



Non-network capex: Fleet Plan

2025-30

31 January 2024



Part of Energy Queensland

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1 EXECUTIVE SUMMARY

This document describes the Fleet Plan for Energy Queensland Limited (EQL), as it relates to the network subsidiaries Energex and Ergon Energy Network (Ergon), for the 2025-30 regulatory period. EQL is Australia's largest, wholly government-owned electricity company. Energex and Ergon deliver electricity across Queensland to more than 5 million Queenslanders, through more than 200,000 kilometres of electricity infrastructure. Our fleet of vehicles are an essential enabler in supporting the investment, maintenance, and operational activities across our significant span of network assets. The Fleet Plan aims to deliver a safe, sustainable, fit-for-purpose and people-centric fleet portfolio as part of EQL's journey towards 'Empowering an Electric Life.'

This document outlines the proposed capex for Energex and Ergon which is required to achieve the National Electricity Rules capex objectives, including the ability to meet or manage the expected demand for distribution services, comply with relevant regulatory obligations and maintain the safety of the distribution system. The forecasts that are included in this document have been allocated to standard control services.

The energy industry is experiencing a period of transformation with the pace and complexity of change being unprecedented. This level and complexity of change will require EQL to undertake prudent investment in a more intelligent, integrated, and dynamic network, which is supported by an appropriately sized and managed fleet of vehicles.

EQL aims to provide value to the Queensland community by ensuring our fleet is procured and maintained to a standard that enables the operation of a safe and efficient network. By investing in our long-term operational assets at the optimum time in the asset's lifecycle, we ensure that the costs of ongoing maintenance for the fleet are minimised and in accordance with industry best practice.

Energex and Ergon's program of work and employee numbers are key drivers of fleet expenditure, directly influencing both the volume and type of vehicles required to support operational needs. Capital and operational costs for our fleet assets are linked to the program of work, crewing structure and composition, tasks undertaken and work practices. EQL's current fleet, totalling over 4200 assets, are managed by a centralised Fleet Services Division.

During the 2020-25 regulatory control period, the capital expenditure (capex) in FY21 and FY22 was unusually low compared to historical trends due to the supply chain issues and delays in delivery experienced due to COVID-19. This unusually low expenditure compared to historical performance has resulted in a need to increase expenditure in the remaining years of the current period to 'catch-up.'

Energex and Ergon both anticipate a slight overspend against the AER allowance. Table 1 provides a breakdown of the current period performance against allowance. Energex and Ergon are anticipating an overspend due to several factors including higher than forecast increases in the unit cost of vehicles and an unanticipated increase in the number of light commercial vehicles required as a result of an increasing program of work.

Table 1: Current period capital expenditure for fleet against AER allowance (SCS capex only)

SCS only, \$2024-25	AER Allowance	2020-21 (A)	2021-22 (A)	2022-23 (A)	2023-24 (F)	2024-25 (F)	Total \$M (F)	% overspend
Energex	119.9	13.9	14.8	19.4	33.3	54.5	135.9	13%
Ergon	155.7	19.4	18.2	26.8	40.0	66.2	170.7	10%
Total	275.6	33.3	33	46.2	72.9	120.4	306.6	11%

In developing its forecast fleet expenditure, Energex and Ergon consulted with its residential customers to seek feedback on the preferred pace and approach to transitioning its fleet to zero emission vehicles. We tested with our residential customer focus group how quickly they thought we should proceed with a transition to electric vehicles. There were mixed views on the pace and importance of this transition. Some customers felt it was important that the networks should be setting an example in this space, while others felt that they did not yet have full confidence in the technology. There were also concerns over the high upfront expenditure required. Based on the feedback received in response to our Draft Plans published in September 2023, EQL has decided to not speed up the transition to electric vehicles but rather will transition as they become economically efficient to do so.

For the next regulatory control period (2025-30), Energex and Ergon are both forecasting an increase in fleet capex compared to the current period allowance.

Table 2: Next regulatory period forecast capex for fleet (SCS capex only)

SCS only, \$2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Total \$M
Energex	47.2	46.2	36.1	29.4	39.6	198.5
Ergon	57.8	56.4	44.1	36.0	48.8	243.0
Total	105.0	102.6	80.1	65.5	88.4	441.6

The uplift in expenditure for the next regulatory period compared to the current period is driven by:

- Managing the safety risks as well as the need to invest in an ageing fleet which could not be replaced due to market supply challenges in the current 2020-25 regulatory control period
- A change in the replacement strategy for both EWPs and crane borers (to reduce the rebuild rates)
- Increase in volume of vehicles (215 new vehicles) required to due to the anticipated uplift in the number of employees to deliver the 2025-30 program of work, and
- An increase in unit rates, with significant increases¹ noted for our major fleet vehicles including, HCVs (Heavy Commercial Vehicle) (52%), Crane Borers (36%) and EWPs (23%).

Figure 1 and Figure 2 below provides an overview of Energex and Ergon's historical expenditure and current period performance compared to the proposed fleet capex for the next period.

¹ Average unit rate in each category (total spend divided by total units) compared to the average unit rates by category forecast in the regulatory proposal for the 2020-25 period (excl. CPI inflation impacts over this time)

Figure 1: Overview of Energex’s fleet capex (\$m, 2024-25)

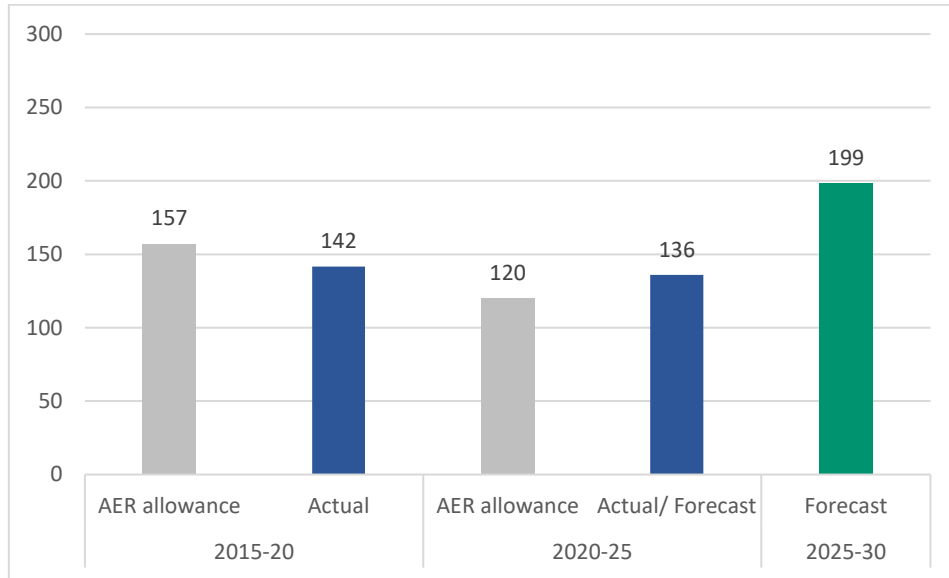
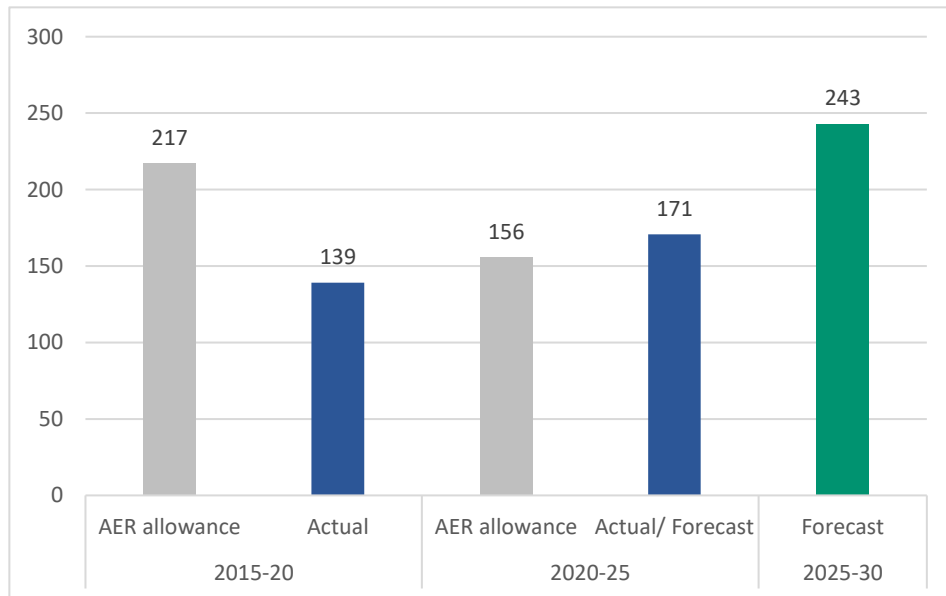


Figure 2: Overview of Ergon’s fleet capex (\$m, 2024-25)



2 OVERVIEW

2.1 Purpose and Scope

The purpose of this Fleet Plan is to document the fleet requirements for Energex and Ergon and the asset management approach adopted to ensure that the networks continue to meet best practice industry standards, business priorities and deliver cost efficiencies to customers. The Plan also provides context for the ongoing and efficient procurement and management of the fleet, whilst ensuring a level of flexibility to balance safety, operational requirements, lifecycle costs and environmental considerations.

