Summary

The document sets out the governance process for capital investment into non-network property (office & depot) assets.

Revision no:	0	**TRIM No:**	Leave Blank for New Procedure. Enter No. for Existing Procedure	**Approval/ Review Date:**	Enter in DD MONTH YYYY format e.g. 15 January 2014
Business function:	Supply Chain			**Document type:**	Procedure
BG circulation:	Yes ☐	No ☒			
Process owner:	Head of Supply Chain				
Author:	Suzanne Westgate (Manager, Workplace & Facilities); Peter Alwan (Facilities & Workplace Services Manager); Todd Pearson (Delivery Manager - Property); Ankita Mishra (Facilities Asset Strategic Lead)				
EM approval:	Yes ☐	No ☐			
Reviewers:	Roly O'Connell **|** Head of Supply Chain **|** Corporate Services				
Approver:	Chris Pemberton **|** EM Corporate Services **|** Corporate Services				

A printed copy of this document may not be the current version. Please refer to the Wire to verify the current version.

Contents

1.   Purpose

This document sets out TransGrid's governance process for investing capital into non-network assets (office and depots) in a way that achieves the following objectives:

- **Safety and compliance** – delivers and maintains safe, compliant and reliable workplaces for employees
- **Effective asset management** – provides effective asset management over the life of the property assets
- **Delivering value to our customers** – manages cost versus risk and performance of the assets on a like for like basis, while providing workplaces which meet our accommodation requirements and enable efficient delivery of projects and services
- **Leading with sustainability** – identifies and achieves sustainability targets.

2.   Scope

This procedure applies to the identification, assessment, and determination of capital spend on non-network property projects which are:

(a) **Minor non-network property pipeline projects** – projects **<$100k** which are identified throughout the year, meet the criteria for non-network property capital spend under the "minor non-network property pipeline" budget, and are within budget (**Minor Pipeline Projects**);

(b) **Major non-network property projects** – projects **>$100k** which have been identified in the Non-Network 10 Year Assets Renewal & Maintenance Strategy, five-yearly independent audits, and/or Revenue Reset submission, or otherwise arise and are determined to be required to meet TransGrid's non-network asset objectives (**Major Property Projects**);

(c) **Strategic non-network property projects** – projects which are identified by TransGrid as essential property projects from a strategic, reputational, value delivery, and or business continuity point of view, and have received IRC approval (**Strategic Property Projects**).

The procedure is:

- Supported by the **Non-Network Property Renewal & Maintenance Strategy**;
- consistent with TransGrid's **Asset Management Policy**; and
- consistent with TransGrid's **Asset Management Framework**.

The following activities are addressed by separate policies and procedures:

- network assets
- fleet
- Mobile plant or equipment
- IT assets

3.   Non-Networks Assets

3.1   Assets

TransGrid owns 7 regional depots and offices of varying sizes and ages across NSW:

Location	Size	Age	Occupancy
180 Thomas Street Haymarket, Sydney	9-storey	completed in early 2014	~320 FTE
Wallgrove Depot - Eastern Creek	10 buildings	Circa constructed from between 1965 – 2014	~290 FTE
Orange Depot	3 buildings	constructed from circa 2000 onwards	~40 FTE
Wagga Wagga Depot	3 buildings	constructed in the 1960's and 1970's	~56 FTE
Waratah West, Newcastle	12 buildings	constructed in circa 1992	~124 FTE
Tamworth Depot	2 buildings	constructed in 2013	~40 FTE
Yass Depot	8 buildings	constructed between 1960s to 2006	~56 FTE

Overall, the office and depot assets comprise approximately ~50 separate spaces or areas, including roads, hardstands, workshops, warehouses, office floors, bathrooms, and common areas.

3.2   Use of assets

TransGrid's non-network property assets are predominantly used as:

> workplaces for our activity-based operational, field, engineering and technical teams;

> workplaces for our administrative, facilities, corporate, regulatory, and training functions;

> network control room facilities;

> workshops and loading bays;

> warehousing and storage facilities for equipment and spare parts;

> compounds for large vehicle and operational vehicle fleet and covered parking facilities; and

> specialist functional facilities such as oil processing, battery charging, vehicle wash bays etc.

