



Bundaberg – New Depot Development

Business Case

31 January 2024



Part of Energy Queensland

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1 EXECUTIVE SUMMARY

Title	Bundaberg - New Depot Development							
DNSP	Ergon							
Expenditure category	<input type="checkbox"/> Replacement <input type="checkbox"/> Augmentation <input type="checkbox"/> Connections <input type="checkbox"/> Tools and Equipment <input type="checkbox"/> ICT <input checked="" type="checkbox"/> Property <input type="checkbox"/> Fleet							
Identified need (select all applicable)	<input type="checkbox"/> Legislation <input type="checkbox"/> Regulatory compliance <input checked="" type="checkbox"/> Reliability <input type="checkbox"/> CECV <input checked="" type="checkbox"/> Safety <input type="checkbox"/> Environment <input checked="" type="checkbox"/> Financial <input type="checkbox"/> Other <p>The Bundaberg Depot, established in 1991, has evolved from Class D Depot to a Minor Hun and now into a major hub serving the Bundaberg community and its local township depots within the Bundaberg Regional and North Burnett Regional Council areas. Since its establishment the Bundaberg region has witnessed considerable growth. From 2011 to 2021, the population rose by 10.4%, accompanied by an addition of 5,005 dwellings.</p> <p>These factors have directly influenced operations at the Bundaberg Depot, leading to a 47% increase in staff and 34% in fleet over the last 6 years to meet heightened demands. Consequently, the depot is now operating at full capacity, struggling with limited storage and inadequate parking for both fleet and staff vehicles.</p> <p>With growth in the region forecast to remain steady with a population increase of 6,436 over the next 10 years, it is imperative EQL address the current site's constraints¹.</p> <p>Why Now?</p> <p>The current site has already reached critical mass for accommodating office-based personnel (3 waiting for workstations), field-based staff (no hotdesks at all in depot) and fleet vehicle parking. Other metrics will reach the limits of Bundaberg Depot's capacity by 2025/26 include undercover and external equipment storage, pole storage, workshop utilisation.</p>							
Summary of preferred option	<p>Option A – Relocate to a Greenfield Site</p> <p>This option includes the purchase of a vacant lot within the Bundaberg industrial estate and construction of a new fit-for-purpose depot in line with the EQL Depot Masterplan.</p>							
Capital Expenditure (\$real)	Year	Previous period	2025-26	2026-27	2027-28	2028-29	2029-30	2025-30
	\$m, 2022-23							
	<p>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.</p>							
NPV	+\$1.24m (compared to counterfactual)							
Benefits	<p>Addresses capacity constraints of current site while allowing for future growth.</p> <p>Efficient fit-for-purpose site due to optimised layout at a greenfield site.</p> <p>New site replaces assets nearing end-of-life at current site. Located in an industrial zone, away from retail precinct and residential homes.</p>							
Customer importance	<p>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. Given the current and proposed sites are within industrial zones, the location is likely to be accepted by stakeholders.</p>							

¹ QLD Government Projected Populations

2 OVERVIEW

2.1 Purpose and scope

This is a preliminary business case describing the required investment to proceed with the replacement of the Bundaberg Depot which has reached 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 Bundaberg Depot, established in 1991, has evolved from Class D Depot into a major hub serving the Bundaberg community and its local township depots within the Bundaberg Regional and North Burnett Regional Council areas. The site is situated on a 17,608m² land parcel on Enterprise Street, outside of flood affected areas, but amongst a dense retail precinct across the road from residential homes.

The depot has a cumulative building floor area of 1,982m², which includes an office, warehouse/workshop and undercover equipment storage. No major refurbishments have been completed since the site's inception and all known building material is free from asbestos.

Figure 1: Bundaberg Depot Layout



There are currently 132 staff in total comprising of 41 office staff, 15 mixed employees and 76 field workers, within the following functions operating from the site:

- Field delivery,
- Design and Delivery Standards,
- Works program Optimisation
- Procurement and Supply
- Customer Metering

2.3 Identified Need

2.3.1 Regional Growth

The underlying driver for the proposed development of a new Bundaberg Depot is its growth in operations and functional delivery, coupled with the depot's poor location as the area around it has built up since its establishment in 1991. Over the past decade 5,005 new dwellings have been constructed in Bundaberg, directly increasing the levels of network maintenance and the required operational support. A 20% increase in the value of building approvals is also noted in 2023 compared to the previous year² suggesting continued forward growth in the region.

The Bundaberg Depot has seen continued growth year-on-year in its key metrics since 2017/18, evidenced by a 7.8% rise per annum in its workforce. This growth trends above the overall population increase experienced in the region as Bundaberg has transitioned from a Class D (supporting) depot in the 1980's to become a Minor Hub for the Ergon Energy 'Southern' sub-region in the 2000's. The depot is now transitioning to become a Major Hub, reflective of its leadership role in delivering services across two local government areas and supporting other depots including Gin Gin, Childers, Biggenden, Gaydah, and Mundubbera. While a proportion of the depot's staff consists of field personnel who play a crucial role in maintaining the network, the gradual transition to a Hub means the region's support staff have also generally repositioned centrally to Bundaberg.

Table 1: Depot Growth Summary

Growth Forecast	2017/18	2019/20	2021/22	2022/23	2023/24	2025/26	2029/30
Staffing Type*	Actuals					Forecast	
Office staff	25	27	29	35	41	50	67
Mixed staff	6	12	16	16	15	23	38
Field Staff	59	65	67	69	76	83	98
Total Staff	90	104	112	120	132	156	203
Fleet Vehicles	72	73	78	79	88	102	123
Workstations	54 permanent & 0 hotdesks						

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

ABS forecasts indicate that the region will experience continued steady growth in the years ahead, with the population projected to reach 121,085 by 2031 (10% increase from 2021)³, therefore addressing the current site's limitations is essential to meet the depot's future demands.

