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Lisette Vergara, IT Project Manager, Gas Division, Petróleos de Venezuela S.A.

AT A GLANCE

Company

- Name: Petróleos de Venezuela S.A. (PDVSA)
- Location: Venezuela
- Industry: Utilities
- Products and services: Gas
- Revenue: US\$85 billion
- Employees: 49,000
- Web site: www.pdvsa.com
- Implementation partner: SAP® Consulting

Challenges and Opportunities

- Bring outsourced transaction operations back under internal management
- Improve efficiency and data accuracy throughout transactions
- Lower costs to boost customer satisfaction
- Eliminate performance, maintenance, and support issues associated with legacy system

Objectives

- Smoothly migrate customer billing and invoicing data to in-house system
- Standardize enterprise applications on a single platform
- Prepare PDVSA Gas to accommodate huge projected growth in customer base by 2007

SAP Solutions and Services

- SAP for Utilities solution portfolio and functionality now found in the mySAP™ ERP application
- ASAP methodology and SAP Project Management service provided by SAP Consulting
- SAP Education organization tools, including RWD Info Pak

Implementation Highlights

- Effective project management methodologies advanced project goals
- 30+ in-house users trained using the entire SAP academy curriculum

Why SAP

- Global company with highly compatible platform
- Software tailored for specific industry requirements
- Seamless, cost-effective integration with existing infrastructure
- SAP Consulting team’s in-depth knowledge of SAP functionality and project management

Benefits

- Reduced costs by US\$22 million
- Achieved 100% ROI in a single 30-day billing cycle
- Cut learning time for new users by 50%
- Improved service quality for all customers dramatically
- Enhanced accuracy and consistency of company and customer data

Existing Environment

- SAP R/3® software (functionality now found in mySAP ERP)

Third-Party Integration

- Database: Oracle
- Hardware: IBM
- Operating system: UNIX

PDVSA GAS

Venezuelan State-Owned Gas Utility Enlists SAP® Consulting to Streamline Its Pipeline

In addition to breathtaking scenery, a rich cultural heritage, and some of the best chocolate on the planet, Venezuela has some of the world’s largest natural gas reserves. These reserves are a vital resource for a country that now enjoys a positive trade balance and is rapidly growing into a major player in world energy production.

Petróleos de Venezuela S.A. (PDVSA) is a fully state-owned entity committed to keeping ultimate control of its oil and gas assets in the hands of the people of Venezuela. Annual profits are on the rise. And PDVSA Gas – the Caracas-based division that delivers gas to over a quarter of a million customers across Venezuela – has risen from its challenges to achieve record domestic sales.

In keeping with the social evolution of the Venezuelan oil and gas industry, PDVSA Gas opted to end its outsourcing contract with an external vendor that had been managing the division’s transaction-related operations and take back control of this critical data. Under the comprehensive guidance of the SAP® Consulting organization, PDVSA Gas successfully brought these operations, including metering and billing, back under internal management by extending an existing SAP R/3® software implementation to include SAP for Utilities solutions. (SAP R/3 functionality is now found in the mySAP™ ERP application.)

“We simply could not have done this without SAP,” says Lisette Vergara, IT project manager for PDVSA Gas. “The combination of detailed SAP project management and technical functionality has not only spurred record sales for PDVSA Gas, but it has also helped the division save millions of dollars, gain greater customer loyalty, and achieve an astoundingly rapid return on technology investment.”

Taking Back the Business

Prior to the formation of what is now called the New PDVSA, an outside third party managed all billing-related operations for PDVSA Gas. “The outsourcing company handled a host of operations – including metering, invoicing, billing, and customer service,” Vergara explains. “However, this vendor ultimately did not meet our needs.” Consequently, PDVSA Gas decided to bring these functions back in-house. “We wanted to ensure our customers received the gas they needed at a fair price,” Vergara adds.

But the decision to bring billing and invoicing in-house led to new challenges. A huge volume of data had to be migrated from the outsourcing company’s databases back into PDVSA’s infrastructure. That meant finding and deploying a system that could enable the accurate, efficient conversion of this data. “Plus, we wanted a unified platform,” Vergara adds. “Instead of compounding inefficiencies by creating a hodgepodge of different systems for different areas, we wanted to compile everything into one system for the whole business.” This type of integration, she says, eliminates the performance, maintenance, and support issues associated with multiple and disparate systems.

Perhaps most important, PDVSA Gas needed to ensure that its in-house personnel could fully understand and manage the entire system once it was implemented. Since the transaction operations had been outsourced for so long, few employees had any knowledge of how to manage these processes. “We were starting from square one,” Vergara says, “and we knew we needed the right product, the right management, and the right training to make it all come together.”

A Choice for Strategic Teamwork

Over a three-month period, PDVSA Gas evaluated several potential system vendors, awarding points to each solution for factors such as global reach, compatibility, and ease of integration. SAP for Utilities was one of the prime products for consideration, since PDVSA Gas had already implemented SAP R/3 software, and management was pleased with its performance.