4.   Non-Network Property Capital Investment Objectives

4.1   TransGrid's Strategic Pillars

TransGrid's strategic pillars define the organisational and strategic direction for the business:
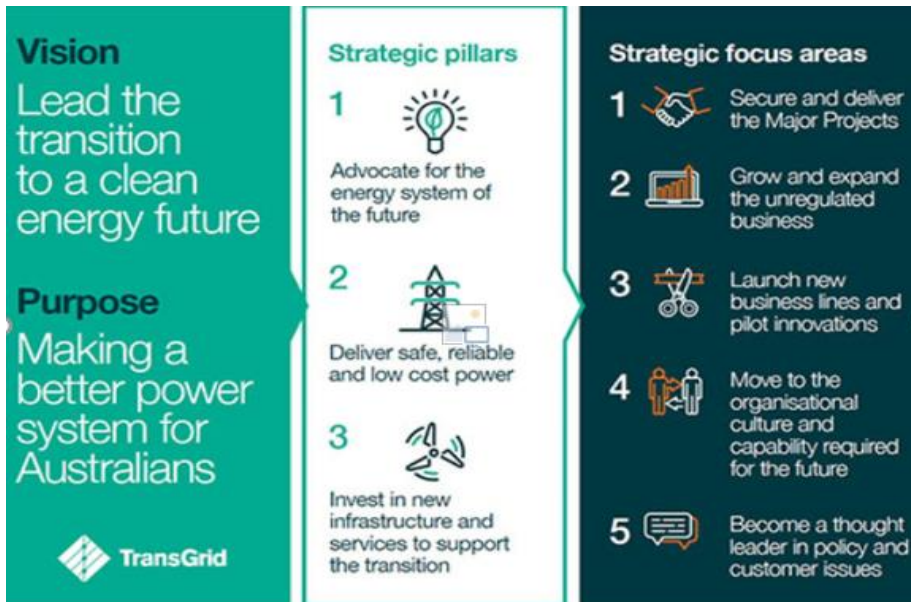
Figure 1: TransGrid Strategic Pillars

Non-Network capital expenditure must support the TransGrid's Strategic Pillars, including via Strategic Projects.

4.2 Principles of investment

Capital investment in non-network property must:

- Deliver demonstrable customer benefit;
- be needed to meet a statutory obligation or safety requirement.

These benefits are assessed through the risk and investment analysis process, where the impacts of our proposed investments are given a defensible monetary value to enable the relative benefits and costs to be compared.

For non-network property assets, expenditure is based on achieving the overarching non-network property objectives, which are listed in **section 1** above. The office and depot facility assets do not form part of the network assets, but they do provide all the necessary support functions and materials that are required to build, operate, monitor, and maintain the network assets. These facilities provide office accommodation for our staff, and consequently the additional business drivers and objectives relate to human resources and team functionality that influence decisions made in relation to office and depot facilities.

Ongoing capital investments are required to fulfil statutory or regulatory obligations, such as complying with the NSW Fire Safety Standards. In these cases, technical justification becomes the main driver as to whether an investment is required, supported by robust technical planning and sophisticated analysis capabilities to undertake the necessary investments.

Projects.

4.3 Operating model

The Non-Network Property Capex Procedure adopts the Asset Management Policy and operate as part of the overarching operating model under the Asset Management Framework, which defines the way the business's functions work together to maximise value:
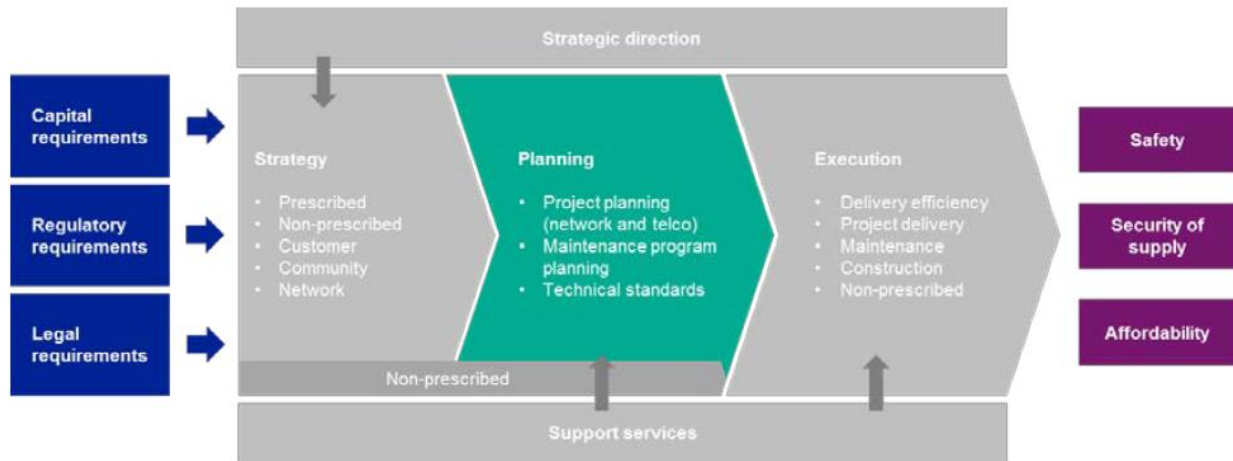
Figure 2: Asset Management Framework

Drivers: Our Property forecast comprises projects and programs are driven by:

> **Compliance obligations** – to meet all statutory, regulatory, local authority requirements where applicable.