2.3.2 Capacity Constraints

The Bundaberg Depot is beyond capacity across several metrics, with no natural ability to grow. The site is landlocked, with retail shops operating on its northern, eastern, and western boundaries, and low-density residential properties positioned directly across the road (see figure

² ABS Census Data 2021

³ QLD Government Population Growth Projections

2). All but two of the key property metrics have been exceeded when comparing back to the Minor Hub minimal spatial requirements⁴, and when extrapolated to meet the employee, vehicle and on-site storage requirements as at today, all metrics need increasing. *Note: Major Hubs don't have standard spatial requirements as each site is assessed on a case-by-case basis due to their complex mix-use requirements.*

Table 2: Site Comparison to Standard Minor Hub Spatial Requirements

Minimum Spatial Requirements	Minor Hub - Regional	Bundaberg – Current State		Extrapolated Req. – Current State
Employees	70	132		132
Workstations	18 & 13	54 & 0		56 & 19
Site Area	15,000m ²	17,608m ²		19,050m ²
Office Area	1,124m ²	1,034m ²		2,119m ²
Workshop Area	1,600m ²	516m ²		1,600m ²
Yard Area	10,000m ²	11,216m ²		12,700m ²
Carparking Allowances	# Spaces	# Spaces	# Vehicles Onsite	# Spaces
Heavy Rigid Vehicles	8	22	28	28
Medium Rigid Vehicles	2	51	3	60
Light Vehicles	30		41	
Trailers	8		16	
Employees	70	71	~94	80

A summary of the key constraints at the depot as at September 2023:

Office Accommodation

1. The Depot currently has no hotdesks available to field staff. Staff are using makeshift arrangements in the lunch room as people eat their lunch and their vehicles.
2. Standard office accommodation is at **104% utilisation**. Three staff are currently awaiting the availability of workstations and have occupied cupboard benchtops and storage areas to work.
3. Building 2, which was originally intended for use purely as a workshop/warehouse has had part of its structure setup as office accommodation (pre-2010) to accommodate past growth.

Fleet Parking

1. Heavy fleet vehicle parking is **127% utilised**. Restrictions on the home garaging of heavy vehicles has been relaxed to help manage the peak period overnight, however this shifts the risk of parking heavy vehicles to our residential communities.
2. Medium/Light vehicles parking is **118% utilised**. At home garaging and makeshift parking arrangements are being used to currently accommodate most vehicles.

⁴ Energy Qld Depot Master Plans Full Estimate Summary

- Staff parking is **185% utilised**, on the basis all 132 personnel bring their personal vehicles to work. Due to home garaging arrangements, the true volume of personal vehicles coming to the depot each day is closer to 90-95 each day, which is still overutilised. On street parking is utilised for the overflow.

Storage

- Undercover equipment racks are **115% utilised**. Equipment is being stored on the ground in front of racking. Racks have been accidentally overloaded in the past.
- Pole racking is regularly at **100% capacity**. Additional poles are stored in non-compliant fashion around the existing racks on the ground.

These utilisation rates are calculated as of September 2023. The forecast growth in employees and vehicles, based on the historical growth to date, means these rates will only worsen in the lead up to 2025/26 and throughout the 2025-30 regulatory control period. By 2029/30, the minimum requirements for the Bundaberg Depot will be:

Table 3: 2029/30 Bundaberg Spatial Requirements

Minimum Spatial Requirements	Bundaberg – Forecast Req. 29/30
Employees	203
Vehicles	123
Workstations	130
Site Area*	~23,050m ²
Office Area	3,259m ²
Workshop Area	1,600m ²
Yard Area	16,002m ²

* Minor fluctuations depending on the layout of office & workshop and its impact on the available yard space

Given these projections and the capacity constraints already experienced, the operational requirements will continue to outpace the depot's capability to cater to the increasing service demands. The pace of this growth renders short-term, reactive solutions less viable due to the perpetual adjustments required in response to escalating demands. Initiating proactive measures now is crucial to ensure that a long-term, financially astute solution is implemented. This strategy will not only address immediate needs but will also guarantee the most cost-effective outcome for the foreseeable future.

To further illustrate the impact the current level of fleet vehicles on site has on key metrics, a summary of recorded Health & Safety incidents since 2019 is provided here:

Table 4: Health & Safety Incidents

Incident Category on Site	Total
Illegal Entry/Break-in	8
Vehicle contact with person/asset	12
Invasive Pest	1
Personal injury	14
Asset Failure/Damage (unknown)	6

The volume of incidents recorded provide a small snapshot of the total issues experienced on site. Not listed are the close calls/near misses and those minor incidents that wouldn't warrant formal reporting. Regardless, the volume of vehicle contact is a cause for concern as these are vehicles striking a person, another vehicle or a stationary asset *while on the Bundaberg site* (vehicle accidents outside the depot are excluded). A snapshot of some incident descriptions is provided below to provide additional context.

Table 5: Example incidents

INC-52592	
INC-1149016	
INC-11627	
INC-1149199	

These constraints underline the pressing need for improved strategic planning and timely investment. Addressing the capacity challenges is crucial, not just for the efficient functioning of the depot but also for ensuring the safety and well-being of its staff and surrounding community as the Bundaberg depot attempts to meet the needs of the growing region.

