



Technology program GAAR 2024-2028

Corporate Enablement



Program Brief

Table of Contents

1	Document Background	3
1.1	Purpose of this document	3
1.2	References	3
1.3	Document History.....	3
1.4	Approvals	3
2	Executive summary	4
2.1	Program summary.....	4
3	Context.....	9
3.1	Background	9
3.2	Current limitations.....	11
3.3	Objective(s).....	12
3.4	Customer outcomes.....	12
3.5	Business drivers	13
4	Options	14
4.1	Overview	14
4.2	Option #1 Business As Usual.....	15
4.3	Option #2 Ensure ongoing supportability and sustainability of core business systems (RECOMMENDED)	18
4.4	Option #3 In addition to Option 2 transition ECC6 to a cloud-based ERP solution prior to 2028	24
5	Assessment and recommended option	29
5.1	Assessment of the options.....	29
5.2	Recommended option.....	31
6	Attachment 1 – Risk level matrix.....	33

Program Brief

1 Document Background

1.1 Purpose of this document

The purpose of this document is to outline a business case for a proposed program of work that will form part of AusNet's Technology GAAR submission.

1.2 References

Document	Version	Author
AusNet Services FY19-FY23 Technology Plan	V1.0	AusNet Digital
2021 Gas Business Plan	V1.0	Joanne Soysa
GAAR Technology Strategy 2024-2028	V1.0	Ausnet Digital

1.3 Document History

Date	Version	Comment	Person
02/08/2021	V0.1	Document created	Mathew Abraham
11/11/2021	V0.2	First Draft Review	Mathew Abraham
21/02/2022	V0.3	Amendments	Mathew Abraham
01/06/2022	V0.4	Submit for review	Mathew Abraham
16/06/2022	V0.5	Post review amendments	Mathew Abraham

1.4 Approvals

Position

Technology Leadership Team

Program Brief

2 Executive summary

2.1 Program summary

The table below provides a summary of the corporate enablement program. Additional information is provided throughout the brief.

Table 2-1 Summary table

Key objective(s) of the program	Allow AusNet to continue to provide reliable service to customers by ensuring ongoing supportability and sustainability of core business systems (Finance, HR and Supplier Management), enabling an improved partner network across the enterprise and an improved gas meter inventory reconciliation.						
Key benefits	<ul style="list-style-type: none"> Continued provision of reliable services to customers by maintaining support and functionality of core enterprise systems. Prudent expenditure related to core enterprise systems (finance and HR), and limited risk of system failure by ensuring appropriate planning is complete and supported by vendors. This represents a decrease of risks to customers. Ensuring expenditure (costs) are minimised by providing AusNet a consolidated view of vendor performance and ability to inform decision making and negotiate contracts. Provide customers with streamlined services by sharing information readily and collaborating with partners with minimal integration effort. Improved accuracy and timeliness of gas meter inventory reconciliation to reduce the risk of misstatement of the inventory balance on the financials accounts. 						
Cost allocation	Electricity Distribution	49%	Electricity Transmission			30%	
	Gas Distribution	21%					
Program type	Recurrent					<input checked="" type="checkbox"/>	
	Non-Recurrent					<input checked="" type="checkbox"/>	
Program timings	Program duration:	5 years					
Expenditure forecast	(\$m)	FY24	FY25	FY26	FY27	FY28	Total
	CAPEX	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	\$5.74
	OPEX (incl. opex step change)	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	\$0.53
	Gas Distribution Cost	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	\$6.27
	Total program cost	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	\$21.15
Estimated life of system	The estimated life of the implementation is 5 years with a refresh, which is typical for this type of system.						

Program Brief

<p>Customer Engagement</p>	<p>This program was proposed (and approved) as part of AusNet’s Electricity Distribution Price Reset (EDPR) and Transmission Revenue Review (TRR) submissions. This brief pertains to the Gas Access Arrangement (GAAR) allocation of these costs.</p> <p>We have undertaken significant stakeholder engagement.</p> <p>As part of the EDPR process, we held deep dive workshops with stakeholders on ICT. In that engagement, we described the importance and need for ICT expenditure to meet our customers’ evolving needs and to support compliance with regulatory and legal obligations.</p> <p>We acknowledge the feedback received from both sessions and have taken it into consideration when proposing the most appropriate option for this business case.</p> <p>This brief has also taken into consideration:</p> <ul style="list-style-type: none"> • The challenge we received from stakeholders as part of the GAAR engagement process to minimise discretionary IT spend where possible – a challenge consistent with the broader feedback we received on our capital investments. • Recent customer engagement studies conducted by AusNet, including the Energy Sentiments Survey (2021) and the AusNet Listening Report “Engaging Victorians on the Future of the Gas Networks” (2021).
-----------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Given the uncertain policy and regulatory outlook for gas networks, AusNet will remain focused on maintaining our core gas distribution business and reducing operational risks.

With significant advancements in technology, both consumers and gas distribution businesses have an opportunity to evolve and adopt advancing digital practices. The availability of data, automation of processes, and interfaces with an ecosystem of contractors, vendors, and third-party suppliers to meet evolving customer needs is one important outcome of an increasingly digitised utility. As such, it is notable that the enterprise application landscape and related integrations underpin the continuity of all operational processes and delivery of gas to customers. AusNet must ensure these core functionalities of enterprise applications are adaptable in an increasingly changeable environment while also being robust, reliable solutions, for all employees and therefore perform optimally for customers.

Vendors developing enterprise Finance, HR and Procurement systems are already building digital technologies like automation, block chain, and cognitive tools into their products. As more companies move to cloud-based solutions, a proliferation of specialised applications and micro-services that integrate with Enterprise Resource Planning (ERP) platforms are also emerging. Therefore, instead of building customised systems, AusNet will be able to utilise a marketplace of applications, encouraging standardisation of business processes and incorporation of innovative products to deliver insights. This will ultimately increase the ability for AusNet to operate successfully in an increasingly complex environment and deliver value by meeting customers’ expectations and evolving needs.

Currently, AusNet runs SAP ERP Central Component (ECC) as an enterprise resource planning software. SAP ECC consists of several modules that cover the core enterprise processes of the organisation. Modules within the systems create a fully integrated solution, customised to suit current business processes. Within the ERP there are modules such as Financials, Human Capital Management and Inventory Management.

Program Brief

SAP have stated that the SAP ECC6 platform will be out of support after 2027 and have requested all businesses migrate prior to that date. SAP will place all research and development effort and investment into the future capability and functionality of the cloud-based S/4HANA solution.

In the current regulatory period, prior to 2020, AusNet migrated SAP ECC6 to an alternate service provider to mitigate the risk of system failure. Within the upcoming regulatory period, pre-work will commence in assessing capabilities and creating a business case for migrating ECC6 to a cloud-based ERP post 2028. Migration of HR and payroll will be addressed in the forthcoming period with an appropriate solution being chosen following an options analysis. It is critical that this work commences before each product becomes out of date, as the lead time, planning and support required cannot be arranged or delivered on short notice.

AusNet's operating model incorporates a number of contractors, vendors, and third-party suppliers. Currently, tracking of performance, risk exposure and quality of work is completed on an ad-hoc basis and is inconsistent across business units. Given the limited ability to form a consolidated view of vendors across the business, AusNet does not have the appropriate analysis available to negotiate contracts and review supplier performance holistically, meaning that with better systems there may be scope to improve our performance. This shortfall will be addressed by implementing a Supplier Relationship Management solution to consolidate all supplier information, allowing for more informed decision making by leadership and generate costs savings by increasing negotiating power across the enterprise.

AusNet has also recognised the need to share information seamlessly between internal systems and their partners. When working with vendors, it is often a requirement that data is accessible by multiple parties to complete business as usual operations or analysis. There is currently no integration outside of AusNet own technology stack and all data is manually entered, even between larger long-term gas partners. As the volume of work and demand for data are expected to increase, the ability to integrate quickly and collaborate will become critical to operational efficiency and innovation. When the business can operate more effectively, this translates to a more robust and reliable service for customers.

