

Contents

Inputs	Tab I0
Calculations	C0
Cashflow	C1
CBA results	R0
Cashflow results	R1

Cell colour key

Header 1

Header 2

Table Header

Format	Example
Table Row Name	Text
Input Cell	
Calculation cell	
Parameter Cell	
Output Cell	

Project description

Condition assessment reports identified issues with the selected assets. Significant consequences of failure to personel and network exist in the event of insulator failure, if it were not replaced. Primarily the consequences relate to network availability and safety, but also include: reputation, environment and financial. This project is required to refurbish insulator systems on selected lines to achieve a life extension of the overall asset. The project is to be completed in the 2018-23 regulatory period. The feeder identified for insulator replacement is F1903 TIPS - CHERRY GARDENS 275kV Line Insulator Refurbishment.

Project options

Base case	Business as usual with no capital expenditure.
Option 1	Replacement in 2018-2023
Option 2	Replacement in 2023-2028

Key modelling assumptions

Financial year runs from 1 July to 30 June.

Real 2018 \$ are used for all monetary values unless otherwise stated.

Inputs to the model

Parameter/Input	Description	Source
Discount rate	Real pre-tax discount rate	ElectraNet estimate
Current financial year	Year to start analysis	When the capital investment is due to occur for the project
Time horizon	Length of time under consideration	Total project life including useful life and if the project occurred in the next regulatory period
Capital costs	Amount of capital investment in real terms for each project option	Estimated capital costs in the estimate from project centre
Useful life	Length of time capital investments are expected to provide service	Useful life estimated from original economic justification on project centre
Routine maintenance	Annual amount of estimated routine maintenance in real terms	See Detailed Opex Assessment
Corrective maintenance	Annual amount of estimated corrective maintenance in real terms	See Detailed Opex Assessment
Risk Cost Reduction	Annual cost of risk if the unit is not replaced	See Detailed Risk Assessment

10 Inputs

User provided parameters and inputs to the model

Inputs

General parameter inputs

Parameter	Unit	Value	Source	Sensitivities		
				Low	Medium	High
Inflation rate	Percentage	2.00%	RBA	1.50%	2.00%	3.00%
Discount rate (real, pre-tax): estimate	Percentage	6.00%	ElectraNet estimate	4.50%	6.00%	8.50%
Discount rate (real, pre-tax): lower bound	Percentage	4.50%	ElectraNet estimate			
First year of analysis	Year	2018	Current financial year			
Base financial year for analysis	Year	2018	Base year			
Time horizon	Years	20	ElectraNet			

Capital cost

Sensitivities			Comment
Low	Medium	High	
70%	100%	130%	Standard sensitivities used

Capital cost inputs						
Option	Asset	Amount	Start year	End year	Commission year	Asset life
Option 1	Line Insulator	6,221,786	2018	2020	2021	27
Option 2	Line Insulator	6,221,786	2023	2025	2026	27

Costs inputs

Cost type		Percentage			Comment
	Cash/Non-cash	Low	Medium	High	
Routine Maintenance	Cash	70%	100%	130%	Standard sensitivities used

Financial year		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Routine Maintenance	Units	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Base case	2018 \$	417,467	417,467	417,467	417,467	417,467	417,467	417,467	417,467	417,467	417,467	417,467	417,467	417,467	417,467	417,467	417,467	417,467	417,467	417,467	417,467
Option 1	2018 \$	417,467	417,467	417,467	3,096	3,096	3,096	3,096	3,096	3,096	3,096	3,096	3,096	3,096	3,096	3,096	3,096	3,096	3,096	3,096	3,096
Option 2	2018 \$	417,467	417,467	417,467	417,467	417,467	417,467	417,467	417,467	3,096	3,096	3,096	3,096	3,096	3,096	3,096	3,096	3,096	3,096	3,096	3,096

Benefit inputs

Benefit type		Percentage			Comment
	Cash/Non-cash	Low	Medium	High	
Risk Cost Reduction	Cash	50%	80%	100%	Lower sensitivities

Financial year		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Risk Cost Reduction	Units	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Base case	2018 \$	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Option 1	2018 \$	0	0	0	14,188,280	14,639,096	15,117,954	15,621,464	16,147,087	16,692,841	17,257,126	17,838,621	18,436,212	19,048,947	19,675,998	20,316,641	20,970,234	21,636,204	22,314,037	23,003,267	23,703,471
Option 2	2018 \$	0	0	0	0	0	0	0	0	16,692,841	17,257,126	17,838,621	18,436,212	19,048,947	19,675,998	20,316,641	20,970,234	21,636,204	22,314,037	23,003,267	23,703,471

R0 CBA Results

Sensitivities, results and rankings

Input Summary

Parameter selection for sensitivity analysisDiscount rate

Scenario parameters		Discount rate scenario		
	Units	Low	Medium	High
Assumed scenario weighting	% weighting	33%	33%	33%
Discount rate	% real, pre-tax	4.50%	6.00%	8.50%
Capital cost	% of estimate	100%	100%	100%

Cost selection for sensitivity analysisRoutine Maintenance

Scenario cost inputs		Routine Maintenance scenario		
	Units	Low	Medium	High
Routine Maintenance	% of estimate	70.0%	100.0%	130.0%

Benefit selection for sensitivity analysisRisk Cost Reduction

Scenario benefit inputs		Risk Cost Reduction scenario		
	Units	Low	Medium	High
Risk Cost Reduction	% of estimate	50.0%	80.0%	100.0%

Cost Benefit Analysis Results (Quantitative)

Output summaryNet present value of benefits

NPV results		Scenario			Weighted
Option	Units	Low	Medium	High	NPV
Option 1	2018 \$	94,642,330	131,582,955	129,971,611	118,732,299
Option 2	2018 \$	64,801,796	86,650,227	79,915,530	77,122,518

Output summaryRanking of options

Ranking of options		Scenario			Weighted
Option	Units	Low	Medium	High	ranking
Option 1	2018 \$	1	1	1	1
Option 2	2018 \$	2	2	2	2