbished Buildings	20	EQL standard useful life schedule
Useful Life – Recurring Capex	10	EQL standard useful life schedule (average)
Construction Cost Escalators		
Design Fees	8.0%	Calculated on top of pure construction costs (handbook or QS supplied). Includes all other cost categories common to EQL projects based on historical project sampling using supplied budgets. Not all cost categories are applied to every proposed investment or option considered. Sample reporting provided.
Authority Fees	2.5%	
Supplemental Suppliers/Trades	6.5%	
Material Allowances	4.5%	
Internal Management	3.5%	
Digital Office (IT)	6.0%	
Site Statistics		
Office Employees	4	HR Staff Listing Sep 2023
Mixed Employees	8	HR Staff Listing Sep 2023
Site Statistics		
Field Employees	23	HR Staff Listing Sep 2023
Workstations	18	12 permanent, 6 hot-desks

[1] *As per ATO Taxation ruling from July 2022: https://www.ato.gov.au/law/view/document?DocID=TXR/TR20221/NAT/ATO/00001*

Assumption	Value	Source
Light Vehicles	22	Fleet Vehicle Listing Aug 2023
Heavy Rigid Vehicles	9	Fleet Vehicle Listing Aug 2023
On-site carparks – Fleet	13	18 carparks short when fully utilised
On-site carparks – Personal	11	24 carparks short when fully utilised

Proposed Site Characteristics

Table 5: Proposed site characteristics

Option	Nominated site	Land Size	Building Size	Employees
Counterfactual	3-5 Selwyn Street, Beaudesert	4,286m2	815m2	32
	New Leased Site	TBD	500m2	
Option A	126-144 Enterprise Drive, Beaudesert	8,750m2	1,200m2	49
Option B	126-144 Enterprise Drive, Beaudesert	8,750m2	1,200m2	49

3.2 Counterfactual analysis (Base Case)

The counterfactual option involves implementing a reactive approach that refrains from undertaking substantial upgrades. Instead, the primary focus is short-term solutions that rely on maintaining the current site, rectifying the identified defects within the existing site, as outlined in the building condition report (BCR) and leasing additional space on an as needed basis to meet demand based on the current strategy.

This option includes the leasing of an additional site to alleviate the site's current capacity constraints. This site will be focused on workshop functions and aimed at increasing storage capacity and future office space. The current depot is supported by a secondary site (vacant lot) adjacent to the Beaudesert Substation which is dedicated to pole and materials storage.

The counterfactual in this business cases includes a leasing option to manage current & future growth constraints. This is due to Energy Queensland having established a long-standing practise of leasing or licensing land, buildings or demountables (depending on the situation) at short notice where immediate demands are unable to be met through the existing infrastructure provision. The long-lead times required to establish new infrastructure outcomes is the main driver for this reactive response, coupled with the strategic unknowns of whether peaks in demand/growth will be sustained. As such, the counterfactual leverages this demonstrated BAU practise to assess its cost-effectiveness against other options which target longer-term strategic investments.

Some examples where leasing options have been leveraged to manage demand prior to projects being implemented or awaiting future investment, include:

Table 6: Other Leased Locations

[redacted]

3.2.1 Assumptions/costs

The following assumptions have been made for the counterfactual option[2]:

- Staff growth rates are based on historical depot growth of 7% p.a. since 2017, validated with local workforce based on identified areas of community & industrial growth.
- Building Defect remediation costs based on 2018 BCR estimates and escalated to $2022/23[3], for implementation.
- Hardstand replacement across the existing depot yard due to its critical failure in multiple locations, allowing water ingress to impact subgrade (see images). Based on historical projects to concrete other depots (Gympie & Raceview) in the last 3 years.
- Refurbishment of the warehouse & storeman's portion of the main building as reaches end of useful life by 2027/28 as per BCR. Based on Rawlinsons handbook rates across the 228m^2 of warehouse.
- Hardstand replacement across the 2,552m^2 due to its critical failure in multiple locations, allowing water ingress to impact subgrade (see images). Based on historical projects to concrete other depots (Gympie & Raceview) in the last 3 years.
- Operational and maintenance costs based on Beaudesert 3-year historical trend and escalated to $2022/23.
- Recurring capex based on Beaudesert 10-year historical trend and escalated to $2022/23.

