

IPART response to submissions on Issues Paper - safety management system performance measures

19 June 2018

This paper provides a summary of stakeholder submissions on IPART's Issues Paper – Review of safety management system performance measures¹, and IPART's response to the matters raised by stakeholders.

Background to our review of reporting requirements

IPART is reviewing the reporting requirements for electricity network safety management systems performance measures and bushfire risk management reporting. These are currently contained in two reporting manuals, one for safety management systems reporting, and another for bushfire risk management reporting.

The review seeks to maximise the usefulness of the information that the networks collect and report to IPART and to the public, and to minimise the regulatory costs on the electricity network operators (network operators). To achieve this we undertook extensive engagement and consultation with the licensed network operators and Sydney Trains (which is unlicensed), including publishing an issues paper and holding workshops.

We have now developed a single draft reporting manual for further consultation, which covers safety management system reporting and sections specific to bushfire risk mitigation activities.

The table below summarises the formal responses received to the Issues Paper², and IPART's response to the issue raised. The submissions are available in full on the IPART website.

¹ Available on the IPART website, by following this link:
<https://www.ipart.nsw.gov.au/files/sharedassets/website/shared-files/energy-network-regulation-administrative-energy-licensing-website-documents/issues-paper-review-of-safety-management-system-performance-measures-march-2018.pdf>

² Except where a submission was marked confidential.

Submissions received and our response

Question	Summary of network operator submissions	IPART response
1. Do you agree with the proposed assessment criteria for the review?	<p>There was agreement on the appropriateness of the proposed assessment criteria with an emphasis and qualifications on:</p> <ul style="list-style-type: none"> ▼ the need for alignment with the <i>Electricity Supply (Safety and Network Management) Regulation 2014</i>, net benefits and 'SMART' goal setting ▼ the measurability of the criteria given the subjectivity associated with data collected and difficulty in assessing stakeholder benefits compared to information collection costs. 	<p>IPART will adopt the proposed assessment criteria to select the performance measures in the reporting manual.</p> <p>There are inherent limits to quantifying these criteria. IPART will seek further qualitative input from the networks by seeking comments on a draft reporting manual.</p>
2. How does each network operator assess the performance of their electricity network safety management system (ENSMS) against the objectives of the <i>Electricity Supply (Safety and Network Management) Regulation 2014</i> ?	<p>The performance of their ENSMS against the objectives of the ESSNM Regulation is currently measured, monitored and reported internally by all the network operators. The measures include a mix of leading and lagging indicators typically developed as part of formal safety assessments.</p> <p>Limited detail was provided in the responses on the actual measures that the networks use.</p>	<p>IPART acknowledges that the network operators report their ENSMS performance internally.</p> <p>The draft reporting manual intends to leverage the performance measures already in place as much as possible at each network operator to achieve the review objectives of maximising the usefulness of information already collected by the network operators and minimise the regulatory burden.</p> <p>IPART has undertaken further consultation to gather the metrics used internally and this has informed the draft reporting manual.</p>
3. How should the network operators bring performance measurement results to the attention of their customers and the public?	<p>Publishing the performance report on the network operator's website is the preferred method of disseminating the report to interested stakeholders in an efficient manner.</p>	<p>The current reporting manual requires that the performance report be published on the network operator's website. IPART proposes requiring the network operators to issue a media release advising of the publication of the report on their website. This is to support the engagement with interested stakeholders and raise awareness of the availability of the performance report amongst those stakeholders. It also addresses the regulatory requirement</p>

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		to 'bring the report to the attention of stakeholders'.
4. What information should not be in the public domain? Why?	Network operators submitted that the information published should exclude information of confidential or commercial or asset specific nature, including which could prejudice legal proceedings.	The draft reporting manual has been prepared by being mindful of potentially confidential information. The networks can still request exemptions to public release of reporting information, in accordance with clause 10(4) of the ESSNM Regulation. We expanded on the existing reporting manual information on how to request an exemption and IPART's approach to making a decision.
5. When consulting with external stakeholders while preparing the electricity network safety management system performance report and formal safety assessments, what have network operators discovered about the information and measures of performance the public is most interested in?	Public interest in safety performance reporting varies based on the association with the network operator and direct/personal impact. Stakeholder feedback suggests that: <ul style="list-style-type: none"> ▼ There is little interest in statistical reporting but network operators are expected to maintain a high level of safety reporting. ▼ Reporting is of particular interest in relation to significant events, and ▼ Information is of interest to fellow public and environment safety and protection organisations with a particular interest in improved definition and sharing of objectives, ongoing consultation and information sharing on processes including data, risk management and procedural changes. 	IPART has incorporated the performance measures that external stakeholders would be most interested in reviewing, and which can help IPART monitor compliance with safety management system requirements and take risk-based compliance actions effectively.
6. Is there value in combining the electricity network safety management systems reporting and bushfire preparedness reporting into one performance report?	Submissions found value in combining the reports: <ul style="list-style-type: none"> ▼ alignment with leading indicators (Tier 3 and Tier 4) ▼ facilitation of consistency and accuracy ▼ avoiding duplication, and ▼ a reduced administrative burden. <p>Endeavour Energy opposed a shift of the bushfire reporting to align with current ENSMS reporting timing. TransGrid considered the two reports to be too different in nature – one being systems based and one being operational in nature.</p>	IPART considers that there is value in combining the safety management system and bushfire preparedness reporting requirements into one report. The information in the two reports is similar in nature and one comprehensive report would lessen the regulatory burden on the network operators.
		The reporting timeframe proposed in the draft reporting manual aligns with the existing bushfire preparedness reporting of 1 October through 30 September.
		We propose the first report, rather than cover 15 months,

