

AusNet Services Deep Dive No.1 Opex – IT Cloud Step Change

Pre-reading pack



11 February 2019

IT Cloud Step Change



The IT Step Change Draft Proposal is estimated at \$7.8 million across the proposal period with an average annual cost of \$1.57 million. The Customer Forum has provided in principle support to \$2.54 million of the \$7.8 million step change. Since presenting to the Customer Forum activities continue to be progressed, further detailing both customer and cost benefits.

This deep dive is intended to look in detail at the Customer Relationship Management (CRM) system. This is intended as a case study, to test the robustness of our approach and rationale for including an opex step change.

Framework considerations

The AER's framework allows for step changes where there is an efficient capex/opex trade-off. Allowing for efficient capex/opex trade-offs ensures there is no disincentive to adopt a opex solution, if it is the cheapest possible option.

We note that:

- › Cloud based IT solutions are generally treated as opex rather than capex and so the move to cloud based solutions reflects a change in the way we recover the costs of these IT solutions.
- › Cloud technologies are becoming more prevalent across all sectors including the energy industry.
- › In some cases our vendors for certain applications are indicating they will no longer support or enable legacy solutions, and future versions of applications will be cloud based.

As such, cloud based solutions are going to become increasingly commonplace and We consider that a step change is necessary to remove a bias to continuing with on premises solutions.

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Technology Capex Program	Benefits to customers
<p data-bbox="73 454 258 605">Customer Relationship Management System</p> <p data-bbox="73 654 200 682">\$458,337</p>	<ul data-bbox="370 416 1839 1210" style="list-style-type: none"><li data-bbox="370 416 1839 559">• Multiple payments can be consolidated and paid online during the connection process and payments can be automatically processed online. Payment is currently a manual process and AusNet Services still receives cheques for many connection services. This is increasingly inconvenient for customers and automating this process will improve the experience and reduce the timeframe for providing services.<li data-bbox="370 605 1839 714">• Customers will not need to re-explain their issues/concerns each time they contact the call centre. The call centre will have a record of previous interactions and will 'know why the customer called'. This will save the customer time, improve their experience when contacting us and enable more effective resolution of issues.<li data-bbox="370 759 1839 936">• Customers will receive a response and service that is tailored to their needs. By segmenting customers into different types (i.e. residential or industrial) we will know more about the issues that are important to the customer when they call. Large customers will be easily identified and response to their queries can be prioritised or escalated. This experience can be further improved as we increase the information we know about each customer.<li data-bbox="370 982 1839 1056">• Customer will receive more accurate information on localised network issues or recent outages they have experienced.<li data-bbox="370 1102 1839 1210">• Customers will receive more personalised interactions with our field staff. For example, information about pets on the property, or special instructions about access to the site would be available. Our staff will be aware of any previous interactions or special needs the customer has.

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Technology Capex Program	Benefits to customers
<p>Outage Management</p> <p>\$50,926</p>	<ul style="list-style-type: none"> • Cloud capability will minimise the impact of outages through improved processes and workflows. Customers will experience a reduced number of planned outages. Optimisation of the planning process ensures that planned outages can be grouped or minimised whenever practicable. • Customers will experience a reduced number of cancelled planned outages. This is a major source of inconvenience to customers as they make arrangements around the planned outage. Improved processes can minimise the number of outages that are cancelled as they ensure the correct resources are available and all planning requirements are met prior to scheduling the work. • Customers will receive improved communication around planned outages and in some circumstances it would be possible to schedule outages at more convenient times. • Customers will be able to track the progress of outages and receive status updates.
<p>Workforce Collaboration</p> <p>\$224,585</p>	<ul style="list-style-type: none"> • An on-premises solution to deliver this functionality would be very expensive and likely cost in excess of \$15 million. As such, a shift to cloud based capabilities is the preferred approach. • Increased timely access to corporate applications and specialised process and procedural information for field crews, resulting in faster response time for incidents and reduced outage downtime.

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Technology Capex Program	Benefits to customers
Information Management Platform \$560,190	<ul style="list-style-type: none">• An on-premises solution to deliver this functionality would be very expensive and likely cost in excess of \$40 million. As such, a shift to cloud based capabilities is the preferred approach.• The Information Management program will enable improved forecasting driving more targeted investment and upgrades of the network based on customer's needs. This will ensure we can maintain the reliability and consistency of supply, whilst prudently upgrading the network in line with requirements and avoiding excess maintenance and premature asset replacements for critical assets.
Human Resources and payroll management \$209,612	<ul style="list-style-type: none">• An on-premises solution to deliver this functionality would be very expensive and likely cost in excess of \$9 million. As such, a shift to cloud based capabilities is the preferred approach.• This investment will ensure ongoing supportability and sustainability of core business systems. The limited investment will be directed to a shift to cloud based solutions.

Questions regarding our draft proposal

- ▶ Your feedback is sought on whether a step change should be considered for a transition to cloud based software

Do you agree that our choice to seek a step change rather than undertake a capital program was the correct approach?	Is a step change necessary to ensure an efficient capex/opex trade-off can be made?	Any additional considerations in relation to the IT cloud step change?