2.3.3 Fit-for-Purpose

The existing site's operational inefficiencies are apparent, with clear indicators that the office is well undersized for the personnel based on-site, a glaring shortage of parking spaces and storage requirements that have become over-utilised.

The other driving factor for this investment proposal is that the current 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 Ergon Energy operations, to be positioned in an industrial area, thus reducing noise and illumination transfer to residential homes during business and after hours.

In 1991, when the depot was first established, this location was a greenfield site planned within a future industrial & commercial precinct with very few established properties at that time. Today, the depot operates adjacent to a Bunnings, BCS, Spotlight, Barbeques Galore, Good Guys and a fitness centre. Traffic conditions have become a major constraint to movement in and out of the depot onto Enterprise Street (shared with residential homes) and then turning onto Takalvan Street, which is the major arterial road to the Airport as well as other commercial and sporting precincts. The entry and exit of 28 heavy vehicles plus another 20-30 light vehicles every morning and afternoon does not lend itself to being the safest option for Energy Queensland or our community.

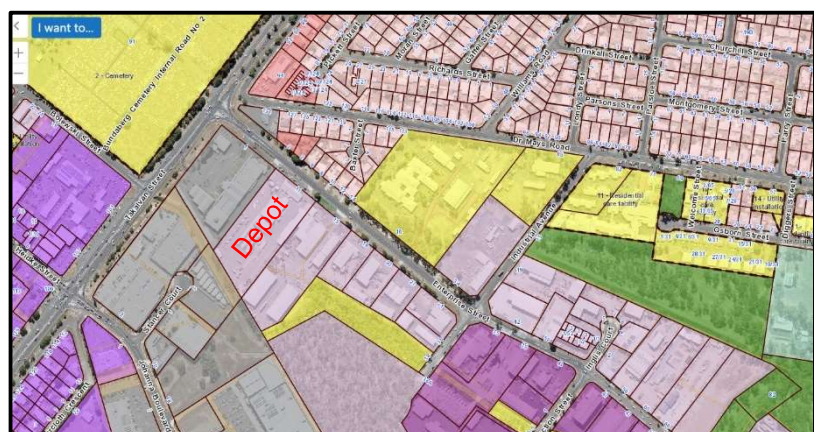


Figure 2: Planning Scheme around Bundaberg Depot

2.3.4 End of Life Assets

The Bundaberg 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 6: Defect Summary

Site Asset	Major Defects	Minor Defects	Defect Summary
Yard & Externals	0	2	Site drainage, gutters & downpipes, bitumen break-up
Building A - Office	6	14	Water ponding, poor drainage, foundation movement, downpipes, repainting required, no PWD access, A/C duct leakage, moisture build-up.
Building B - Workshop	6	5	Water ponding, poor site drainage, subgrade damage, downpipes, repainting required, fire separation non-compliance

While the site remains generally within its lifecycle⁵, there are specific issues which need to be addressed across the site. Building A is assessed as 'fair condition' and requires rectification of stormwater management, including the ponding of water, gutters and downpipes. A repaint and 'freshen up' is required internally and addressing any areas of moisture build-up in the ceiling or walls. Remediating the foundation movement is highly unlikely without a rebuild from the ground up.

Building B is assessed as 'good condition' but still requires a reasonable level of defect rectification due to water ponding and poor drainage impacting the subgrade of the hardstand. There is likely a non-compliance in fire separation between the workshop and office areas of the building, which will need to be addressed as soon as possible. Some break-up in the yard bitumen is noted and will need to be resolved to maintain its life.

2.4 Customer importance

Growth in the region will drive demand for network services and it is vital that EQL has the ability to meet the demands of the community effectively.

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.

⁵ Based on 40-year useful life of a permanent building

2.5 Compliance

Legislation, Regulation or Code	Obligations	Relevance to Investment
<p>Queensland Work Health and Safety Act 2011 and Work Health and Safety Regulation 2011</p>	<p>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.</p>	<p>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 office accommodation, storage and vehicle parking. These factors contribute to heightened safety risks that necessitate diligent attention and proactive measures to mitigate potential hazards and ensure the well-being of the organisation and its personnel.</p>
<p>Safe Work Australia – Managing the Work Environment and Facilities. Code of Practice – Dec 2011</p>	<p>Consistent with the Work Health and Safety Act, this code of practice defined specific safe work obligations relating to:</p> <ul style="list-style-type: none"> • Access and egress • Work areas and workstations • Flooring, lighting and housekeeping • Ventilation, heating and cooling • Provision of worker facilities • Emergency planning 	<p>The office and workshop areas fall well below the provisions expected for a depot of this magnitude. The consistent reliance on reactive measures to manage site operations, including repurposing storage areas for workstations, establishing workstations in the lunch room and conversion of workshop space into office areas demonstrates the EQL is not managing our obligations in the most fit-for-purpose manner.</p>
<p>Car Parking Standards AS/NZS 2890. Part 1 & 2 (2004) and Part 6 (2009)</p>	<p>We must comply with standards regarding the provision of car parking.</p>	<p>As mentioned in section 2.3 there is a significant deficiency in the number of carparks available onsite which heavily affects staff and vehicles navigating the site.</p>

3 OPTIONS ANALYSIS

3.1 Options overview

3.1.1 Options Considered but rejected

Table 7: Options considered but rejected

Option	Reasons for rejection
Defer significant investment to RDP2030	The site has reached its capacity and exceeded utilisation now. Mitigation strategies are already being implemented which will allow the investment to be deferred until the 2025-30 period. It is not viable to defer the investment further as it is unworkable to manage the 2029/30 forecast demands on the current site,
Purchase adjacent lots and expand	We have recently explored an option to purchase the parking lot behind the depot, across the stormwater easement, as one of the owners of this lot had previously expressed interest to sell. This would have been an ideal acquisition to naturally expand the Bundaberg Depot (assuming easement conditions could be met). [REDACTED] [REDACTED] [REDACTED] No other neighbouring properties have expressed interest in selling.

