



COMMERCE COMMISSION

INFORMATION DISCLOSURE REGULATION UNDER PART 4 OF THE COMMERCE ACT 1986

AMMAT Workshop: Assessing the maturity of asset management in NZ's EDBs – a new tool 27 June 2011 Workshop Minutes

Venue

Te Aro 3 Conference Room,
The Terrace Conference Centre,
114 The Terrace,
Wellington.
Monday 27 June 2011, 10am–1:20pm

Introduction

Karen Murray from the Commerce Commission opened the workshop, welcoming participants and introducing Neil Wembridge and John Dyer from Parsons Brinckerhoff (PB). Karen noted that two Commissioners, Stephen Gale and Sue Begg were present as observers.

Karen explained that the disclosure of AMPs is an important part of meeting the purpose of information disclosure for EDBs. Interested persons are able to use AMPs to assess EDBs' practices and policies to innovate, invest, improve efficiency and provide services at a price and quality that reflects the expectations of consumers. The Commission's reviews of the AMPs are currently compliance-based, whereby the contents of the AMP are assessed by the extent to which they meet the disclosure requirements. However, a high compliance score does not necessarily correlate to the quality of the plan or to the EDB's capability to implement the plan successfully.

So that interested persons can better assess asset management development and delivery the Commission has engaged PB to develop an approach to assess the maturity of asset management capabilities and processes in EDBs. This is being done now so that if any changes to the disclosure requirements are needed to implement an assessment approach, then they can be consulted on as part of the current review of requirements.

The existing AMP requirements address the quality of asset management and planning processes by way of gap analysis and identification of improvement initiatives. An explanatory note to section 4.5.8(c) states: "It is good practice to also review the overall

quality of asset management and planning processes and the AMP itself, and to discuss any initiatives for improvement". The Commission thinks that standardising an assessment approach would assist interested persons in analysing relative performance and provide a consistent basis for assessing performance over time.

The purpose of this workshop is for PB to present its proposed assessment approach and obtain feedback from participants.

As well as hearing participant's views on the identified options, the Commission is interested in any alternative ways that the approach could be implemented under information disclosure. This would include views on the frequency of such assessments. The Commission has received submissions proposing that both electricity and gas AMP disclosures should be made once every two years, potentially with a summary AMP disclosed in the other years. The Commission will consider that proposal when making its draft decisions.

The Commission will also decide whether similar requirements should be set as part of any AMP requirements for suppliers of gas pipeline services. The Commission is seeking feedback on how well this would work for gas as well today.

The final PB recommendations will be released along with the Commission's draft decisions, so written submissions are not sought after this workshop. The time for written submissions will be on the draft determination. The Commission will also be able to take into account the feedback from today's workshop in making its draft decisions.

Introduction from PB

Neil Wembridge explained that the workshop is split into four sections. The objective is to promote discussion and generate as much feedback as possible. Neil referred to the draft tool and report issued two weeks ago.

Neil noted that the Commission's guidelines the PB work included consideration of the purpose of ID regulation, logistical considerations, existing standards, and the approaches adopted elsewhere.

The approach taken comprised three steps. The first step included a pilot visit. The AMMMAT had generally been well received. Much of the information was already being reported internally and to some extent was captured in the AMP. The second step was the current workshop. The third step was to update the tool for feedback and trial it through two EDBs, a small and a large EDB. Then the final report would be provided to the Commission.

Session 1: Project and methodology overview

Neil noted PAS55 was intended to improve asset management. It was close to being internationally recognised and had been adopted by many businesses. Access to the PAS standard, along with a handbook and a self-assessment tool containing the full 121 questions is available for a nominal fee.

PB's proposed assessment maturity tool is based on the PAM that accompanies the PAS 55 standard. The tool is evidence based. It is not essential to have complete documentation, but companies having good documentation are likely to achieve a good standard. The assessment tool reflects generic standards of good asset management. Neil noted the tool is fairly

intuitive and that there is a PAM maturity scale ranging from zero to four. A level of 3 is considered PAS 55 compliant.

It is not necessary for a company to be PAS 55 compliant. PAS 55 is used as the base. The PAS asset management principles are generic and the PAS 55 standard focuses on key aspects of asset management. The tool does not require things to be done – it is not prescriptive. It is up to each asset manager to determine how they manage the assets. But the asset manager should be aware of the concepts.

