

## Attachment 16.5

# SA Power Networks: Supply Chain Strategy 2015-2020





SA Power Networks.

# Supply Chain Strategy 2015 – 2020

# Executive Summary

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- The Future Operating Model has identified business drivers that will have a significant impact on the Supply Chain over the next 15 years
  - The Strategic Plan 2014 – 2018 has identified that “To Be the Cost Efficient Service Provider” is a significant business driver with a direct impact on the Supply Chain through 2018.
  - To adapt, the Supply Chain vision is to become a value creation hub and enabler to the business in its service oriented objectives
  - To deliver on our vision, the Supply Chain strategy defines:
    - A roadmap to value creation (2020) and the required improvements across four procurement platforms
    - Increased planning, management, and integration through technology and collaboration to enable the Supply Chain to better serve internal customers
  - In addition to progressing in-flight projects, planning for further investment in the Supply Chain has commenced with development of the reset business case
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# The Future Operating Model highlights key business drivers through 2020 which will impact the Supply Chain



## Future Operation Model

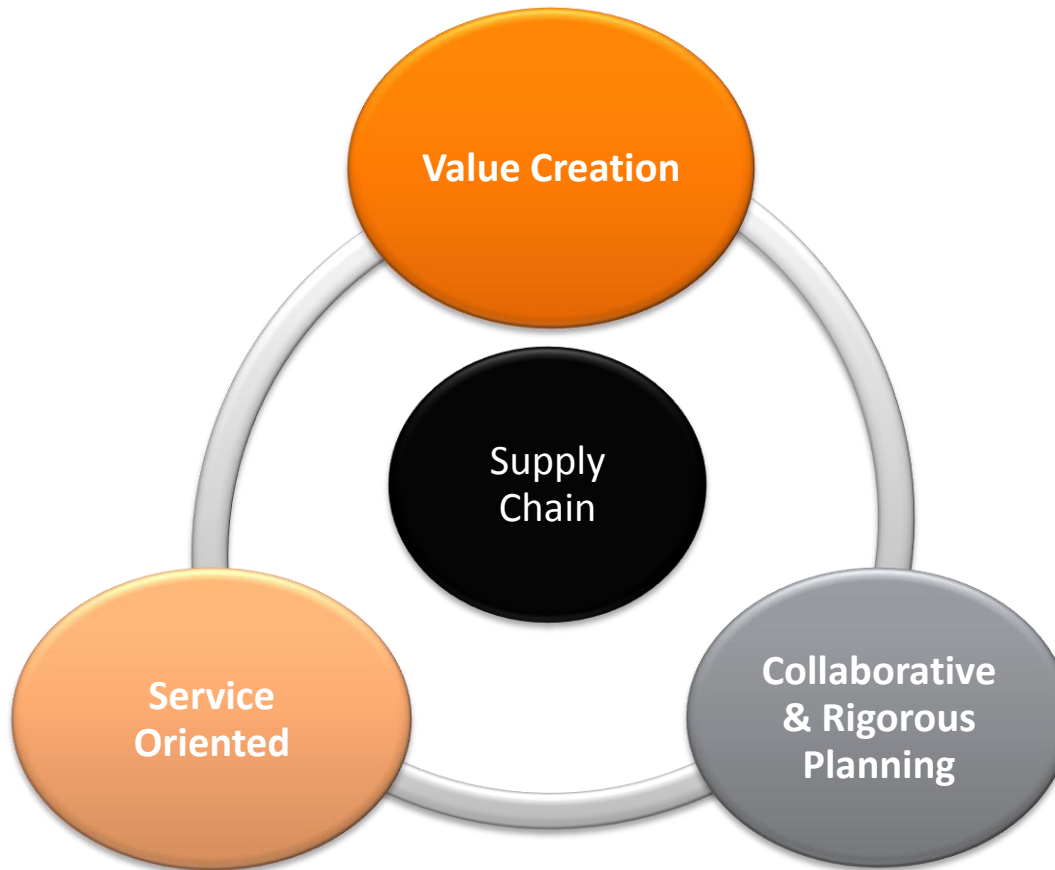
Business Drivers <sup>1</sup>	Impact	Required Supply Chain Capability
<b>1</b> Increased <b>Network Development Investment</b>	<b>Doubling of spend/volume</b> through the Supply Chain	Expanded capacity (FTEs) to support the increased volume across sourcing and logistics. Expectation on procurement to move from “sourcing savings” to <b>value creation</b> and Logistics delivering higher service levels with increased volumes
<b>2</b> Policy & Regulation defining <b>Network Performance</b> hurdles	Increase to <b>8% of revenue at risk</b>	Reduced “room for error” and increased consequences requires improved risk management practices
<b>3</b> Adapting to <b>Distributed Energy Resources</b>	Increasing pressure to deliver efficiency improvements	External market pressures e.g. price caps, alternative energy sources, etc... increases the expectation to improve supply chain effectiveness and increase return on investment (i.e. value delivered vs. cost to operate the supply chain)
<b>4</b> Preparing for flat or declining <b>Energy Prices</b>		
<b>5</b> Advancement and integration of <b>Operations</b>	Seamless connection from customer to supplier	Adoption of <b>collaborative and innovative solutions</b> to support integrated planning & operations with internal stakeholders and external suppliers
<b>6</b> Serving changing needs of <b>Customer &amp; Communities</b>	Supply Chain needs to handle <b>increased specification variety</b>	Build a <b>service orientated</b> supply chain (e.g. convenience, responsiveness, flexibility) to support customer facing teams in a more complex environment