3.1.2 Options Identified

The following viable options have been identified for analysis:

- Counterfactual Option – Reactive Response, defect remediation, demountable use and lease additional storage site to accommodate demand.
- Option A (**Preferred**) – Purchase a Greenfield site and construct a new masterplan depot.
- Option B – Redevelop existing site, supplementary yard for remaining demand requirement.

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

Table 8: 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
Regional Indices for Bundaberg	6.0%	Based on Rawlinsons Construction Handbook 2023

Assumption	Value	Source
Useful Life – New Building	40	EQL standard useful life schedule & ATO useful life definitions ⁶
Useful Life – Refurbished Buildings	20	EQL standard useful life schedule
Useful Life – Relocatable Buildings	15	ATO designation & EQL standard useful life schedule
Useful Life – Recurring Capex	10	EQL standard useful life schedule (average)
Construction Cost Escalators		
Design Fees	8.00%	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	2.50%	
Supplemental Suppliers/Trades	6.50%	
Material Allowances	4.50%	
Internal Management	3.50%	
Digital Office (IT)	6.00%	

3.1.3 Site Characteristics

Current Site

11 Enterprise Drive	2029/30 #
Office Employees	67
Mixed-use Employees	38
Field Employees	98
Light & Medium Vehicles	85
Heavy Rigid Vehicles	38
On-site carparks – Fleet	22 & 51
On-site carparks – Personal	71

Proposed Options

Option	Nominated site/s	*Land Size m2	Building Size m2
Counterfactual	11 Enterprise Street Bundaberg	17,640	1,982
	Demountables – Office space and toilets	Nil	2,877
	Pole & Equipment Yard	8,287	Nil
Total Counterfactual		25,927	4,859
Option A	Greenfield Site – Bundaberg Industrial Park	23,050	4,859
Option B	11 Enterprise Street Bundaberg	17,640	1,982
	Pole & Equipment Yard	5,410	Nil*
Total Option B		23,050	4,859

⁶ As per ATO Taxation ruling from July 2022:
<https://www.ato.gov.au/law/view/document?DocID=TXR/TR20221/NAT/ATO/00001>

* Cumulative land size changes depending on how the buildings on site are established and their impact on the displaced yard area. 3,259m² of office accommodation over 2-stories is a smaller footprint than single storey building, which means more land is required to accommodate the yard requirements.

3.2 Counterfactual analysis (Base case)

3.2.1 Summary

The counterfactual option involves implementing a reactive approach that refrains from undertaking substantial investment where possible. Instead, the primary focus is shorter-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 the current and future demand, as well as leveraging demountables on-site to accommodate staff at points of intervention. Purchasing the demountables have a lower NPV than leasing them, assuming a requirement of 20 years, thus this option has been selected.

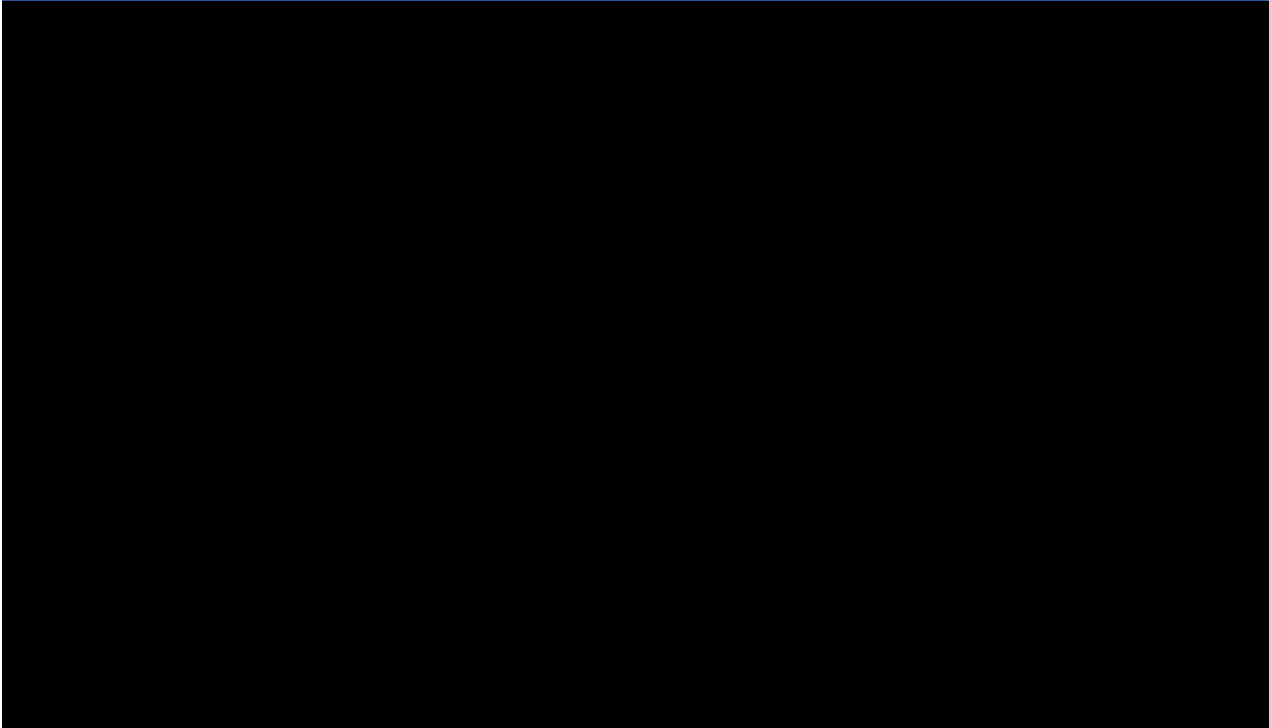
To address the site's storage constraints as demand increases and to offset the impact on the yard from demountables, a secondary pole, equipment and materials storage yard will be leased from the market. The proposed location of demountable buildings will take up existing pole storage which will be relocated to the secondary storage site (figure 3).

