



CPUC Docket: A.25-03-009
Witness: Jalal Awan
Exhibit: TURN-01

**PREPARED TESTIMONY OF
JALAL AWAN**

**TESTIMONY ON THE APPLICATION OF SOUTHERN
CALIFORNIA EDISON COMPANY FOR AUTHORIZATION TO
RECOVER COSTS RELATED TO NEXTGEN ENTERPRISE
RESOURCE PLANNING PROGRAM**

Submitted on Behalf of

THE UTILITY REFORM NETWORK

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Background:

Southern California Edison Company (SCE) seeks authorization to recover \$1,336 million over the 2025-2031 period for its proposed NextGen Enterprise Resource Planning (ERP) Program.¹ This program aims to replace and upgrade SCE's ERP system over an eight-year period, claiming to primarily address obsolescence.² The modernization encompasses five "mega-processes", namely, Asset Management, Work Management, Supply Chain, Procurement, and Finance, with SCE arguing that the current system has been in service for over 15 years and will soon be obsolete.³ ⁴ Furthermore, SCE argues that this comprehensive overhaul is urgent and essential to prevent cybersecurity vulnerabilities, maintain vendor support, and enable operational improvements that will deliver \$2,302 million in projected benefits through 2038.⁵

The project is structured around what are characterized as two approaches: a basic "obsolescence-only" replacement costing \$841 million, and a comprehensive "transformation" approach totaling \$1,336 million in implementation costs.⁶ According to SCE, the expanded transformation scope includes \$1,097 million in capital expenditures and \$239 million in operations and maintenance (O&M) expenses, with the utility arguing that "the projected

¹ A.25-03-009, SCE-01, Vol. 01, p.7, footnote 7: "\$1,097 million in capital expenditures (nominal dollars) and \$239 million in O&M expenses (constant 2024 dollars) over the 2025-2031 period."

² A.25-03-009, SCE-01, Vol. 01, p.10

³ A.25-03-009, SCE-01, Vol. 01, p.2, Fig. I-1. This figure includes five mega-processes. However, "Technology Integration" is included in the cost-benefit spreadsheets alongside these NextGen Program Scope mega processes in subsequent volumes.

⁴ A.25-03-009, SCE-01, Vol. 01, p.2

⁵ A.25-03-009, SCE-01, Vol. 01, p.8

⁶ A.25-03-009, SCE-01, Vol. 01, p.7,8: "*The full business transformation effort incurs an incremental cost of \$495 million beyond the obsolescence approach.*"

benefits are nearly three times greater, increasing from \$810 million for merely addressing obsolescence to totaling \$2,302 million over a 10-year period."⁷

2025-2038 revenue requirement (Nominal \$000) associated with these costs are as follows^{8 9}:

Table 1 2025-2038 revenue requirement (Nominal \$000) for Total Program vs. Obsolescence Scope Only¹⁰

TOTAL PROGRAM		OBSOLESCENCE SCOPE ONLY	
Category	2025-2038	Category	2025-2038
Capital RRQ	2,279	Capital RRQ	1,490
O&M RRQ	826	O&M RRQ	650
Total Program Costs	\$ 3,105	Total Obsolescence Costs	\$ 2,140

SCE contends that pursuing transformative NextGen ERP now avoids the risks and inefficiencies of piecemeal upgrades, yet provides no quantification of these alleged risks and/or inefficiencies across its voluminous testimony spanning four volumes and eleven chapters. The utility steamrolls through its analysis by asserting that prior solution planning/analysis (1,2) and vendor selection processes correctly identified SAP’s S4/HANA on-cloud transformation as the optimal use of ratepayer funding. Nowhere in this extensive documentation does SCE critically examine whether less costly, targeted solutions could address the stated obsolescence concerns, instead treating its predetermined modernization as the only viable path forward.

SCE's billion-dollar+ transformation program originates from a \$7.68 million Deloitte-led analysis spanning 2021-2022, which entailed numerous workshops, employee inputs, and

⁷ A.25-03-009, p.8

⁸ 20_WPSCE-01Vol03ChVII Benefit Cost Ratio, tab: Testimony Table

⁹ A.25-10-003, On p.9, Table II-1 “NextGen ERP Program Implementation Net Revenue Requirement Forecast (2025-2032)”, Edison presents 2025-2032 Revenue Requirement as \$1,237,221.

¹⁰ SCE's obsolescence and transformation scope may contain substantial cloud-based software costs subject to capitalization treatment that could further inflate ratepayer burden. In SCE's prior Customer Service Re-Platform application (A.21-07-009), TURN argued that cloud-hosted software costs should be expensed rather than capitalized, but that proceeding concluded through settlement without establishing Commission precedent on this ratemaking issue.

presentations to primarily quantify the benefits and costs for the NextGen Enterprise program. This preliminary expenditure, conducted before the widespread proliferation of AI-enabled enterprise solutions, establishes the architectural framework that now anchors SCE's request for ratepayer funding.

As documented throughout this testimony, SCE's \$1.3 billion NextGen ERP Program implementation constitutes a strategic overreach that attempts to fold potentially legitimate obsolescence and vendor support concerns into a "build back bigger" SAP S4/HANA cloud transition. Instead of pursuing surgical interventions to address ERP system vulnerabilities, SCE merges essential maintenance with discretionary enhancements, increasing shareholder profits and holding ratepayers responsible to underwrite both necessary system updates and speculative efficiency gains that remain unproven.

Notwithstanding concerns with selecting SAP S4/HANA cloud-transition as the only way forward and with the timeline proposed by SCE, TURN identifies three major issues with SCE's request that warrant rejection of the transformation scope and thorough scrutiny of even the so-called obsolescence-only approach. First, whether the proposed transformation-plus-obsolescence scope represents the most cost-effective method to mitigate the claimed cybersecurity, obsolescence, and vendor support concerns, particularly given that targeted security patches and system hardening may address immediate risks at substantially lower cost. While SCE warns that without vendor support “**what is broken may not get fixed**”, the greater threat to ratepayers is the utility's eagerness to potentially break (existing ECC on-premise core) and re-make (SAP S4/HANA cloud) for a hurried transition that the rest of SAP's clientele appears hesitant to follow. Second, the extent to which SCE's benefits calculations rely on

speculative productivity gains, benefits duplicative of previous gains, and exaggerated benefit-cost ratios that cannot withstand basic scrutiny. And third, whether all five mega-process workstreams require updating and represent a prudent use of ratepayer funds, or whether SCE has artificially bundled disparate system improvements to maximize shareholder profits while obscuring the incremental value of each component – given that much of the so-called efficiency gains may have already been realized from funding of various Operational Excellence initiatives through previous GRC requests.

Most importantly, SCE's fundamental premise - that immediate action is required due to imminent obsolescence - appears to rest on a mischaracterization of market dynamics and vendor behavior. Industry analysis reveals that "only 39%, or about 14,000, of the 35,000 SAP ECC customers had migrated to S/4HANA" by the end of 2024, with Gartner projecting that "there will still be 17,000 holdouts, or nearly half of the ECC customer base, by 2027."¹¹ Furthermore, SAP has already demonstrated flexibility by announcing in February 2025 an SAP ERP, private edition, transition option allowing some large customers to continue using ECC until 2033, which implies that obsolescence by 2030 is no longer an imminent concern for Edison.¹² [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

¹¹ "Nearly half of SAP ECC customers may stick with legacy ERP beyond 2027," June 4, 2025, Source: <https://www.cio.com/article/4000543/nearly-half-of-sap-ecc-customers-may-stick-with-legacy-erp-beyond-2027.html>

¹² <https://news.sap.com/2025/02/sap-erp-private-edition-transition-option-navigate-complex-rise-with-sap-transformations/>

Unlike more than 50% of SAP's ECC clients as of 2024 who are holding out on the S/4HANA transition and/or were innovating around existing deployments, SCE has effectively surrendered its leverage and embraced a vendor-imposed deadline, which subsequently allows SCE to increase shareholder profits.¹⁴

If cost-effectiveness obsolescence mitigation were the objective, SCE would have exercised its bargaining power to at least attempt to extend the life of functional systems instead of attempting to add to its cache of SAP Innovation Awards for various expensive, transformation efforts over the years.¹⁵

Lack of Due Diligence on Cost-Effective Alternatives to Address ERP Obsolescence

Transformation Appears to be Presumed - Not Proven - In the Planning Phase

SCE's planning chronology shows that migration to S/4HANA was assumed early "based in part on its positive experience with the SAP core ERP system (ECC)," after which Solution Planning

¹⁴ Refer "TURN-02 Survey- IT Leaders Express Concern Around SAP Plans for Move to S/4HANA.pdf", A May-June 2023 Rimini Street survey of 106 North American SAP ERP managers found that 67% of ECC customers with perpetual licenses aren't excited about moving to subscription models, 59% are considering innovating around existing deployments instead of upgrading, and 53% are outsourcing some or all SAP ERP management.