# To adapt, the vision is to become a value creation hub and enabler to the business in its service oriented objectives

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## Supply Chain Vision



### Key Improvement Opportunities

#### Value Creation

- Increase the benefits derived from our supply chain operations and reduce the overhead cost
- Deepen our understanding of where further value can be created through increased usage of data analytics

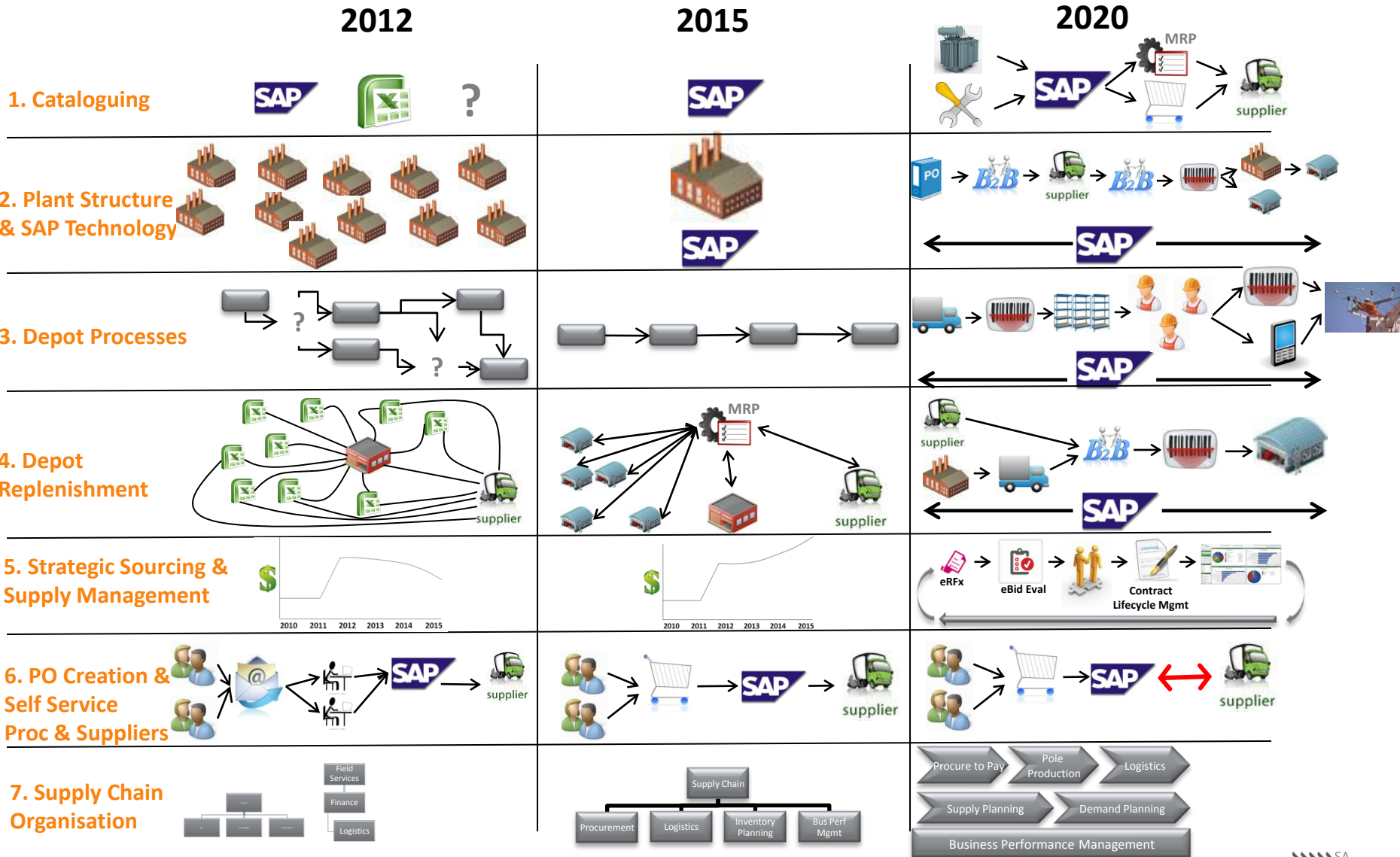
#### Service Oriented

- Increase the supply chain “convenience” to Field Services personnel so they can provide increased service levels to consumers

#### Collaborative & Rigorous Planning

- Become more flexible in supporting our organisation to adapt to the customer base, improved network planning and integration with suppliers e.g. B2B, end-to-end planning, self service

# Supply Chain Strategy 2020 leverages SAP, B2B, RF scanning/mobility and an end-to-end integrated Supply Chain organisation



# Leveraging procurement to become a value creation hub for increased strategic spend management



## Procurement Value Creation Strategy

- Procurement driven continuous improvement
- Strategic supply management
- Procurement alignment with BU strategic objectives
- Risk management program integrated with the wider Supply Chain

2018-2020

Value Creation

2014-2017

Value Capture

- Category-based sourcing
- Online sourcing, procurement and supplier capabilities
- Supplier Relationship Management
- Spend Performance Management

2013

Value Management

- Commodity tendering
- Operational supplier management
- Purchase Order Management

# The roadmap to Value Creation will deliver improvements across four platforms



## Initiatives: Procurement

To be discussed



Key Investments

### Platform

✓ = Already Implemented