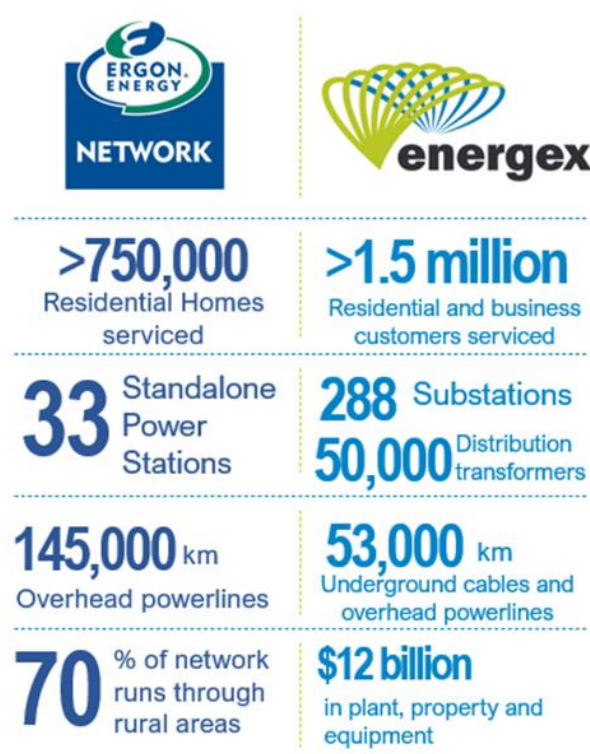
This Fleet Plan documents the asset management approach for the wide range of fleet assets required to operate and maintain the networks to meet both current and future operating requirements across the diverse and vast area of Queensland.

The scope of this document is limited to the regulated activities of Energex and Ergon for the 2025-30 regulatory period to meet EQL's strategic objectives and operational business requirements for the regulated electricity networks.

2.2 Business context

EQL is Australia's largest, wholly government-owned electricity company and the distribution network subsidiary businesses, Energex and Ergon, deliver electricity across Queensland to more than 5 million Queenslanders, through more than 200,000 kilometres of electricity infrastructure and 33 stand-alone microgrids.

Figure 3: Business overview



Figures 4 and 5 below outline the core service areas of Energex and Ergon, which includes 17 service areas and over 120 depots and offices.

Figure 4: Energex Distribution Network

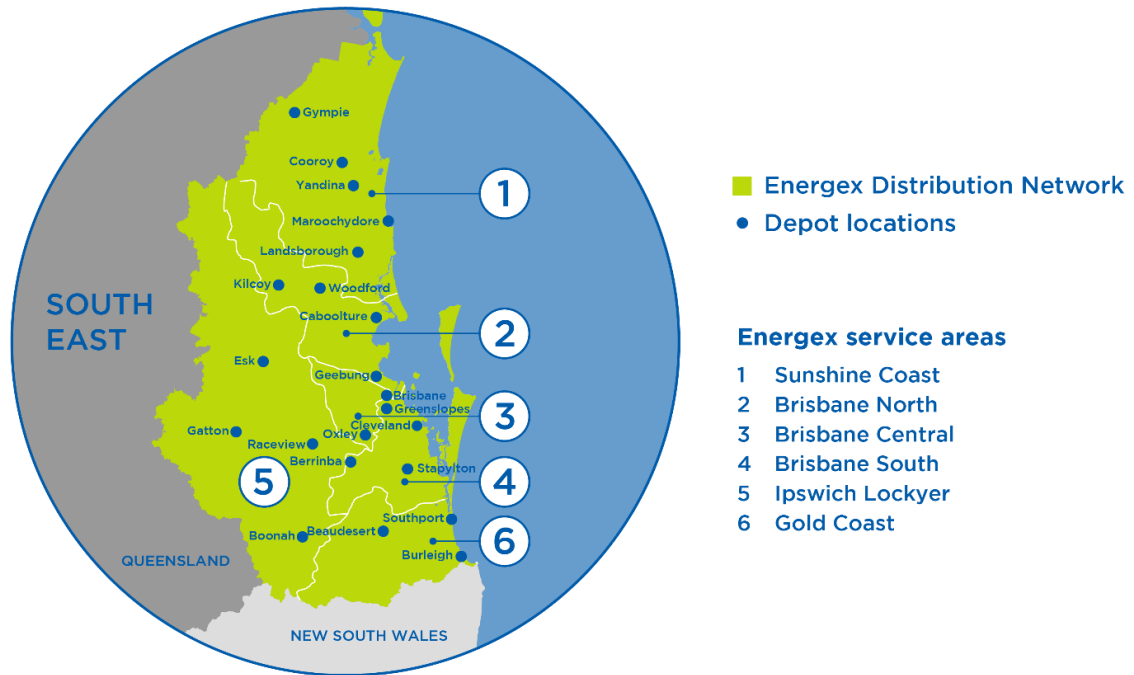
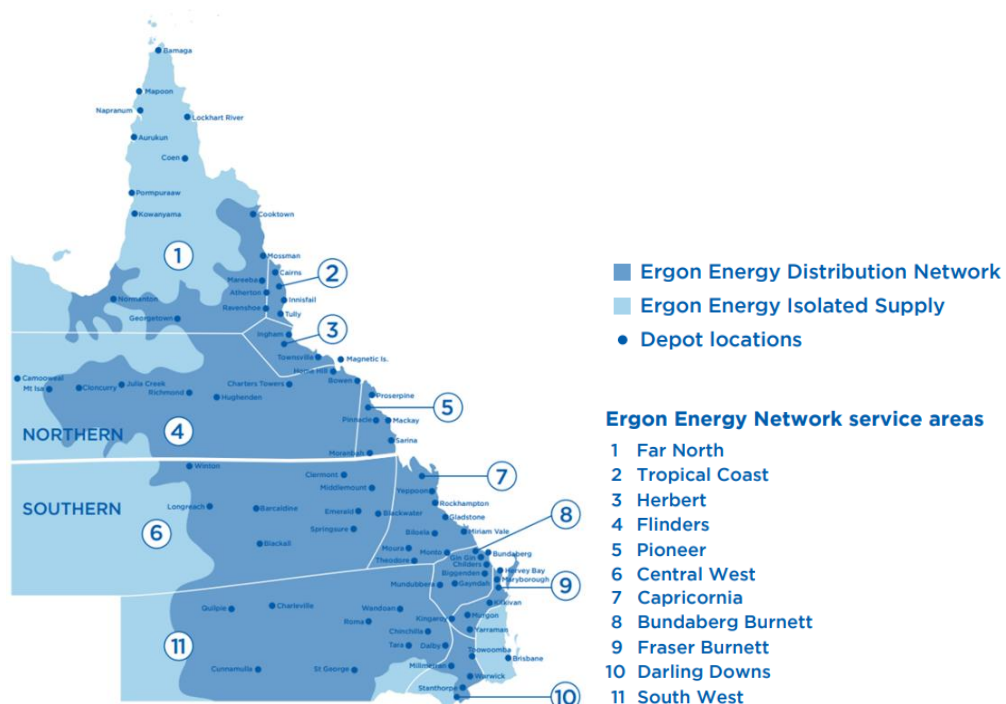


Figure 5: Ergon Energy Distribution Network



The current EQL fleet comprises over 4200 assets, which are required to carry out routine work on the networks, to respond to emergency events under dangerous situations, and in some cases particularly in rural Queensland, may be required to travel large distances in difficult terrain. In addition, the EQL fleet includes mobile generation assets, which are required to provide electricity supply to our customers for both planned and emergency activities.

The unique operating environment is a significant factor that needs to be taken into consideration when preparing forecasts for the maintenance and renewal of our vehicles and determining an appropriate asset life.

2.3 Energy Queensland Strategic Direction

The energy industry is experiencing a period of transformation, with the pace and complexity of change unprecedented. This level and complexity of change will require prudent investment in a more intelligent, integrated, and dynamic network, which must be supported by an appropriately sized and managed fleet of vehicles.

