Non-network capex: Tools and Equipment Plan

2025-30

31 January 2024

Part of Energy Queensland

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1 EXECUTIVE SUMMARY

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

Our tools and equipment assets are utilised by the business as necessary to undertake construction, maintenance, and service activities and to enable support services to deliver core distribution business functions. Non-network tools and equipment expenditure is essential to support the safe and efficient operation of the distribution network.

The following direct capital expenditure is forecast for the 2025-2030 regulatory period.

Table 1: Tools and Equipment capital expenditure 2025-30, $m

$m	Basis	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Total EQL	$nominal	13.9	13.5	14.1	13.9	13.9	**69.3**
Total DNSP SCS	$2022-23	10.8	10.2	10.4	10.0	9.7	**51.1**
Total DNSP SCS	$2024-25	12.1	11.4	11.6	11.1	10.8	**57.0**
Which comprises:							
Energex SCS	$2024-25	5.3	5.0	5.1	4.9	4.8	**25.2**
Ergon SCS	$2024-25	6.7	6.3	6.4	6.2	6.0	**31.7**

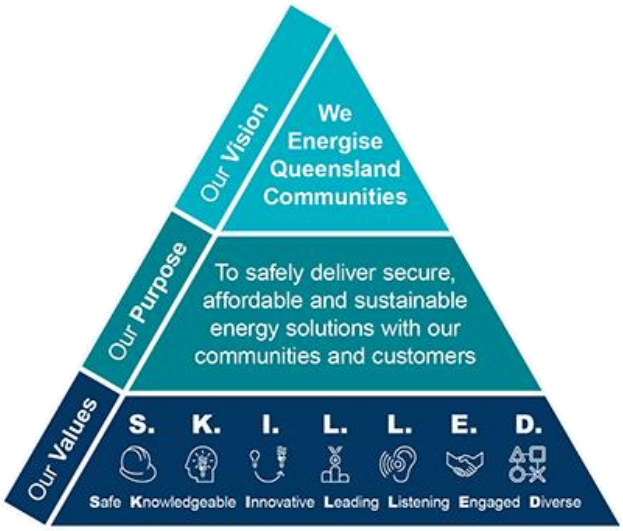
2 OPERATING ENVIRONMENT

2.1 Organisational structure

Energy Queensland Limited supplies electricity to over 2.3 million customers across 1.7 million km2 throughout the state of Queensland. The Government Owned Corporation is made up of two 'poles and wires' distribution businesses Energex and Ergon Energy, our regionally based retailer, Ergon Energy Retail and an unregulated energy services division, Yurika. Together, Energy Queensland operates one of the largest and most diverse electricity networks in Australia.

2.2 Our Vision, Purpose and Values

Energy Queensland maintains a consistent Vision, Purpose and Values statement:



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

2.3 Our Business Priorities

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

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

Key enabling partners supporting this plan include:

- All EQL business units associated with building and/or maintaining the distribution network
- Suppliers and service providers and
- Industry peers.

Their engagement supports the plan to:

- Ensure a cost-conscious and prudent approach to procurement of EQL's equipment assets;
- Create value through innovation
- Manage risk in accordance with regulation and policy guidelines
- Focus on safety through appropriate selection and application
- Maintain EQL equipment assets to ensure optimum availability and
- Provide effective equipment asset management services.

2.4 Tools and Equipment Portfolio

Our tools and equipment assets are utilised by the business as necessary to undertake construction, maintenance, and service activities and to enable support services to deliver core distribution business functions. Non-network tools and equipment expenditure is essential to support the safe and efficient operation of the distribution network.

Table 2: Tools and Equipment assets (as at June 2023)

Demographic	Number
Number of equipment assets	198,669
Equipment tests/inspections annually	318,219

2.5 Legislation, Regulations, Rules and Codes

Table 3: Applicable Legislation, Regulations, Rules and Codes relating to Tools and Equipment

Compliance Type	Key Requirements
Legislation Federal	Safety Recalls Australia Australian Standards International Standards Work Health and Safety Act and Regulations
Legislation State	Work Health and Safety Act and Regulations Queensland Codes of Practice
Electricity Networks Association Guidelines	National Guidelines for management of tools and equipment used in the electricity supply industry 2009

3 INVESTMENT FORECAST METHODOLOGY

3.1 General approach

The network program of work, additional fleet, and employee numbers are the key driver of tools and equipment expenditure, directly influencing both the volume and type of equipment required to support operational needs. The forecast is based on an historical trend, with an uplift included for additional field employees and fleet.

