

AusNet
Coordination Group
pre-lodgement
meeting
PUBLIC

AusNet items

6 Dec 2024





b) Service provider change

Service provider change (1/3)

In October 2024, we announced that, following a market testing process, we have engaged Zinfra as our new service delivery partner for operations and maintenance of our network, commencing in August 2025 and replacing Downer.

We have made these changes to:

- **Deliver better performance and outcomes for our customers** and stakeholders (including how we respond to extreme weather events);
- **Improve visibility and control** over Operations & Maintenance activities and our works programs;
- **Strengthen our presence in our communities**; and
- **Increase control over our operational assets** across our network – e.g., fleet, depots, tools and equipment.

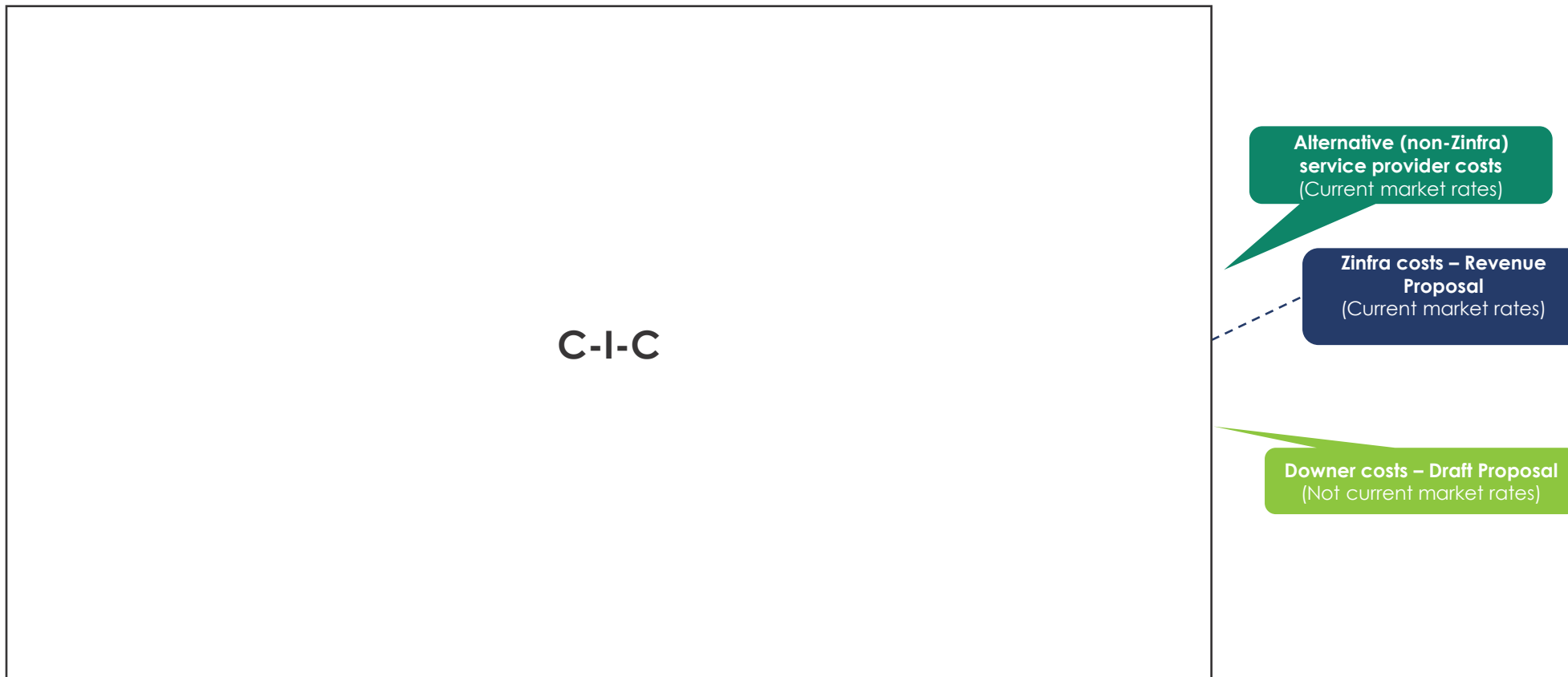
For our EDPR, key implications of this change are:

- 1. Incorporating Zinfra unit rates into our network capex forecast.** Our Draft Proposal network capex forecast reflected Downer unit rates. We have incorporated Zinfra rates into our Revenue Proposal, which are more reflective of current market rates which have increased since our Draft Proposal forecasts were finalised in July 2024 (however, unlike the Downer unit rates in our Draft Proposal, Zinfra rates do **not** include a fleet component)
- 2. Ensuring our expenditure forecasts include the efficient costs of owning (or leasing) our own fleet.** To address the above point, we are assessing both own and lease models and will base our EDPR forecast on the model that meets our operational needs at the lowest long-term cost to customers. Our preliminary forecast of fleet capex is below the spending levels of many of our peers
- 3. Ensuring transition costs are appropriately treated under the CESS.** By applying Zinfra unit rates to our capex forecast, which are lower than alternative service providers, we have foregone capex outperformance opportunities during the 2026-31 period. Therefore, we consider the costs of transitioning to Zinfra, which are **not** captured in our current period allowances, should be excluded from the CESS, to avoid unreasonably penalising AusNet and discouraging businesses from investing in lower cost arrangements that benefit customers.

Service provider change (2/3)

Recent market testing demonstrates efficiency of new Zinfra arrangements and the avoided costs of an alternative (non-Zinfra) service provider

NPV of capex costs, \$M



Service provider change (3/3)

Preliminary numbers, being finalised as we work through the transition and obtain further fleet information from Downer

\$m real 2024, direct costs	Draft Proposal	Revenue Proposal <i>(Subject to refinement & change prior to lodgement)</i>	Alternative Revenue Proposal scenario <i>(For illustrative purposes)</i>
	Based on Downer rates	Based on Zinfra rates	If we utilised a non-Zinfra service provider
Repex programs (condition-based replacement programs based on unit rates)	\$758m Based on Downer rates that: <ul style="list-style-type: none"> • Include fleet component • Are not reflective of current market rates 	\$771m Based on Zinfra rates that: <ul style="list-style-type: none"> • Exclude fleet component • Are reflective of current market rates. <i>Also reflects other repex refinements</i>	\$834m Based on alternative service provider rates that: <ul style="list-style-type: none"> • Include fleet component • Are reflective of current market rates
Fleet capex for additional fleet required under new service delivery model	\$0 (captured in Downer rates)	\$83m , assuming we maintain current Downer mix of owned vs. leased vehicles <i>Includes some growth in fleet size to accommodate our increasing capex program and workforce</i>	\$0 (captured in alternative service provider rates)
Incremental opex, including for additional fleet required under new service delivery model	\$0 (captured in Downer rates)	\$0m , assuming we maintain current Downer mix of owned vs. leased vehicles	\$80m , reflecting costs in excess of base year
Fleet capex for vehicles currently owned by AusNet	\$19m	\$19m	\$19m
Total	\$777m	\$873m	\$933m

We are still working through implications of this change for our EDPR forecasts and, prior to lodgement, will update the Coordination Group when we have finalised the impacts