¹⁵ For instance, SAP Innovation Awards 2025, "HR re-platform journey at Southern California Edison using SAP SuccessFactors, SAC, SAP BTP Integration & Applications," Source: <https://www.sap.com/documents/2025/03/8046d119-fc7e-0010-bca6-c68f7e60039b.html>, SAP Innovation Awards 2022, "CX transformation journey @ SCE using SAP Customer Experience cloud solutions," 2022. Source: <https://www.sap.com/bin/sapdxc/proxy.inmsl.attachment.12981.pitch-deck.pdf>

and Solution Analyses Phases 1 and 2 were organized around designing, staffing, and sequencing that outcome.¹⁶ SCE held over 100 workshops, identifying nearly 700 business process and technology enablement opportunities, and over 60 potential benefit categories, during which the utility refined preliminary benefit estimates. However, the record provides no methodological details regarding these workshops or any quantified results, including survey sample sizes, response analysis protocols, questionnaire design, or bias mitigation measures that would meet basic qualitative research standards. Workshop participants included only internal subject matter experts, SAP personnel, or Deloitte consultants - creating an inherent bias with no independent external expert review to provide alternative, cost-effectiveness focused perspectives. The process appears to have functioned as a benefits-gathering exercise to justify a preselected transformation scope based on exaggerated benefit-cost ratios. Notably, SCE admits that product selections generally followed an SAP-first strategy; it "did not conduct an independent competitive solicitation process for every product selection," and in its own option screening, cost was accorded a minimal 5% weight and 60% of the evaluation criterion was focused on "Transformation" and "Impact".^{17 18}

Obsolescence-Only Approach May Represent the Most Prudent Path in a Rapidly Evolving Technology Landscape

The application rests on SAP's 2027 end of mainstream ECC support with premium extensions to 2030, yet provides no side-by-side total-cost and risk comparison of: (a) an obsolescence-only path involving targeted patching, and SAP or third-party support; or (b) modular composable

¹⁶ A.25-03-009, SCE-01-Vol.01, p.16

¹⁷ A.25-03-009, SCE-01-Vol.01, p.19

¹⁸ ATTACHMENT 07_TURN-SCE-002_Q2d_SCE NextGen ERP Roadmap details, Evaluation Criteria chart, Slides 5,6

ERP architectures. Industry data further undercuts the asserted urgency: i.e. by end of 2024, less than half of SAP's ECC customers had migrated to S/4HANA.¹⁹

Gartner, the leading enterprise resource planning research organization, issued recommendations as of March 2025 explicitly stating that "SAP S/4HANA is the successor to SAP ECC. However, no single approach justifies its adoption for everyone" and advised organizations to "assess your options" including that "it is acceptable to not adopt SAP S/4HANA, opt for partial adoption or even opt for third-party support." Gartner further noted that "not every organization will complete its migration before the announced end-of-life support date for SAP ECC."²⁰

SCE's failure to explore these industry-recognized alternatives becomes particularly problematic given that composable enterprise architectures, as outlined by enterprise architecture expert August-Wilhelm Scheer, are gaining global traction as cost-effective alternatives to wholesale upgrades of the sort SCE recommends.²¹ Industry experts at Rimini Street similarly advocate for composable ERP strategies that "surround their (sic) core ERP suite with an optimized mix of vendors, solutions, and technologies that best meet their unique needs" rather than forcing dependence on single-vendor integrated solutions.²² Rather than locking ratepayers into an eight-year monolithic transformation, a phased obsolescence-focused approach could address

¹⁹ CIO.com, "Nearly half of SAP ECC customers may stick with legacy ERP beyond 2027," June 4, 2025, <https://www.cio.com/article/4000543/nearly-half-of-sap-ecc-customers-may-stick-with-legacy-erp-beyond-2027.html>

²⁰ Gartner Research Update, March 2025, <https://www.gartner.com/doc/reprints?id=1-2KIRW8QZ&ct=250313&st=sb>

²¹ Scheer, A. (2024). The Composable Enterprise: Agile, Flexible, Innovative

²² Rimini Street, "Is an Integrated ERP Suite or a Composable ERP Strategy Right for You?" June 2023, <https://www.riministreet.com/blog/erp-suite-versus-composable-erp-strategy/>

immediate concerns through targeted interventions while preserving flexibility to adopt superior technologies as they mature.

"Benefits" Cataloging Does Not Substitute for the Commission's Just-and-Reasonable Standard

SCE's claim of \$2.302 billion in benefits is derived from internally facilitated workshops and vendor/consultant inputs that inherently inflate the benefits of the chosen transformation pathway. That methodology conflates discretionary operational enhancements with required ERP system upkeep, inflating the calculated benefit-cost ratio of the transformation package while leaving unquantified the counterfactuals mentioned above. Notably, SCE's own selected "Phased Deployment for All" approach acknowledges that initial applications can be "developed on top of the current ECC core, decoupled from S/4HANA," demonstrating that an obsolescence-only approach could address immediate concerns until the 2029 GRC cycle (expected to be submitted by May, 2027), when the Commission could evaluate whether additional non-obsolescence work represents a meaningful use of ratepayer funds.²³ This is further demonstrated in results on quick-wins (i.e. opportunities leveraging the existing ECC platform) from SCE's Planning Phase workshops:

²³ A.25-03-009, SCE-01-Vol.01,p.27

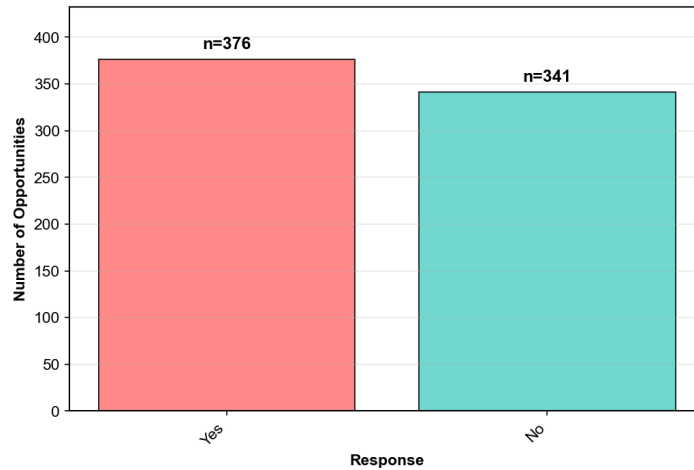


Figure 1 More than half of the n=717 opportunities identified by Edison/Deloitte are defined as “Quick Win / Hit? (Can this opportunity be implemented immediately - before roll-out of S4/Hana ?)”²⁴

In SCE-02, Vol. 01, SCE describes its "NextGen ERP Program Forecast Methodology", which contains three critical gaps: a) Most fundamentally, SCE's analysis approaches all strategic questions with an implicit "if cost was not a constraint" framework - asking what could be achieved rather than what should be achieved given ratepayer impact limitations; b) it excludes post-implementation costs required to realize promised benefits; and c) most critically, it lacks any consideration of an obsolescence-only scenario for implementation costs.²⁵ While the forecasting relies primarily on competitive RFP processes as the main cost constraint, it fails to address the fundamental question of what a minimal "obsolescence mitigation only" approach would cost to implement across a limited set of mega-processes versus the full transformation scope - leaving intervenors and the Commission without a baseline comparison for this multi-billion dollar investment decision.

