AUSGRID
ENERGIZING CAPITAL EXPENDITURE PLANNING

QUICK FACTS

Industry
Utilities

Revenue
$A3.34 billion (US$3.13 billion)

Employees
6,000

Headquarters
Sydney, Australia

Web Site
www.ausgrid.com.au

SAP® Solutions and Services
SAP® BusinessObjects™ Planning and Consolidation application, version for the SAP NetWeaver® technology platform; SAP Ramp-Up program

Implementation Partner
SAP Consulting

With the largest energy network in Australia, Ausgrid needed a best-practice modeling application to plan its future capital expenditure projects with greater efficiency, flexibility, and accuracy. By implementing the SAP® BusinessObjects™ Planning and Consolidation application, the utility is increasing the accuracy and reliability of capital forecasts and lowering the cost of forecast audits, scenario analysis, and regulatory compliance.

Key Challenges
- Support increasing scale and complexity of capital expenditure (CAPEX) forecasting
- Respond to regulatory requirements with accurate analysis and reporting
- Improve transparency and standardization of forecasting
- Provide better investment and scenario analysis functionality

Why SAP Was Selected
- Functionality that met requirements for modeling, planning, and analysis
- Tight integration of budgeting, forecasting, and actuals
- Alignment with strategic decision to leverage integration between SAP® software and SAP NetWeaver® technology platform
- Flexible solution that allows more involvement of business owners as investment planners

Implementation Best Practices
- Working group that included business owners and key IT personnel
- Application of ASAP methodology
- SAP Ramp-Up program that provided access to extensive SAP support resources

Low Total Cost of Ownership
- Implementation on time and under budget
- Native integration of SAP software
- Existing SAP infrastructure leveraged to support application
- CAPEX forecast reports in a format compatible with corporate financial systems

Financial and Strategic Benefits
- Clearer links between strategic objectives and investment plans
- Improved transparency and credibility of CAPEX forecasts for industry regulator and stakeholders
- Repeatable planning solution with improved scalability, stability, and functionality
- Reduced costs for independent auditing
- Improved ability to dynamically manage CAPEX forecast and track changes
- Ability to link subprojects and run cash flow profiles at the portfolio and individual element level
- Ability to use robust financial modeling techniques such as "S curves"

Operational Benefits

Key Performance Indicator	Impact
CAPEX calculation and modeling error rate	-80% (from <5% to <1%)
Time needed to enter a CAPEX project in the system	-60% (from 5 minutes to <2 minutes)
Time needed to calculate net present cost per area	-90% (from 5 minutes to 30 seconds)
Model and scenario modeling audit times	-70% (from 2 weeks to 2 days)
Increased acceptance of capital forecasts by regulator	Achieved

Ausgrid

"SAP BusinessObjects Planning and Consolidation enables us to better plan our project portfolio on an ongoing basis – offsetting increases in scope and cost for one project by making reductions in others."

Matt Cooper, Manager, Investment Strategy, Ausgrid

www.sap.com/contactsap

Investing in the Network

Ausgrid supplies electricity to more than 3 million people through the country's largest distribution network. Over the next few years, the utility will invest billions of dollars in its infrastructure – making it smarter, more reliable, and ready for future technologies.

As a state-owned corporation, it is essential that Ausgrid actively manages its capital expenditures (CAPEX) to ensure that desired business outcomes are achieved within its revenue allowance. Inaccurate forecasting of the investment portfolio can result in reduced ROI under its regulatory framework.

Previously the utility relied on a number of disparate modeling and planning tools that were not repeatable across projects. Many of these solutions were based on Microsoft Excel spreadsheets and did not provide the stability, reusability, data integrity, or basic functionality the utility required. Ausgrid needed an enterprise-grade solution – and it chose the SAP® BusinessObjects™ Planning and Consolidation application, version for the SAP NetWeaver® technology platform.

Assessing the Alternatives

Ausgrid evaluated several solutions before making a decision and ultimately selected the SAP BusinessObjects application because it met both business and technical needs. And as Matt Cooper, manager of investment strategy at Ausgrid, notes, "It also offered native integration with our existing SAP application environment."

To help ensure a smooth implementation, the utility used the ASAP methodology and participated in the SAP Ramp-Up program – gaining access to extensive SAP support resources. The project was completed on time, under budget, and on value.

Optimizing the Project Portfolio

Today, Ausgrid can plan its complex CAPEX projects with greater efficiency, accuracy, and reliability. For example, the utility is better able to adjust its forecasts to reflect changes in planning strategies or key assumptions such as for projected costs. As a result, the company can manage its project portfolio on an ongoing basis – offsetting increases in scope and cost for one project by making reductions in others.

"The use of a true modeling application also significantly reduces calculation and modeling errors since the algorithms are located in a central location within the application," says Cooper. "The scope for modeling error is restricted to a limited number of data inputs that can easily be reported and verified within the model."

This improved reliability has helped Ausgrid reduce the expected time needed to audit its CAPEX forecast models by approximately 70% – from two weeks to two days. In the past, the annual cost for independent auditing of the utility's capital proposals has exceeded $A200,000 (US$194,122). As Cooper notes, "Transparency and credibility are paramount when operating in an asset-intensive industry with an extensive regulatory environment." He continues, "Fundamentally, SAP BusinessObjects Planning and Consolidation is saving Ausgrid considerable effort associated with auditing forecasts, analyzing scenarios, and responding to questions from stakeholders, management, and regulators. The tool supports collaboration between business users during the planning process, driving increased accuracy and transparency. This enables Ausgrid to justify and support its significant capital requirements, which are currently in excess of $A1 billion [US$980 million] per year."

Going Beyond CAPEX

With this kind of success, Ausgrid intends to use SAP BusinessObjects software for other corporate financial and business planning requirements across the organization.

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