Corporate Procurement Plan 2015/16
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RESPONSIBILITIES

Group Manager Strategic Procurement is the Process Owner responsible for approving this Reference document.

Procurement Excellence Manager is responsible for maintaining this Reference document.

Group Manager Strategic Procurement is the Subject Matter Expert (SME) responsible for the content in this reference document.

DEFINITIONS, ABBREVIATIONS AND ACRONYMS

Ergon Energy  
Ergon Energy Corporation Limited

SME  
Subject Matter Expert

SPG  
Strategic Procurement Group

RACI  
Responsibility Assignment Matrix (Responsible, Accountable, Consulted, Informed)

REFERENCES

EP19 Sustainable Procurement Policy
MP000200R100 Sustainable Procurement Policy Business Rules
Queensland Procurement Policy
1. LINK TO ERGON ENERGY’S STRATEGIC PLAN

Ergon Energy has as its Vision: “A high performance, customer-driven energy business”, with its stated purpose being “To provide safe, reliable, efficient and sustainable energy solutions to support customers and the Queensland economy”. Ergon Energy’s Strategic Plan (2015-2020) is all about increasing energy productivity, bringing down the cost of energy supply and creating more choice and value for our customers.

To achieve this we will deliver an effective market and efficient services.

Delivering an ‘effective market’ means we will:
- Support new markets - we’ll enable customers, retailers and other businesses to use our distribution network as a platform to trade demand management and energy services and products.
- Push for better regulation, pricing and tariffs that will bring competition, choice and better network load management.
- Prepare for our retailer, EEQ, to separate into a competitive environment. There is a lot of preparation for EECL on supporting a competitive environment as well.
- Tap into smart technologies, and enable our people to make great business decisions thanks to better information.

Delivering an ‘efficient service’ means we will:
- Invest prudently.
- Continue our focus on efficiency, without compromising safety or minimum service standards.

Ergon Energy is also committed to operating in line with our values, which we believe will enable us to achieve our SPIRIT vision:
- Safety
- Professionalism
- Integrity
- Respect
- Innovation
- Teamwork

Procurement has a significant role to play in supporting the business through the purchase, supply and delivery of goods and services, to achieve the Strategic Plan.

2. PROCUREMENT OBJECTIVES

2.1 OBJECTIVES

The Strategic Procurement Group (SPG) undertakes regular reviews of current contracts and panels, to identify those contractual arrangements which will expire within a two year timeframe, allowing sufficient time to engage the business and develop appropriate procurement strategies.

Procurement strategies are developed in liaison with internal Subject Matter Experts and includes provision for senior management input through the Stakeholder Management Board where relevant.

Procurement activities considered of particular importance are subjected to a strategic sourcing project, whereby extensive market research is undertaken to determine:
- Annual expenditure & ongoing need for the goods and/or services
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- Market size, participants & pricing methodologies
- Appropriate procurement methodologies (eg open tender, closed tender, EOI, etc.)
- Capacity of market participants to deliver (quality, technical expertise, supply chain)

Established contracts are actively managed by the Category Streams. Category Management Specialists develop and strengthen our relationships with suppliers and work with them to achieve high quality, fit for purpose and future focussed procurement solutions for Ergon Energy.

The Procurement Team analyse Ergon Energy’s spend profile and work closely with the Category Streams to increase the proportion of spend under management.

SPG has a commitment to achieve savings throughout the procurement process, with savings achieved recorded in the monthly SPG Scorecard.

In broad terms SPG’s main objectives are to manage the entire Procure to Pay process including:

- Accurate forecasts provided to enable contractors/suppliers to plan
- Goods and/or services delivered within contractual terms
- Supplier relationships developed and enhanced over the life of the contract/panel

2.2 PROCUREMENT PROFILE

SPG’s structure allows for specialisation in procurement activities and enhanced supplier management and relationship development.