Platform	2013 Value Management	2014 – 2017 Value Capture	2018 – 2020 Value Creation
<b>Value Delivery</b>	<ul style="list-style-type: none"> <li>✓ Improved negotiation results through data analytics</li> <li>✓ Realisation of ongoing benefits from improved benefits tracking</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Capture benefits across the Supply Chain (Supply Chain Analytics)</b></li> <li>• <b>Increased value from negotiation through use of e-Sourcing tools</b></li> <li>• <b>Supplier Self Service</b></li> <li>• <b>Increased value through formal Supply Base Management</b></li> </ul>	<ul style="list-style-type: none"> <li>• Lead development of global CKI sourcing community</li> </ul>
<b>Efficiency</b>	<ul style="list-style-type: none"> <li>✓ Reorganised to focus on high-value categories</li> <li>✓ Increased impact from tailoring sourcing strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of <b>online end user self service procurement</b></li> <li>• <b>Online catalogue of approved materials and services</b></li> <li>• <b>Workflow-base approvals</b></li> <li>• <b>Implementation of eInvoicing</b></li> <li>• <b>Increase capability of strategic sourcing team</b></li> <li>• Integration of IT all procurement</li> <li>• Integration of Accounts Payable</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Contract Lifecycle Management</b></li> </ul>
<b>Risk &amp; Safety</b>		<ul style="list-style-type: none"> <li>• <b>Risk profile reduction through robust supplier management system</b></li> </ul>	<ul style="list-style-type: none"> <li>• Implement whole of life supplier risk management across supply chain</li> </ul>
<b>Sustainability</b>			<ul style="list-style-type: none"> <li>• Minimise impact through <b>Environmental assessment</b> across the supply chain</li> </ul>

