

Integrating e-Procurement to the core of a diversified company (PSEG)

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Agenda

- Company Overview
- eSCM Project Overview
- The Integration of e-Procurement Initiative
- Marketplaces (Pantellos)
- Lessons Learned

Part I

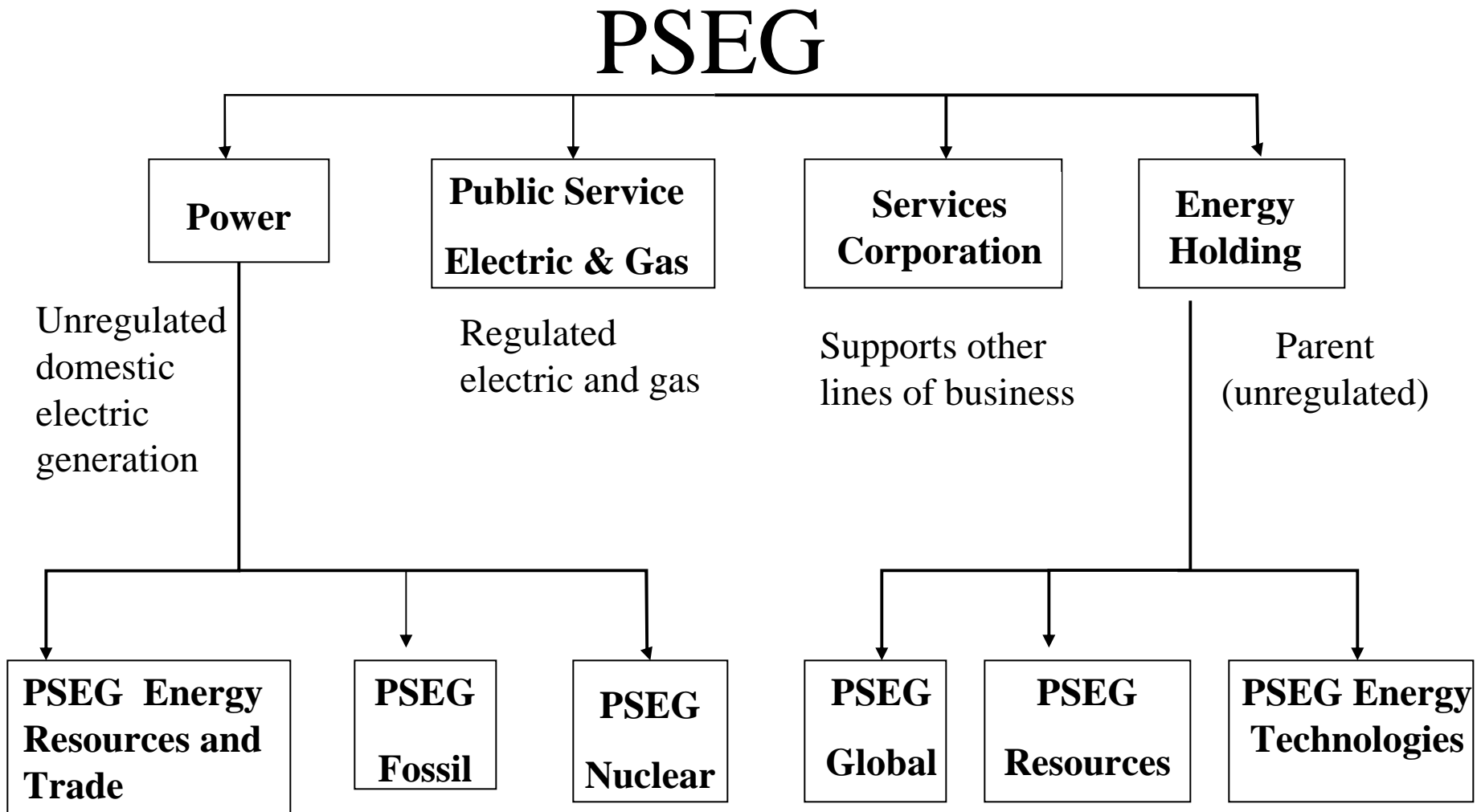
Public Service Enterprise Group

(PSEG) Overview

Company Highlights

- Publicly traded diversified Gas & Electric company with annual revenues in excess of \$6 billion .
- Ranked 275 on the Fortune 500 list in 2000.
- Approximately 13,000 employees.
- Serves 3.5 million customers in the state of New Jersey.
- New Jersey deregulated its energy marketplace in 2000.

