



Supporting
document 18.12

Board Paper Extension of CHED Service Agreements

2020-2025
Regulatory Proposal
August 2018



To CHIEF EXECUTIVE OFFICER FOR BOARD

ITEM 5.4

From CHIEF FINANCIAL OFFICER

Date 16 August 2018

EXTENSION OF CHED SERVICE AGREEMENTS

1. Recommendation

To seek Board approval to extend the following contracts with CHED Services Pty Ltd:

- IT Support Services Agreement (QT1696) for a two-year term with a further two x one-year extension options, to a total estimated contract value of [REDACTED] (including the extension options and an estimated [REDACTED] for potential enhancement/development charges during 2019 and 2020);
- FRC Shared Services Agreement (QT1815) for a two-year term with a further two x one-year extension options, to a total contract value of [REDACTED] (including the extension options); and
- Contact Centre Services Agreement (QT2044) for a one-year term, to a total contract value of [REDACTED].

2. Background

2.1 CHED Services Pty Ltd ("CHED") have been providing the above services to SA Power Networks since 2005. All three Service Agreements are due to expire on 31 December 2018. The current and combined annual expenditure under all Service Agreements is [REDACTED] per annum (excluding additional costs for any enhancement/development charges).

2.2 A brief scope of each Service Agreement is as follows:

- IT Support Services Agreement (QT1696) - this agreement is for the provision of establishment, support and maintenance services for a range of IT systems used by SA Power Networks, including systems for customer information (CIS/OV), market data (MDS), metering data systems, SAP, Outage Management System (OMS), energy market systems (MSATS) and market participant systems. System enhancements, developments and new functionality required due to Regulatory changes eg Metering Contestability, are also provided under this agreement on a time and materials basis;

- FRC Shared Services Agreement (QT1815) – this agreement is for the provision of services associated with Full Retail Contestability (FRC) including revenue management, meter data management, new connections, business improvement, complaint notification and dispute resolution; and
 - Contact Centre Services Agreement (QT2044) – this agreement is for the provision of contact centre operational and telephony infrastructure services, covering SA Power Networks Faults & Emergencies (F&E), street light faults and after-hours re-energisation requests.
- 2.3** SA Power Networks recently conducted a comprehensive internal review of the existing scope of services provided under each of the Service Agreements. The main objectives of the review were to ensure SA Power Networks had the ability to manage the ‘end to end’ customer experience as well as deliver on both our Customer Strategy and Future Operating Model.
- 2.4** Following the review, it was decided that over the next 12 months, SA Power Networks would investigate the feasibility of undertaking the Contact Centre Services in-house (due to the current implementation of the Customer Relationship Management (CRM) platform), as well as decoupling the ‘Connection Services’ from the FRC Shared Services Agreement (to also be performed in-house).

3. Discussion

- 3.1** Subsequent discussions with CHED resulted in a final position being agreed between the parties which provides an annual saving to SA Power Networks of [REDACTED] across all three contracts and also a further [REDACTED] per annum for a de-scoping of “Connection Services” which are being brought back in-house from January 2019.
- 3.2** The key terms of the final agreed position are as follows -:
- IT Support Services Agreement: two-year extension term and two x one-year optional extensions with no CPI increase for the first two years;
 - FRC Shared Services Agreement: two-year extension term and two x one-year optional extensions; (excluding Connection Services which is to be bought in-house) with no CPI increase for the first two years;
 - Contact Centre Services Agreement: one-year extension term with no extension option (one year is acceptable to SA Power Networks based on intention to incorporate ‘F&E’ in-house and have operational by 31 December 2019) with no demobilisation costs; and
 - Existing contractual Terms and Conditions are to remain unchanged for all three Service Agreements.

3.3 The table below sets out the estimated total contract spend with CHED over the term of the extension (including the additional extension term options).

| Year | Current IT Support Services | Future IT Support Services | Current FRC Shared Services | Future FRC Shared Services | Current Contact Centre Services | Future Contact Centre Services | Current Total Value | Future Total Value |
|--------------|-----------------------------|----------------------------|-----------------------------|----------------------------|---------------------------------|--------------------------------|---------------------|--------------------|
| 2018 | ██████ | ██████ | ██████ | ██████ | ██████ | ██████ | ██████ | ██████ |
| 2019 | ██████ | ██████* | ██████ | ██████ | ██████ | ██████ | ██████ | ██████* |
| 2020 | ██████ | ██████* | ██████ | ██████ | ██████ | ██████ | ██████ | ██████ |
| 2021 | ██████ | ██████** | ██████ | ██████** | ██████ | ██████ | ██████ | ██████** |
| 2022 | ██████ | ██████** | ██████ | ██████** | ██████ | ██████ | ██████ | ██████** |
| TOTAL | ██████ | ██████** | ██████ | ██████** | ██████ | ██████ | ██████ | ██████** |

* for the purposes of seeking delegation, this includes an estimate of \$██████ for IT system enhancement/development charges for 2018, 2019 and 2020 (under QT1696).

** includes 2% pa CPI escalation for 2021 and 2022.

Darren Smith
CHIEF FINANCIAL OFFICER