

**Attachment 20.26**

**SA Power Networks:  
Strategic Fleet Plan 2015-2020**





# Strategic Fleet Plan 2015 – 2020

October 2014

**SA Power Networks**

[www.sapowernetworks.com.au](http://www.sapowernetworks.com.au)

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## Version control

SECTION	DATE	VERSION NO.	CHANGE	BACKGROUND
All	16/06/14	0.1 Draft	Initial draft outline of document for discussion	
All	07/07/14	0.2 Draft	Early draft document for feedback	
All	14/07/14	0.3 Draft	Updated by SBS for feedback for EY	
All	16/07/14	0.4 Draft	Updated by SBS for feedback from RESET Team	
All	17/08/14	0.5 Draft	Update by SBS following feedback from DF	
All	07/10/14	0.6 Draft	Update by SBS following feedback from AG and NB	
All	15/10/14	15 October 2014	Update by SBS, removed draft reference.	
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## Accountability

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## 1. Introduction

The Strategic Fleet Plan describes our fleet strategy, asset management plan and expenditure program for the 2015 – 2020 Regulatory Control Period (**RCP**) to meet our strategic objectives and operational business requirements.

SA Power Network owns and operates a range of fleet assets to enable delivery of the network program of work, including passenger and light commercial vehicles, heavy vehicles such as line trucks, Elevating Work Platforms (**EWP**), cranes, forklifts, trailers and associated plant and equipment.

The majority of our fleet is owned with core operational activities including the management, acquisition, maintenance, replacement and disposal of fleet assets.

The Strategic Fleet Plan consolidates and replaces the previous Fleet Strategy and Fleet Asset Management Plan. The Plan will be reviewed annually and updated as required to respond to any changing business requirements and ensure ongoing alignment with SA Power Network's strategic directions and priorities.

The Strategic Fleet Plan is structured as follows –

*Section 2: Context* – provides a description of SA Power Networks' operating environment and sets the scene for the Strategic Fleet Plan, including key challenges and opportunities

*Section 3: Strategic Direction and Operational Drivers* – identifies SA Power Networks' strategic framework, key operational drivers and the fleet strategy, which articulates Fleet Management's strategic intent, core areas of focus and key outcomes

*Section 4: Fleet Composition* – outlines the current status and composition of SA Power Networks' fleet assets

*Section 5: Fleet Management Lifecycle* – describes the business-as-usual operational practices, management and governance arrangements across the fleet lifecycle, to deliver the fleet strategy

*Section 6: 2010 - 2015 Period Performance* – briefly describes the expenditure and operational performance over the current period

*Section 7: 2015 – 2020 Fleet Program* – outlines the fleet capital program of work and associated operating requirements for the 2015 - 2020 period

*Section 8: Fleet Management Structure, Role and Functions* – outlines the role and functions of the Fleet Management group and our internal and external fleet service providers.

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## 2. Context

SA Power Networks has been delivering efficient, reliable and safe network performance for South Australians for almost 70 years.

The electricity distribution network in South Australia is vast and complex, covering more than 178,000 km<sup>2</sup> and supplying electricity to more than 840,000 customers. The network extends across difficult and remote terrain and operates in demanding conditions. 70% of the network is required to serve 30% of customers who live outside the Adelaide Metropolitan area. Our distribution network system stretches for 88,000 km, and includes 400 zone substations, 73,000 street transformers, more than 720,000 poles and 200,000 km of wires.

Our primary task is planning, building, operating and maintaining the South Australian electricity distribution network. To deliver this task we have over 800 field employees, operating from 30 operations depots across the State, supported by an operational fleet of over 1,300 units.

Our existing network is ageing necessitating a need to invest in replacing assets to keep the network in good condition to maintain reliability. In recent years, we have undertaken extensive asset inspections providing improved and detailed asset information. Significant investment is essential over the next decade to renew ageing assets so that the network's reliability, performance and manage our risk profile back to acceptable levels in accordance with the Safety, Reliability, Maintenance and Technical Management Plan and at the least possible life-cycle cost.

The South Australian Government's 30 Year Plan for greater Adelaide targets higher population density growth corridors and transit oriented developments, as well as a reduction of average residential energy consumption. This will influence the number and types of premises requiring connection to our network over the next 10-15 years.

In addition, the entire electricity sector is experiencing unprecedented changes, including for example national reform, changes in customer and community expectations, new intelligent technology and participants in the market and environmental policies.

We recognise the significance of this change and the associated challenges and opportunities it brings, as reflected in our long-term strategic framework. The *SA Power Network's Future Operating Model, 2013 – 2028*, *The South Australian Distribution Network: Directions and Priorities 2015 to 2020* and the *SA Power Networks Strategic Plan 2014 to 2018* sets out the long-term vision, strategic direction and priorities for the business.

Within this context, the role of Fleet Management is to support the business both in the long-term as it negotiates a rapidly changing environment, and in the day to day operations of the business in the delivery of efficient, reliable and safe network performance. Key challenges and opportunities for Fleet Management include:

- continuing to provide fit-for-purpose, safe and legislatively compliant vehicles to the business in a timely manner to enable the efficient and effective delivery of the businesses' strategic direction and operational requirements;
- responding to the businesses' additional fleet requirements to deliver the significant network program of work over the next five years;
- ensuring ongoing compliance with the range of legislative and regulatory compliance obligations across the fleet management lifecycle; and
- remaining up-to-date with new and emerging technologies and employing appropriate technologies into our fleet assets to ensure the safety, mobility and productivity of our employees in the most cost-effective manner.

### 3. Strategic Direction and Operational Drivers

#### 3.1 SA Power Networks’ strategic framework

SA Power Networks’ strategic framework is comprised of three core documents. These include –

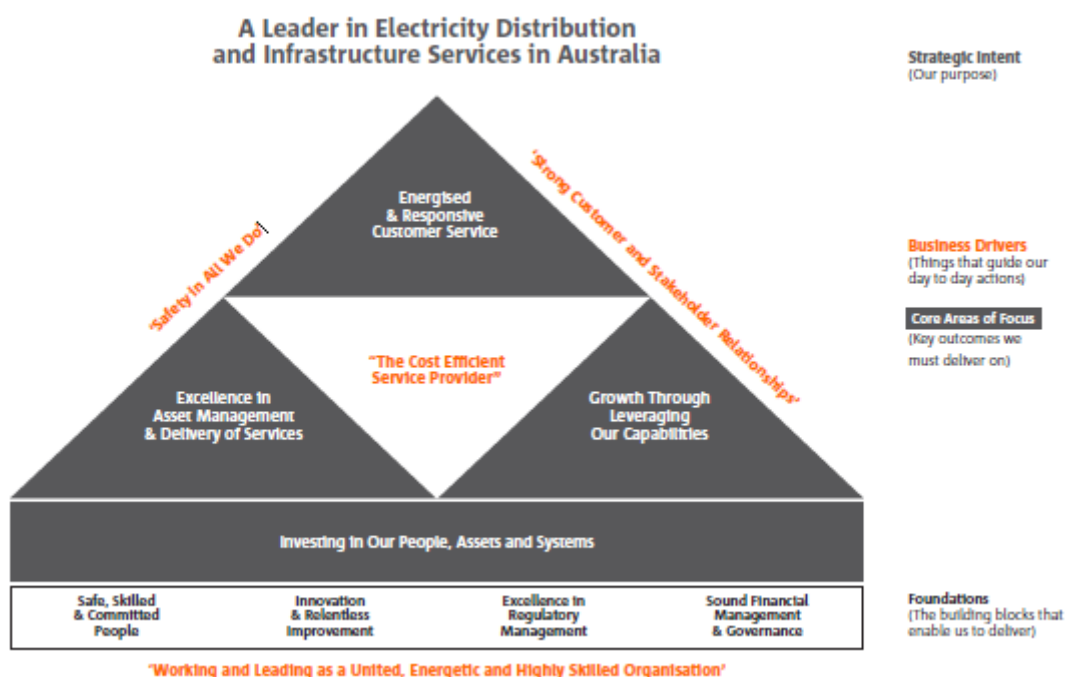
- SA Power Networks Strategic Plan 2014 to 2018
- South Australian Distribution Network: Directions and Priorities 2015 to 2020
- SA Power Network’s Future Operating Model, 2013 – 2028.