Company Structure



Part II

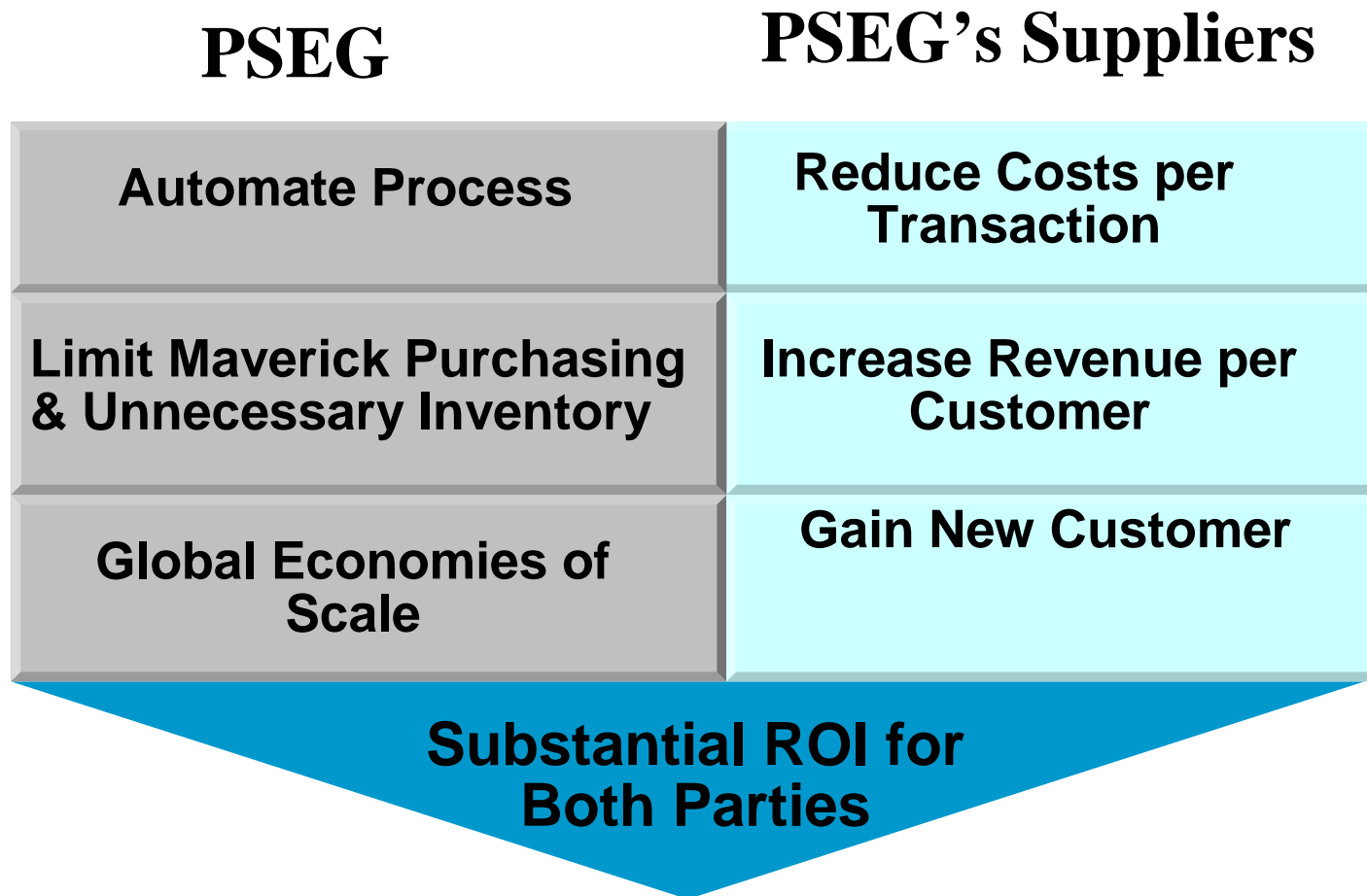
eSCM Project Overview

Initial Work:Laying the Foundation

Hired a 3rd party consulting firm to help SCM with the Planning Phase in the following four areas in September 2000:

- Supply Chain Management Process Redesign
- e-Procurement Plan Phase
- Strategic Sourcing Initiative
- e-Procurement Technology Recommendations

Win-Win Solution (The Plan) eProcurement



Supply Chain End Game

Strategy

- Linked to overall business strategy and planning
- Represented at the executive management team level
- Clear link to customer requirements

Processes

- Defined supply chain processes across the enterprise
- Processes consistently support strategy
- Self service model
- Easy, intuitive and inexpensive



Supply Chain Foundation

Organization

- Specialized, unique skillsets supporting strategic focus
- Virtual organization and partnerships
- Tight alignment with business priorities
- Proactive

Performance Management

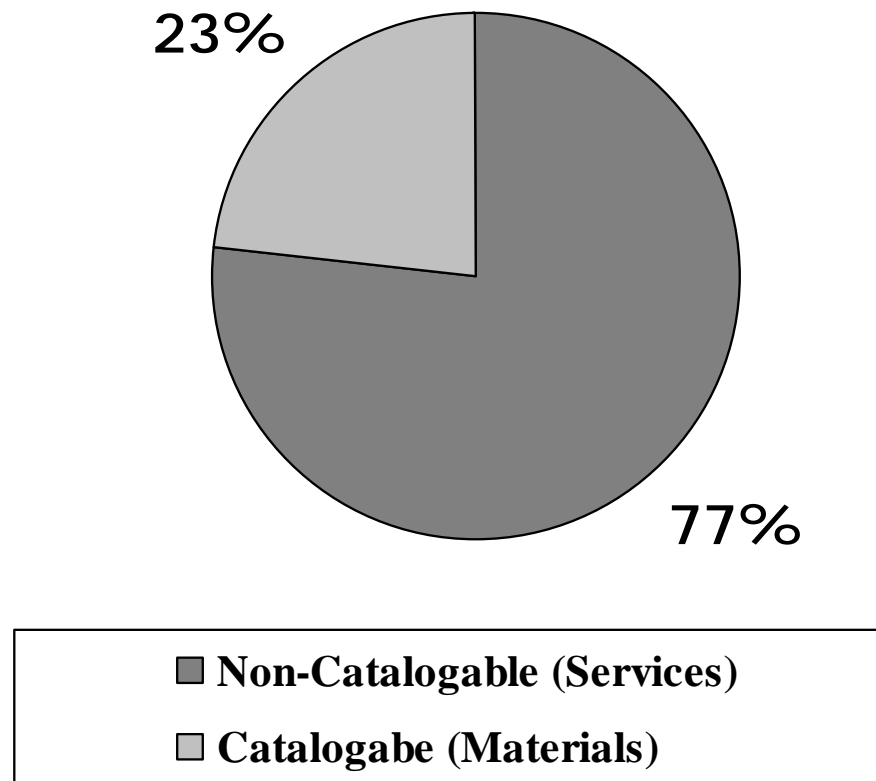
- Integrated performance measurement system
- Performance measurement linked to strategy and incentives
- Performance measures linked across all levels of the organization
- Balanced and outcome based