Finally, AusNet is looking to integrate the asset management and metering management systems to reconcile information held in different systems, improve the accuracy of reporting and reduce manual correcting processes and write-offs. While a number of process changes were implemented in the current regulatory period, an integrated approach involving the gas meter management (Hansen Hub) and inventory (SAP) systems is now required. This integration will reduce write-offs due to unexplained variance between physical stock and financial inventory balances, or inaccurate meter allocation and will lead to more accurate pricing for our customers and maintaining customers' confidence on AusNet's operations.

The following activities will ensure AusNet mitigates risks and ensures prudent and efficient expenditure:

- Preparation activities for SAP ECC6 migration to a cloud-based solution.
- Further migration of current on-premise HR to cloud solution, Employee Central .
- Options assessment for Payroll alternative solutions.
- Options assessment and implementation of Supplier Relationship Management Solution
- Increased integration capability for the Partner network through use of standard integration patterns/ Application Program Interfaces (APIs).
- Integration between gas meter management system (Hansen Hub) and inventory management system (SAP) to enable automated financial reconciliation of gas meter inventory.

This investment will enable AusNet to continue to deliver reliable, affordable gas supply to its customers. Primarily, the continuity of enterprise applications will allow AusNet to **'deliver the basics'**. The efficiencies gained are expected to generate future cost savings that will help us

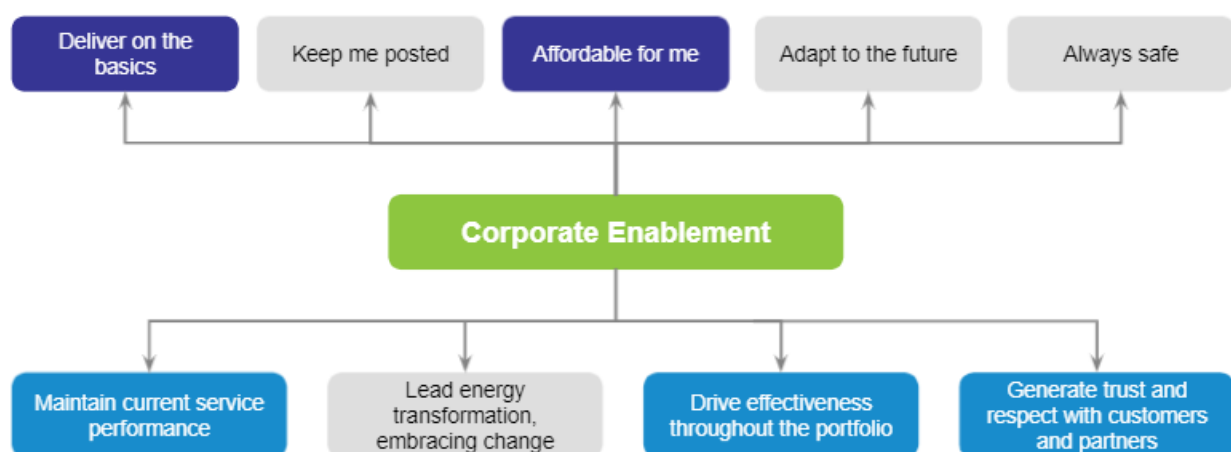
Program Brief

continue to deliver for our customers in an increasingly complex environment with evolving customer needs. This is explored in more detail in section 3.4, focused on customer outcomes.

From a business perspective, the program of work will **'drive effectiveness throughout the portfolio'** and **'generate trust and respect with customers and partners'** by providing the following benefits to enterprise functions:

- Ensuring prudent expenditure by conducting sufficient planning prior to implementing a cloud-based solution, on a needs basis and where it is prudent to do so.
- Maintaining system support across critical business functions.
- Provide a digital core (critical data and systems architecture) that can be leveraged for Machine Learning, Predictive Analytics and Back Office Automation in the future.
- Improved compliance, particularly for the frequent legislative changes that are costly to implement and test individually.
- Improved transparency of commercial partnerships.
- Improved ability to negotiate on large scale contracts, where suppliers span multiple areas of the business.
- Improved efficiency and collaboration in sharing data between the partner network, avoiding human error and manual effort.
- Improved accuracy of gas meter inventory across its lifecycle from order, receipt, issuance, installation, refurbishment, and disposal – between AusNet and gas meter partners.
- Improved accuracy and timeliness of project accounting and reporting specifically on new connection work orders.
- Improved financial reconciliation of inventory between the physical tracking and financial tracking of the assets, and removed time delay in reconciliation.
- Reduced risk of misstatement over the accuracy of the meter inventory balance on the financials.
- Improved auditability of the end-to-end gas meter inventory movement process and maintained customers' confidence in AusNet's operation.
- Reduced write-offs due to unexplained variance between physical stock and financial inventory balances, or inaccurate allocation of meter.

Figure 2-1 Summary of customer and business drivers of this program



Alignment with AER ICT expenditure assessment framework

In accordance with the framework outlined in the AER's Consultation paper – Non-network ICT Capex Assessment Approach for Electricity Distributors of November 2019, we have categorised this

Program Brief

program as 70% recurrent expenditure, on the basis that a majority relates to ongoing refresh of AusNet 's core business systems, a cost that must be incurred periodically. The remaining 30% of this program is non-recurrent expenditure, on the basis that it involves new additional investment.

We have, therefore, undertaken NPV analysis in support of the project, as well as developed a detailed business case in support of the chosen option.

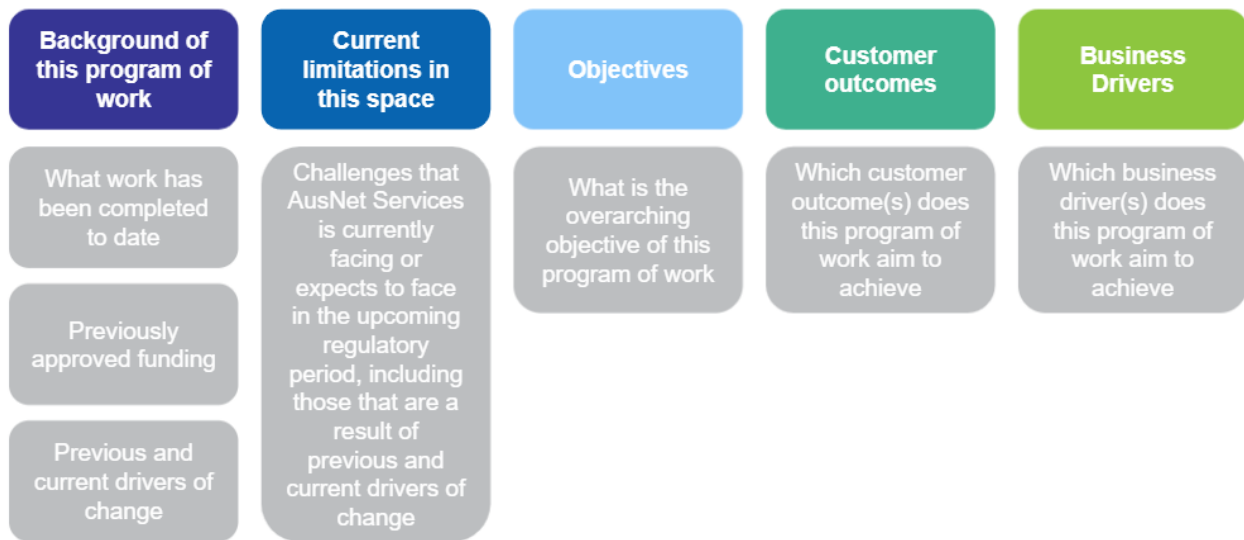
Program Brief

3 Context

This program of work includes investments related to the cost of enterprise applications, the addition of a supplier relationship management tool alongside improved partner integration and improved gas meter inventory management.