#### SA Power Networks Strategic Plan 2014 to 2018

The SA Power Networks Strategic Plan 2014 to 2018 reflects the businesses’ outlook, strategic intent, values, key performance indicators, aspirations, goals and initiatives over the medium term. As illustrated in Figure 1, SA Power Networks’ strategic framework includes the:

- principles that guide us through all our day to day actions ... our ‘business drivers’;
- key outcomes that our business must deliver on ... our ‘core areas of focus’; and
- building blocks that enable us to deliver ... our ‘foundations’.

Figure 1 – SA Power Networks strategic framework



#### South Australian Distribution Network: Directions and Priorities 2015 to 2020

The South Australian Distribution Network: Directions and Priorities 2015 to 2020 (Directions and Priorities) outlines the findings from our extensive engagement program, ‘Talking Power’. It sets out the the challenges and opportunities SA Power Networks faces and emerging directions and priorities in planning, building, operating and maintaining our electricity distribution network.

Of particular relevance to the Strategic Fleet Plan, the Directions and Priorities identifies the need to enhance our information systems, depot facilities and fleet to ensure we have a sufficient and

competent skilled workforce to deliver these services. In the 2015-20 RCP we will invest in the right mix of internal and external resources to deliver on our work programs, including modern, safe and fit-for-purpose property, systems, equipment, and fleet resources.

### SA Power Network’s Future Operating Model, 2013 – 2028

The SA Power Network’s Future Operating Model, 2013 – 2028 (Future Operating Model) provides employees, customers and stakeholders with a longer term view of the organisation’s strategic direction describing the key challenges and opportunities that will shape SA Power Networks over the next 15 years. The Future Operating Model identifies the key business drivers that inform our overall strategic direction and in relation to fleet, it recognises that our fleet vehicles will feature significantly more on-board computing power and technology, including ability to access real-time information on asset performance.

### 3.2 Fleet operational drivers

In addition to our strategic priorities, there are a number of key operational drivers of fleet expenditure. These include –

- **Network program of work** – The network program of work is a key driver of fleet expenditure. Significant investment is needed over the next decade to replace our ageing assets in order to maintain the network’s reliability and performance into the future. Forecast work volume and employee growth has a material influence on the level of resourcing required across non-network parts of the business, including fleet, to support delivery of the network program of work. The different type of network investment required (e.g. augmentation, customer connections, asset replacement etc.) influences the quantity and type of fleet assets and associated plant and equipment required to support delivery of the network program of work.
- **Fleet replacement criteria** – Effective management of the fleet replacement plan is critical to ensuring the efficient delivery against the businesses’ operational requirements with minimal disruption. The replacement plan is based on SA Power Network’s fleet replacement criteria, which are either age/kilometre based, or age and condition based in accordance with legislative requirements, manufacturers’ recommendations and industry practice. The replacement criteria is reviewed on a regular basis, and updated as required in order to maximise performance of fleet assets in terms of cost and operational reliability and to ensure ongoing compliance with legislative obligations.
- **Compliance requirements** – Compliance with relevant Australian and International standards, legislative requirements, codes of practice, design rules, environmental considerations and safety requirements across the fleet management lifecycle is a critical and ongoing driver of fleet performance and expenditure. A list of key compliance requirements is outlined at Table 1.

Table 1 – Compliance requirements

Compliance Type	Key Requirements
Legislation	<ul style="list-style-type: none"> <li>• South Australian Road Traffic Act and Regulations</li> <li>• South Australian Motor Vehicles Act and Regulations</li> <li>• Work Health and Safety Act and Regulations 2012</li> <li>• Compliance and Enforcement Legislation</li> <li>• Heavy Vehicle Regulation Scheme</li> </ul>



Compliance Type	Key Requirements
Australian Standards	<ul style="list-style-type: none"> <li>AS 1418 Set: 2009 – Cranes, hoists and winches</li> <li>AS 2550 Set: 2011 – Cranes, hoists and winches – safe use</li> <li>AS 1657: 2013 – Fixed platforms, walkways, stairways and ladders</li> <li>AS/NZS 154 – Structural steel welding</li> <li>AS2759 – Steel wire rope – Use, operation and maintenance</li> <li>AS/NZS 1891.4:2009 – Industrial fall-arrest systems and devices</li> <li>AS/NZS 3000 – Electrical Wiring Rules</li> </ul>
International Standards	<ul style="list-style-type: none"> <li>EN280: - International Standards and Safety Devices and Inspections</li> <li>Various relating where referenced by Australian Standards</li> <li>Environmental, including Euro 6</li> </ul>
Australian Design Rules	<ul style="list-style-type: none"> <li>Australian Design Rules for Motor Vehicles and Trailers</li> </ul>
Codes of Practice	<ul style="list-style-type: none"> <li>Mobile Crane Code of Practice 2006</li> </ul>
Safety Requirements	<ul style="list-style-type: none"> <li>SafeWork SA</li> <li>ANCAP safety ratings (Australasian New Car Assessment Program)</li> </ul>

- Fleet standards and specifications – Fleet Management maintains designs and specifications for all fleet assets to ensure vehicle selection and acquisition are cost-efficient, fit-for-purpose and undertaken in accordance with all relevant compliance requirements. The fleet standards and specification are developed taking into account market research, industry practice and benchmarking with other Distribution network Service Providers (**DNSP**).
- Technology – New technology can play a significant role in improving the safety, mobility and productivity of our workforce and is therefore an important consideration during the fleet planning process. New vehicle technology will only be commissioned and rolled-out; however following significant market research and analysis, approval of a robust business case, including detailed options and financial analysis, and a successful pilot in an appropriate number of vehicles.
- Other requirements – Other drivers that influence the development of the Strategic Fleet Plan and expenditure program include:
  - Changing business requirements for example changes in the network program of work or responding to emergency situations; and
  - SA Power Networks directives, policies, practices and procedures required to manage our fleet assets across the fleet management lifecycle.

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### 3.3 Fleet Management strategy

The fleet planning framework is comprised of this Strategic Fleet Plan, Fleet 10-Year Capital Plan, Annual Replacement Plan, Business Plan and Budget. Each of these are focussed on the delivery of the fleet management strategy, which has been developed taking into account the overall strategic framework, direction and priorities, operational drivers and through consultation with our internal and external stakeholders. The fleet management strategy articulates our strategic intent, core areas of focus and key objectives as follows.

#### Strategic intent

Our strategic intent is *'the provision of optimum Fleet Management planning and services to SA Power Networks to enable the business to achieve its strategic priorities and objectives.'*

#### Core areas of focus

Three of the organisation's core areas of focus are of particular relevance to Fleet Management. These describe the key outcomes we must deliver:

- Excellence in Asset Management and Delivery of Services;
- Investing in Our People, Assets and Systems; and
- Energised and Responsive Customer Service.

