

**The
Competitive Electricity Company,
Competitive Markets
and
Information Systems**

-
**Presentation
by
Alan du Mée
Thailand
April 2003**

Personal Background



Energy

- 5 years as Chief Executive Officer of the most successful electricity generation turnaround in Australia's electricity market
- An outstandingly successful transition from Government owned non-market to competitive market operations
- 4 years in a Government owned integrated electric utility
- 4 years in gas (development, pipelines, gas trading)
- 5 years in competitive electricity markets
- 4 industry restructures
- 7 company restructures

General

- 15 countries
 - Lived and worked in England, Mauritius, South Africa, Zimbabwe, Australia, and USA.
 - Conducted business and project assessment and development work in India, Indonesia, China, Malaysia, Brazil, Sudan, Iran, Chile and Argentina.
- >10 industries
 - electricity, gas transmission and trading, paper, aluminium, fabrication, sugar, transport, consulting engineering, ethanol, power plant development and construction, coal resource strategy, acquisition and development, negotiated joint ventures, acquisitions, and asset sales.

Australian Energy Market



- Competitive electricity market for about 7 years
- Very significant changes and still occurring
 - Restructures
 - Changes in ownership
 - Separation of utility components to create competition
 - Re-integration to multi-utilities
- Maximum demand about 30,000 MW
- A\$30 billion in generation and about 10,000 people

The Tarong Energy Portfolio



Unique Portfolio - Base load coal and short term peak hydro

- Large coal-fired station (*4 x 350 MW at Tarong*)
- New technology supercritical plant under commissioning (*1 x 450 MW at Tarong*)
- Large fast start, energy limited pumped storage hydro peaking station (*2 x 300 MW at Wivenhoe*)
 - 2nd largest single load on Queensland system
- Starfish Hill Wind Farm in South Australia (SA) (23 turbines / 34.5MW)
 - Largest in Australia and the first in SA
- Terra Gas Trader (TGT) trades almost 60% of the gas supplied to South Australia
- Portfolio is a good marker for assessing effectiveness of energy market rules