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		would include an addendum to cover the three months of 1 July 2018 to 30 September 2018.
7. Do the current reporting timelines need to be modified to improve IPART's visibility of bushfire preparedness activities?	Submissions do not support changing the timing. The current timelines are appropriate as they align with the cyclic nature of the bushfire danger period. A change is unlikely to improve visibility on bushfire preparedness activities.	IPART has retained the current reporting manual's annual timeframes for bushfire preparedness reporting.
8. Is more frequent reporting (eg, quarterly) of key information required to ensure the objectives in the electricity network safety management system are being appropriately achieved throughout the year?	Submissions do not support more frequent reporting. The current annual reporting to IPART is timely and appropriate for managing the achievement of safety management objectives. More frequent reporting is unlikely to improve safety management system outcomes, however does result in increased administrative burden and costs.	IPART has retained the annual reporting requirement for performance reporting on the safety management system to achieve the review objectives of maximising the usefulness of information already collected by the network operators and minimising the regulatory burden. Network operators will continue to report significant incidents as they occur through IPART's incident reporting process. Descriptions of these incidents will also be reported in the annual safety management system performance report.
9. Should IPART adopt a dual assurance approach to measuring the performance of the electricity network safety management system and bushfire risk management?	The submissions support a dual assurance approach to measuring SMS performance. This aligns with the general risk management/asset management approaches adopted by Ausgrid and Endeavour Energy.	IPART has adopted the dual assurance approach in developing the draft reporting manual.
10. Do you agree with the tiered approach proposed for performance measures?	The submissions accepted the tiered safety triangle approach for measuring performance although some emphasised the objective of minimising the regulatory burden. Endeavour Energy submitted that Tier 3 and Tier 4 measures should be selected with a purpose and on a risk basis, and satisfy cost/benefit requirements.	IPART has adopted the tiered approach in the draft reporting manual. It has informally consulted with the network operators to ensure that the objectives of the review are achieved with respect to maximising the usefulness of information already collected, and minimising the regulatory burden. Networks will be able to comment further regarding the measures proposed in the draft reporting manual.
11. How would the Tier 1 and Tier 2 measures relate to	The submissions mostly stated that the Tier 1 and Tier 2 measures should align with the five ESSNM Regulation objectives and/or with the categories in IPART's Incident	In the draft reporting manual, Tier 1 and Tier 2 measures will align with regulatory objectives, and the definitions and thresholds identified in IPART's Incident reporting manual

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the regulatory objectives?	reporting manual. Ausgrid and Endeavour Energy's submissions added that they should align with environmental reporting to the EPA and TransGrid added that IPART should set materiality and incident type criteria.	definitions for Major Incidents (Tier 1) and Incidents (Tier 2). Tier 1 and Tier 2 environmental reporting will be aligned with the requirements of the Office of Environment and Heritage NSW. While IPART has sought to reduce any duplicative reporting, we note that there is some duplication between incident reporting to IPART and the requirement for the network to include incident data in their own performance report. IPART will consider any more feedback on this issue when finalising the reporting manual.
12. What are the Tier 1 and Tier 2 performance measures that could be used to assess the overall and comparative performance of each network operator?	Submissions considered that: <ul style="list-style-type: none"> ▼ the Tier 1 and Tier 2 performance measures should align with those reported through the IPART reporting manual for incident reporting and through OSIRIS to SafeWork NSW. ▼ These measures should consider measures already reported on. <p>Endeavour Energy suggested improving alignment with the regulatory objectives and including suggestions for additional measures related to the protection of the environment and safety arising from a loss of supply.</p>	Please refer to our response to question 11.
13. Should Tier 1 and Tier 2 performance measures be normalised and what factors should be used to normalise?	Normalisation would be necessary to allow for comparisons between network operators. Endeavour Energy considered that normalisation should be high level related to asset population or hours worked. Ausgrid preferred that Tier 1 and Tier 2 measures are not normalised as these are lagging measures, should be low in numbers and would be critical in nature. The submissions found it acceptable to normalise Tier 3 and Tier 4 measures, using population data appropriate for each measure and the normalisation factor should not affect the interpretation of the measure. Normalisation may not be suitable for each measure. Ausgrid prefers to provide raw and	The proposed Tier 1 and Tier 2 measures will now be qualitative information and therefore will not be suitable for normalisation. The draft reporting manual mostly collects raw data, but also collects population data on Tier 3 and 4 measures. IPART has adopted a trending approach whereby the current period and the previous 4 periods are to be reported for the relevant Tier 3 and Tier 4 measures.