²⁴ ATTACHMENT 01_TURN-SCE-002_Q2c_SCE NextGen ERP Opportunity Tracker- FINAL.xlsx

²⁵ SCE-02, Vol. 01, p.2,3 and Tables V-I, V-II, and V-III.

In short, SCE's application relies on aspirational transformation benefits rather than an objective analysis that shows full-scale on premise-to-cloud transition as the most prudent, and cost effective means to remedy near-term obsolescence, security and support gaps.

Inflated and Unverifiable Benefits Claims Undermine SCE's NextGen ERP Program Justification

Lack of KPIs and Disaggregation of CPUC-Jurisdictional-Only Benefits

SCE admits it lacks any operational framework for benefit tracking or accountability. When asked to identify key performance indicator (or KPI) tracking processes, SCE responded that "the NextGen ERP program SMEs have identified and defined KPIs to measure and track the realization of the program's forecasted benefits" but acknowledged it "is still in the process of developing the framework for storing, measuring, and reporting the KPIs to align with program objectives and SCE performance goals."²⁶ This framework will not be operational until "the first release in Q4 2026," if at all, years after ratepayer funding begins, and after Commission approval of a multi-billion dollar project. Most tellingly, SCE states that it "currently does not expect to miss any benefits" and "generally plans to account for the benefits on a forecast basis in its 2029 GRC."²⁷

Most importantly, SCE has presented only leading indicators - forward-looking projections and promises of future performance - while completely failing to establish lagging indicators that measure actual realized outcomes. Leading indicators predict what might happen; lagging

²⁶ SCE Response to TURN-SCE-03, Q1.d

²⁷ SCE Response to TURN-SCE-03, Q1.e

indicators measure what happened. Since SCE's projected benefits ramp-up beginning as early as 2025, it could have easily established quarterly or annual measurement of actual benefit realization (%) against forecasted targets, and utilized an Advice Letter or similar approach to sharing progress on projected benefits. Instead, the utility proposes no mechanism (except the assertion that it "currently does not expect to miss any benefits") to track whether projected efficiency gains, cost savings, and/or productivity improvements actually materialize, leaving ratepayers with no recourse if the promised \$2.3 billion in benefits prove illusory.

Under California's cost-of-service regulatory framework, this approach provides no regulatory mechanism to ensure benefit realization or tie cost recovery to performance outcomes. SCE's benefits all represent future-oriented promises for approval of an approximately \$1.3bn revenue requirement today.

Exaggerated and Unverifiable Benefits Claims Undermine SCE's

NextGen ERP Program Justification

SCE's benefits case for NextGen ERP rests on a laundry list of 95 speculative benefits developed through a methodologically deficient process that relies on unverifiable consultant assertions rather than empirical validation. The utility "contracted with Deloitte, an industry expert" to provide improvement estimates (ranging from 10% premium time reduction worth \$216.8 million to 18.75% materials handling savings), yet provides no sampling plan, no number or qualifications of surveyed SMEs, no "quantitative" survey outputs (means, standard deviations, or agreement metrics), and no literature or benchmarking citations that are the basis of

performance evaluation research.^{28 29} When asked to provide “all relevant worksheets, calculations, white papers, reports, market information (confidential), and written reasoning provided by SCE subject matter expertise and industry experts” supporting key assumptions regarding Benefit 11 i.e. Reduce Premium time from Distribution Construction Crews (SCE and Contractors) worth \$216.8 million in total benefits, SCE’s primary rationale was: “SCE contracted with Deloitte, an industry expert, who provided an improvement estimate of 10%.”³⁰ Similarly, for Benefit 38 i.e. Reduce labor costs for Districts material management, SCE’s reasoning was “SCE contracted with Deloitte, an industry expert, who provided an improvement estimate of 15%”.³¹

As illustrated above, SCE's benefits quantification process lacks fundamental methodological rigor and relies on unverifiable consultant assertions rather than empirical analysis. Despite requests for underlying data, sampling approaches, and survey protocols by TURN and Public Advocates Office, SCE provided boiler plate responses stating that it contracted with Deloitte, an industry expert, and relied on their results and benchmarks, followed by internal SME inputs that lack basic details such as sampling approach, sample size, and/or survey results.

Deloitte's improvement estimates allegedly derive from historical cost savings from other utilities and validated with internal SME discussions, yet SCE provides no details regarding which utilities, methodologies employed, sample sizes, relevance to SCE, or confidence interval

²⁸ SCE Response to TURN-SCE-003, Q03.b-e (providing no quantitative survey data, sampling approaches, or statistical measures for any SME input)

²⁹ See, for example, the essential components of qualitative survey-based research using SME inputs in the Methods section here: <https://www.cambridge.org/core/journals/disaster-medicine-and-public-health-preparedness/article/incident-management-measurement-tool-immmt-a-tool-for-measuring-public-health-incident-management-during-and-after-emergencies/43B280B629CED57530F9233CFA8F95E3>

³⁰ SCE Response to PubAdv-SCE-004-STO, Q4

³¹ SCE Response to TURN-SCE-003, Q03.a: The 15% estimate was further upward adjusted by SCE SMEs.

ranges. SCE's approach appears to involve ad hoc "workshops with Directors and Principal Managers" to come up with point estimates rather than rigorous expert consensus methodologies such as the Delphi method.^{32 33}

Overall, SCE's benefits calculation represents forward-looking speculation rather than empirically defensible benefits calculation that may pass even a basic peer review. The utility has implemented numerous ERP improvements over the past decade, including CSRP re-platform and various technological upgrades. A methodologically sound approach would have analyzed SCE's demonstrable historical efficiency gains from baseline conditions (pre-CSRP) to current performance, then projected realistic future improvements based on proven organizational capacity and capability to leverage technology for process efficiency.

Despite methodological deficiencies, SCE's benefit categories may provide guidance for prioritizing obsolescence-focused scope that TURN recommends. For example, benefits from obsolescence-only scope with high capital value and early full realization potential may represent measurable benefits within specific mega-processes rather than aspirational efficiency improvements across five business units that lack empirical foundation.

³² SCE Response to PubAdv-SCE-004-STO Q4

³³ <https://www.rand.org/pubs/commentary/2023/10/generating-evidence-using-the-delphi-method.html>