This plan supports the 2025-2030 period to deliver prudent financial and operational outcomes. The specification, procurement, commissioning and maintenance of equipment assets adhere to Energy Queensland's corporate goals of managing its duty of care to employees and community safety. This is achieved by ensuring equipment assets comply with all legislative, regulatory, environmental and original equipment manufacturer (OEM) requirements.

Figure 1: Tools and Equipment Strategy

Replacement cycles for the various types of equipment operated are determined by:

- An asset reaching the end of its useful or statutory life
- At a time most efficient to replace i.e. condition based assessment, failure in operation
- Change in work practice or
- When an asset is no longer required.

The above are reviewed on an on-going basis to ensure optimum return on investment, identifying assets that are outside the industry norm and may require early intervention.

The procurement of all equipment assets adheres to purchasing policies, guidelines and procedures through a combination of tenders, contracts, assessing Government supply arrangements and quotations.

Scheduled maintenance, testing and calibration are undertaken in accordance with OEM specifications and as required under Legislation, Standards and Energy Queensland requirements.

EQL will continue to standardise where practical, the range of fit-for-purpose equipment provided to support the broad range of activities undertaken to build and maintain the distribution network across Queensland.

3.2 Strategic Aim

The aim of the plan is to provide equipment assets which meet business requirements based on the principle of fit-for-purpose assessment considering safety, industry standards, business priorities and cost efficiency.

Creating value through innovation and the introduction of new technologies is central to this strategy, with progressive introduction of identified technologies replacing previous generation equipment as it reaches end of life.

3.3 Drivers

As an enabler to business operational requirements, equipment assets are linked to the network program of work, crewing structure and composition, tasks undertaken and related work practices. Equipment assets are utilised by the business to undertake construction, maintenance and service activities and to enable support services to deliver core functions.

To enable this, EQL requires access to a considerable and diverse range of equipment assets. The main factors that affect the capital expenditure on equipment are:

- The forecast demand for equipment;
- The appropriateness of the current equipment;
- Emerging technologies; and
- Changes to the program of work and associated work practices.

The forecast equipment capital expenditure programs for the 2025-30 regulatory period have been derived applying the principles set out above and is based on a like-for-like replacement of existing assets.

3.4 Equipment Asset Measures

Delivery of the strategy is monitored and measured by the indicators listed in the table below:

Indicator	Description
Finance	Capital Expenditure (capex) Operating Expenditure (opex) Written off assets due to loss or damage
Safety	Recalls Corrective action or improvement plans Incidents
Compliance	Compliance with legislation Third-party certification to: • ASAS/NZS ISO 9001:2015 – Quality Management System • AS/NZS ISO 14001:2015 - Environmental Management System • AS/NZS 4801:2001 – Safety Management System
Performance	Equipment composition Delivery of annual replacement programs

Indicator	Description
Partnering	Supplier / manufacturer performance Distribution improvement forums

3.5 Relationship Management

Critical to Energy Queensland meeting its corporate strategy is being able to have effective relationships between internal business units and external organisations that foster productive outcomes including engaging in the development of Standards and working with suppliers and service providers in development of products that add value through the introduction of improved technologies, practices and processes.

Energy Queensland continues to engage with peer organisations to conduct product review and benchmarking activities to identify opportunities to increase efficiencies, improve functionality, safety performance and reduce costs.

4 CURRENT PERIOD EXPENDITURE (2020-25)

In the current 2020-25 regulatory control period Energex is forecast to spend $19.0 million in capital expenditure, against an allowance of $10.6 million. Over the same period, Ergon is expected to spend $27.1 million, against an allowance of $26.8 million.

The lower AER allowance for Energex in the 2020-25 period was a result of the alignment by EQL of accounting treatment for equipment capital purchases, aligning to the Ergon model. The calculated outcome was significantly lower than required, reflected in the actual spend. This imbalance has been addressed for the 2025-30 submission.

Table 4: Tools and Equipment capital expenditure 2020-25, $m June 2025

SCS capex, $m	2020-21	2021-22	2022-23	2023-24 (F)	2024-25 (F)	Total
Energex						
AER allowance	1.6	2.4	2.2	2.2	2.2	**10.6**
Actual/Forecast	1.7	4.0	4.3	4.1	5.0	**19.0**
Ergon						
AER allowance	5.3	5.3	5.4	5.4	5.4	**26.8**
Actual/Forecast	5.2	4.9	5.9	5.0	6.2	**27.1**

Notes:

1. AER allowance data is as per AER determinations, converted to $2024-25 ($June 2025) using CPI escalation
2. Actual data for 2020-21 to 2022-23 is as published in the annual RIN, converted to $2024-25 (June 2025)
3. Forecast data (F) has been used for 2023-24 and 2024-25

Figures 2 and 3 (Section 5) provide an overview of the actual and forecast spend versus the AER allowances for both the 2015-2020 and 2020-2025 periods.