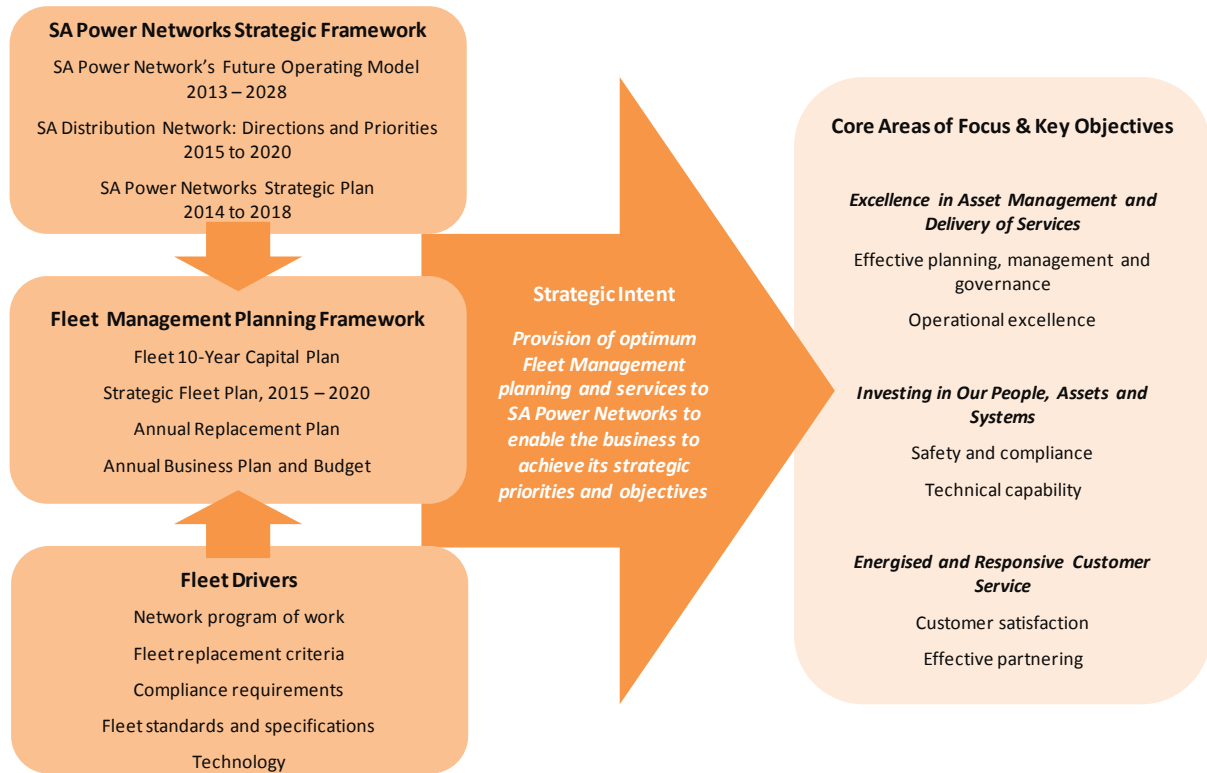
#### Key objectives

To achieve our strategic intent and core areas of focus, Fleet Management is focussed on the delivery of the following key objectives:

- *Customer satisfaction* – Ongoing consultation with our customers and high levels of responsiveness to ensure ongoing customer satisfaction
- *Engagement* – Ongoing engagement with our staff and internal stakeholders to continue to identify and respond to their needs as they evolve
- *Operational excellence* – Provision of fit-for-purpose vehicles in a cost-effective and timely manner to enable the efficient and effective operation of the business
- *Safety and compliance* – Vehicles acquired and maintained in accordance with legislative requirements and standards to maximise the safety, operational reliability and availability of our fleet for customers
- *Effective partnering* – Effective and professional relationships with our internal and external service providers to promote delivery of cost-effective business outcomes
- *Technical capability* – Ensuring a high level of core capability and technical expertise to identify, evaluate and provide optimal solutions to our customers
- *Robust planning, management and governance* – Clearly defined roles and accountabilities and effective planning, management and governance across the fleet management lifecycle to ensure we achieve our strategic intent and core areas of focus.

Figure 2 demonstrates the relationship between SA Power Networks strategic framework, operational drivers, fleet planning framework and the fleet strategy.

**Figure 2 – Fleet management strategic framework**



## Risk register and key performance indicators

Tables 2 and 3 set out our risk register and our key performance indicators.

**Table 2 – Risk Register**

Risk No.	Key Risk Name	Descriptor
1	Injury/death from breach of OHS Policy and procedures.	<ul style="list-style-type: none"> <li>Vehicle design and commissioning does not meet our business fit for purpose requirements, our safety rules, legislative requirements, Australian Design Rules, Australian Standards and State road Authority Standards resulting in non compliant vehicles that can lead to reduced safety, financial loss and operational impacts.</li> <li>Lack of adequate servicing and maintenance regime leading to unsafe and non compliant vehicles that can result in death, serious injury, financial loss and operational inefficiency.</li> <li>Vehicle replacement criteria results in poor vehicle condition leading to reduced vehicle safety and compliance.</li> <li>Lack of compliant heavy vehicle inspection regime leads to death or serious injury, financial loss and operational inefficiency.</li> <li>Inability to effectively manage remote, lone, and mobile employee's safety, well being and driving behaviour.</li> </ul>
2	Financial management – Loss, error or non compliance due to out of date policy, process, procedure and accountability	<p>Factors can include:</p> <ul style="list-style-type: none"> <li>Lack of Fleet succession plan to manage critical Fleet roles and functions in the future, leading to operational inefficiency.</li> </ul>
3	Regulatory /operational and financial disconnect	<p>Factors can include:</p> <ul style="list-style-type: none"> <li>Lack of internal labour to cope with the demands of the increased program of works resulting in non delivery.</li> <li>Lack of visibility of the program of works in the context of work type, work volume, work location, and employee numbers that impacts the ability to plan and deliver appropriate Fleet and associated plant to deliver the work program leading to operational inefficiency and financial loss.</li> </ul>
4	Loss caused through inadequate performance by key suppliers	<p>For example:</p> <ul style="list-style-type: none"> <li>Inability of suppliers to meet deadlines for critical items that lead to operational inefficiency and financial loss.</li> <li>Reliance on third party provider for critical fleet management data to meet operational requirements, regulatory and other reporting obligations.</li> </ul>
5	Sub-optimal operational processes or poor commerciality in business units drives inefficiency and unclear accountability	<ul style="list-style-type: none"> <li>Inadequate fleet structure that does not support optimum internal customer service and prudent management of fleet assets resulting in operational inefficiency, poor customer service and financial loss.</li> </ul>

The risk register is reviewed on an annual basis and mitigation strategies developed and implemented for each item.