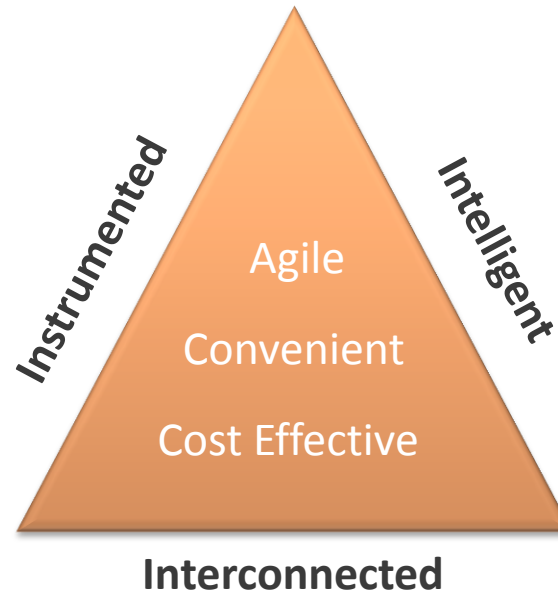


# Deliver improved service with better positioned inventory through technology and collaboration



## Service Oriented Strategy: Logistics

- Self counting
- Location aware



- Analytics
- Forward looking



# Following initial investments, the next phases will enable a more responsive function to better serve customers



## Initiatives: Logistics



Key Investments

✓ = Already Implemented

### Logistics

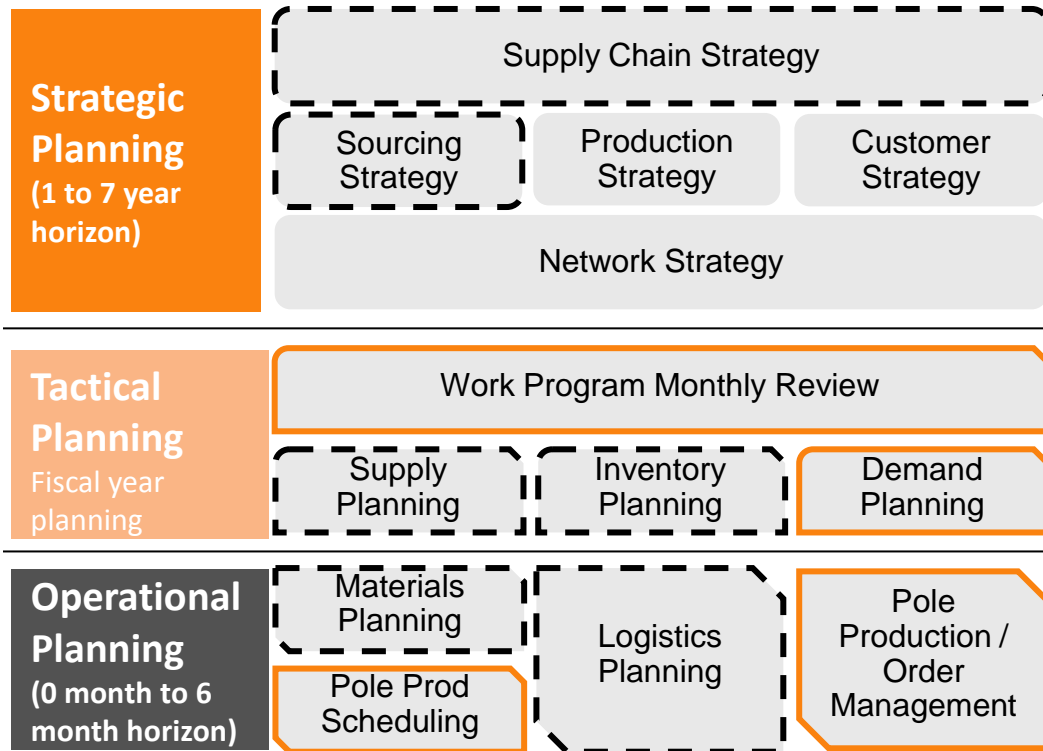
- |   |  |   |
|---|--|---|
| <ul style="list-style-type: none"><li>✓ Materials management processes and controls</li><li>✓ Recording all depot inventory movements in SAP</li><li>✓ Defined roles &amp; responsibilities across depots</li></ul> | <ul style="list-style-type: none"><li>• <b>Upgrade the radio frequency and barcoding interface (SAP Telxon)</b></li><li>• <b>Deeper integration between procurement, suppliers, warehouse and depots (SAP WM)</b></li><li>• <b>Implementation of RF &amp; mobility at depots for materials management</b></li><li>• Tracking and management of materials at external service supplier locations</li><li>• Improved logistics network design across the state</li></ul> | <ul style="list-style-type: none"><li>• <b>Materials and services delivery quality and Chain of Responsibility compliance managed in SAP Quality Management</b></li></ul> |
|---|--|---|

