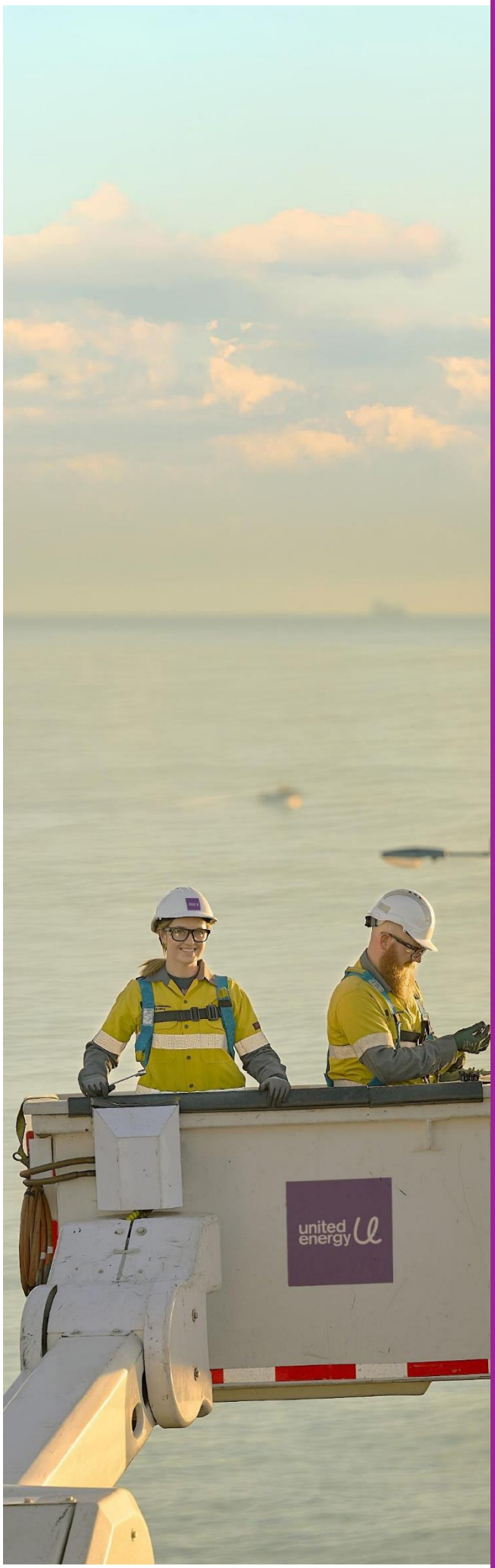

PROPERTY, FLEET AND OTHER NON-NETWORK

HEAD OFFICE REFURBISHMENT

UE BUS 8.01 – PUBLIC

2026–31 REGULATORY PROPOSAL

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1. Overview

The current head office is located in Melbourne's central business district (CBD), functioning as the corporate head office for CitiPower, Powercor and United Energy. The building houses approximately 1,110 employees and contractors. The current lease commenced in 2015 for a 15-year term, which is expected to be renewed in 2030.

The site ideally located, due to its centrality in the CBD, and proximity to all three CitiPower, Powercor, and United Energy networks. Moreover, this location is optimal to ensure accessible public transport commutes for our employees, who travel to the office from all areas of the greater Melbourne region.

Our head office is critical in enabling the delivery of our services, including the following functions:

- corporate office—this is the office housing all corporate functions including network design, planning, performance and asset management, and vegetation management
- network control room—our networks are managed by electricity control rooms that operate 24/7, 365 days a year. The control centres manage the flow of electricity to and from customers' homes and businesses, while monitoring the performance and security of our network
- fleet storage—our head office includes the storage of pool vehicles for employees to utilise when driving to work sites and other depots
- call centre—we have a dedicated customer service team operating out of the Melbourne head office location

Our current head office, however, is no longer fit for purpose, has aging and outdated facilities, and does not meet the standard of a modern workplace.

The preferred option is to refurbish our current head office. A summary of these costs is set out in table 1.

TABLE 1 SUMMARY OF PREFERRED OPTION ($M, 2026)

OPTION TWO	FY27	FY28	FY29	FY30	FY31	TOTAL
Refurbish head office	-	-	2.9	6.9	-	9.9

2. Identified need

Our head office fit-out is no longer fit for purpose and has aging facilities, which will have extended beyond the typical useful life of a corporate office by the end of the 2026–31 regulatory period. Further, the current office and layout do not accommodate for the shift to a hybrid work environment post COVID-19, nor the increasing employee requirements and expectations for a modern workplace.

