

# Investment Evaluation Summary (IES)



## Project Details:

<b>Project Name:</b>	Decommission Assets
<b>Project ID:</b>	00723
<b>Thread:</b>	Overhead
<b>CAPEX/OPEX:</b>	OPEX
<b>Service Classification:</b>	Standard Control
<b>Scope Type:</b>	D
<b>Work Category Code:</b>	ARDEC
<b>Work Category Description:</b>	Decommission Assets
<b>Preferred Option Description:</b>	Undertake the removal or decommissioning of overhead or underground assets that are no longer required.
<b>Preferred Option Estimate (Nominal Dollars):</b>	\$5,160,000

	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
<b>Unit (\$)</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Volume</b>	0	0	0	0	0	0	0	0	0	0
<b>Estimate (\$)</b>										
<b>Total (\$)</b>	\$516,000	\$516,000	\$516,000	\$516,000	\$516,000	\$516,000	\$516,000	\$516,000	\$516,000	\$516,000

## Governance:

<b>Project Initiator:</b>	Gary Carleton	<b>Date:</b>	27/03/2015
<b>Thread Approved:</b>	David Eccles	<b>Date:</b>	20/10/2015
<b>Project Approver:</b>	David Eccles	<b>Date:</b>	20/10/2015

## Document Details:

<b>Version Number:</b>	1
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## Related Documents:

Description	URL
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# Section 1 (Gated Investment Step 1)

## 1. Background

TasNetworks owned assets from time to time are decommissioned and disconnected from the electrical system. The reason for decommissioning is varied, but recently has often been driven by a change of land use where a farm has been converted to a tree plantation. TasNetworks removes the assets from the network as leaving the assets standing incurs ongoing costs in inspection treatment and vegetation clearing.

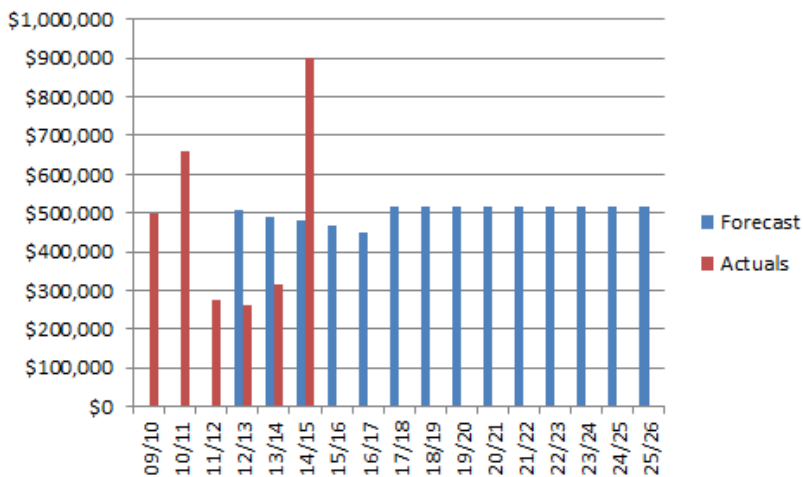
The budget for this program also incorporates the removal of Pole Operating Platforms (POPs). Existing POPs do not meet safety or structural standards and as other methods are available for working on pole tops, the most cost effective solution is to remove the platforms entirely rather than attempt to upgrade them.

### 1.1 Investment Need

The drivers for this program are minimising costs to customers and managing business operating risks (safety).

There have been no major changes to this program and future expenditure is expected to remain consistent with the historical average.

Figure 1: Historical and Forecast ARDEC Expenditure



### 1.2 Customer Needs or Impact

TasNetworks continues to undertake consumer engagement as part of business as usual and through the Voice of the Customer program. This engagement seeks in depth feedback on specific issues relating to:

- How its prices impact on its services
- Current and future consumer energy use
- Outage experiences (frequency and duration) and expectations
- Communication expectations
- STPIS expectations (reliability standards and incentive payments)
- Increasing understanding of the electricity industry and TasNetworks

Consumers have identified safety, restoration of faults/emergencies and supply reliability as the highest performing services offered by TasNetworks.

Consumers also identified that into the future they believe that affordability, green, communicative, innovative, efficient and reliable services must be provided by TasNetworks.

This project specifically addresses the requirements of consumers in the areas of:

- safety, restoration of faults/emergencies and supply reliability
- affordability, green, communicative, innovative, efficient and reliable services

Customers will continue to be consulted through routine TasNetworks processes, including the Voice of the

customer program, the Annual Planning Review and ongoing regular customer liaison meetings.

### 1.3 Regulatory Considerations

This project is required to achieve the following capital and operational expenditure objectives as described by the National Electricity Rules section 6.5.7(a) and 6.5.6(a).

#### 6.5.7 (a) Forecast capital expenditure

- (1) meet or manage the expected demand for standard control services over that period;
- (2) comply with all applicable regulatory obligations or requirements associated with the provision of standard control services;
- (3) to the extent that there is no applicable regulatory obligation or requirement in relation to:
  - (i) the quality, reliability or security of supply of standard control services; or
  - (ii) the reliability or security of the distribution system through the supply of standard control services, to the relevant extent:
  - (iii) maintain the quality, reliability and security of supply of standard control services; and
  - (iv) maintain the reliability and security of the distribution system through the supply of standard control services; and
- (4) maintain the safety of the distribution system through the supply of standard control services.

## 2. Project Objectives

To undertake removal or decommissioning of overhead or underground assets that are no longer required.

