



Jemena Electricity Networks (Vic) Ltd

IT Investment Brief – Contract Lifecycle Management

Non-recurrent – Compliance



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Glossary

| | |
|---------------------------|--|
| Capex | Capital Expenditure |
| CLM | Contract Lifecycle Management |
| Current regulatory period | The period covering 1 July 2021 to 30 June 2026 |
| CYxx | Calendar Year xx – the period covering January to December |
| ICT | Information and Communications Technology |
| Jemena | Refers to the parent company of Jemena Electricity Network |
| JEN | Jemena Electricity Network (Vic) Ltd. |
| Next regulatory period | The period covering 1 July 2026 to 30 June 2031 |
| NPV | Net Present Value |
| Opex | Operating Expenditure |
| RYxx | Regulatory year covering the 12 months to 30 June of year 20xx for years in the Next Regulatory Period. For example, RY25 covers 1 July 2024 to 30 June 2025 |
| SOCI | Security of Critical Infrastructure |
| Totex | Total Expenditure |

Contract Lifecycle Management

| | | | |
|--------------------------------------|--|---|--|
| Objective | <p>The objective of this initiative is to implement a Contract Lifecycle Management System to effectively manage third-party contractors and ensure regulatory compliance (e.g. [REDACTED] modern slavery, mandatory climate-related financial disclosures). This will also help mitigate risks associated with inefficiencies, errors, compliance and regulatory risks, and loss in revenue.</p> | | |
| Non-recurrent ICT sub-categorisation | <input type="checkbox"/> Maintaining existing services, functionalities, capability, and/or market benefits | <input checked="" type="checkbox"/> Complying with new/alterd regulatory obligations/requirements | <input type="checkbox"/> New or expanded ICT capability, functions, and services |
| Background | <p>Jemena’s manual processes for managing third party contracts introduce unnecessary risk</p> <p>Jemena Electricity Network (JEN) currently manages third party contracts and suppliers manually, which is causing impacts across the business. This is outlined below across process, people, and technology:</p> <ul style="list-style-type: none"> Process – there are many fragmented processes across the business to manage third party contracts and suppliers, driving inefficiencies as many are not modelled against best practice approaches. Key impacts include: <ul style="list-style-type: none"> Increased likelihood of human errors. Risk of data breaches or unauthorised access to sensitive information. Increasingly challenging to put robust governance mechanisms in place across the manual processes, which increases the risk of breaching compliance and regulations we need to adhere to. People – roles and responsibilities for managing third party contracts and suppliers is unclear across JEN, with limited governance in place (as detailed above). This has meant that there is heavy reliance on individual experience and expertise to govern Jemena’s contracts and meet regulatory requirements. Technology - manual process with no automation across the process. Key impacts include: <ul style="list-style-type: none"> There are multiple sources of truth due to the manual nature of the process and the need to manual data entry. Manual reporting is done to varying degrees of robustness and accuracy. There is a heavy reliance on scattered data sources which increases the risk of errors and inconsistencies. The absence of system automation slows contract execution and increases vulnerability to errors, such as extended processing times. <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> | | |

New and altered Regulatory and legislative requirements will require changes to the way in which we manage third party contracts

JEN anticipate an increasing volume and amount of complexity will be introduced in the 2026-31 period due to increased complex regulatory and legislative obligations. We describe these obligations below and illustrate why we expect an increase in the volume and complexity of our workload with respect to contract lifecycle management.

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Modern Slavery Act 2018 (MSA)

JEN must implement effective procurement practices to assess and address modern slavery risks across its operations and supply chains. The Act requires entities to prepare and publish an annual modern slavery statement that describes the steps taken to assess and address modern slavery risks. To comply JEN must include:

1. a description of structure, operations, and supply chains, including information about the goods and services it provides and the countries in which it operates
2. a description of the associated modern slavery risks, including information about the specific types of slavery or trafficking that may occur in its operations or supply chains
3. a description of the actions the entity has taken to assess and address modern slavery risks in its operations and supply chains, including information about the due diligence processes it has undertaken, the policies and procedures it has implemented, and the training it has provided to its employees and business partners
4. a description of any actions taken to support the identification and protection of victims of modern slavery and to prevent modern slavery from occurring in its operations and supply chains
5. a description of the performance indicators and targets used to measure the effectiveness of the actions to address risks
6. the name of the person responsible for ensuring that JEN complies with the reporting requirements under the Act

How costs were derived

This approach enables us to base our budget projections on realistic, market-aligned figures directly from suppliers with relevant expertise. By reaching out to vendors, we can obtain itemised breakdowns for critical aspects of each project, including labour and licensing fees. This process also allows us to clarify any assumptions around project scope and specific requirements, reducing uncertainty in our estimates.