Technology

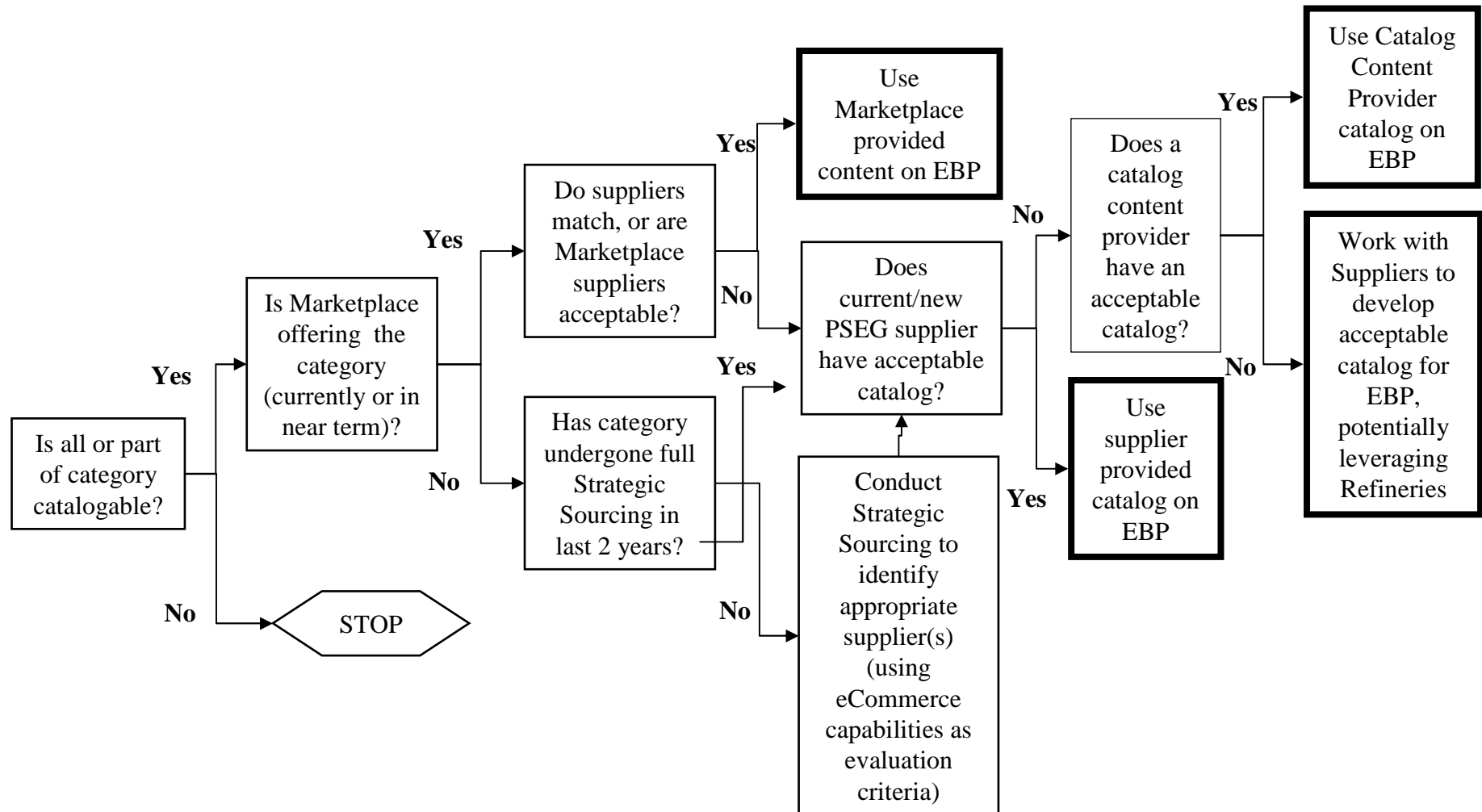
- Internet based
- Linked to business partners
- ERP and other systems integration
- Tight alignment with processes

Potential Target-Catalogable Spend

PSEG's catalogable spend is estimated at \$231 MM. out of nearly 1 billion in total spend (not including fuel)-good candidates for migration to B2B applications



