

## Workflow Efficiency from Start to Finish

### The energy business with electronic processes (e-procure)

#### ■ The company

E.ON is the world's largest private energy services company with sales of over EUR 46 billion and about 66,000 employees. The company is clearly focused on its core businesses of electric power and gas. E.ON Energie is one of Europe's largest energy services companies and is active in nine European countries. Its 16 million customers rely on E.ON Energie for their daily supply of electricity and gas in the Netherlands, Hungary, Czech Republic, Switzerland, Italy, Poland and other countries.

#### ■ The starting situation

Deregulation and related unbundling activities in the energy industry have led to changes in purchasing processes (smaller units, network break-ups, etc.) As a result, there is a growing demand for increased availability of electric power systems (along with reductions in personnel and inventories), which means that replacement parts must be made available faster.

#### ■ The concept

These developments inevitably require the optimization of procurement processes in the energy industry. The rapid development of Internet technology in combination with economical networking - even of widely different IT systems as well as corporate ERP standards (Enterprise Resource Planning) - now make this possible. Customary procurement channels for goods and services can therefore be drastically shortened and order handling costs can be reduced.

Such integrated B2B solutions are designed mainly to optimize order handling both for the customer and the supplier. The entire purchasing process, from planning to procurement and from order approval to invoicing, is performed automatically on the Internet or Intranet.

A decision regarding the use of Internet-based procurement solutions depends principally on the ordering process costs, the ordering frequency and the number of suppliers involved. E.ON had already integrated the electronic procurement process for so-called "C items" (not directly required for production) into the SAP system and used it successfully in electronic ordering. This resulted

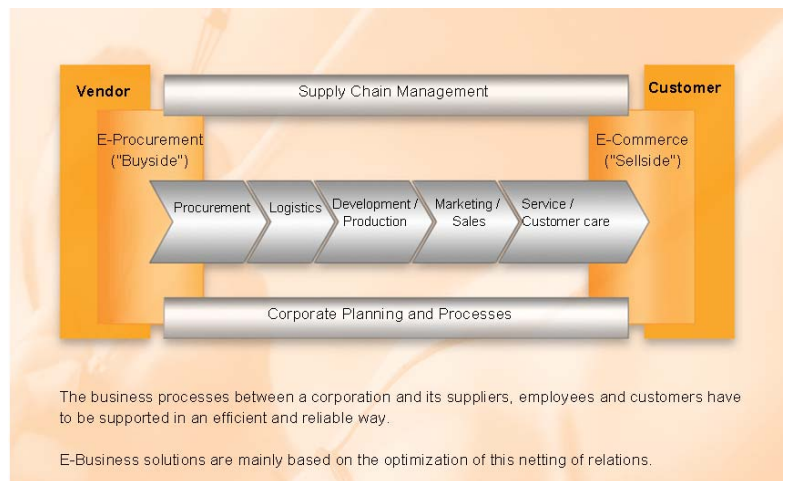


Fig. 1 Procurement process chain

in a significant decrease in the high administrative and purchasing costs, which often exceed the actual value of such items.

Of course this approach doesn't need to be limited to typical "C items." So it made sense to apply this solution to other areas as well, to make ordering easier for the "end user" in purchasing and in the services area.

One requirement for expanding the use of this solution is the generation and integration of electronic product catalogs. The challenge in electronic integration is in the details.

Because the energy industry in particular tends to need complex products that are tailored to particular requirements and specified or configured for various applications by an engineer. In the past, needed products were selected from a catalog by the engineering department and recorded in special Excel lists. Only then was a request conveyed to the appropriate purchasing function.

