



Recommendation for Submission to the Board of Directors

May 16, 2013

ENTERPRISE SYSTEMS CONSOLIDATION PROJECT

EXECUTIVE SUMMARY:

The purpose of this submission is to request approval of a full release of funds for the Enterprise Systems Consolidation project. Funding for this project has been included in the Business and Administrative Services (BAS) Business Plan. The in-service date for this project is January 31, 2015.

The business objectives of the project are to address the inefficiencies resulting from having disparate processes and information technology (IT) systems for supporting plant work and material management, time reporting, cost management, financial reporting, and accounts payable processing. Additional details are provided in Appendix A.

A total of \$10 million has been released to date for project initiation and definition phase work.

The project is currently requesting a full release of \$57.5 million to complete the execution phase of the project. This includes \$7 million of management reserve. This will bring the total project release to \$67.5 million including the project expenditures to date. A further \$7.5 million is budgeted by the lines of businesses to provide direct project support, bringing the total cost of the project to \$75 million.

RECOMMENDATION:

That the Board of Directors approves a full release of \$57.5 million to complete the execution phase for the Enterprise Systems Consolidation project. This will bring the total project release to \$67.5 million.

Recommended by:

Scott Martin
Senior Vice President, Business and Administrative Services

Approved for Submission to the Board of Directors:

Tom Mitchell
President and Chief Executive Officer

This Board memorandum was reviewed and approved for submission to the Board of Directors by the Risk Oversight Committee on May 15, 2013.

APPENDIX A

1. Background

- OPG is currently in the 3rd quartile in IT cost performance relative to industry peers on a \$/GWh basis due to OPG's declining generation and shrinking market share.
- OPG launched the Information Management Transformation (IMT) Program in 2010 to improve OPG's IT cost performance to 2nd quartile.
- The IMT Executable Plan has identified the Enterprise Systems as an area of significant opportunity for improving business productivity and reducing IT costs.
- The Enterprise Systems Consolidation Project will eliminate duplications and streamline systems and processes for plant work and material management, time reporting, cost management, financial reporting and accounts payable.
- Business Transformation requires this project to be placed in service as early as possible in 2015 in order to realize its IT-supported head count reduction targets in Business and Administrative Services (10), People and Culture (2), and Finance (37).
- The in-service date of the new systems must be synchronized with the financial year end (i.e. on a calendar year). January 2015 represents the first available opportunity for a system change over. The next opportunity will be January 2016. The project impact of missing January 2015 and having to extend the project in-service date by one year is estimated to be \$6.8 million.

2. Program Objectives

- The purpose of the Enterprise Systems Consolidation project is to address the inefficiencies resulting from having disparate processes and IT systems across the organization for supporting plant work and material management, time reporting, cost management, financial reporting and accounts payables. The project will:
 - Eliminate duplications in Enterprise Systems and reduce IT operating costs;
 - Enable headcount reductions planned under Business Transformation by standardizing systems and process and improving business process efficiency;
 - Improve information quality by reducing IT system complexity; and
 - Streamline the IT platform creating a scalable and adaptable architecture that can better respond to business changes.
- The Enterprise Systems Consolidation Project is comprised of four integrated work streams:
 - **Plant Work and Material Management System** – Consolidates two plant work and material management systems (SAP and Ventyx Asset Suite) into one, utilizing ABB-Ventyx Asset Suite
 - **Time Reporting System** – Consolidates two time reporting systems (SAP and Tempus) into one, utilizing an enhanced Tempus application
 - **Financial Reporting System** – Consolidates multiple financial reporting systems supported by two account code structures into one, utilizing a common account code structure and SAP Business Intelligence
 - **Accounts Payable System** – Consolidates two accounts payable systems (Reedsoft and Ariba) into one, utilizing the Ariba solution

SAP will continue to be used as it is today for managing the remaining finance and human resources processes.

3. Economic Assessment

- Current project cost estimate is \$67.5 million (\$75 million when \$7.5 million of line of business project support costs are included)
- Expected saving in OM&A is \$14.3 million/year (including the head count reduction savings)
- Expected reduction in head count is 49 FTE
- Expected NPV is \$25 million

4. Project Funding

- A total of \$10 million has been released (and spent) to date for project initiation and definition phase work
- The project is currently requesting a full release of \$57.5 million to complete the execution phase of the project bringing the total project release to \$67.5 million
- In addition, a further \$7.5 million in line of business project support is required bringing overall project cost to \$75 million
- The total estimated project cost for the Enterprise Systems Consolidation project is included within the BAS business plan and the line of business project support is included within the respective lines of business
- On-going costs and savings have been identified and are included in the economic assessment

K\$	LTD	2013	2014	2015	2016	2017	2018	Future	Total
Currently Released	10,000								10,000
Requested Now		22,900	25,600	9,000					57,500
Future Required									0
Total Project Costs - IT	10,000	22,900	25,600	9,000					67,500
Total Project Costs - Business Units		3,200	4,000	300	0	0	0	0	7,500
Total Project Cost	0	26,100	29,600	9,300	0	0	0	0	75,000
Ongoing Costs		(1,800)	(3,000)	(14,300)	(14,300)	(14,300)	(14,300)	(85,800)	(147,800)
Grand Total	10,000	24,300	26,600	(5,000)	(14,300)	(14,300)	(14,300)	(85,800)	(72,800)

5. Risk Assessment

Risk Class	Description of Risk**	Risk Management Strategy	Post-Mitigation	
			Probability	Impact
Cost	The cost estimate fails to capture the complete price of implementation	Clearly define the requirements and enter into fixed price contracts where feasible and increase contingency and management reserve to address high risk work scope based on Price Waterhouse Coopers (PWC) assessment	Low	Medium
Scope	The scope defined for the initiative may "creep" driven from other high priority initiatives (e.g. Business Transformation)	Tightly manage scope leveraging governance bodies and formal change control (i.e. institute a formal Change Control Board to manage change requests)	Medium	Medium
Schedule	The project schedule is tight and delays could impact on the target delivery date	Clearly define interdependencies in schedules ensuring all dependencies, including those related to Business Transformation initiatives, are managed and critical path activities are identified	Medium	High
Resources	Lack of availability of dedicated business resources during project execution may negatively affect the quality and timing of the deliverable	Complete resource planning with affected business units and ensure appropriate level of budgeting in respective business plans for backfilling of resources if required	Medium	High
	Lack of availability of business resources due to conflicting demands	Align objectives of the Enterprise Systems Consolidation project with critical business initiatives (e.g. the Business Transformation program) and jointly prioritize initiatives and resource demands	Medium	High
Quality / Performance	Lack of business ownership resulting in the initiative being viewed as a "low priority" putting the execution phase at risk	Institute a strong project governance model Ensure Management performance incentives are aligned with the objectives of the project	Low	Medium
	Insufficient focus on Change Management may result in a lack of 'buy-in' for the initiative	Document a formal Change Management plan and execution strategy and ensure there is adequate budget set aside in the project plan to support key change management activities	Medium	Medium

****Risks identified by OPG Internal Audit and External Assessment (Price Waterhouse Coopers - PWC) have been included**