Furthermore, when assessing the 3 options detailed in this Investment Brief, an initial impact assessment has been taken into consideration. A summary is provided below:

| Change parameter | Impact assessment |
|--|---|
| Suppliers | Suppliers will receive a new way to collaborate, significantly improved from the current back and forward emailing of document attachments for execution |
| Policy, Process & Procedure | Processes and procedures will require creation to ensure a clear and consistent path forward for all stakeholders involved in the creation, negotiation and finalisation of contracts across Jemena. |
| Technology | There is no current CLM solution existing within Jemena, therefore ongoing support and maintenance costs will be included as part of licencing agreement created with the solution vendor. |
| Organisational | This project will mostly affect those that are part of the buy and sell contract creation and management processes and will provide training for those with responsibilities to manage contracts and provide awareness for all employees. |
| Roles & Responsibilities | Existing roles and responsibilities will be reviewed, and training will be provided to formalise responsibilities of those accountable for managing contracts. |

Existing System savings

We do not expect any existing system savings.

JEN's current approach to managing third party contracts is fragmented and lacks automation due to the breadth of systems involved (including SAP, DocuSign, Bid Contender and E procure) and off-system processes established to deal with rapidly changing requirements.

At this early stage, it is still being determined whether they will be required or reviewed as part of the solution assessment process. However, with these relatively small amounts, they are within the project's risk tolerance at this early stage of consideration.

Operational efficiency savings

We expect any operating efficiency savings will be offset by the increased volume and complexity of contract lifecycle management work.

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| | <p>We anticipate an increasing volume and amount of complexity will be introduced in the 2026-31 period due to increased complex regulatory and legislative obligations. With increased complex obligations, coupled with a more diverse supplier landscape, JEN will need to manage a growing and more complex workload to address these increasing risks and evolving priorities. If we did not implement a CLM we estimate that we would need an additional 2 FTE to accommodate for this increased workload.</p> <p>In summary, any operating efficiencies or cost savings that may be realised with a CLM will be offset by this increased and more complex workload.</p> |
| Options | <p>JEN has considered three Options as listed below:</p> <ol style="list-style-type: none"> (1) Do nothing – maintain status quo - Not recommended. (2) Adopt a standalone Contract Lifecycle Management System (off the shelf/cloud based) – recommended. (3) Adopt a fully integrated Contract Lifecycle Management System (integration to existing SAP financial systems) – Not recommended. <p>Option 1: Do nothing</p> <p>Description</p> <p>JEN would continue to rely on the existing manual processes with limited reporting and monitoring capability to manage third-party contractors and suppliers and current and emerging compliance requirements.</p> <p>Benefits</p> <p>By doing nothing, JEN would avoid incurring the costs and many of the risks outlined at Options 2 and 3 below in relation to the proposed initiative.</p> <p>Risks</p> <p>In the absence of necessary investment to support JEN’s contract lifecycle management, there are the following key risks (refer ‘Background’ for more detailed description):</p> <ul style="list-style-type: none"> • JEN will have greater exposure to compliance risks by not adequately meeting the current and emerging compliance requirements (e.g. [REDACTED] MSA and emission 3 reporting). • As detailed above in the Background section, there are significant operational challenges and risks which will continue to impact JEN. These are likely to continue to grow due to increased volume and compliance requirements, resulting in higher operating expenditure and the potential of greater contract value leakage. • Diminishing relationships with vendors and suppliers, ultimately leading to a decrease in customer satisfaction. <p>Summary</p> <p>This option is not recommended. Doing nothing will result in increased likelihood of non-compliance with new and emerging legislative requirements. JEN also considers that it does not reflect good industry practice. Furthermore, it does not provide the most efficient cost.</p> <p>Option 2: Adopt a standalone Contract Lifecycle Management solution (off the shelf/cloud based)</p> <p>Description</p> <p>This option explores the implementation of a cloud based CLM system to provide lifecycle management, monitoring and reporting of third-party contracts.</p> <p>Benefits</p> <p>This approach would allow JEN to reduce the likelihood of risks outlined above in ‘Background’ and improve contract lifecycle management as outlined below:</p> |

Compliance

[Redacted]

- **Modern Slavery Act 2018 (MSA)²:** JEN must implement effective procurement practices to assess and address modern slavery risks across its operations and supply chains (for example, this might include system integrators or consultants), based on seven criteria. Proactive risk mitigation, including supplier screening and tiering of the supply chain, is crucial. A CLM will help minimise risk of non-compliance with this legislation.
- **Scope 3 Emissions Reporting³:** Climate-related financial disclosures will soon include scope 3 emissions reporting (in addition to scope 1 and 2). Scope 3 emissions are those that occur up or down the supply chain and emissions associated with financing or investment activities. A CLM System addresses challenges in emissions reporting caused by reliance on individual supplier reports or internal estimations by providing a centralised data repository, standardised contract templates, automated reporting and tracking, supplier performance monitoring, and integration with environmental management systems for comprehensive reporting and analysis.

People

- **Enhanced Capabilities:** Clear role definitions and accountability empower commercial contract personnel.
- **Increased Customer Satisfaction:** Swift response times and efficient risk management improve customer satisfaction.

Process

- **Improved Supplier Relationships:** Centralised performance monitoring and tracking enhance relationships with suppliers.

Technology

- **Value Preservation:** Enhanced visibility of contract obligations reduces value leakage.
- **Risk Management:** Centralised, proactive risk management
- **Real-time Data and Reporting:** Agile reporting processes enable real-time contract management.
- **Centralised Documentation:** A centralised document management system reduces errors and decreases document management timelines.