**Table 3 – Key Performance Indicators**

Business KPI's	Descriptor
Finance	<ul style="list-style-type: none"> <li>• Capital Expenditure</li> <li>• Operating Expenditure</li> </ul>
Safety	<ul style="list-style-type: none"> <li>• Zero Lost Time Injuries (LTIs)</li> <li>• Zero Medical Treatment Injuries (MTIs)</li> </ul>
Fleet	<ul style="list-style-type: none"> <li>• Compliance with Legislation – quarterly and annual inspections</li> <li>• Major Inspections of EWP and cranes</li> <li>• Electrical Testing EWP</li> <li>• Rope Replacements cranes</li> <li>• Defects generated from Inspections</li> </ul>
Fleet - Other	<ul style="list-style-type: none"> <li>• Vehicles Over Due for Service</li> <li>• Fleet Composition – Assets, Leased and Hire vehicles</li> </ul>
Customer Service	<ul style="list-style-type: none"> <li>• Annual Customer Satisfaction rating (due February each year)</li> </ul>

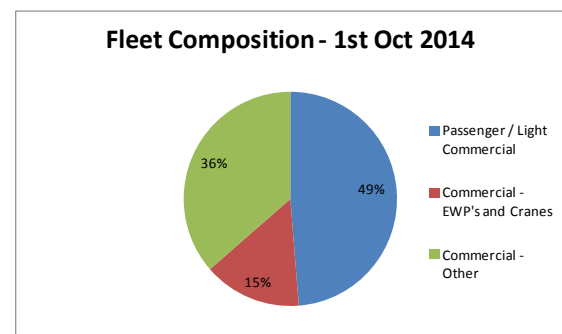
## 4. Fleet Composition

Our strategic approach has traditionally been to purchase (rather than lease) the vast majority of its non-system assets, including fleet assets, for the delivery of its network program of work. SA Power Networks therefore owns the majority of its fleet assets except where the business has chosen to lease vehicles to deal with short-term requirements or where suitable purchase options are unavailable.

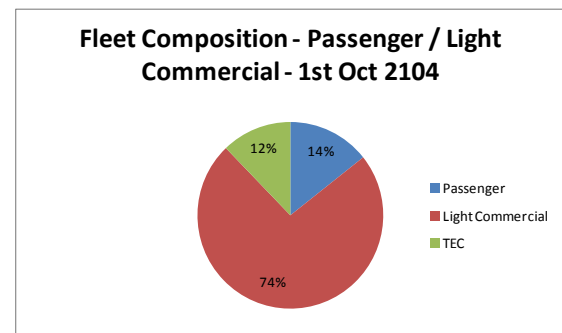
Our fleet composition (i.e. the number of type of fleet assets) reflects the strategic and operational requirements of the business. The current composition and age profile of our fleet assets as at 1 October 2014 is shown at Figure 3.

**Figure 3: Fleet composition as at 30 June 2014**

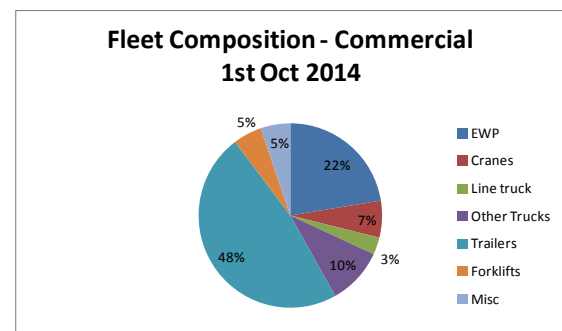
Passenger / Light Commercial	658
Commercial - EWP's and Cranes	200
Commercial - Other	492
<b>TOTAL</b>	<b>1350</b>



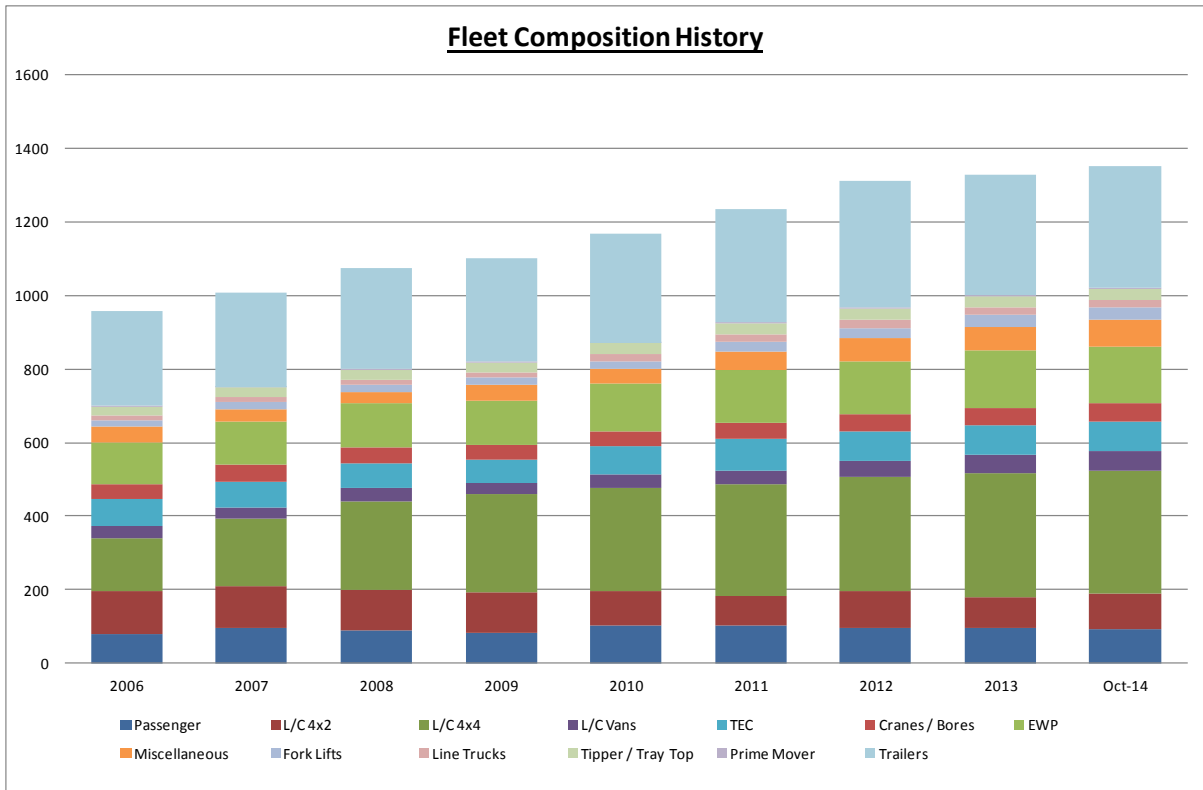
Passenger	94
Light Commercial	484
TEC	80
<b>TOTAL</b>	<b>658</b>