Investments in the recommended program of work would result in the following outcomes by the end of the forthcoming regulatory period.

Figure 3-1 Key areas of the context to be discussed



3.1 Background

Given the pace of change with respect to energy transition, the uncertain policy and regulatory outlook, AusNet will remain focused on maintaining our core business and reducing operational risks.

AusNet runs several enterprise applications to support day-to-day operations which are core to the business. These include HR, payroll, finance, vendor, and inventory management. Currently SAP ECC6 supports corporate functions (Finance and HR) and creates an integrated landscape between other SAP products including Ariba, Works Manager and Asset Management. HR functions related to Organisational Management and Personnel Administration are performed with the on-premise SAP ECC HR solution set. At present, payroll is executed through the on-premise SAP solution. This solution must cater for over 2,000 employees and includes a number of industrial agreements, changing award provisions, flexible working arrangements, and ongoing legal and statutory changes to Tax, Super, which are continuously updated to reflect up to date information in their respective domains. Reporting capabilities for HR and Payroll, and the management of HR Support Desk function, is provided through an SAP bolt-on component.

SAP have stated that the SAP ECC6 platform will be out of support after 2027 and have requested all businesses migrate prior to that date. As ECC6 will be unsupported, limited investment will be directed to current solutions. In the previous regulatory period, AusNet migrated ECC6 to an alternate service provider to mitigate the risk of system failure. We are now looking to adopt a cloud-based S/4HANA solution in the forthcoming regulatory period.

Utilities are advancing with the deployment of SaaS based solutions to replace legacy applications and minimise the need for future capital expenditure. While benefits exist in terms of minimising

Program Brief

capital spend and accessing advantages of contemporary technologies, acknowledgement must be given to the shift from a capex to an increasingly opex technology funding model. This is in response to usage-based, subscription pricing models offered by many cloud providers.

To prepare for the journey to cloud, SAP SuccessFactors was implemented enabling modules to be deployed in line with human management capabilities required by the business. Modules implemented to date include compensation, talent, performance and goals, and learning. The greatest benefits were seen in recruitment and onboarding which was previously a manual process across multiple systems.

Given that SAP has further developed the capability of Employee Central and Payroll as a public cloud offering, any upgrades or further lifecycle management will require a move to the cloud offering. To have implemented this in the current access arrangement period would have meant AusNet would have been an early adopter of the technology. This would have created undue risk on our operation and our ability to service customers, as early adoption implies limited use testing of the product and early versions are often followed by critical updates and bug fixes. Hence, the decision was taken not to implement SuccessFactors and postpone the remainder until the solution had matured.

AusNet's strategy is to keep a lean internal workforce and leverage partners where capacity is required to optimise costs. Hence, AusNet's operating model incorporates a number of contractors, vendors, and third-party suppliers. Currently, tracking of performance, risk exposure and quality of work is done on an ad-hoc basis and inconsistency across business units can arise. Given the limited ability to form a consolidated view of vendors across the business, AusNet does not have the appropriate insight to negotiate contracts and review supplier performance holistically. This means many supplier relationships may not be optimised. With the intention to move to a cloud-based ERP, AusNet must ensure it has the appropriate technology vendor management capabilities to establish and manage favourable contract terms with large cloud vendors.

AusNet has also recognised the need to share information seamlessly between internal systems and their partners. There is currently no integration outside of AusNet own technology and all data is manually entered even for larger ongoing partners. As the volume of work and demand for data are expected to increase into the future, the ability to integrate quickly and collaborate will become critical to maintaining operational efficiency in an increasingly complex environment. Currently, a library of APIs alongside a management framework is being built to enable standard patterns to be deployed with key partners in the upcoming regulatory period. The purpose of these programs is to simplify the overall technology environment, avoid technology obsolescence and achieve economies of scale across AusNet's distribution business – goals that remain relevant for the upcoming regulatory period.

A solution to improve transparency and accountability of supplier's contractual obligations, performance and quality of work will be implemented, including costs for integration with existing and future partners in any area of the business where data is shared. Together, these solutions will provide an improved oversight of partners, suppliers and vendors and allow the business to make informed decisions to create strategic and efficient partnerships.

Finally, to continue to reduce operational risks, AusNet must better integrate the internal systems to support core functions such as inventory management. Meters are currently maintained on the gas meter management system (Hansen Hub). They cannot be accurately reconciled with the inventory platform (SAP) and updates between the two platforms are performed manually.

As there is no integration between the inventory management and meter management systems, there is limited ability to reconcile the information in the general ledger and inventory sub-ledger to the master meter system which increases the risk of misstatement over the accuracy of the inventory balance on the financials. AusNet has put in place some mitigation actions in the current regulatory period to reduce this risk. These mitigation actions involved a review of the end-to-end gas meter logistics

[ISSUE 4.2](#)

Program Brief

process and changes to the process, policy, and procedures to ensure more checkpoints throughout the end-to-end meter inventory movement process and more frequent stocktakes of the physical meters. In the upcoming regulatory period, AusNet aims to integrate the two platforms to achieve automated reconciliation processes and better inventory control.

Prudent investment today in the cloud, supplier relationship management systems and inventory management will help avoid more costly replacements and upgrades in the future - helping to ensure that the Gas business is making informed decisions about future impacts to its business and is ready to adapt to change.

In the forecast period we are also continuing to prepare for a migration to a cloud-based ERP post 2028 and a detailed analysis of capability requirements and a business case will be developed. Proof of concepts will be run on high value functions to test functionality and substantiate the business benefit. Employee Central will be implemented as a cloud solution to align with current SuccessFactors modules, including integration with Time Entry and Works Management modules. Payroll options will be assessed, including shifting to cloud or looking to alternative outsourced payroll service providers.

Therefore, this program of work includes initiatives to:

- Effectively manage the risk associated with discontinued support for ECC6 by:
 - Generating a business case for process optimisation opportunities.
 - Generating a business case for Cloud based ERP.
 - Assessing vendor and migration options.
 - Completing pre-work required in preparing for migration to the desired future state platform (System verification, proof of concept created to verify low-cost upgrade process).
 - Maintaining continuity of critical business systems, ensuring operations continue without disruption and maintaining reliability of supply.
- Migrate remaining HR modules to cloud based solution.
- Complete an option analysis for future payroll solution.
- Implement future payroll solution (cloud/outsourced/manage service).
- Complete an option analysis and implement future Supplier Relationship Management (SRM) solution.
- Implement standard integration patterns with suppliers.
- Integrate the gas meter management system (Hansen Hub) and inventory management system (SAP) to enable automated financial reconciliation of gas meter inventory.

3.2 Current limitations

Despite simplifications in the technology landscape over the previous and current regulatory periods, several limitations are still present:

1. Unsupported systems have increased risk of system failure and disruption to customer services.
2. Limited new functional capabilities will be developed for ECC6, as SAP invests R&D into S/4HANA.
3. Immature Public cloud offering for Employee Central and Payroll.
4. Limited ability to recruit staff with relevant skill set and experience as training and skills are usually targeted at the most recent versions of applications.
5. Limited scalability of the existing solution to meet current and future business requirements.
6. High level of effort required to continuously maintain the payroll solution changing award provisions, flexible working arrangements, and the ongoing legal/statutory changes to Tax, Super etc.

Program Brief

7. Limited ability to track performance of partners, suppliers, and vendors.
8. Limited ability to view consolidated roadmaps for vendors (e.g. strategic directions, innovation and milestones).
9. No clear framework, system controls for escalation of issues with partners, suppliers, and vendors.
10. Limited ability to negotiate large contract as overall view of ongoing contracts is not automated.
11. Limited ability to share large data sets/information with partners (particularly with short notice).
12. Duplicate data sets across partners with manual effort required to integrate or consolidate information.
13. Manual reconciliation is required between physical meters and the meters allocated to projects, work orders and warehouses.
14. High inventory variance resulting in lengthy physical inventory checks, manual checks in meter asset management system (Hansen Hub) and delayed, or inaccurate stock updates in inventory management system (SAP).
15. Inaccurate project accounting and capitalisation due to missing or wrong inventory allocation.
16. Inability to accurately determine status of gas meter due to time delays in reconciliation.
17. Inability to track the full lifecycle of meters from work order issuance to installation.

