Ms. Nancy Marconi
Registrar (registrar@oeb.ca)
Ontario Energy Board
27th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

February 23, 2022

Dear Ms. Marconi,

RE: EB-2021-0041 London Hydro Inc. 2022 Cost of Service Application
Decision on Confidentiality dated February 22, 2022

We are writing in response to the Ontario Energy Board's ((the "OEB") decision dated February 22, 2022 with respect to London Hydro Inc.'s (London Hydro") request for confidential treatment of several documents provided through the application process (the "Decision").

It is London Hydro's understanding that the following are to be filed and placed on the public record.

> Unredacted interrogatory response to. 2-SEC-11 a) and d) "April 2021 Board of Directors Package "Please find these as Appendix 1 attached.

Respectfully submitted,



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Director of Regulatory Affairs
London Hydro
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Appendix 1

Unredacted interrogatory response to. 2-SEC-11 a) and d)
“April 2021 Board of Directors Package

Request for Approval

Advancing the CIS Refresh Project

Recommendation

Seeking approval from the Board of Directors to:

- Cancel the 2021 Enterprise CRM project and Strategic Q3 Goal and utilize 2021 Enterprise CRM budget for CIS refresh project (requirements gathering)
- Increase IT Capital budget for CIS refresh in 2022 ($6M)
- Reflect the following proposed IT expenditures changes in the Cost of Service Application.

IT	2021	2022	2023	2024	TOTAL
Original plan: SAP CIS Refresh/ Enhance existing CRM	*$0.5M	$0.5M	$6.5M	$11.5M	$19.0M
Proposed: Advance CIS Refresh includes new CRM	$0.5M	$6.5M	$11.5M		$18.5M

**CRM Enhancements budget*

Background

London Hydro has been planning to undergo a CIS/CRM transformation program to address SAP system obsolescence and to improve the customer experience, operational efficiencies and employee engagement.

As part of the 2020 business planning undertaken in December 2019, we presented an E&Y study and plan to upgrade our CIS system to the London Hydro Board of Directors. The following are the official minutes:

"London Hydro's current CRM and billing system (SAP) will no longer be supported beyond 2025, which presents a technology obsolescence risk. London Hydro engaged E&Y to develop a CIS strategy that aligns with its goals and addresses such risks.

E&Y's presentation highlighted the following:

- *implications of maintaining and opportunities for replacing the current system,*
- *comparison of alternative options for upgrading CIS,*
- *timeline for implementation,*
- *mitigation of internal and external risk factors, and*
- *estimated project costs which include both capital and operating.*

The Board, Management and E&Y discussed the potential risks and challenges of the CIS refresh project. It is noted that timing is critical due to the forthcoming Cost of Service rate application to be filed in 2022. "

In March 2020, SAP extended the support of the current version from 2025 to 2027. Based on extension, E&Y recommended moving the refresh start date to 2022 (from 2020) and end date to 2024 (from 2023) for CIS refresh.

As a result, the following budget was planned for the CIS Refresh and related Enterprise CRM project for the 2021/2022 business plan and Information System Plan (ISP) for cost of service application which is being finalized by Q2 2021.

IT	2021	2022	2023	2024	TOTAL
SAP CIS Refresh		$0.5M	$6.5M	$11.5M	$18.5M
Enterprise CRM	$0.5M				$0.5M
TOTAL	$0.5M	$0.5M	$6.5M	$11.5M	$19.0M

During Q1 2021, in conjunction while working Enterprise CRM project we realized advancing the CIS refresh would **save money and avoid significate rework.** We requested E&Y for their opinion and report to evaluate the options.

Justification for Timeline Change

The study three options were evaluated (see attached):

1. Refresh CIS in 2022-2024 while enhancing the existing CRM solution in 2021
2. Advance CIS Refresh to 2021-2023, including the new CRM system
3. Refresh CIS in 2022-2024, including the new CRM system

E&Y recommends Option #2 that brings forward the CIS refresh by one year, with a system go-live in 2023, offered greater value and better mitigates risk to LH and its customers. The study highlights cost savings and qualitative benefits including:

- Avoids the surge for SAP resources required for CIS refreshes by larger utilities both from a skills and higher premium for resources
- Need key London Hydro resources with business process and IT skills - potential risk of retirements
- Addresses the backlog of pending system/process improvements earlier

There is also strategic value to move ahead earlier with CIS refresh to S4/Hana. It will give London Hydro an opportunity to enhance the customer experience and deploy a more robust and flexible system.

