Property Project Business Case

Project Name and Number	Lismore Depot Relocation – Project #TBC	
Project Manager	[redacted]	
Property Program Name	Lismore Depot – new build	
Project Coordinator	[redacted]	
Sponsor and Business Unit	[redacted]	
Project Start and Finish Dates (including default liability period)	Start: 2025	Finish: 2026
Document version and date	v #DRAFT	5/12/2022

Approval Amount

$'s	Previously approved *	Spent to date	This Business Case *	Total Cost	Ongoing (per annum)	NPV (excl contingency & overheads)
Capex	0	0	[redacted]	[redacted]		
Opex	0	0				
Total amount for approval						

** Include any contingency.*

Reviewers

Name	Division	Title & Function	Signature
[redacted]		Project Coordinator	

Endorsement

Name	Division	Title and Function	Signature
[redacted]	Assets & Operations	Operations Manager	
[redacted]	Governance & Corporate Services	Head of Property	
[redacted]	Assets & Operations	Head of Operations	
[redacted]	Governance & Corporate Services	General Counsel & Company Secretary	
[redacted]	Customer & Commercial	Chief Finance Officer	

Approval

Name	Division	Title and Function	Sub Delegation category	Signature & Date
[redacted]	CEO	CEO	[redacted]	

Document Control

Document Author:	[redacted]
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Date	Version	Changes Made	Author
18/10/2022	DRAFT	Final Draft – AER Submission	[redacted]

Related Documents

Document	Location	Comments

Legislative/Regulatory Obligations

Legislative Requirements	All planning for property projects are governed by the following Acts: • Environmental Planning and Assessment (EPA) Act 1979 • Work Health & Safety (WHS) Act 2011 • Protection of the Environment Operations Act 1997

Regulatory Requirements	All planning for property projects must take comply with the following regulations:
	• **Work Health & Safety Regulation** 2011
	• **Workcover Code of Practice: Managing the Work Environment and Facilities.** The WHS regulation and code of practice place obligations on businesses in relation to the work environment and facilities for workers, including requirements to provide:
	  ○ A workplace layout , lighting and ventilation that enables workers to carry out their work without risk to health and safety
	  ○ Adequate facilities for workers, including toilets, drinking water, washing and eating facilities
	• **National Construction Code (NCC)**, incorporating the Building Code of Australia (BCA) and Plumbing Code of Australia (PCA). All buildings must comply with the provisions of the NCC.
	• **Protection of the Environment Operations Regulations** (various)

Relevant Procedures

- CECP002.32 – Company Procedure (Financial Management): Investment Evaluation
- CECP002.33 – Company Procedure (Governance): Non-System Investment Proposals to Investment Governance Committees

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1 INVESTMENT NEED

1.1 Executive Summary

This Business Case is seeking approval for capital expenditure of $[redacted] to proceed with the Lismore Depot Relocation project. This project proposes to construct a new depot on suitable available vacant land within a 20km proximity to existing Depot. The project will consolidate both the depot and pole yard operations from two existing locations in Lismore. The project will include the disposal of the existing Depot site (owned) and decommissioning of existing Pole yard site (leased).

Due to the existing Lismore Depot being in close proximity to the Wilsons River, which is within a Flood Zone, the Depot is at repeated risk of being significantly flood impacted, as demonstrated by the 2017 and 2022 floods, placing the Essential Energy staff and infrastructure at risk, directly impacting Essential Energy's ability to support the local community. This paper recommends that a depot and pole yard be constructed on nearby vacant land.

For the purpose of preparing this Business Case and the Cost estimate, a theoretical site has been used, that may have a multitude of conditions which cannot be fully assessed at this stage. Once a final site has been selected and acquired with site specific design and cost plan prepared, this Business Case will be updated from its draft status and be prepared for approval.

The total assumed and estimated expenditure of $[redacted] includes the following capex expenditure, including construction works, project management and design.

The proposed building works will provide the following benefits:

- A new depot site and associated buildings, providing a healthier and safer environment for the Lismore staff.
- A new site combining all operations onto the one site and providing efficiencies for depot operations.
- Sale of existing depot site, and cost savings associated with exiting the lease of the existing pole yard. Estimate sale costs are to be confirmed but assumed to be $0 at this stage due to the significant challenges associated with the flood impacted site. Offset costs have not been included in costs above.

1.2 Background

The existing depot site is located right next to the Wilson's River, which has presented issues associated with both water flooding and environmental impacts. The Wilson's River has flooded multiple times in the past and at one point in the 2022 flooding, the depot site was completely inundated under water. The recent flood events have instigated an urgency for relocating the depot site at high priority to ensure staff and infrastructure can be protected from such events and maintain operational capability. Another concern with the existing site is that the depot and pole yard sites are separately located which causes operational inefficiencies.

With consideration to recent weather events, this paper recommends that the Essential Energy site be relocated to within a 20km radius to Lismore to ensure it is not impacted during weather events and is able to function critical infrastructure in the case of such events. The scope and property brief for the proposed site has been developed through consultation with local stakeholders, the Property team's past project experience of similar projects (including the Griffith depot development) and specialist external consultant input.

Options to flood protect and redevelop the existing site as well as a consolidated relocation to Casino were considered but discounted either due to natural site constraints or operational impacts.

2 PROJECT DETAILS

2.1 Project Scope

A relatively recent depot development project was completed at Griffith, which has been used as a case study for understanding the property requirements, size and design at the new site as it is of a similar size and functionality.