Both DNSPs have reduced tools and equipment expenditure in the 2025-30 regulatory control period due to continuing alignment activities which increase EQL purchasing power, some frontline staff reductions through the period and adoption of new technologies including shifting away from hydraulic tooling to battery tools.

5 EXPENDITURE FORECAST (2025-30)

In the next regulatory control period Energex is forecast to spend $25.2 million in capital expenditure. This is a $6.2m or 33 per cent increase on forecast spend in the current period. Over the same period, Ergon is expected to spend $31.7 million. This is a $4.5m or 17 per cent increase on forecast spend in the current period.

Primary drivers for the increase include additional requirements driven by an increasing program of work (this includes both additional employees and additional fleet requirements).

Table 5: Tools and Equipment capital expenditure 2025-30, $m

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Which comprises:							
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Figure 2: Tools and equipment capital expenditure 2015-30 (Energex)

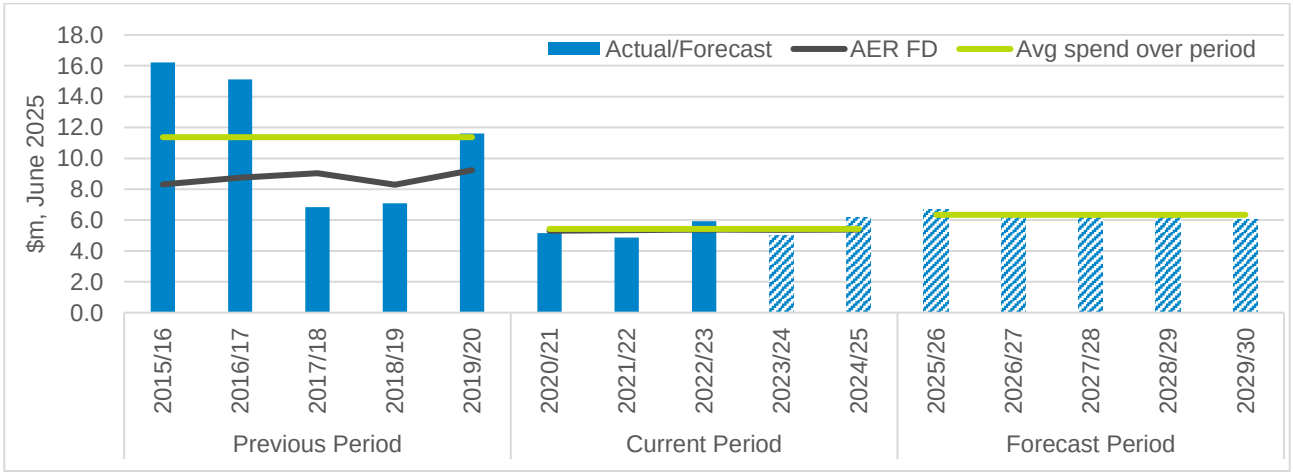
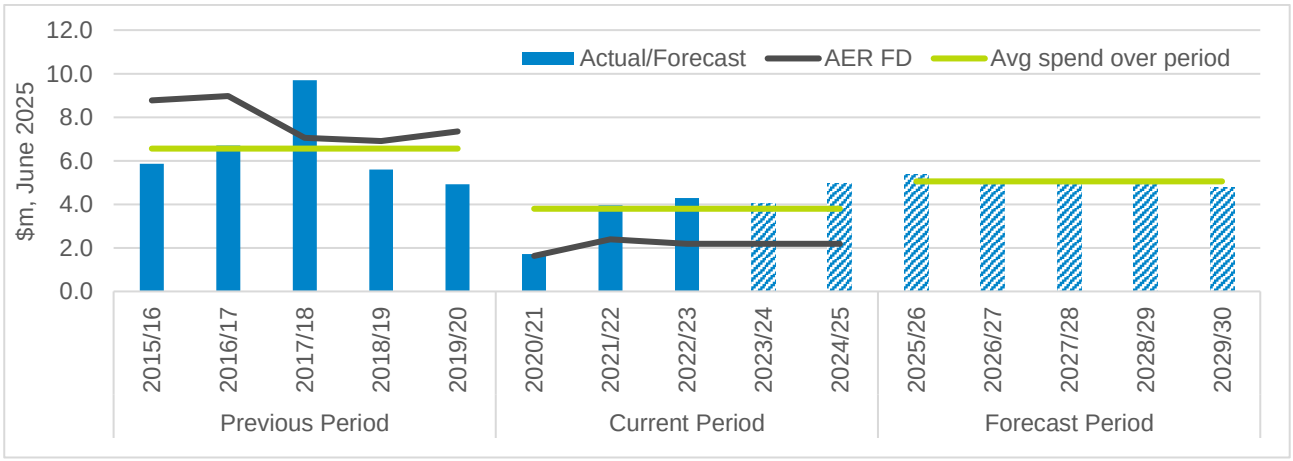


