



25 November 2020

EEA Asset Managers Forum

# **ASSET MANAGEMENT PLANS**

## **Risk and Resilience**



# Topics for today

- Partna – about us
- Risk preparedness – scope of the AMP review
- Review questions
- What we were looking for in the AMPs
- Our findings
- Summary







# Partna – about us

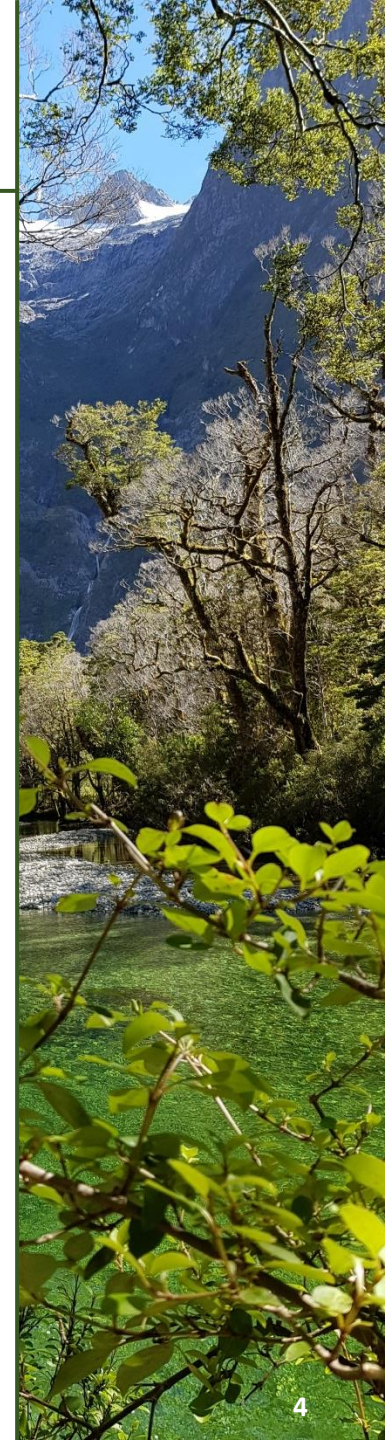
- Kiwi owned, established in 2004
- Investment planning, asset management, regulation
- Electricity, Telecommunications, Gas, Local Government
- Some recent projects include:
  - EDBs, Gas distribution, Transpower, fibre - Asset Management Plans, SAMPs etc..
  - Commerce Commission – Fibre capex IM, Risk and Resilience review, asset management practices
  - Transpower – supported RCP3, asset health, ICT planning
  - Greater Wellington Regional Council - Public Transport Asset Management Plan
  - Various Clients – training, development, continuous improvement in asset management and investment planning



# Risk Preparedness – AMP Review

- Undertaken for the Commerce Commission, published June 2019
- Scope: to assess AMP disclosures, from an “interested persons” perspective, with a focus on risk, resilience and HILP planning
- Desktop, top-down review only
- Based on AMPs published in 2018 and 2019
- Primary foci was on disclosed:
  - Corporate risk management practices
  - HILP response planning
  - Resilience investments
- Outside of the scope:
  - Asset related risks
  - Health and Safety risks

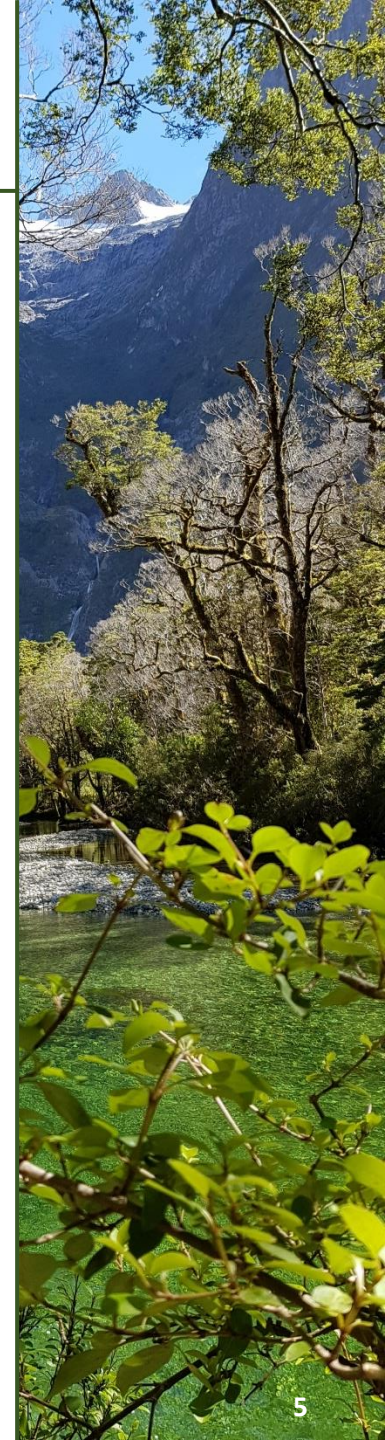
[https://comcom.govt.nz/\\_data/assets/pdf\\_file/0028/153883/Partna-Consulting-Group-Expert-report-AMP-review-of-EDB-risk-preparedness-20-May-2019.PDF](https://comcom.govt.nz/_data/assets/pdf_file/0028/153883/Partna-Consulting-Group-Expert-report-AMP-review-of-EDB-risk-preparedness-20-May-2019.PDF)