The identified need is to therefore ensure our head office remains fit for purpose: meeting the needs of our workforce to ensure efficient delivery of our core and critical services across Victoria.

2.1 Current head office fit-out will exceed typical end of life

The current head office fit-out was completed in 2015 and as such, is reaching its end of useful life. The office fit out will have reached over 16 years by the end of the next regulatory control period, which extends beyond the useful life of a corporate office fit out. Aged and outdated office and co-working spaces can result in numerous challenges, including compromised wellbeing and comfort for our employees, reduced productivity, and potential health and safety hazards.

Our facilities are aged and already showing significant signs of wear and tear. This has led to increasing annual maintenance and replacement costs, including:

- Auto-visual (A/V) equipment replacement
- Workstation repair and replacement
- Carpet tile replacements
- Ceiling tile replacements
- Additional and replacement storage cupboards
- Furniture repair and replacement
- Lighting repairs and replacement
- Air-conditioning repairs and upgrades
- Floor repairs and resealing

Further, the head office lifts are showing increasing deterioration due to age, with several maintenance issues encountered over the past 12 months. These maintenance issues have taken individual lifts offline for extended periods (up to three months in some cases). This has put capacity strain on the remaining lifts, leading to over-filling of lifts, and long delay times for employees leaving and entering the building.

2.2 Current facilities are no longer fit for purpose

Our current head office fit-out and configuration is no longer fit for purpose. This is in part due to the aged nature of our head office facilities, compounded by evolving expectations for a modern office, largely due to the significant shift in workplace behaviour patterns, expectations, and requirements since the COVID-19 pandemic, which have compounded with technological advancements and associated IT investment requirements.

The way in which we work has transformed significantly over the past five years. Hybrid working arrangements have meant that collaboration spaces with appropriate technology for video conferencing and flexible workspaces including ‘hot desking’ are crucial in allowing for a productive work environment.

Currently, meeting rooms across the building are at capacity over 90 per cent of the time. In addition, only 25 per cent of the meeting rooms have video conferencing capabilities, making it difficult to incorporate team members working remotely from home or other locations. Moreover, the current head office configuration does not comprise a sufficient volume of large meeting rooms, nor general spaces for hybrid collaboration involving both in-person and online attendees. The low number of large meeting rooms are booked out months in advance for regular training purposes, including monthly new-starter employee induction days, and our comprehensive learning and development programs. Employees across the building have expressed persistent difficulty finding available meeting rooms, particularly those that can accommodate more than eight people. This further limits staff collaboration, particularly when hybrid collaboration between in-person and online employees is required.

Further, the current workstations installed across the building comprise fixed desks without height adjustment capability. This severely limits the ability to move to 'hot desking' arrangements to allow for new flexible working arrangements, as individual ergonomic requirements cannot be catered for; resulting in compromised occupational health and safety outcomes, particularly for employees who work from our head office on a less regular basis, and short-term external contractors, without a dedicated and individually tailored desk workspace.

In addition, the office has little natural light, a lack of break out rooms and sub-optimal staff facilities, including kitchen and lunch areas, and inclusive bathrooms. This presents a poor environment for employees and does not meet the expected standard of a modern workplace. Moreover, this can decrease morale and productivity of staff, lead to increased turnover, and discourage employees from working in the office at an optimal frequency.

3. Options analysis

Three options were explored to meet the identified need, which are outlined in table 2. Option two is the preferred option with the highest net present value (NPV).

TABLE 2 SUMMARY OF NPV ANALYSIS ($M, 2026)

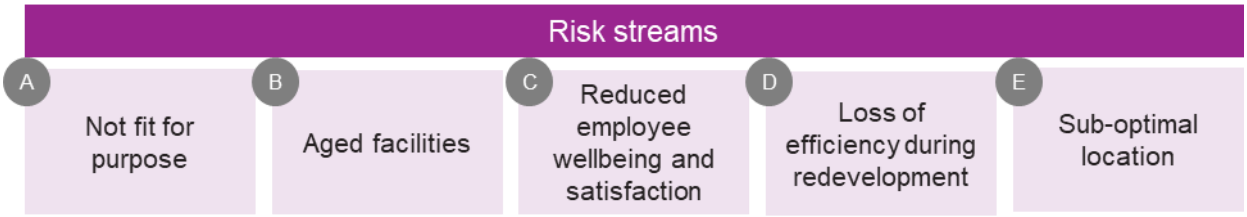
OPTION		NPV
1	Maintain status quo: do not refurbish head office	-
2	Refurbish head office	44.6
3	Relocate to an alternative head office site	32.9

Other options were considered but not considered viable, such as modest renovations at the current head office. Modest renovations, comprising light upgrades to select ageing facilities, will not address the identified need, which is driven by both the need to optimise the lay-out to better facilitate modern workplace requirements of a hybrid office environment, as well as the need to upgrade aged facilities. Modest renovations would also likely result in higher costs in the long-term given the current age, without addressing the efficiency losses associated with the current configuration, compared to a comprehensive fit-out refurbishment of the site.