Therefore, as well as uplifting capabilities in the forthcoming regulatory period, it is critically important that all core enterprise applications remain supported to ensure the stability and dependability of systems. Where appropriate risk mitigation initiatives are not carried out, AusNet could be left stranded with massive failures in an unsupported environment, representing a critical risk to the gas supply for customers, per the limitations detailed above. To ensure this does not occur, initiatives should be implemented in a timely manner.

3.3 Objective(s)

The objectives of this program of work include:

- Enabling AusNet to continue to provide reliable services to customers by maintaining support and uplifting functionality of core enterprise systems.
- Ensuring prudent expenditure related to core enterprise systems (finance and HR), and limited risk of system failure, by ensuring appropriate planning is complete and supported by vendors.
- Providing a consolidated view of vendor performance with an ability to help inform decision making and negotiate contracts in an increasingly complex environment.
- Developing internal capability to share information readily and collaborate with partners with minimal integration effort.
- Improving financial reconciliation of gas meter inventory between the physical stock in the warehouse/partners and financial balance in the general ledger.

3.4 Customer outcomes

Through customer research carried out by AusNet, a succinct list of key customer values and priorities were identified. These customer outcomes are:

- Deliver on the basics – Ensure reliability of services.
- Keep me posted – Keep customers informed and improve customer service.
- Affordable for me – Lower costs for customers.
- Adapt to the future – Sustainability and the future supply of gas.
- Always safe – Make networks safer, regarding health, safety, and positive environmental impacts.

Program Brief

All expenditure programs identified and proposed by AusNet will have regard to the customer outcomes and can be directly linked to at least one of these five outcomes. This investment will enable AusNet to continue to deliver reliable, affordable gas to its distribution customers. Primarily continuity of enterprise applications will allow AusNet to **'deliver on the basics'** whilst improving the system. In turn, the efficiencies gained will generate future cost savings for customers for **'affordable for me'**, as upgrading to a cloud solution will allow AusNet to capture additional value for customers through the flexibility, agility, and capacity of cloud services. Furthermore, with a cloud-based ERP solution, AusNet's technology will be more adaptable through migrating from a monolithic ERP system to a more extensible system to meet future changes as SAP or other cloud ERP vendors mature without drastic change costs to integrating future features.

Another benefit realised in improving SRM is the increased transparency and accountability of third-party suppliers. AusNet will be able to track and ensure that vendors are meeting service level benchmarks that translate into better service for AusNet's customers and improved accountability across suppliers.

An integrated inventory management system will enable AusNet to continue 'delivering on the basics' by ensuring that the inventory management process is accurate, timely and reduce the risk of misstatement over the accuracy of the meter inventory balance on the financial accounts. The improved accuracy will reduce write-offs due to unexplained variance between physical stock and financial inventory balances, or inaccurate meter allocation. It will eventually lead to more accurate pricing for our customers and maintaining customers' confidence on AusNet's operations.

3.5 Business drivers

In the face of significant industry disruption resulting in a period of substantial uncertainty and increasing complexity across the industry, AusNet has selected four key business drivers which set the direction for the business.

These business drivers are:

- Maintain current service performance.
- Lead energy transformation, embracing change.
- Drive effectiveness throughout the portfolio.
- Generate trust and respect with customers and partners.

To drive effectiveness throughout the portfolio, remaining top quartile in cost performance in the industry and ensuring that prudent and sustainable network investment is always undertaken will be key considerations. AusNet's commitment to delivering valued services to customers will also contribute to generating trust with customers, as well as the maintenance of network safety in accordance with the Gas Safety Case. This will also help drive the performance of current service.

All expenditure programs identified and proposed by AusNet will have regard to the business drivers and can be directly linked to at least one of these initiatives.

This program of work will be most relevant to **"driving effectiveness through the portfolio"**, as the new systems will result in effective maintenance and support of AusNet's enterprise applications, as well as improve effectiveness across different teams through greater communication and collaboration technologies. The program of work will also **"generate trust and respect with customers and partners"** through displaying prudent expenditure and ensuring that investments are made only when the cloud-based ERP products in consideration are sufficiently mature and reliable. This will be explored further in the discussions of each of the options.

Program Brief

4 Options

4.1 Overview

This section provides an overview of the options, which may feasibly alleviate the current limitations.

Brief overview of each of the options	
Option 1	Maintaining business as usual and remaining on SAP ECC6 will carry the 'out of support risk', maintain current system complexity and forego the benefit from SAP's significant investment in new capability in new cloud products. This option will include the refresh of the current inventory system, including any patching and replacement of out-of-date equipment.
Option 2 (recommended option)	<p>Refresh and extend applications, encouraging standardisation and automation of business processes through:</p> <p>ERP</p> <ul style="list-style-type: none"> • Continuity of critical business systems, ensuring operations continue without disruption, maintaining reliability of supply • Pre-work required in preparing for migration to the desired future state platform post 2028. <ul style="list-style-type: none"> • Generate business case for optimisation opportunities • Generate business case for Cloud based ERP. • Assess vendor and migration options. • Transformation enablement piece (System verification, proof of concept created to verify low-cost upgrade process). <p>HR</p> <ul style="list-style-type: none"> • Migrate remainder of EC. • Payroll Option analysis and implementation, cloud/outsourced/ manage service etc. <p>SRM</p> <ul style="list-style-type: none"> • Options analysis for product / vendor that best aligns with business requirements. • SRM Implementation. <p>Partner Integration</p> <ul style="list-style-type: none"> • Standardise the use of data between AusNet and their suppliers, avoiding duplicates and inconsistencies across data sets. • Allow increased access to real time data and greater collaboration between AusNet and suppliers. <p>Inventory Management</p> <ul style="list-style-type: none"> • Integrate the gas meter management system (Hansen Hub) and inventory management system (SAP) to enable automated financial reconciliation of gas meter inventory.
Option 3	In addition to initiatives contained in Option 2, transition ECC6 to a cloud-based ERP solution prior to 2028 and its associated systems integration.

Program Brief

4.2 Option #1 Business As Usual

Option 1 involves AusNet continuing with current 'business as usual'. Costs associated with this brief are for additional licensing and ongoing training for recently implemented HR modules within SuccessFactors. Maintaining patching and enhancement updates in line with the standard technology lifecycle plan will support AusNet in business continuity of corporate functions and inventory control, without implementing additional capabilities or modules. Costs associated with basic enhancements for SAP ECC6 are captured within the Technology Asset Management (TAM) - Applications brief.

This option is not recommended due to the increased risk of system failure, increased risk of process failure and the probable consequences of this option, including:

- Inefficiencies and higher costs of implementation/migrations in current and future regulatory periods due to outdated technology.
- Misalignment with AusNet's strategic technology objectives.
- Increased risk of system failure due to unsupported products.
- Inability to handle increased load of data and new data sets due to immature integration development.
- Increased risk of delayed critical regulatory reporting due to system malfunctions or outages on the systems which are critical for this reporting.
- Inefficiencies in manual reconciliation between physical meters and the meters allocated to projects, work orders and warehouses.
- High inventory variance resulting in lengthy physical inventory checks, manual checks in Hansen Hub and delayed, or inaccurate stock updates in SAP.
- Inaccurate project accounting and capitalisation due to missing or wrong inventory allocation.
- Inability to accurately determine status of gas meter due to time delays in reconciliation.
- Inability to track the full lifecycle of meters from work order issuance to installation.

Alignment to objectives

We do not consider that this option achieves all of the intended objectives of this program of work, as shown in Table 4-1 below.