## 3. Strategic Alignment

### 3.1 Business Objectives

Strategic and operational performance objectives relevant to this project are derived from TasNetworks 2014 Corporate Plan, approved by the board in 2014. This project is relevant to the following areas of the corporate plan:

- We understand our customers by making them central to all we do;
- We enable our people to deliver value; and
- We care for our assets, delivering safe and reliable networks services while transforming our business.

### 3.2 Business Initiatives

The business initiatives that relate to this project are as follows:

- Safety of our people and the community, while reliably providing network services, is fundamental to the TasNetworks business and remains our immediate priority
- We care for our assets to ensure they deliver safe and reliable network services
- We will transform our business with a focus on:
  - An appropriate approach to the management and allocation of risk
- The strategic key performance indicators that will be impacted through undertaking this project are as follows:
  - Customer engagement and service – customer net promoter score
  - Price for customers – lowest sustainable prices
  - Culture and people engagement – Culture score
  - Zero harm – significant and reportable incidents

- Network service performance – meet network planning standards
- Network service performance – outcomes under service target performance incentive schemes
- Sustainable cost reduction – efficient operating and capital expenditure

## 4. Current Risk Evaluation

Do nothing is not an acceptable option to TasNetworks' risk appetite. The level of risk identified above is such that a treatment plan is required to reduce the risks to a tolerable level, in line with TasNetworks' Risk Management Framework.

### 4.1 5x5 Risk Matrix

TasNetworks business risks are analysed utilising the 5x5 corporate risk matrix, as outlined in TasNetworks Risk Management Framework.

Relevant strategic business risk factors that apply are follows:

Risk Category	Risk	Likelihood	Consequence	Risk Rating
Environment and Community	Eliminates risk to environment from deteriorating assets (e.g leaking oil)	Unlikely	Major	Medium
Safety and People	Eliminates risk to public from deteriorating assets	Unlikely	Severe	High

## Section 1 Approvals (Gated Investment Step 1)

<b>Project Initiator:</b>	Gary Carleton	<b>Date:</b>	27/03/2015
<b>Line Manager:</b>		<b>Date:</b>	
<b>Manager (Network Projects) or Group/Business Manager (Non-network projects):</b>		<b>Date:</b>	
[Send this signed and endorsed summary to the Capital Works Program Coordinator.]			

<b>Actions</b>			
<b>CWP Project Manager commenced initiation:</b>		<b>Assigned CW Project Manager:</b>	
<b>PI notified project initiation commenced:</b>		<b>Actioned by:</b>	

## Section 2 (Gated Investment Step 2)

### 5. Preferred Option:

Undertake the removal or decommissioning of overhead or underground assets that are no longer required.

#### 5.1 Scope

The work to be undertaken shall be the decommissioning of assets.

Work shall be Network generated as identified by TasNetwork from time to time. The method of conveyance of the above information and subsequent authorisation shall be by individual scope document detailing work requirements. General Conditions:

- a) All assets detailed in the scope should be removed and the site reinstated to the surrounding equivalent.
- b) This would usually include the installation of assets to facilitate the overall removal ie: a new stay may be required on an end pole to allow the remainder to be removed.
- c) In addition to work performed, and prior to leaving the site, all connections on a pole and/or point of attachment where work is undertaken shall be checked and tightened/replaced where required, e.g. check the service fuse, mains box, service tails, PG clamps, D's & T's, TX neutral earth's etc.
- d) In addition to work performed a visual inspection of the immediate site shall be undertaken to ensure minimum clearance standards are maintained for all overhead conductors. e) All scrap metals are to be returned to Stores for disposal through the appropriate channels
- f) Transformers recovered shall be assessed to determine if they are suitable for return to service or salvaging.
- g) Contaminated soil and materials shall be disposed of in accordance with TasNetwork's Environmental guidelines.

#### 5.2 Expected outcomes and benefits

Eliminates risk to public and environment from deteriorating assets.

#### 5.3 Regulatory Test

## 6. Options Analysis

### 6.1 Option Summary

Option description	
Option 0	Do nothing
Option 1 (preferred)	Undertake the removal or decommissioning of overhead or underground assets that are no longer required.

### 6.2 Summary of Drivers

Option	
Option 0	Unacceptable risk to the public and environment from deteriorating assets

Option 1 (preferred)	Eliminates risk to environment from deteriorating assets (e.g leaking oil) Eliminates risk to public from deteriorating assets
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### 6.3 Summary of Costs

Option	Total Cost (\$)
Option 0	\$0
Option 1 (preferred)	\$5,160,000

### 6.4 Summary of Risk

This section outlines an overall residual asset risk level, for each of the options.

Option	Risk Assessment
Option 0	High
Option 1	Medium

### 6.5 Economic analysis

Option	Description	NPV
Option 0	Do nothing	\$0
Option 1 (preferred)	Undertake the removal or decommissioning of overhead or underground assets that are no longer required.	\$5,160,000

#### 6.5.1 Quantitative Risk Analysis

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#### 6.5.2 Benchmarking

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#### 6.5.3 Expert findings

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#### 6.5.4 Assumptions

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## Section 2 Approvals (Gated Investment Step 2)

<b>Project Initiator:</b>	Gary Carleton	<b>Date:</b>	27/03/2015
<b>Project Manager:</b>		<b>Date:</b>	

<b>Actions</b>			
<b>Submitted for CIRT review:</b>		<b>Actioned by:</b>	
<b>CIRT outcome:</b>			