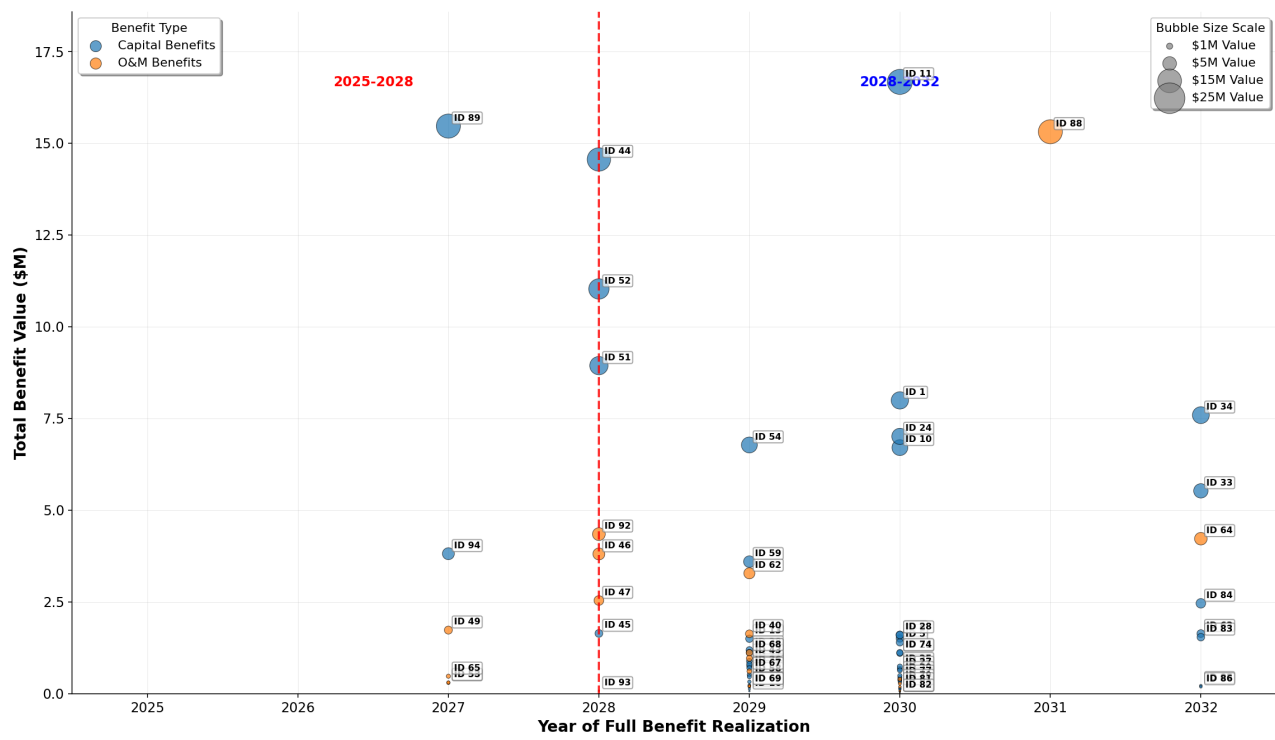


Figure 2 SCE’s claimed benefits are distributed across 2025-2038, with varying O&M / Capital value. Of the 95 claimed benefits, focusing on high-value 100% obsolescence-only, capital benefits may deliver the greatest value to ratepayers.³⁴ Note that this is an illustrative example looking at a limited 2025-2032 time horizon.

Misaligned Timelines and Present Value Calculations

SCE compounds these flaws with a present-value analysis that masks the true revenue requirement impact on ratepayers. SCE's benefit-cost analysis employs a truncated timeframe that conceals the program's true cost-effectiveness. Its cost-benefit ratio is calculated only for 2025–2032, even though program post-implementation costs continue through 2038. Using SCE's own data, a complete nominal comparison of total forecasted revenue requirement versus

³⁴ 18_WPSCE01Vol02ChVI NextGen ERP Program Benefits.xlsx, tab “Benefit Realization Timing<-”

total forecasted benefits for the transformation-scope demonstrates that the program’s BCR is well below 1.0.

Table 2 Total Program Costs vs. Benefits (Nominal, \$ millions, 2025–2038)³⁵

Category	Total RRQ	Total Benefits	BCR
Total Program Scope	\$3,105	\$2,302	0.74

Even accepting SCE’s own benefit estimates—which TURN disputes—the nominal comparison shows the total program revenue requirements (2025-2038) exceed benefits by more than \$800 million, resulting in a BCR of 0.74. By contrast, an obsolescence-only showing would avoid burdening ratepayers with speculative “transformation” promises that are neither tracked nor enforced.

TURN’s Recommendation:

SCE has failed to prove that its obsolescence-plus-transformation approach represents a cost-effective, and reasonable use of ratepayer funding to address ERP obsolescence. The utility has further failed to present a comprehensive evaluation of an obsolescence-only scope broken down, at a minimum, by required-only mega-process and year. This leaves the Commission and intervenors without the foundational analysis required for this multi-billion dollar investment decision.³⁶

³⁵ Based on 18_WPSCE01Vol02ChVI NextGen ERP Program Benefits, and 20_WPSCE-01Vol03ChVII Benefit Cost Ratio.xlsx

³⁶ Note that Gartner estimates that customers may opt into extended maintenance for SAP ECC through 2030 at a 2% premium for software support fees, which could represent roughly 10% in additional yearly costs. Assuming the 2027 end of mainstream support and 2030 end of extended support is firm (which SAP’s recent support extension to 2033 indicates is not), this option provides a clear and cost-effective pathway for SCE to maintain its current ECC platform safely through an obsolescence-only approach, until at least its 2027 GRC, at which point the utility can present a detailed showing on whether additional ERP investment is warranted.
<https://www.gartner.com/doc/reprints?id=1-2KIRW8QZ&ct=250313&st=sb>

SCE's wholesale replacement across five mega-processes represents a potentially premature transition from on-premise SAP ECC to cloud-based S/4HANA that has demonstrated limited global uptake to date. This approach is antithetical to ratepayer protections during an affordability crisis that the Governor has repeatedly acknowledged, most recently through his October 2024 executive order directing fiscal restraint and consumer savings.³⁷ In contrast, an obsolescence-only approach could address the latest, most imminent concerns until the 2029 GRC cycle (submitted by May 2027), when the Commission could evaluate whether additional non-obsolescence work justifies more ratepayer funding.

*Therefore, as TURN's primary recommendation, TURN recommends that the Commission limit consideration to an obsolescence-only approach and direct a supplemental showing by Edison that includes detailed, latest needs assessment for an obsolescence-only scope (with costs and benefits broken down, at a minimum, by required-only mega-process and year) for evaluating a targeted obsolescence-only scope.*³⁸ *The Commission could either hold this proceeding in abeyance and direct SCE to supplement its showing in this application (TURN's primary recommendation), or the Commission could deny this application and allow SCE to file a new application with an obsolescence-only approach.*

³⁷ Governor Newsom's Executive Order of October 30, 2024, <https://www.gov.ca.gov/2024/10/30/governor-newsom-issues-executive-order-tackling-rising-electric-bills/>

³⁸ In SCE-01, Vol. 02, Table V-1 presents NextGen ERP Program Implementation Phase Capital Expenditures from 2025-2029, and Table V-2 presents NextGen ERP Program Implementation Phase O&M Expenses (2025-2031). As a result, the total \$1.3bn of requested capital and O&M costs are implementation phase costs for the full transformation scope (i.e. exclude post-implementation costs). These costs may not represent total costs required to realize all benefits, and more critically, provide no comparable cost breakdown for an obsolescence-only approach.

Statement of Qualifications (Jalal Awan, Ph.D.)

I am an Energy and Climate Policy Analyst at The Utility Reform Network (TURN) since November 2023 and have sponsored or co-sponsored testimony in various Commission proceedings on behalf of TURN, including Southern California Edison's 2025 GRC Application ([A.23-05-010](#)), SCE's Building Electrification Application ([A.21-12-009](#)), Pacific Gas and Electric company's 2024 RAMP Application ([A.24-05-008](#)), PG&E's Gas AMI Application ([A.24-03-011](#)), PG&E's CSUMB Electrification Application ([A.22-08-003](#)), PG&E's Peak Day Supply Standard Application (A.25-05-010) and several ongoing CPUC proceedings such as the Long Term Gas Planning OIR ([R.24-09-012](#)). Prior to joining TURN, I worked as an Assistant Policy Researcher at the RAND Corporation in Santa Monica (2017-2023) and as an electrical projects engineer at Engro Corporation in Pakistan (2010-2014 and 2016-2017).

As a policy researcher, I have developed technical reports, conducted mixed-methods research, and presented findings to a diverse range of stakeholders, including the Centers for Disease Control and Prevention and the U.S. National Academy of Sciences (NAS). I completed my B.S in electrical power systems engineering from the University of Engineering and Technology, Lahore (Pakistan) from 2006-2010, my M.S. in green technologies from the University of Southern California (Viterbi School of Engineering) in December 2015 as a Fulbright Scholar, and my M.Phil. and Ph.D. in Policy Analysis at the Pardee RAND Graduate School in 2019 and 2023, respectively. I am a member of IEEE, Six Sigma Green Belt from the American Society for Quality (ASQ) and hold the U.S. Green Building Council certification in Leadership in Energy & Environmental Design (LEED).