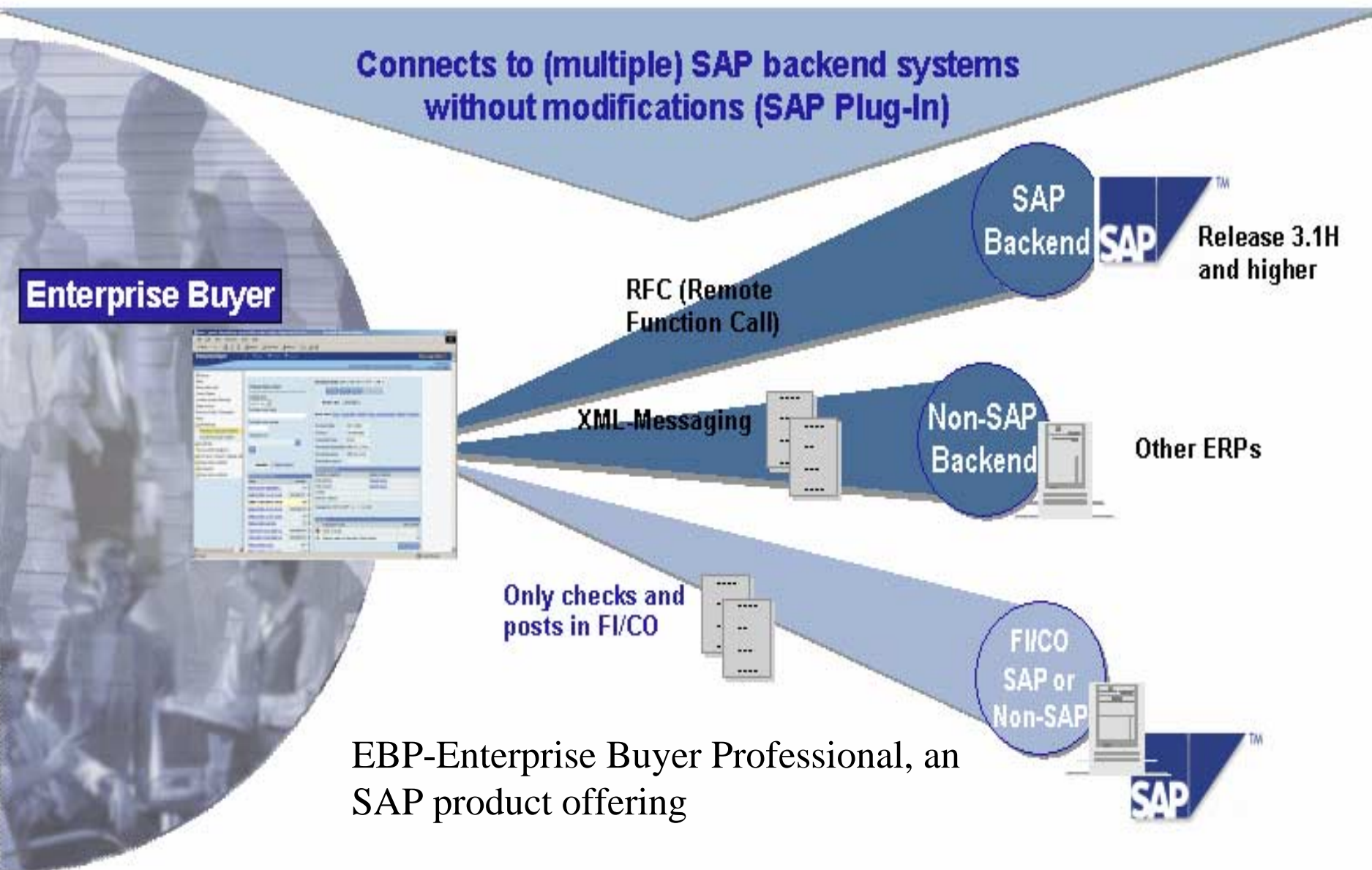
A framework was developed to help PSEG identify the appropriate content management strategy for each category.



