

CASE STUDY

Operational Management Services

CLIENT | TRANSPOWER

ABOUT THE PROJECT

INDUSTRY	Utilities
SERVICES	Specialist Telco Advisory General Telco Resourcing Design & Project Delivery Network Deployment
SOLUTIONS	Fixed Networks Mobile Networks Internet of Things Business Intelligence Cyber Security OSS/BSS
DURATION	3 months



THE CLIENT

Transpower Ltd is the company solely responsible for providing transmission of high voltage electricity around New Zealand. Currently all of Transpower's communication infrastructure for both corporate and SCADA is carried over a single network - known as the "legacy network". The incumbent Operational Management (OM) service provider provides 17 services over this network and is in the process of building a new data network, known as "Trans-go", which will be 100% owned by Transpower and provide significantly greater reliability than the Legacy network.

SUMMARY

GQI Consulting Principal Consultant for the Melbourne office, Ian Anderson, developed a complete bottom up OM cost model that was able to take all aspects of Transpower's two New Zealand wide communications networks, and produce a model that calculated what the total cost of providing operational management for those networks should be.

THE CHALLENGE

The Global Financial Crisis hit New Zealand hard, prompting the NZ government to review all of its expenditure, including looking at what government owned enterprises were spending as well. When reviewing their expenditure, Transpower Ltd questioned some of their communications contracts, with the Operational Management Service (OM) contract coming under particular scrutiny. When trying to negotiate costs with the incumbent, Transpower soon found that they had no benchmark data that they could use as an argument to have their costs reduced. Indeed, as their networks were so specialised and large (covering both Islands of New Zealand) it was basically impossible to find an organization that would have similar infrastructure and services to get a comparison with.

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This meant that the only way that Transpower could establish if the costs they were paying for OM services were reasonable or not was to have a specific cost model developed for their own network.

Transpower commissioned Ian to develop a bottom up cost model that will provide details of what would be reasonable costs to provide all Operational Management services over the Legacy and Trans-go networks, as well as provide benchmarked prices for the transition of services from one network to the other.

THE COSTS

Transpower had undertaken a process of evaluating all of their current service contracts and believe that the network OM contract was not to Transpower's benefit. However, due to the size and complexity of the networks, there was no way of benchmarking costs. To enable Transpower to understand what would make up the network OM costs and what they should be, Ian developed a comprehensive "ground up" network OM cost model, specifically designed to accurately model all costs associated with the management of large, distributed networks.


Aspects considered within the model included:

- All network elements, locations, importance and failure rates;
- Spares holdings (including storage and shipping costs);
- Opex costs;
- Transition costs (including decommission of the Legacy Network and implementation of the Trans-go Network);
- Current number of incidents / problems tickets generated and managed by the NOC
- Current costs for employment of network specialists;
- SLAs;
- Margins (both the main service provider and any 3rd party providers);
- Cost of money.

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Ian conducted several interviews with Transpower's service network delivery team, as well as with the incumbent's technical, account management and operational people. The result was an in-depth Network OM cost model that not only gave Transpower the information they needed to renegotiate their contracts, it also allowed different aspects of the model to be varied (such as SLA's, numbers of incidents, criticality of network elements, etc.) to provide a sensitivity analysis powerful enough to see the cost effects of changing contract terms.

THE BENEFITS

Ian calculated that the costs of the five year OM Contract was significantly too high for the services that were being provided. Even taking the most conservative cost model scenario, there was a gap of over \$9 Million between the cost of providing services modeled and for the total 5 year contract costs. This information put Transpower in a very powerful position and directly led to them initiating negotiations with the incumbent for a new OM Contract to cover all 17 services.