

Facilities Low Value Pool

Regulatory Business Case (RBC) 2024-29

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1. Summary

This business case has been prepared to support the 2024-29 Regulatory Proposal. The business case demonstrates that Power and Water has undertaken appropriate analysis of the need for the expenditure and identified credible options that will resolve the need and ensure that Power and Water continues to meet the National Electricity Objectives and manage the network prudently and efficiently.

The proposed expenditure identified in this business case will undergo further assessment and scrutiny through Power and Waters normal governance processes prior to implementation.

The focus of this business case is addressing the purchase and replacement of low value items associated with corporate buildings and facilities assets to manage identified risks.

1.1 Business need

Each financial year the facilities team within Power and Water raises a new Low Value Pool project to allow for the purchase of low value items between \$0.01 and \$20,000.00 (excl. GST). The purchase of low value items is associated with corporate buildings and facilities assets with a greater life than 1 year. The Low Value Pool purchases includes such items as office furniture and fittings, appliances, and electrical equipment (and exclude items associated with refurbishment and repair of building assets such as toilets, kitchens, building facades, and fencing).¹

1.2 Options analysis

The options considered to resolve this need are shown in Table 1.

Table 1 Summary of credible options

Option No.	Option name	Description	Recommended
1	Do Nothing	This option proposes no action taken in response to the identified issue during the next regulatory period. This is the base case.	No
2	Purchase Model	This option includes necessary capital purchases on an as-needed basis to address the identified needs.	Yes
3	Lease Model	This option replacing the same items under Option 2, but rather than purchasing all items, a lease model will be implemented where possible.	No

¹ Replacement/upgrade of these assets is addressed in a separate business case: Minor New Works Program – All Corporate Sites.

1.3 Recommendation

The recommended option is Option 2 – Purchase Model at an estimated cost of \$0.55 million (real 2021/22). This option has superior benefits compared with the options assessed, at a lower cost.

This option will adequately address the business need. Option 2 Purchase Model is the lowest cost option to adequately address the risks and compliance obligations.

The forecast expenditure for the next regulatory control period allocated to Standard Control Services as per the CAM is outlined in Table 2 for the 2024-29 regulatory period.

Table 2 Annual capital and operational expenditure (\$m, real 2021/2022)

Item	FY25	FY26	FY27	FY28	FY29	Total
Capex	0.10	0.11	0.11	0.11	0.12	0.55
Opex	-	-	-	-	-	-
Total	0.10	0.11	0.11	0.11	0.12	0.55

2. Identified need

The purpose of this section is to demonstrate and provide the background information for the need to invest and that the investment is aligned to the Power and Water's strategic objectives.

2.1 Primary driver of investment

The primary driver behind this investment is standard end-of-life replacement (or upgrade) of aspects of Corporate building and facilities assets:

- Furniture and fittings
- Appliances
- Electrical equipment

If the assets are not replaced, the potential for failure increases rapidly. The risks are discussed further in section 2.4. End-of-life timing of the replacement or upgrade of the assets is determined by the condition of the asset and the risk it poses to safety or operations. Considerations include:

- General wear and tear, as equipment becomes unserviceable
- Asset obsolescence (such as at or soon after 'end of support' notification from vendors)
- To meet user expectations and ensure equipment is 'fit for purpose'
- To upgrade to current technology to enable efficient work practice and minimisation of errors.

By way of elaboration, the following factors are considered:

Compliance: Power and Water must ensure all Corporate sites are at all times compliant with the *Health and Safety (National Uniform Legislation) Act 2011* (NT). The specific obligations contained in this piece of legislation are discussed below.

Safety: In line with Power and Water's Statement of Corporate Intent and strategic goals, acting to ensure the continued safety of all staff, contractors and members of the public is a driver of this investment need.

Geographical operations and considerations: The remote location and nature of the terrain in the Northern Territory impact the asset life and structural requirements of various aspects of Power and Water's Corporate sites may shorten the effective life beyond what might be considered 'normal' elsewhere.

Service: In order for staff and contractors to perform their employment duties and provide the best services possible to customers, all equipment and workplaces must be functional and safe.

2.2 Current management program

Each financial year the facilities team within Power and Water raises a new Low Value Pool project to allow for the purchase of low value items between \$0.01 and \$20,000.00 (excl. GST). The purchase of low value items is associated with assets with a greater life than one year. Low value pool items may include standard day-to-day office and electrical equipment as required for corporate sites.

Deterioration of furniture and fittings, appliances and electrical equipment occurs on an ad hoc basis. If an item in need of replacement is identified and authorised at the appropriate approval level if the case has sufficient merit.

By way of example, a description of the items purchased in 2021/22 is presented in the table below. These items will not necessarily be purchased again in the 2024-29 regulatory period as expenditure is incurred on an as-needed basis with the specific investment drivers changing over time.