# Risk Preparedness – AMP Review

- Open letter from the Commission in November 2017 – “asset management is a key focus, notably EDBs’ ability to manage their assets effectively, to maintain resilient networks, and to do both of these in a changing environment”
- Review was a step towards meeting the Commission’s priorities by reviewing the disclosure of EDB’s risk management practices, contingency and HILP planning, and to a lesser extent investment associated with resilience
- Increasing interest in risk, and in particular resilience, from regulators and reviewers – Commission, Audit NZ, etc..

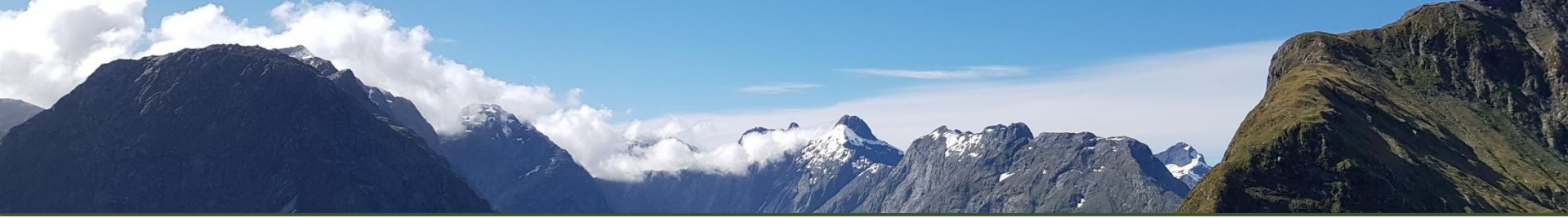




# Our Approach

- Evidence based:
  - Demonstration of good risk governance and processes
  - Demonstration of HILP Risk Preparedness
  - Resilience based investment
- An “interested persons” perspective
  - Clear communication of both the approach taken and the systematic and ongoing practical application within the business
  - Application of industry / ISO / technical standards
- Recognise the multiple “layers” involved
  - Effective risk management requires a “system”
- Based on disclosed content within the AMP





# Our Approach - AMPs



## REGULATORY

“core elements”, “sufficient information”, “interested persons”, “performance and risks of assets”, “improvement” etc..



## STAKEHOLDERS

Plain English, informative, reflects best practice



## PROFESSIONAL

Standards and practice – ISO 55000, ISO 31000, internal consistency, optimisation, asset health, risk, ...