Table 4-1 Objective analysis of Option 1

Objective		Comments
Enable AusNet to continue to provide reliable service to customers by maintaining support and uplifting functionality of core enterprise systems.	✘	While solutions will be supported through alternative support providers there is not uplift to functionality beyond basic maintenance outlined in the TAM - Applications brief.
Prudent expenditure related to core enterprise systems (finance and HR), and limited risk of system failure by ensuring appropriate planning is complete and supported by vendors.	✘	While this option involves the least expenditure, the costs will be deferred and eventual migration/ implementation projects could become more costly due to outdated technology, a greater degree of customisation or in the case of SAP, scarce technical resources as all SAP customers migrate to S/4HANA during the same time period.
Provide a consolidated view of vendor performance and ability to inform	✘	This option does not provide an uplift in Supplier Management capability.

Program Brief

Objective		Comments
decision making and negotiate contracts.		
Developing internal capability to share information readily and collaborate with partners with minimal integration effort.	✘	This option does not provide any uplift in partner integration capabilities.
Improving financial reconciliation of gas meter inventory between the physical stock in the warehouse/partners and financial balance in the general ledger.	✘	This option does not improve financial reconciliation of inventory.

Costs

Table 4-2 Costs of Option 1

(\$m)	FY24	FY25	FY26	FY27	FY28	Total
Capex	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	\$0.22
Opex	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	\$0.08
Gas distribution cost	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	\$0.30
Total program cost	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	\$1.04

Benefits

By sweating assets and delaying replacement or lifecycle expenditure, AusNet will be more prudent with its expenditure. However, this apparent saving can be easily off set by the risk of system failure and increased capex required to augment the environment to support dated technology. For example, avoiding upgrades now would require increased investment in the future should an unsupported system failure occur. This could cause serious disruption and risk to customers and the business.

Risks

There are a number of risks associated with this program, as highlighted in the table below. Based on how well this option is addressing the risk, we have rated the consequence and likelihood of each residual risk as blue, green, yellow, orange and red (in order of severity). See Attachment 1 – Risk level matrix for additional information on this rating system.

Table 4-3 Risks of Option 1

	Risks	Consequence	Likelihood	Risk rating
R1.1	Unsupported systems may fail, and no support or	Level 2. Customer / community affected by loss of service	Likely	C

Program Brief

	Risks	Consequence	Likelihood	Risk rating
	maintenance services will be available to call upon.			
R1.2	Reduced or loss of employee productivity and business functions.	Level 4. Significant business disruption caused by a lack of core business functionality in particular Payroll and financial management.	Likely	B
R1.3	Inaccuracy of the inventory balance on the financials	Level 2. Potential write-offs due to unexplained variance between physical stock and financial inventory balances, or inaccurate allocation of meter, resulting in loss of revenue.	Likely	C

We consider that overall, this option is rated medium risk.

Customer related drivers of expenditure

As discussed in Section 3.4, five key customer outcomes have been identified through discussions with customers. The table below highlights how this option will achieve these outcomes. Where AusNet considers that a customer outcome is not directly achievable by the option or irrelevant, 'N/A' is applied.

Table 4-4 Customer related drivers of Option 1

Customer outcome	How this program achieves this
Deliver on the basics.	While solutions will be supported through alternative support providers there is no uplift to functionality beyond basic maintenance outlined in the TAM - Applications brief. AusNet will be able to 'deliver the basics' however with no improvements in service or efficiency.
Keep me posted.	N/A
Affordable for me.	N/A
Adapt to the future.	N/A
Always safe.	N/A

Business related drivers of expenditure

As discussed in Section 3.5, there are four business drivers that AusNet has identified and is focusing on over the next regulatory period. The table below highlights how this option will input into the initiatives where relevant. Where we consider that a business driver is not directly relevant to the option, 'N/A' is applied.

Table 4-5 Business related drivers of Option 1

Business drivers	How this option achieves this
Maintain current service performance.	N/A

Program Brief

Lead energy transformation, embracing change.	N/A
Drive effectiveness throughout the portfolio.	N/A
Generate trust and respect with customers and partners.	N/A

4.3 Option #2 Ensure ongoing supportability and sustainability of core business systems (RECOMMENDED)

To ensure prudent expenditure in the next regulatory period, AusNet will complete pre-work to ensure the migration to a cloud-based ERP (post 2028) is successful and realises all the desired benefits. By waiting to migrate in the following period, AusNet will fully utilise the useful life of their ERP solution and ensure business risk is minimised as cloud-based solutions mature in the market. The current SAP is due to be end of life in 2027, however engagement of third-party provider will allow AusNet to maintain a freeze of the current system until post 2028. This will not be sustainable to maintain after 2028 due to the ageing of the frozen platform and associated operational risk.

This option includes investment in a detailed, system driven and future looking business case, to select components of the cloud-based ERP solution that will drive value by early delivery. Examples where an earlier investment may have a business case are:

- Phased approaches to roll outs in areas where the saving is significant to demonstrate clearly to the business how the new platform can drive value and thereby create the case and momentum for change.
- Establishing a finance core to build the capability, start the drive for simplification and start building automations and predictive analytic applications.

Following business case approval, a vendor/product analysis will be completed, including an assessment of implementation partners. Despite waiting to migrate post 2028, the business case will highlight key functional, system agnostic pain points which can be addressed and standardised within the regulatory period. This will prepare AusNet for the less customised nature of cloud solutions and improve the simplicity of the implementation post 2028.

To determine the greatest value payroll solution, a detailed impact assessment would need to occur to assess the risk and benefit of migrating payroll to an alternative solution or simplify existing payroll design and process. An option analysis during this period will cover the following:

- Simplification of the existing ECC6 payroll.
- Move payroll to SuccessFactors/other cloud-based solution in line with overarching cloud first strategy.
- Outsource payroll to a third-party provider.

A SRM solution will look to improve transparency and accountability of commercial relationships, including monitoring performance and quality of work completed by partners. To enhance this further an investment in building and implementing standard integrations with partners in any area of the business where data is shared will create greater operational efficiency as well as improving collaboration between internal and external teams.

Potential initiatives for this period include:

- Options analysis for SRM product/vendor that best aligns with business requirements.
- SRM Implementation.

Program Brief

- Establish and implement standard API patterns with partners.
- Standardise the use of data between AusNet and their suppliers, avoiding duplicates and inconsistencies across data sets.
- Allow increased access to real time data and greater collaboration between AusNet and suppliers.

Inventory Management needs to improve financial reconciliation of gas meter inventory between the physical stock in the warehouse/partners and financial balance in the general ledger. Included in this option is the integration between the gas meter management system (Hansen Hub) and inventory management system (SAP) to enable automated reconciliation and eliminate the need for manual handling which presents risks of high error. This will be enabled by the representation of granular meter asset data in SAP to reflect the data recorded in the Hansen Hub meter asset management system, creating visibility of meter status across its lifecycle and ownership between AusNet and the gas delivery partners. This option also includes appropriate change management through process training on the impacted systems and updates of relevant policies and governance.

Program Brief

Alignment to objectives

We consider that this option achieves all of the intended objectives for this program of work, as shown in

Table 4-6 below.

Table 4-6 Objective analysis of Option 2

Objective		Comments
Enable AusNet to continue to provide reliable, service to customers by maintaining support and functionality of core enterprise systems.	✓	By migrating Employee central and payroll to updated solutions AusNet ensures all core functions are supported, by either the vendor or an alternative provider. By postponing the migration to S/4HANA, the business has time to prepare and appropriately test the solution to ensure minimal disruption to daily operations.
Prudent expenditure related to core enterprise systems (finance and HR), and limited risk of system failure by ensuring appropriate planning is complete and supported by vendors.	✓	By postponing the migration to S/4HANA, the business will ensure full utilisation of the useful life of the ERP solution and ensure business risk is minimised as cloud-based solutions mature.
Provide a consolidated view of vendor performance and ability to inform decision making and negotiate contracts.	✓	The SRM solution will provide an overarching view of all AusNet commercial relationships, allowing leaders to make more informed decisions about strategic partnerships at an enterprise level.
Developing internal capability to share information readily and collaborate with partners with minimal integration effort.	✓	By building and implementing a number of integrations with key partners, AusNet will enable greater collaboration between teams as well as enable a more agile future partner network.
Improving financial reconciliation of gas meter inventory between the physical stock in the warehouse/partners and financial balance in the general ledger.	✓	This option integrates gas meter information between the meter management system (Hansen Hub) and inventory management system (SAP) to enable automated reconciliation and remove time delay and manual handling. The integration will reduce the risk of misstatement over the accuracy of the meter inventory balance on the financials, reduce write-offs due to unexplained variance between physical stock and financial inventory balances, or inaccurate allocation of meter.

