

# ESTIMATES COMMITTEE

## Question Taken on Notice

**Date:** 12 December 2017

**Subject:** Cost comparison Old v New Operator/Maintainer Model

**From:** Member for Nelson

**To:** Territory Generation (GOC)

**Agency:** n/a

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**Number:** 5.1

**Question:** With regard to the new operator/maintainer model, are you able to provide us with a comparison of costs of the old model versus the new model?

**Answer:**

Territory Generation (TGen) is operating in a manner consistent with the statutory objectives of a Government Owned Corporation (GOC) and in accordance with commercial and industry best-practice, whilst also being the primary source of generation supply in the Northern Territory, including being the “generator of last resort”.

TGen has undergone rapid change since structural separation in 2014 and achieved a significant amount of work to bring the organisation to a position of relevance in one of the world’s most dynamic and yet disrupted industries.

TGen has successfully implemented or redesigned a range of new programs, related systems and processes which have included and been focussed on, but not limited to, safety, asset replacement, improved asset management, new technologies and workplace diversity. This included the introduction of a centralised operating model in line with industry best practice and a transition to an Operator Maintainer Technician (OMT) model at sites that are well established and operating effectively and efficiently at remote locations.

Underpinning this has been the successful navigation by TGen through a Transformation Program which has presented significant change management issues including addressing skills shortages, introduction of new operating models as well as other challenges.

The Transformation Project is designed to fundamentally change Territory Generation’s operations and maintenance (O&M) strategy towards a sustainable future. Ultimately, it has acted as the overarching program that recognises the generation industry is going through unheralded change and to set the structure for Territory Generation to move with that change.

The project is a combination of several initiatives that address the strategic objectives identified in the 2015 Statement of Corporate Intent.

The initiatives include:

- Establishment of a functionally-structured Asset and Engineering department and the Asset Management Plan leading to improvements in fleet management and reliability.

- Implementation of the IFOT “In Full On Time” and DIFOTIS “Delivered In Full On Time In Spec” approach to Outage Management.
- \$101 million upgrade of the Owen Springs and Tennant Creek Power Stations to replace aging assets with appropriately sized new and efficient plant.
- Implementation of a Remote Operations Centre (ROC) to consolidate and streamline operational control across the sites.
- IT enabling projects to rationalise TGen’s systems and processes while significantly improving cyber security.
- Transition to an Operator Maintainer Technician (OMT) business model to enrich the work environment and improve workforce flexibility, effectiveness and efficiency.
- Marketing of these capabilities to maintain a financially sustainable business.
- Improving the organisational structure to clearly delineate responsibilities and accountabilities.

The adoption of the new Operator Maintainer Technician model will allow Territory Generation to respond to the commercial realities of a rapidly changing and challenging energy environment, and reflects Territory Generation’s focus on running an efficient and profitable business.

All of the above can be best described as the “Old Model” versus the “New Model”.

An overall analysis of alternative options was undertaken in respect of each component of the transformation projects in establishing the individual business cases. **This analysis of the benefits of the transformation projects has shown that over 10 years, the combined projects have a net present value of \$17.1 Million compared to business as usual.**