3.1 Risk quantification framework

A risk quantification framework was applied to assess the three options. Figure 1 summarises the key risk streams quantified at a high level, with more detailed explanation in Appendix A. The option assessment can be found in the attached NPV model.[1]

FIGURE 1 RISK QUANTIFICATION SUMMARY



3.1.1 Option one: do not refurbish head office

The base case option involves no capital investment. This means we will maintain the status quo and not refurbish our head office. Under this option, we will continue to experience significant challenges associated with our head office lay-out and aging facilities, including continued and deteriorating staff productivity, reduced staff wellbeing, satisfaction and retention rates, and increasing maintenance costs.

[1] UE MOD 8.01 - Head office - Jan2025 - Public

3.1.2 Option two: refurbish head office

Option two is to refurbish and reconfigure our current head office design. As shown in table 3, option two includes up-front capex, but material benefits in avoided risk. Overall, this option results in an optimal outcome, avoiding the high level of risk relative to the 'do nothing' base case of option one.

TABLE 3 OPTION TWO NPV ($M, 2026)

OPTION TWO	PV COSTS	PV BENEFITS	NPV
Refurbish head office	11.4	56.0	44.6

Refurbishment of the current head office will comprise a comprehensive fit out include. Replacement of the office fit out within the next regulatory period would be consistent with the typical expected life of 10–15 years for office design, equipment, and furniture.

The redesigned fit-out will include a general upgrade to improve the current aged facilities. This presents the most efficient approach to meeting the identified need. It will also include the following improvements to address the identified risks associated with the current head office:

- increasing the number of meeting rooms in different sizes and configurations on each floor through the removal of offices. Each meeting room will be fitted with video conferencing capabilities to cater for remote internal staff and external online meeting attendees
- hotdesking infrastructure will be deployed on each workstation to allow staff to book desks when attending the office to cater for new flexible ways of working. This will ensure we optimise the utilisation across the building
- modernisation of office facilities, including renovations for co-working spaces, improved staff lunchrooms, discreet health and drug testing facilities, and learning and development spaces
- adjustable desks will be deployed across the building to cater for ergonomic and accessibility requirements, enabling hot desking in-line with occupational health and safety standards
- lift systems will be modernised to meet performance and accessibility standards
- staff amenities will be updated including end of trip facilities to encourage health and wellbeing, and all-gendered bathrooms
- improved accessibility across the building, aligning with current standards and requirements

The only associated risk cost of this option is the temporary loss of efficiency during the time of refurbishment. However, this cost is low, given the construction plan to reconfigure one floor at a time.

3.1.3 Option three: relocate to an alternative head office site

Option three includes leasing an alternative site for our head office. This option also includes the fit-out costs of the new head office. As shown in table 3, option three includes upfront capex and material benefits in avoided risk, however, it is a lower NPV than option two.

TABLE 4 OPTION THREE NPV ($M, 2026)

OPTION THREE	PV COSTS	PV BENEFITS	NPV
Relocate to an alternative site	23.2	56.0	32.9

The lower NPV relative to option two is due higher upfront capital costs as well as the residual risk associated with the ongoing cost of a sub-optimal location. Following market scans, it is clear we will have limited opportunities within the Melbourne CBD to find an appropriate replacement space. This is because we require specific office requirements, including:

- security—due to the presence of our control room, our preference is to be the sole tenant of the building to ensure we have complete control of access to the building to ensure network security
- carparking—we require a high volume of carparks at our head office. Replicating that number is difficult at other CBD office locations. We require this parking for pool cars, control room employees who work evening shifts, and vehicles used by employees based in Market Street who must travel across the network on a regular basis, and often on short notice

Further, transitioning to a new head office would be challenging operationally. This is partly due to the presence of our critical network control room, as we would need to replicate the existing control room at a new site, and have it live prior to decommissioning the existing one. This limits our ability to reuse any of the existing equipment or components. Moreover, this would incur additional costs, due to the lease overlap required to ensure a smooth transition of operations. In addition, another significant challenge is that shifting our head office would require the re-routing of certain communications fibre cables that are currently connected in our head office.

