

22 March 2019

Expert Advisory Panel for the Electricity Price Review
Energy Markets - Ministry of Business, Innovation and Employment
PO Box 1473
Wellington 6140

To: EnergyMarkets@mbie.govt.nz

To Whom it May Concern,

Electricity Price Review - Section E7 “Strengthen the Commerce Commission’s powers to regulate distributors”.

Thank you for the opportunity to provide comment on the Electricity Price Review (EPR) – Options Paper (18 February 2019). The EEA is a not-for-profit organisation representing members and stakeholders in the electricity supply industry. It is a leading advocate and knowledge base in engineering, asset management, health & safety and professional development, providing oversight and guidance to ensure safe and reliable delivery of electricity to New Zealanders.

Summary

The comments of the Electricity Engineers’ Association (EEA) relate specifically to Section E7 “Strengthen the Commerce Commission’s powers to regulate distributors”.

The purpose of the EEA submission is to highlight to the Review Panel that the industry already has material that provides “minimum practice” or “good practice” standards to distributors’ asset management plans.

If further work is required in these areas, EEA would welcome the opportunity to work with the Panel, Commerce Commission and industry stakeholders to produce new guidance/performance measures or to review and update existing guidance to support ongoing improvement in industry asset management processes, reporting, benchmarking and stakeholder assurance.

EEA is also collaborating with industry stakeholders to develop further guidelines on ‘Asset Criticality’ and ‘infrastructure Resilience’ which further support improvement in asset management.

The Association is also actively engaged on behalf of industry, in the evolving international Standards (IEC and ISO) relating to ‘good’ asset management.

Background and Issues

Industry guidance documents on asset management have been available since 2011 and were developed using PAS 55 (from the Institute of Asset Management UK) which was the base document used to develop the ISO 55000 standard.

The EEA Asset Health Indicator (AHI) Guide first published in 2011 (updated in 2016). The guide's objectives are to:

- Provide a common and consistent language and framework that would enable informed governance level discussions to take place over the stewardship of fleets of assets;
- Help asset owners provide answers on the science behind asset replacement,
- Provide a means of communication to answer medium and long-term investment questions, and
- Enable informed strategic discussions around asset replacement such as
 - What is the life cycle distribution of the current assets?
 - What is the health of the assets under the organisation's stewardship as of today?
 - How will a specific investment profile affect the assets' health?

The next EEA guide developed was the Asset Management Maturity Assessment Tool (AMMAT) which was published in 2012 (updated in 2014). The aim of the Guide is to assist Electricity Distribution Businesses (EDBs) to further grow their asset management capability, improve their performance and address Commerce Commission's specific requirements in a consistent way. The Commerce Commission had chosen 31 questions from the 121 questions prescribed by the PAS 55 Assessment Methodology (PAM) for disclosure by distribution businesses. The 31 questions addressed functional areas of asset management aligned to in the PAS 55/ISO 55000 standard assessment methodology and included:

- Asset management policy (1 question)
- Asset management strategy (2 questions)
- Asset management plan (4 questions)
- Contingency planning (1 question)
- Structure, authority and responsibilities (3 questions)
- Outsourcing of asset management activities (1 question)
- Training, awareness and competence (3 questions)
- Communication, participation and consultation (1 question)
- Asset management system documentation (1 question)
- Information management (3 questions)
- Risk management process (1 question)
- Use and maintenance of asset risk information (1 question)

The updated 2014 version contained further details on updated electricity supply industry asset management practices; consistent guidance on the meaning of each question; typical artefacts that an organisation would be expected to have in place; and what evidence that would be expected to be available for the different levels of maturity.

The Review Panel should also note that industry is currently collaborating through the EEA to develop two new guides on “Asset Criticality “and “Infrastructure Resilience”. Both these guides will add to and support the industry body of knowledge around good asset management practices.

EEA is also an observer member of the IEC (International Electrotechnical Commission) Technical Committee (TC) 123 which is developing common methods and guidelines for coordinated lifetime management of network assets in power systems to support good asset management.

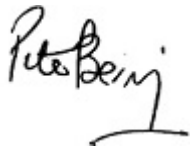
The EPR options paper also recommends independent, accreditation assessment of AMPs to ISO 55000 or similar. While independent audit provides stakeholder reassurance, the requirements and costs of full ISO compliance and accreditation are substantial. As such EEA would encourage careful consideration of the cost/benefit of such a decision and would welcome the opportunity to contribute to this work.

Conclusion

The electricity supply industry has an ongoing commitment to improving asset management and customer service with the current focus on collaborating, developing and continually improving guidance in this area. We believe this process is best served by continuing to work with key stakeholders and regulators.

Thank you for the opportunity to provide comment on the Electricity Price Review. If you require further information, please contact the undersigned (admin@eea.co.nz).

Yours sincerely

A handwritten signature in black ink that reads "Peter Berry". The signature is written in a cursive style with a long horizontal line extending from the bottom of the name.

Peter Berry
Executive Director