Figure 3: Location of Demountable Office & Amenities



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 9: Other Leased Locations



3.2.2 Assumptions/costs

The following assumptions have been made for the counterfactual option⁷:

- Staff growth rates are based on historical depot growth of 10.7% p.a. for office staff, 25.0% p.a. for mixed staff and 4.8% p.a. for field staff since 2017, validated with local leaders based on identified areas of community & industrial growth.
- Vehicle growth rates are based on historical growth of 5.6% p.a. since 2017, validated with local leaders.
- Metrics used to calculate the required spatial requirements needed for the future Bundaberg Depot operations, based on the 2029/30 forecast values.
- Building Defect remediation costs based on 2018 BCR estimates and escalated to \$2022/23⁸, for implementation, includes internal costs.
- Cost of demountable required to accommodate staffing demand based on direct quotes from market at September 2023, apportioned over required square meters. Fit-out costs based on Rawlinsons handbook rates for medium quality office fit-out, includes regional indices and internal costs.
- Size of storage yard (for poles & equipment) based on forecast required yard space, plus sqm displaced by added demountables at current depot. Cost of lease based on land value of recent sale of similar sized land apportioned by rental yield value in Bundaberg of 4.93%

⁷ EQL Non-Network NPV Tool – Bundaberg – Assumptions Sheet

⁸ EQL Condition Audit Report - Bundaberg

p.a. Assumed that appropriate land size is available for lease from market or Government bank (DNRM).

- Site establishment at leased yard based on average square meter cost to establish other pole yards in the Ergon Energy portfolio. Reviewed Longreach, Bowen, Quilpie & Biloela to determine sqm rate, apportioned over the leased yards sqm requirement.
- Current depot maintenance, non-maintenance (property) and electricity costs based on 3-year historical trend and escalated to \$2022/23. Annual capex based on 5-year historical trend as capex has larger peaks & troughs year on year compared to opex.
- Leased yard maintenance, non-maintenance and electricity based on 3-year historical trend for a similar pole yard in Gladstone (5,989sqm), apportioned by sqm of this yard. Annual capex based on 5-year historical trend on the same site, apportioned by sqm.
- Demountable maintenance & electricity based on current site's building \$/sqm rate apportioned across the sqm footprint. No additional non-maintenance costs as it uses the current site, and assumed no additional recurring capex for the demountables until end of life.
- Cost of additional movement between another site in Bundaberg based on cost of 32t truck return journey each day, the movement of 6 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.

3.2.3 Risks

Current Site Issues

While specific site issues are somewhat addressed by adding a leased site to accommodate yard growth, the decreased functional efficiency on site from the various demountables and traveling between different sites will create inefficiencies for operational delivery. These estimated costs are mapped in the NPV, based on the expectation of movement of 5 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 risk of decline due to the necessity for personnel to navigate between two separate 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 divided between the 2 sites. Additionally, the current depot has very limited office, parking, storage and workshop space and the second site will be primarily used as pole and materials storage, which will mitigate the space constraints for the other requirements, but not completely remove them.

Long-term Outcome

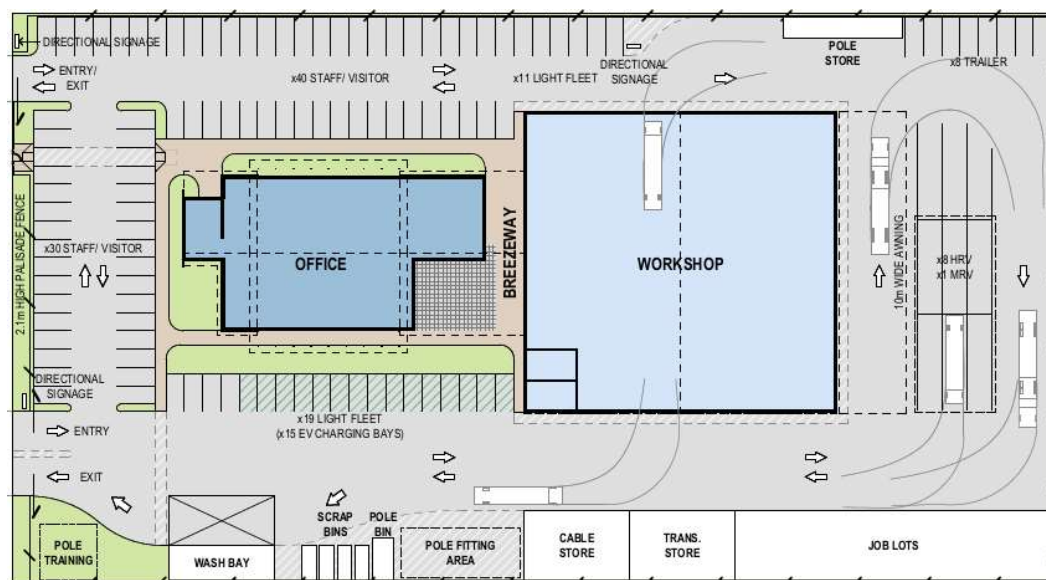
While the Counterfactual provides an outcome to address most of the identified issues and constraints in the short-term, it will require another series of investment once the demountables reach the end of their useful life after 15 years. It is likely to only defer the major investment rather than prevent it, and doing so will cost customers more whether the assessment is over 10, 20 or a 40 year period of time.