Program Brief

Costs

Table 4-7 Costs of Option 2

(\$m)	FY24	FY25	FY26	FY27	FY28	Total
Capex	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	\$5.74
Opex (incl. step change)	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	\$0.53
Gas distribution cost	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	\$6.27
Total program cost	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	\$21.15

Option 2 involves moving off an on-premises HR and payroll solution into a cloud service. This effectively replaces the capital expenditure of a lifecycle refresh for the on-premises solution with new operating costs related to the cloud service.

Given that the SRM solution is being provisioned in the cloud for the first time then its costs will be operating costs. The combined step change in opex of these initiatives is \$88,200 per annum from the time the new services are commissioned.

Benefits

This option will deliver benefits in the following areas:

HR & Payroll

By migrating HR and payroll to cloud-based services through this initiative, AusNet will minimise the risk of disruption and will continue to deliver reliable services to its customers. Furthermore, by leveraging the elasticity of cloud services, AusNet's technology cost can better scale with usage, instead of overspending on technology assets that are not fully utilised – further ensuring the costs passed on to customers are prudent. The desired outcomes of this programs would include:

- Given that AusNet's implementation of SAP is relatively new, extending the useful life of the ERP solution to minimise business risk as cloud-based solutions mature.
- Maintaining reliability of supply by ensuring the operational continuity of critical business systems.
- Reducing delivery risk to future cloud-based ERP solutions as the business has time to prepare and appropriately plan for the delivery of these systems.
- Reducing development and maintenance costs in favour of a subscription model for HR solutions.
- Improving analytics and reporting capabilities across both HR and SRM.
- Satisfying compliance requirements, particularly those that relate to frequent legislative changes which are costly to implement and test individually.
- Improving the transparency of commercial partnerships and tracking the performance of suppliers against critical Service Levels.
- Improving the ability of the organisation to negotiate large scale contracts where suppliers span multiple areas of the business.
- Improving the capture and sharing of information across the partner network.

Program Brief

- Enabling the business to leverage new functional capabilities that will be offered through these emerging platforms.
- Ensuring the scalability and operability of these new solutions to satisfy current and future business requirements.
- Reducing the manual effort associated with maintaining the existing Payroll solution (changing award provisions, flexible working arrangements and the legal and statutory changes to Tax and Superannuation).
- Providing a digital core (critical data and systems architecture) that can be leveraged for Machine Learning, Predictive Analytics and future Back Office Automation.

Supplier Relationship Management (SRM)

- Improving the ability of the organisation to negotiate large scale contracts where suppliers span multiple areas of the business, driving efficiencies across our portfolio of managed services.
- Improving the transparency of commercial partnerships and tracking the performance of suppliers against critical Service Levels.
- Achieving cost avoidance through monitoring and improving the performance of Managed Services providers to achieve improvements in SLA delivery across the organisation.

Partner Integration

- Improving the capture and sharing of information across the partner network.

Inventory Management

- Removing time delay and human error in manual handling of inventory allocation and reconciliation to the inventory system.
- Improving inventory management control.
- Providing accountability for meter allocation through the ability to view the full lifecycle of the meters.
- Recovering potential loss of revenue through provision of evidence on missing meter assets by partners.
- Avoided increased cost in managing inventory and manual financial reconciliation because of anticipated growth in new connections.
- Improved visibility of meter allocations and accuracy of financial reporting.
- Reduced write-offs due to unexplained variance between physical stock and financial inventory balances, or inaccurate allocation of meter.
- Reduced risk of misstatement over the accuracy of the meter inventory balance on the financials.
- Improved auditability of the end-to-end gas meter inventory movement process and maintained customers' confidence in AusNet's operation.

Risks

There are a number of risks associated with this program, as highlighted in the table below. Based on how well this option is addressing the risk, we have rated the consequence and likelihood of each residual risk as blue, green, yellow, orange and red (in order of severity). See Attachment 1 – Risk level matrix for additional information on this rating system.

Program Brief

Table 4-8 Risks of Option 2

	Risks	Consequence	Likelihood	Risk rating
R 2.1	Unsupported systems may fail, and no support or maintenance services will be available to call upon.	Level 2. Customer / community affected by loss of service.	Unlikely	D
R 2.2	Reduced or loss of employee productivity and business functions.	Level 1. Impact of event absorbed through normal activity.	Unlikely	E
R1.3	Inaccuracy of the inventory balance on the financials.	Level 2. Potential write-offs due to unexplained variance between physical stock and financial inventory balances, or inaccurate allocation of meter, resulting in loss of revenue.	Unlikely	D

As we have identified a number of low risks, we consider that overall this option is rated low risk.

Customer related drivers of expenditure

As discussed in Section 3.4, five key customer outcomes have been identified through discussions with customers. The table below highlights the how this option will achieve these outcomes. Where we consider that a customer outcome is not directly achievable by the option or irrelevant, 'N/A' is applied.

Table 4-9 Customer related drivers of Option 2

Customer outcome	How this option achieves this
Deliver on the basics.	This program will ensure all core enterprise functions are supported, minimising the risk of system failure and process failure due to system limitation, and ensuring AusNet is able to reliably distribute gas to our customers.
Keep me posted.	N/A
Affordable for me.	By creating operating efficiencies, such as by leveraging the elasticity of cloud, future cost savings will be passed onto our customers, as AusNet's ERP costs can scale with usage unlike with on-premise technology assets. The integration between Hansen Hub and SAP will improve the accuracy of project accounting specifically on new connection work orders, as well as the accuracy of the meter inventory balance on the financial statement. This will reduce write-offs due to unexplained variance between physical stock and financial inventory balances, or inaccurate meter allocation. They will eventually lead to more accurate pricing for our customers and maintaining customers' confidence on AusNet's operations.
Adapt to the future.	N/A
Always safe.	N/A

Program Brief

Business related drivers of expenditure

As discussed in Section 3.5, there are four business drivers that AusNet has identified and is focusing on over the next regulatory period. The table below highlights how this option will input into the initiatives where relevant. Where we consider that a business driver is not directly relevant to the option, 'N/A' is applied.

Table 4-10 Business related drivers of Option 2

Business drivers	How this option achieves this
Maintain current service performance.	This option will help to maintain current service performance in the area of new connections.
Lead energy transformation, embracing change.	N/A
Drive effectiveness throughout the portfolio.	By migrating the remaining ECC6 HR to SuccessFactors and implementing a new Payroll system, efficiencies in maintenance and support will be realised. Additionally, building and implementing a number of integrations with key partners; AusNet will enable greater collaboration between teams as well as enable a more agile future partner network. An integrated inventory system will help to drive effectiveness through automation and removal of heavily manual processes.
Generate trust and respect with customers and partners.	<p>AusNet will generate trust by postponing the migration to a cloud-based ERP to the regulatory period FY2029-2033, through displaying prudent expenditure and ensuring the product is mature and able to provide service reliably within the period.</p> <p>The improved accuracy in inventory financial reconciliation will reduce write-offs due to unexplained variance between physical stock and financial inventory balances, or inaccurate meter allocation. This will eventually lead to more accurate pricing for our customers and maintaining customers' confidence on AusNet's operations.</p>

4.4 Option #3 In addition to Option 2 transition ECC6 to a cloud-based ERP solution prior to 2028

Option 3 extends the investments outlined for Option 2 to include additional activities allowing AusNet to complete pre-work as well as implement SAP ECC6 within the FY2024-2028 regulatory period.