> **Workforce demand** – to address identified safety and wellbeing requirements, building issues, or an increased need for accommodation to meet our workforce demands to deliver transmission services.

> **Utilisation** – appropriate, effective and efficient utilisation of property assets.

Several of our depots were constructed prior to the current BCA and relevant standards, which do not have retrospective application. However, over time, numerous alterations and additions have been carried out across the depot assets. If a development or modification application that requires a construction or occupancy certificate is made, a fire safety schedule is required, which must include statutory fire safety measures in accordance with the EP&A regulations.

Taking this into account, we apply a consistent, risk-based approach to understand our current compliance obligations, material changes that require investment, and evaluate solutions to determine the lowest cost preferred option. This is based on an independent conditions assessments (audits) which we commission every 5 years. Where an independent audit recommends certain works to achieve compliance (for example compliance with fire protection standards), we work towards achieving that standard.

4.4   Asset Management System

Our non-network Property capex is identified as part of our overall Asset Management System and aligns the management of assets with TransGrid's corporate policies and framework.

The following Asset Management System framework support our non-network Property capex forecast and methodology:

> Asset Management System Description

> Asset Management Policy

> Non-Network Property Renewal & Maintenance Strategy

> External SME Risk Frameworks

Key elements of these frameworks for Property expenditure are described below.

4.4.1   Non-Network Property Renewal & Maintenance Strategy

The Non-Network Property Renewal & Maintenance Strategy defines the renewal, maintenance and disposal strategies for our office and depot assets. This document aligns with our asset management policy and applies our overarching asset management strategy and objectives.

This document identifies the emerging requirements with our office and depot assets and details the renewal and maintenance initiatives to be implemented in response to these relevant issues.

The objectives of the Non-Network Property Renewal & Maintenance Strategy are to:

> Maintain safe, compliant, and reliable workplaces for employees

> Provide effective property asset management over the life of the asset

> Manage cost versus risk and asset performance of the assets on a like-for-like basis.

Depot asset capex is expenditure for replacements and repairs undertaken on demand or on a planned cyclic basis resulting in:

> An increase in the asset's useful function or service capacity

> An extension of its useful life

> An improvement to the quality of the asset's services

> A reduction in future operating costs

> The upgrade or enhancement becoming an integral part of the asset.

4.4.2 Property Risk and Condition Framework

As per TransGrid's Risk Management Framework, Property follows the risk management process:

> Establish the context

> Identify risks

> Analyse risks

> Current risk rating

> Evaluate risks

> Treat risks

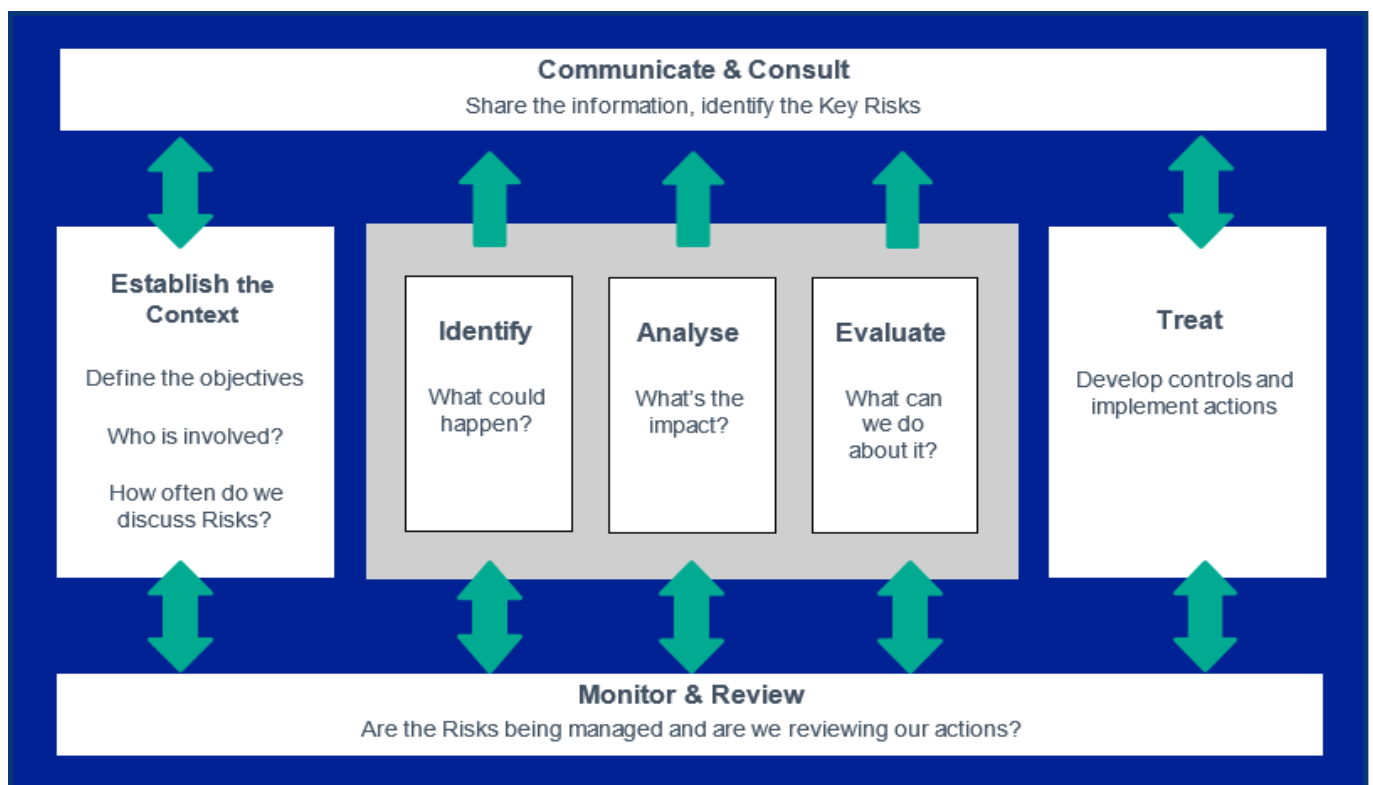> Monitor and review

> Communicate and consult.

Figure 3: TransGrid Risk Management Framework Process

[Insert additional footer text here if required]

The Risk Management Framework sets out TransGrid's risk appetite, qualitative measure of consequences (Appendix A of the Risk Management Framework), likelihood of risk occurring (Appendix B of the Risk Management Framework) and the Risk Matrix (Appendix C).

4.4.3 Five-yearly audit reports

Justification of property capital works is based on evaluation of reports undertaken by independent experts.

Our Property Risk and Condition Framework involves undertaking five-yearly condition audits of each of our depots and offices by an independent engineering consultant, which forms the basis for our capex expenditure requirements.

In 2015, independent audits were undertaken by Knight Frank. Due to the limited capital allocation in the RP2 budget, minimal capital projects were carried out in 2018 – 2019.

In the 2020, Nutbrook Engineering carried out Conditions Audits. Nutbrook assessed the risks and the condition of our office and depots as follows:

Risk type	Nutbrook definition
Non-compliance statutory	Item is not compliant with BCA and retroactive rectification is required due to legislation or council orders
Non-compliance – business risk	Item is not compliant with BCA however there is no retroactive obligation to achieve compliance. Despite this, Nutbrook believes the item presents sufficient risk (safety or business interruption) that it should be addressed
Operational risk	Unaddressed items may impact operational productivity or create health risks for staff
WH&S Risk	Item presents a safety risk
Capital risk	Capex may be required to address item
Site improvements	Item is discretionary and aimed at improving asset

Nutbrook assigned the following property specific priority grades to each property item over a 10 year period 2022-31 using the risks and priorities outlined below:

Property Risk Assessment

The following priority grades are recommended in the context of a 10 year planning period	
Priority 1	Urgent work that will prevent closure of premises and / or address an immediate high risk to the health and safety of occupants and / or remedy a serious breach of legislation or cause major defects if not attended to
Priority 2	Essential work required that will prevent serious deterioration of the fabric or services and / or address a medium risk to the health and safety of occupants and / or remedy a less serious breach of legislation
Priority 3	Desirable work required that will prevent deterioration of the fabric or services and / or address a medium risk to the health and safety of occupants and / or remedy a minor breach of legislation or add aesthetic value to the asset
Priority 4	Long term work required that will prevent deterioration of the fabric or services or would benefit the asset but are in areas not used on a regular basis

5. Capital forecasting, project identification, assessment, and approval

5.1 Forecasting

The non-network property forecasting method includes the following steps:

> **Five yearly** conditions assessments are completed across the office and depots to set 5 or 10 year capex plans under the Non-Network Property Maintenance & Renewal Strategy:

– Review and prioritisation of recommendations in 5-yearly conditions assessments against operational, accommodation and budgetary requirements of the business (including incorporation into revenue reset submission).