My Google Scholar profile can be accessed here:

https://scholar.google.com/citations?user=0A3_DZUAAAAJ&hl=en

ATTACHMENTS

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Southern California Edison
A.25-03-009 – NextGen ERP

DATA REQUEST SET T U R N - S C E - 0 0 2

To: TURN
Prepared by: Dianne Lim
Job Title: Senior Advisor, Strategic Planning
Received Date: 8/19/2025

Response Date: 8/27/2025

Question 02.c-d:

Re: A.23-05-010 (pp. 80–82), concerning \$7.68 million capital recorded cost for Solution Planning Phase of the NextGen ERP Solution.

c) Provide all underlying data, models, and assumptions that were inputs to the work conducted in this phase, broken down by each of the five workstreams (i.e. Process Capability, Technology Assessment, Process Bionics, Roadmap Scenario, High-Level Business Case) including questionnaires, surveys, and any other relevant materials. Please produce in native electronic format (e.g., Excel spreadsheets, PowerPoint presentations, databases).

d) Please provide all outputs from each of the five workstreams conducted in this phase, including but not limited to reports, datasets, models, and analyses. These should be produced in their native electronic formats (e.g., Excel, PowerPoint, or other applicable workshop files).

Response to Question 02.c-d:

c) SCE objects to this question on the grounds that it is overbroad and unduly burdensome. Subject to and without waiving this objection, SCE responds as follows: Please see the attached document “ATTACHMENT 01_TURN-SCE-002_Q2c_SCE NextGen ERP Opportunity Tracker – FINAL.xlsx”, which was an input to all 5 workstreams. Also see the attached “ATTACHMENT 02_TURN-SCE-002_Q2c_SCE Next Gen ERP Business Case Refresh V2_01192021.pptx”, which was an input to the high-level business case workstream. Please note that these inputs were very preliminary (early 2021) and were subject to change as SCE progressed through the solution planning and analysis phases.

d) Please see below for the documents that were outputs from the 5 workstreams mentioned and its related workstreams. Note that SCE is not able to provide outputs from Process Bionics workstream as this is a proprietary tool for Deloitte.

Document	Related Workstream
ATTACHMENT 03_TURN-SCE-002_Q2d_SCE NextGen ERP EAM Capability Maturity Assessment Summary – FINAL.pptx	Process Capability
ATTACHMENT 04_TURN-SCE-002_Q2d_SCE NextGen ERP Finance Capability Assessment Workshop Summary - FINAL.pptx	Process Capability

ATTACHMENT 05_TURN-SCE-002_Q2d_SCE NextGen ERP SCM Capability Maturity Assessment Summary - FINAL.pptx	Process Capability
ATTACHMENT 06_TURN-SCE-002_Q2d_SCE NextGen ERP Time and Pay Capability Maturity Assessment Summary - FINAL.pptx	Process Capability
ATTACHMENT 07_TURN-SCE-002_Q2d_SCE NextGen ERP Roadmap details.pptx	Technology Assessment, Roadmap Scenario
ATTACHMENT 08_TURN-SCE-002_Q2d_SCE NextGen EAM Business Case Validation Document - FINAL.pptx	High Level Business Case
ATTACHMENT 09_TURN-SCE-002_Q2d_SCE NextGen Finance Business Case Validation Document - FINAL.pptx	High Level Business Case
ATTACHMENT 10_TURN-SCE-002_Q2d_SCE NextGen HR Business Case Validation Document - FINAL.pptx	High Level Business Case
ATTACHMENT 11_TURN-SCE-002_Q2d_SCE NextGen Supply Chain Business Case Validation Document - FINAL.pptx	High Level Business Case

Please note that these outputs were developed in 2021-2022 and were preliminary. They were subject to change as SCE progressed through the solution analysis phases leading up to the 2025 GRC Application. Additionally, SCE had provided slides from these attachments in a prior DR. These attachments are earlier versions of what were provided in previous DR sets:

- Slides in ATTACHMENT 08_TURN-SCE-002_Q2d_SCE NextGen EAM Business Case Validation Document - FINAL.pptx are earlier versions of the slides provided in Set PubAdv-SCE-04-STO questions 1-6.
- Slides in ATTACHMENT 11_TURN-SCE-002_Q2d_SCE NextGen Supply Chain Business Case Validation Document - FINAL.pptx are earlier versions of the slides provided in Set PubAdv-SCE-04-STO questions 7-10.
- Slides in ATTACHMENT 10_TURN-SCE-002_Q2d_SCE NextGen HR Business Case Validation Document - FINAL.pptx are earlier versions of the slides provided in Set PubAdv-SCE-04-STO question 12.

Decisions points being considered for Green vs Selective vs Brown

		Greenfield	Selective transformation	Brownfield
Transformation into NextGen ERP	<ul style="list-style-type: none"> Ability to achieve full transformation by creating a simplified Core ERP with higher level of agility 			
Process redesigns	<ul style="list-style-type: none"> Opportunity to reimagine future processes and capabilities and create platform for continued process improvement 			
Demand on business resources	<ul style="list-style-type: none"> Demand on business resource involvement for design and implementation 			
Technical implication	<ul style="list-style-type: none"> Are there technical constraints that creates complexities or makes option less attractive 			
Mitigate Change mgmt.	<ul style="list-style-type: none"> Limit user change impact from solution or process changes 			
Tech adoption and Simplification	<ul style="list-style-type: none"> Ability to achieve Clean Core ERP and remove technical debt/heavy customization 			
Effort to implement	<ul style="list-style-type: none"> Effort to recreate integrations and must have customizations 			
Future upgrades	<ul style="list-style-type: none"> Clean ERP core for faster upgrades 			

Legend: Highly favorable favorable Moderately favorable Less favorable Not favorable

Evaluation Criteria

Comparison of 4 deployment options

Grouping	Category	Weighting	Option 1	Option 2	Option 3	Option 4
Transformation	Flexibility	5%	1	2	2	3
	Gradually introduce change	10%	1	2	3	2
	Timeline (duration)	5%	3	2	2	1
Impact	Interim processes	10%	3	2	1	2
	Peak resource demand	10%	1	2	3	2
	Change impact to business	15%	1	3	2	3
	Integration Complexity	5%	2	2	1	2
Risks	Delivery Risk	10%	1	3	2	3
	Technology Risk	5%	3	2	1	2
	Business Risk	10%	1	2	3	2
Cost/Benefit	Business Benefit delivery	10%	3	2	2	2
	Potential Cost	5%	3	2	1	2
	Total	100%	23 → 17.5 Unweighted Weighted	26 → 22.5 Unweighted Weighted	23 → 20.5 Unweighted Weighted	26 → 22.5 Unweighted Weighted

Legend: Highly favorable Favorable Moderately favorable Less favorable Not favorable

Southern California Edison
A.25-03-009 – NextGen ERP

DATA REQUEST SET T U R N - S C E - 0 0 3

To: TURN
Prepared by: Martin Li
Job Title: Senior Advisor
Received Date: 9/2/2025

Response Date: 9/12/2025

Question 01.a:

RE: 18_WPSCE01Vol02ChVI NextGen ERP Program Benefits.xlsx:

a) Provide a version of the benefits worksheet with all transmission-side and/or FERC-related benefits removed.

Response to Question 01.a:

While most benefits are CPUC-related, SCE does not have the benefits worksheet, “WPSCE01Vol02ChVI NextGen ERP Program Benefits.xlsx”, broken out by CPUC/FERC. However, the NextGen ERP Program balancing account revenue requirement calculation for benefits removed FERC-related benefits and also removed FERC-related costs. Presenting total company costs and benefits in testimony and workpapers is consistent with how SCE presents costs and benefits in our GRC filings. Additionally, consistent with our GRC filings, SCE’s RO model appropriately accounts for the CPUC and FERC split of costs and benefits for purposes of calculating the CPUC requested revenue requirements.

Additionally, the BCR analysis evaluates total lifetime costs and benefits for customers.

Please refer to excel file, "19_WPSCE01Vol03ChVII Benefits Inputs for Revenue Requirement Modeling.xlsx" in tab "App Benefits Calculation", a workpaper included in our application. SCE provides the benefit inputs walkover that compartmentalizes total company steady-state benefits. For balancing account modeling purposes, SCE used the net steady-state benefits, which excluded FERC-related benefits, among other non-CPUC-related benefits.

In SCE’s 2029 GRC showing, SCE will provide a CPUC/FERC view of the benefits in the RO model level at a minimum.