Tarong Power Station



Tarong Energy Business Attributes

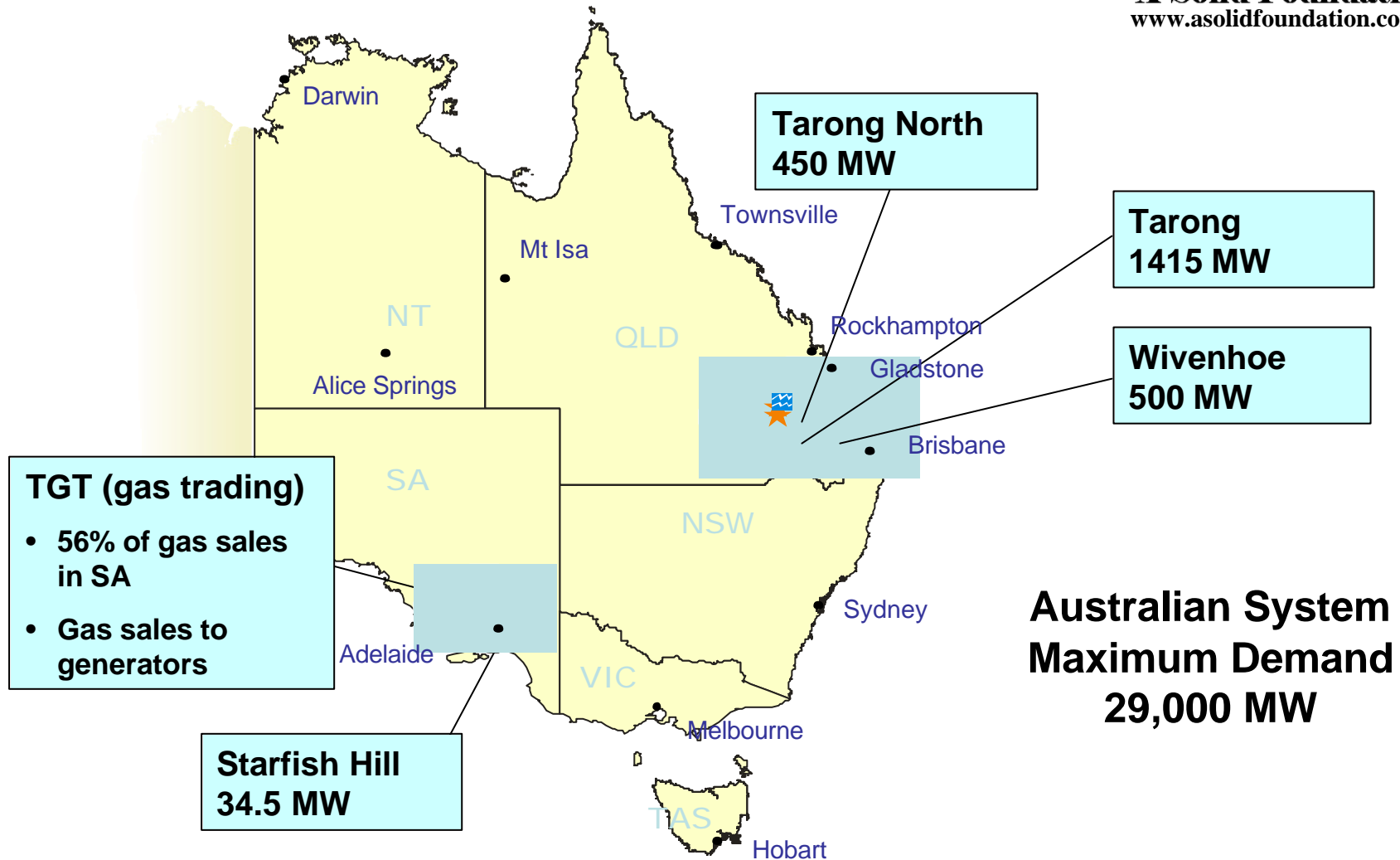


- \$1.6 billion in assets
- \$560 million in turnover
- \$650 million in projects under construction
- 460 staff and other service providers, 7 sites, including
 - 225 Enterprise Bargaining Agreement (EBA) covered
 - 9 Unions
 - 155 contract and non EBA staff
- Big in assets, small in people, some very large competitors
- www.tarongenergy.com.au

Positioned Across the Energy Market



A Solid Foundation
www.asolidfoundation.com.au



Commercial in Confidence

Tarong Energy Culture Characteristics



- Good people, hard working, very technically competent, honest
- Traditionally, birth to retirement hierarchical management culture
- Government owned, strong Union environment
- Starting with its first private sector partnerships
- Lots of competition for sales and increasing
- Competition for Government capital
- Sales of electricity on the trading screen in a ruthlessly competitive pool
- Market has focussed EVERY employee on common goals
 - survival has been a key theme
- Integration of strategy, people and systems elements was a key to success

Information Systems are an Integral Part of Moving Forward



- Existing systems were inherited from 5000 person integrated utility with no competition (migration was not feasible)
- Market and structural changes required new strategies and business plans
- Needed flexible information quickly to tell us how changes we were making were going
 - most worked – some needed changing
- Did not always know what information would be most useful
- People on the shop floor were given much greater part to play in managing costs and margins
- To do this required going from A\$20 million down to A\$20,000 (and below) for budget items (up to 1000 times smaller)

Tarong Energy Policy for IT



- Standard hardware
- Standard software platforms
- Standard communications protocols

Criteria for Systems Selection



- Flexibility
 - To provide information to meet new and changing market challenges
 - To meet future restructures without the need for new systems (mergers etc)
 - 'Standard' platform - Oracle platform, without proprietary interfaces
- Cost effectiveness
- Strong technical, change management and systems design support
 - Our people were busy meeting other challenges at the same time
 - Engineers like to play
- Speedy and effective implementation – right first time
 - Could not spend a lot of time fixing errors

Selection Process



- Open bid
 - This was a competitive process
 - Selection criteria were applied across all the bidders in a flexible manner
 - Looked for strong interactive support for a utility solution tailored to our specific needs
 - Skills and resources available to ensure timetables were met

Result of the Selection Process



- Mincom's ELLIPSE suite of products chosen
- Chose the 'full service' rather than the 'mixed teams' implementation option
 - Cost slightly higher
 - Engineers helped but did not drive the implementation
- Very clear project management interface with Tarong Energy
- Mincom's Change Management process was a key success component

Outcome from Mincom's ELLIPSE Suite



- On time
- On budget
- Everything worked as we closed one year's accounts and started a new year's budgets
- Change Management process was outstanding and everyone owned a piece of the result
 - We have performance incentives for ALL our people, so they had a great commitment to everything working
- A small number of reports were improved after implementation

Thank You



- If you would like more information from Tarong Energy this can be arranged
- Please also visit their web site
 - www.tarongenergy.com.au
- The A Solid Foundation[®] presentations can be downloaded from the www.asolidfoundation.com.au internet site after this seminar

A Solid Foundation[®] would of course also be happy to help you with your transition to new achievements

Questions are welcome