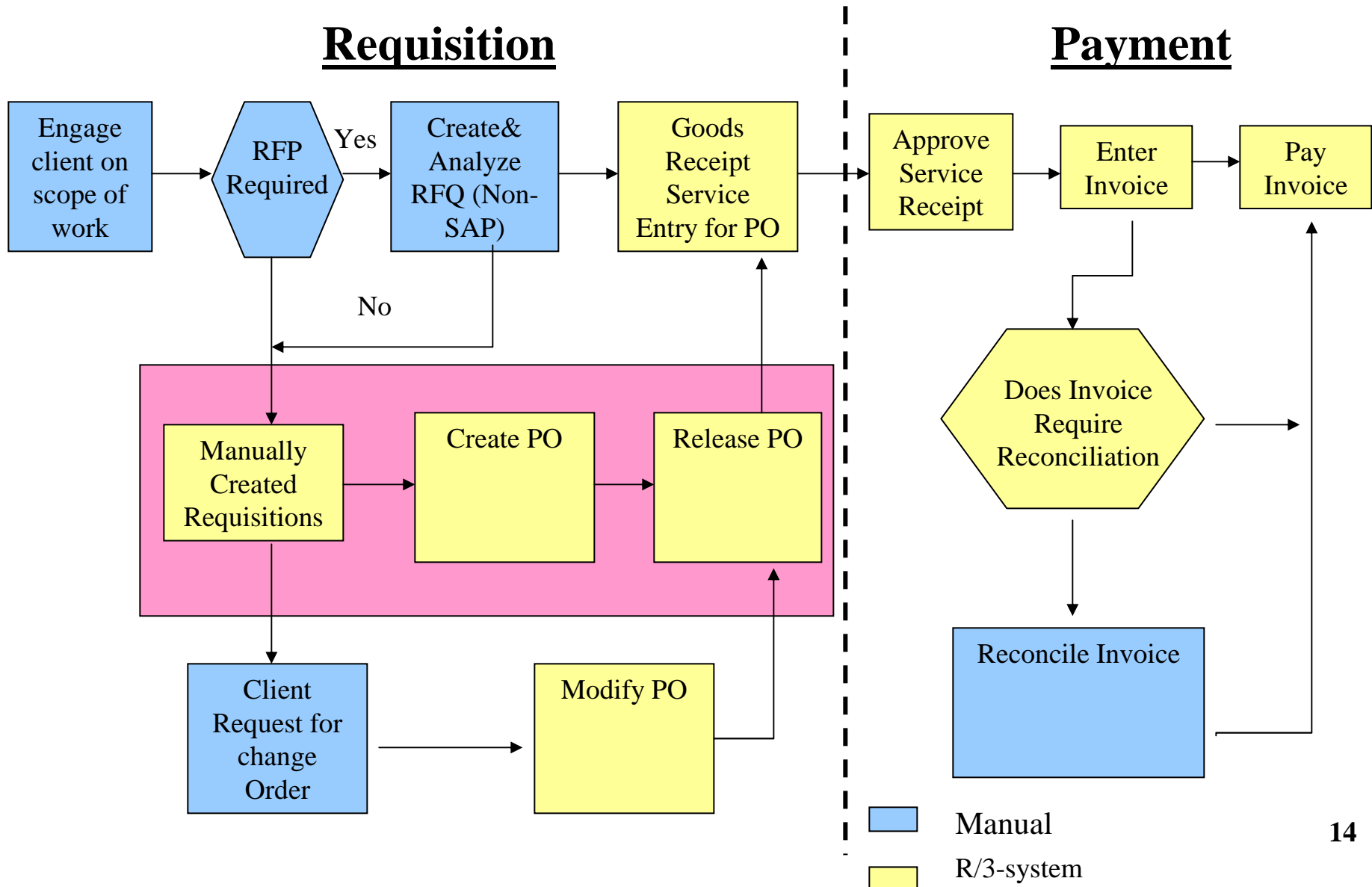
Part III

The Integration of e-Procurement Initiative at PSEG

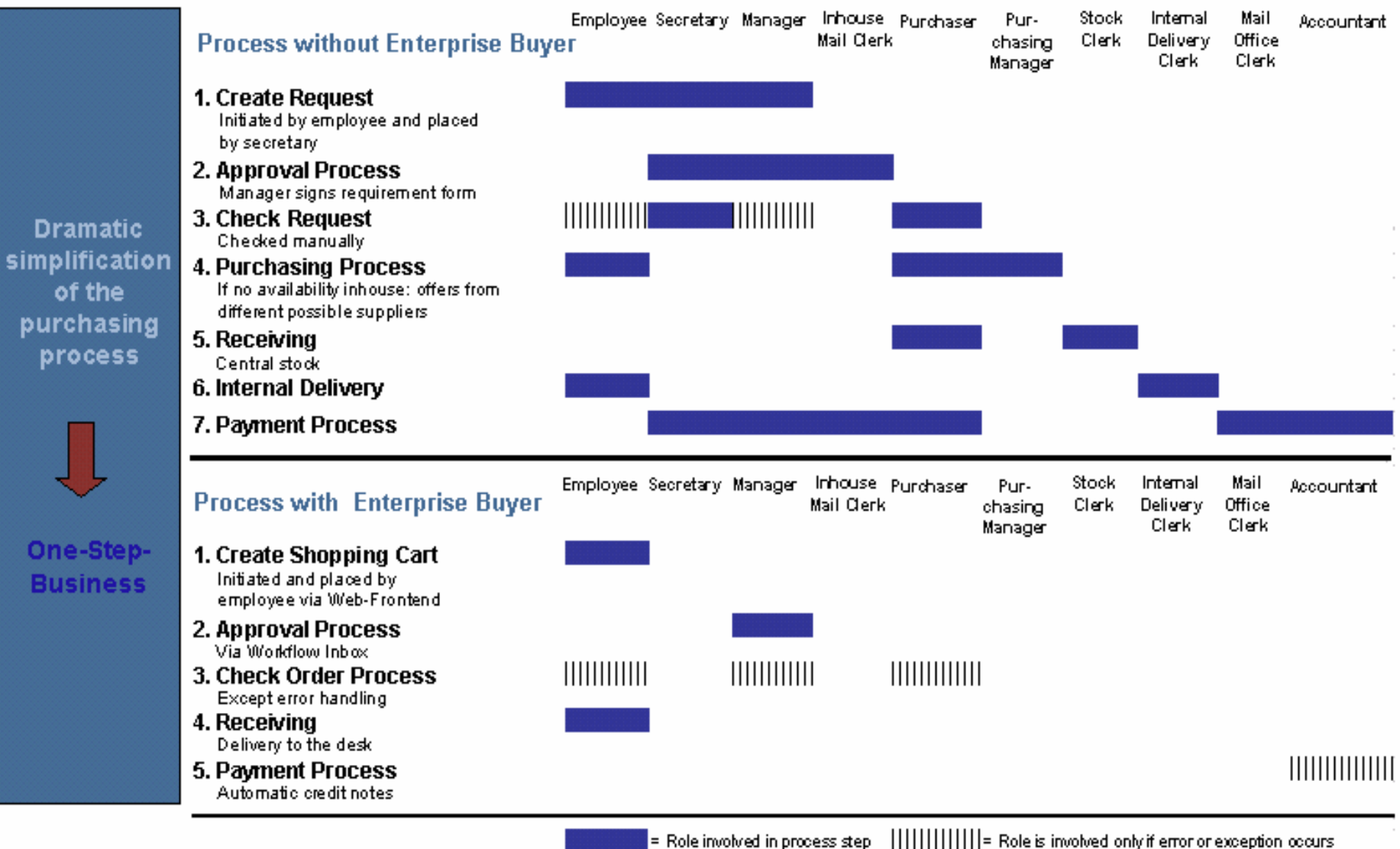
Architectural Flexibility-EBP



Current Procurement Process SAP-PO Requisition to Payment

