

Achieve More Savings With Every Dollar Spent

Discover how Australia's leading energy provider delivered double digit operational cost reductions

The Client



Industry:
Utilities



Annual IT Opex Budget:
\$80M



Business Units:
8



Users:
3750



Sites:
50

AGL is a leading integrated essential service provider, with a proud 184-year history of innovation and a passionate belief in progress – human and technological.

AGL delivers 3.95 million gas, electricity, and telecommunications services to residential, small and large business, and wholesale customers across Australia. AGL operates Australia's largest electricity generation portfolio, with an operated generation capacity of 11,208 MW, which accounts for approximately 20% of the total generation capacity within Australia's National Electricity Market.

CDRU's Gain-Share Promise – Guaranteed Outcomes

In January 2019, AGL, Australia's leading integrated essential utilities service provider sought to review their Telecommunications infrastructure and approached CDRU, an Australian based, International sourcing and professional services firm, to assess their Network services, SD WAN, traditional Telco services, Contact Centre and Security services.

In the RFP, AGL specifically requested respondents to demonstrate innovation, and flagged their interest in gain-share models, where the 3 competing sourcing firms should align their own fees to improved technical and operational outcomes, ensuring a reduced overall cost, to AGL.

CDRU were selected as the partner of choice, primarily as they were able to outline how their USP sourcing services met the strict AGL criteria and demonstrated a minimum multi-million-dollar savings value for AGL before any consulting fees were due.

CDRU's fees were capped at an agreed level to ensure an optimised return for AGL and this innovative gain-share (or risk-reward business model), saw the CDRU team of 3 staff, partner with their AGL colleagues to deliver over 150% of the contracted minimum savings target, and deliver outstanding results for AGL over a short, 16 week period.

The Challenge

AGL has a long standing relationship with Telstra for a variety of telecommunication and other services, but the contract and engagement model had been in place for many years and needed refreshing. The market conditions for AGL have also been changing rapidly so the services they need from their partners needed to adjust to meet these challenges.

AGL has three simple strategic priorities: growth, transformation and social licence.

AGL thinks about growth as meeting customer needs along three horizons:

- Optimising the existing portfolio for performance and value.
- Evolving and expanding core energy market offerings.
- Creating new opportunities with connected customers.

To enable their strategy, AGL needed to improve their telecommunications contracts and operating model to:

- Transition to a relationship that allowed for a more agile and cost effective client/provider engagement.
- Improve services and align the contracts with AGL's strategic cloud-based roadmap.
- Deliver savings to support the implementation of its strategy, and give AGL the ability to manage and measure costs going forward.



The Solution

Only one company quickly provided the strategic sourcing and telecommunication expertise needed to navigate this complex area.

AGL surveyed the market for the suitable expertise that would meet their needs and CDRU was selected as the strategic sourcing partner.

CDRU experts, our sourcing process and telecommunications bill analysis tools were collectively brought together to successfully deliver a fit for purpose service contract with a very competitive commercial result.

The CDRU approach known as the USP (Understanding, Solutioning, Proposing) process mapped out very clearly, and in practical steps what had to be done over a 6 month period, with an additional 3 months to finalise contracts and initiate vendor transition.

Phase 1

The **Understanding** process took a forensic approach to Telecommunications services across what is a large scale, distributed and in many cases remote network service footprint. A Total Cost of Ownership 'TCO' view produced an annual expenditure baseline, including all hidden costs, and justified future ICT investments and upgrades.

Phase 2

The **Solutioning** process identified multiple areas of focus including upgrading support for project, collaboration, contact centre and security services. Improvements in Telecommunications across all Operational, Corporate Data, Fixed Voice and Mobile Networks were also identified.

Phase 3

The **Proposing** process, included a Best and Final Offer process, detailed supplier due diligence and financial business sensitivity modelling with supplier options compared on 'apples-for-apples' basis against predetermined client evaluation criteria. CDRU made a board level recommendation to AGL, which was accepted.

The Benefits

The CDRU 'USP' sourcing process can be summarised below:

- Significant network improvements with single points of failure removed, improved flexibility using SD WAN and increased bandwidth across key sites.
- Improved turnaround times for project statements of work and project delivery.
- 24x7 support for critical services including contact centre and collaboration.
- Altered the contract structure to enable AGL's future strategy.
- Double Digit operational cost reduction, year one and beyond.
- Additional funds are now available for future strategic enablement projects.

"Telstra is a key partnership for us, so we needed a partner who could balance our changing needs, and run a strategic sourcing process to drive real value and alignment.

CDRU demonstrated professionalism and experience dealing with a complex set of requirements from AGL and a complicated set of services from Telstra.

We now have great results, not only commercially, but with improvements in service and partnership."

Jacqualin Baldwin

Technology Relationship Manager
Supplier Management - Technology
AGL

The Results

The first step was CDRU providing a detailed ICT service cost/value baseline and mapped out high-level Future Telecommunications Organisational needs. This involved CDRU projecting savings based on its extensive market benchmarks. This set a very valuable strategic and tactical agenda for which areas of ICT needed both investment and also a cost focus. The strategic agenda included CDRU 'outcome' certainty from the outset to ensure sourcing risk was minimal, timeframes were compressed and early benefit realisation was achieved.

In addition to the tangible savings, the USP process improved the ongoing supplier vendor management through more flexible, fit-for-purpose contracts. CDRU were able to fix the schedule, price and deliverables for supplier transition, lowering the risk of benefit capture.

We specialise in strategic sourcing and achieving predictable technical, business and financial outcomes and also implementing supplier transition and ongoing vendor management services.

From the outset, the AGL engagement was planned strategically and with early clarity both parties have benefited strategically. This is best described as initial strategy, sourcing, vendor transition and ongoing vendor management outlined with contracted outcomes agreed at the outset.



About CDRU

We draw on two decades of strategy sourcing experience, to optimise value through quick-win cost reductions and long-term business aligned strategies. CDRU is proudly Australian-based and operates globally as part of the DL Group, working across ITC, business process and change management, to pave the way for our clients to adopt transformational change.



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