Additional Site/s

[2] EQL Non-Network NPV Tool – Sarina: Assumptions Sheet
[3] EQL Condition Audit Report - Sarina

- Acquisition of a new leased site to accommodate warehouse growth based on D Class depot specification (see Property Strategy 2023+). Annual lease payment based on suburb profile for industrial properties.
- Recurring capex, maintenance and non-maintenance costs of new leased site based on Beaudesert 3-year historical trend, apportioned for leased site size.
- Fit-out of leased site based on Rawlinson handbook pricing for warehouse internals and historical projects for the yard works, including racking, line marking, signage etc.
- Cost of additional movement between another site in Beaudesert based on cost of 32t truck return journey each day, the movement of 3 personnel between the sites return journey and the associated lost productivity. Based on EQL standard labour rates (excl on-costs) and rates per kilometre, assumed over 5 kilometres between sites.

3.2.2 Risks

Site Risks

While specific site issues can be addressed by adding leased sites to accommodate constraints, the increased functional administration and traveling between three different sites will create inefficiencies for operational delivery. These estimated costs are mapped in the NPV, based on the expectation of movement of 3 staff per/day return journey along with 1 delivery truck return journey per day.

Optimisation

The efficiency of work coordination and service delivery faces a substantial risk of decline due to the necessity for personnel to navigate between three distinct locations. This will inevitably lead to increased time requirements for the delivery of services. The primary concern lies in the fact that functions cannot be efficiently divided between the three sites, as the supplementary locations are designated primarily for fleet and equipment storage and additional workshop capacity.

Continuation of existing risks

The base case does not resolve all of the main issues and risks with the current depot site. Those still outstanding include:

- The site's poor optimisation and planning remains intact. The site will still be positioned in a retail precinct close to residential homes.
- The site will still have the same physical constraints with vehicle movement and pathing, especially those related to semi-trailers. While the congestion will be resolved, the inability to establish formal LUEZ's and the interaction between pedestrians and heavy vehicles will remain.
- The site will still be non-compliant with current disability access standards.
- Car parking for personal vehicles will still overflow on-street.

3.3 Option A: Construct new depot at Enterprise Drive (Preferred)

The proposed solution entails the construction of a master planned depot at 126-144 Enterprise Drive within the Beaudesert Enterprise (industrial) Precinct. The site is already under the ownership of Energy Queensland, as it houses the Beaudesert Bulk Supply Substation (SSBDS) on one half of the 2Ha parcel. The space available on the site (~10,000m^2) meets the Class D Depot specification perfectly and will enable the construction of a new depot adjacent to the

existing substation. The proposed site is the location of the secondary pole and materials storage area currently utilised by the Beaudesert Depot.

Figure 3: Proposed Site for New Beaudesert Depot (Enterprise Drive)

3.3.1 Assumptions/costs

The following assumptions have been made for option A:

- All site functions and requirements based on the detailed Masterplan for a Class D Depot as described and costed in the *Energy Qld Depot Master Plans Full Estimate Summary.*
- Construction and fit-out costs have been estimated by a Quantity Surveyor and applying internal cost allocations (as per table in section 3.1 Options Analysis).
- Recurring Capex – based on 10-year historical trend of current Beaudesert depot, apportioned by sqm increase, excludes non-applicable historical projects in trend (asbestos removal).
    - Post-investment this is deferred 10 years to align with a brand-new site housing new assets with a minimum useful life of 10 years.
- Annual maintenance – based on 3-year historical review of maintenance for the current Beaudesert depot, apportioned by sqm increase. Non-recurring corrective maintenance removed from trend post-redevelopment.
- Annual non-maintenance (property costs) – based on 3-year historical review of maintenance for the current Beaudesert depot, apportioned by sqm increase. Electricity consumption costs are removed from trend to reflect the installation of 40kwh Solar Panel system to offset usage.
- Relocation costs based on standard rate per person averaged from historical projects.

