2023-27
POWERLINK QUEENSLAND REVENUE PROPOSAL

Appendix 6.02 – PUBLIC

Operating Expenditure Productivity Approach and Potential Initiatives

1. Purpose

This appendix provides further information and context about potential initiatives that could improve our productivity and contribute toward meeting our operating expenditure target for the 2023-27 regulatory period.

2. Approach to productivity forecast

Powerlink has set a target of no real growth in operating expenditure for the 2023-27 regulatory period relative to our current regulatory period. To help achieve this target, we proposed a combination of real productivity growth of 0.5% per annum, which is above the Australian Energy Regulator's (AER's) latest industry average of 0.3%, and no step changes in operating expenditure.

We have identified a number of potential initiatives (refer Figure 2.1 below) that could be implemented by our business. These initiatives are at various stages of development at this time and are not intended to be a comprehensive list of what we may deliver. We intend to work through these and other initiatives further in the normal course of business.

Figure 2.1: Productivity categories for the 2023-27 regulatory period

3. Potential Productivity Initiatives

3.1 Procurement

Materials supply chain and direct purchasing

An initial assessment of our procurement arrangements indicates that there may be opportunity to unlock further savings in our business that should be explored.

As with many other large infrastructure businesses, we adopt various types of procurement methods which include direct purchases and planned procurement, such as direct to market tender processes.

The direct purchase of goods and services seek to achieve value for money, quality and timely procurement. This form of purchasing is typically applied to items of low dollar value and low risk in terms of operational impact, complexity and commercial risk. We also have contract and panel arrangements with suppliers in place to better manage more specialised, critical or higher volume equipment.

We consider that improvements could be made to rationalise the number of vendors and suppliers we work with and to explore other ways to access greater cost savings for our business. Among other things, this could be by way of locking-in standing agreements with suppliers for a wider range of equipment and to develop our internal procurement processes and procedures further.

Our planned enterprise resource planning database (SAP) upgrade is expected to help facilitate these improvements through, for example, greater automation and data breakdowns to better manage procurement activities end-to-end.

Vegetation management

We have identified potential savings that could be delivered in relation to vegetation management.

Fundamentally we are seeking to better plan, prioritise and coordinate vegetation works across our network. Our ability to better target the work that needs to be done and identify the effectiveness of that treatment is related to the use of technology, in particular, LiDAR or satellite mapping of vegetation corridors. This is expected to provide more detailed data on distances and clearances of vegetation from our transmission lines and enable the development of databases specific to vegetation species, growth rates, etc. Ultimately, this information should assist us to better tailor inspection cycles and maintenance works across the various zones in our network.

In parallel, we are exploring an alternative contracting model to enable us to leverage this technology and optimise the coordination and delivery of works across our network. To the extent we can enhance the certainty with which we develop future workload volume and scope projections, combined with a new delivery model, we expect to be able to drive more competitive service provider pricing and generate internal savings in the establishment and ongoing administration and management of our contracts.

3.2 Work practices

Improving the efficiency of central processes and activities

We have sought to identify easier and more efficient ways to deliver our program of work. Our Field Delivery Optimisation program is expected to deliver business efficiencies and asset modernisation capabilities through the rationalisation, integration and optimisation of systems, processes and data as well as the use of automation and innovative field mobility solutions.

This program seeks to standardise work scheduling, packages and dispatch across all field disciplines. It should simplify and improve the efficiency of day-to-day information and collaboration practices and deliver more effective outcomes in the field.

Our planned SAP upgrade will support this initiative by providing an integrated field mobility solution to replace and centralise work management capability. This is expected to capture all asset condition data in a single platform for ready access by staff in the field and enable work to be managed in a more streamlined way.

Office refit

Our Virginia site workspaces and facilities were constructed progressively over the period 1997 to 2006. The age and current condition of the facilities has been assessed and is likely to require significant capital and operating expenditure over the next 15 years.