Migration of ECC6 to cloud will be greenfield, involving implementation of the new solution from scratch and migrating existing data with little customisations. AusNet will take the opportunity to drive business change by:

- Removing non-standard enhancements and configurations.
- Simplifying business processes to take advantage of the new capabilities.
- Simplifying coding structures and adding more automation to remove manual tasks.
- Establishing an active data governance strategy ensuring ongoing data quality.

From a technical perspective, a more detailed planning phase including the following high-level activities will be completed over the migration period to ensure seamless transitioning and business continuity.

Program Brief

- A detailed 'future state' design will be defined and documented including all systems and integrations.
- Customisations are detailed and appropriately adjusted.
- Applications and analytics functions are implemented configured, integrated, and tested.
- End user training is completed including changes to wider operational processes.
- System and UAT Testing and rehearsal of cut over.
- Finalising operational process and infrastructure requirements.
- Go-Live and Hyper care (Bug fixing, system availability and performance are monitored).

In this option HR, SRM and partner integrations, will be considered as part of the detailed design phase and incorporated into the wider strategic roadmap. Integrations will occur directly between these solutions and the cloud-based ERP in place of ECC6.

A new inventory management system will also be considered as part of the new cloud-based ERP. This must be compatible with the other core business systems and involve the appropriate level of automation and integration with Hansen Hub for effective inventory reconciliation, and real-time information flow with works management and field mobility solutions.

Alignment to objectives

We do not consider that this option achieves all of the intended objectives of this program of work as shown in the table below.

Table 4-11 Objectives analysis of Option 3

Objective		Comments
Enable AusNet to continue to provide reliable, service to customers by maintaining support and functionality of core enterprise systems.	✓	By migrating all core enterprise applications to updated solutions AusNet ensures all functions are supported, by either the vendor or an alternative provider.
Prudent expenditure related to core enterprise systems (finance and HR), and limited risk of system failure by ensuring appropriate planning is complete and supported by vendors.	✗	Significant investment will be required to migrate to a cloud-based solution; the business will also forgo utilisation of the useful life of the ERP solution.
Provide a consolidated view of vendor performance and ability to inform decision making and negotiate contracts.	✓	The SRM solution will provide an overarching view of all AusNet commercial relationships, allowing leaders to make more informed decisions about strategic partnerships at an enterprise level.
Developing internal capability to share information readily and collaborate with partners with minimal integration effort.	✓	By building and implementing a number of integrations with key partners, AusNet will enable greater collaboration between teams as well as enable a more agile future partner network.
Improving financial reconciliation of gas meter inventory between the physical stock in the warehouse/partners and financial balance in the general ledger.	✓	This option integrates gas meter information between the meter management system (Hansen Hub) and inventory management system (SAP) to enable automated reconciliation and remove time delay and manual handling. The integration will reduce the risk of misstatement over the accuracy of the meter inventory balance on the financials, reduce write-offs due to unexplained variance between physical stock and financial inventory balances, or inaccurate allocation of meter.

Program Brief

Costs

Table 4-12 Costs of Option 3

(\$m)	FY24	FY25	FY26	FY27	FY28	Total
Capex	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	\$13.32
Opex (incl opex step change)	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	\$2.11
Gas distribution cost	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	\$15.43
Total program cost	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	[C-I-C]	\$65.25

Similar to Option 2, Option 3 envisages a complete reimplementing of ERP into the cloud which would result in a substantial step change from capex lifecycle to opex.

Benefits

Benefits associated with a greenfield migration to a cloud-based solution prior to 2028 are summarised below:

- Product support by the Vendor; the cloud solution will continuously update making latest innovations available to the Business.
- Improved business operational performance, mass processing and digital capabilities.
- Improved Analytics: Reduced business need or benefit in exporting data for analysis increasing capability for near real time analytics.
- Reduce Technical Debt: Significant reduction in technical debt when cloud ERP is considered in conjunction with other migrations (HR, SRM, Partner integration network).
- Core for Innovation: ability for AusNet to leverage a digital core to improve service delivery to customers.
- Reduced maintenance costs in favour of a subscription model for HR solutions.
- Improved analytics and reporting capabilities across both HR and SRM.
- Improved compliance, particularly for the frequent legislative changes that are costly to implement and test individually.
- Improved transparency of commercial partnerships.
- Improved ability to negotiate on large scale contracts, where suppliers span multiple areas of the business.
- Improved efficiency and collaboration in sharing data between the partner network, avoiding human error and manual effort.
- Improved accuracy and timeliness of financial reconciliation between physical meter stock in the warehouse and inventory balance in general ledger.

Although there are Business, Functional & Technical benefits gained from the move to a cloud-based ERP, this undertaking would involve a large business transformation element to fully realise benefits.

Risks

There are a number of risks associated with this program, as highlighted in the table below. Based on how well this option is addressing the risk, we have rated the consequence and likelihood of each

Program Brief

residual risk as blue, green, yellow, orange and red (order of severity). See Attachment 1 – Risk level matrix for additional information on this rating system.

	Risks	Consequence	Likelihood	Risk rating
R 3.1	Unsupported systems may fail, and no support or maintenance services will be available to call upon.	Level 2. Customer / community affected by loss of service.	Unlikely	D
R 3.2	Reduced or loss of employee productivity and business functions.	Level 1. Impact of event absorbed through normal activity.	Unlikely	E
R 3.3	Inaccuracy of the inventory balance on the financials.	Level 2. Potential write-offs due to unexplained variance between physical stock and financial inventory balances, or inaccurate allocation of meter, resulting in loss of revenue.	Unlikely	D

As we have identified a number of low risks, we consider that overall, this option is rated low risk.

Customer related drivers of expenditure

As discussed in Section 3.4, five key customer outcomes have been identified through discussions with customers. The table below highlights the how this option will achieve these outcomes. Where we consider that a customer outcome is not directly achievable by the option or irrelevant, 'N/A' is applied.

Table 4-13 Customer related drivers of Option 3

Customer outcome	How this option achieves this
Deliver on the basics.	This program will ensure all core enterprise functions are supported, minimising the risk of system failure and ensuring AusNet is able to reliably distribute gas to their customers.
Keep me posted.	N/A
Affordable for me.	By creating operating efficiencies, future cost savings will be passed onto our customers. By leveraging the elasticity of cloud, AusNet's ERP costs can scale with usage unlike with on-premise technology assets. The integration between Hansen Hub and SAP will improve the accuracy of project accounting specifically on new connection work orders, as well as the accuracy of the meter inventory balance on the financial statement. This will reduce write-offs due to unexplained variance between physical stock and financial inventory balances, or inaccurate meter allocation. They will eventually lead to more accurate pricing for our customers and maintaining customers' confidence on AusNet's operations.

Program Brief

Customer outcome	How this option achieves this
Adapt to the future.	N/A
Always safe.	N/A

Business related drivers of expenditure

As discussed in Section 3.5, there are four business drivers that AusNet has identified and is focusing on over the next regulatory period. The table below highlights how this option will input into the initiatives where relevant. Where we consider that a business driver is not directly relevant to the option, 'N/A' is applied.

Table 4-14 Business related drivers of Option 3

Business drivers	How this program achieves this
Maintain current service performance.	This option will help to provide greater service performance in the area of new connections.
Lead energy transformation, embracing change.	This option will allow AusNet to lead other gas distribution businesses in shifting their core functions to cloud, therefore will be able to utilise new product innovations first, to provide better delivery of services to customers.
Drive effectiveness throughout the portfolio.	Enabling all core enterprise systems to utilise the cloud as well as, building and implementing an SRM and a number of integrations with key partners; AusNet will enable greater collaboration between teams as well as enable a more agile future partner network. An integrated inventory system will help to drive efficiency through automation and removal of heavily manual processes.
Generate trust and respect with customers and partners.	This option will not be considered prudent given the premature move to the cloud and a new cloud-based ERP.