Ultimately, SAP earned the highest score in the evaluation process. “More than anything, we chose SAP because it is a global system,” Vergara explains. “SAP offers compatibility and a unique understanding of our industry requirements. Moreover, we could leverage our existing IT investments without spending more on a new infrastructure.”

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PDVSA Gas selected SAP for Utilities with functionality available in today’s mySAP ERP application, along with components for business intelligence and sales and distribution. The combined applications enable PDVSA Gas to integrate its invoicing, billing, and customer care transactions within the existing SAP platform.

The software choice, however, was only the first step. The IT team within PDVSA Gas, spearheaded by Vergara, recognized that the rest of the journey demanded detailed project management and product knowledge. Due to the complexity of the large data migration, the team chose to work with SAP Consulting on the project. “The decision to work directly with SAP consultants was definitely a strategic advantage,” says Vergara. “We knew from previous experience that we could not find better qualified consultants within Venezuela. We wanted to finish as quickly as possible and achieve the best possible results. SAP Consulting was a natural choice.”

Experts in Management

After giving PDVSA Gas the opportunity to try a demo license, SAP Consulting began implementation by assigning a project manager, who became a trusted advisor to Vergara's team throughout the 22-month process. The project manager used the ASAP methodology and the SAP Project Management service, guiding the project through the processes of initiation, planning, executing and monitoring, controlling, and closing.

ASAP helps companies like PDVSA Gas speed project rollout times, while the SAP project management methodology framework covers the what, why, and how of managing projects by incorporating Project Management Institute standards and complementing current SAP practices.

"The ASAP methodology gave us the tools, documentation, and templates we needed to manage all of the project's critical factors – such as scope, time, and costs," recalls Vergara. The project manager reported to Vergara with weekly status updates, ensuring the necessary attention to detail and consistency of communication demanded by such a large data migration. When unforeseen challenges arose, such as issues with corrupt data and front-end systems, SAP Consulting helped PDVSA Gas develop the internal structures necessary to solve those problems, as well as others that might arise in the future.

To further facilitate the data transfer, SAP consultants used EMIGALL, the standard tool that helps with extracting, converting, and migrating information into the new database. By matching data against the customer care and service data structure, the EMIGALL tool verified and validated the consistency of data as it loaded.

Another huge advantage to working with SAP Consulting, Vergara adds, was being able to leverage the SAP Education organization tools, such as RWD Info Pak, to train the new system users. For example, SAP Consulting worked with PDVSA Gas to establish a portal that put learning materials online and effectively cut training time by 50%.

This portal, along with other SAP Education tools, helped the consulting team train users prior to rolling out the software. "This approach just made more sense than implementing first and then later teaching people how to use a system," Vergara explains. "Our users already knew what they were doing when we were ready to go live." And the training was comprehensive.

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Of the 120 project team members within PDVSA Gas, all of whom were instructed on the new SAP software, 36 users also came close to completing the entire SAP academy curriculum. "Thanks to the SAP Consulting team's in-depth knowledge of its solutions, we feel like we now have our own local, in-house SAP consultants," Vergara says.

When the implementation process came to a close, PDVSA Gas had dealt with its share of complexities. "We had a great deal to accomplish, so of course we expected some hiccups, and we were worried about time," admits Vergara. "In the end, though, SAP Consulting met and exceeded our expectations."

100% ROI in a Single 30-Day Billing Cycle

Within months of going live, the SAP implementation achieved obvious and measurable benefits. By bringing billing and invoicing operations in-house, PDVSA Gas directly eliminated the expense and overhead of managing a third-party vendor, while reducing the associated error rates and other inefficiencies caused by working with heterogeneous systems. In addition, by streamlining business processes within its existing SAP environment, the company has not only capitalized on its existing investment but also created a more robust, scalable platform that can be extended for future business needs.

All told, these benefits have added up to an impressive €18 million in savings thus far – an advantage PDVSA Gas has returned to its customers in the form of lower energy rates. Such vast savings also make it easy to see how the company achieved a 100% return on investment in a single 30-day billing cycle.

“While the transition to SAP [software] had no impact on customer service,” Vergara says, “customers can readily see how our taking back the billing operations has improved their interactions with us. In fact, customers have asked when they can have the same solutions for their water and waste services.” This praise and approval from customers carries a lot of weight with PDVSA Gas, because its ongoing expansion along the Venezuela Gas Pipeline has growth projections of reaching around three million customers by 2007.

In addition, PDVSA Gas now boasts a stable of highly knowledgeable in-house users whom it can leverage not only to help with future SAP implementations but also to handle any current support requirements. “We have not had to call on SAP Con-

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sulting since the project ended,” Vergara says. “They taught us how to run it all successfully on our own. We now have reusable methodologies and reusable knowledge resources.” For a company that just a few years ago faced financial turmoil and ruin, this success shows more than just how far this company has come – it points to where PDVSA Gas now has the opportunity to go.