PROPERTY, FLEET AND OTHER NON-NETWORK

PROPERTY RECURRENT EXPENDITURE

UE BUS 8.02 – PUBLIC
2026–31 REGULATORY PROPOSAL

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1. Overview

Our recurrent property expenditure relates to non-network property assets, which are assets that are not integrated or imbedded in the primary distribution network. This includes depots, zone substation control room buildings, and supporting infrastructure, such as security fencing and surveillance assets.

Ultimately, our property management strategy aims to ensure buildings and supporting infrastructure remain fit for purpose through prudent upgrades and interventions. There is an increasing need to respond to a persistent and growing security risk, as well as evolving expectations to promote environmental sustainability.

This business case comprises two core components of our property recurrent expenditure, including:

- physical security—addresses security vulnerabilities through a targeted program focused on high security fencing of critical assets, and building access control systems (BACS) integration
- environmental sustainability—addresses the increasing need to reduce emissions in accordance with customer expectation, achieved through targeted depot and control room investments such as installing solar panels, battery storage, and electric vehicle (EV) charging infrastructure

Three options were explored, with the preferred option being to maintain property recurrency with additional targeted upgrades. A summary of the costs associated with this option are set out in table 1.

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

OPTION THREE	FY27	FY28	FY29	FY30	FY31	TOTAL
Maintain property recurrency with targeted upgrades	2.2	1.2	1.1	1.6	0.9	7.0

2. Identified need

Our property portfolio (including depots, zone substation control room buildings and supporting infrastructure) plays an important role in ensuring efficient, safe, affordable, and reliable network operations. Our property management strategy aims to ensure they remain fit for purpose, including safety, security, and sustainability considerations.

There is an increasing need to respond to rising security risks. During the current regulatory period, our current security program has become increasingly unfit for purpose, due to the growing rates of theft and break-in attempts across our network, resulting in increased reactive costs to respond and rectify these incidents, as well as increased safety risks to our staff, network reliability, and the communities we serve.

There is also an increasing need to efficiently reduce our emissions in line with government targets and customer expectations, while balancing these outcomes with affordability.

The identified need is to ensure our properties remain fit for purpose to support the secure, safe, efficient, and sustainable delivery of our services throughout the 2026–31regulatory period.

Physical security risks are increasing, requiring enhanced high security upgrades

Cooper theft of distribution network assets is increasing, with theft being targeted at facilities and locations storing assets containing copper such as public lighting (pole-to-pit), pole earths, distribution substations, kiosks, zone substations and depots. Unauthorised access to our assets for the purposes of copper theft has become a growing concern, due to its impact on our infrastructure and public safety. Many incidents result in service disruption to our customers and present safety hazards to the community and our staff, as well those interfering with our assets.

There are a number of distribution kiosks that do not currently have adequate security fences installed. Distribution kiosks are at high risk of potential theft as there are various high-values assets which contain copper. There have been numerous incidents of theft and unauthorised entry to these sites. This has led to customer outage impacts and increased costs due to incident inspection, site damage rectification, asset replacement, and associated resourcing impacts.

Further, distribution kiosks are decentralised assets and as such, present unique challenges and risks regarding mitigating unauthorised entry. This is due to the positioning and locations of the kiosks that range from urban locations such as residential suburbs, commercial estates, and remote rural and bushland settings. Previously, break-in attempts have resulted in outage impacts, which has required that generators be deployed to temporarily restore supply, until the kiosk has been reinstated. These necessary reactive measures present an additional cost to network operations and customer reliability.

We must evolve our business practices gradually to enable decarbonisation of operations

Environmental sustainability is of increasing importance to our customers, stakeholders, and communities. The regulatory and policy landscape is significantly different to our previous regulatory reset, with net zero emissions and renewable energy targets now in place by state and federal governments.

Moreover, these commitments align with our customers' expectation, which were made clear throughout our extensive broad and wide customer engagement program. Our grass-roots engagement found a strong expectation from customers that we decarbonise our own operations and enable customers to decarbonise their homes and businesses. However, there was prevailing feedback that outcomes must be balanced with costs, particularly given cost-of-living pressures.

We have a demonstrated committed to reducing our carbon emissions and ensuring that we operate sustainably to protect and respect the environments and communities in which we are operate. To date, we have made significant investments across our network to efficiently reduce emissions—and have already achieved our 2030 targets of 30% emissions reduction below 2019 levels, well ahead of time. Throughout the current regulatory period we have invested in hybrid passenger vehicles and initiated a pilot EV uptake program.

3. Options analysis

To address the identified need, we considered three options. Table 2 provides a summary of these options, with further detail in our attached model.[1] Option three is our preferred option as it materially reduces property security and safety risks, with moderate additional cost, relative to option two. Moreover, option three addresses the growing sustainability requirements and expectations of our customers, stakeholders, and the recently amended national electricity objective.