> **Annual** review and prioritisation of Strategic Projects, business unit requests for upgrades, improvements, and other non-network property capital projects reviewed against business objectives:

– **Prioritisation and budgeting** - of capex requirements across the office and depots, and proposal for budget to cover those requirements;

– The **Annual Capex Plan** is then set according to the capex allocation approved by the Board

– An allocation is allowed for a pipeline of Minor Property Projects which may arise during the year.

5.2 Project identification, assessment and approval:

> For **Minor Pipeline Projects**:

(i) An allocation of $400k is requested annually, and approved via the annual budgeting process;

(ii) The allocation is included in the PPM following PAD approval;

(iii) Minor non-network Property Pipeline projects are managed via the PDGS, with projects being identified, approved and executed as per the process in Figure 4, below.

Minor Property Projects
- **Step 1:** Requestor completes the Minor non-network property capex request form.
- **Step 2:** Approval by Asset Management Strategic Lead (or delegated authority) via the PDGS and handover to Delivery Manager to manage work.
- **Step 3:** Asset Management Strategic Lead records spend, updates PPM.
- **Step 4:** Delivery Manager oversees completion of project including reporting and capitalisation in PDGS.

Major Property Projects
- **Step 1:** Identification of major non-network property project including scope and cost estimate.
- **Step 2:** NOSA approval requested to commence concept scoping, feasibility, design, delivery strategy and cost estimate.
- **Step 3:** Allocation is obtained in PPM following PAD approval.
- **Step 4:** Asset Management Strategic Lead records spend, updates PPM.
- **Step 5:** Delivery Manager oversees completion of project including reporting and capitalisation in PDGS.

Strategic Property Projects
- **Step 1:** Identification of Strategic non-network priority property projects including scope and cost estimate.
- **Step 2:** Capital funding request submitted to IRC for approval.
- **Step 3:** NOSA approval requested to commence concept scoping, feasibility, design, delivery strategy and cost estimate.
- **Step4:** Allocation is obtained in PPM following PAD approval.
- **Step 5:** Asset Management Strategic Lead records spend, updates PPM.
- **Step 5:** Delivery Manager oversees completion of project including reporting and capitalisation in PDGS.

Figure 4: Non-Network Property Project Governance Process

[Insert additional footer text here if required]

> For **Major Property Projects** – managed via the PDGS and PPM, as per Figure 4.
> For **Strategic Property Projects**:
>   – Projects will be required to meet TransGrid's strategic objectives to secure funding.
>   – Capital funding must be approved via submission to the Investment Review Committee (IRC).
>   – Once IRC approval secured, the NOSA/PAD process below will be followed.

6. Delegation of Authority (DOA) matrix

Who	Role	Range of Approval
Todd Pearson	Deliver Manager – Property	> Up to $5,000
Ankita Mishra	Facilities Asset Strategic Lead	> Up to $5,000
Peter Alwan	Facilities and Workplace Services Manager	> $5,000 - $20,000
Suzanne Westgate	Manager, Workplace and Facilities	> $20,000 - $100,000
Roly O'Connell	Head of Supply Chain	> $100,000 - $750,000
Chris Pemberton	EM Corporate Services	> Above $750,000

7. Accountability

Title	Responsibilities and Accountabilities
Head of Supply Chain	> Endorse strategy, procedure and recommendations, review and approve /reject projects within delegation and provide strategic direction
Manager, Workplace & Facilities	> Endorse procedure, review and approve/reject projects within delegation
Facilities and Workplace Services Manager	> Ensure all capex projects completed in accordance with this procedure
Facilities Asset Management Strategic Lead	> Manage capex projects procedure

8. Implementation

This procedure will be communicated to all relevant stakeholders in the organisation.

TransGrid

9.   Monitoring and review

The procedure will be monitored by Workplace & Facilities to incorporate learnings and efficiencies. The procedure will be initially reviewed after the first 12 months, then on a three yearly basis or in line with any changes to legislation or policy.

10.   Attachments

Attachment 1 – Minor property pipeline capex approval form

Attachment 2 – Asset numbers for capitalisation

Asset Capitalisation Number	Office & Depot Site
1322136	Tamworth Depot
207022	Newcastle Depot
283139	Wallgrove Depot
206924	Orange Depot
108327	Yass Depot
105136	Wagga Wagga Depot
400141	Ultimo Head Office – Prescribed
400152	Ultimo Head Office - Contestable