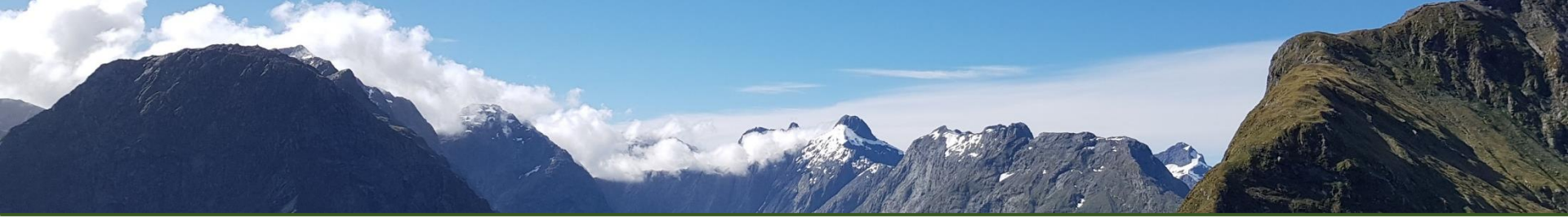


## BRANDING

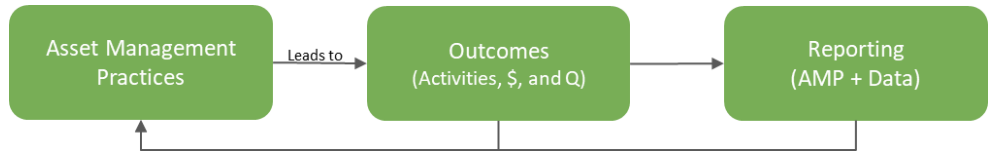
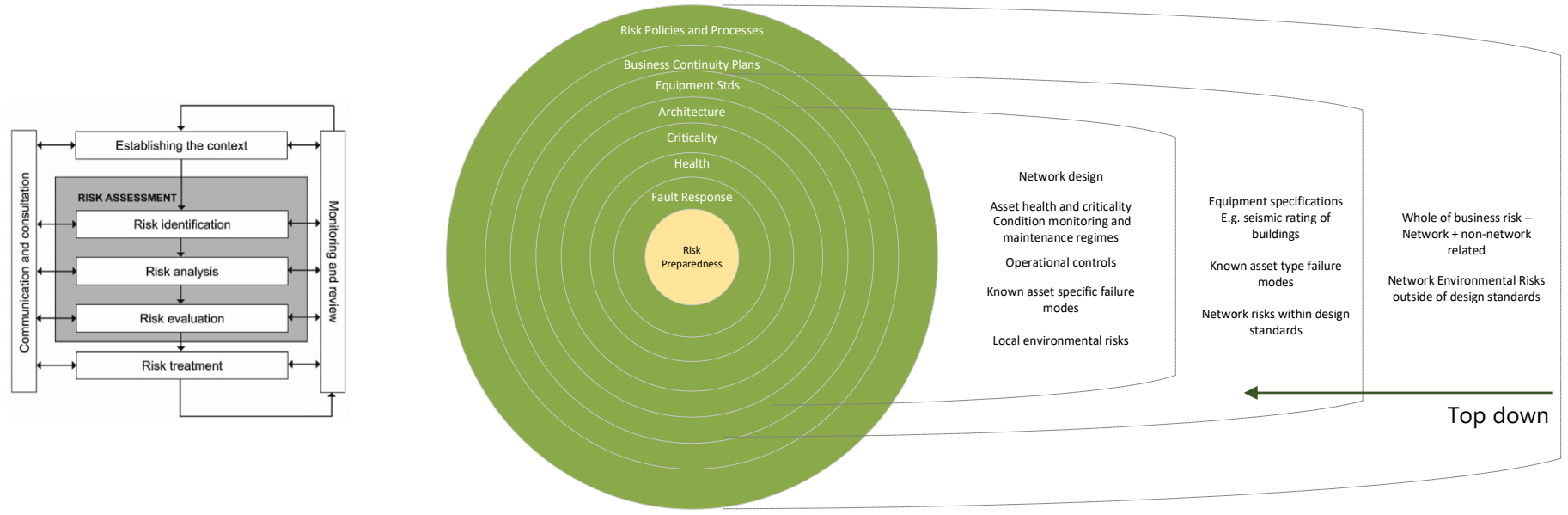
Reflects your organisation