SPG is comprised of a number of specialised teams including:

The Strategic Sourcing Team is responsible for carrying out market research exercises to improve market knowledge and understanding. The focus of Strategic Sourcing is to identify procurement opportunities through rigorous internal and external analyses, allowing for the development of a Procurement Strategy. Consideration is specifically given to:

- The business needs and their relative importance
- Any additional requirements for the product/service being sourced
- Demand and cost drivers and key buying decision characteristics
- Opportunities for improvement (such as product standardisation/rationalisation)
- Leverage of buying power either cross-company, commodity or category

Category Streams have been established to focus on similar spend groups and align to key business and operational functions thus allowing for optimal alignment to strategies, development and retention of category knowledge to deliver better value for money outcomes.

- Construction & Contractors – responsible for working with the EECL Business Units (Works Enablement, Major Projects, Asset Management, ESS Property etc) to deliver construction and maintenance works contracts.
- Corporate & Indirect – responsible for a broad range of spend categories, including freight, business advisory services and the engagement of consultants and professional services contractors.
- Materials – responsible for delivering Inventory contracts for materials used on the electricity distribution network.
The Procurement Excellence Team is responsible for development and review of Scorecards that record monthly progress of all procurement teams against targets; and that systems and processes are robust and align with best practices.

The Procurement Team is responsible for the introduction, implementation and maintenance of Centralised Purchasing across the business.

The Accounts Payable and Corporate Card teams manage payments to our Suppliers and manage Corporate Card operations for the business.

2.3 PROCUREMENT STRATEGIES THAT WILL ACHIEVE OBJECTIVES

Procurement Planning meetings involving all identified stakeholders are undertaken early in the procurement process to identify the likely key issues in relation to the procurement activity. One method employed for nominating the level of stakeholder roles and responsibilities is the use of a RACI framework.

The strategic sourcing function within SPG undertakes in-depth market research and business needs analysis prior to the tendering process and establishment of a new contract or panel. The objectives of a strategic sourcing project include:

- Develop a robust specification that properly analyses its needs and clearly defines the outcomes desired for the purchase including any necessary milestones.
- Establish Key Performance Indicators (KPIs) for the purchase where required.
- Refer to past supplier performance records
- Develop a contract using input from the business unit and successful tenderer where appropriate, on contract pricing reviews, reporting and monitoring procedures and measurement of performance against KPIs.

The strategic procurement of goods and services is further assisted by Category Management Specialist activities carried out through the life of the established contracts. Category Management Specialists manage and monitor supplier performance where there is a high relative expenditure and/or difficulty in securing supply or where the supply is part of the panel.

By managing and monitoring supplier performance, SPG aims to:

- Reduce transaction costs
- Contribute to effective risk management by compiling a risk profile of suppliers.
- Build cooperative relationships with suppliers and improve supplier performance.
- Assist in developing supplier capability.

2.4 PROCUREMENT MEASURES, TARGETS AND ANNUAL COMPARISONS AGAINST TARGETS

SPG is currently strengthening performance information, research and evaluation through improved data extraction and analysis capability with the implementation of the Ellipse Advanced Contracts Module and the use of supporting software systems such as MERS and OAS reporting.

A framework for procurement measurement and reporting has been developed and a monthly reporting regime is in place. The SPG Scorecard includes measures and targets as well as the capacity to compare annual results against targets.
2.5 PROCUREMENT SYSTEMS, PROCESSES AND PRACTICES

A comprehensive toolkit incorporating a suite of documentation has been developed for both the Strategic Sourcing team and the Category Management Specialists. This allows for consistency across the sourcing projects and streamlining of the procurement activities undertaken.

In addition to the documentation, a number of tools are used by SPG including;

**Ellipse** - Ellipse is Ergon Energy’s ERP system, with the Purchasing, Accounts Payable and Advanced Contract Modules being of particular importance for SPG. Other functionality such as reporting and costing are accessed on an ‘as needs’ basis.