Figure 6 below provides an overview of EQL’s vision, purpose, and strategic objectives. Appendix A provides a criticality matrix which identifies the different fleet asset types and their impact to the ability of EQL in achieving its purpose to “safely deliver secure, affordable and sustainable energy solutions with our communities and customers.”

Figure 6: EQL’s Strategic Direction



Figure 7 below provides an overview of the how EQL will enable and evolve the business to meet our vision of an ‘Electric Life by 2030’.

Figure 7: EQL’s Strategic Building Blocks



EQL’s strategic objectives places our communities and customers at the centre of all that we do. This Fleet Plan aligns with the Strategic Building Blocks in the following respects:

- **Safety and compliance** - by ensuring the standard of vehicles that are purchased meet new safety features and technology
- **Financial Sustainability** – by utilising a centralised fleet management function for both Energex and Ergon and ensuring competitive tender processes are followed and leveraging our access to Government supply arrangements will ensure EQL’s fleet expenditure remains prudent and efficient
- **People and Culture** - continue to build a strong safety culture across the business and enable our people to deliver safe, reliable, and efficient operations with fit-for-purpose vehicles
- **Keep the lights on** – ensuring our crew and staff have well-maintained and operational fleet as and when required to deliver on our promises and keep the lights on and continue to deliver an exceptional customer experience
- **Environment** - as a socially and environmentally responsible corporation, EQL will move to acquire vehicles with lower carbon emissions as well as introducing improved efficiencies to optimise the fleet, where it is economically efficient to do so
- **Electrification** – where it is economically and operationally efficient, EQL will investigate the acquisition of electric vehicles
- **Engage** – by ensuring that we strive for a culture of continuous improvement in our processes, systems, capabilities, and data and innovate to deliver differentiated and compelling offerings for our communities, customers, partners, and shareholders.

2.4 Transition to Net Zero Emission and Electric Vehicles

The fleet industry is changing, both in terms of the types of vehicles available, and the operating models associated with managing fleet. The Queensland Government is seeking to reach 50% renewable energy target by 2030 and EQL recognises the need to transition our fleet towards

alternate fuels. As the market for electric vehicles continues to grow, there is an opportunity for net zero emission vehicles to be further utilised by EQL to reduce our impact on the environment as well as start to future proof our fleet from regulatory and global market changes.

The advent of electric, hydrogen and alternatively fuelled vehicles means that EQL is assessing the types, number, and purpose of the vehicles in our fleet to ensure that we are well-placed to select and transition to low emission vehicles.

Electric or low emission vehicles in the market need to be suitable for the diverse range and scope of works performed on the networks as well as the considerable service area covered by the two distribution businesses. The Ergon Energy network runs predominately through rural Queensland, across a vast service area with a low customer density per network kilometre. While Energex's network services high density population areas, as well as the South East's urban and rural areas. Mountainous or hilly terrain may also have significant impact on the suitability of electric vehicles.

There are currently options for the replacement of passenger cars, however the light commercial vehicle (LCV) and heavy commercial vehicle (HCV) markets are less developed and require additional analysis to establish fit-for-purpose products based on the requirements of our fleet (including location, business usage and cost factors).

Feedback was sought in response to the Draft Plan as to the preferred pace in transitioning a proportion of EQL's light commercial and passenger vehicles to electric vehicles. There was strong feedback that the pace of transition should be pragmatic and based on an economic cost benefit analysis.

Due to the uncertainty around the suitability and availability of electric vehicles for our fleet over the 2025-30 period, in addition to acknowledging customer affordability and efficiency feedback, EQL has not included any additional capex to accelerate our transition to net zero emission vehicles. However, we will continue to monitor available products and lifecycle costs and will look to transition our fleet to low emission vehicles where it is economically and operationally efficient to do so.

3 FLEET ASSET MANAGEMENT

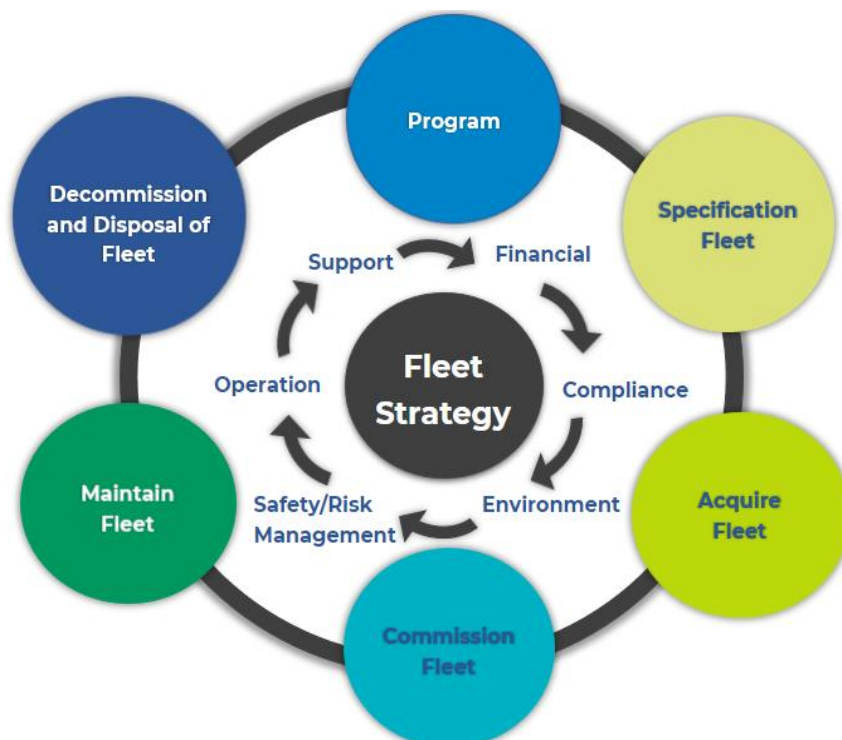
3.1 Overview

The Fleet Asset Management team is responsible for developing and delivering strategies which guide the effective provision of fleet related services, that enable EQL to efficiently deliver planned capital projects, maintenance programs and other operational commitments.

The Fleet Asset Management team operates as a centralised function for both Energex and Ergon under the Services Division and is responsible for making fleet procurement decisions and liaises with the various internal delivery teams to understand day-to-day business fleet requirements. The Fleet Asset Management team are responsible for continual refinement and improvement of safety specifications and features included in new and replacement vehicles. A key consideration for fleet asset management is to minimise the total asset life-cycle costs and as such, we periodically review fleet operations, standards, market prices and existing commercial arrangements to ensure opportunities to derive cost savings from changes to our fleet are being identified and taken advantage of in a timely manner.

EQL has adopted a lifecycle approach to fleet asset management, as outlined in Figure 8 below, which aligns to AS/NZS ISO 9001:2016 Quality Management Systems (QMS).

Figure 8: Fleet Assessment Management Lifecycle



The procurement, commissioning and maintenance of fleet assets adheres to EQL corporate goals of managing its duty of care to employees and community safety. This is achieved by ensuring fleet assets comply with all legislative, regulatory (including environmental) and original equipment manufacturer requirements. Further to this, EQL maintains a register of health and safety legislative obligations and routinely reviews and monitors the fleet environment for any relevant changes.

Key challenges and opportunities for the future of EQL’s fleet include:

- Ensuring ongoing compliance with the range of legislative and regulatory compliance obligations across the fleet management lifecycle
- Remaining up to date with emerging innovations and technologies into our fleet assets to ensure optimum safety, mobility, and productivity of our employees in the most-efficient manner
- Standardising the range of fleet assets required to support the broad range of activities undertaken to build and maintain the networks.

EQL outsources the maintenance administration and management for in-service vehicles to SG Fleet. SG Fleet provides EQL access to ‘Fleetintelligence,’ which is a dynamic platform to view information and oversee and control fleet assets via a web portal. Fleetintelligence is a strategic fleet management tool with a variety of reporting and transacting functions that allows EQL to control business expenditure and minimise risk. EQL in conjunction with SG Fleet, monitor operational expenditure to identify assets that are outside the industry norm and may require early intervention.

3.2 Fleet size and composition

Our fleet’s varied composition reflects the need for our diversely skilled and qualified workforce to perform various activities across a range of operating conditions. These fleet items are specified, selected, and allocated based on the fit-for-purpose operational needs of the business. In particular, the size and composition of the fleet portfolio is driven by decisions to:

- **Replace existing vehicles** – replacement decisions are primarily based on the replacement criteria. This includes an assessment of continued operational need, sharing or pooling opportunities and utilisation. Replacement may also be initiated through incidents, accidents or excessive wear and tear that may mean it is uneconomical or unsafe to repair the vehicle and replacement is required prior to the replacement criteria.
- **Increase or decrease the existing fleet** – this may be required when current fleet and utilisation levels are insufficient or no longer required to deliver the network program of work and meet customer expectations. The acquisition of additional fleet requires supporting justification, and endorsement by the relevant senior managers.
- **Disposal of assets** – should a vehicle not be considered suitable for repair or is at end of life, then the decision will be made to dispose of the asset (and may or may not be replaced).