The design and cost estimate for the below additional requirements has been based on Essential Energy standard specification and understanding of future site requirements:

a. Depot office and muster room buildings;
b. Vehicle and storage sheds;
c. Pole Racks;
d. Cross Arms Racks;
e. Wash Bay;
f. Transformer Storage Shed; and
g. Parking; with
h. Site Security

2.2 Business Disruption

The construction at the new site will not have any impact on existing depot operations. However, operations will be impacted upon the completion of the new build when all operations, equipment and fleet will need to be relocated to the new site. Once the relocation has been completed, the existing site will be decommissioned and made ready for disposal.

2.3 Project Deliverables and Benefits

Table 1 lists all project deliverables and benefits of this project.

Table 1: Project deliverable and benefits

No.	Project Deliverable	Current Performance	Required Performance	How measured	Milestone Date & Owner
1	New Depot & Pole Yard	Located in Floor Zone	Relocation required to ensure safety and support Operations performance	TBC	TBC

2.4 Options

Table 2: Options considered

Options		Description	Cost (excl GST)
1	Do Nothing	This will result in Essential Energy personnel, equipment and infrastructure to remain in risk of being continually impacted from flooding and undertake floor recovery works.	Nil
2	Consolidate Lismore depot with Casino depot	Relocate and consolidate the Lismore and Casino depots. While 30mins travel time between the sites, this option was discounted as the Casino depot is very small and could not accommodate the larger Lismore requirements. In addition, flood waters isolated the two depots and so Casino would not be able to service the Lismore area	Not assessed due to operational limitations
3	Flood proof the existing site	Due to the river side location, it is not feasible to increase flood protection measures to isolate the site. Even if this was feasible, access to the site would not be possible due to surrounding floods, thus restricting operations activity to support the Lismore area.	Not assessed due to site limitations
4	Relocate Depot & Pole yard	This will ensure a safe environment is provided for personnel and protect critical infrastructure, from flooding, and enable operational capability in wet weather events.	[redacted]

3 FINANCIAL ANALYSIS

Please note that the formal financial analysis will be undertaken once a site has been selected

3.1 Project Financial Summary

Project Financial Summary

Project Name:

($000's)		Life (40 years)
NPV		
Nominal Capital Expenditure		

Prepared by: Analyst Name

Date:

($000's)	FY1	FY2	FY3	FY4	FY5	FY6	Total Life
Year	0	1	2	3	4	5	40
Opex	0	0	0	0	0	0	0
Capex	0	0	0	0	0	0	0
EBITDA	0	0	0	0	0	0	0
EBIT	0	0	0	0	0	0	0
NOPAT	0	0	0	0	0	0	0
Inflated Net Cashflow	0	0	0	0	0	0	0

3.2 Project Cost Details

The costs associated with this project are noted in Table 3 and 4 with a breakdown of all project costs, including costs derived from the construction cost plan.

Note: the construction costs are based on independent Quantity Surveyor estimates within a range of +/- 10% and based on assumptions and market information developed by the Quantity Surveyor from their independent research, intelligence, general knowledge of the industry and consultations with project managers.

Costs have been estimated and based on FY23$nominal rates and within the overall Property Business Plan have been reviewed to be reflected as FY24$Real.

Capex

Table 3: Breakdown of all proposed project costs

Item	Item Description	[redacted]
	Consultant Costs	[redacted]
1	Project Management & Design consultants – includes engineering (architectural, civil, hydraulic, electrical, mechanical and structural engineering) and quantity survey	[redacted]
		[redacted]
	Construction Costs	[redacted]
2	Demolition & Site Clearance	[redacted]
3	Substructure	[redacted]
4	External Walls & Windows	[redacted]
5	Internal Walls	[redacted]
6	Roof	[redacted]
7	Internal Doors	[redacted]
8	Wall Finishes	[redacted]
9	Ceiling Finishes	[redacted]
10	Floor Finishes	[redacted]
11	Workstations & Loose Furniture	[redacted]
12	Blinds and curtains	[redacted]
13	Joinery	[redacted]
14	Fitments	[redacted]
15	Signage And Graphics	[redacted]
16	AV/Security	[redacted]
17	Electrical Services	[redacted]
18	Hydraulic Services	[redacted]
19	Mechanical Services	[redacted]
20	Fire Services	[redacted]
21	Relocation Costs	[redacted]
22	External Works	[redacted]
23	Design Contingency (5%)	[redacted]
24	**Subtotal**	[redacted]
25	Preliminaries & Supervision (15%)	[redacted]
26	Margin (10%)	[redacted]
27	**Construction Total**	[redacted]
28	Authority Fees (1.5%)	[redacted]
29	Professional Fees (10%)	[redacted]
30	Special Equipment	[redacted]
31	Project Contingency (10%)	[redacted]
32	**Project Total (Excl GST):**	[redacted]

Notes: Costs are based on QS estimate of theoretical site and do not include escalation factor or GST.

3.3 Key Assumptions

Table 4: List of key assumptions

	Assumption	Detail
1	WACC rate	% post tax nominal
2	Tax Rate	Not included
3	CPI	Not allowed for
4	Labour inflator	Not allowed for
5	Modelling Period	Not included
6	Terminal Value	Not included
7	Sunk Costs	OPEX sunk costs included within project value
8	R&D	Not included
9	Working Capital	Not included
10	Building Capex	QS estimate based on the standard specification & example design from Griffith site
11	Asset life	
12	Ongoing support & maintenance cost assumptions	i.e. Vendor agreements, FTE savings/increases, Service Level Agreement(s), Operational Level Agreements, Underpinning Contracts, etc. – please provide details…
13	Contingency	10% project contingency allowed
14	Labour Oncosts	Labour oncosts are included in expenditure

4 APPENDIX 1 – 10.09.01 COST ESTIMATE REPORT