Southern California Edison
A.25-03-009 – NextGen ERP

DATA REQUEST SET T U R N - S C E - 0 0 3

To: TURN
Prepared by: Martin Li
Job Title: Senior Advisor
Received Date: 9/2/2025

Response Date: 9/12/2025

Question 01.e:

RE: 18_WPSCE01Vol02ChVI NextGen ERP Program Benefits.xlsx:

e) Please explain how Edison plans to account for missed or unrealized benefits in its 2029 and 2033 General Rate Cases (GRCs).

Response to Question 01.e:

SCE currently does not expect to miss any benefits. As described in SCE-01, Vol. 02, Chapter VI.C., pp.78-79, the timing for which certain benefits will be returned to customers through the proposed Balancing Account or in future GRCs is primarily tied to the deployment timeline. The deployment timeline is determined by implementation release dates and in many instances yields a gradual “ramp-up” of benefits over time. A delay in implementation release dates may cause a corresponding delay in the respective benefit realization ramp-up schedules. At the time of finalizing SCE's 2029 GRC forecasts, SCE would align the timing of the forecast NextGen benefits to the timing of the current implementation release dates. Please refer to ED-SCE-Verbal-002 for a copy of SCE's second workshop presentation. At slide 18, SCE provides a visual aid of how SCE generally plans to account for the benefits on a forecast basis in its 2029 GRC. As shown on slide 17, all benefits are anticipated to be 100% ramped up and operationalized by the end of the 2029 GRC forecast period.

Southern California Edison
A.25-03-009 – NextGen ERP

DATA REQUEST SET T U R N - S C E - 0 0 3

To: TURN
Prepared by: Martin Li
Job Title: Senior Advisor
Received Date: 9/2/2025

Response Date: 9/12/2025

Question 03:

Re: 18_WPSCE01Vol02ChVI NextGen ERP Program Benefits.xlsx: For all assumptions based on SME or industry expert input in the following benefits:

Supply Chain Management-38: Reduce labor costs for Districts material management (Note: “The percentage saved and estimated times are informed by subject matter expertise.”), Supply Chain Management-40: Reduce inventory costs at Contractor locations with inventory controls (Note: “The percentage saved is informed by subject matter expertise.”), Procurement-44: Realize savings from contract performance management and compliance (Note: “The percentage saved is informed by subject matter expertise.”), Finance-62: Standardized system-guided workflow for time-off requests (Note: “The percentage saved is informed by SCE subject matter experts and industry experts based on their experience and industry information.”).

Please provide:

- a) All underlying data used to derive the assumptions.
- b) Sampling approach and total number of SMEs and/or industry experts surveyed or interviewed.
- c) SME / industry expert roles, qualifications, and relevance to the benefit area.
- d) Quantitative survey results, including co-agreement metrics (e.g., mean response, standard deviation, or other measures of consensus).
- e) Details of any referenced literature to confirm/reject survey-based results.

Response to Question 03:

Please provide:

- a) All underlying data used to derive the assumptions*

Response to a:

Supply Chain Management-38: SCE contracted with Deloitte, an industry expert, who provided an improvement estimate of 15%. SCE subject matter experts increased the expected savings amount to 75% and estimated that .25 (15min/60min) of their time was spent on processing goods movements line items. This results in $.25 \times 75\% = 18.75\%$ compared to the 15% provided by Deloitte. Please refer to the attached file, “ATTACHMENT 1_TURN-SCE-003 Q3a, 38 Reduce

labor costs for Districts material management.pdf”, which was used to inform SCE’s estimates.¹

Supply Chain Management-40: SCE contracted with Deloitte, an industry expert, who provided an improvement estimate of 10% and an inventory carrying cost of 15%. SCE subject matter experts revised the inventory carrying cost to 9.87%, that reflects SCE updated pre-tax WACC rates as of December 2024. Please refer to the attached file, “ATTACHMENT 2_TURN-SCE-003 Q3a, 40 Reduce inventory costs at Contractor locations with inventory controls.pdf”, which was used to inform SCE’s estimates.²

Procurement-44: Please refer to SCE’s response in PubAdv-SCE-004-STO Q6, which has the documentation that supports the assumption of the percentage saved for Procurement #44.

Finance-62: Please refer to SCE’s response in PubAdv-SCE-004-STO Q13, which has the documentation that supports the assumption of the percentage saved for Finance #62.

Please provide:

b) Sampling approach and total number of SMEs and/or industry experts surveyed or interviewed.

Response to b:

SCE contracted with Deloitte, an industry expert, and relied on their results and benchmarks. Please refer to the attached file, “ATTACHMENT 3_TURN-SCE-003 Q3c NextGen ERP_Deloitte_RFP Response.pdf” for Deloitte’s team of experts (see pages 95 to 113 of Attachment 3). Please note we have redacted the pricing information on page 115 in the RFP attachment.

Please provide:

c) SME / industry expert roles, qualifications, and relevance to the benefit area.

Response to c:

SCE contracted with Deloitte, an industry expert, who provided the improvement estimate, which was based on historical cost savings from other utilities and validated with internal SME discussions. Attachment 3 contains information on Deloitte’s industry expert roles, qualifications, and relevance to the benefit area. In addition to working with SCE since the inception of the NextGen Solution Planning phase in 2020 (see page 1 of Attachment 3) and past large projects, such as CSRP program (see page 3 of Attachment 3), Deloitte has been working across asset-

¹ The attachment is an excerpt from a large presentation, which represents the estimates during the solution planning and/or solution analysis phases that may have been further refined in our NextGen application.

² The attachment is an excerpt from a large presentation, which represents the estimates during the solution planning and/or solution analysis phases that may have been further refined in our NextGen application.

intensive industries such as utilities, oil, gas, and chemicals, working with many large clients who are dealing with similar S/4HANA transformations (see pages 2 and 89-93 of Attachment 3).

Deloitte has been recognized as an industry leader by many well-known companies. For example, Gartner ranked Deloitte above all others in Ability to Execute (see Figure 1 below).^{3,4} Additionally, with Deloitte's rich S/4HANA familiarity and deep knowledge of capabilities, SAP has awarded Deloitte their highest quality award for at least three years running.^{5,6,7} For more information on Deloitte's capabilities, please refer to Attachment 3.

³ <https://www.deloitte.com/global/en/about/recognition/analyst-relations/gartner-magic-quadrant-for-digital-experience-services.html>

⁴ <https://www.gartner.com/en/documents/4016047>

⁵ [Finalists and Winners | SAP Pinnacle Awards 2022](https://www.sap.com/partners/pinnacle-awards/finalists-winners.html?pdf-asset=5889dc48-6b7e-0010-bca6-c68f7e60039b&page=1) (<https://www.sap.com/partners/pinnacle-awards/finalists-winners.html?pdf-asset=5889dc48-6b7e-0010-bca6-c68f7e60039b&page=1>)

⁶ [Finalists and Winners | SAP Pinnacle Awards 2023](https://www.sap.com/partners/pinnacle-awards/finalists-winners.html?pdf-asset=7a3512b1-b37e-0010-bca6-c68f7e60039b&page=1) (<https://www.sap.com/partners/pinnacle-awards/finalists-winners.html?pdf-asset=7a3512b1-b37e-0010-bca6-c68f7e60039b&page=1>)

⁷ [Finalists and Winners | SAP Pinnacle Awards 2024](https://www.sap.com/partners/pinnacle-awards/finalists-winners.html?pdf-asset=3c11bde5-037f-0010-bca6-c68f7e60039b&page=1) (<https://www.sap.com/partners/pinnacle-awards/finalists-winners.html?pdf-asset=3c11bde5-037f-0010-bca6-c68f7e60039b&page=1>)

Figure 1: Magic Quadrant for SAP S/4HANA Application Services, Worldwide



Source: Gartner (June 2022)

Please provide:

d) Quantitative survey results, including co-agreement metrics (e.g., mean response, standard deviation, or other measures of consensus).

Response to d:

Refer to SCE's response in part b above.

Please provide:

e) Details of any referenced literature to confirm/reject survey-based results.

Response to e:

Refer to SCE's response in part b above.