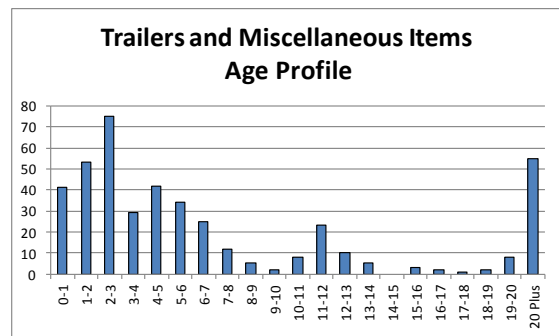
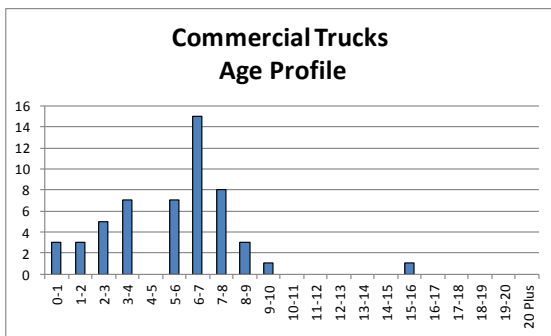
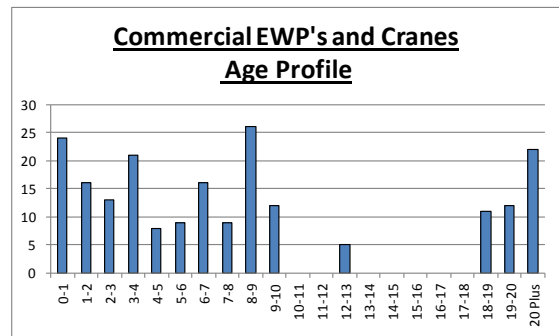
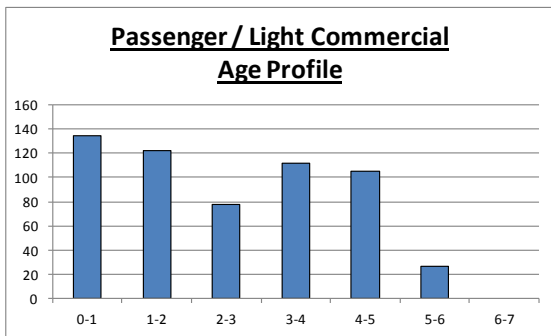
EWP	155
Cranes	45
Line truck	21
Other Trucks	69
Trailers	331
Forklifts	35
Misc	36
<b>TOTAL</b>	<b>692</b>



**Fleet composition history**



**Fleet Age Profiles**



## 5. Fleet Replacement Criteria

The Fleet replacement criteria is driven by legislative requirements, manufacturers' recommendations and good industry practice.

During the next regulatory control period, we propose to change the replacement criteria for other commercial vehicles from 20 years to 15 years, and passenger and light vehicles from 5 years to 4 years. These changes are driven by an increasing number of vehicles being replaced early due to poor condition and safety concerns. The change will ensure that our vehicles are fit-for-purpose, legislatively compliant and provided to the business in a timely manner to enable the efficient and effective delivery of the network program of work.

In addition, a comparison with other DNSPs has shown that we maintain one of the oldest aged and condition based commercial and light and passenger fleets in Australia. The change in replacement criteria will bring us in line with current good industry practice.

**Table 4: Current Vehicle Replacement Criteria and Crane Inspections**

### Current Replacements Criteria

Type of Vehicle	Explanation
EWP's	10 years Replacement based on Fleet procedures. Vehicle life may be extended where condition warrants it, not common to extend.
Cranes	14 years Replacement based on Fleet procedures. Vehicle life may be extended where condition warrants it.
Other Specialist Heavy Vehicles	20 years Replacement based on Fleet procedures. Vehicle life may be extended where condition warrants it.
TEC	3 years or 90,000 kms.
Passenger Vehicles	5 years or 150,000 kms.
Light Commercial	5 years or 150,000 kms.

### Inspections of Cranes

Type of Vehicle	Explanation
Cranes	Major Inspections at 10 Years.  As required by Australian Standards under the Occupational Health, Safety and Welfare Act, units shall be subject to a major inspection (Non Destructive Testing (NDT) Rebuild) when they have been in use for a period of 10 years.



## 6. Fleet Management Lifecycle

We take a lifecycle approach to the management of its fleet assets. To achieve our fleet management strategy, fleet assets are managed and operated in accordance with a *Plan – Build – Run – Manage* mode of operation. Figure 4 provides an overview of the key activities, core documents, key accountabilities and outcomes for each stage of the fleet lifecycle.

Figure 4 – Fleet management lifecycle

Stages	PLAN	BUILD	RUN	MANAGE
Key Activities	<ul style="list-style-type: none"> <li>Develop fleet plans following: <ul style="list-style-type: none"> <li>Review of corporate strategies</li> <li>Consultation with internal stakeholders</li> <li>Identification of operational requirements</li> <li>Review of fleet replacement plan and criteria</li> <li>Review of compliance requirements</li> <li>Industry research and analysis</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Vehicle acquisition and build in accordance with Replacement Plan</li> <li>Research asset requirements, market availability, types, options, delivery costs</li> <li>Vehicles purchased and delivered in accordance with procurement procedures and fleet specification and standards</li> </ul>	<ul style="list-style-type: none"> <li>Assets maintained in accordance with Maintenance and Operating Works Plans</li> <li>Fleet assets inspected and maintained in accordance with legislative requirements</li> <li>Fleet Assets identified for disposal in accordance with Replacement Plan</li> <li>Vehicles decommissioned, sold at auction and removed from Asset Register</li> </ul>	<ul style="list-style-type: none"> <li>Management of internal resources &amp; budgets</li> <li>Risk identification and mitigation</li> <li>Manage relationships with internal &amp; external service providers</li> <li>Compliance monitoring</li> <li>Monthly performance reporting</li> <li>Administrative processes</li> </ul>
Core Documents	<ul style="list-style-type: none"> <li>Fleet Lifecycle – Planning Procedure</li> <li>Strategic Fleet Plan</li> <li>Fleet 10 Year Capital Plan</li> <li>Fleet Replacement Plan</li> <li>Fleet Annual Business Plan</li> <li>Fleet Annual Budget</li> <li>Business Cases</li> </ul>	<ul style="list-style-type: none"> <li>Fleet Lifecycle – Acquisition Procedure</li> <li>Fleet specification &amp; standards</li> <li>Procurement Directive and Fleet Procurement Strategy</li> <li>Capital Expenditure Directive</li> <li>Project Authority</li> <li>Asset Register and corporate databases</li> </ul>	<ul style="list-style-type: none"> <li>Fleet Lifecycle – Maintenance &amp; Disposal Procedures</li> <li>Fleet Maintenance and Operating Works Plans</li> <li>Update Asset Register and corporate databases</li> <li>Vehicle logbook</li> <li>Inspection reports</li> </ul>	<ul style="list-style-type: none"> <li>Fleet Lifecycle – Quality Management Manual</li> <li>Corporate Governance Manual</li> <li>Fleet Directive</li> <li>Risk Management Policy &amp; register</li> <li>Partnering and Service Level Agreement and work plans</li> <li>Monthly performance reports</li> </ul>
Key Accountabilities	<ul style="list-style-type: none"> <li>Manager Fleet Management</li> <li>Fleet Business Manager</li> </ul>	<ul style="list-style-type: none"> <li>Fleet Acquisitions Manager</li> <li>Fleet Management Advisors</li> <li>Purchasing &amp; Contracts team</li> </ul>	<ul style="list-style-type: none"> <li>Manager Fleet Management</li> <li>Workshop Manager</li> <li>Fleet Management Advisor – Disposals</li> </ul>	<ul style="list-style-type: none"> <li>Manager Fleet Management</li> <li>Fleet Business Manager</li> </ul>
Approvals	<ul style="list-style-type: none"> <li>General Manager</li> <li>Finance Expenditure Review Committee</li> </ul>	<ul style="list-style-type: none"> <li>As per corporate Financial Authorities</li> </ul>	<ul style="list-style-type: none"> <li>Manager Fleet Management</li> <li>Workshop Manager</li> </ul>	<ul style="list-style-type: none"> <li>General Manager</li> <li>Risk Management &amp; Compliance Committee?</li> </ul>
Outcomes	<i>Effective fleet planning aligned to SA Power Networks strategic direction, priorities and operational requirements</i>	<i>Provision of fit-for-purpose vehicles in a cost-effective and timely manner to enable the efficient and effective operation of the business</i>	<i>Vehicles maintained in accordance with compliance requirements to maximise the safety, operational reliability and availability of fleet for our customers</i>	<i>Quality management of fleet resources, budgets and internal and external service providers and robust governance across the fleet lifecycle</i>

The *Plan – Build – Run – Manage* model provides a clear and structured framework and approach to the management and operation of our fleet assets, aligned to the *Fleet Lifecycle – Quality Management Manual* and procedures. Quality management and robust governance arrangements are fundamental across the fleet lifecycle. A brief description of each stage is provided below.