Table 3 provides an overview of the composition of our current fleet of vehicles.

Table 3: Current EQL Fleet Composition

Fleet Category	Fleet Units	Average kms travelled p.a	Average Asset Life (years)
Lifter / Crane Borers	98	18,732	9
EWPs	474	16,375	9
Generator	146	n/a	11
Heavy Commercial Vehicles	577	11,922	7
Light Commercial Vehicles	1,687	23,323	5
Passenger Vehicles	168	16,813	6
Other	1,117	n/a	10
Total	4,267	n/a	n/a

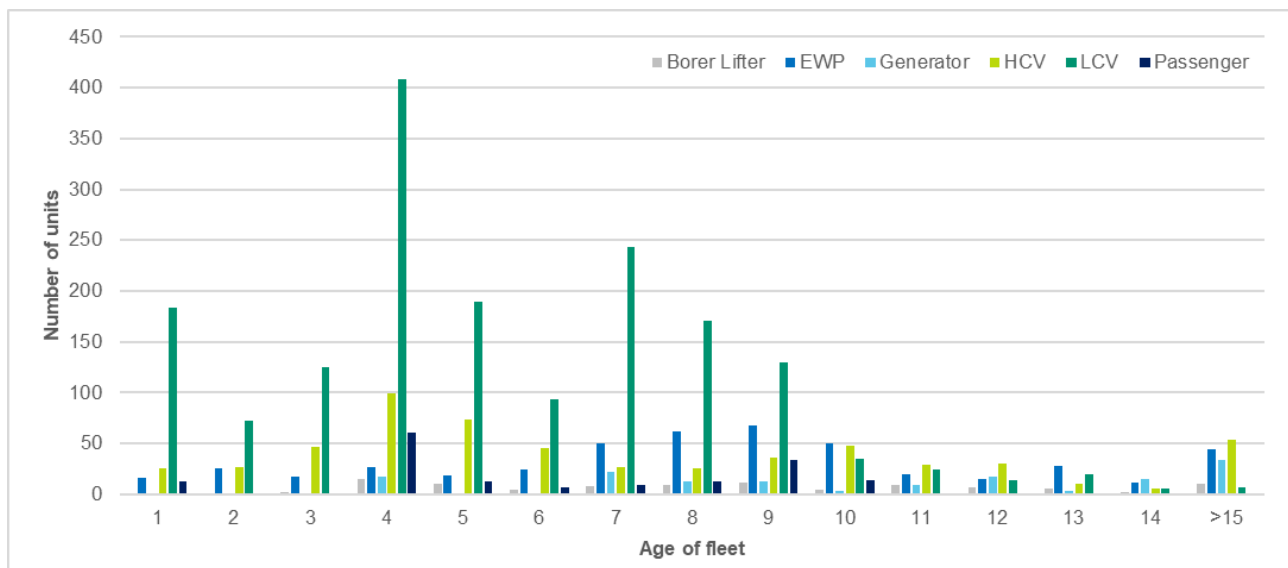
Notes: Average km is based on a weighted average of Energex and Ergon Energy network CA RIN reported figures for 2022-23 (excl. lifter borers)

3.3 Fleet Age Profile

It is important to note that an ageing fleet being off the road not only increases operating costs, but also impacts the efficiency and productivity of teams delivering the program of work.

The age profile of our fleet (refer to Figure 9 below) is uneven reflecting the lumpy nature of fleet expenditure due to historical expenditure decisions and the different lifecycle and replacement criteria for the various fleet items.

Figure 9: Age profile of fleet



The age profile data indicates that EQL has an aging fleet with:

- 50% of EWPs being 9 years and older
- 50% of Crane Borers being 9 years and older
- 50% of the light commercial fleet (Utes, wagons, and vans) being 5 years and older.

3.4 Fleet Replacement Criteria and Asset Lives

The Fleet Asset Management team is continuously reviewing fleet asset lifecycles to optimise return on investment, with consideration given to on-going operating and maintenance costs, reliability, compliance with industry standards, disposal value and emerging safety features.

As with other network assets, the condition of the fleet deteriorates with usage and age, and this reduces their functionality and performance, increases ongoing operating costs and, in some cases, creates safety risks to the community and to our staff operating them.

Fleet replacement decisions are therefore made based on the condition of the vehicle and the relative cost effectiveness of disposing and replacing vehicles with new equivalents compared to refurbishing and ongoing maintenance costs associated with retaining them in the fleet.

In managing and determining optimal fleet replacement criteria, EQL takes the following steps to avoid inefficient fleet expenditure:

- Actively monitors asset maintenance costs through data intelligence provided by third party provider SG Fleet
- Reviews utilisation of current fleet for opportunities to implement strategies to reduce asset size
- Operates a pool of vehicles where utilisation patterns deem this commercially viable.

The optimal replacement criteria for each type of vehicle are set to maximise the efficiency of the asset and to ensure both lifecycle cost management and operational flexibility. The replacement program is also developed with consideration of relevant Australian and International Standards and Workplace Health and Safety legislation. It is recognised that capital and market constraints will from time-to-time mean some vehicles will not be replaced in accordance with replacement criteria. In these situations, replacement is prioritised based on safety requirements; then complying with Australian Standards; and then vehicle age, kilometres, and condition.

3.4.1 EWP and Crane Borers

EQL asset lives generally align to the relevant industry standards, with some enhancements driven from learning outcomes derived from continuous improvement reviews. For example, crane borer and EWP assets have regulated maintenance requirements that are prescribed in relevant Australian Standards AS 1418 and AS 2550. They are manufactured to perform for a 10-year life, at which point they must undergo a “major inspection” otherwise known as a rebuild. This process requires the plant to be stripped down completely and inspected, with worn components refurbished or replaced as needed. This certifies the plant for a further 5 years, at the completion of which it must be either rebuilt again or replaced.

However, based on learnings and economic cost benefit analysis undertaken, EQL is proposing to move away from the current practice of rebuilding the majority (97%) of crane borers to extend their life to 15-20 years. EQL is proposing to move to a full replacement at 10 years for the final three years of the regulatory period, before moving to a combination of rebuild and replacements in the following regulatory period (2030-35).

Similarly, for EWPs, currently at 10 years EQL undertakes a major rebuild of the plant (on selected assets), which provides an additional 5 years of life. EQL is proposing to re-truck at 10 years, with an additional major inspection at 15 years taking the asset to a total 20-year asset life. Re-trucking is the removal of an existing truck cab chassis from a build and replacing it with a new cab chassis.

Separate business cases and NPV (Net Present Value) modelling has been prepared to support the proposed approach for EWPs and crane borers.

3.4.2 Light Commercial Vehicles

During the early part of the 2020-25 period, EQL extended the replacement for light commercial vehicles to 200,000km primarily due to market supply constraints. However, a subsequent review highlighted that it was more efficient to reduce the replacement cycle to 150,000km. This review was undertaken based on intelligence and data provided by SG Fleet, to address the increase in operating expenditure for light commercial vehicles. As a result of this, the light commercial vehicle fleet is nearing end-of-life, and significant capital is required in the 2025-30 period to replace this portion of the fleet.

3.4.3 2025-30 Replacement Criteria

The appropriate asset life is important as it affects both the predicted capex replacement costs, as well as the associated maintenance costs. Having a longer asset life may also lead to a trade-off between capex and opex. While upfront capex may be reduced with longer asset lives, the operational and maintenance costs may end up higher. Also, as noted above, the operating and climatic conditions of the distribution area also has an influence on the replacement lives.

Taking the above into consideration, the following table outlines the replacement criteria and approach that is proposed to apply for the next regulatory period. A benchmarking analysis of asset lives for fleet was undertaken against other distributors to validate the replacement criteria that has been adopted (refer to Section 7).

Table 4: Fleet replacement criteria for the 2025-30 period

Category	Replacement Profile (km or age)	Replacement Age	Replacement km
Passenger Vehicle (Petrol)	KM	N/A	150,000
Passenger Vehicle (Electric)	KM	5	100,000
2WD Commercial Vehicles	KM/AGE	7	150,000
4WD Commercial Vehicles	KM/AGE	7	150,000
Truck – Light Rigid >4.5T to <8T	KM/AGE	10	250,000
Truck – Medium Rigid >8T to <15T	KM/AGE	15*	350,000
Truck – Heavy Rigid >15T	KM/AGE	15*	350,000
Crane Borer and Truck Chassis	AGE	10**	-
Mobile EWPs	AGE	10**	-
* Excluding trucks with plant			
** 10 years initially, plus additional 10 years with 10YMI and re-truck for selected assets			

4 CURRENT PERIOD PERFORMANCE (2020-25)

4.1 Change in Cost Allocation Approach

In 2020-21, EQL changed how non-network fleet related capex was reported to each DNSP (Distribution Network Service Provider) compared to previous years, as noted in our annual RIN documentation. Consequently, fleet costs across the two periods are not on an equivalent basis.