Southern California Edison
A.25-03-009 – NextGen ERP

DATA REQUEST SET P u b A d v - S C E - 0 0 4 - S T O

To: Public Advocates Office

Prepared by: Martin Li

Job Title: Senior Advisor

Received Date: 7/21/2025

Response Date: 8/1/2025

Question 04:

Referring to CONF WP SCE-01, Vol. 02, Ch. VI, Benefits, Work Management, Work Management-11: Reduce Premium time from Distribution Construction Crews (SCE and Contractors), pp. 155-157, please provide the following:

a) Please provide, all relevant worksheets, calculations, white papers, reports, market information (confidential), and written reasoning provided by SCE subject matter expertise and industry experts (as described in footnote 1 on page 156) used to determine the reduction in premium time of 10%.

b) Please provide the confidential union contract noted in footnote 3 on page 156.

c) Footnote 4 on page 156 states that “The Capital and O&M percentage split is based on the average 2021 to 2023 recorded spend.” Please provide such data that outlines the capital and O&M split for each year 2021-2023. In addition, briefly describe the methodology on how the 89% capital and 11% O&M split was determined from such data.

Response to Question 04:

a) SCE contracted with Deloitte, an industry expert, who provided an improvement estimate of 10%. Please refer to the attached file, “PubAdv-SCE-004-STO Q4 Work Management 11.pdf” which was used to inform SCE’s estimate.¹ The reduction percentage of premium time from Distribution Construction Crews was confirmed during a workshop with the Directors and Principal Managers of SCE’s Distribution Construction and Maintenance and the NextGen ERP team.

b) Please refer to the attached file, “PubAdv-SCE-004-STO Q4b Union Contract.pdf” which is an excerpt from a larger document.

c) Footnote 4 on page 156 should be corrected to reflect 2022 and 2023 as these were the historical years used to calculate the average spend. See attached recorded spend for 2022-2023 and the breakdown for Capital and O&M. The average recorded spend from 2022-2023 is approximately \$289.1M (\$257.4M Capital and \$31.8M O&M). This translates to 89% Capital (\$257.4/\$289.1) and 11% O&M (\$31.8M/\$289.1M).

¹ The attachment is an excerpt from a large presentation, which represents the estimates during the solution planning and/or solution analysis phases that may have been further refined in our NextGen application.

Org Type (\$ in Millions)	Type	2022	2023	2022-2023 Average	%
Distribution	Capital	\$ 269.0	\$ 245.7	\$ 257.4	89%
	O&M	\$ 32.2	\$ 31.4	\$ 31.8	11%
Total	Capital + O&M	\$ 301.2	\$ 277.1	\$ 289.1	100%

Survey: IT Leaders Express Concern Around **SAP Plans** for Move to **S/4HANA**



In 2018, SAP announced that mainstream support for ECC and Business Suite was coming to an end. Just when that will happen depends on your version, right down to the enhancement pack. For ECC 6 EHP 0-5, mainstream support will end in 2025, with no option for extended support. For ECC EHP 6-8, it will end in 2027 with an option to extend (at extra cost) through 2030.

In addition, SAP is promoting its RISE with SAP program for S/4HANA Cloud, which may push customers with perpetual licenses to give those up and move to a subscription-based software-as-a-service (SaaS) model.

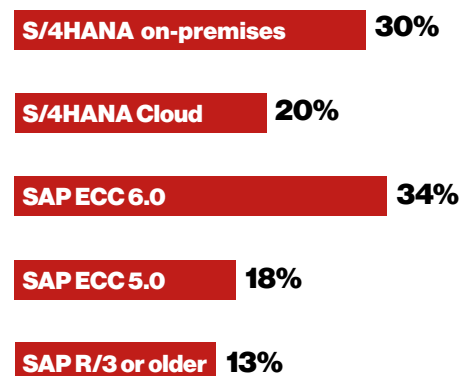
It's typical for organizations to spend millions of dollars on SAP customizations, integrations, processes, and change management. And since SAP deployments almost always far outlast their depreciation schedule, Rimini Street wanted to better understand how enterprises view their investments in SAP ERP and their plans for migration.

To this end, Rimini Street partnered with Foundry to survey North American SAP decision makers to understand the following: SAP ERP customer strategies; S/4HANA deployment plans; experiences with existing SAP investments; primary decision criteria for SAP's product roadmap; and outsourcing strategies to manage SAP ERP. To qualify for this survey, respondents had to be responsible for managing their organization's SAP environment and/or influencing SAP investment decisions. All respondents are running one or more SAP ERP applications.

The Current State of the SAP ERP User Base

Respondents are using a variety of SAP applications, and some have multiple versions in place (see Figure 1).

SAP Applications in Use



(Figure 1)

Most survey respondents are largely satisfied: 79% say their current SAP investment satisfies all (27%) or most (52%) of their business needs. For respondents using ECC – the version of SAP ERP that immediately precedes S/4HANA – it was slightly higher at 82%, saying that ECC meets all (26%) or most (56%) of their business needs.

It comes as no surprise that most respondents have customized their ERP in one way or another: 82% of all respondents report their current SAP release includes customization, and of those using ECC, 100% reported having a platform that has been customized.

With so much invested in customization for a platform that's largely already meeting business needs, survey respondents said they will weigh the risks and benefits carefully when deciding whether to upgrade to a new version or not. This is especially true if they are not only moving to a new version of SAP's ERP platform but also considering migrating from on-premises to the cloud.

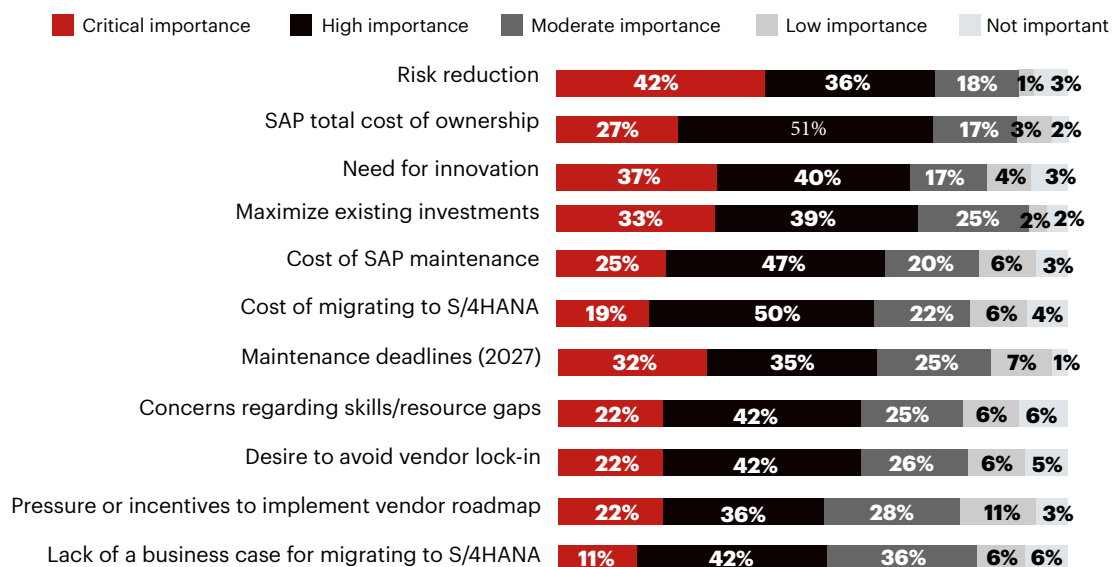
Concerns With Migration

It's natural that respondents are concerned about having to move to a

subscription SaaS model, and that's borne out in the data: two-thirds (67% of ECC/Business Suite customers with a perpetual SAP license prefer not to convert to a subscription model. And concerning cloud migration, close to half (42%) worry about potential cost increases, 38% are concerned about vendor-imposed schedules for updates, and 37% are concerned about vendor lock-in with subscription clouds.

When enterprises consider SAP's future product roadmap to determine whether and when they should upgrade, risk reduction is their top consideration, with 78% saying that it is of high or critical importance. Total cost of ownership comes in a close second, with the need for innovation and the need to maximize existing investments filling out the top four. (see Figure 2).

