



# INFORMATION

## Electricity Networks Corporation (t/a Western Power)

### 2012 ASSET MANAGEMENT SYSTEM REVIEW REPORT

The Economic Regulation Authority today published the 2012 asset management system review (Review) report on Western Power's electricity distribution (EDL1) and transmission (ETL2) licences.

#### Authority's response to the Review

The Review report disclosed that Western Power had effective processes in place for 11 of the 12 asset management system components that were assessed. The component that was assessed as having process deficiencies was "Contingency Planning". The auditor also reported that Western Power had completed 17 of the 26 actions arising from the previous Review in 2011; the remaining, incomplete, actions have been carried forward into the 2012 Review actions.

The auditor concluded that:

Western Power has demonstrated that it has an effective plan to manage the different aspects of the asset management systems for both its Transmission and its Distribution licences. Western Power has shown continuous improvement and commitment to regulatory compliance.

The review has found strong commitment to planning, risk analysis, performance monitoring and management reporting. In the review period there has been progress with a number of activities:

- Implementation of the Mobile Workforce Solution to enable immediate entry of inspection data from the field;
- Increase in pole inspection numbers and data entry to reduce both the inspection backlog and the amount of pending data;
- Cleansing of data in asset registers;
- Mapping of processes;
- Strong commitment to improvement in operation and maintenance;
- Progress with the replacement and integration of legacy IT systems. [...]

[...] In general there was strong commitment by staff to participate in the review and assist with all requests for information. Presentations were professional and demonstrated long term preparation and commitment to the management of compliance.

Overall the review concluded that Western Power asset management system was supported by comprehensive documentation and that there was an effective implementation of the system. Where gaps have been identified there is commitment to review and improvement through corrective actions.

The Authority is pleased to note the progress made by Western Power since the last Review in 2011, in particular the auditor's comments about their strong commitment to further improving the asset management system across the organisation.

The Authority also requested the auditor undertake a detailed assessment of three areas of specific interest to the Authority that arose from the 2011 Review findings:

- The linkages between the Network Risk Register and the Corporate Risk Register.
- Contingency planning.
- Distribution wood pole management.

The Review found that there are still problems in all three areas, and the auditor has made a further 10 recommendations to address these problems. The Authority has particular concerns about the auditor's finding that there is a significant backlog of distribution wood poles in need of urgent replacement that have not been replaced on time. The Authority has decided to require Western Power to provide monthly reports to the Authority on the progress made towards clearing the backlog.

In summary, the Review report has found Western Power has made a number of improvements to their asset management system since the previous Review in 2011; there are still some issues that require attention, but the auditor's findings indicate Western Power's management and staff are committed to fixing them.

After considering the 2012 Review report, the Authority has decided to increase the period of time until the next Review from 14 months to 24 months. The next Review will cover the period 1 July 2012 to 30 June 2014, with the report to be provided to the Authority by 30 September 2014.

## **BACKGROUND INFORMATION**

### **Western Power's response to the 2011 Review recommendations**

The auditor made nine recommendations following the 2011 Review. Seven of the nine recommendations were corrective measures to address process deficiencies, while the two remaining recommendations were considered to be process improvement opportunities. Following the 2012 review, the auditor has assessed that five of the nine recommendations have been closed out,<sup>1</sup> two recommendations have been partially addressed and the remaining two recommendations are ongoing.

All of the outstanding recommendations from the 2011 Review have been carried forward into the post-review implementation plan for the 2012 Review.

### **Summary of the 2012 Review findings**

The Review report identifies a number of areas where Western Power has made progress with longstanding issues such as asset data quality, distribution wood pole management and documenting business processes.

The auditor has reported that only one of the 12 asset management components examined (Contingency Planning) requires corrective action to address process deficiencies. The auditor made 26 recommendations in relation to the 12 asset management processes, of which 23 recommendations address process improvement opportunities, and the three

---

<sup>1</sup> The auditor has raised a new recommendation in the 2012 report in relation to one of the recommendations that has been closed out (11/05).

remaining recommendations relate to process deficiencies with respect to the management of P1/P2 rated distribution wood poles<sup>2</sup> and contingency planning.

The auditor also reported on the three areas of special interest to the Authority (see above) in the Review report. The auditor has reported there are still problems in all three areas, in particular:

- While the co-ordination of the network and corporate risk databases has been improved since the 2011 Review, there is still more that needs to be done to improve the handling of risk treatment plans in the network risk database, and the synchronisation between the two databases when network risks are reviewed, or new risks identified.
- The scope of Western Power's contingency planning processes needs to be improved. The auditor has recommended Western Power expand the contingency plan testing to include all of the scenarios in the contingency plans, and to make further improvements to the management of actions arising from testing the plans.
- Western Power has implemented a number of measures to improve its pole inspection processes, in particular using field data terminals to promptly upload inspection results into the asset management database. There is also a commitment to projects that will improve the quality of the pole asset data in the coming years.
- Western Power has recently increased the time that it is allowing itself to replace P1 and P2 rated poles quite significantly without documenting any reasons for the increase, nor undertaking a risk assessment.
- A recent change in the model used to assess wood pole condition has resulted in a much larger than anticipated number of poles that have been given a P1 or P2 condition rating. This has in turn increased the average time to replace the condemned poles, and also created a large backlog of condemned poles awaiting replacement. The auditor notes that Western Power has a plan to reduce the backlog and that the issue is the subject of senior management attention.

The auditor has made a further 10 recommendations in relation to the areas of special interest, of which nine address process deficiencies.

### **Monitoring the replacement of P1/P2 rated wood poles**

With regard to the problems with the replacement of P1/P2 rated wood poles, the Authority has decided to implement a monitoring process to track Western Power's progress with reducing the pole replacement backlog. Given the risks associated with leaving potentially unsafe poles in the network for longer than they should be, the Authority considers it appropriate that Western Power be required to provide monthly reports on the P1/P2 wood pole backlog.

---

<sup>2</sup> Priority 1 (P1) rated wood poles are not serviceable and may fail shortly; they should be replaced within 28 days of detection. Priority 2 (P2) rated wood poles are at risk of failure: they should be replaced or reinforced within 3 months of detection.

A copy of the [Review report](#) is available on the Authority's website. Western Power's post-review implementation plan is included as Appendix A to the report.

For further information contact:

**Media Enquiries**

Richard Taylor

Riley Mathewson Public Relations

Ph: 08 9381 2144

Fax: 08 9381 3877

LYNDON ROWE

**CHAIRMAN**

15 February 2013