In the 2015-20 period:

- The costs for each network were calculated by referring to the non-network fleet related capex spend captured directly against the network's responsibility centres and activities, along with a 50% share of EQL fleet capex spend.

In the 2020-25 period:

- The CAM (Cost Allocation Method) treats the non-network capex of both networks and EQL entity as a shared cost. This is pooled together and then allocated to services based on CAM percentages (CAM percentages are calculated through the CAM, reviewed, and adjusted annually where required).
- The implementation of a new ERP and change in cost model means that all non-network fleet capex is costed against the EQL company, as differentiation of spend between the networks will not be easily identifiable.

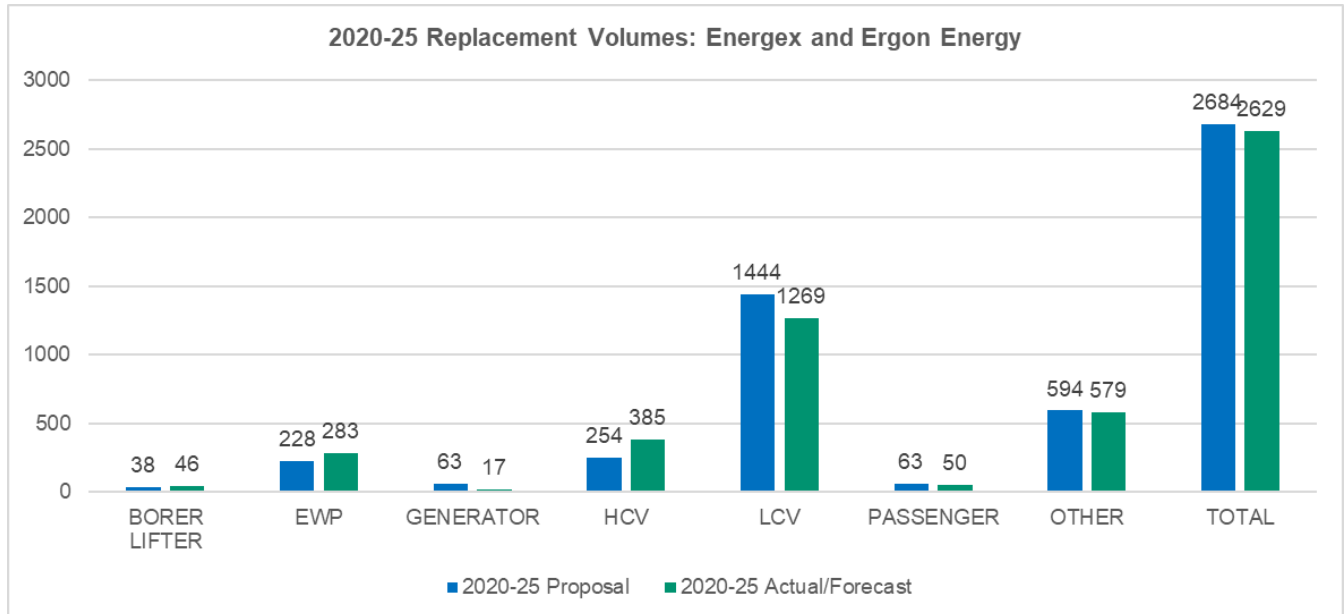
4.2 Replacement Volumes

During the 2020-25 regulatory period, the volume of replacements in FY21 and FY22 was unusually low compared to historical trends due to the supply chain issues and delays in delivery experienced due to COVID-19. This has resulted in a need to increase replacements in the last few years of the current period to 'catch-up.'

In the current period (2020-25), it is expected that the units replaced across Energex and Ergon Energy Network will be marginally below the forecast prepared in 2019. Table 5 and Figure 10 provide an overview of the current period (2020-25) replacement volumes, noting that forecasts have been used for 2023-24 and 2024-25.

Table 5: Current Period Replacement Volumes – Energex and Ergon Energy Network

Energex	2020-25 Proposal	2020-25 Actual/Forecast
Crane Borer	38	46
EWP	228	283
Generator	63	17
Heavy Commercial Vehicle	254	385
Light Commercial Vehicle	1,444	1,269
Passenger	63	50
Other	594	579
Total	2,684	2,629

Figure 10: Current period replacement volumes: Energex and Ergon Energy Network


While noting the data above includes two years of forecast data (for FY24 and FY25), the current forecast indicates that:

- The number of the heavy vehicle units (borer lifter, EWP, and HCVs) purchased or replaced are expected to be greater than the 2020-25 proposal. This is due to an increased program of work, with several new units purchased due to unbudgeted increases (ie. new vehicles not originally included in the forecast) and expected growth.
- The number of LCVs (Light Commercial Vehicle) and passenger vehicles purchased or replaced are expected to be less than the 2020-25 proposal. This is driven by supply chain issues at the start of the regulatory period. If supply chain issues were not experienced, the number of LCVs purchased would be greater due to a number of unbudgeted increases (ie. new vehicles not originally included in the forecast) over the period.

4.3 Expenditure

Table 6 below provides a breakdown of the current period performance against allowance. Energex and Ergon are anticipating an overspend due to an increase in the unit cost of vehicles and an increase in the number of vehicles required to support an increasing program of work.

Table 6: Current period performance compared to AER allowance (\$m, June 2025)

SCS only, \$2024-25	AER Allowance	2020-21 (A)	2021-22 (A)	2022-23 (A)	2023-24 (F)	2024-25 (F)	Total \$M (F)
Energex	119.9	13.9	14.8	19.4	33.3	54.5	135.9
Ergon	155.7	19.4	18.2	26.8	40.0	66.2	170.7
Total	275.6	33.3	33.0	46.2	72.9	120.4	306.6

5 NEXT REGULATORY PERIOD FORECAST (2025-30)

5.1 Expenditure Forecasting Approach

The forecast for fleet expenditure for the next regulatory period has been developed using a bottom-up build, based on the drivers, assumptions and principles outlined in this Fleet Plan. The bottom-up build is captured in our fleet replacement model.

In assessing our fleet capex requirements for the next regulatory period, we have modelled the costs of replacing fleet based on standard asset lives, informed by safety considerations and industry best practice, and reviewed our expenditure profile to ensure the planned replacement volumes can be delivered efficiently.

5.2 Forecasting assumptions

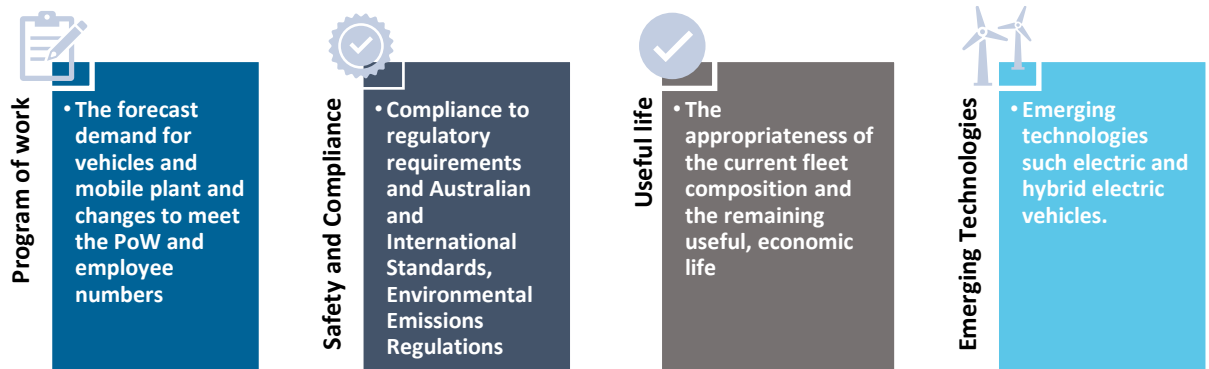
In developing the fleet expenditure forecasts for the next regulatory period, a number of assumptions have been made based on how fleet can best support the future needs and requirements of the program of work, the forecast number of employees and crew who work on the networks and customer expectations. These assumptions include:

- The size of the fleet must be commensurate with the size of the works program and level of services that the regulated business will provide. As such the demand for fleet is expected to increase due to the increase in employee numbers and the program of work over the 2025-30 regulatory period
- The number of kilometres that the vehicles currently travel will continue to be reflective of future usage
- Vehicles will be replaced on a like-for-like basis until the transition to net zero emission vehicles becomes the most efficient and least-cost option.
- Field crews, support staff and management use of the fleet to transport themselves and equipment will not change materially from current practices and procedures
- Vehicles will be available in the market for replacement as and when required.