TABLE 2 SUMMARY OF OPTIONS ($M, 2026)

OPTION		COST
1	do not maintain property recurrency	-
2	maintain property recurrency	5.6
3	maintain property recurrency with targeted upgrades	7.0

3.1 Option one: do not maintain property recurrency

Under option one, we will not maintain our properties recurrency. This option will put our customers' energy supply security at risk and will materially increase the risk of the potential for harm to our staff and members of the public by not upgrading security, safety and suitable measures. More specially, this option will:

- reduce our ability to protect staff and the wider community and detect against unauthorised intrusions, increasing the likelihood of a major security incident at our facilities
- increase the likelihood of a major physical security incident, which may result in the failure to deliver a safe and dependable supply of electricity, breaching of section 6.5.6(a)(iii) of the Rules
- increase costs and risks associated with responding to and remediating physical security breaches, including those resulting from personnel and public injuries
- reduce our capacity to meet stakeholder and customer expectations to reduce emissions.

3.2 Option two: maintain property recurrency

Option two is to maintain property recurrency. These works include improvements to the security of our critical assets. Following strong customer engagement feedback, an environmental sustainability program was also included. A summary of these costs is in table 3.

[1] UE MOD 8.02 - Property recurrent - Jan2025 – Public and UE MOD 7.19 - Facilities security cost - Jan2025 - Public

TABLE 3 OPTION TWO COSTS ($M, 2026)

COMPONENT	COST
Physical security	3.9
Environmental sustainability	1.7
Total	**5.6**

This option includes expenditure in two key categories including physical security, building upgrades and environmental sustainability improvements. This is summarised below.

Physical security

The instances of security breaches, including attempted break-ins and copper theft, continue to rise. In accordance with industry best practice, option two includes:

- kiosk fencing across 45 priority distribution substation sites which support critical telecommunications infrastructure
- maintenance of BACS infrastructure which includes the replacement of existing aged CCTV and associated technology integration of security controls

Sustainability

Our customer engagement program evidenced that customers place value on reductions in emissions, however, there is a trade-off between sustainability and affordability. Option two includes a limited sustainability increase, focused on:

- rooftop solar at our three depots and select zone substation control room sites. The installation of solar at critical zone substation control rooms has been determined in accordance with our SOCI review to reduce the load on station supply to power air conditioning and other ancillary services
- battery storage at depots and select priority one SOCI zone substation control room sites, to increase the utilisation of proposed solar investments and provide power redundancy for CCTV.

Option two assessment

The investments proposed in option two will result in several benefits, including:

- enhanced security of critical kiosks via physical barriers, leading to a decreased likelihood of theft incidents, customer reliability impact, safety incidents, and damage to essential assets
- maintained surveillance capability through the replacement of existing BACS infrastructure
- modest upgrades to improve building sustainability to continue our emission reduction goals

However, option two does not meet the following identified needs:

- comprehensive security protection to address the increased security risk resulting from the increased incidents of theft and unauthorised entry of buildings and assets across our network. This presents a risk to the safety of our staff, communities, as well as network reliability, due to associated increased outage risks
- facilitate emissions reduction via our proposed fleet electrification investment.

3.3 Option three: maintain property recurrency with targeted upgrades

Option three is to maintain property recurrency, with targeted proactive upgrades to facilities security, and sustainability. A summary of these costs is in table 4.Table 4

TABLE 4 OPTION THREE COSTS ($M, 2026)

COMPONENT	COST
Physical security	4.2
Environmental sustainability	2.8
Total	**7.0**

Option three includes all initiatives within option two, as well as targeted enhancements, including:

- facilities security improvements, including the expansion of our existing CCTV and BACS programs, and security monitoring drones providing surveillance of assets across our network
- installation of EV charging infrastructure across our three depots.

Option three assessment

The investments proposed in option three will result in all benefits outlined in option two. Additionally, option three will result in the following benefits that option two does not address:

- ensuring that our security program remains fit for purpose, and capable of responding to the rising risks resulting from increased incidents of theft and unauthorised entry of buildings and assets across our network. This will be achieved by:
    - enhanced surveillance capability through the expansion of our existing CCTV and BACS integration programs, which will provide the flexibility necessary to provide real-time video monitoring and situational awareness, leading to both increasing deterrence and detection of security incidents
    - the installation of autonomous drones, which will provide enhanced surveillance and monitoring of assets including depots, storage facilities and construction sites which can be in either urban or rural locations
- supporting our proposed fleet electrification investment and enable associated emissions reduction benefits through the installation of EV charging infrastructure at our depots. [2]

We therefore assess that option three responds to all identified needs outlined above.

[2] UE MOD 8.03 - Fleet - Jan2025 - Public

4. Recommendation

Option three is the preferred option with the greatest benefit of risk reduction, addressing all identified needs. The additional cost of this option is minimal, relative to option two (maintain property recurrency), and will result in significant additional benefit.

Our recommended option will address the increased security risks experienced during the current regulatory period. Moreover, this option balances cost with value and is aligned with our customers' evolving expectation for businesses to decarbonise.

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