**Oniqua Analytic Suite (OAS)** - OAS is used to monitor supplier performance and spend data. The system allows SPG to review in detail all expenditure associated with a supplier together with costs associated in processing those transactions. OAS also provides a central repository for Supplier Performance Reviews conducted around the business ensuring that Ergon Energy is obtaining best value for money.

**Vendorpanel** – This software has been established for the management of the RFX process for our panels. Vendorpanel allows users across the business to send RFX to supplier lists and manage the RFX process. It also gives SPG transparency over the use of the panels and assists SPG to ensure compliance.

**SharePoint** – In order to enable users across the business to access procurement data, SharePoint is utilised, particularly for information on pre-qualified contractor panels. All relevant data on Service Providers and how to engage these companies is available from this site.

**Marval** – Marval is a system used by SPG to ensure correct information and audit requirements are met when changes to Purchase Orders and/or Supplier Records. This ensures that all correct approvals and requirements are adhered to when creating a Liability for Ergon Energy.

2.6 PROCUREMENT MANAGEMENT & RESOURCING ARRANGEMENTS

The Group Manager Strategic Procurement is responsible for leadership of SPG within Ergon Energy.

Staff within SPG have many years’ experience across the range of procurement activities. Additionally we have people with university qualifications in a variety of fields including Law, Economics, Business and Administration. Experience includes working in procurement in a number of companies, working with suppliers in overseas countries (China, the US and Europe) and international banking, treasury and finance management.

3. SUSTAINABLE PROCUREMENT

Ergon Energy’s procurement activities support the organisation’s objective to progressively increase the proportion of expenditure on goods & services that demonstrate improved sustainability outcomes including: setting, measuring & reporting on sustainable procurement targets.

The procurement function assists Ergon Energy to achieve this objective by integrating sustainability into the procurement of its goods and services.

Where possible, sustainability is incorporated into every stage of procurement. In the planning phase, tender development and evaluation. Through the procurement activity SPG considers whole of life impacts and in particular, strategies including;

- Avoiding or reducing consumption
- Sourcing alternative products or services
4. REGIONAL DEVELOPMENT AND EMPLOYMENT

Ergon Energy is committed to seeking out opportunities to support local industry wherever possible, by working with local suppliers where practicable to develop capabilities to effectively compete in the open market place.

Ergon Energy’s procurement activities seek to increase the involvement of local companies by offering fair and reasonable opportunities for local businesses to tender for work.

Tenders are advertised on the Queensland Government’s QTenders website and when required, in the local and regional newspapers. Tenders are free from technical requirements that might rule out local industry and during the evaluation of tenders, consideration is given to supporting local industry.

Where possible, SPG’s purchasing decisions are devolved to the lowest practicable geographical level.

5. TRANSPARENT PROCUREMENT

Ergon Energy is committed to transparent, accountable procurement processes which ensure that all potential suppliers are given fair and equitable treatment. SPG ensures that procurement activities take place in a genuine, open and transparent environment.

Systems, policies and procedures are established that are able to withstand public scrutiny and which preserve private and public sector confidence in the procurement process. Procurement decisions are documented to demonstrate a clear decision making process throughout the evaluation of tenders and the procurement process.

6. FUTURE DIRECTION

SPG’s strategic goal is to be a critical, strategic business partner to Ergon Energy business units and to be seen as a highly valued enabler for procurement activities.

In order to achieve this SPG will;

Financial & Shareholder
- Continue to implement productivity improvements across all P2P functions, delivering sustainable financial returns in the form of procurement savings.

Customer
- Develop SPG’s standing within Ergon as an enabler and strategic business partner to business units.
- Actively encourage and embrace innovation in our procurement solutions and develop supplier capability to deliver ideal outcomes for Ergon Energy.

Internal
- Develop effective procurement planning and forecasting which incorporates demand management from concept.
- Continue to improve analysis of spend data and visibility of compliance information across the business.

People & Culture
Drive improved performance through staff training and development, enabling our people to be high performing and empowered as astute, commercially minded procurement professionals.