4. Recommended option

Option two is the preferred option with the highest NPV.

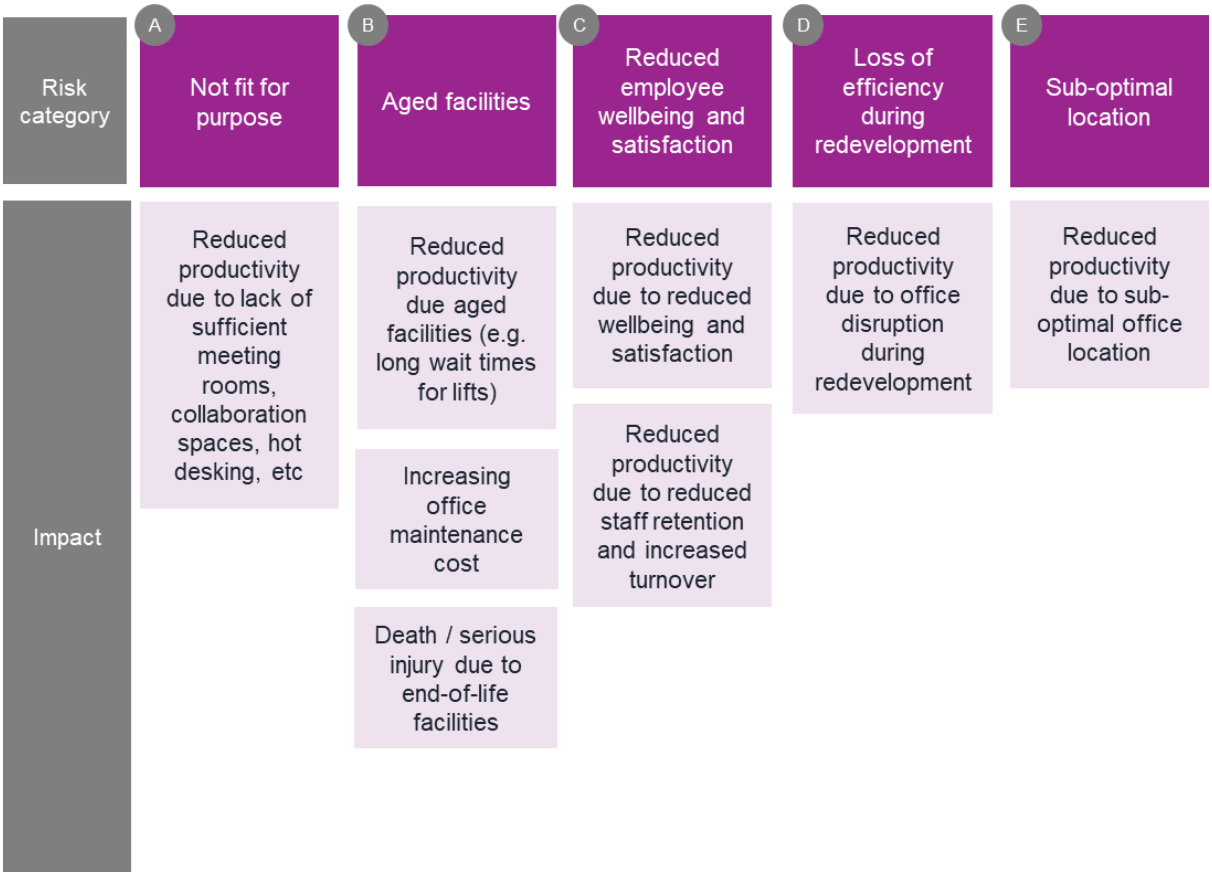
Our recommended option includes refurbishment of our current head office. This option will allow for the upgrade of our aged facilities, a fit-for-purpose layout, and modern working environment.

The head office fit-out upgrade will also allow us to enter into a long-term extension of the lease, which is due to expire within the next regulatory control period. Surety of tenure is of critical importance given the site houses the primary control room for the CitiPower and Powercor network. In addition, remaining at the existing site will ensure an optimal location is maintained, minimise any disruption to business operations, and prevent associated efficiency risk costs.

A Benefit framework

Figure 2 illustrates a summary of the risk framework, including the high-level risk categories and their quantified impact streams.

FIGURE 2 SUMMARY OF BENEFIT FRAMEWORK



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