- Make good costs based on standard rate per square meter averaged from historical projects.
- The current Beaudesert depot will be sold via a traditional market process. Value of improved site based on the insurable value.

3.3.2 Benefits

The following benefits will be realised if Option A is selected over the counterfactual.

Category	Benefits Identified	Type
Operational Costs	Reduction in operational and maintenance costs (on sqm basis) as a result of new, modern, and efficient buildings.	Financial
Asset Lifecycle Costs	Reduction in the cost to maintain the portfolio moving out of a depot that has surpassed its useful life (40 years for permanent building) and avoiding more expensive leased properties to supplement the Beaudesert demand.	Financial
Organisational Efficiency	**Fit for Purpose** The new site will transform the Beaudesert Depot into a modern, fit-for-purpose facility with the capability of offering increased operating areas and moderate allowances for growth. **Site Capacity** The new site will achieve a higher m^2 per person in the office due to open plan efficiencies. The site area will be increased, allowing ample space for storage, carparking and allowances for growth.	Non-Financial
Risk	**Site Circulation** The enlarged the hardstand and storage areas allowing for additional carparks, workshop and space for Loading, Unloading, Exclusion Zone (LUEZ) areas, will significantly reduce the constraints of the existing site which does pose safety risks.	Non-Financial

3.3.3 Risks

Construction Risk

The traditional risks associated with construction will exist including contractor availability, contractual disputes, price variations and construction delays. These issues are generally mitigated through a solid tender process and robust project management.

Risks proceeding with this option are expected to be minimal as the new depot can be built while the existing one operates, and then a direct transfer of depot functions to the new site.

3.4 Option B: Beaudesert Depot Development 5-year Deferred

Option B seeks to implement the Beaudesert New Depot Development **consistent with Option A** but deferred 5-years to the 2030-35 regulatory control period.

Please see Option A for all detail relevant to this option. The specific changes noted for Option B are:

3.4.1 Assumptions

- The development is delayed 5 years to commence 2032/33 and finish in 2033/34.
- The pressing need for warehouse & storage space now, means the leasing options will need be leveraged for the period of deferral, including the fit-out costs.
- BAU Capex will continue within that 5-year deferral period and then deferred 10 years after construction to reflect brand new building and fitout.
- BAU Opex will continue in line with base case during the 5-year deferral period and then revert to the Option A Opex values.
- Make good costs, relocation costs and revenue from the sale of the existing depot is deferred 5 years in line with the depot development in Option A.

3.4.2 Benefits

The same benefits apply as per Option A.

3.4.3 Risks

The same risks apply as per Option A, with the addition of:

Price Risk

Delaying construction of a new depot to the 2030-35 period risks the price increases experienced recently, and while inflation is expected to ease through to 2025[4], the NPV analysis does indicate an unfavourable financial outcome.

3.5 Financial Summary

3.5.1 Expenditure summary 2025-30

Table 7: Capital and operating expenditure summary 2025-30

[4] RBA August 2023 Forecast Table

[redacted]

3.5.2 NPV analysis

The NPV was conducted over a 20-year post-investment time horizon.

The sum result is displayed in the table and graph below, with Option A identified as the least cost to EQL over the 20-year period.

[redacted]

[redacted]

To simplify analysis, the NPV of the counterfactual option is assumed to be $0 – with options presented in reference to this:

- A positive (+) figure represents an additional benefit (reduced cost) to the counterfactual option.
- A negative (-) figure represents an additional cost (reduced benefit) to the counterfactual option.

Counterfactual vs Options

Option A provides $0.9m in benefits over the 20-year evaluation period.

Table 8: Counterfactual vs Options

Option	Counterfactual (Base)	Option A – Construct new depot at Enterprise Drive site	B – Construct new depot, Deferred 5 years
Financial benefit	0	+$0.9	-$0.7

3.5.3 Sensitivity Analysis

A sensitivity analysis has been conducted, based on category assumptions affecting NPV outcomes of each option. The counterfactual option is assumed to be NPV $0. Only in the situation where the capital investment of Option A is well underestimated, will the investment not be the most financially prudent option. Given the QS estimate was completed in June 2023, this is not expected to be the case.