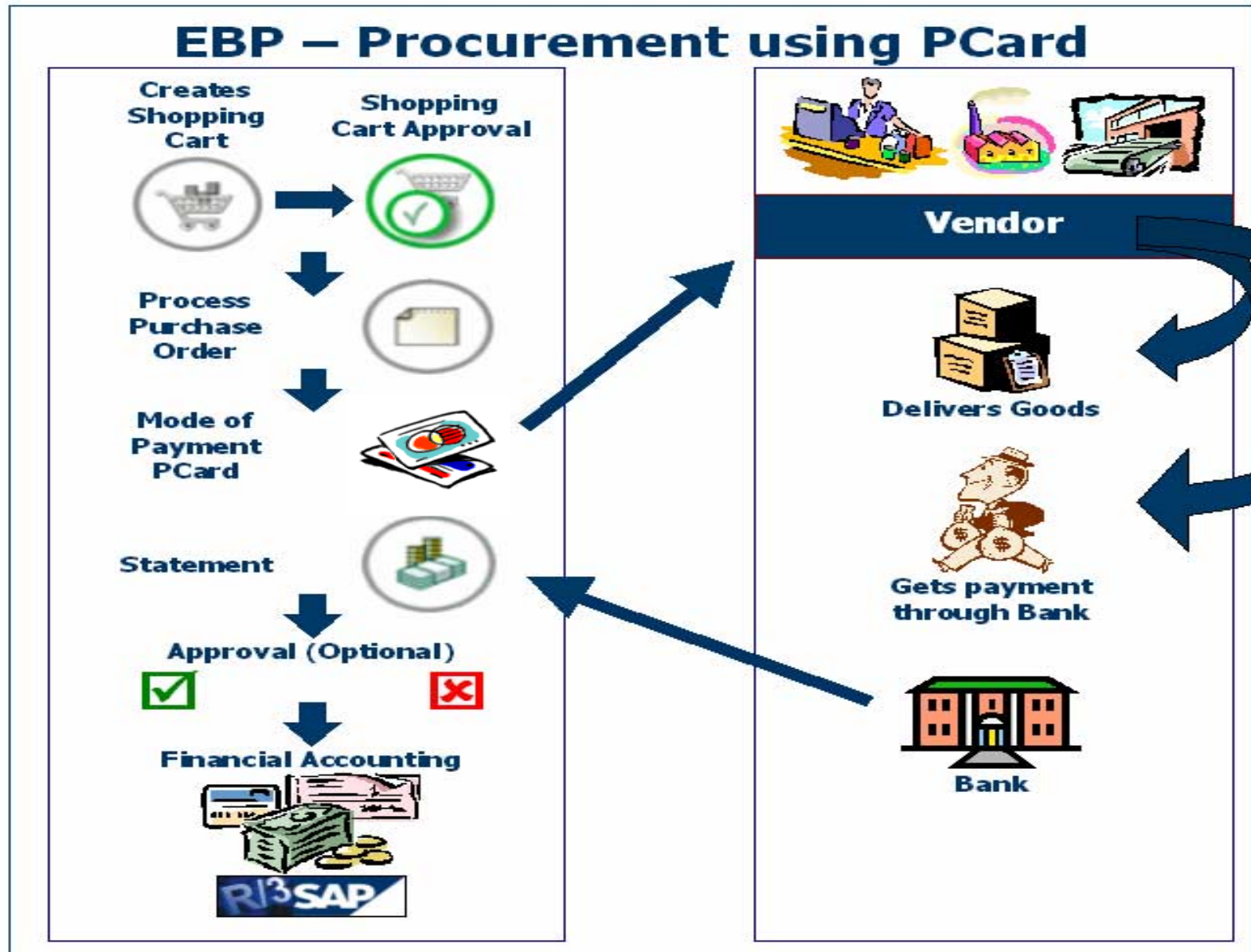


Purchasing: With & Without EBP



EBP Pilot Program

Pilot Using PCard

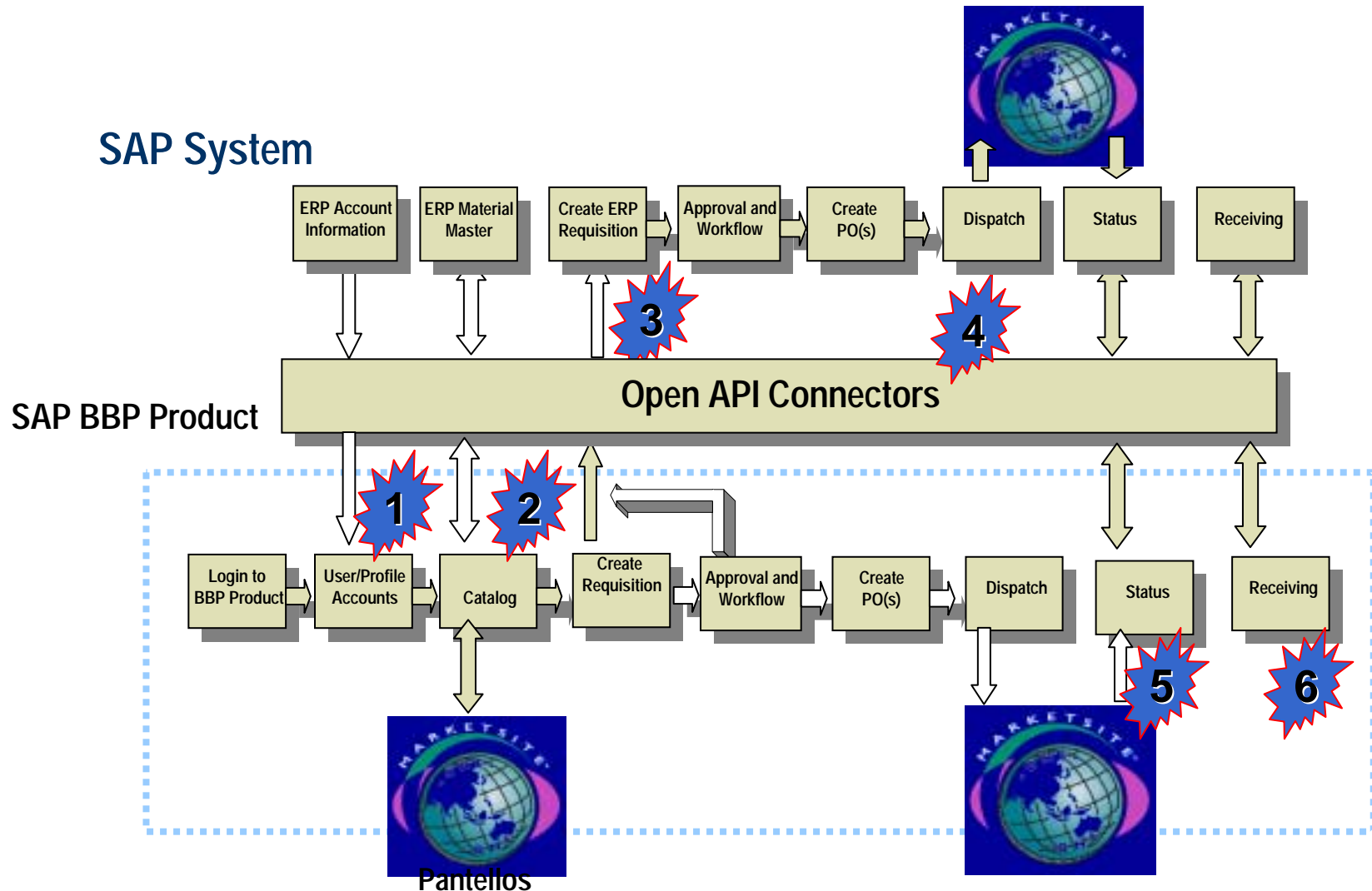


EBP Benefits for Indirect Procurement

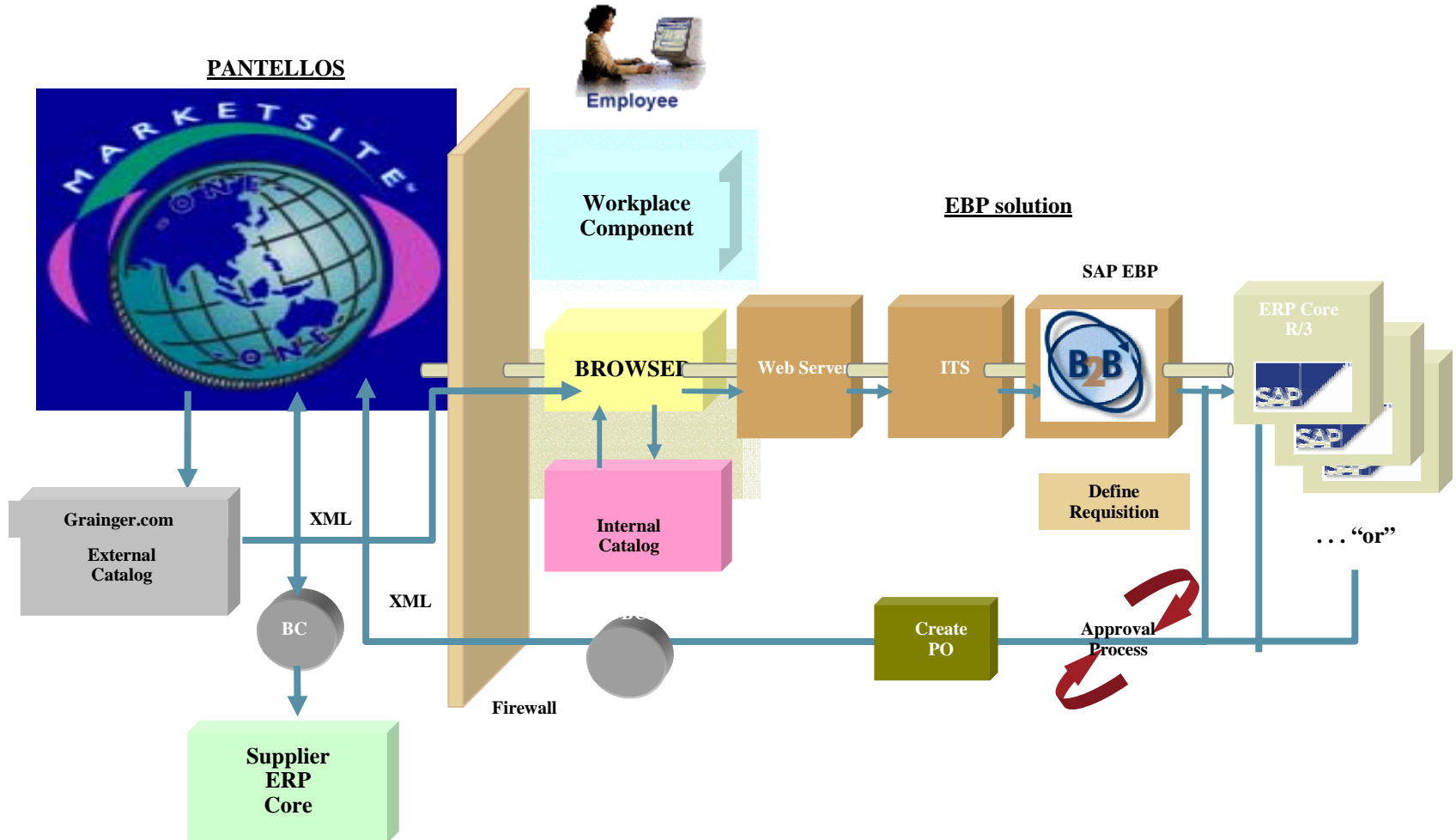
- Optimized purchasing transaction cycle-times.
- Improved strategic supplier management.
- Savings which derive from supplier consolidation.
- Effective management of preferred supplier relationship.
- Material cost reduction through leveraging corporate spending.

