

## Using Strategic Procurement Principles to Reduce Commercial Risks

A large electricity distribution business sought to improve, de-risk and position for growth its metering and servicing field works. Baylink led the client through a strategic review of and market testing of the operating models which both addressed immediate needs and set it on track for longer term improvements and growth.

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### SITUATION

One of Australia's largest power distribution businesses was sourcing major segments of its metering and servicing field works requirements via three different business models.

Recent changes in metering technology, skilled workforce availability and contractor relationships had left management uncertain about the opportunity costs of the as-is model versus potential benefits of transforming its operating model or assuming more in-house scope.

The client engaged Baylink to conduct a strategic review of the three models, test the market via tender process and implement a solution before the client's existing contracts expired.

### OBJECTIVES

- Understand and document strategic context for the metering and servicing function.
- Review the as-is operating models.
- Test the market by competitive tender process and manage end-to-end procurement.
- Provide the executive team with a fully costed recommendation for the to-be business and contract model.
- Lead transition into the operations phase including commercial, stakeholder, systems and organisational changes.

### APPROACH

Short timelines required that the strategic review and procurement planning were conducted in parallel. The four phases to the project were:

#### 1. Strategic Review & Procurement Planning:

Understand and document the three "as is" business models. A SWOT analysis articulated the costs, benefits, strengths, weaknesses and risks with each model.

**2. Request for Tender (RFT):** Baylink designed a scope of work and RFT that would allow both quantitative and qualitative evaluation of all feasible business models, including the in-house options.

**3. Tender Evaluation:** Baylink facilitated the tender evaluation including cost and non-cost assessments. The detailed evaluation plan and extensive stakeholder buy-in, fast tracking was able to continue without compromising the integrity of the process.

**4. Implementation:** The outcome of the tender process was to retain the existing mix of as-is business models, however, a number of changes were negotiated in the turn-key contract model to reduce commercial risks..

### RESULTS

The tangible outcomes of this assignment were successful (a) procurement of metering and servicing field works and (b) recruitment of a dedicated manager in time to meet the client's fast-tracked schedule.

Additionally Baylink's application of strategic procurement principles:

- Resolved the client's uncertainty around the three business model options.
- Identified and developed a business case for automated close-out of work orders.
- Supported establishment of a service level agreement (SLA) between two of the key internal business units.
- Informed client senior / executive of needs to reduce complexity such that the internal option for metering and servicing can be re-evaluated in time for the next contract cycle..

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### CONTACT US

To discuss how our team can help you.

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