### Plan

The 'Plan' phase is focussed on the development and review of the fleet management planning framework in accordance with the *Fleet Lifecycle – Planning Procedure*. The procedure outlines the process from planning and approval of budgets to post implementation review of the plan at the end of the relevant financial year. Core planning documents include the *Strategic Fleet Plan, Fleet 10 Year Capital Plan, Fleet Replacement Plan, Annual Business Plan and Budget*.

At a high-level the 'Plan' stage involves:

- consideration of any changes to SA Power Networks' strategic direction and priorities;
- consultation with the business to determine business requirements and operational drivers, including any changes to work practices and procedures.

- annually reviewing the fleet replacement requirements against the fleet replacement criteria;
- reviewing the fleet replacement criteria to determine whether any changes are required to optimise fleet performance;
- undertaking market research to consider industry trends, innovations and new technology, and changes to safety, environment and other compliance obligations;
- reviewing the 10-Year Capital Plan and Fleet Strategic Plan and updating as required;
- development of the annual Replacement Plan and budget; and
- approval of the updated Fleet planning documents and budget by the Financial Expenditure Review Committee (FERC).

At the end of the 'Plan' stage, Fleet Management has a clear understanding of business needs, which is reflected in the replacement plan, key fleet initiatives and approved budget for the next year.

Any material variations requiring additional funding during the year requires the prior approval of the CFO and FERC.

At the end of the year, a Post Implementation Review (PIR) is undertaken, which identifies any financial variations to the approved plan. The PIR is presented to the FERC for review with 'lessons learnt' used to inform future planning processes.

### **Build**

The 'Build' stage is focussed on the acquisition of fleet vehicles in accordance with the *Fleet Lifecycle – Acquisition* procedure. The procedure outlines the process from issuance of the Fleet Replacement Plan to the Fleet Management Advisors (FMAs) for the acquisition and delivery of fleet assets to end users. Key documents during this stage include the *Fleet Replacement Plan, Fleet Directive, Vehicle Safety Directive, Procurement Directive, and Financial Authorities*.

At a high level, the 'Build' stage involves:

- issuing the approved annual Replacement Plan to the FMAs, ensuring a clear understanding of the replacement criteria and approved funding detailed in the plan;
- undertaking comprehensive market research to assess the availability, options, delivery and costs of specific vehicles, plant and associated equipment;
- consulting with end-user groups for final selections on the basis of the results of the market research;
- obtaining quotes from vendors in accordance with the Procurement Directive;
- identifying the preferred vendor, generating Project Authorities for approval in accordance with SA Power Network's Financial Authorities and proceeding with acquisition through the Procurement and Contracts business unit;
- notifying the training centre of the procurement and scheduling training with the manufacturer, where required;
- carrying out periodic inspections at critical manufacturing stages, including risk assessments;
- accepting vehicle delivery, undertaking risk assessment of new assets; and
- delivery of the vehicle or equipment, including training where required, and possession of replaced asset for disposal.

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## Run

The 'Run' stage is focussed on the servicing, maintenance and disposal of fleet assets in accordance with the *Fleet Lifecycle – Maintenance and Disposal* procedures. The procedure outlines the process pertaining to the maintenance of vehicles across their useful life and disposal of vehicles following replacement. Key documents during this stage include the *Fleet Operating Works Plans and Replacement Plan*.

Fleet Operations Group executes the plan on behalf of Fleet Management. At a high level, the maintenance component of the 'Run' stage involves:

- development of the annual Fleet Operating Works Plan by Fleet Management;
- maintaining all vehicles in accordance with the Fleet Operating Works Plans;
- ensuring that all internal and external databases are maintained to reflect all servicing, maintenance and rebuild works; and
- preparation of monthly reporting by Fleet Operations and analysis of monthly reports by Fleet Management, including resolution of issues and management of variances to plan.

The process for disposal for vehicles is managed by Fleet Management. At a high level, the disposal component of the 'Run' stage involves:

- decommissioning of vehicles;
- delivery to Auction House and determining asset reserve value;
- cancellation of registration and disposal of asset at auction;
- reconciliation of the documentation including the confirmation of receipt of payment; and
- updating the Asset Register.

## Manage

The 'Manage' stage is focussed on quality management and robust governance, across the fleet lifecycle, to ensure the efficient and effective use of fleet assets and resources. Key documents include SA Power Networks' *Corporate Governance Manual*, incorporating the *Fleet Directive*, *Vehicle Safety Directive*, *Procurement Directive*, and the *Fleet Lifecycle – Quality Management Procedure*.

At a high level, effective fleet management and governance involves:

- ongoing monitoring and management of internal resources and budgets;
- identification and management of risks;
- inspecting fleet and monitoring compliance with legislative and WH&S requirements;
- managing our professional relationships with internal and external service providers, including negotiating and monitoring work in accordance with work plans; and
- monitoring and reporting against expenditure forecasts and key performance indicators, allowing decisions and strategies to be adjusted as necessary.

## 7. 2010 - 2015 Period Performance

The fleet expenditure program across the current period was driven by:

- heavy and light vehicle replacement requirements;
- new fleet associated with employee growth; and
- compliance with legislative obligations.

Fleet expenditure versus the AER's approved allowance for the current period is shown in Table 5.

**Table 5 – Current period fleet expenditure**

Current period expenditure	2010/11 (Actual)	2011/12 (Actual)	2012/13 (Actual)	2013/14 (Actual)	2014/15 (F'cast)	Total
AER allowance	13.5	8.3	18.8	24.8	23.6	89.0
Actual expenditure	16.5	13.4	18.7	23.2	23.6	95.4
Variance	(3.0)	(5.1)	0.1	1.6	0.0	(6.4)

The minor variance (increase) in fleet expenditure across the period was as a result of our operational decision to change the fleet replacement criteria for EWPs, from 20 years to 10 years and for cranes, from 20 years to 14 years, with effect from 1 January 2012. The changes were considered to be prudent and efficient due to:

- the legislative requirement, and associated costs, for EWPs and cranes to have major inspections (non-destructive testing (NDT) rebuilds) once they have been in use for a period of 10 years and every subsequent 5 years;
- the impact of increasing age on vehicles, including higher maintenance and running costs, safety concerns, deferral of new environmental and safety features, and loss of productivity during rebuild; and
- a comparison with other distribution network service providers, which showed that we maintain one of the oldest EWP and crane fleets in Australia.

Key performance achievements across the current period include:

- delivery of the agreed replacement plan for heavy and light vehicles, with changes to the replacement criteria for EWPs and cranes coming into effect from 1 January 2012;
- acquisition of new fleet associated with employee growth across the period; and
- successful pilot of an In-Vehicle Management System (**IVMS**) in late 2013, utilising the Auspace 'Lone Worker' technology developed for and used by Rio Tinto. The IVMS allows for the transfer of data (including alerts) from a mobile employee, to a central location or other mobile device, with a focus on:
  - employee safety and welfare for mobile employees working alone in remote or risky areas; and
  - measuring and managing driver behaviour and vehicle treatment.

