

# STRATEGIC THOUGHT GROUP RISK MANAGEMENT CASE STUDY

## Essent Netwerk

### Energy company turns on ARM for Asset & Enterprise Risk Management

Essent is an energy company that specialises in the generation, transport, trade in and supply of gas and electricity. Essent Netwerk BV is responsible for Essent's gas and electricity distribution network in the Netherlands which covers about one third of the market. Essent Netwerk manages the risks of an asset base of more than six million assets with the help of Active Risk Manager from Strategic Thought.

#### Overview

Risk management is an integral part of the energy distribution business. Every high voltage network is designed with redundancy built in so that in the event of a failure it will still operate. The secret is to find a balance between the cost of mitigation of potential failure and the benefits that the extra investment provides.

Ype Wijnia, Risk Manager, Asset Management, Essent Netwerk BV explained, "To run the network we have about 1000 different types of assets. Each type of asset has its own failure modes and failure probabilities so the total risk volume is many thousands of things that can go wrong. To manage that amount of risk you need a dedicated software tool. Prior to the installation of Active Risk Manager we used Excel, Powerpoint and Word documents but it became increasingly difficult in terms of version control for analysis and comparison purposes."

#### Why Active Risk Manager?

Because of the constant expansion of the network the decision was made to look for a system to control the increasing number of risks. Essent Netwerk selected Active Risk Manager from Strategic Thought as it is a complete enterprise risk management solution and its structure mirrored Essent's existing method of working.

According to Ype Wijnia, "It was almost as though Active Risk Manager had been specifically written for Essent. Our risk process complies with the PAS 55 Standard used by other major energy networks and developed by the Institute

of Asset Management. It defines a certain number of steps and all of those are found in Active Risk Manager. The solution has more than a 90% overlap with our process and way of working – so it was a natural choice."

**Essent Netwerk has found that Active Risk Manager has provided a number of benefits in terms of quality, speed and cost savings in the management of asset and enterprise risk.**

#### Quantification of Asset Management

For the first time Essent Netwerk now has the ability to perform quantitative analysis over the risk position and this drives further quantification of the asset management process. In the business case for investment, the non-financials like quality of supply and safety have always been monetized to facilitate proper cost benefit analysis. Prior to Active Risk Manager it was difficult to establish whether the risk prediction was accurate or whether risks were being over estimated. Tests now show that predictions based on the risk register are accurate and the investment required to deal with a specific level of risk can be planned accordingly. This means that Active Risk Manager has improved the quality of risk assessment for investment proposals by taking into account a more accurate level of risk.

According to Ype Wijnia, "We now have a way of recording the real problems and the risk associated with them. This means that development plans can be challenged and improved with a focus on what is really important. While this



was happening in the past on the basis of discussion and experience we can now share the information with a much wider number of people as Active Risk Manager is a web-based solution. Decisions are now more balanced because of that.”

#### **Speeding up Risk Management**

A further advantage of Active Risk Manager has been the ability to speed up the risk management process. While the same number of risks are being identified on a daily and weekly basis as before, Essent Netwerk now has the ability to process them faster therefore avoiding backlogs and allowing more analysis and planning. Ype Wijnia said, “During our meetings we are now able to process up to ten times more risks than before. This is a major difference and is very beneficial as we now have time to discuss and analyse the situation in more detail. In fact we have saved on headcount costs as the same number of people were able to process any backlog and stay entirely up to date. We have been able to manage more risks with fewer people and while we now have two extra full-time equivalent staff this is because we want to extend the use of Active Risk Manager to a more detailed level.

#### **Strategic Thought hosts ARM**

Ype Wijnia concluded, “Risk management now has a far more mature status within Essent Netwerk. The software is hosted by Strategic Thought; this means we do not require local IT resources and has enabled us to get into a production environment with a complete data history on the system two months earlier than we had hoped. We will be increasing the number of Active Risk Manager users to around 100 within the next twelve months, as we expand its scope into other types of project management outside of asset management. Active Risk Manager has certainly improved the ability to manage risk within Essent and made communication across the organisation much easier and faster. We look forward to realising further benefits from Active Risk Manager.”

#### **About Strategic Thought**

Strategic Thought was founded in 1987 in the UK and opened offices in the US in 2004. Strategic Thought is a technology and services company specialising in the provision of enterprise risk management software and critical application integration, and is an IBM Premier Business Partner and a Microsoft Gold Partner.

Active Risk Manager is the world’s most widely deployed Enterprise Risk Management software with over 25,000 users across 12 different industry sections

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