Some participants indicated they were already working to become PAS 55 compliant. Discussion followed on whether it is appropriate to use the tool separately from the PAS 55 standard. Neil's view was that it is appropriate as the tool focuses on key principles and concepts. Attendees from Powerco noted that the tool does require self-assessment, and there is a degree of variability in the results.

A participant suggested that the Commission and PB were going one step too far, too fast. He considered that implementation would be expensive at about \$100k a year; that it might not be appropriate to take the tool out of the overall PAS 55 system; and that it would take 5 years to comply. While he supported PAS55 he considered that using it for self-assessment without an understanding of the overall standard would make it impossible to compare self-assessments. He thought more time was required before the tool should be introduced.

Another participant considered the tool to be a business's tool. He queried what interested persons wanted, and whether this information would be useful to them.

PB agreed with a comment made that while the AMMAT questions may be easy to answer, gathering evidence would be more expensive.

A participant suggested the Commission could either gradually tighten the AMP requirements or retain a less focussed requirement that identified how well firms performed within the spirit of AMP.

Some attendees were concerned that the AMMAT may be too subjective and that the results could prove inconsistent. Interested persons would need a full, certified and audited report for it to be conclusive. Some queried whether the tool would give the Commission the information it wants.

Commission staff reiterated that the existing AMP requirements included a requirement to undertake a gap analysis and identify initiatives to improve this gap. If firms were not using self-assessment methodologies such as the PAM, what were they using?

Session 2: Capability Scope

Neil discussed the basis on which PB had selected 31 important questions from the 121 questions in the PAM. He noted that some of the 121 questions were similar and that PB considered that the 31 identified questions provided an appropriate level of coverage. The 31 questions covered key asset management system issues and certain gaps in the current EDB AMP requirements. For example, the PAM questions provided a stronger people focus than the EDB AMP requirements.

In PB's view, the AMMAT covers issues which a good asset manager will already be addressing. As such, the AMMAT was a check on how an asset manager was doing.

PB noted that the AMMAT covered some things that were already covered in the AMP. He considered this to be a good thing.

PB agreed there was benefit in looking at all 121 questions, but the tool applied a reduced set of 31 questions to minimise the effort in completing the assessment.

There was a discussion around the extent to which the AMMAT was useful in identifying how to improve any given asset management system. PB noted that it included an explanation for why a question was important and there were suggestions of the type of documents for a particular score.

Session 3: A walk through the AMMAT

Participants discussed whether the tool could stand alone or whether it would need to refer for the definitions contained in the PAS 55 to establish the correct meaning of concepts. PB considered that this will help develop consistency in language. PB suggested that companies specify their own definitions in the document and where they use PAS55 internally that they explain this. Participants considered that the tool should include some definitions.

PB indicated that the tool gave equal weightings to each question.

In terms of the quantity of information that was required to answer the AMMAT questions, PB considered that most information would reference existing Asset management system documentation. The tool sought bullet point statements, not essays or wordy responses.

Participants asked what a fail was. PB responded that the AMMAT and PAS 55 encouraged continuous improvement. It would help to identify areas of focus.

One of the participants observed that while the International Infrastructure Management Manual (IIMM) and the PAS55 standards were different, they were not inconsistent. PAS 55 is the obvious standard to focus on and it will likely be an international standard in time. The participant noted that the IIMM is about to be republished with a much closer alignment to PAS55.

Session 4: Implementation

In terms of implementation, PB indicated that in its view the AMMAT should be added onto the existing requirements. It would require details of businesses process, with reference to documents to provide evidence supporting the assessment of the maturity level.

A participant suggested that the AMMAT disclosures should not require auditing and that director sign-off may need some consideration.

During discussion on the value of the AMMAT for benchmarking, a participant noted that when people publish scores invariably people will want to compare them. A participant suggested that work be done in advance to moderate for consistency, and another suggested a pilot phase be used to consider whether the framework is adequate for benchmarking.

Some views were expressed concerning the frequency of AMMAT disclosure: one suggesting that it be less than one every two years; one noting that PAS requires a 2-year follow-up;

another suggesting that if there has been a major milestone a firm may want a more frequent disclosure and that there was no reason it shouldn't have the same frequency as an AMP.

Nathan Strong reiterated that the Commission needed to consider the interests of interested persons. What do they want? The Commission should identify the need and then design a solution.

Some attendees referred to the Public Safety Management System which is due April 2012, and noted the additional work that this required.

Conclusion

The chair thanked attendees for their participation. It was indicated that the Commission would consider PB's recommendations and their report would be available as part of formal consultation on the proposed ID requirements in September 2011.

The workshop concluded at 1.20pm.