

1 **Q. In its March 2020 report at page 4 Ernst & Young’s (“EY”) stated that “while CSS**
2 **does not pose an immediate operational risk to Newfoundland Power, there are**
3 **significant functional and technical risks associated with continuing to operate and**
4 **maintain the application” and further that “These risks are not static and will**
5 **increase over time”. Given that the CSS is not an immediate operational risk, what**
6 **factors or criteria should, in EY’s opinion, be used to determine the most**
7 **appropriate time to commence replacement of the system?**
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9 A. As of the date of our 2020 report, Newfoundland Power was operating its CSS while
10 mitigating the identified risks to an acceptable level to not pose immediate operational
11 risk to the Company. This was a positive assessment as it allowed reasonable time to
12 properly assess, plan and implement a modern CIS system.
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14 Based on EY’s experience, the following four factors are commonly used to determine
15 the most appropriate time to commence replacement of critical systems. These include:
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- 17 1. Technical risk – technical risk, as measured by dimensions such as obsolescence,
18 vendor investment, reliability, and security are key factors in determining when to
19 commence replacement of a system. When a system is nearing obsolescence,
20 commencing and completing the system replacement should occur prior to the
21 technical risks achieving levels where continued mitigation is less possible,
22 resulting in issues that could negatively impact the provision of service to
23 customers and/or impacting the ability to successfully implement a new CIS.
24
- 25 2. Maintenance and upgrade costs – the costs associated with maintaining and
26 upgrading the legacy system are important factors in determining when to
27 commence the replacement project. In our experience, companies seek to
28 commence replacement projects so that they can avoid additional investments into
29 the legacy system, effectively redirecting that spend to the new technology. This
30 is particularly common when the legacy system requires a large investment (e.g.,
31 a server or mainframe upgrade) that could be avoided if the system replacement
32 project were underway.
33
- 34 3. Project Readiness – the ability of the company to successfully initiate and support
35 the replacement project is a determinant of when to commence replacement.
36 Project readiness has several facets including:
 - 37 • Project sequencing – utilities are often undertaking multiple large,
38 complex projects simultaneously. A CIS replacement effort is a significant
39 effort and utilities will often defer or accelerate other projects so that they
40 can focus their best people and their management attention on the CIS
41 project.
 - 42 • Planning and assessment – a CIS replacement project should only
43 commence once a planning and assessment exercise is conducted.
 - 44 • Capital planning – given the size of the investment required to implement
45 a new CIS, utilities take care to ensure they have the appropriate funds
46 allocated to support the project.

- 1 4. Regulatory requirements and customer expectations – regulatory requirements
2 and customer expectations are important factors for replacement projects. These
3 factors influence the replacement commencement date, particularly when a utility
4 believes it may not be able to meet a pending regulatory requirement or emerging
5 customer expectation without the new system in place.