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- consulting -

Ergon Energy: Future business model design and implementation

the challenge The Queensland energy market has entered a period of significant change, as the State Government begins to investigate various options to increase market competitiveness and proposes asset sales including Ergon Energy's (EE) retail business. In light of these proposed changes coupled with Regulatory, Government and consumer pressure to reduce energy prices and the increasing affordability of substitutes EE began its journey to implement a 'future business model'.

The future business model would require substantial changes across the entire organisations for both Distribution and Retail. EE future business model vision is to become a market enabler providing essential infrastructure, information, services, rules, standards and protocols linking buyers and sellers of energy services. Through the right pricing signals, control and utilising Demand Management (DM) EE sees the potential to unlock the value of the network for all and improve utilisation lowering the price of services.

our work To implement this vision, the future business model, EE engaged Marchment Hill Consulting (MHC) to assist in the initial stages of implementation. MHC was engaged to apply its expertise and understanding of energy market service providers, DM and organisational restructure requirements to engage and enable new markets.

MHC in partnership with EE's leadership team delivered the following outcomes:

- Organisational restructure designed to enable EE to deliver on the objectives of the future business model and capture internal efficiencies across the organisation.
- Commercial Model to allow EE to engage with its own retailer and other market services providers for the provision of DM and Growth of Load (GOL) services. The Commercial Model was compiled of three major components, including:
 1. Statement of Principles - outline the development of a commercial model between EE distribution and Retailers/ Service Providers to drive collaboration and meet Ergon Energy's strategic objectives;
 2. Commercial Model Details - provided the specific details required to govern a reliable commercial relationship between EE Distribution Business and Retailers/ Service Providers; and

3. Transitional Working Agreement - details the operational arrangements between EE Distribution and Retailers/ Service Providers for the provision of DM and GOL services.

- DM & GOL process maps - define the new processes and behaviours required for EE internal operations and interactions with Retailers/ Services Providers.

MHC has assisted EE achieve a number of key milestones in the implementation of the future business model. In doing so MHC has given EE's leadership team the confidence to change and challenge the status quo to deliver something outstanding.

Key benefits EE derived from this engagement included:

- Organisational model that will enable EE to change internal behaviours and interact with the DM and GOL market in a planned and co-ordinated manner;
- Efficiency benefits through the organisational restructure, delivering a leaner more efficient organisational model; and
- Commercial model to facilitate and prepare EE for market enablement objectives regarding DM and GOL including the relevant process maps

the benefit

- Recommended changes that delivered a structure aligned to its client's business strategy and business model, enabled a cohesive process for strategic planning and eliminated a number of duplicated roles at levels two and three of the organisation.
- Significant direct savings are attributable to these changes, but more importantly the process has removed a significant number of impediments to an additional estimated \$50 million in operational savings.

MHC was subsequently been retained by the client to support the implementation of the recommended structure, including the definition of the new operating model, key metric framework, and coordinating the accompanying program of system change.