Based on the success of the pilot, the IVMS is currently being installed in 100 priority vehicles during 2014/15 and is intended to be rolled-out to the remaining fleet across 2016/17 and 2017/18.

## 8. 2015 – 2020 Fleet Capital Program

The fleet capital expenditure program across the 2015 - 2020 period is forecast to increase by \$50.6m (including escalations) from the current period actual spend. This program is being driven by:

- fleet replacement plan for heavy and light vehicles, including proposed changes to the replacement criteria;
- new fleet requirements driven by forecast employee growth and the associated resourcing strategy to deliver the network program of work;
- two specific business initiatives identified (IVMS and Vehicle Weight Management) in response to legislative and WH&S obligations, strategic and operational business requirements and the availability of new technology to offer an effective solution to these requirements.

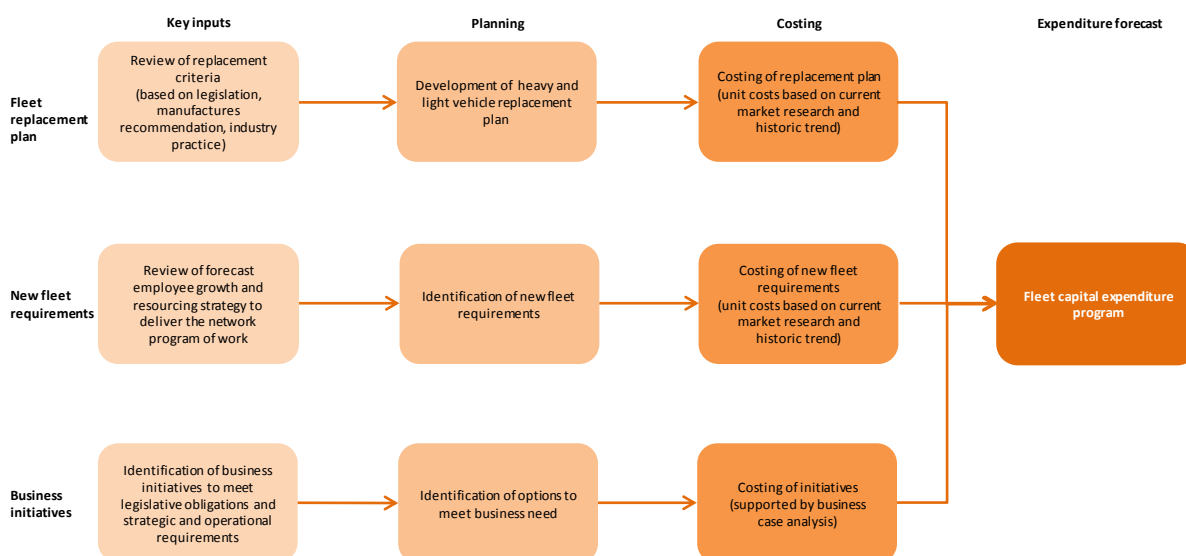
Forecast fleet capital expenditure for the 2015 – 2020 period is show in Table 7.

**Table 7 – Forecast capital expenditure**

Forecast capital expenditure	2015/16	2016/17	2017/18	2018/19	2019/2020	Total
Vehicle replacement expenditure	36.7	20.9	15.3	18.5	22.4	<b>113.8</b>
New fleet expenditure	1.7	5.9	8.2	5.9	3.9	<b>26.7</b>
Business initiatives						
In-Vehicle Management System	0.7	1.1	1.2	0.0	0.0	<b>3.0</b>
Vehicle Weight Compliance	0.0	1.2	1.2	1.2	0.0	<b>3.6</b>
<b>Total</b>	<b>39.1</b>	<b>29.1</b>	<b>25.9</b>	<b>25.6</b>	<b>26.3</b>	<b>146.0</b>

Our approach to development of each component of the fleet annual expenditure program for the next five years is outlined in Figure 5 and described below.

**Figure 5 – Development of the fleet capital expenditure program**



## Fleet replacement plan

Development of the fleet replacement plan for the 2015 – 2020 period involved:

- A review of the current replacement criteria to consider whether any changes were required in order to maximise the performance of our fleet. The review identified a need to change the replacement criteria for Other Commercial vehicles from 20 years to 15 years, and Passenger and Light vehicles from 5 years to 4 years. The proposed changes are driven by:
  - an increasing number of vehicles being replaced early due to poor condition and safety concerns and the associated disruption and dissatisfaction that this causes; and
  - the need to ensure that our vehicles are fit-for-purpose, legislatively compliant and provided to the business in a timely manner to enable the efficient and effective delivery of the network program of work.

Our current and proposed replacement criteria are shown at Table 8.

**Table 8 – Fleet replacement criteria**

Fleet category	Current replacement criteria	Proposed replacement criteria
EWPs	10 Year Replacement	10 Year Replacement
Cranes	10 Year rebuild with 14 Year Replacement	10 Year rebuild with 14 Year Replacement
Other commercial	20 Year Replacement	15 Year Replacement
Passenger and light vehicles	5 Year Replacement / 150,000km	4 Year Replacement / 120,000km
TEC vehicles	3 Year Replacement / 90,000km	3 Year Replacement/ 90,000km

- comparative benchmarking analysis against other DNSPs, outlined at Appendix 1, shows that we maintain one of the highest age and condition based Other Commercial and Light and Passenger fleets in Australia. The respective changes in the replacement criteria will bring these fleet categories into line with good industry practice; and
- development and costing of the replacement plan for heavy and light vehicles. Replacement unit costs were developed based on a combination of current procurement arrangements, market research and historic trend.

## New fleet requirements

The identification of new fleet requirements was undertaken through:

- an analysis by the business of the additional fleet requirements associated with forecast employee growth and operating crew structures required to deliver the network program of work. Specifically, the resourcing strategy to deliver the 2015-20 RCP Network Program, as detailed in Attachment 20.27, includes the recruitment of an additional 90 Trade Skilled Workers; and
- fleet unit costs were developed based on a combination of current procurement market research and historic trend.

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### Business initiatives

In response to legislative and WH&S obligations, strategic and operational business requirements and the availability of new technology, two specific business initiatives have been identified for delivery during the next period. They include:

- IVMS – This initiative promotes employee safety, welfare and mobility in response to WH&S legislative requirements and the Mobility Strategy. The IVMS allows for the transfer of real time data regarding employee welfare and driving behaviour (including safety alerts) from a mobile employee in the field to a central location. The system will provide improved safety of remote and lone workers, and provide real time feedback to drivers and leaders to assist in improving driving behaviour.

The IVMS is currently being rolled out to 100 priority vehicles within the 2010 to 2015 regulatory period. It is proposed to deploy the system to the remaining fleet during 2015/16 and 2016/17.

- Vehicle Weight Compliance – This initiative will involve the installation of vehicle weighing mechanisms at our sites to ensure ongoing compliance with mandatory safety requirements related to vehicle weight. The objective of the initiatives is to provide a mechanism to ensure that vehicles are not overloaded and therefore compliant with road rules and manufacturer's specification's prior to departing our sites.

This will ensure vehicles and employees are safely mitigating the risks of potential weight related accidents and vehicle defect notices issued for weight non compliances.

Supporting business cases have been prepared for these initiatives.

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## 9. Fleet Management Structure, Roles and Functions

### 9.1 Fleet Management

The Fleet Management group is responsible for the effective management of our entire fleet of vehicles and associated plant and equipment. Fleet Management is structured into two key business units – Business Management and Acquisition Management.