Table 9: Sensitivity Analysis

Option	Discount rate (WACC) ±25%		Capital Investment of Options	
	4.76%	7.94%	-25%	+25%
A – Construct new depot at Enterprise Drive site				
B – Construct new depot, Deferred 5 years				

4 RECOMMENDATION

Option A: Construct a new depot at Enterprise Drive site – is the recommended option based on the analysis conducted.

- NPV of $0.9m (compared to the counterfactual) over 20 years is the least cost option
- Is the best option to provide an efficient and fit-for-purpose site to accommodate capacity.
- It is aligned with Energy Queensland's property strategic principles (see Appendix 3 for additional details).
- Investment provides additional benefits, including:
    - Efficient fit-for-purpose depot
    - Increased financial sustainability through reduced operating and maintenance costs over the longer term
    - Appropriate spatial allowances for long-term growth
    - New site is located in the appropriately zoned Industrial Precinct.
    - New site is owned by EQL allowing site preparation works to commence without delay.

Table 10: Options Analysis Scorecard

Criteria	Counterfactual – Reactive Response	A – Construct new depot at Enterprise Drive site (Preferred)	B – Construct new depot, Deferred 5 years
Net Present Value (compared to counterfactual)	$0	+$0.9	-$0.7
Investment cost (TCO)*			
Benefits	Maintains the status-quo, limited change management required. No changes to processes, staff at current depot continue to operate from a known location. Additional leased sites may improve disaster response if one of the sites loses power or is cut off from flooding etc.	Provision of an efficient, fit-for-purpose site. Proactive option to address current site issues. New site alleviates constraint issues of current site while still allowing for growth. Lowest cost option over 20 years. Site is strategically located in an industrial zone next to a major substation.	Provision of an efficient, fit-for-purpose site. Proactive option to address current site issues. New site alleviates constraint issues of current site while still allowing for growth. Lowest cost option over 20 years. Site is strategically located in an industrial zone next to a major substation. Future sale value of current site expected to be higher in future.
Risks	Site remains within residential area, utilising heavy vehicles and parking on the street progressively more. Operations will occur over multiple sites in Caboolture, creating financial and continuity risks	Construction risk – external risks such as building approvals, contractor availability and contractual disputes are not anticipated for this project.	Construction risk – external risks such as building approvals, contractor availability and contractual disputes are not anticipated for this project. Site value isn't realised for another five years, meaning

Criteria	Counterfactual – Reactive Response	A – Construct new depot at Enterprise Drive site (Preferred)	B – Construct new depot, Deferred 5 years
	Buildings will continue to age beyond their useful life. Minor investments will prolong them, but a significant investment will need at a future date. In the interim, assets will decay and operate more inefficiently, possibly creating future safety hazards. Existing buildings remain compliant with the laws as at the time they were built (1974) moving them further from current standards.		leases will be required for a fixed time in the interim. Additional rates & land tax for an unused site.

**Investment cost is equal to the sum of Capex and Opex costs during the 2025-2030 Regulatory Period*

4.1 Deliverability

Internal resourcing is available to deliver this project within the timeframe required. External consultants and contracting partners are also assumed to be available to implement this project scope. See Property Plan 2025-30 for more details.

Preferred Option Milestones	Approximate Commencement
Design New Beaudesert Depot	July 2027
Construct New Beaudesert Depot	March 2028
Relocation to New Beaudesert Depot	February 2029
Make good old Beaudesert Depot	March 2029
Sell old Beaudesert Depot	May 2029

4.2 Change Impacts

Minimal change impacts are expected given the major works for the new site can occur whilst maintaining the current site. In addition, the new site has already been purchased with minimal preparation required to commence construction.

Proposed change management activities may include:

- Stakeholder engagement,
- Tender process management,
- Relocation of staff to the new site once construction is complete.

