

# South Wales & SW of England IRM Meeting

## Meeting Notes

<b>DATE:</b>	19.05.08	<b>LOCATION:</b>	Bristol Alliance, Castlemead, Bristol
<b>CHAIRMAN</b>	Fergus Dolan, Marsh		
<b>SECRETARY</b>	Sue Houldey, Ecclesiastical Insurance Group		
<b>ATTENDEES:</b>	Per distribution list		

### 1. Introduction

Chairman welcomed all those attending and outlined the agenda for the day

### 2. Alistair Smith, Chief Risk Officer, British Energy

#### Outline of British Energy

- FTSE 100 Co
- 6000 staff
- 8 nuclear power stations
- produce 20% of the UK electricity generated
- Trade in power and energy

AS then gave an overview of the power stations – locations, control rooms etc. BE are talking to 3<sup>rd</sup> parties re the running of new power stations.

The strategic imperatives are

- World class operational safety and excellence
- Improve financial stability
- Obtain life extensions for existing stations
- Position themselves at the heart of plans for the new nuclear power stations in the UK

#### Role of Risk Management

1. Articulation of the Board's risk appetite
  - a. Amortisation of assets
  - b. Earnings requirements
2. Establish strategic direction for risk management and ensuring they align to corporate objectives
3. Develop and implement a group level risk management, ensuring consistency across the Group
4. Drive consistent risk management practice and behaviour - ensure risk management is embedded in key processes e.g. project management
5. Chair Management Risk Committees
6. Co-ordinate / lead risk management functions
7. Make risk management a core capability in British Energy with Internal and External recognition.

#### How do they do it.

- Regular discussions with the Board's – keep them up to date with activity and providing them with input to the process.
- Attendance at Board's and Committees, providing reports on risk management
- Attendance to Subsidiary Boards (made up of management committees)
- Discussion with management leadership groups
- Promote risk management in their area

- Get their views on risk management
- Chair / attend management risk committees
- Receive daily reports from trading areas on risk – positions, collateral utilisation, financial headroom
- Internal / External presentations and discussions – benchmark themselves against best practice.

### The challenges

- AS is new industry to previous experience (was in Financial Services before British Energy) but the principles are the same. There is a need to establish credibility within the industry.
- Pre-existing departments – change of culture and processes being operated in silos.
- There were a number of risk management processes but no infrastructure or consistency.
- Culture was safety focused rather than commercial focused. RM needed to change the mindset.
- SQEP Primary (qualified engineers) who have a different mindset focused on fixing issues rather than preventing.
- British Energy operated as two separate businesses – Nuclear generation and trading arm – with different risks that needed to be brought together

### Risk Management Framework

They are putting in place a risk management framework

<u>RM Infrastructure</u>	<u>RM Process</u>	<u>RM Integration</u>
Vision / Goals	Identification	Strategic and Business planning
Governance structure	Analysis	Capital Allocation
Policies	Monitoring	Supply Chain
Technology		Operational Processes
Language		Capital projects
		Merger / Post merger
		IT
		Resource allocation
	<u>RM Culture</u>	
	<u>Enabling Activities</u>	
	Change management	
	Continuous Improvement	
	Communication	
	Information sharing	

Any objectives, product, division, commercial decision should be able to be placed at the centre of this process

Use standard risk classifications

- Strategic
- Financial
- Legal and Regulatory
- Operational – Safety and Environmental, Physical Security, Nuclear Plant, Coal Plant, Supply Chain, Fuel and Waste

### Project Management

- £300m annually
- Large engineering projects
- Work during planned station outages (generators have to be switched off)
- Complex multi disciplinary works
- Interdependencies
- British Energy staff and contractors involved

### Risk Mitigation

- Use of common methodology – particularly centrally
- Strong governance arrangements

- Project definition
- Outage planned – shutdowns are planned 24 months in advance
- Schedule risk analysis – use of Monte Carlo simulations to assess probable length of work. Provide confidence in the timescales.
- Involve stakeholders as early as possible – internal and external
- Rehearse the work e.g. reactor maintenance and simulations
- Pre and Post job briefs
- Safety and Protection of staff and contractors is no 1 priority

#### Results for last year

- lowest ever number of lost time incidents
- lowest ever number of environmental events (those that happened were classified by regulators as minor or no impact events)
- Control of radiation exposure was amongst the best in the world

#### Q&A

How address shortage of engineers with appropriate skills and knowledge

Graduate development

Encourage science in schools to get people interested and to go on to study at university

Work with partners to identify needs and encourage them to address shortages.