A detailed investigation of options for an appropriate workplace accommodation strategy (refer to our Future Workplace Options Analysis Report supporting document) identified that undertaking these repairs in an ad-hoc manner would be inefficient and that full refurbishment of the existing facility should be undertaken.

We expect to incur lower operational costs related to our office facilities as a result of these works. More efficient use of available office space should enable savings in utilities costs and our facility management requirements.

In addition to these reduced operational costs, we anticipate benefits in terms of improved safety and compliance with relevant standards and flexibility for future staff capacity.

3.3 Technology

Business Information Technology (IT)

Business IT replacements and software upgrades which form the IT Plan[1] for the 2023-27 regulatory period are proposed to replace some core IT services which are due for replacement as part of a wider transition to a more efficient operating platform. This is anticipated to allow for programs to be modernised, focus IT delivery on better customer outcomes, rationalise systems and facilitate upgrades to specific programs.

New systems are typically more capable than the ones they replace. As it becomes essential to upgrade or replace our systems, we would also revisit our operational processes to identify and enable further improvements in business productivity and asset utilisation where possible. As well as improving core functionality and allowing for software upgrades, the program may help us avoid increased licensing and operating costs associated with the continued use of the current operating environment.

[1] IT Plan 2023-27, Appendix 5.05 of Powerlink's 2023-27 Revenue Proposal.

Key programs within the IT Plan[2] that relate to the upgrade of legacy IT systems include supply chain and works management improvement through the SAP upgrade[3], network design management upgrades[4], and corporate systems upgrades[5]. Efficiency improvements are expected to be delivered through the enterprise resource planning SAP upgrade[6], primarily due to savings in licensing costs.

All three of these key programs in the IT Plan are also expected to deliver greater efficiency through the consolidation of platforms and reduced support requirements. Our new Benefits Management approach[7] is expected to support the valuation and realisation of benefits as they arise from various IT upgrades, including those noted above.

In-Vehicle Asset Management System (IVAMS)

We will implement an IVAMS program across fleet vehicles to improve operational vehicle resource utilisation, maintenance schedules and driver safety. The system will enhance the efficiency and effectiveness of fleet management and compliance with environmental and regulatory workplace obligations.

Fleet monitoring not only provides a better understanding of fleet requirements, it is also provides added security for staff who work in remote or isolated areas, particularly in the event of an accident.

In addition to significant driver safety benefits, the installation of IVAMS in our fleet vehicles is expected to deliver lower fleet operating costs in terms of fuel usage, servicing and maintenance and insurance.

3.4 Value driven maintenance

Value Driven Maintenance (VDM) involves the optimisation of maintenance works to deliver the most cost-effective outcome while meeting our obligations to provide safe, secure and reliable transmission services to our customers.

VDM is underpinned by data-centric asset management, using modern analytics capability to predict failure rates across large network asset populations, and balance the risk and cost of maintenance programs. Use of real-time data to monitor asset condition and performance can allow operators to defer routine maintenance in favour of corrective maintenance programs, which would enable cost savings while still delivering the same level of service.

A VDM approach can introduce opportunities to trade-off capital and operating expenditure within an asset class, as analytics may indicate that either early replacement (favouring capital expenditure) or corrective maintenance (favouring operating expenditure) delivers more value.

While initial candidate programs have been identified, these trials are in their early stages of development and further work is required. Again, forecast IT investment, including data collection and analytics upgrades, are expected to support this initiative.

[2] An outline of all IT investment cases is provided in our IT Plan 2023-27.
[3] IT investment case IT01 Supply Chain and Works Management 2023-27.
[4] IT investment case IT03 Network Design Management.
[5] IT investment case IT05 Stakeholder & Document Management.
[6] IT investment case IT01 Supply Chain and Works Management 2023-27.
[7] IT Plan 2023-27, Appendix 5.05 of Powerlink's 2023-27 Revenue Proposal.