# Aligning all planning and pole manufacturing within Supply Chain provides a single, integrated view across the business



## Supply Chain Planning Framework

Currently under Supply Chain    To be moved under Supply Chain



### • Current Issues

- Planning across time horizons fragmented across multiple departments
- No end-to-end view of demand and supply balance
- No direct link between planning outcomes and financial goals
- Align into Supply Chain 2018
- Benefits include:
  - Single point of accountability for end-to-end planning outcomes
  - Ability to link planning outcomes to company financial goals
  - Aligned view of multiple constraints

# Integration of planning and manufacturing will support the organisation to adapt to customers and collaborate with suppliers



## Initiatives: End-to-End Planning and Manufacturing



Key Investments

✓ = Already Implemented

<b>End-to-End Planning</b>	<ul style="list-style-type: none"><li>✓ Rationalised the usage SAP plants (11 plants to 1)</li><li>✓ Enhanced the usage of the SAP Materials Requirements Planning software to cover some depots</li><li>✓ Initiated forward looking demand planning for pole production and meters procurement</li></ul>	<ul style="list-style-type: none"><li>• Move Work Program Monthly Review into Supply Chain</li><li>• Incorporate pole production scheduling and manufacturing into Supply Chain</li><li>• <b>Implement SAP Production Scheduling &amp; Manufacturing</b></li><li>• <b>Capture benefits across the Supply Chain (Supply Chain Analytics)</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Implement SAP planning analytics facilitating Work Program Monthly Review.</b></li></ul>

# Planning for further investment in the Supply Chain has commenced with development of the reset business case



## Moving Forward

Work In Progress

### Continue “in-flight” projects

- Procurement (not exhaustive)
  - Delivery of strategic sourcing activities
  - Streamline purchase to receipt process
  - Up-skilling and development of people
  - Refresh and embedding of procurement governance
- Logistics
  - Depot inventory visibility
  - Chain of responsibility (audit findings)
  - RF/Telxon software (initial phase)
- End-to-End Planning
  - Forward looking pole production planning
  - Forward looking commodity planning such as meters



### Commence investment for the future

#### Financial investment

- Technology
  - Self Service Procurement
  - eSourcing
  - eInvoicing
  - Supplier Self Service
  - Contract Lifecycle Management
  - Quality Management
  - Manufacturing Scheduling & Control
  - Warehouse Management
  - Depot RF/mobility MM deploy
  - Supply Chain Analytics
- Capability
  - Additional FTEs
  - Training programs (SRM, Supply Chain analytics, etc)

