The assessment of risk can be a complex exercise. Such methods as Reliability Centered Maintenance (RCM) gauge risk quite extensively. Failure mode analysis and failure modes and effects analysis (FMEA) are common tools within utilities. Risk assessment lends itself to scoring systems based on grades combining consequence and probability of an event – either as the sum or product of a number of scores for both. For example, if consequence is graded from 1 to 5 in severity and, likewise, probability is gauged from 1 to 5 (5 being the highest in both cases) a risk matrix can be drawn up which illustrates the overall risk of any event.

12.1.3 Corporate Governance and Risk Management

Corporate governance consists of the policies, procedures, guidelines, checks and balances, leadership and organizational structures that aligns the organization. Risk management is used to determine the amount of glue that is required to optimize this coherence and risk management can determine the resilience of the organization

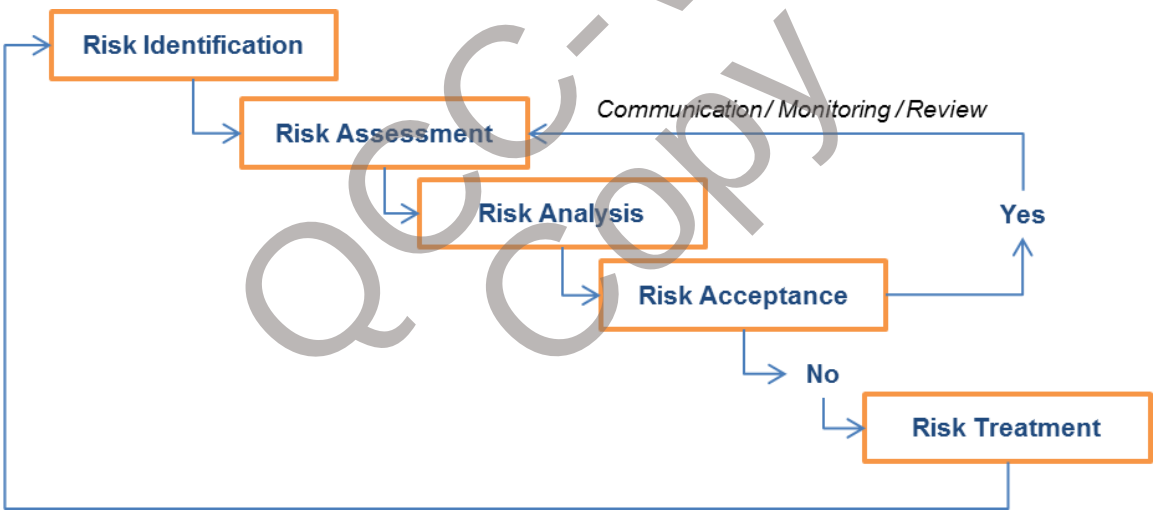

Figure 12-4: Risk Management Flowchart

12.1.4 Asset Risk Management Plan

A Risk Management Plan (RMP) can only be drawn up when sufficient historical asset data has been gathered and then it can be introduced as a basis for Maintenance Optimization (MO). MO methodology should eventually be undertaken on each and every asset. In addition there will also need to be an 'Emergency Management Response Plan' to any occurrence on the system.

The risk methodology should include for a Change Management Plan, in order that there is minimum risk involved in changing Contractor at the end of Contract periods. Such a methodology also includes for ensuring lessons learned during each O&M contract period, ensuring upgrade of the contract to best practice. Such best practice shall be shared across all O&M Contracts over the four operational areas.