



Program Business Need Identification

Power and Water Corporation

CONTROLLED DOCUMENT

PRD33407

**Tools and Equipment Capex for the Delivery of Distribution Services
Classified as Standard Control Services Distribution Services for the
2019 to 2024 Distribution Determination**

Proposed:

Ingvar Dyrting
A/Senior Manager Field
Services
Power Networks
Date: 13/2/2018

Approved:

Michael Thomson
Chief Executive & Chair
Investment Review
Committee
Date: 22/02/2018

Djuna Pollard
Executive General Manager
Power Networks
Date: 15/2/2018

Refer to D2018/72353

Finance
Date: 06/02/2018

Refer to D2018/78310

PMO QA
Date: 20/02/2018

1 Program Summary

Program Name:	Tools and Equipment Capex		
Program No:	PRD33407	SAP Ref:	
Financial Commencement:	Year	2019-20	
Business Unit:	Power Networks		
Program Owner (GM):	Djuna Pollard	Phone No:	8985 8431
Contact Officer:	Ingvar Dyrting	Phone No:	8924 5806
Date of Submission:	23 February 2018	File Ref No:	D2017/417873
Submission Number:	Sub	Priority Score:	/100
Primary Driver:	Asset Renewal	Secondary Driver:	Growth / Demand
Program Classification:	Capital Works Program		

2 Recommendation

2.1 MAJOR PROJECT >\$1M OR PROGRAM

It is recommended that IRC note the proposed five year Tools and Equipment Capex Program for an estimated budget of \$2.7M (\$2017-18) for the period 2019-20 to 2023-24, and approve the inclusion of this Program into the SCI for this amount, with a corresponding completion date of June 2024.

This program will be included in the 2019-24 Regulatory Proposal to the Australian Energy Regulator (AER).

3 Description of Issues

This Program BNI is to cover the ad hoc acquisition of tools and equipment for the purposes of providing distribution services for the regulatory control period that starts on 1 July 2019 and ends on 30 June 2024.

3.1 Project Drivers

<p>3.1.1 Demand</p>
<p>Tools and equipment are essential to the delivery of distribution services. In the absence of these, the program of work will not be delivered effectively or efficiently.</p>
<p>3.1.2 Safety</p>
<p>Tools and equipment are essential to the maintenance of the distribution network to ensure its continuing safety.</p>
<p>3.1.3 Compliance</p>
<p>There is no specific regulatory obligation pertaining to the ad hoc acquisition of tools and equipment.</p>
<p>3.1.4 Quality of supply (if not compliance obligation)</p>
<p>Tools and equipment are essential to the maintenance of the distribution network to ensure that power quality is maintained to prescribed standards.</p>
<p>3.1.5 Reliability (if not compliance obligation)</p>
<p>Tools and equipment are essential to the maintenance of the distribution network to ensure that the reliability of the distribution system is maintained to prescribed standards.</p>
<p>3.1.6 Security (if not compliance obligation)</p>
<p>Tools and equipment are essential to works to ensure the security of the distribution system, either to maintain compliance with the System Control Technical Code (or its successor) or under the direction of the System Controller.</p>
<p>3.1.7 Customer consultation or other benefits (if not compliance obligation)</p>
<p>Not applicable.</p>

4 Potential Solution

4.1 Preferred Option

There are no realistic program options for this expenditure. It is a forecast for the ad hoc acquisition of tools and equipment for the delivery of distribution services.

4.2 Non Network alternatives

Not relevant – this expenditure is not network expenditure.

4.3 Capex/Opex substitution

This expenditure is for the acquisition of higher value assets that are necessary for the delivery of distribution services. They naturally fall within the ambit of “capex”.

4.4 Contingent Project

The value of this program does not exceed the threshold value for a contingent project (\$15 million, as per National Electricity Rules, section 6.6A.1).

5 Strategic Alignment

The tools and equipment are central to the delivery of the work program, which is itself designed to implement the Strategic Asset Management Plans and Asset Management Plans

6 Timing Constraints

This program must be commenced on 1 July 2019 to permit the on-going availability of tools and equipment essential to carrying out core business tasks.

7 Expected Benefits

Driver	Benefit	Measure
Asset Renewal	The forecast capex enables PWC to provide distribution services.	Sufficient tools & equipment available for staff to provide services.
Growth / Demand		

8 Milestones

Investment Planning	Project Development	Project Commitment	Project Delivery	Review
01/2018	01/2018	07/2019	06/2024	07/2024

9 Key Stakeholders

Stakeholder	Responsibility
Internal governance stakeholder	Executive General Manager Power Networks
	Business Manager Power Networks
	Chief Engineer
	Manager, Network Assets
	Group Manager Service Delivery
External – Unions and public	Local Residents
	ETU
	Ministers
External regulators	Utilities Commission
	Australian Energy Regulator

10 Resource Requirements

Not applicable. This capex is for purchasing tools and equipment on an ad hoc basis.

11 Delivery Risk

There are no known delivery risks for this project.

12 Financial Impacts

12.1 Expenditure Forecasting Method

Forecast costs are based on an average of historical expenditure escalated into \$2017-18. Data was sourced from PWC's Asset Management System.

12.2 Historical and Forecast Expenditure

Historical actual expenditure is shown in Table 12.1.

Table 12.1: Tools & Equipment program – Capex (\$'000, nominal)

Item \$nominal & \$'000	2013-14	2014-15	2015-16	2016-17
Total	\$614	\$634	\$330	\$480

Tools and Equipment Capex

Total forecast expenditure is shown in Table 11.2.

Table 12.2: Tools & Equipment program – Capex (\$'000, real 2017-18)

Item \$real 2017-18 & \$'000	2019-20	2020-21	2021-22	2022-23	2023-24
Total	\$544	\$544	\$544	\$544	\$544

12.3 Validation

The program has been developed from historic costs. No further validation is proposed.

12.4 Capex Profile

The table below shows the forecast capex in \$2017-18, excluding capitalised overheads and cost escalation.

Phase	2019-20 (\$'000)	2020-21 (\$'000)	2021-22 (\$'000)	2022-23 (\$'000)	2023-24 (\$'000)	Total (\$'000)
Investment Planning						
Project Development						
Project Commitment						
Project Delivery	544	544	544	544	544	2,718
Review						
Total	544	544	544	544	544	2,718

12.5 Opex Implications

There will be no change in opex as a result of this BNI.