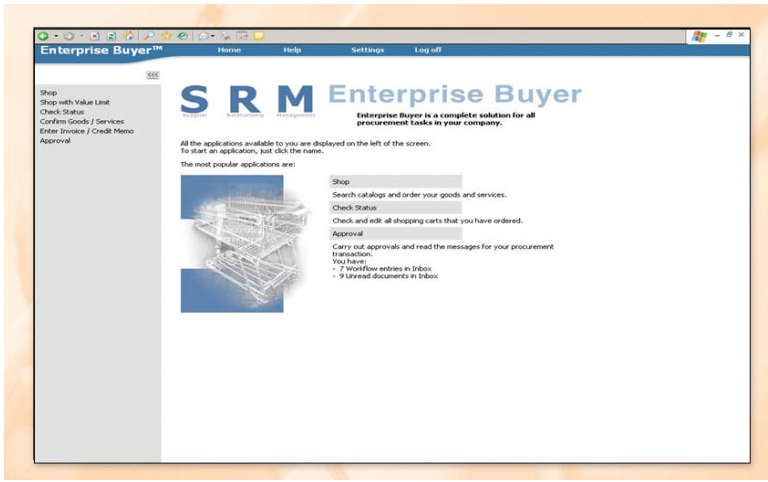


Fig. 2  
SAP purchasing portal

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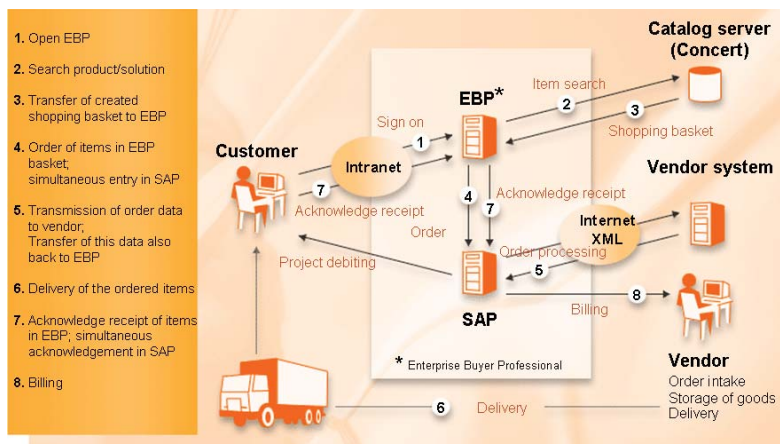
The creation of a configurable electronic product catalog by Siemens PTD PA enabled E.ON to expand the already successfully implemented electronic solution for "C items" to these more complex products. E.ON's objective in integrating the catalog into its SAP system was to electronically integrate all steps in the purchasing process into this SAP System and to eliminate any media discontinuities (product catalog, notepads, Excel lists etc.) as well as manual interactions.

■ *The special advantages*

E-collaboration: The ordering party (buy side) and supplier (sell side) always collaborate electronically.

E.ON has succeeded, in conjunction with Siemens PTD, to establish an e-collaboration system between the two partners. To achieve this, two teams were created (buy and sell side) that worked together closely to define and implement this customer's requirements. The link between the two systems was then established swiftly, and the implementation of the solution was completed with a four-week trial run in January 2004.

Fig. 3  
Integrated ordering process description, B2B solution



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The integration of the product catalog by Siemens PTD has reduced the workload for participants on both sides and substantially shortened the turn-around times of orders. All processes related to procurement are now handled electronically. E.ON employees can configure and buy products they need directly from their desk now - without leaving the internal SAP system!

What's more, E.ON engineers can electronically access any information for the entire Power Automation product line. They can for instance select and order combinations of customer-specific products online. The required approval and release functions are integrated into the system and performed online in order to assure the necessary transparency of the ordering processes. Time-consuming request procedures in other systems or application changes are no longer needed. An encrypted link ensures maximum data security.

Unique in this solution is the exchange of current information directly over a cost-effective Internet link between the master product data stored at PTD PA and the installed SAP Enterprise Buyer System. As the Buyer in this system, E.ON has access to the very latest PA product information, configuration schemes, drawings, technical descriptions, customer-specific prices and agreed-upon commercial conditions via its purchasing system. Consequently, the Buyer has around-the-clock access to all relevant information.

Due to the electronic interface between the SAP system at E.ON and the certified SAP interface in the Siemens system, the order entry at this end is also performed in electronic form directly in the SAP system and can be processed immediately: Another advantage, which not only helps cut costs but also minimizes keying errors during order entry, speeding up the ordering process.

The entire ordering process chain now runs electronically and interface-free. As a result, product selection is simplified and the process takes much less time.

### ■ Credit process replaces invoicing

To further simplify the process, E.ON uses a credit method in payments for B2B orders. A defined budget is agreed upon with the supplier as a framework for orders to be placed by the customer side. What sets this approach apart is that Siemens, rather than the customer, monitors the budget limit and informs E.ON when the agreed-upon budget is reached. So it is the supplier who keeps track of the budget. Siemens benefits by the transparency of the order volume that can be expected over a given period of time.