APPENDICES

Appendix 1: Alignment with the National Electricity Rules

Table 11: Recommended Option's Alignment with the National Electricity Rules

NER capital expenditure objectives	Rationale
A building block proposal must include the total forecast capital expenditure which the DNSP considers is required in order to achieve each of the following (the capital expenditure objectives):	
6.5.7 (a) (1) meet or manage the expected demand for standard control services over that period	The preferred investment supports activities at an operational depot in the Beaudesert area required to enable the delivery of expected standard control services over the 2025-30 period. The depot facilities will ensure that Energex is able to adequately perform the functions required to enable safe and reliable electricity supply for the local community.
6.5.7 (a) (2) comply with all applicable regulatory obligations or requirements associated with the provision of standard control services;	
6.5.7 (a) (3) to the extent that there is no applicable regulatory obligation or requirement in relation to: (i) the quality, reliability or security of supply of standard control services; or (ii) the reliability or security of the distribution system through the supply of standard control services, to the relevant extent: (iii) maintain the quality, reliability and security of supply of standard control services; and (iv) maintain the reliability and security of the distribution system through the supply of standard control services	
6.5.7 (a) (4) maintain the safety of the distribution system through the supply of standard control services.	
NER capital expenditure criteria	**Rationale**
The AER must be satisfied that the forecast capital expenditure reflects each of the following:	
6.5.7 (c) (1) (i) the efficient costs of achieving the capital expenditure objectives	Costs for the investments have been forecast based on a combination of estimates from independent specialists (Quantity Surveyor), historical data and previous industry experience. Prior to investment, a Gate 3 business case will be prepared with further details to be assessed in accordance with the established investment governance processes. Energex undertakes competitive market procurement processes to ensure efficiency in capital expenditure. The preferred investment has been selected following a detailed assessment of options (including both financial and non-financial considerations). The investment selected is considered the most prudent option to address the identified need.
6.5.7 (c) (1) (ii) the costs that a prudent operator would require to achieve the capital expenditure objectives	
6.5.7 (c) (1) (iii) a realistic expectation of the demand forecast and cost inputs required to achieve the capital expenditure objectives	

Appendix 2: Reconciliation Table

Table 12: Reconciliation of business case to AER capex model/Reset RIN

Expenditure	DNSP	2025-26	2026-27	2027-28	2028-29	2029-30	2025-30
Expenditure in business case[5] $m, direct 2022-23	Energex						
Allocation to DNSP (where applicable)							
DNSP capex ($m, 2022-23)	Energex						
Allocation to SCS capex							
SCS capex ($m, 2022-23)	Energex						
Add escalation adjustments							
Escalation from $2022-23 to $2024-25	Energex						
Expenditure in AER capex model/ Reset RIN $m, 2024-25	**Energex**						

[5] This is the capex which has been included in the capex model under Major Projects. The other capex ($0.2m) will be included as part of the base programs.

Appendix 3: Alignment to EQL Property Strategy

This investment aligns to the following Strategic Principles as defined in the EQL Property Strategy.

Table 13: Alignment to Property Strategy

Strategic Principles	How this investment contributes	Impact
1. We are a critical enabler, delivering property and infrastructure related services to all of Energy Queensland in service of our communities	Beaudesert Depot is a regulated site within the Energex DNSP area of operations. Property is responsible for delivering this outcome to the business.	Medium
2. The Property portfolio prioritises the safety of our people, the compliance of our assets and the cost-effectiveness of our solutions	The Beaudesert Depot Development will reduce long-term operating costs and implement a set of modern and compliant buildings. It will remove our presence (and associated noise) from a retail & residential area.	High
3. Portfolio growth is planned and justified while retaining flexibility, thereby reducing the long-term cost impact to our customers.	The Beaudesert Depot Development is scheduled at the end of the current site's useful life and where demand has reached critical mass, ensuring asset value is optimised. The investment is justified to reduce the long-term cost impact on our customers.	High
4. Our infrastructure goals are consistent across the portfolio, but solutions are tailored to meet the unique context of each challenge	This solution has considered the various requirements, unique & common, to our Operations in the Scenic Rim area. The solution is more fit-for-purpose for the community (located in industrial area) and maintain our ability to service our customers in this region.	Medium

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
HV	High Voltage
LCC	Lifecyle Costing
LUEZ	Loading and Unloading Zone
LV	Low Voltage
NetOps	Network Operations
NOC	Network Operations Centre
NPV	Net Present Value
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