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	population data rather than a failure rate.	
14. How should factors outside of the control of the network operator be captured when reporting Tier 1 and Tier 2 performance measures?	<p>There is value in capturing information related to factors outside the control of network operators to provide insight on potential emerging safety risk areas for network operators. (eg, third party, nature (storms, floods))</p> <p>Submissions prefer that this be reported separately, potentially as narrative text.</p>	<p>We agree. For relevant performance measures, a narrative comments field has been provided so that the network operator can note any particular issues associated with the values being reported.</p>
15. For the critical controls in place, what are the Tier 3 and Tier 4 performance measures that IPART could use to assess the performance of the electricity network safety management system?	<p>There is general consensus that the Tier 3 and Tier 4 performance measures should be developed based on the formal safety assessments (FSAs) prepared by the network operators. The FSAs are aligned with the ESSNM objectives and the approach will allow for the appropriate evolution of the performance measures over time.</p> <p>A definition of the term 'critical control' may enable consistency in interpretation and reporting across the network operators and could assist network operators in assessing the effectiveness of 'critical controls' implemented in the ENSMS. Consideration should be given to avoid duplication of reporting across Tier 1 and 2, and Tier 3 and 4 performance measures. Endeavour Energy notes that Tier 3 and 4 measures evolve in response to risks and issues particular to each network.</p>	<p>We agree. The draft reporting manual leverages the performance measures already in place for each network operator to achieve the review objectives of maximising the usefulness of information already collected by the network operators and minimising the regulatory burden.</p> <p>Further engagement with the network operators through the working preliminary draft reporting manual workshop captured more specific measures reported by each network operator for inclusion into the draft reporting manual. IPART understands that there are limitations in comparing networks, but considered there are benefits in assisting the networks to manage their risks and reporting.</p>
16. What process should IPART adopt within the reporting manual to allow network operators to evolve Tier 3 and Tier 4 performance measures over time?	<p>Where appropriate, a common set of Tier 3 and Tier 4 performance measures can be developed for reporting purposes with the remainder left to the network operator's discretion and based on formal safety assessments.</p> <p>The regulatory requirements for the ongoing monitoring, review and auditing of the performance of network operators' safety management systems provide the framework for evolving and continuously improving Tier 3 and Tier 4 performance measures.</p>	<p>We partly agree. For certain performance measures, additional or tailored information can be provided at the discretion of the network operator should the information better align with changes in the ENSMS. This has not been incorporated into the Draft reporting manual but is expected to evolve over time.</p> <p>Tier 4 performance measures require the network operator to indicate changes to the ENSMS / FSA's within the reporting period and IPART will use this information to determine the ongoing appropriateness of the identified Tier 3 and Tier 4 measures and review the performance</p>

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		reporting requirements as required.
17. How should IPART assess the accuracy and quality of the data reported by the networks?	Ausgrid and Endeavour Energy submitted that IPART had auditing powers in the ESSNM Regulation, and Endeavour Energy added that IPART could undertake consultative processes as needed separate to audits. TransGrid submitted that clear guidelines and monitoring against these guidelines in IPART's audit criteria would assist with influencing the accuracy and quality of data.	We agree. IPART has adopted a trending approach whereby the current period and the previous 4 periods are to be reported for the relevant Tier 3 and Tier 4 measures. IPART may supplement this with an audit of the accuracy and quality of data reported with the historic data also subject to the audit.
18. Should a Bushfire Mitigation Index be developed and reported to IPART for monitoring preparedness for the bushfire danger period?	<p>The development of a Bushfire Mitigation Index for reporting purposes is generally not supported. Reporting of the raw data/individual risk measures/underlying variables constituting the index would be more appropriate.</p> <p>The use of a metric such as the Bushfire Mitigation Index is unlikely to be comparable across network operators. Individual network operators are likely to consider different weighting factors appropriate for their individual circumstances, would need to give consideration to the particular start and end of bushfire danger periods across Local Government Areas.</p>	We agree. IPART has not developed a Bushfire Mitigation Index for monitoring preparedness for the bushfire danger period and instead will utilise the data provided by network operators under the draft reporting manual requirements.
19. Should the Bushfire mitigation Index calculation method be consistent across all network operators?	The use of a Bushfire Mitigation Index is not supported, however should a Bushfire Mitigation Index approach be adopted it should be designed to allow for appropriate comparisons across network operators, ie, it should take account of individual network circumstances, environmental conditions and operating practices, it should provide for different risk levels across network operators, and provide for consistent results that can be benchmarked. It should not be used to compare disparate networks.	Please refer to our response to question 18.