As noted in Key Consideration above, we do not anticipate any savings related to existing systems or operational efficiencies.

Risks

Potential risks in relation to this option:

- The continued use of some of the legacy systems and workflows due to the nature of this standalone system. This would result in some manual workarounds regarding reconciliation of contracts information in various systems and approvals follow up.
- Inability to provide reporting of historical data if contracts are missed during data migration in future state.

Costs

¹ [Security of Critical Infrastructure Act 2018 | \(legislation.gov.au\)](https://www.legislation.gov.au)

² [Modern Slavery Act 2018 | \(legislation.gov.au\)](https://www.legislation.gov.au)

³ [Mandatory climate-related financial disclosures | Commonwealth Government \(treasury.gov.au\)](https://www.treasury.gov.au)

The estimated costs for this option are outlined in the table below, [REDACTED]

Non-recurrent opex costs reflect a blended team of internal and external labour. Recurrent-step opex relates to Cloud solution subscription model and the ongoing requirement for external and internal labour for ongoing technical support moving forward.

Since all components of the project are cloud-based, the associated costs are classified as opex.

| \$2024 | RY27 | RY28 | RY29 | RY30 | RY31 |
|---------------------|------------|------------|------------|------------|------------|
| Total Capex | | | | | |
| Non-recurrent Opex | [REDACTED] | | | | |
| Recurrent-step Opex | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Total Opex | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Totex | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

This is an Enterprise-wide initiative, which means the costs of this solution are shared across a broader set of Jemena enterprises; costs have been allocated in accordance with Jemena Group Cost Allocation Methodology. A consequence of this approach is that JEN's customers benefit from (i) lower costs and (ii) greater purchasing power when negotiating vendor contracts.

[REDACTED]

Summary

This option is recommended as it is the most cost efficient and meets our current and emerging business and compliance requirements. JEN considers that it best reflects good industry practice.

Option 3: Implement a fully integrated CLM solution

Description

This option considers implementing a fully integrated CLM solution to provide management of the lifecycle processes, as an alternative to adopting a standalone Contract Lifecycle Management System.

Benefits

In addition to the benefits listed in option 2 above, an integrated CLM with other systems has the added benefit of seamless data flows with little to no manual workarounds or hand-offs required.

Risks

The key risk associated with this option is that the upgrade of our core Enterprise Resource Planning (ERP) system to SAP S/4HANA is a priority and is a dependency that must be achieved before the CLM can be integrated.

Costs

The estimated costs for this option are outlined in the table below:

| | \$2024 | RY27 | RY28 | RY29 | RY30 | RY31 |
|---|--|----------------|----------------|----------------|----------------|---------------|
| Total Capex | | | | | | |
| Non-recurrent Opex | | | | | | |
| Recurrent-step Opex | | | | | | |
| Total Opex | | | | | | |
| Totex | | | | | | |
| <p>This is an Enterprise-wide initiative, which means the costs of this solution are shared across a broader set of Jemena enterprises; costs have been allocated in accordance with Jemena Group Cost Allocation Methodology. A consequence of this approach is that JEN's customers benefit from (i) lower costs and (ii) greater purchasing power when negotiating vendor contracts.</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>Summary</p> <p>This option is not recommended as we do not consider it reflects good industry practice given the risks outlined above. Furthermore, it does not provide the most efficient costs as it is more expensive than option 2 and the upgrade of our core Enterprise Resource Planning (ERP) system to SAP S/4HANA is a key dependency that must be achieved before the CLM can be integrated.</p> | | | | | | |
| Options Summary | The table below summarises the quantitative and qualitative differences between the analysed options. | | | | | |
| | \$2024 | Capex | Opex | Totex | NPV | Residual Risk |
| | Option 1 | Not applicable | Not applicable | Not applicable | Not applicable | High |
| | Option 2 | [REDACTED] | | | | |
| Option 3 | [REDACTED] | | | | | |
| What We Are Recommending | <p>Jemena recommends option 2 as it considers that it best reflects good industry practice and provides the most efficient cost.</p> <p>This option comprises implementation of a cloud based CLM system to streamline and manage the entire lifecycle of contracts by automating various tasks and providing centralised, secure storage and detailed tracking and reporting capabilities.</p> <p>A CLM system will help Jemena mitigate risks associated with new legislative requirements and enhance compliance throughout the contract lifecycle.</p> | | | | | |
| Dependencies on other Investment Briefs | <p>This Investment Brief is also related and aligned to the following Investment Briefs for the 2026 – 2031 period:</p> <ul style="list-style-type: none"> Enterprise Content Management - streamlined efforts through version control, access control, user authentication, and encryption will enable compliance with contractual requirements. Cybersecurity Program - The Shift Left Model will ensure cybersecurity measures are incorporated into the CLM implementation from inception. | | | | | |
| Relationship to ICT Capital Forecast | The supporting modelling for this investment brief is contained in the following model: JEN – ICT Investment Brief – Contract Lifecycle Management – Costs and Benefits Analysis Model | | | | | |