5.3 Expenditure Drivers

Fleet assets are utilised by the business to undertake construction, maintenance, and service activities and to enable support services to deliver core distribution business functions. As an enabler to business operational requirements, fleet assets are linked to size and complexity of the program of work, crewing structure and composition, tasks undertaken and related work practices. As such, EQL requires access to a considerable and diverse range of vehicles. The main drivers that affect the forecast capital and operational expenditure for fleet are outlined in Figure 11 below.

Figure 11: Fleet Expenditure Drivers



5.4 Unit Rates

EQL has undertaken a detailed review of unit rates in preparing its fleet forecasts. Where appropriate, the purchase of replacement vehicles is determined through a competitive tender procurement process, which provides us with the best opportunity to obtain the most competitive and efficient market price.

The forecast expenditure is based on unit rates which have been sourced from:

- Averaging of historical general ledger transactions for equivalent fleet units, or
- Contracts and/or historical invoice amounts (typically larger fleet assets), or
- Identification of equivalent fleet units where reliable ledger or historical invoicing information is not available.

EQL has observed a significant increase in unit rates over the current regulatory control period. While it is noted that a number of factors can influence the average unit rate across categories (including supply constraints, rebuild/replacement strategies, and vehicle selection), it has been identified that there are several vehicle types that have experienced a significant increase in unit rates compared to the forecast prepared for the 2020-25 regulatory control period.

As shown in Figure 12 below, the average unit rates have increased significantly for our major fleet items including HCVs (52%), crane borers (36%) and EWP's (23%). Table 7 outlines examples of unit rate increases for specific vehicle types over this period.

Figure 12: Average unit rate increases from 2020-25 regulatory proposal to 2025-30 regulatory proposal

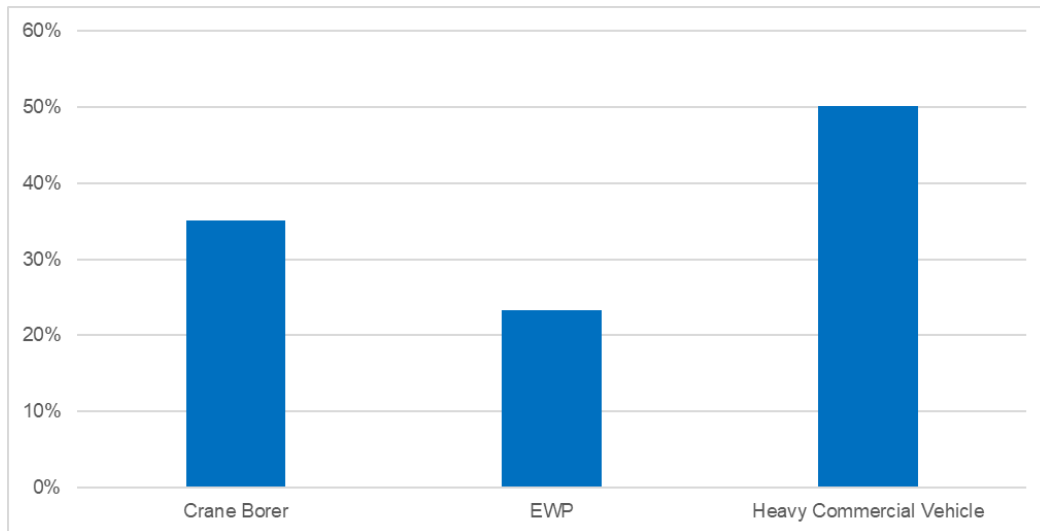
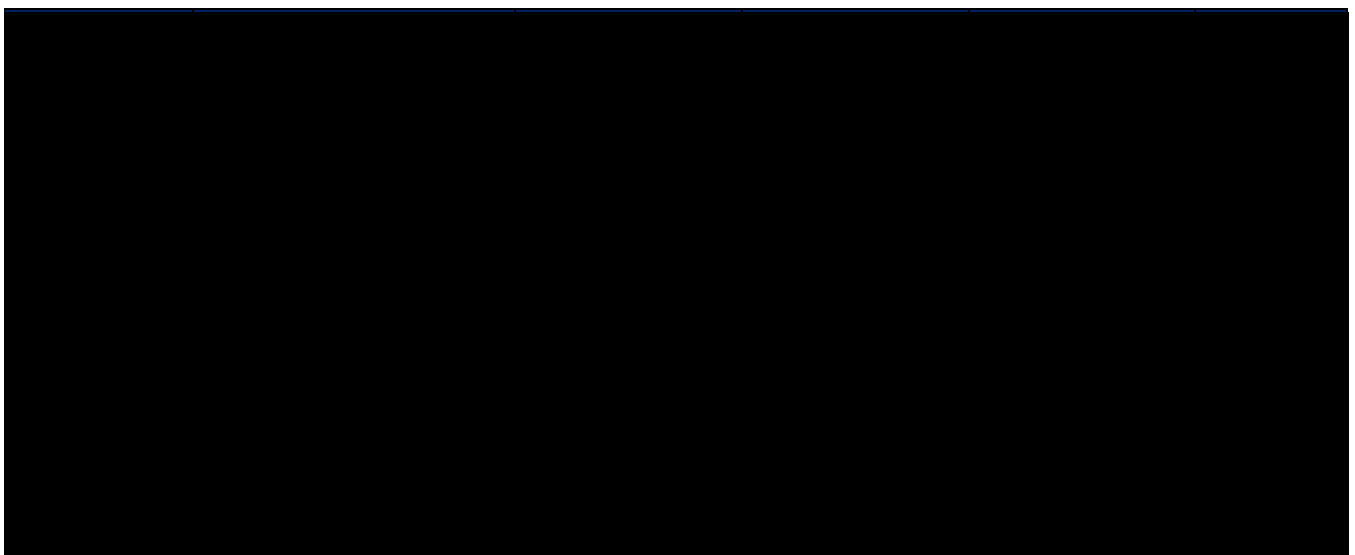


Table 7: Examples of unit rate increases from 2020-25 regulatory proposal to 2025-30 regulatory proposal (Confidential)



5.5 Forecast Expenditure

The table below provides an overview of the proposed capex for both Energex and Ergon for the next regulatory period. The uplift in expenditure for the next regulatory period compared to the current period is being driven by:

- Managing the safety risks as well as the need to invest in an ageing fleet which could not be replaced due to market supply challenges in the current 2020-25 regulatory control period
- A change in the rebuild rate for both EWPs and crane borers
- Increase in volume of vehicles (215 vehicles) required to due to the anticipated uplift in the number employees to deliver the 2025-30 program of work, and
- A forecast increase in unit rates, with significant increases for our major fleet vehicles including HCVs (52%), crane borers (36%) and EWPs (23%).

Table 8: Proposed capex for next regulatory period (\$m, June 2025)

SCS only, \$2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Total \$M
Energex	47.2	46.2	36.1	29.4	39.6	198.5
Ergon	57.8	56.4	44.1	36.0	48.8	243.0
Total	105.0	102.6	80.2	65.4	88.4	441.6

Table 9: Energex fleet replacement capex by category (\$m, June 2025)

Energex	2025-26	2026-27	2027-28	2028-29	2029-30	Total \$M
Crane Borer	2.4	2.1	1.3	4.8	5.2	15.8
EWP	20.1	22.2	13.3	11.6	10.3	77.5
Generator	1.1	0.0	3.3	0.0	1.2	5.6
Heavy Commercial Vehicle	4.5	6.6	6.7	7.6	8.6	34.1
Light Commercial Vehicle	15.9	13.8	7.6	3.5	12.6	53.5
Passenger	0.5	0.2	0.3	0.3	0.3	1.7
Other	2.5	1.4	3.5	1.6	1.4	10.4
Total	47.1	46.2	36.1	29.5	39.6	198.5

Table 10: Ergon fleet replacement capex by category (\$m, June 2025)

Ergon Energy	2025-26	2026-27	2027-28	2028-29	2029-30	Total \$M
Crane Borer	3.0	2.5	1.6	5.8	6.5	19.4
EWP	24.6	27.0	16.3	14.2	12.7	94.8
Generator	1.4	0.0	4.0	0.0	1.5	6.9
Heavy Commercial Vehicle	5.5	8.1	8.2	9.4	10.6	41.7
Light Commercial Vehicle	19.5	16.8	9.2	4.3	15.6	65.5
Passenger	0.7	0.3	0.4	0.4	0.3	2.0
Other	3.1	1.7	4.3	2.0	1.7	12.8
Total	57.6	56.4	44.1	36.1	48.9	243.0

5.6 Forecast replacement volumes

Tables 11 and 12, and Figures 13 and 14 provide a breakdown of the number of replacements for each year of the next regulatory period.

