

# Proposal for the New ERP System

## Purpose

To seek Board approval to upgrade the TPL management information system to an Enterprise Resource Planning (ERP) system, to improve quality and efficiency of business processes. It eliminates the need to synchronize changes and reconciliations among the existing standalone systems, minimise work duplications and avoid the risk of manual adjustments of system-generated reports. This would enable real-time information available to management anywhere, anytime to make proper decisions. Proposed budget for the information system upgrade is TOP\$1.0 million re-allocated from the smart metering project.

## Enterprise Resource Planning (ERP) system

Tonga Power Limited operates the following systems and alongside is their respective descriptions.

System	Description
Orion Billing System	Customer power Billing
AIMCAP	Network Asset Management
Reckon Accounts	Financials
IMS Payroll	Payroll
Proficy Cimplicity SCADA System	Generation SCADA system
Map Maker	GIS System
Exchange 2010	Emails
DNN	Online Payment module/Website

The existing systems do not incorporate best practice and it is critical that the upgrade adopt an Enterprise Resource Planning (ERP) system if it is to eliminate these inefficiencies in the existing MIS. The fundamental advantage of ERP is the integration of business processes which saves time and expense. Given the size of the company, the level of complications in the information processing, it is considered prudent and in the best interest of the company to upgrade its management systems. ERP systems connect to transaction data in a variety of ways and are typically configured by systems integrators, who bring unique knowledge on process, equipment and solutions.

## ERP Benefits & Savings

Benefits	Details	TPL current Practices	Savings	Savings (\$) per Annum
Scalability and reduced complexity	<p>An ERP system is easily scalable. That means adding new functionality to the system as the business needs change is easy. This could mean easy management of new processes, departments, and more.</p> <p>Perhaps the most elegant argument in the favour of ERP systems is that they reduce the complexity of a business and introduce a neatly designed system of workflows. This makes the entire human resource chain more efficient.</p>	It is expected that over next five years TPL's operational activities would become more complex due to growth, increase in RE penetration and project portfolio.	ERP solution would eliminate hiring more skilled new staff. For example, we may need more project accountants and IT specialists.	<p>1 Project manager, 2 accountants, 1 procurement officer.</p> <p>To be estimated.</p>
Improved reporting	Much of the inefficiency in operational work stems from improper reporting. With an ERP system, this possibility is eliminated as reporting follows an automated template system, allowing various departments to access information seamlessly.	TPL Senior Management receives reports from multiple systems with multiple formats, as a result realising detailed information becomes elusive. Incorrect information lead to incorrect decision making.	TPL might save significant amount of money in avoiding duplication of admin works, reworks, unnecessary O&M investments etc.	To be estimated.
Improved data quality	As compared with manual record-keeping or other traditional approaches, an ERP system improves data quality by improving the underlying processes. As a result, better business decisions can be reached.	As a result of multiple systems TPL inter-departmental processes are disorganised and ambiguous. A good example would be customer bonds, initially filed with AIMCAP when mapped to customers in the company's CIS many were not identified due to different formats of data.	Minimise errors in inputting the same data in different systems. Data mismatch between systems. Eliminating manual processes and vigorous checking. Save time and productivity. Reduced overtime.	To be estimated.

Better supply chain and lower cost of operations	<p>An ERP system introduces fundamental innovations in managing resources, which eliminates delays and thus reduces cost of operations. For instance, use of mobility allows real-time collection of data, which is indispensable to lowering costs.</p> <p>Having the right ERP system in place means improved procurement, inventory, demand forecasting, etc., essentially improving the entire supply chain and making it more responsive.</p>	Cost reductions would come in terms of current TPL's operations in Finance, Asset Management, Inventory Management, Procurement, Payroll, and Maintenance.	Savings would reduce inventory storage costs, stock taking, asset maintenance etc.	To be estimated.
Improved CRM	A direct benefit of using a good ERP system is improved customer relations as a result of better business processes.	Customer service will have access to customer data including customer assets, payment history, connection status, bonds paid etc.	Customer complaints will decrease. Improve customer satisfaction.	To be estimated.
Regulatory compliance	Having the system in control means organizations can better comply with regulations. Further, the most important and recurring regulatory requirements can be built right into the system.	Comply with the standards, targets and reporting requirements.	Avoid penalties	To be estimated.

## Implementation

MIS upgrade is a priority project and target completion date is 31 December 2015. For the company to operate efficiently and decision making process to be more effective, management should put priority to this project. ERP's scope usually implies significant changes to staff work processes and practices. Generally, three types of services are available to help implement such changes—consulting, customization, and support. Implementation time depends on business size, number of modules, customization, the scope of process changes, and the readiness of TPL to take ownership of the project. A more detailed implementation process and timeline will be submitted to the Board once more information becomes available.

## **Process preparation**

ERP implementation should not be difficult given the company's MIS is centralized at head office in Nuku'alofa. Data migration to the new system should be all done at the same time for all business units without the need to customizing the system to meet specific needs.

## **Project Manager/Specialist Recruitment**

Given the scope of the project and the requirements of the process preparation it requires a full-time specialist to manage the project implementation to achieve the timeline. Poor understanding of the required process changes prior to starting implementation is the main reason for project failure and recruitment of a specialist to work full time in managing the project is required in this case. It would involve a considerable amount of process changes to the system, business processes, infrastructure, training, and motivation of staff and the project manager should ensure that all activities are coordinated effectively to ensure the target completion date is achieved and benefits are realised.

## **Budget**

The CEO is seeking approval to re-allocate \$1M of savings from the smart metering project to fund this initiative and hence it does not affect our reset Proposal nor TPL's financial position. A separate paper has been submitted to the Board for approval to address the re-allocation of funding from the smart metering project. The amount of \$1M includes costs associated with the recruitment of an independent specialist from May through to December 2015 to project manage integration and delivery.

The Board Resolved to proceed, subject to the upcoming Reset.