### ■ Conclusion

A key argument for the integration of the PTD product catalog was the opportunity to not merely integrate static product data but to also interactively configure the desired products specifically for the intended application. The resulting product selection with the agreed-upon pricing is immediately displayed to the buyer in the SAP System and directly processed online. As a result, the project manager obtains a precise view of the required budget early, i.e. at the time of the product selection. A key advantage, since tracking the budget is important, in addition to tracking the availability of electrical equipment.

With this system, E.ON can now order online, through its own SAP system, any SIPROTEC relays it needs - always with the very latest data at hand. The company predicts significant cost savings due to the simplified ordering process. During the introductory phase, E.ON still pegged the internal order release limit in its SAP system at an order value of EURO 10,000.00. This limit is individually adjustable and will soon be increased. The objective is to process all E.ON orders to Siemens Power Automation Division by this electronic method.

Since this approach is so new here, potential savings can only be put in perspective by referring to other B2B processes: Typical savings in the required transactions are in the range of 15 % to 20 %.

The advantages on both the customer side and the supplier side relate to the simplified ordering process.

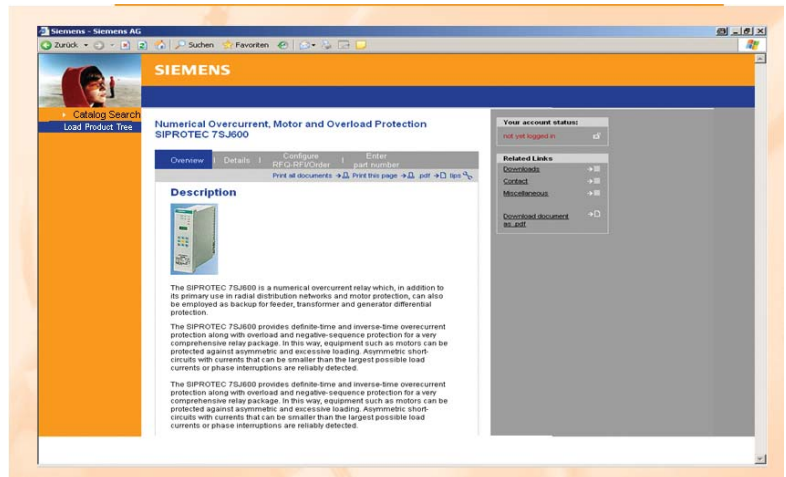


Fig. 4 PTD PA product information

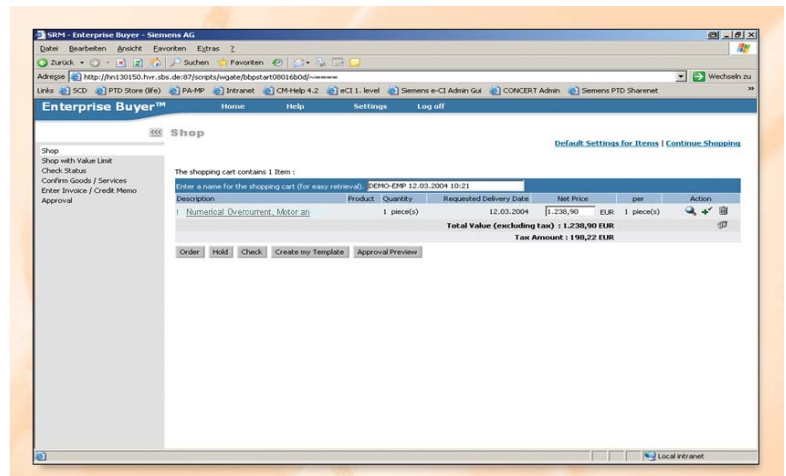


Fig. 5 SAP purchasing portal, shopping basket function

Specifically as a result of:

- Measurable process improvements
- Always up-to-date product data
- Supplier-side data maintenance
- No waiting for product information, selection or pricing
- Visibility of the complete product line

With this approach, E.ON receives all the required information to configure currently needed products within its own purchasing System - without leaving this System or having to change to other applications - and to place the entire order directly online in its SAP System in accordance with agreed-upon conditions.

