



# Jemena Gas Networks (NSW) Ltd

## Investment Brief Kofax Lifecycle



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## Glossary

2020-25 regulatory period	The period covering 1 July 2020 to 30 June 2025
Current regulatory period	The period covering 1 July 2015 to 30 June 2020
ICT	Information and Communications Technology
JGN	Jemena Gas Networks (NSW) Ltd
NGR	National Gas Rules
RPA	Robotic Process Automation
RYxx	Regulatory year covering the 12 months to 30 June of year 20xx. For example, RY20 covers 1 July 2019 to 30 June 2020.

## 1. Kofax Lifecycle

Introduction	<p>Jemena Gas Networks (NSW) Ltd (<b>JGN</b>) uses Kofax to scan incoming invoices and payment receipts (via emails and fax) from vendors and services providers. Through Kofax functionality, these payment request and receipts are integrated into our financial processes where a level of semi automation is achieved without the need to dedicate manual labour in administration processing.</p> <p>Kofax is unrelated to the SAP ERP and ISU S/4 migration. This system feeds information into core systems to enable JGN to deliver its services, such as paying invoices.</p>
Objective	<p>The objective of this investment brief is to mitigate against the disruption of business operations and the associated impacts on distribution services and customers by proactively managing the lifecycle risks associated with Jemena's payment records and document management systems, with elements of these systems reaching an unacceptable level of support risk at various times during the 2020-25 regulatory period.</p>
Background	<p>Information management, sometimes referred to as unstructured data, is mission critical to JGN given the significant amount of data, records and documentation that is maintained. Record keeping for a utility can mean maintaining asset records that are over 50+ years of age, and may still require retention for many decades to come.</p> <p>Kofax is used to scan and store payment related documents necessary for the efficient operation and planning of JGN's network.</p> <p>The version of JGN's payment records and document management systems have a limited operational life and will eventually require replacement or upgrade to ensure they can continue to provide services as expected by JGN's customers. The Kofax system has been in place for 8 years and is at the end of its useful life since August 2017. In addition, advancements in technology mean that the current Kofax system is out of date.</p> <p>Jemena's IT applications are subject to regular review to assess whether they remain fit for purpose as assessed against a range of criteria including performance, security, cost effectiveness, serviceability, end-of-life timeframes and overall risk. JGN also make decisions to replace assets by taking into account the optimum time for upgrade or replacement based on historical trends and serviceability of the components and interdependent systems and processes. The guidelines to making a prudent assessment are described in the Technology Plan under the section on IT Asset Lifecycle Management.</p>
Importance of the Kofax system	<p>IT plays a critical role in JGN's ability to deliver safe, secure, reliable and affordable services to its customers. Kofax enables JGN to scan and process invoices efficiently and ensure that our suppliers are paid for services and products delivered and on time. In addition, the integrated nature of this function to JGN's financial process and systems enables JGN to achieve a level of semi-automation without reliance on additional manual labour.</p>
Strategic Approach	<p>Kofax forms part of JGN's record management systems, which enable JGN to operate efficiently.</p> <p>In the 2020-25 regulatory period, JGN will continue to upgrade these tools to ensure they are on supported versions and leverage enhancements in the newer versions that are released.</p> <p>A longer term/strategic solution will consider scanning of additional incoming documentation, process automation and exception handling, by streamlining the processes and storing documents/images in a Content repository.</p>