Table 3 Facilities Low Value Pool Purchases at Corporate Sites in 2021/22

Location	Business Case	Date	Description of Items
Alice Springs	CFD30051	07/21 to 06/22	<ul style="list-style-type: none"> • Ergonomic workstations • Computer equipment • Cable management items • Cupboards and shelving
Darwin	CFD30051	07/21 to 06/22	<ul style="list-style-type: none"> • Chairs • Desks • Cable management items • Computer equipment • Ergonomic workstations • Lounges and ottomans • Kitchen appliances incl. microwave, fridge, freezer, dishwasher • Whiteboards • TV and DVD player • Roller blinds
Katherine	CFD30051	07/21 to 06/22	<ul style="list-style-type: none"> • BBQ • Camera • Antenna replacement • Ceiling exhaust fan
Darwin	CFD30057	07/21 to 06/22	<ul style="list-style-type: none"> • Chairs • Laser distance meter • Thermometers • Kitchen appliances including fridge, freezer, microwave, sandwich press, • Vacuum • TV and equipment • Pressure cleaner • Fan • Ergonomic workstations • Zip taps • Pallet racking and shelving

Location	Business Case	Date	Description of Items
Katherine	CFD30057	07/21 to 06/22	<ul style="list-style-type: none"> • Kitchen appliances including fridge and freezer, microwave • Dining table • Couches • Roller blinds
Tennant Creek	CFD30057	07/21 to 06/22	<ul style="list-style-type: none"> • BBQ • Fans

2.3 Compliance requirements and considerations

The *Health and Safety (National Uniform Legislation) Act 2011* (NT) ('NT Health and Safety Act') sets out the key principles, duties, obligations and rights in respect to occupational health and safety in the Northern Territory. Under this Act, Power and Water and its management staff have a duty to ensure, so far as is reasonably practicable, that the workplace, means of entering and exiting the workplace and anything arising from the workplace are without risks to the health and safety of any person. The provision of a safe workplace will extend to ensuring any furniture and fittings, appliances and electrical equipment are functional and safe. The duty is contained in section 20(2) of the *NT Health and Safety Act*.

2.4 Risk assessment

Over time, small assets such as furniture and fittings, appliances and electrical equipment deteriorate to the point that they are no longer functional or safe to use. Such a deterioration creates safety hazards (particularly on the part of electrical equipment) and means that accommodation standards are not met.

In demonstrating the need to invest, Power and Water's "**Enterprise Risk Management Standard**" was applied. Of the risks contained in the standard, three were relevant: health and safety, people and culture, and legal and regulatory.

2.4.1 Health and Safety

Power and Water has a proactive safety culture across the corporation based on accountability, trust and ethical behaviour. There is a high appetite to prevent any harm to staff, contractors or the general public resulting from its activities. The definition of harm is very broad, ranging from minor injury or sickness to severe illness, permanent disability and fatality. To avoid the potential for harm, it is essential that all equipment used by Power and Water staff and contractors is safe and fit for purpose. In particular, all appliances and other electrical equipment must be compliant with all relevant standards and codes to ensure it is safe to use. Office furniture should not be damaged and should be ergonomic and functional.

2.4.2 People and Culture

Power and Water aims to have a high performing, diverse workforce that has the capability to drive business effectiveness. A highly engaged and capable workforce with a constructive workplace culture is not possible without a safe and operational working environment. This extends to the office working

environments. All furniture and fittings must be serviceable and fit for purpose, and all appliance and electrical equipment must be functional and safe.

2.4.3 Legal and Regulatory

Power and Water must adhere to the laws and regulations relevant to its business in order to maintain its 'License to Operate'. Failure to maintain safe and serviceable equipment may be in breach of various OH&S standards, therefore jeopardising Power and Water's ability to operate and provide power services to the residents of the Northern Territory.

2.4.4 Likelihood

Based on experience, facility assets are almost certain to be identified throughout the course of the next RCP that will require replacement or upgrading due to one of the end-of-life factors referred to above.

2.4.5 Consequence

Action on this issue is required to maintain business as usual throughout Power and Water. Without appropriate workplace functionality and accommodation standards, staff and contractors will not be able to properly perform their roles, meaning the service provided to customers will decline.

Additionally, reference to Power and Water's "**Culture Kit – Values in Action**" reveals that failure to address the issues identified would result in a breach of the values framework. Power and Water's top value is 'putting people first'. Signature behaviours that action this value include putting safety 'first, last and every moment in between' and looking after staff, contractors and the public at all times. Ensuring Power and Water staff and contractors have a safe and functional workplace feeds into this value and supports its continued realisation.

Whilst the individual consequences of each deteriorated asset remaining in service is 'Minor', in aggregate if there was no action to rectify the facilities by July 2029, the consequence would be 'Moderate'.