Program Brief

5 Assessment and recommended option

5.1 Assessment of the options

To identify a recommended option for this program of work, we have selected a number of criteria to assess each of the options. We consider that these criteria represent a comprehensive view of each option, in achieving AusNet's business and customer objectives as well as requirements of the AER in ensuring that any expenditure is both prudent and efficient.

The table below summarises our assessment of each of the options against the criteria.

Table 5-1 Summary table of the assessment of the options

	Option 1	Option 2	Option 3
Alignment to objectives	Does not achieve objectives	Aligned with program objectives	Aligned with program objectives
Costs	\$ 0.30M	\$ 6.27M	\$ 15.43M
Alignment to risk drivers	Low	High	Medium
Alignment to customer related drivers of expenditure	Low alignment (1/5)	Low alignment (2/5)	Low alignment (2/5)
Alignment to business related drivers of expenditure	No alignment (0/4)	Medium alignment (3/4)	High alignment (4/4)

Based on this assessment, Option 2 is recommended for the following reasons.

Option 1 provides no option to uplift capability and involves ECC6 becoming unsupported without any forward planning or future strategic decision. It also does not address issues in inventory management which can impact on process efficiency.

In the long-term, migrating to the cloud (Option 3) has a number of additional benefits over Option 2: Reduced amount of technical debt; integrations established between ECC and HR/ payroll and any other new applications including the partner network during the FY2024-2028 period will require rework. Reduced risk of resource restrictions given AusNet will be migrating earlier than many other large enterprises the technical expertise is more likely to be available in the market.

Despite this, the costs and risks of completing the cloud-based ERP migration prior to 2028 does not align to overarching business objectives. It does not represent prudent expenditure, and has significantly higher delivery risk, as the solution is not yet mature. We have however provided for investigation and planning work to be completed to allow AusNet to migrate into the cloud as soon as practicable in the period FY2029-2033. By ensuring appropriate planning is completed prior to 2028, the Cloud-based ERP will be mature, delivery risk minimised, and the full value of our on-premise solution would have been realised.

5.1.1 NPV analysis

As this program includes 30% non-recurrent expenditure, **Table 5-2**, below shows the NPV analysis for this program, further demonstrating the cost effectiveness of Option 2, the recommended option.

Program Brief

Table 5-2 NPV analysis (\$FY23m)

	Costs (NPV)	Benefit (NPV)	Net benefit (NPV)
Option 1	\$ 0.08	\$ 0.00	-\$ 0.08
Option 2	\$ 2.70	\$ 3.83	\$ 1.13
Option 3	\$ 5.39	\$ 4.09	-\$ 1.30

We have captured seven primary benefits for this program:

- Improved employee productivity in human resource management.
- Improved employee productivity in SRM and managed services.
- Risks relating to productivity in the event of a system failure due to lack of investment
- Consolidation of the vendor pipeline.
- Avoided risk of not meeting audit requirement and reputational damage through manual inventory reconciliation process.
- Recovery of lost revenue from partners through provision of evidence of missing meter assets.
- Reduce variance in unaccounted for meters.

As Option 1 includes continuing business as usual, we have used this as a baseline to calculate the benefits for Option 2 and Option 3. That is, any benefits identified for Option 2 and Option 3 are in addition to any impact from Option 1. We have only captured 21% of the benefits for each of the options for enterprise-wide shared costs, as only 21% of the costs of the program are allocated to this GAAR submission.

This program of work will improve AusNet's HR systems as it includes both migration of the remainder of Employee Central and also Payroll Option analysis and implementation to cloud-based services, therefore we have estimated avoided future expenditure of increased personnel due to the cumulative productivity savings both for Option 2 and Option 3, as a result of automation and streamlining of processes.

This program of work will also improve AusNet's SRM, ensuring more transparency and accountability of third-party suppliers. We estimate that Option 2 and 3 will result in cumulative productivity savings and due to the increased transparency, this will result in a more efficient vendor cost base expenditure.

There has also been consideration of productivity benefits that would be realised as a result of a move to ECC6 cloud-based ERP solution, (Option 3) which would result in a circa 2% productivity improvement to SAP users. This the only option that would achieve these benefits.

This program will also address lifecycle management of critical systems i.e., SAP by this program. Failure to make this investment, incrementally increases the risk of potential system failure and the subsequent productivity issues that this would present. The risks associated with this potential failure will exist in Options 2 and 3 over the period described.

Options 2 and 3 of this program of work will improve the integration between the gas meter management and inventory management systems. This will result in avoided risks of not meeting audit requirement and reputational damage through manual inventory reconciliation process. The integration of the two systems will also provide another benefit of revenue recovery. The ability to monitor meter allocation and stock more accurately will help to provide evidence of missing meter assets. This will allow AusNet to recoup the missing assets from partners and recover lost revenue.

Variance in unaccounted for meters has resulted in approximately 37,500 missing meters over the span of 5 years. An improved inventory management system provided by options 2 and 3 will improve this variance to result in revenue.

Program Brief

Based on the described analysis, Option 2 is the only option with a positive NPV and therefore this is the recommended option.

5.2 Recommended option

Option 2 is the recommended option for AusNet for the Corporate Enablement program of work. Table 5-3 confirms what is in scope and out of scope for this program of work, as well as the other programs of work on which the successful delivery of this program is dependent on.

Table 5-3 Confirmation of scope of recommended option

In scope	Out of scope	Dependencies
Pre-work and planning required for Post 2028 Cloud based ERP implementation: - Business Case. - Vendor Assessment. - Implementation Partner Selection. - Proof of concept.	Implementation of any Cloud based ERP solution.	TAM – Applications.
Migration of ECC6 HR to SuccessFactors.	Maintenance and patching on any existing SAP products, these are captured within Technology Asset Management – Applications.	TAM – Infrastructure.
Implementation of an SRM solution.	N/A	N/A
Implementation of Standard Integration patterns with AusNet's Partner network.	N/A	N/A
Integration of the gas meter management (Hansen Hub) and inventory management systems (SAP).	N/A	N/A

Below in Table 5-4, we have identified techniques or actions to mitigate the risks identified for this option.

Table 5-4 Option 2 risks and mitigation actions

	Risks	Consequence	Likelihood	Risk rating	Mitigation
R2.1	Unsupported systems may fail, and no support or maintenance services will be	Level 2. Customer / community affected by loss of service.	Unlikely	D	The changes to the support environment and migration to cloud represented by option 2 already mitigate this risk.

Program Brief

	available to call upon.				
R2.2	Reduced or loss of employee productivity and business functions.	Level 4. Significant business disruption caused by a lack of core business functionality in particular Payroll and financial management.	Possible	E	This risk will be alleviated by implementation of option 2 however should be tracked going forward.
R2.3	Inaccuracy of the inventory balance on the financials.	Level 2. Potential write-offs due to unexplained variance between physical stock and financial inventory balances, or inaccurate allocation of meter, resulting in loss of revenue.	Unlikely	D	This risk will be alleviated by implementation of option 2 however should be tracked going forward.

Program Brief

6 Attachment 1 – Risk level matrix

The figure below shows the risk level matrix to which we have assessed each of risks within the options. Risks of highest concern are rated red, whereas those of lowest concern are rated blue.

Figure 6-1

		Consequence				
		1	2	3	4	5
Likelihood	Almost Certain	C	C	B	A	A
	Likely	D	C	B	B	A
	Possible	E	D	C	B	A
	Unlikely	E	D	D	C	B
	Rare	E	E	D	C	C

Consequence Rating	
5	Catastrophic
4	Major
3	Moderate
2	Minor
1	Insignificant

Overall Risk Rating	
A	Extreme
B	High
C	Medium
D	Low
E	Very Low