Submitted by: _____ Date: April 22, 2021
Syed Mir
VP Corporate Services and Chief Information Officer

Endorsed by: _____ Date: April 22, 2021
David Arnold
Vice President, Chief Financial Officer and Secretary

_____ Date: April 22, 2021
Vinay Sharma
Chief Executive Officer

Attachment: E&Y Report: London Hydro Customer Experience Technology Roadmap

London Hydro

Customer Experience Technology Roadmap

April 2021



The better the question. The better the answer.
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Background

- London Hydro is planning to undergo a CIS Refresh program to address SAP system obsolescence and to improve the customer experience, operational efficiencies and employee engagement.

- The current plan of record is to start the program in 2022 and have the system go-live towards the end of 2024. The budget of $18.5 has been included in the Information System Plan for OEB.

- The Enterprise CRM planning study in 2021 Q1 identified an option to advance CIS refresh instead of continuing on plan to enhance the existing CRM, to take advantage of cost synergies from doing the CIS and CRM work together, avoid rework, bring forward the value from the program and mitigate key person dependency risks sooner (see next slide).

- This report evaluates whether bringing forward the CIS/CRM implementation by one year, with a system go-live by 2023, offers greater value and better mitigates risk to LH and its customers, compared to the current plan of record.

Executive Summary

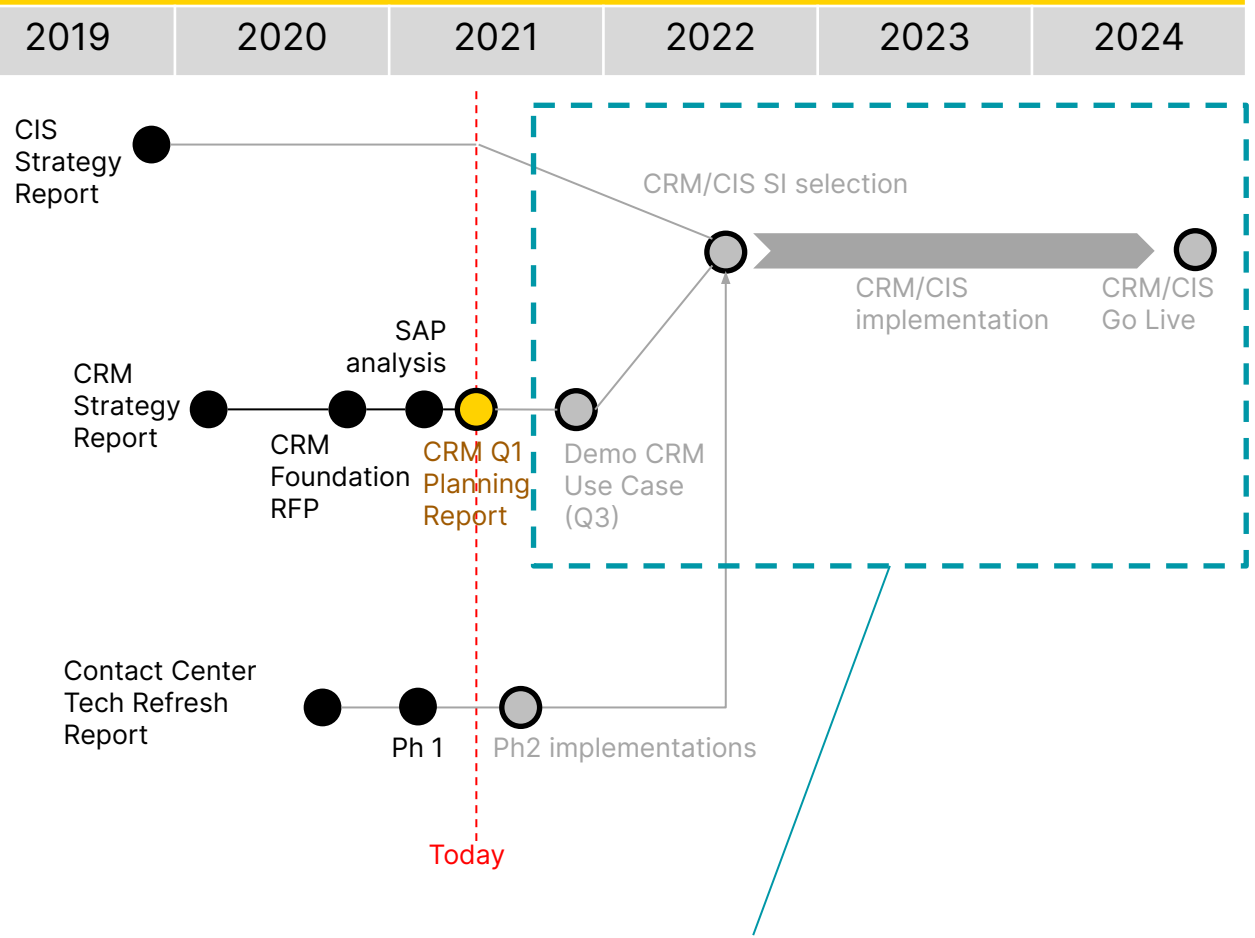
- **To evaluate bringing forward the CIS Refresh against the current plan of record, we considered three options:**
  - **Option #1:** Migrate to new S/4HANA SAP CIS solution in 2022-2024 while enhancing the existing SAP CRM solution in advance in 2021
  - **Option #2:** Advance the CIS Refresh by one year to 2021-2023, including the CRM scope
  - **Option #3:** Migrate to new S/4HANA SAP CIS solution in 2022-2024ncluding the CRM scope) with no enhancement to existing CRM in advance
- **EY Recommends Option #2, Advancing the CIS Refresh by one year to 2021 - 2022**
  - Utilize $0.5 M Enterprise CRM budget in 2021 for CIS Refresh
  - Requires advancing $6.0M capital to 2022 to complete the CIS Refresh by 2023
- **Key Rationale for Option #2**
  - Option #1 is not recommended since the CRM benefits would not offset the incremental $500k project costs
  - Option #2 is recommended over Option #3
    - Avoids the surge for SAP resources required for CIS refreshes by larger utilities both from a skills and higher market price for resources
    - Need key London Hydro SAP resources on the CIS refreshes (2 could retire next year)
    - Reduces dependency risks with knowledge of key business processes and IT skills
    - Addresses the backlog of pending system/process improvements earlier