2.5 Summary

Office equipment including furniture and fittings, appliances and electrical equipment deteriorate over time and with extended use. In order to minimise risks to health and safety, people and culture and legal and regulatory areas, this equipment must undergo recurrent renewal and replacement. Maintaining the useability and safety of such equipment allows for the proper provision of services to customers while upholding Power and Water's values.

The overall risk if nothing is done to rectify identified issues by the end of the next RCP is assessed to be 'Moderate'.

Section 3 discusses the options that will efficiently manage these risks.

3. Options analysis

This section describes the three options that were analysed to address the increasing risk to identify the recommended option. The options are analysed based on ability to address the identified needs, prudence and efficiency, commercial and technical feasibility, deliverability, benefits and an optimal balance between long term asset risk and short-term asset performance.

3.1 Comparison of credible options





Credible options are identified as options that address the identified need, are technically feasible and can be implemented within the required timeframe. The following options have been identified:

- Option 1 – Do nothing. This option proposes no action taken in response to the identified issue during the next regulatory period.
- Option 2 – Purchase Model. This option includes necessary capital purchases on an as-needed basis to address the identified needs
- Option 3 – Lease Model. This option replacing the same items under Option 2, but rather than purchasing all items, a lease model will be implemented where possible.

A comparison of the three identified options and the issues they address in the identified need is depicted in the table below. A detailed discussion of each option is provided below.

Table 4 Summary of options analysis outcomes

Assessment metrics	Option 1	Option 2	Option 3
NPV (\$m, FY22)	-	-	-
Capex (\$m, FY22)	-	0.38	1.00
Opex (\$m, FY22)	-	-	-
Meets customer expectations	○	●	●
Aligns with Asset Objectives	○	●	●
Technical Viability	○	●	○
Deliverability	○	●	●
Preferred	✗	✓	✗
Ranking	3	1	2

-  Fully addresses the issue
  Adequately addresses the issue
  Partially addresses the issue
  Does not address the issue

As this program of works is required for compliance, the benefits have not been quantified and hence the NPV is negative. A NPV has not been calculated.

3.1.1 Option 1 – Do Nothing

Under this option, no purchases will be made in association with the investment needs identified in this business case. The replacement of any low value items within the regulated portion of Power and Water Corporation will be delayed until the following regulatory period (2029-35).

This option has no capital expenditure during the 2024-29 regulatory period, instead delaying potential replacement costs until the following regulatory period. This will result in various assets becoming unusable throughout the upcoming 2024-29 regulatory period. This has a flow on effect to ability of Power and Water staff and contractors to provide services to customers.

This option does not address the need identified in section 2. The replacement of low value assets will be halted, allowing for the deterioration of various items of furniture and fittings, appliances and electrical equipment. Health and safety, people and culture, and legal and regulatory risks will materialise as various items become unsafe or unusable. Allowing the materialisation of such risks does not align with Power and Water's strategic objectives. It would go against the embedded principles of a proactive safety culture and an agile and capable workforce.

Based on the above information, Option 1 Do Nothing is not the preferred option because it does not address the issue and corresponding risks identified in Section 2.

3.1.2 Option 2 – Purchase Model

Under this option, necessary capital purchases will be made on an as-needed basis to address the identified need as outlined in section 2 during the upcoming 2024-29 regulatory period. Project scope will be limited to the regulated activities of Power and Water, with the non-regulated part of the business excluded from the funding pool.

This option is estimated to cost \$0.55 million (real 2021/22). Potential purchases include office, appliances and electrical equipment. As in previous years, capital purchases are restricted to low value items between \$0.01 and \$20,000.00 that with normal use have a greater life than 1 year.

This option addresses the need identified in section 2.2. Capital purchases of low value assets on an as-need basis will ensure office equipment does not deteriorate to unusable or unsafe levels. Power and Water staff will be able to carry on business as usual in a productive and safe environment. Additionally, the identified risks to health and safety, people and culture and legal and regulatory will be adequately addressed for the next regulatory period. Power and Water staff and contractors will be able to use equipment that is safe, function and compliant with all relevant codes and regulations. This option will align with Power and Water's strategic pillars 'One Power and Water' and 'Always Safe' by upholding the embedded safety culture and facilitating an agile and capable workforce.

Based on the above information, Option 2 Purchase Model is the preferred option because it is the lowest cost option to adequately address the risks and compliance obligations identified in section 2.

3.1.3 Option 3 – Lease Model

Under this option, necessary capital purchases will be made on an as-needed basis to address the investment needs outlined in section 2 during the upcoming 2024-29 regulatory period. However, where possible, assets will be leased rather than purchased outright. Project scope will be limited to the regulated portion of Power and Water, with the non-regulated part of the business excluded from the funding pool.