#### Business Management

Business Management is primarily responsible for the 'Plan' and 'Manage' stages of the fleet lifecycle with responsibility of some functions across the Build and Run stages. Key functions include:

- fleet strategy and planning;
- budget preparation and management;
- business analysis, monitoring and performance reporting;
- fleet administration, including tyre, infringement, safety and accident management;
- TEC (executive vehicles) vehicle acquisition and management;
- fleet inspections including Heavy Vehicle Compliance;
- vehicle disposal management;
- hire vehicle, pool vehicle and novated lease management;
- management of external fleet management services contract management (refer below); and
- servicing, maintenance and repair management.

Fleet Management have a need to supplement its internally sourced management of data by the utilisation of a third party fleet management service provider.

The scope of these services include the following fleet management support services:

- online access and update functionality to the Fleet Management System;
- online reporting, on request reporting , quarterly performance reporting;
- vehicle registration management;
- payment facilitation services;
- provision of access to the 3<sup>rd</sup> party fleet management discount offerings through selected suppliers;
- Account Manager, operational support and other back-office support personnel;
- maintenance and repairs call desk access and support services;
- road side assistance;
- employee benefits;
- fuel management services; and
- vehicle leasing services.



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## Fleet Acquisition Management

Fleet Acquisition Management is primarily responsible for the 'Build' stage of the fleet lifecycle. Key functions include:

- vehicle acquisition;
- vehicle standards and specification development and approval;
- vehicle build management and commissioning; and
- vehicle delivery management.

## 9.2 Servicing and Maintenance Management

Fleet Management is primarily responsible for the "Run" stage of the fleet life cycle, utilising the Fleet Operations group for the "doing" component of the "Run" stage of the fleet life cycle. Fleet Management develops in consultation with the Fleet Operations group an annual Fleet Operating Works Plan.

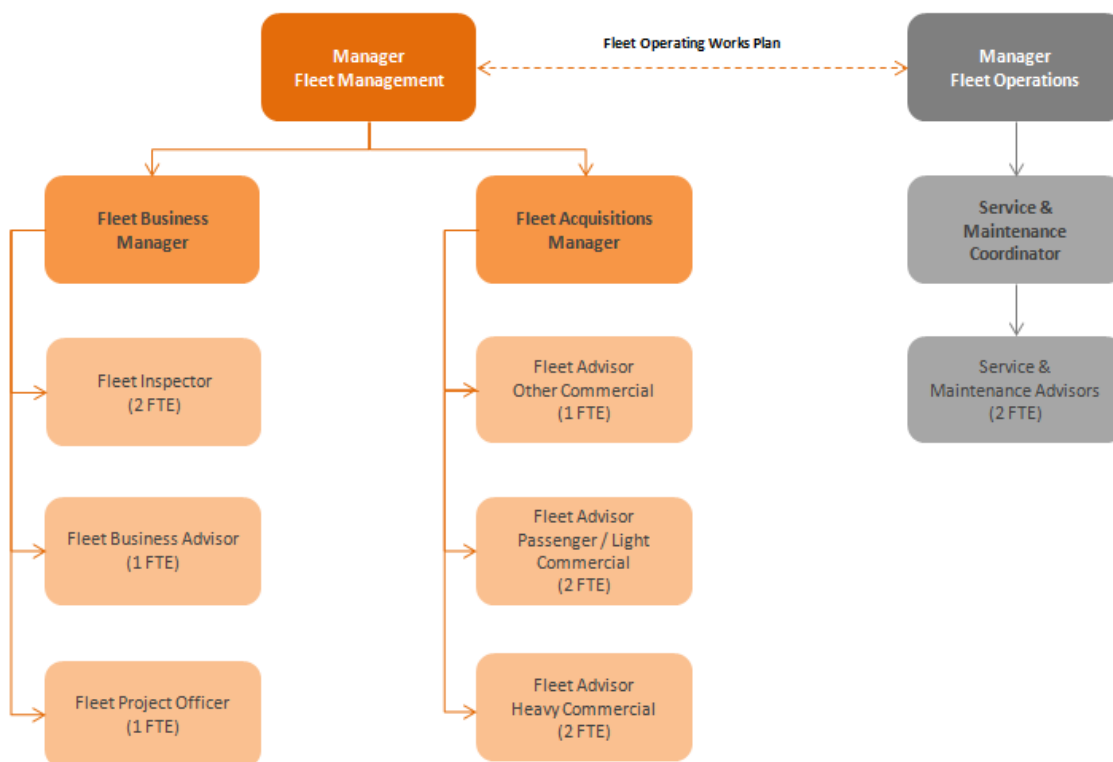
Fleet Operations group executes the plan on behalf of Fleet Management and reports regularly on progress.

The key maintenance functions to be delivered by Fleet Operations group include all internal and external vehicle servicing and maintenance. Incorporating the following activities:

- maintenance, servicing and repairs of all Fleet related equipment;
- post legislative inspections maintenance and repairs (EWP's and cranes);
- major brake overhauls on commercial vehicles;
- rope replacements on cranes;
- boom cleaning on EWP's;
- major inspections (NDT rebuilds) on EWP's and Cranes;
- project works; and
- management reporting.

Figure 6 below illustrates the current organisational structure across the Fleet Management and Fleet Operations groups.

Figure 6 – Fleet Management and Operations structure



## Appendix 1: Vehicle Replacement Comparison

Table 9 – Comparison of vehicle replacement criteria with other DNSPs, as at 30 June 2014

	SA Power Networks	PowerCor (under review)	AusGrid	Essential	Ergon	Energex
<b>EWP</b>	10 yrs	15 yrs	10 yrs	10 yrs	10 yrs	10 yrs
<b>Crane</b>	14 yrs	10 yrs/300,000Kms-Cab 20 yrs Crane	10 yrs	10 yrs	10 yrs	10 yrs
<b>Borer's and Wire Winders</b>	20 yrs	10 yrs/300,000Kms-Cab 20 yrs Borer	10 yrs	10 yrs	10 yrs	10 yrs
<b>Commercial Trucks</b>	20 yrs	15 yrs/300Kms	10 yrs/200,000Kms	8 yrs / 150,000 Kms	8 Yrs / 200,000Kms	5 Yrs / 150,000kms
<b>Misc. Equipment</b>	20 yrs	10 yrs	12 years	Condition Assessment	10 yrs	
<b>Trailers</b>	20 yrs	15 yrs	15 yrs	Condition Assessment	10 yrs	
<b>Passenger</b>	5 yrs/150,000Kms	4 yrs/120,000Kms	5 yrs/120,000Kms	5 Yrs / 100,000Kms	4 Yrs / 100,000Kms	3 Yrs / 100,000Kms
<b>Light Commercial 4x2</b>	5 yrs/150,000Kms	6 yrs/150,000Kms	6 yrs/150,000Kms	5 Yrs / 120,000Kms	4 Yrs / 100,000Kms	3 Yrs / 120,000Kms
<b>Light Commercial 4x4</b>	5 yrs/150,000Kms	6 yrs/140,000Kms		5 Yrs / 120,000Kms	4 Yrs / 150,000Kms	3 Yrs / 130,000Kms
<b>Light Commercial - Heavy Duty</b>	5 yrs/150,000Kms	300,000Kms		5 Yrs / 120,000Kms	4 Yrs / 150,000Kms	5 Yrs / 150,000Kms
<b>TEC</b>	3 yrs/90,000Kms	4 yrs/100Kms		100,00Kms	3 yrs	2 Yrs / 90,000Kms