London Hydro's Customer Experience Program

As part of LH's customer experience program, the CIS, CRM and Contact Centre initiatives are underway to transform the customer experience, operational efficiencies and employee engagement by 2024

	Need for change	Decision
CIS	• In a few years, the current instance of SAP will no longer be supported, increasing risks around system updates, regulatory and compliance issues, security and tech support	Move ahead with S4 HANA
CRM	• Need to develop a customer data foundation, sustained by end-to-end system enabled processes and governed by the right policies and controls, to deliver meaningful and value add customer insights	Move ahead with SAP for a CRM solution
Contact Center	• Limited integration capabilities with SAP and email causing operational inefficiencies • Chat and email are not part of current system preventing an omnichannel experience for customers. • The existing licensing structure is complex as it has high upgrade costs making it difficult to add new features	Move ahead with Genesys

High level progress and current plan of record



This report evaluates whether bringing forward the CIS/CRM implementation offers greater value to LH and its customers

CIS/CRM Transformation at other P&U Companies

Most organizations in the industry are moving forward with a CIS/CRM transformation in the next few years

- The driver for change is similar to that for LH – **end of support for ECC/ISU**
- Given the activity in the market around this transformation we expect accelerators and experience to be widely available
- Other P&U companies that do not have an affiliate program and thereby do not require sophisticated marketing capabilities are not leaning towards C4C
- London Hydro's insourced model for SAP support is in line with the industry, with other utilities who had previously outsourced these services now repatriating them. However, London Hydro needs to extend its SAP organization to mitigate key person dependency risks and alleviate resource constraints.

	CIS		CRM				
P&U Company	**Current**	**Future (timeline)**	**Current**	**Future (timeline)**	**Driver for the move**	**Affiliate program**	**SAP support/maintenance**
HydroOne	SAP ECC/ISU	S/4 HANA (2024)	CRM 7.0	S/4 Customer Mgmt. (2024)	End of support for ECC/ISU	No	Currently outsourced w/ internal team of 6-8, mostly PMs and Architects. 75% getting repatriated due to contract changes in 2021.
BC Hydro	SAP ECC/ISU	S/4 HANA (2022)	CRM 7.0	S/4 Customer Mgmt. (2022)	End of support for ECC/ISU	No	Unknown
Hydro Quebec	SAP ECC/ISU	S/4 HANA (2022)	CRM 7.0	S/4 Customer Mgmt. (2022)	End of support for ECC/ISU	No	Internal
Enmax	SAP ECC/ISU	S/4 HANA	CRM 7.0	S/4 Customer Mgmt. or C4C	End of support for ECC/ISU	No	Outsourced
Fortis ON	SAP ECC/ISU	Undecided	-	Undecided	End of support for ECC/ISU	No	Internal