This option is estimated to cost \$1.0 million (real 2021/22) over the 5 year regulatory period to provide for the same remedial action as Option 2. Potential assets include office appliances and electrical equipment. Similarly, to Option 2, approved assets to be replaced will be restricted to low value items with a lifetime lease cost between \$0.01 and \$20,000.00 that with normal use have a greater life than 1 year.

This option addresses the need identified in section 2. Leasing of low value assets on an as-need basis will ensure office equipment does not deteriorate to unusable or unsafe levels. Power and Water staff will be able to carry on business as usual in a productive and safe environment. Additionally, the identified risks to health and safety, people and culture and legal and regulatory will be adequately addressed for the next regulatory period. Power and Water staff and contractors will be able to use equipment that is safe, function and compliant with all relevant codes and regulations. This option will align with Power and Water's strategic pillars 'One Power and Water' and 'Always Safe' by upholding the embedded safety culture and facilitating an agile and capable workforce.

Based on the above information, Option 3 Lease Model is a viable choice, but not the preferred option because it is a higher-cost alternative to Option 2. Although there is a smaller initial price, over time the lease model has a higher overall cost and does not leave Power and Water with an owned asset after paying that cost. For the majority of assets being considered, asset obsolescence is not a concern – there will be no need to upgrade the asset to a newer model prior to expiration of asset life. Therefore, an owned asset is preferable as its life can be stretched out to the maximum usable timeframe, therefore lowering costs.

4. Recommendation

The recommended option is Option 2 – Purchase Model at an estimated cost of \$0.55 million (real 2021/22) to be most prudent and cost effective to meet the identified needs.

The proposed program is consistent with the National Electricity Rules Capital Expenditure Objectives as the expenditure is required to maintain the quality, reliability, and security of supply of standard control services and maintain the safety of the distribution system.

4.1 Strategic alignment

The “Power and Water Corporation Strategic Direction” is to meet the changing needs of the business, our customers and is aligned with the market and future economic conditions of the Northern Territory projected out to 2030.

This proposal aligns with Asset Management System Policies, Strategies and Plans that contributes to the D2021/260606 “PWC Strategic Direction” as indicated in the table below.

Table 5 Strategic Direction focus areas

Strategic direction focus area		Strategic direction priority
1	One Power and Water	Agile and Capable Workforce
2	Always Safe	Embed a Proactive Safety Culture

4.2 Benefits

The table below sets out the benefits and benefit measurements associated with carrying out the recommended option.

Table 6 Benefits of Recommended Option

Benefits	Benefit Measurements
Improved productivity	This is an indirect benefit.
Improved customer service and outcomes	This is an indirect benefit linked to employee engagement and retention.
Improved safety	Overall reduction in safety incidents on Corporate sites.
Risk reduction and mitigation	Overall reduction in Corporate site risks, also lowering exposure to fines or penalties.

4.3 Dependent projects

There are no known projects or other network issues that are dependent on the resolution of this network issue.

4.4 Deliverability

There are no known deliverability or supplier issues that will impact this program.

4.5 Expenditure profile

The forecast expenditure for the next regulatory control period allocated to Standard Control Services as per the CAM is outlined in Table 7 for the 2024-29 regulatory period.

Table 7 Annual capital and operational expenditure (\$m, real 2021/22)

Item	FY25	FY26	FY27	FY28	FY29	Total
Capex	0.10	0.11	0.11	0.11	0.12	0.55
Opex	-	-	-	-	-	-
Total	0.10	0.11	0.11	0.11	0.12	0.55

4.6 High-level scope

The program described in this business case forms part of an enterprise-wide program.

The scope included for this business case is restricted to the regulated portion of Power and Water Corporation. Any capital purchases pertaining to the non-regulated areas of the business will be out of scope. In addition, the scope is limited to low value items between \$0.01 and \$20,000.00 (excl. GST) that with normal use have a greater life than 1 year.

Appendix A. Key assumptions and limitations

The following limitations exist for this business case:

- Due to previous data recording processes and management systems, Power and Water does not have a large amount of robust, high-quality data available for benefit quantification. Although the data recording processes and management systems have since been overhauled and will be accurate and reliable going forwards, this means that any past data on may be incomplete. For example, the number of safety incidents (and corresponding incident details).
- As such, it was not possible to conduct a full cost-benefit assessment or properly quantify the benefits and costs.
- Supplies for required items will be available as and when required.

As per the 'Business Plan – Supply Chain Strategy and Operations (2021-2025)', this program has the following KPIs:

- Delivered on Time
- Delivered on Budget (+/- 10%)
- Delivered Safely (No Loss Time Injury / No Recordable Injuries / No Safety Incidents)

These KPIs will ensure the project is delivered prudently and efficiently, and in a manner which minimises potential risks.

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