#### Non-financial investment

- Process
  - Implement whole of life SRM
  - Embed environment & sustainability assessment
  - Longer term materials demand forecast
  - Integration of processes with suppliers (B2B communications)
- Structure
  - Lead development of global CKI sourcing community
  - Move Planning team under Supply Chain
  - Shared analytical resourcing across supply chain



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# Appendix

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# Tailored performance metrics will measure the implementation of the strategy



## Performance Metrics

Work in Progress

Objective	Metric	Rational	Current Level	Potential Target
Value Creation	• ROI on total Supply Chain operating cost	• Measures the value delivered by the Supply Chain vs. investment	Not tracked	TBD
	• % spend category managed	• Measure of procurement function capability and spend control	??	90%
	• TBD			
Service Oriented	• Supply Chain quality score	• SA Power Networks wide assessment of Supply Chain value add	TBD	TBD
	• % of orders automated	• Measure of CU coverage, and level of ordering sophistication	~50%	90%
	• % order delivered within service level	• Measures number orders delivered on time to commence job	Not tracked	98%
	• % of materials catalogued	• Measure of material visibility	~60%	90%
Collaborative & Rigorous Planning	• Forecast accuracy (1, 4 month)	• Measures level of coordination across functions involved in planning	Not tracked	TBD
	• Inventory holding cost (%)	• Improvements in planning will enable improved inventory efficiency	3.0%	TBD
	• TBD			

# The immediate next step is to obtain approval of the Supply Chain strategy



## Next Steps

Item	Action	Responsibly	Due Date
<b>1</b> Supply Chain Strategy	Incorporate feedback and obtain approval from Mark Brownley	Jay Holata	Monday 10 <sup>th</sup> February
<b>2</b> Financial Investment	Perform cost-benefit analysis and develop business case for submission	Russell Healy Jay Holata A.T. Kearney	End of February
<b>3</b> Non-Financial Investment	Develop implementation plan	Jay Holata Charlie Hollis	End of March
<b>4</b> Current Performance	Obtain updates on in-flight projects and align strategy metrics with existing Supply Chain performance tracking	Michelle Peterson	Friday 14 <sup>th</sup> February



# In summary, the Supply Chain strategy will deliver on the vision through targeted initiatives across all functions



## Supply Chain Strategy – All Initiatives



Function	Technology	Capability	Process	Structure
<b>Procurement</b>	<ul style="list-style-type: none"> <li>Internal &amp; external self service procurement including e-Invoicing</li> <li>Contract Lifecycle Management</li> <li>eAuction &amp; eRFx</li> <li>Quality Management</li> <li>E3 safety management</li> </ul>	<ul style="list-style-type: none"> <li>Training programs:                             <ul style="list-style-type: none"> <li>– SRM</li> <li>– New technology</li> </ul> </li> <li>“Right size” through increasing strategic FTE’s and reducing admin FTE’s</li> </ul>	<ul style="list-style-type: none"> <li>Implement whole of life supplier risk management</li> <li>Embed environment &amp; sustainability assessment into sourcing process</li> </ul>	<ul style="list-style-type: none"> <li>Lead development of global CKI sourcing community</li> </ul>
<b>Logistics</b>	<ul style="list-style-type: none"> <li>Quality Management</li> <li>Integration of Warehouse Management (SAP WM)</li> <li>Transportation Management (SAP TM)</li> <li>Radio Frequency and Barcoding Technologies (SAP Telxon &amp; hardware)</li> </ul>	<ul style="list-style-type: none"> <li>Training on implemented technology</li> </ul>		
<b>End-to-End Planning</b>	<ul style="list-style-type: none"> <li>Supply chain analytics BW (dashboards)</li> </ul>	<ul style="list-style-type: none"> <li>Training on Supply Chain wide analytics</li> </ul>	<ul style="list-style-type: none"> <li>Longer term materials demand forecast</li> <li>Integration of processes with suppliers (B2B communications)</li> </ul>	<ul style="list-style-type: none"> <li>Move Planning team under Supply Chain</li> <li>Shared analytical resourcing across supply chain</li> </ul>



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