



COMMERCE COMMISSION

INFORMATION DISCLOSURE REGULATION UNDER PART 4 OF THE COMMERCE ACT 1986

Workshop:

Assessing the maturity of asset management in NZ's EDBs – a new tool

This is an invitation to participate in a workshop to review a proposed new tool for assessing the maturity of asset management in New Zealand EDBs.

To be held:

Monday 27 June 2011, 10:00am–1:30pm
Wellington (venue to be advised).

Introduction

The disclosure of asset management plans (AMPs) provides valuable information to a range of interested persons on a critical component of New Zealand's infrastructure. Interested persons are able to use AMPs to assess EDBs' practices and policies to innovate, invest in replacing and upgrading existing assets and acquiring new assets, improve efficiency and provide services at a price and quality that reflects the expectations of consumers.¹

At present, the Commission's reviews of these AMPs take an essentially compliance-based approach whereby the contents of the AMP are assessed according to the extent that they meet the disclosure requirements. A high compliance score does not necessarily correlate to the quality of the plan or the EDB's capability to implement the plan successfully. In order to assist interested persons better assess AMP development and delivery the Commission has engaged PB New Zealand Limited (PB) to develop an approach to assess the maturity of asset management capabilities and processes in EDBs.

¹ The purpose of information disclosure is to ensure that sufficient information is available to interested persons to assess whether the purpose of information disclosure is being met. This purpose requires the promotion of outcomes consistent with outcomes produced in workably competitive markets such that suppliers of regulated goods and services have, amongst other things, (a) incentives to innovate and to invest, including in replacement, upgraded, and new assets; and (b) incentives to improve efficiency and provide services at a quality that reflects consumer demands. Ref. Commerce Act 1986, s 53A, s 52A.

PB has prepared a draft report and asset management maturity assessment tool (AMMAT). Links to these two documents are available under the heading “Asset Management Capability Tool Workshop - June 2011” on the Commission’s website at:

<http://www.comcom.govt.nz/part-4-review-of-electricity-information-disclosure-requirements/>

The Commission is holding an asset management capability tool workshop² with interested parties on 27 June 2011 to seek feedback on the approach used in the tool and described in the draft report.

Although the tool and report are primarily concerned with asset management by EDBs, the workshop is expected to also be of interest to suppliers of other services, such as gas distribution and gas transmission services, as the AMMAT may also be applied to other services.

This paper sets out the purpose and scope of the workshop and includes a draft agenda.

Purpose of the workshop

The purpose of the workshop is to present PB’s development of the assessment approach; obtain feedback from participants; ensure the recommended approach is fit for purpose; and identify potential changes to the information disclosure requirements arising as a result of implementing this tool.

The workshop discussions and the final PB report will inform the Commission’s preparation of the draft information disclosure determination for electricity distribution services. Formal consultation will be invited on this draft determination, planned for release in September 2011.

Pre-workshop preparation by attendees

Persons interested in attending this workshop are asked to register their interest no later than **Wednesday 22 June** by email to the Commission at:

regulation.branch@comcom.govt.nz

Responses should be marked for the attention of Robert Gordon. If there are particular issues you would like to see discussed at the workshop these could be briefly outlined by email also.

Workshop

The workshop will be held in Wellington. Participants will be notified of the venue once numbers are finalised. The workshop will start at 10am, and is expected to finish no later than 1.30pm. A morning tea will be provided.

A transcript of the workshop will not be prepared. Minutes from the workshop will be posted on the Commission’s website.

² As described in Commerce Commission, *Information Disclosure Regulation Electricity Lines Services and Gas Pipeline Services Update on Process*, 15 April 2011, paragraphs 36–41.

Draft Agenda

(The times shown are approximate).

Meet and greet: 9.40 to 10am

10am - Commission introduction (20 minutes)

The Commission will introduce the workshop. The introduction will cover the purpose of the workshop, and provide a brief overview of the context for the work within the broader information disclosure work programme. Attendees' views will be sought on the practicality of assessing a level of asset management maturity for EDBs.

Session 1: Project and methodology overview (20 minutes)

PB will provide an overview of the project. This session will cover the project description including the stakeholder consultation requirements, and the PAS 55 assessment methodology (PAM) framework on which the draft tool is based. Attendees' views will be sought on adapting the PAM framework in respect of EDBs.

Session 2 Capability scope (45 minutes)

PB will open this session by describing the criteria used to select 31 PAM questions that best fit the project objectives, and describe the process by which these criteria were applied. Attendees' views will be sought on the appropriateness of the proposed PAM questions for assessing the maturity of asset management capabilities and processes in EDBs.

Session 3 A walkthrough of the AMMAT (45 minutes)

In session 3, PB will describe the Excel asset management maturity assessment tool and its use in assessing core asset management requirements (as represented by the 31 PAM questions) against a five-level 'maturity' scale. Attendees' views will be sought on the feasibility of EDBs preparing objective self-appraisals from the information and maturity level questions provided in the draft tool. Is it likely that existing asset management or other audit practices carried out by EDBs could conflict with or detract from these appraisals? Could EDBs use AMMAT for internal reviews of AMPs?

Session 4: Implementation (45 minutes)

Section 4.5.8(c) of the current information disclosure requirement handbook concerns the evaluation of performance in respect of gap analysis and identification of improvement initiatives. An explanatory note in this section 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". In this session, attendees will be invited to identify significant concerns regarding the practical feasibility of requiring disclosure of completed AMMAT assessments in this section of the asset management plan and to present their views on whether this disclosure requirement should apply both to exempt and non-exempt EDBs.

Session 5: Other issues (15 minutes)

Discussion of key issues raised by attendees in advance of the workshop and not covered in any of the previous four sessions.

Conclusions and next steps (5 minutes)