Figure 3: Tools and equipment capital expenditure 2015-30 (Ergon Energy Network)



APPENDICES

APPENDIX 1: ALIGNMENT WITH THE NATIONAL ELECTRICITY RULES

NER capital expenditure objectives	Rationale
A building block proposal must include the total forecast capital expenditure which the DNSP considers is required in order to achieve each of the following (the capital expenditure objectives):	
6.5.7 (a) (1) meet or manage the expected demand for standard control services over that period	Our tools and equipment assets are utilised by the business as necessary to undertake construction, maintenance, and service activities and to enable support services to deliver core distribution business functions. Non-network tools and equipment expenditure is essential to enable the delivery of expected standard control services over the 2025-30 period. The expenditure will ensure that the workforce has the correct equipment to safely and efficiently operate and maintain the electricity network. This ensures the safe and reliable electricity supply for the community.
6.5.7 (a) (2) comply with all applicable regulatory obligations or requirements associated with the provision of standard control services;	
6.5.7 (a) (3) to the extent that there is no applicable regulatory obligation or requirement in relation to: (i) the quality, reliability or security of supply of standard control services; or (ii) the reliability or security of the distribution system through the supply of standard control services, to the relevant extent: (iii) maintain the quality, reliability and security of supply of standard control services; and (iv) maintain the reliability and security of the distribution system through the supply of standard control services	
6.5.7 (a) (4) maintain the safety of the distribution system through the supply of standard control services.	
NER capital expenditure criteria	**Rationale**
The AER must be satisfied that the forecast capital expenditure reflects each of the following:	
6.5.7 (c) (1) (i) the efficient costs of achieving the capital expenditure objectives	Replacement cycles are reviewed on an on-going basis to ensure optimum return on investment, identifying assets that are outside the industry norm and may require early intervention. The procurement of all equipment assets adheres to purchasing policies, guidelines and procedures through a combination of tenders, contracts, assessing Government supply arrangements and quotations. The investment level proposed is considered the most prudent option to address the identified need.
6.5.7 (c) (1) (ii) the costs that a prudent operator would require to achieve the capital expenditure objectives	
6.5.7 (c) (1) (iii) a realistic expectation of the demand forecast and cost inputs required to achieve the capital expenditure objectives	

APPENDIX 2: RECONCILIATION TO RESET RIN

Table 6: Reconciliation of tools and equipment forecast to AER capex model/Reset RIN

Expenditure	DNSP	2025-26	2026-27	2027-28	2028-29	2029-30	2025-30
Expenditure in forecast model $m, nominal	Energex Ergon	13.9	13.4	14.1	13.9	13.9	**69.3**
Expenditure in forecast model $m, 2022-23 (Dec 2022)	Energex Ergon	12.6	11.8	12.1	11.6	11.3	**59.4**
Allocation to DNSP (where applicable)							
DNSP capex ($m, 2022-23) (Dec 2022)	Energex	5.3	5.0	5.1	4.9	4.8	**25.2**
DNSP capex ($m, 2022-23) (Dec 2022)	Ergon	7.3	6.8	7.0	6.7	6.5	**34.2**
Allocation to SCS capex							
SCS capex ($m, 2022-23) (Dec 2022)	Energex	4.8	4.5	4.6	4.4	4.3	**22.6**
SCS capex ($m, 2022-23) (Dec 2022)	Ergon	6.0	5.7	5.8	5.6	5.4	**28.4**
Add escalation adjustments							
Escalation from $2022-23 to $2024-25	Energex	0.6	0.5	0.5	0.5	0.5	**2.6**
Escalation from $2022-23 to $2024-25	Ergon	0.7	0.7	0.7	0.6	0.6	**3.3**
Expenditure in AER capex model/Reset RIN $m, $June 2025	**Energex**	**5.4**	**5.1**	**5.2**	**4.9**	**4.8**	**25.2**
Expenditure in AER capex model/Reset RIN $m, $June 2025	**Ergon**	**6.7**	**6.3**	**6.5**	**6.2**	**6.0**	**31.7**

APPENDIX 3: GLOSSARY

Term	Definition
AER	Australian Energy Regulator
CAM	Cost Allocation Methodology
EQL	Energy Queensland
OEM	Original Equipment Manufacturer
PoW	Program of Work
SCS	Standard Control Services