3.3 Option A: Relocate to a Greenfield Site (Preferred)

3.3.1 Summary

The preferred solution includes the purchase of a greenfield site and the construction of a new purpose-built depot, with appropriate spatial dimensions to meet the size requirements and functions for the Bundaberg based team. The depot will deliver more efficient office accommodation usage (on sqm per person basis), effective storage space and meet the workshop demands which all enable a healthy field delivery service. Preliminary design concepts have been created for a Minor Hub Depot (picture below) which will be adapted accordingly to accommodate the needs of the future Bundaberg Depot.

Figure 4: Metro Minor Hub (Metro used due to its 2-storey office building)



3.3.2 Assumptions/costs

The following assumptions have been made for Option A:

- Greenfield site will be available on the market or through Government sources for the needed 23,050sqm, at a cost of \$126/sqm based on recent market sales of industrial land in Bundaberg.
- Construction and fit-out costs are based on Quantity Surveyor estimates⁹ for the Minor Hub masterplan, apportioned for the needed sqm rates. Regional Indices and internal costs included.
- Maintenance costs based on current depot 3-year historical trend, apportioned by increased building sqm. Non-applicable corrective costs removed from trend to reflect brand new building.
- Non-maintenance (property) costs based on current depot 3-year historical trend, apportioned by increased site sqm.

⁹ EQL Depot Masterplan

- Electricity costs based on current depot 3-year historical trend, apportioned by increased building sqm. Consumption costs removed from trend based on installation of a 140kwh Solar Panel system to offset usage.
- Recurring capex is based on current depot 5-year historical trend, apportioned by increased building sqm. Non-applicable projects removed from trend (not relevant to a brand new site such as hardstand upgrades). Delayed by 10 years to reflect lowest useful life asset in a new building.
- Relocation costs based on standard rate from historical projects to move an employee between two nearby locations.
- Make Good costs based on standard rate from historical projects to complete minor clean up, patch-work and achieve sale ready state.
- The current Bundaberg depot will be sold via a traditional market process. Value of improved site based on the insurable value plus unimproved value from rates.

3.3.3 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. Reduced cost for electricity consumption in the provision of solar array. Also reduces greenhouse gas emissions.	Financial
Asset Lifecycle Costs	Significant reduction in the cost to maintain the portfolio moving out of a depot that is no longer fit-for-purpose and avoiding more expensive leased & temporary properties to supplement the Bundaberg demand.	Financial
Organisational Efficiency	Fit for Purpose The new site will provide a modern, fit-for-purpose facility with the capability of offering increased operating, parking and storage areas while also providing moderate allowances for growth. Site Capacity The new site will be appropriate in size thus providing ample space for storage areas, carparking and spatial allowances for growth.	Non-Financial

3.3.4 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.

Site Selection Risks

Some site selection risks include the challenges of securing the site in preparation for construction and managing the relocation of staff. The process of site preparation and staff relocation presents potential people and culture risks, which are intricately linked to change management. Proactive measures and strategies will be required to effectively navigate these risks and ensure a smooth transition for the staff throughout the construction phase.

3.4 Option B: Redevelop Existing Site

3.4.1 Summary

This option involves the full redevelopment of the existing site to the required spatial dimensions for the office, workshop and yard. The current Bundaberg depot land area is within 30% of the total land area required by 2029/30 which means it should be considered as a possible option to achieve these strategic outcomes. Similar to the Base Case, this option seeks to utilise the existing depot to achieve the functional requirements for the office, however in the form of a 2-storey building. The workshop will also be extended to the needed area. This will displace some of the yard space, which will be supplemented by a leased storage yard to accommodate the needed space for poles, equipment & storage. This additional site is consistent with the base case, however a smaller footprint is needed since the redeveloped Bundaberg depot will enable the office to be built upwards, saving on the ground level footprint.

3.4.2 Assumptions/Costs

The following assumptions have been made for Option B:

- The storage yard will be secured first to enable it to be used as staging for the depot redevelopment.
- Size of storage yard (for poles & equipment) based on forecast required yard space, plus sqm displaced by expanded buildings at redeveloped depot. Cost of lease based on land value of recent sale of similar sized land apportioned by rental yield value in Bundaberg of 4.93% p.a. Assumed that appropriate land size is available for lease from market or Government bank (DNRM).
- Site establishment at leased yard based on average square meter cost to establish other pole yards in the Ergon Energy portfolio. Reviewed Longreach, Bowen, Quilpie & Biloela to determine sqm rate, apportioned over the leased yards sqm requirement.
- Cost of Depot Redevelopment based on Rawlinsons Handbook pricing with regional indices and internal costs included for:
 - Demolition of current buildings on-site.
 - 2-storey Office Building, with medium quality fit-out and workstations.
 - 1-storey high bay industrial warehouse/workshop with fit-out.
- Cost of re-establishing hardstand across the remaining yard footprint also included in the redevelopment cost due to the likely damage & deterioration incurred as part of the redevelopment. Based on cost of historical projects apportioned over yard sqm.