Table 11: Energex fleet replacement volumes 2025-30 (units)

Energex	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Crane Borer	4	4	2	7	8	25
EWP	39	39	23	19	20	140
Generator	4	0	7	0	6	18
Heavy Commercial Vehicle	19	23	27	32	37	138
Light Commercial Vehicle	207	190	102	45	147	691
Passenger	11	6	8	8	6	38
Other	40	21	55	31	32	179
Total	326	283	224	142	255	1,230

Figure 13: Energex replacement volumes by year 2020-2030 (units)

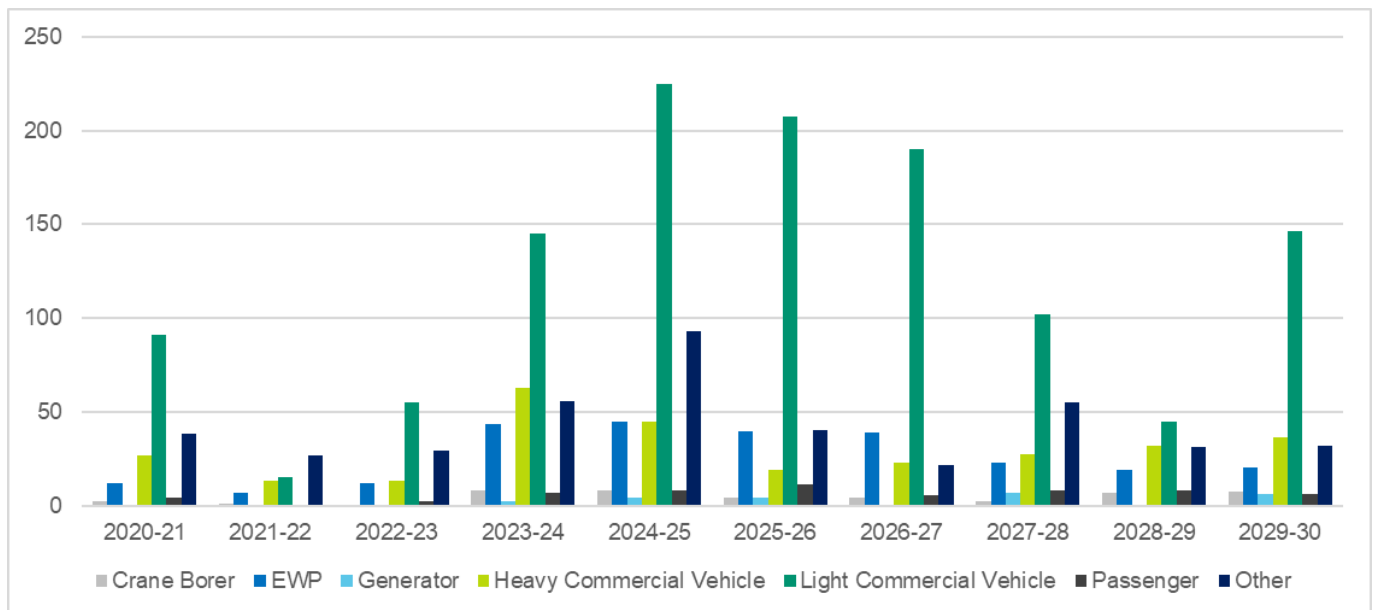
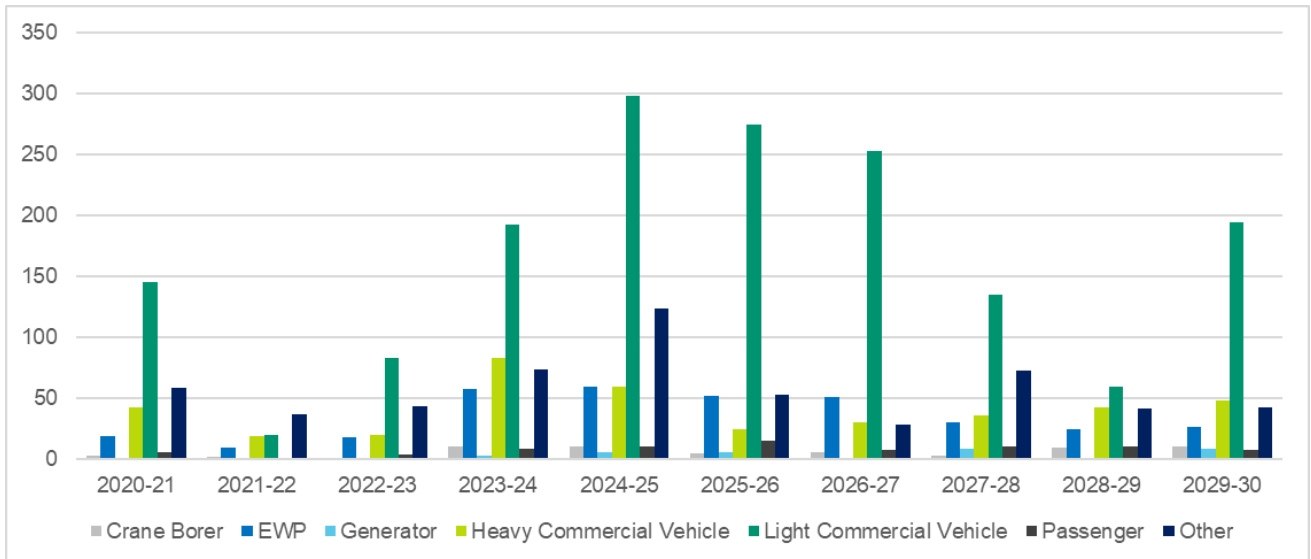


Table 12: Ergon fleet replacement volumes 2025-30 (units)

Ergon Energy	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Crane Borer	5	6	3	9	10	34
EWP	52	51	30	25	27	186
Generator	6	0	9	0	9	23
Heavy Commercial Vehicle	25	30	36	42	48	182
Light Commercial Vehicle	275	252	135	60	194	916
Passenger	15	7	10	10	8	51
Other	53	28	73	42	42	238
Total	432	375	297	188	339	1,631

Figure 14: Ergon replacement volumes by year 2020-2030 (units)



6 GOVERNANCE AND DELIVERABILITY

6.1 Deliverability

EQL is anticipating that the demand for fleet will increase to accommodate the increase in employee numbers and the program of work over the 2025-30 regulatory period in addition to the normal replacement lifecycle.

To manage this increase in the procurement of fleet, the Fleet Services Team has taken the following steps to mitigate the risks to deliverability:

- Increased internal resources to support the end-to-end fleet management lifecycle
- Streamlining of work practices to align with changed supplier environment, including changes to procurement approach (ie. bulk ordering)
- Diversifying the supply chain to include additional suppliers across vehicle types

EQL has also entered into longer-term contracts with additional suppliers, which ensures the ability to increase supply as and when required and provides increased security for ongoing deliverability. EQL's ability to increase the number of suppliers has been aided through screening and due diligence processes provided by the Strategic Procurement Group (SPG) within EQL.

6.2 Governance

EQL has a well-established governance framework that includes documented purchasing policies, guidelines and procedures that ensures fleet assets are purchased through competitive tenders as well as accessing government supply arrangements.

The day-to-day replacement program requires approval as part of the corporate annual budget process. Any unbudgeted replacements are supported by monthly approval memos and business cases and must be approved by the relevant General Manager and, where appropriate, the Executive General Manager.

7 BENCHMARKING

7.1 Expenditure and vehicle count

While it is noted that benchmarking has significant limitations, given the significant differences in operating environments across distributors, analysis has been undertaken to compare Energex and Ergon's fleet expenditure and vehicle count against other distributors. Data has been sourced from each distributor's Category Analysis RIN submissions.

Figure 15 below shows Energex and Ergon's historical fleet expenditure as a percentage of total capital expenditure against other distributors. This figure shows that Energex and Ergon's fleet capex, as a percentage of total capex, generally aligns to its peers. Figure 16 estimates the number of vehicles per employee for the 2021-22 year, the most recently reported RIN data. This indicates that Energex and Ergon also benchmark well against peers on this metric.

