Filling in the big picture
Taking a holistic approach to enterprise asset management in the power and utilities industry

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5 insights for executives
Terry, the new COO of United States Power & Light (USP&L), closed his email program and leaned back in his chair, the screen full of messages seared in his memory.

The enterprise asset management (EAM) project that had been implemented with such fanfare just six months ago simply wasn't working. Work orders moved slowly through a system that had become unaccountably sluggish. Managers couldn't get the operational reports they needed. And, as his staff was quick to tell him, that wasn't all.

The new system, as designed, hadn't resulted in the expected competitive advantages. And the project had forced important work and asset management processes into the new system, even if the fit was awkward. Sure enough, some end users had tired of the complications and returned to manual execution of daily activities.

As a result, the decision-making process still hadn't improved. Regulators had begun to ask why USP&L wasn't addressing the issues it had promised to fix. Precious dollars were not going to core asset management, where the money could do the most good.

Terry knew the times demanded a holistic EAM approach. USP&L needed to look beyond simple or segmented solutions. It needed to address the management of all of its assets. The new system, as impressive as it was, was only the beginning. The tools and processes that supported the system needed to change too.

Terry squared his shoulders. It was time to adopt a holistic approach. It was time to move beyond EAM implementation to EAM transformation.
What’s the issue?

Every utility has an enterprise asset management system, but few are able to make the best of it. Properly implemented and deployed, enterprise asset management – the processes, systems and tools used to continually monitor and optimize the performance of assets or groups of assets on a lifecycle basis – can help utilities better respond to regulators, manage asset risk and provide the data to make informed decisions on capital expenditures (capex) and operating expenditures (opex).

Historically, utilities have addressed asset lifecycle issues in a narrowly tailored way, often with budget constraints in mind – for instance, focusing on keeping the plant running or running it to failure. That approach has resulted in gaps and, crucially, delayed the fix for the challenge at hand. To maximize EAM’s value, utilities should think holistically, designing and implementing a comprehensive approach that encompasses not only a system, but also the processes and tools that underlie it.
Why now?

The utilities industry is challenged by a number of pressing concerns, including aging infrastructure, increased regulatory pressures and reduced or negative load growth. In addition, maintaining earnings per share has become increasingly difficult.

In today’s challenging environment, having the right data to help utilities make informed decisions is more important than ever before. Rethinking asset management systems and processes can help organizations make the right decisions on their assets.

How does it affect you?

Addressing issues on an individual basis can result in a patchwork EAM approach that might allow key reliability issues and changes in performance to go unnoticed. The result can be an increase in expenditures, a decline in reliability and a reduction in customer satisfaction at a time when regulators are assessing larger, more frequent penalties for poor performance.

Effective enterprise asset management can improve a utility's rate of return, optimize the taxation of its assets, and ultimately lead to an increase in the overall valuation of installed assets. A holistic EAM approach that encompasses systems, processes and tools and covers all of the gaps can help organizations substantially improve the bottom line.
What's the fix?

The development of a comprehensive EAM approach, encompassing the system, the processes and the tools, starts with commitment from the top. That starts a virtuous cycle — once the enterprise has established a culture in which EAM thrives, EAM in turn will nurture the culture.

The next step is to take a critical, in-depth look at where the EAM system, processes and tools are today. It is vital to have a solid understanding of the organization's EAM processes, tools and technology from a regulatory, operations and customer satisfaction standpoint. From there:

- Define where you want (or need) to go. Generally, this will involve developing a maturity model where any gaps in EAM are identified and addressed.
- Clearly establish measures and metrics based on strategy. Group these at a high level (e.g., KPIs such as productivity, reliability and operational excellence).
- Create a road map. Determine immediate priorities — be they planning, scheduling, operational excellence or assets — and set longer-term goals. Look at EAM from the perspectives of people, process and technology. Does the organization have the skills and capabilities needed to develop a holistic approach? If there are gaps, how can the organization address them? Before deciding on the appropriate technology, focus on aligning the people and the process. Buying and implementing the technology comes next.
- Begin the analysis. Looking at capex and opex by program and asset class, identify the top and bottom performers. Work to determine exactly which gaps or issues are causing performance gaps. Remember that higher-than-expected performance can be as bad as its opposite, because it can indicate that your metrics are too high-level or that you’ve allocated more resources, physical or financial, than necessary. Those costs and resources might be more effectively used somewhere else.
- Implement the necessary changes. The change process involves four steps:
  1. Identify the proposed change.
  2. Look at the possible impacts. Almost every change can have unintended impacts. Thinking through how the proposed change will affect all processes will help determine whether the change adds sufficient value and, if it does, what risks should be anticipated and mitigated.
  3. Implement the change.
  4. Measure the impact of the change and communicate the results.

The entire process involves continuous dedication, measurement and communication — a feedback loop. Based on feedback, organizations may choose to adjust their goals, alter the metrics they use, and enhance or redraw their road map.
What's the bottom line?

In today’s economic environment, utilities must make informed decisions. Up-to-date, accurate data on the utility’s assets is vital to robust enterprise decision-making. Utilities that follow a piecemeal approach to enterprise asset management run the risk of an ad hoc EAM system that meets certain plant or asset goals, but falls short of managing the assets across the enterprise.

A comprehensive EAM system, looking across the organization, business units and encompassing the necessary tools and processes as well as the technology, can provide executives the information required to make informed decisions. With the right dedication from the top and a systematic approach to developing the right framework, utilities will be in a position to succeed today and in the future.
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