Phase II – SAP R/3 Integration

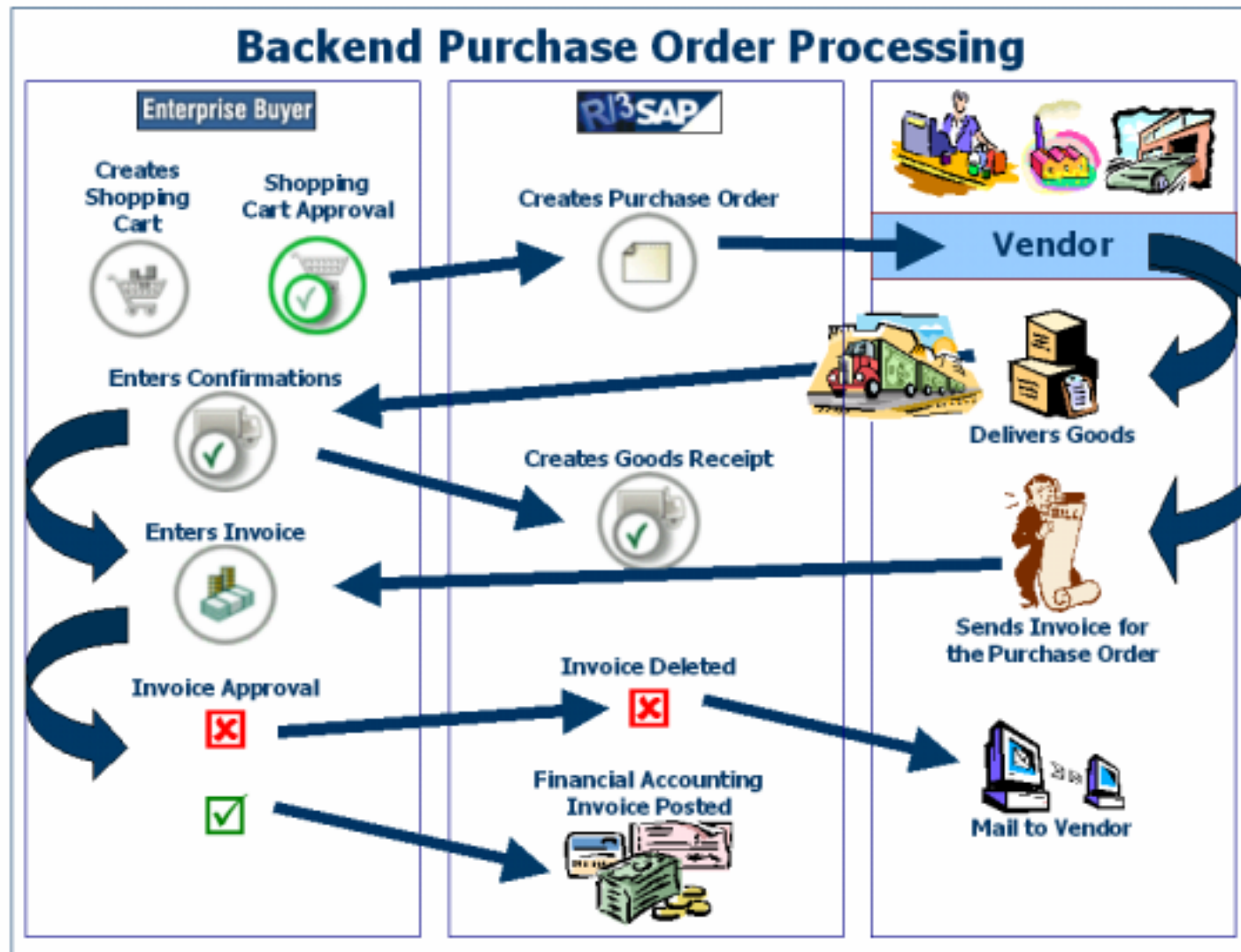
SAP R/3 Integration with EBP



To-Be Blueprint



Phase 2 Purchase Order Processing



EBP Benefits for Direct Procurement

- Strategic steps of direct procurement are done centrally within EBP and multiple back ends.
- One purchasing system, many execution systems.
- Central contract management.
- Central master data.
- EBP establishes an on-ramp connection to the eCommunity.
- Seamless integration to planning and execution application to reduce process costs.

Web Reporting in EBP (custom)

Quick Reports

- Purchase Order Details
- Incomplete POs
- PO Details for Vendor
- PO Details for User
- PO Acknowledgement Status Report
- PO pending for Approval
- Shopping Basket Details
- GR Details for P.O.
- Invoice Details for P.O.
- Bid Invitation details
- Invoice Address Change Detection
- Confirmations pending for Invoice
- Invoice pending for Approval

Analytical Reports

- PO/GR/Invoice Details
- PCard Transaction Analysis
- Vendor Expense Sheet

Future Enhancements

- Buyer Expense Sheet
- Bidding Analysis

PSEG & LTITL Implementation “Milestones”

- Same EBP application handles both types of transaction (P-Card and Non P-card)
- Content management tool with flexible business rules
- Successful implementation of SAP’ s market set connector
- Tax Computations based on backend R/3 logic
- Multiple delivery address handling
- Among the 1st to be certified on Pantellos for BDE.
- PO from R/3 backend to Pantellos
- Enhancements to inbound documents from Pantellos
 - Order Rejection, Quantity Variance
- Enhancements to outbound documents from PSEG
 - P-Card Information, Header/Line item details

Enhancement Milestones

- Determination of backend system based on Catalog ID (p-card, R/3)
- Mapping of Product category to UNSPSC Code from Catalog
- Tax code mapping to Product category. EBP permits only one default tax code.
- Computation of Tax during Invoice entry
- PCard Number field made Required for procurement using PCard
- Workflow
 - ✓Intelligent work flow to notify Manager via email for Auto approved procurement
 - ✓Customized workflow to deliver Client specific approval strategy
 - ✓Shopping Cart approval based on User Approval/Spend limit
 - ✓Procurement analyst as Approval agents