Options	<p>JGN considered the following options:</p> <ul style="list-style-type: none"> <li>• Manage with risk.</li> <li>• Lifecycle the system.</li> </ul> <p><b>Option 1: Manage with risk</b></p> <p><b>Description</b></p> <p>This function would not be updated or refreshed. This will result in a significant risk to JGN's ability to operate its procurement reliably and efficiently. Whilst JGN could put in place manual mitigations it is likely that it would require significant manual resource to achieve without an assurance that our efforts would be successful, whilst also introducing business inefficiencies.</p> <p><b>Direct Unescalated Costs (mid-year 2018)</b></p> <p>This option does not incur any capital expenditure over the 2020-25 regulatory period (annual maintenance expenditure of about \$20,000 would be incurred).</p> <p><b>Risks</b></p> <p>The current version of Kofax - V10.0 does not support Transport Security Layer (TLS 1.2) which is currently targeted to be enforced by Office 365 in June 2020. Therefore, the Kofax system will be non-compliant as a result.</p> <p>The Windows server operating environment 2008 R2 that Kofax is running on is end of life on 20 January 2020. After this date no further security updates will be released for this operating system version hence the risk of security vulnerabilities increasing over time.</p> <p><b>Benefits</b></p> <p>There are no additional benefits associated with this option as it is about maintaining existing services.</p> <p><b>NPV Analysis</b></p> <p>This option has an NPV of \$-80k.</p> <p>See attachment "NPV for Kofax Replacement Lifecycle Investment Brief" – NPV Calc Option 1.</p> <p><b>Summary</b></p> <p>Option 1 aims to maintain the existing systems at low cost, but it comes with unacceptable business risk including the reliance on an unsupported Transport Security Layer that will cease in June 2020 and on an end of life operating system with support ceasing in January 2020.</p> <p><b>Option 2: Lifecycle</b></p> <p><b>Description</b></p> <p>This option places the Kofax system through its lifecycle process, where the software will either be upgraded to a contemporary version based on the vendor's roadmap or replaced with a Robotic Process Automation (RPA) solution.</p> <p>This option reduces operation and supportability risk both at the application and Operating System layers due to end of life componentry, and at the same time aims at further strengthen JGN's payment automation and improve process efficiency.</p> <p><b>Direct Unescalated Costs (mid-year 2018)</b></p> <table border="1" data-bbox="359 1904 1460 2031"> <thead> <tr> <th>\$2018</th> <th>RY21</th> <th>RY22</th> <th>RY23</th> <th>RY24</th> <th>RY25</th> </tr> </thead> <tbody> <tr> <td>Kofax replacement</td> <td></td> <td>363,081</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	\$2018	RY21	RY22	RY23	RY24	RY25	Kofax replacement		363,081			
\$2018	RY21	RY22	RY23	RY24	RY25								
Kofax replacement		363,081											

**Total Recurrent****363,081**

The cost of this project (Project ID ITSD35) is \$363k with the project completed during RY22. This estimate is calculated using JGN's standardised IT Project Estimation Tool as described in the Technology Plan under the section on Forecasting Method.

The costs for this option have been derived based on experience with previous projects of similar complexity and an understanding of the interfaces required to feed the data automatically into the core systems. Based on this, Jemena assesses that this is a medium level project that will take less than 6 months to implement and is of medium complexity.

**Risks**

There are no material risks for this option.

**Conforming capital expenditure**

Rule 79(1)(a) of the National Gas Rules (NGR) states:

*The capital expenditure must be such as would be incurred by a prudent service provider acting efficiently, in accordance with accepted good industry practice, to achieve the lowest sustainable cost of providing services.*

Undertaking this project, the proposed capital expenditure is consistent with the NGR rule 79 as it is:

1. Prudent – The expenditure is necessary to maintain the integrity of services to suppliers and is of a nature that a prudent service provider would incur. The expenditure will ensure a supportable, robust and secure platform to continue providing the invoice processing service to ensure JGN's suppliers and vendors are paid efficiently and on-time.
2. Efficient – This option is the most cost-effective long-term option that meets the necessary operational requirements in order to meet the compliance with legislative, regulatory obligations and Australian Standards.
3. Consistent with accepted and good industry practice – Addressing the risks associated with an unsupported and redundant platforms and applications is accepted as good industry practice. In addition, the reduction of risk as low as reasonably practicable in a manner that balances cost with risk is consistent with Jemena's Risk Management Manual and AS2885.

The project is also consistent with NGR rule 79(2)(c)(ii) because it is necessary for Jemena to maintain a supportable, robust and secure platform to continue providing the invoice processing service to ensure its suppliers and vendors are paid efficiently and on-time.

**Benefits**

The primary benefits of this option are:

- Replace redundant software and to enable JGN to avoid the risk of security vulnerabilities
- Improve processes efficiency by enabling capability to further automate JGN's payment processing.

**NPV Analysis**

The NPV of this option is \$-319,674k.

See attachment "NPV for Kofax Replacement Lifecycle Investment Brief" – NPV Calc|Option 2.

**Summary**

Option 2 is expected to replace aged end of life technology and further automate manual repetitive tasks.

Options Summary	The table below summarises the quantitative and qualitative differences between the analysed options.			
		NPV \$2018	Qualitative Risks	Qualitative Benefits
	Option 1	\$-80,244	High	Low
	Option 2	\$-319,674	Low	High
	JGN selects its appropriate preferred option by considering the direct differences between the options as expressed in the NPV analysis and indirect or qualitative differences in risks and benefits.			
What We Are Recommending	Option 2 is the preferred option. This option is expected to replace aged end of life technology, reduce potential security risks and provide the platform to further automate manual repetitive tasks.			
Relationship to ICT Capital Forecast	The preferred option for this business case is contained in the ICT investment plan as a recurrent project under Project ID ITSD35.			