

Case Study | 2022 TBM Council Award: Business Optimization

Investment Transparency with TBM Leads to Optimized Spend at National Grid

A National Grid Case Study

Executive Summary

Technology Business Management (TBM) enables National Grid to achieve myriad savings by leveraging external benchmarks with their TBM Apptio solution. As part of an ambitious savings program targeting \$100M+ (USD) in savings over three years, the National Grid team is leveraging TBM principles and Apptio solutions to benchmark IT Tower costs and initiate approximately 130 optimizations externally. Through these efforts the National Grid TBM team exceeded their first-year target by delivering \$47M (USD) in annual savings.

National Grid Overview

National Grid is one of the world's largest publicly listed utilities focused on the transmission and distribution of electricity and gas across the United Kingdom and the United States East Coast. National Grid is vital in connecting millions of people to the energy they use safely, reliably, and efficiently.

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nationalgrid

Website

www.nationalgrid.com

Founding date: 1990

Employee count: 23,683 (based on 2021 YE)

Headquarters: London, United Kingdom

Revenue: \$20.8B (based on 2022 YE accounts)

Industry: Utilities

TBM Solutions:

ApptioOne Plus™

ApptioOne Benchmarking™

Vendor Insights™

Cloud Business Management™



“It started with us leveraging the TBM taxonomy to assess our cost base for benchmarking against our peer group.”

Sunil Anand

Global Head of Technology
Business Management

The Challenge

National Grid is undergoing a major multi-year transformation within its Digital & Technology organization to achieve its ambitious goal of delivering a more affordable and reliable clean energy future. This transformation comes with a myriad of pressures to reduce IT costs to increase customer value, change their ways of working, and meet regulatory reporting and funding requirements. Additionally, National Grid's acquisition and divestiture activity across the United States and the United Kingdom has added to the pressures related to delivering these cost savings.

Establishing the Solution

National Grid established a TBM office in 2018 as a critical enabler for ensuring the successful delivery of the transformation's targeted outcomes. Additionally, National Grid invested in ApptioOne Plus, ApptioOne Benchmarking, Vendor Insights, and Premier Support. As part of a three-year savings program, this investment helps National Grid rationalize applications, optimize network cost, optimize cloud spend, and reduce technical debt.

The Result

Achieving \$47M in Annual Savings

As part of an ambitious savings program targeting \$100M+ (USD) in savings over three years, National Grid's TBM office is leveraging ApptioOne to identify and achieve significant savings in four key initiatives:

- Application rationalization
- Network cost optimization
- Cloud cost optimization
- Technical debt

Benefits:

- Saved \$47M annually in first year.
- Launched 130 cost optimization initiatives.
- Application TCO uncovered approximately 400 applications for efficiency or decommissioning.
- \$2M in efficiency savings and reduced the total cost per application.
- \$3M savings in application support spend.

Application Rationalization: Using Application TCO reporting to rationalize applications, National Grid is targeting approximately 400 applications for efficiency or decommissioning. With those efforts, the TBM team is on track to save \$10M over three years. In FY22, they achieved \$2M in efficiency savings and reduced their total cost per application.

Network Cost Optimization: Furthermore, TBM principles and ApptioOne allowed the team to develop a use case to identify suspected excess circuit billing by their Enterprise Network Carrier. Using site-focused reporting of network costs, the team identified historical double billing across numerous sites for both WAN and SD-WAN circuits. This resulted in a \$1M credit.

Cloud Cost Optimization: By integrating Microsoft Azure™ into Cloud Business Management, the National Grid TBM team was able to right size, exposing reserved instance optimization opportunities. This has initiated a \$3M savings for the broader program.

Technical Debt: Targeting technical debt, the National Grid TBM team developed a use case to expose the incremental cost paid to their Enterprise Data Center hosting provider for end-of-life server platforms. The annualized savings targeting technical debt equates to \$1M.

Changing Conversations with Real Consumption and Transparency

Recognizing the need for more actionable and transparent cost conversations between the business and IT, the National Grid team enhanced their approach to TBM and the Apptio technology financial management solutions to focus on providing clear value and capability outcomes derived from highly accurate and actionable cost data. TBM principles align with the overall SAP financials system. IT consumption drives the allocation engine and produces an accurate run rate.

Providing transparency to the underlying products and services IT procures enabled the National Grid TBM team to develop a truly consumption-driven allocation model. In conjunction with a comprehensive, actionable, and fully drillable “Bill of IT,” the National Grid TBM team has completely changed the conversation between their CIOs, regulatory teams, corporate finance, and other vital stakeholders to fact-based and results-driven discussions.

Building Use Cases and Embedding TBM into Major Initiatives

Beyond the 3-year savings program, National Grid’s TBM office is leveraging Apptio solutions to support other company objectives. With a use-case approach, the National Grid team starts with major organizational initiatives and identifies where TBM data can expose new opportunities or provide further layers of understanding. The TBM team supports extensive divestiture activities and activity to right-size application maintenance support models through this approach.

National Grid has four external Application Maintenance Managed Service Providers who invoice on a per-application basis and by service

tier (e.g., Gold/Silver/Bronze). Their new platform exposes and augments this data with support tickets and support model information (e.g., 24x7, 24x5). With this newly compiled information, the TBM team developed a use case to uncover opportunities for re-tiering service levels, right-sizing support models, and providing signals for volume discount opportunities. With the execution of the initiative, National Grid reduced its application support spend by \$3M.

Another area where TBM is driving efficiencies for National Grid is its divestiture activity. National Grid is currently divesting two large businesses. The TBM team has been leveraging ApptioOne as the single source of truth for understanding their Transition Service Agreements (TSAs) and the primary source for identifying stranded costs. This has resulted in time savings and the identification of approximately \$40M in stranded costs.

Conclusion

As a winner of the 2022 TBM Council's Business Optimization Award, the National Grid TBM team provided advice for earlier-stage TBM practices.

Sunil Anand, Global Head of Technology Business Management at National Grid, highlighted, "It started with us leveraging the TBM taxonomy to assess our cost base for benchmarking against our peer group." From there, Sunil offers five tips for achieving success with TBM:

- Ensure your TBM program has full executive sponsorship
- Ensure accuracy and actionability of developed capabilities
- Establish a strong partnership between Finance and Technology
- Deliver continuous value through an agile delivery approach
- Architect TBM around clear use cases that deliver tangible outcomes

Establishing these points as foundational in a TBM program will ensure organizations deliver on their business objectives.



Join the TBM Council

Founded in 2012, the Technology Business Management (TBM) Council is a nonprofit business entity dedicated to advancing the discipline of TBM through education, standards, and collaboration. Governed by an independent board of both global and regional business technology leaders, this diverse group represents some of the world's most innovative companies, including Mastercard, Wells Fargo, State Farm Insurance, Nike, Stanley Black & Decker, Equifax, ANZ Group, Commonwealth Bank of Australia, Adidas, Bank of Ireland, and more. The TBM Council provides best practices for leaders to leverage so they can react quickly to changing market dynamics and optimize cloud and agile strategies to deliver on business objectives.

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