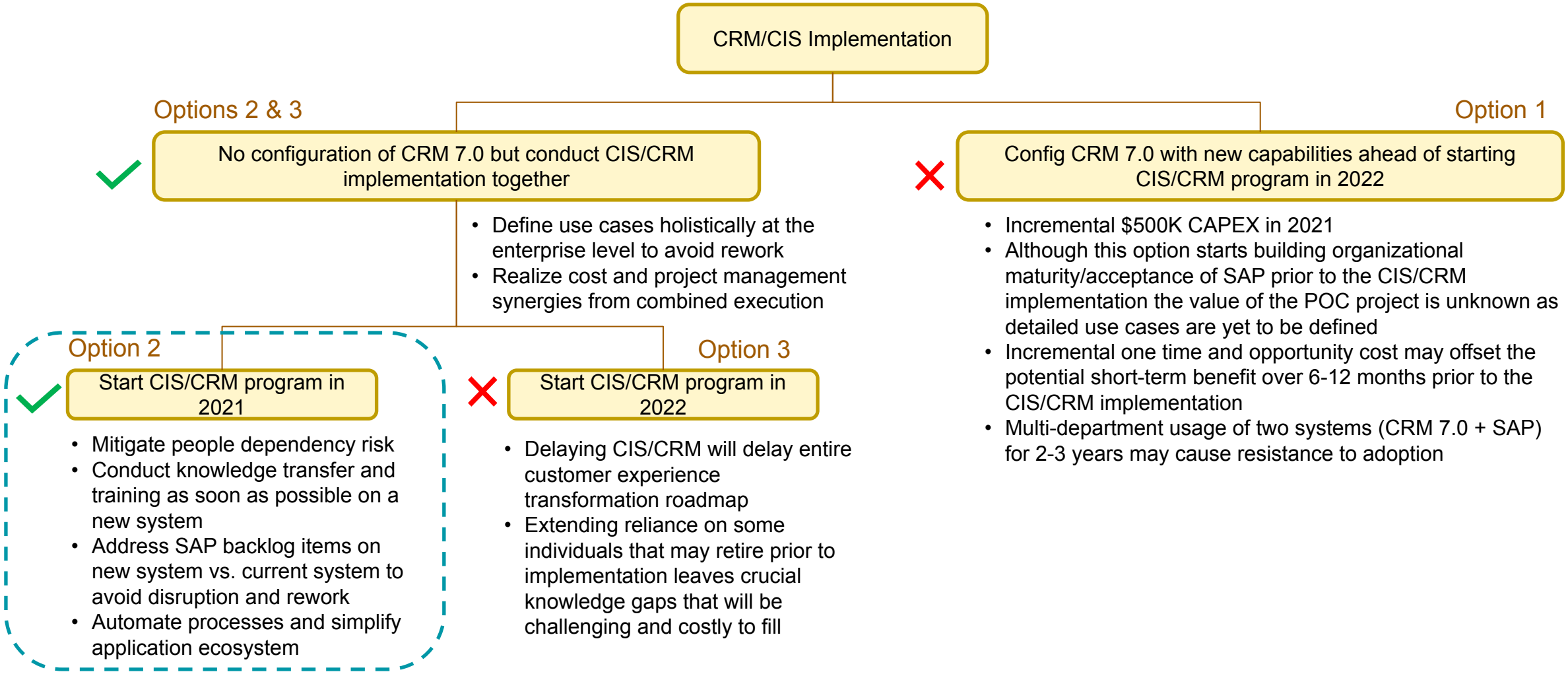
Risk Assessment

- A summary of risks and costs associated with the three options assessed in this report are:

		Option 1 *Config CRM 7.0 with new capabilities ahead starting CIS/CRM implementation in 2022*	**Option 2** *No configuration of CRM 7.0 but bring forward CIS/CRM implementation to start in 2021*	**Option 3** *No configuration of CRM 7.0 and maintain current CIS/CRM implementation to start 2022*
	Program CAPEX	**$19.0M**	**$18.5M**	**$18.5M**
RISKS	**No Incremental CRM enhancements**		✓	✓
	Earlier adoption of S4/ HANA			
	Extending key people dependency	✓		✓
	Delaying SAP backlog of process and system improvements	✓		✓
	Availability of resources for S4/Hana	✓		

High-level CIS/CRM options decision tree and recommendation

Recommendation – Option 2
The value of bringing forward the program to enhance the customer experience sooner and mitigating key people and process risks



Key value and risk mitigation considerations of starting the program earlier

Option 2 brings substantial value by mitigating several people, process and technology risks

PEOPLE 	**People dependency**	• Derisk people dependency related to business and technology processes. • An earlier implementation would reduce reliance on critical individuals by transferring knowledge to others.
	CIS/CRM support resources	• An earlier implementation will enable LH to secure skilled resources to augment the internal SAP support team earlier than other P&U companies would that are starting their transformations around 2022/2023
PROCESS 	**Manual processes**	• Key processes such as 'rate model – net metering', 'Collections', 'Mobile Field Services' are highly manual and are at risk of error • An earlier implementation will reduce this process risk by optimizing, setting up controls and transferring the process execution into SAP
	SAP backlog of improvements	• Current backlog of pending system/process improvements that if processed on the current SAP/CRM system would create disruption and rework when moving to S/4 HANA
TECHNOLOGY 	**Application ecosystem**	• An earlier implementation would enable a more simplified and consolidated technology landscape and architecture



London Hydro

Thank You

April 2021

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