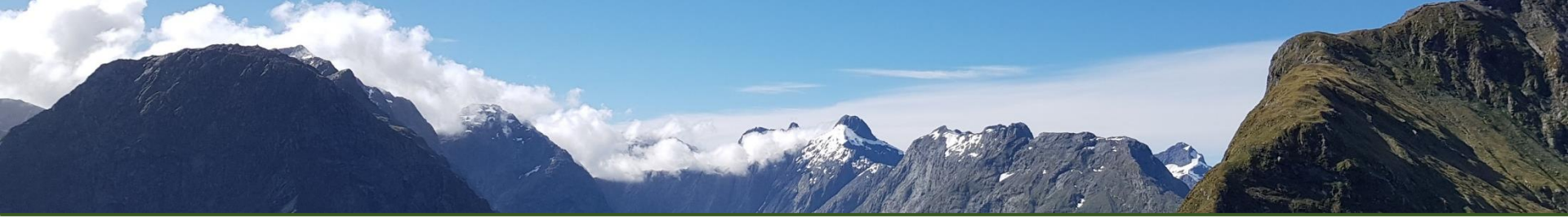




# What aspects of “risk” should be considered?

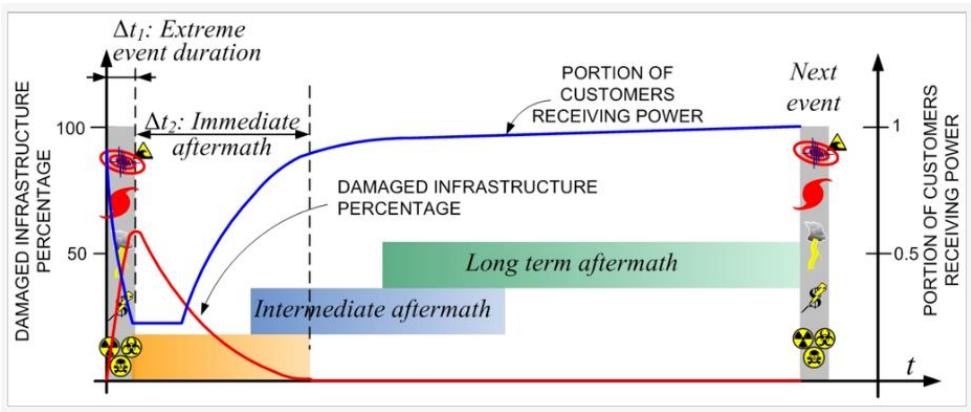
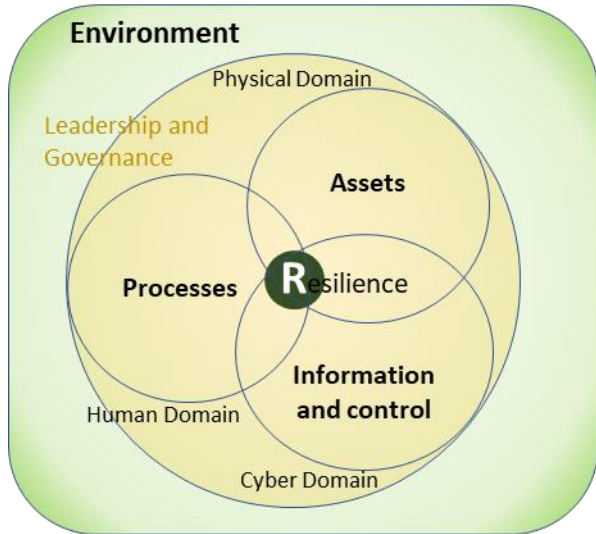






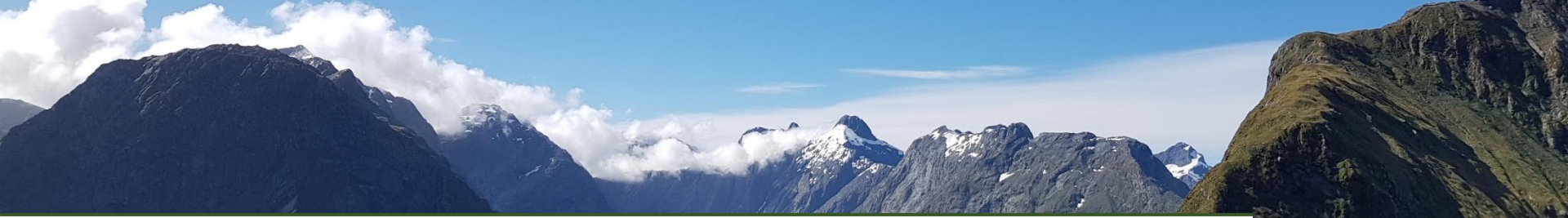
# What drives resilience?

- Resilience is a function of the whole system
- Interest for this study – response preparedness (as reported in the AMP)



Ref: Kwasinski, Alexis, "Quantitative Model and Metrics of Electrical Grids' Resilience Evaluated at a Power Distribution Level", 2016

- ISO 22304 (business continuity)
- The 4 R's: *Reduction, Readiness, Response, Recovery*



# Review questions

1. Is there evidence that risk policies, risk assessments and specific mitigations exist?
2. Are the methods and conclusions of the risk analysis provided and demonstrate a reasonable consideration of risks?
3. Are there strategies and processes in place to identify specific network areas, or key individual assets, that are vulnerable to HILP events?
4. Are there specific network areas, or key individual assets, vulnerable to HILP events?
5. Are the steps to improve the network or asset resilience described?
6. Are there details of emergency response plans and contingency plans and a major event spares strategy if a HILP event did occur?
7. Does the asset spares strategy take into account HILP event exposures and in order that spares may be used to minimise HILP event return to service durations?