- Maintenance costs based on current depot 3-year historical trend, apportioned by increased building sqm. Non-applicable corrective costs removed from trend to reflect brand new building.
- Non-maintenance (property) costs based on current depot 3-year historical trend, apportioned by increased site sqm.
- Electricity costs based on current depot 3-year historical trend, apportioned by increased building sqm. Consumption costs removed from trend based on installation of a 140kwh Solar Panel system to offset usage.
- Recurring capex is based on current depot 5-year historical trend, apportioned by increased building sqm. Non-applicable projects removed from trend (not relevant to a brand-new development). Delayed by 10 years to reflect lowest useful life asset in a new building.
- Leased yard maintenance, non-maintenance and electricity based on 3-year historical trend for a similar pole yard in Gladstone (5,989sqm), apportioned by sqm of this yard. Annual capex based on 5-year historical trend on the same site, apportioned by sqm.
- Two sets of relocation costs either side of redevelopment based on standard rate from historical projects to move an employee between two nearby locations.
- Cost to lease demountables (offices, amenities & lunchroom) during staging required to accommodate staffing at leased yard during redevelopment. Lease costs based on direct market quotes apportioned over required square meters. Market quote includes fully fitted-out, added minor internal costs during lease period of 2-years while redevelopment occurs.
- Cost of additional movement between another site in Bundaberg based on cost of 32t truck return journey each day, the movement of 6 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.

3.4.3 Benefits

The following benefits will be realised if Option B 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. Reduced cost for electricity consumption in the provision of solar array. Also reduces greenhouse gas emissions.	Financial
Asset Lifecycle Costs	Refreshes all asset lifecycles, however requires supplemental site which makes it less cost effective than Option A.	Financial
Organisational Efficiency	Fit for Purpose The redeveloped site will provide a modern, fit-for-purpose facility with the capability of offering increased office and workshop functionality at the cost of establishing the yard over two sites.	Non-Financial

3.4.4 Risks

Optimisation

Operating across two separate sites presents inherent challenges. Logistics can be complicated, with increased transit times and potential delays. The efficiency of work coordination and service delivery faces a risk of decline due to the necessity for personnel to navigate between two separate locations. This will inevitably lead to increased time requirements for the delivery of services.

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.

3.5 Financial Summary

3.5.1 Expenditure summary 2025-30

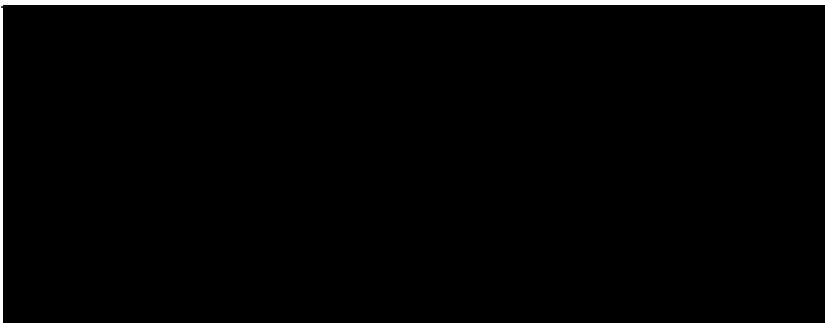
Table 10: Capital and operating expenditure summary 2025-30

Capital expenditure (\$m, direct 2022-23)	2025-26	2026-27	2027-28	2028-29	2029-30	Total 2025-30
Operating expenditure (\$m, direct 2022-23)	2025-26	2026-27	2027-28	2028-29	2029-30	Total 2025-30

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 below, with the Option A identified as the least cost to EQL over a 20-year evaluation period.



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	Counterfactual (Base)	Option A – Purchase a Greenfield Site	Option B – Purchase an Additional Site
Financial benefit	0	+\$1.24m	-\$4.11m

Sensitivity Analysis

A sensitivity analysis has been conducted on each option, based on category assumptions affecting NPV outcomes. The counterfactual option is assumed to be NPV \$0.

Table 11: Sensitivity analysis

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

4 RECOMMENDATION

Option A – Purchase a Greenfield site is the recommended option based on the analysis conducted.

- NPV of +\$1.24 over 20 years is the least cost option (+\$1.5m compared to counterfactual)
- It is aligned with Energy Queensland’s property strategic principles (see Appendix 3 for additional details).
- Investment provides additional benefits, including:
 - Provides a fit for purpose facility with the spatial efficiencies to accommodate the entire Bundaberg Depot Functions.
 - Avoids the need to install demountable buildings which are a temporary solution or taking up additional leases.
 - Provides a genuine long-term solution beyond the 20-year evaluation NPV while providing allowances for growth in workforce requirements.

Table 12: Options Analysis Scorecard

Criteria	Counterfactual (Base Case)	Option A – Purchase a Greenfield site	Option B – Redevelop Current Site
Net Present Value (compared to counterfactual)	\$0	+\$1.24m	-\$4.11m
Investment cost (TCO)*			
Benefits	<p>Less change management required.</p> <p>Minimal changes to processes, staff at current depot continue to operate from a known location.</p> <p>Additional leased sites may improve disaster response if one of the sites loses power or is cut off from flooding etc.</p>	<p>Provision of an efficient, fit-for-purpose site.</p> <p>Proactive option that avoids the purchase of an additional site to resolve constraints which results in avoiding additional costs and logistics of operating between the two locations.</p> <p>New site also provides appropriate allowances for growth.</p> <p>Lowest cost option over 20 years.</p> <p>Site is located in an industrial zone.</p> <p>Resets asset lifecycle across the Bundaberg portfolio</p> <p>Mitigates inherent safety risks</p>	<p>Provision of a site that is more fit-for-purpose.</p> <p>Additional site provides some allowances for growth.</p> <p>Resets asset lifecycle across the Bundaberg portfolio.</p> <p>Additional leased sites may improve disaster response if one of the sites loses power or is cut off from flooding etc.</p> <p>Mitigates some safety risks</p>
Risks	<p>Site remains within retail precinct close to residential homes, utilising heavy vehicles and parking on the street progressively more.</p>	<p>Construction risk – external risks such as building approvals, contractor availability and contractual disputes are not anticipated for this project.</p>	<p>Site remains within retail precinct close to residential homes, utilising heavy vehicles and parking on the street progressively more.</p> <p>The efficiency of work coordination and service</p>