Importance of Factors When Evaluating SAP Roadmap



Q9: How important are the following factors when your organization is evaluating your future SAP roadmap? (Figure 2)

In fact, 59% said they are considering composable ERP, with the company innovates at the edges of their existing deployment instead of upgrading. Primarily, they are looking to achieve improved agility (54%) and cost effectiveness (48%). Finding best-fit functionality (42%) is another priority, as is avoiding vendor lock-in (18%).

With these findings in mind, it's perhaps not surprising that, of those who do plan to migrate to S/4HANA, only 26% plan to host it even partially on SAP HANA Enterprise Cloud (HEC). Just 19% will do so exclusively and 7% will do this in a hybrid deployment. (Note: HEC was available as a deployment option early-on with S/4HANA, but has since been replaced with hyperscaler options as part of the RISE with SAP program.)

On the flip side, 45% plan to deploy on AWS, Microsoft Azure, or Google Cloud, while 18% plan to host locally, either on-premises or with a hosting partner.

"It stands to reason that some enterprises are reticent to move to RISE for a number of reasons," said Luiz Mariotto, Group Vice President, SAP Product Management at Rimini Street. "First, many want to retain their perpetual licenses for SAP. Second, they want to control the commercial relationship with their hyperscaler of choice for their SAP workloads. The three big hyperscalers have many years of experience architecting and operating their environments."

Issues With SAP Support

When asked about SAP support, the most common complaint was the need to upgrade to resolve issues (27%). SAP ERP platforms handle critical to day-to-day business process and are typically still in service years after they have been fully depreciated. Upgrading can potentially break any integrations with other applications or ERP customizations, which may require not only a hefty investment in additional development, but also extensive regression testing to ensure everything works as required.

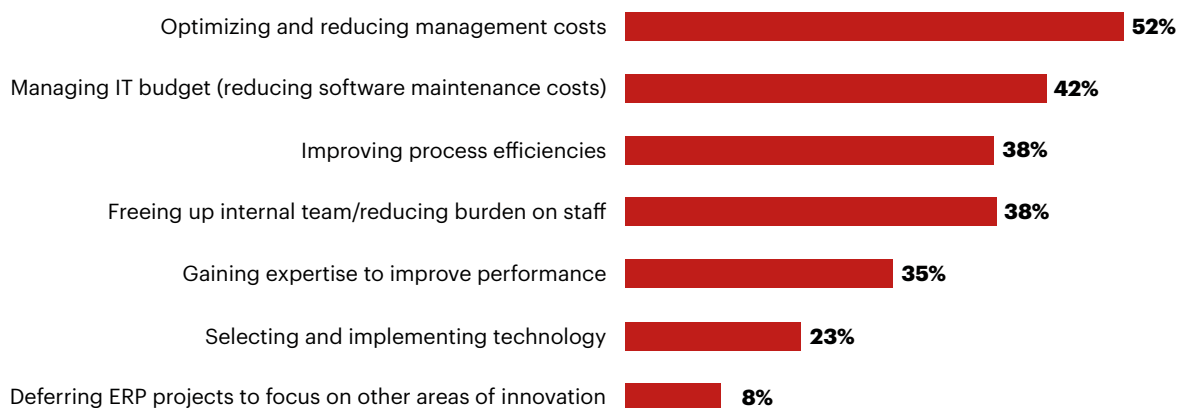
"Given how central SAP is to the daily functioning of an enterprise, the downside risks of a failed or even a delayed upgrade are large," said Rimini Street's Mariotto. "It's not surprising that customers would complain about having to upgrade in order to address issues they are experiencing."

Additional issues include:

- **19% - Having to explain the same issue multiple times**
- **19% - lack of vendor accountability**
- **19% - Having to consult with other sources such as community or knowledge bases for independent advice**
- **15% - Difficulties staying up to date with security patches**

SAP customers are accustomed to looking outside of SAP for assistance. The survey results show that outsourcing management, maintenance, and support are common, with 53% of all SAP customers outsourcing some or all of their SAP ERP management. Reasons for outsourcing include wanting to optimize and reduce management costs (52%) and reducing costs associated with IT budget and software maintenance (42%). (see Figure 3).

Top Drivers for Outsourcing SAP ERP Management



(Figure 3)

Q22: What are the primary reasons why your organization is outsourcing or considering outsourcing your SAP ERP to a managed services provider?

Alternatives to Upgrading — One Customer’s Success Story

It’s clear that SAP customers are largely satisfied with their current platform and are concerned about being forced to upgrade. The good news: There are alternatives to upgrading.

Consider the experience of Green Cargo, an eco-friendly rail logistics company owned by the Swedish government with just under \$500 million (USD) in annual revenues.

In 2019 the company set strategic objectives to increase internal digitalization of processes and automate rail operations by 2030.

Ingo Paas, CIO, was charged with developing a new IT strategy to modernize the business while mitigating major IT risks. The challenge for his team was that, following the financial crash in 2009, Green Cargo had to take extensive cost-cutting measures and outsource the entire IT operation. A decade later, it was clear this action was having a significant impact on IT

investment and was no longer sustainable, leaving the organization with two highly complex core legacy systems: its mainframe and SAP environments.

Faced with a complex SAP ECC6 EHP 7 environment, Green Cargo had to make a strategic decision: embark on a multi-year project to migrate to a new version of SAP, migrate to a new ERP altogether, or find a way to continue maintaining the current platform.

Green Cargo [partnered with Rimini Street](#) to enable what became an extremely successful approach to innovation. Rimini Street stabilized the SAP environment across more than half a dozen critical functions such as human resources and supply chain management. The team also improved performance, reducing payroll runtime by 70%. Rimini Street also integrated SAP Payroll and client systems with modern, cloud-based low-code applications.

“Our ambition is to deliver an IT roadmap that is driven by business needs rather than by IT, avoiding huge investments and the risks of migrating to other platforms,” said Ingo Paas, CIO at Green Cargo. “Rimini Street is solely focused on support and is incredibly customer-centric, which means it is constantly aiming to raise the bar and find new ways to deliver high-quality, cost-effective support to our business.”

Rimini’s Answer to RISE with SAP

Rimini Street enables SAP customers to extend and increase the value of their existing SAP investment because it offers comprehensive support for the customer’s platform – including integrations, which SAP typically does not support. At the same time, Rimini Street clients receive security solutions and a steady stream of innovative service features. And SAP customers can get all of this for less than the cost of SAP support, says Scott Hays, Sr. Director, Portfolio Marketing at Rimini Street. There’s no pressing need to move to SAP S/4HANA and move into the RISE payment model. Instead, organizations can leverage Rimini to continue seeing value from the capital investment they’ve already made.

“Our ambition is to deliver an IT roadmap that is driven by business needs rather than by IT, avoiding huge investments **and the risks of migrating to other platforms.”**

“Organizations spend millions on these systems, and they’re highly customized,” said Hays. “And even though these platforms provide value for many, many years, eventually, if you want to stay fully supported by the vendor, you’ll have to upgrade to the next release.

“We think there’s a better model,” he continued. “Rimini Street will support SAP for 15 years or more from the day a client signs on and during those years we provide security solutions, tax and legal updates, more comprehensive support, and interoperability solutions for modernizing the environment. Instead of investing in upgrades, clients can reduce costs and optimize what they have, shifting savings to accelerate innovation around the edges.”

The Bottom Line

Upgrading an enterprise ERP platform is a massive project and a large investment, but it’s not the only option for SAP customers. By partnering with an SAP expert like Rimini Street, enterprises can extend the life of their current SAP ERP investment, avoid an upgrade that requires moving to a subscription-based model, and continue to receive comprehensive support while pursuing business-driven innovation.

To learn more about Rimini Street visit

<https://www.riministreet.com/solutions/sap/>

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About the survey

Foundry surveyed 106 respondents who managed SAP ERP and/or influenced SAP technology investment decisions at 106 North American enterprises. Qualified respondents were SAP managers, SAP architects, SAP leads, or senior IT management at companies with revenues of \$250 million USD or more.

Top industries included manufacturing; pharmaceuticals/life sciences; business services and consulting; retail; architecture, building, construction, and engineering; and telecommunications products and services.

The survey was conducted from May 24, 2023, to June 7, 2023.

CIO

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