# Risk Policies and Processes

What we  
were  
looking for

- AMPs that disclosed and demonstrated:
  - the risk standard or framework applied
  - accountabilities, roles and responsibilities within the EDB
  - the scope of the policy
  - the policy objectives
  - processes used to establish the context, and the identification, analysis, evaluation, and treatment of risks
  - regular monitoring and review of risks, along with continual improvement of processes
  - evidence of the systematic application through presentation of analysis and results. E.g discussion of risk categories, risk matrices, reporting on the largest residual risks, or some discussion about organisational and/or network risks faced, examples of risk analysis undertaken, and examples of mitigations utilised.
- “Good” examples have:
  - Clear and concise discussion (within the context of the ID disclosure requirements)
  - The theory and application are woven into the discussion. This demonstrates both understanding and evidence of the application
  - Aligns with the “interested person” test



# Findings – risk policies and processes

## Findings

- All EDBs appear to have a form of risk management policy framework in place (majority utilise ISO 31000)
- The level of the detail disclosed varies between EDBs
- The quality of the description also varies between companies
- For a few the AMMAT scores were in contradiction with the AMP commentary
- Risk categories are similar across companies, but the priority (importance) of the risks vary
- Some good examples of disclosure include Alpine, Northpower, Orion, WEL Networks, Wellington Electricity
- Point to note: the relationship between corporate wide risk management and the treatment of network and network related risks is often not clearly described in the AMPs (if at all)

# HILP risk preparedness

What we  
were  
looking for

- AMPs that disclosed and demonstrated:
  - the purpose and scope of each plan
  - alignment with standards
  - accountabilities, roles and responsibilities within the plans
  - objectives of the plan(s)
  - the integration of asset management and emergency response planning, including the treatment of spares
  - regular testing and improvements being made as gaps are found
  - evidence of the application of HILP analysis within the discussion and through identification of specific locations, at risk assets, and a description or graphic showing the results from analysis of the region
- “Good” examples have:
  - Clear and concise discussion (within the context of the ID disclosure requirements)
  - The theory and application are woven into the discussion. This demonstrates both understanding and evidence of the application into the business
  - Aligns with the “interested person” test

# Findings – HILP risk preparedness

## Findings

- A majority appear to have a form of an emergency response / contingency plan in place
- A majority of AMPs have a general description of the plans – typically more than one plan applies
- The level of disclosure in AMPs, and the strategies and processes used to identify HILP risks varies significantly
- All are members of CDEM lifelines groups
- There are some key elements that would strengthen the disclosures:
  - The overall objectives of the contingency plans (including realistic scope and timeframes for supply restoration)
  - The extent that stakeholder’s views have been sought in establishing the objectives
  - Disclosure of key risks, including a demonstration of an up-to-date systematic analysis of HILP risks within the applicable region
  - A summary of the roles and responsibilities within the plan. This provides some evidence that the plans have been implemented
  - The extent that the processes are monitored, tested and improved if gaps are found.
  - Many EDBs note that spares are held for emergencies, however, not all EDBs disclose this, nor is a line of sight provided to the contingency planning objectives
- Some good examples of disclosures include Wellington Electricity, Marlborough Lines, Horizon Network



# Resilience Investments

What we  
were  
looking for  
+  
findings

- We were looking for AMPs that disclosed and demonstrated:
  - description of specific investments
  - timeframes in which they are being undertaken
  - quality standards against which investment is being undertaken
  - systematic themes to investment
  - evidence of the application and where possible evidence of integration with asset planning
- We found:
  - A majority of AMPs referred to general investment principles (such as network architecture standards) rather than specific investments
  - Where resilience investment were specified there were general themes across EDBs
  - Little disclosure on the priority of resilience investments
- There are some elements that would strengthen the disclosures. These include:
  - Be specific (but not repetitive) - general architecture principles by themselves are not very informative
  - Timeframes for investments
  - Description of the rationale for the level of investment being made



# Summary recommendations

- Disclosure of risk management policies, frameworks, and processes are reviewed to ensure they provide evidence of the systematic application of risk management across the EDB.
- Disclosure of contingency plans should be strengthened to provide better context and assist in framing the expectations of stakeholders and customers on the network
- A more consistent and transparent disclosure of resilience investments would be useful from an “interested persons” perspective within the risk or resilience sections of the AMP