Criteria	Counterfactual (Base Case)	Option A – Purchase a Greenfield site	Option B – Redevelop Current Site
	<p>Workshop and carparking issues are not resolved by this option.</p> <p>The efficiency of work coordination and service delivery faces a risk of decline due to the necessity for personnel to navigate between 2 separate locations.</p> <p>Existing buildings will continue to age up to their useful life (10 years remaining). 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 (1991) moving them further from current standards</p>	<p>Additional change management requirements, but less than Option B.</p>	<p>delivery faces a risk of decline due to the necessity for personnel to navigate between 2 separate locations.</p> <p>Additional change management requirements due to the two relocations and operating for close to two years from temporary buildings.</p> <p>Construction risk – external risks such as building approvals, contractor availability and contractual disputes are not anticipated for this project.</p>

**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 listed below. An earlier timeframe within the regulatory control period is preferred, however other investments have taken priority, therefore scheduling this towards the end of the period. 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
Purchase Greenfield Site	February 2025
Design New Bundaberg Depot	July 2028
Construct New Bundaberg Depot	February 2029
Relocation to New Bundaberg Depot	March 2030
Make good old Bundaberg Depot	May 2030
Sell old Bundaberg Depot	June 2030

4.2 Change Impacts

Minimal change impacts are expected given the major works for the new site can occur whilst occupying the current site.

Proposed change management activities may include:

- Stakeholder engagement.
- Relocation of staff and equipment located at the current site to the new depot.
- Coordinating the exit of the current site and works in preparation for sale.

APPENDICES

Appendix 1: Alignment with the National Electricity Rules

Table 13: 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):	
<p>6.5.7 (a) (1) meet or manage the expected demand for standard control services over that period</p>	<p>The preferred investment supports activities at an operational depot in the Bundaberg area required to enable the delivery of expected standard control services over the 2025-30 period.</p> <p>The depot facilities will ensure that Ergon is able to adequately perform the functions required to enable safe and reliable electricity supply for the local community.</p>
<p>6.5.7 (a) (2) comply with all applicable regulatory obligations or requirements associated with the provision of standard control services;</p>	
<p>6.5.7 (a) (3) to the extent that there is no applicable regulatory obligation or requirement in relation to:</p> <ul style="list-style-type: none"> (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, <p>to the relevant extent:</p> <ul style="list-style-type: none"> (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 	
<p>6.5.7 (a) (4) maintain the safety of the distribution system through the supply of standard control services.</p>	
NER capital expenditure criteria	Rationale
The AER must be satisfied that the forecast capital expenditure reflects each of the following:	
<p>6.5.7 (c) (1) (i) the efficient costs of achieving the capital expenditure objectives</p>	<p>Costs for the investments have been forecast based on a combination of estimates from independent specialists (Quantity Surveyor), historical data and previous industry experience.</p> <p>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.</p> <p>Ergon undertakes competitive market procurement processes to ensure efficiency in capital expenditure.</p> <p>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.</p>
<p>6.5.7 (c) (1) (ii) the costs that a prudent operator would require to achieve the capital expenditure objectives</p>	
<p>6.5.7 (c) (1) (iii) a realistic expectation of the demand forecast and cost inputs required to achieve the capital expenditure objectives</p>	

Appendix 2: Reconciliation Table

Table 14: 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 (\$m, 2022-23)	Ergon						
Allocation to DNSP (where applicable)							
DNSP capex (\$m, 2022-23)	Ergon						
Allocation to SCS capex							
SCS capex (\$m, 2022-23)	Ergon						
Add escalation adjustments							
Escalation from \$2022-23 (Dec 2022) to \$2024-25 (June 2025)	Ergon						
Expenditure in AER capex model/Reset RIN \$m, 2024-25	Ergon						

Appendix 3: Alignment to EQL Property Strategy

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

Table 15: 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	The Bundaberg Depot is a regulated service within the Ergon 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	Moving the Bundaberg Depot from an already constrained site that is over capacity in a lot of areas to a modern, fit-for-purpose facility with the appropriate spatial requirements for storage, parking and internal traffic movements prioritises the safety and compliance of the site and staff.	High
3. Portfolio growth is planned and justified while retaining flexibility, thereby reducing the long-term cost impact to our customers.	The significant growth witnessed in the Bundaberg region has directly influenced the operational demands of the depot, causing it to operate beyond its capacity. Forecast consistent growth enables EQL to plan for future needs proactively, thereby mitigating long-term impacts on service delivery and costs which will be realised beyond the 20-year evaluation timeline of this Business Case.	High
4. Our infrastructure goals are consistent across the portfolio, but solutions are tailored to meet the unique context of each challenge	This approach integrates the principles of the Depot Masterplan to ensure uniformity across the portfolio. Simultaneously, it recognises and addresses the distinct operational needs presented by the Bundaberg Depot in its service to the 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	Lifecycle 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