Detail on Customer Relationship Management System (CRM)



Customer Relationship Management - Overview



AusNet Services is operating in an environment where the role of, and interactions with, our customers is rapidly evolving away from the simple relationship that was typical for distribution networks. Customers are exercising more choices about their energy supply, with affordable solutions for distributed generation and storage emerging.

AusNet Services is proposing to establish a Customer Relationship Management (CRM) capability to support its services. This will allow AusNet Services to better understand our customers and their context to improve customer outcomes. This will be formed by a combination of the following priority investments:

- Implementation of an on-demand subscription-based CRM which integrates key customer information;
- Improving third-party access to customer data, in line with an AEMC rule change that may be implemented in the upcoming regulatory period
- Ensure relevant CRM capabilities are in place to support DER related initiatives (Peer to peer trading and Demand Response)

Limitations of existing system



Limitations of current system	Benefits of new system
<p>Manual processes – AusNet Services currently utilises multiple systems to manage customer data, customer interactions, customer issue resolution and financial services. This means manual processing steps, which are typically slower than integrated or automated data, and the potential for inconsistencies and errors.</p>	<p>Reduced manual processing delivering improved service to customers.</p> <p>Payment is currently a manual process and AusNet Services still receives cheques for many connection services. This is increasingly inconvenient for customers and automating this process will improve the experience and reduce the timeframe for providing services.</p>
<p>Limited tracking of end-customer information – AusNet Services receives end-customer information via retailers however is not always complete or updated sufficiently. Therefore AusNet Services is unable to tailor messages or information to customers, to offer specific services geared towards different types of customers.</p>	<p>Ability to tailor messages to specific customers or customer types.</p> <p>Customers will receive a response and service that is tailored to their needs. By segmenting customers into different types (i.e. residential or industrial) we will know more about the issues that are important to the customer when they call. Large customers will be easily identified and response to their queries can be prioritised or escalated. This experience can be further improved as we increase the information we know about each customer.</p>
<p>Limited ability to view customer consumption data - Customer expectations and needs from AusNet Services are changing, as customers are increasingly exercising choices around DER and how they interact with AusNet Services. If AusNet Services is unable to gain visibility around changing customer consumption patterns and their resultant network requirements, it will be unable to appropriately plan supply costs and services responses.</p>	<p>Ability to better identify network constraints and solutions, or to plan augmentation to maximise DER connections.</p>

Limitations of existing system



Limitations of current system

Customer engagement throughout the customer journey –

Customers want to be able to get access to information via multiple channels, including via phone, via the internet or a mobile app. An integrated CRM will facilitate AusNet Services' ability to deliver these interactions, and allow AusNet Services to better manage customer interactions, from issue management to resolution. An upgraded web portal for customers will also aim to improve the user experience of AusNet Services' customers.

Customer information is not integrated with asset information –

The CIS system captures customer endpoint information, whereas the Enterprise Resource Planning (ERP) system captures asset management together with the Geographical Information System (GIS). As this information is disparate, it is difficult to utilise customer information to inform decisions around the optimisation of maintenance and delivery of asset works in line with customer priorities. Vice versa, it is difficult to use asset information to inform decisions around customers, such as how much distributed energy a customer can connect to the existing network.

Benefits of new system

Enhanced communications with customers and an increased ability for first time resolution to customer queries.

Customers will not need to re-explain their issues/concerns each time they contact the call centre. The call centre will have a record of previous interactions and will 'know why the customer called'. This will save the customer time, improve their experience when contacting us and enable more effective resolution of issues.

Enhance ability to optimise maintenance and delivery of asset works in line with customer priorities.

Customer will receive more accurate information on localised network issues or recent outages they have experienced.

Customer Relationship Management - Options



Three options were considered for the CRM and option 2 was selected as the preferred option. Option 2 delivers a CRM which covers key services and is a prudent approach to rolling out a CRM.

Brief overview of each of the options	
Option 1	<p>Business as usual</p> <p>Continue managing customer information through current systems, strategically making incremental improvements where efficient.</p> <p>Key initiatives include:</p> <ul style="list-style-type: none"> Improving third-party access to customer data in line with the AEMO rule change to be implemented in the upcoming regulatory period.
Option 2	<p>Integration of CIM for key required services</p> <p>A CIM solution which includes implementation of a subscription-based CRM system which integrates key customer information in a central repository to improve the efficiency of AusNet Services' internal actions, as well as AusNet Services' ability to interact externally with customers.</p> <p>Key initiatives include:</p> <ul style="list-style-type: none"> Implementation of an on-demand subscription-based CRM for required services. Initiatives included in Option 1.
Option 3	<p>Fully integrated CIM solution</p> <p>Implementation of an enterprise-wide CRM system where customer reference and transactional data, where relevant to business decisions, is stored in a central CRM system.</p> <p>Key initiatives include:</p> <ul style="list-style-type: none"> Implementation of an enterprise-wide CRM solution. Upgrade of the customer web portal for AusNet Services to engage with customers in a modern manner. Transition from a multi-channel focus to an omni-channel focus with customers. Initiatives included in Option 1 and Option 2.

Questions regarding our draft proposal

- ▶ **Your feedback is sought on whether the a step change for a cloud based CRM system is supported?**

Do you consider a CRM is a system that AusNet Services should invest in?	Would a cloud solution be preferable to an on premises solution?	Are there other issues that should be considered?