Figure 15: Percentage of fleet capex to total capex

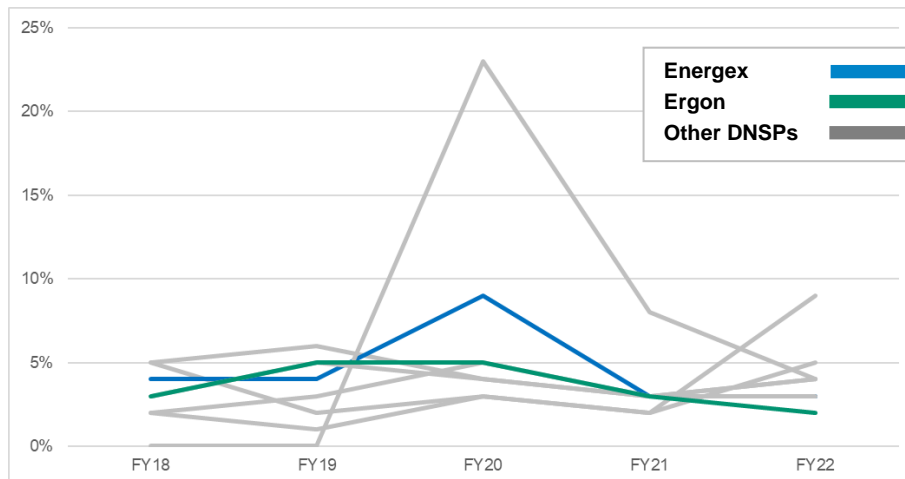
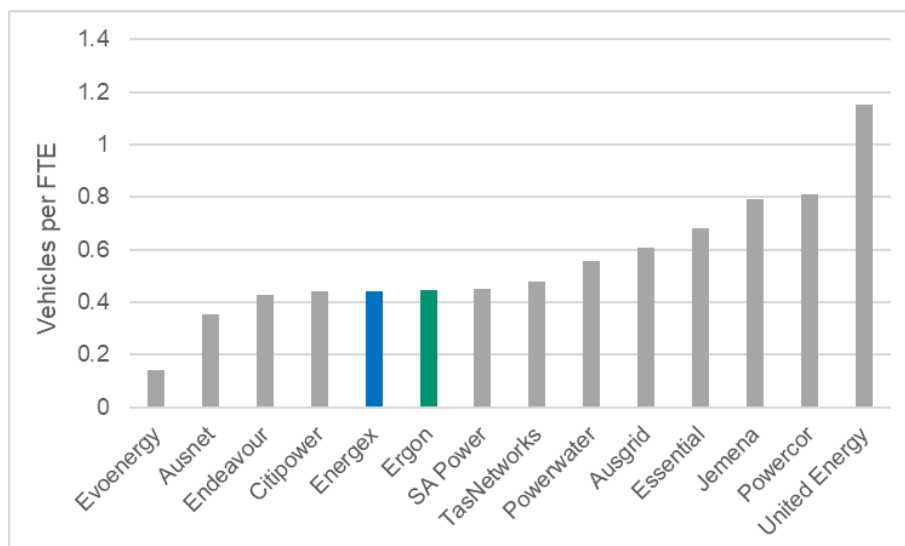


Figure 16: Total motor vehicle counts per employee (FY22)



7.2 Asset Lives

A benchmarking analysis of asset lives for fleet was undertaken against other distributors to validate EQL's approach as set out in the table below. EQL has carried out an NPV Analysis for EWPs and crane borers which demonstrates that the proposed replacement asset life is the most economical and efficient approach. The benchmarking of asset lives as shown in Table 13 below demonstrates that EQL's approach is largely consistent with its peers across fleet categories.

Table 13: Benchmarking of Asset Lives

	Energex / Ergon	Citipower/ Powercor	SAPN	Power and Water	Endeavour Energy	Ausgrid	Essential Energy	Jemena
Passenger	150,000km	5 years / 150,000km	5 years / 150,000km	4 years or 80,000kms	5 years / 150,000km	5 years / 150,000km	5 years / 150,000km	5 years / 150,000km
Light Commercial 4x2	150,000km	5 years / 150,000km	5 years / 150,000km	5 years or 125,000kms	5 years / 150,000km	7 years / 150,000km	5 years / 150,000km	5 years / 150,000km
Light Commercial 4x4	150,000km	6 years / 140,000 km	5 years / 150,000km	5 years / 125,000kms	5 years / 150,000km	7 years / 150,000km	5 years / 120,000km	
EWP	10-20 years*	15 years	10 years	10 years	10 years	15 years	10 years	10-15 years
Crane Borers	10-20 years**	10 years / 300,000 km	10 years rebuild and 14 years replacement	As required	10 years rebuild and 15 years replacement	10 years rebuild and 15 years replacement	10-15 years	10 years
Commercial Trucks	10-15 years	15 years / 300,000 kms		As required	<7500kg 15 years / 200,000 kms	15 years / 250,000 km		

*10 years initially, plus additional 10 years with 10YMI and re-truck for selected assets

** 10 years initially, plus additional 10 years with 10YMI and re-truck for selected assets

APPENDIX A – FLEET ASSET CRITICALITY MATRIX

The criticality matrix provides identification of asset types and their impact to the delivery of Energy Queensland in achieving its Corporate Strategy to “safely deliver secure, affordable and sustainable energy solutions with our communities and customers.”

Business / Community Impact	Vehicle and or Mobile Plant Type	Impact Definition
Severe	Crane Borer (including GP) MEWP - Insulated Heavy Rigid Trucks > 16T GVM Medium Rigid Truck 8T to 16T GVM (When fitted with Critical plant) *Light Rigid Truck 4.5T to 8T GVM *4WD Light Commercial Vehicle *4WD Light Service Truck Trailer – NOMAD Trailer – Generation Trailer – Pole	Absence of these Fleet Assets will critically impact the business through: Distribution Services. Cessation or delay of both planned and unplanned work. Community. Delay in response to a disaster or an increased community risk of exposure to fallen/damaged power lines. People. Under-utilised resources (crews) Fleet. Difficult to replace at short notice due to: <ul style="list-style-type: none"> - Long replacement lead time, - Availability of replacement hire equipment
* Denotes vehicle platform critical to business operations and utilised as a first response vehicle		
High	EWP – Uninsulated SPMEWP & Scissor Lift Heavy Rigid Truck >16T GVM Medium Rigid Truck 8T to 16T GVM Light Rigid Truck 4.5T to <8T GVM 4WD Light Commercial Vehicle 4WD Light Service Truck Forklift Mobile Crane – Franna Vehicle Loading Cranes Single/ Double Knuckle Plant Winch Trailer – Self Loading Cable Trailer – Plant Transport	Absence of these Fleet Assets may significantly impact business operations. Business impact is reduced from critical Fleet Assets as these vehicles: Distribution Services. Delay of planned work. Delay in scoping unplanned work. Community. Planned outages exceeding duration impacting on community safety. People. Under-utilised resources (crew) Fleet. Lower than critical impact to Fleet operations due to: <ul style="list-style-type: none"> - More readily available for hire (LCV) - More Vehicles per depot
Moderate	2WD LCV Passenger Vehicle Utility Terrain Vehicle Light Plant - Trencher/Loader/Compressor Trailer – Box Trailer Cable Trailer Equipment Trailer - Tipper	Absence of these Fleet Assets can be managed in the short-term but will have an impact to business operations if not remedied in a timely manner. Typically, these Fleet Assets are commercially available vehicles and trailers that support business operations and are available for hire.

APPENDIX B – FORECAST RECONCILIATION

Table 14: Reconciliation of EQL fleet replacement model to SCS forecast in capex model/Reset RIN (\$)

Expenditure	DNSP	2025-26	2026-27	2027-28	2028-29	2029-30	2025-30
Total fleet program (\$m, 2022-23)	Energex & Ergon	109.5	106.8	83.4	68.1	91.8	459.6
Allocation to DNSP (43% Energex, 57% Ergon)							
DNSP capex (\$m, 2022-23)	Energex	47.1	45.9	35.8	29.3	39.5	197.6
DNSP capex (\$m, 2022-23)	Ergon	62.4	60.9	47.5	38.8	52.3	262.0
Allocation to SCS capex							
SCS capex (\$m, 2022-23)	Energex	42.3	41.4	32.3	26.4	35.4	177.8
SCS capex (\$m, 2022-23)	Ergon	51.7	50.5	39.5	32.3	43.7	217.6
Add escalation adjustments							
Escalation from \$2022-23 (Dec 2022) to \$2024-25 (June 2025)	Energex	4.9	4.8	3.8	3.1	4.1	20.7
Escalation from \$2022-23 (Dec 2022) to \$2024-25 (June 2025)	Ergon	6.0	5.9	4.6	3.8	5.1	25.4
Expenditure in AER capex model/ Reset RIN \$m, 2024-25	Energex	47.2	46.2	36.1	29.4	39.6	198.5
Expenditure in AER capex model/ Reset RIN \$m, 2024-25	Ergon	57.8	56.4	44.1	36.0	48.8	243.0