The construction of new stations pose further challenge – availability of resources and equipment throughout the 30 – 40 year life

### **3. Steve Fowler, Chief Executive of IRM**

Two areas for mention

- Launched InForm electronic supplement and they would like feedback
- IRM Forum is on Sept 15<sup>th</sup> – 17<sup>th</sup> at University of Hertfordshire, Dinner will be at Whipsnade Zoo

### **4. Bruno Carr, Ernst and Young Risk Management Team**

#### Risk in Programs and Projects

Unsuccessful projects – Wembley Stadium, Terminal 5, Passport Office

Successful projects – Emirates Stadium, Commonwealth Games in Manchester

#### Definitions

Project – A single distinct activity

Program – A multi series of interdependent projects

#### Why is it important

In 2002, the FTSE 250 companies spent £40bn - £50bn on change programmes. Of these 70% - 80% do not deliver the expected benefits. Capital projects are getting more expensive. Olympics / Glasgow Commonwealth Games are multi contractor risks

Program framework aim to

- Protect the business – stop projects going wrong
  - Benefit the business – Improve business via performance and costs
- Most projects fail through stakeholder management (what do they really want) and contractor management (multi tasking)

#### Some questions for the Board

- who is responsible for oversight of the change at the Board level
- What is the role of the Board
- How do you scrutinise the systems for managing risks and change
- Are the current levels of independent challenge OK.

<u>Challenge</u>	<u>Effective Programme Control</u>	<u>Outcomes</u>
Time	<u>Methodologies</u>	Predictability
Quality	Vision and Direction	Confidence
Cost	Planning	Transparency
Scope	Execution	Accountability
Resources	Measuring and Monitoring	Capability
Governance	Business Acceptance	

Most important part of the process is vision and direction, and should spend time on this.

- Get it right – successful project
- Get it wrong – unsuccessful project

It is the execution and measurement that most people focus on.

#### Project Lifecycle

Idea	Alignment with Corporate Goals
Concept	Governance plans
Initiation	Project risk evaluation
Development	Initial Performance Metrics
Appraisal	PMO Support
Approval	Control Procedures, Compliance and audit
Contracting	Regular project audits
Delivery	Status Monitoring
Evaluation	Measurement and Future (what can we learn)

Learn from the past but remember risks will be different next time.

## 5. **Ray Brown, Construction Manager, Bristol Alliance, Bristol City Centre Development**

He is in charge of the construction phase delivery.

#### Background

The development is a 50 / 50 alliance between LandSecurities and Hammerson.

It is not a shopping mall. It is Residential, Retail, Student accommodation, Offices, 150 bed hotel, Cinema  
They have built in natural ventilation with areas where rain will get through.

Bristol Alliance will be managing the space for its life cycle, so the proposals had to build in life cycle management requirements and risk analysis. Broadmead has lasted 50 years. This development should be able to last as long, if not longer.

#### Consultation findings

Transport and access to be improved  
Sufficient and Safe car parking  
Priority is pedestrian movement  
Improve appearance  
Maximise Heritage  
Create landmarks  
Balance – weather protection and fresh air for users.

#### Story so far

Primary Diversion for M32 – 2005

Enabling works – 2006 involving utilities (major pipes in ground), Drainage, Roads, Sewer diversion, Stream diversion, signals etc

Demolition – car parks, Tollgate House, Bridges, Isolation of Services,

Risks involved in pedestrian, motorist and worker safety.

Archeology – unexpected graveyard

Worked closely with City Council

### Issues

- Multi contractors – ensure all contractors work together with good practices.
  - Traffic Management – coordination of requirements and schedules
  - Interfering clients – Bristol alliance were constantly involved – monthly reviews, approval of sub contractors etc
  - Guaranteed Maximum price - deliver on time, within maximum price. Plans amended and varied to enable delivery around problems and potential delays.
  - Supply Chain
  - Preliminaries
  - Direct Orders
  - Partnering Relationships
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- Understanding and managing critical dependencies
  - Supply of stone – capacity limitations
  - Car park – bridging of power sub-station
  - Night working – closure of roads for delivery / removal large component parts, noise pollution, local residents disruption,
  - Sub contractor liquidation – on review of work, found it was sub standard so have to strip cladding on whole building to get it right – reputation, delays etc

### Managed risks

- Logistics (every area being worked on so coordinate contractors etc)
- Liaison – residents (e.g. disruption)
- Working Hours (what can be done overnight)
- City Council
- 3<sup>rd</sup> Parties
- Tenants
- Art
- Health and Safety

### Forums

- Development
- Construction
- Handover
- Operations (on-going management)
- Risk assessments

## **6. AOB**

No other business was raised.