



Ameren

Manages multi-million dollar capital projects
- with Active Risk Manager

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Successful deployment of risk management tool enables leading US utility company to reduce industry standard contingency budgets by more than 50%

Ameren manages multi-million dollar capital projects' risk with Active Risk Manager

Ameren Transmission Company of Illinois is a wholly-owned subsidiary of Ameren Corporation - dedicated to electric transmission infrastructure investment. It is responsible for expanding Ameren's already robust transmission system of more than 7,500 circuit miles of high-voltage transmission lines in Illinois and Missouri.

In recent years the number of capital projects that the company runs at any one time has grown exponentially - an example is the 400-mile-long Illinois Rivers electric transmission project, commenced in 2014.

The company has a strong risk management culture and has implemented Active Risk Manager (ARM) from Sword Active Risk to support project operations. Ameren Transmission uses historic and current project risk data stored in ARM to identify and mitigate risk for all projects across the regions.

Following the success of using ARM in key project processes, the software is now being used by the Enterprise Risk Management team at Ameren Corp. It has also recently upgraded to the latest version, ARM 10, to manage a new internal controls program across the company to meet the regulatory requirements of the North American Electric Reliability Corporation (NERC). NERC was established as a not-for-profit international regulatory authority to assure the reduction of risks to the reliability and security of the grid.

Supporting a risk management culture

Darin Hendry, Supervisor, Capital & Risk Management, Ameren Transmission said:

"We have a capital portfolio of well over \$3 billion and we place a strong emphasis and value on risk management and analysis. We use the knowledgebase in ARM to store all risk-related data and analysis and have developed risk registers for all projects. Every lesson and piece of intelligence we now have in ARM we leverage to make our decisions that much smarter."

A quantifiable benefit that Ameren has realized is a significant reduction in the contingency budget required, from the industry standard of 10% down to 5% across all projects. With more analysis of project and risk data within ARM, Hendry is confident that this will be reduced further.

"We have been able to significantly develop monthly contingency cash flows based on project needs, strengthen understanding of project risk behavior and requirements accurately driving down initial contingency allocation by 5% (approximately \$40M) across our project portfolio. Furthermore, our data indicates we will be able to reduce initial contingency allocation down to 2.5%," said Hendry.

The initial selection of ARM was based on the business requirement to have a central risk database to store data from previous projects and be accessible for future risk planning.

"The implementation was carried out on time and well within budget. ARM does everything that the Sword Active Risk team said it would do. I have worked in IT in the past and a lot of companies claim that their software is user-friendly, but ARM truly is," said Hendry.

Comprehensive risk analysis from a single, central database

As well as having a strong risk culture within the organization, Hendry attributes the design of the knowledgebase within ARM as the basis for successful adoption and results.

Currently, ARM is used to manage risk for between 35–40 large capital projects. A compliance group within the company oversees all large projects, over the value of \$5 million, with risk management criteria built in, against which the risk managers must report. Within the knowledgebase are budget data, risk mitigation and intelligence, triggers and controls to identify risk, as well as response strategies for all projects, short-term and multi-year.

"We are tracking what happens and then using this data in ARM to feedback to the project managers as lessons learned within the risk registers. Historical actuals provide indicators as to what might happen," explained Hendry.

Having initially developed the risk registers for all projects and used ARM extensively, the team identified an opportunity to develop a project change request system that could draw on this risk data to help identify risks and associated costs of any changes needed.

"We recognized that we could extend the use of the project data further. We developed a Transmission Project Change Request (PCR) process using ARM to integrate Ameren's risk and change management processes providing workflow automation, real-time electronic notifications, tracking capabilities, and timely and accurate risk data analytics," explained Hendry.

Accurate data supports business decisions

The PCR process has been instrumental in supporting the business case for the reduced contingency budgets. Using and analyzing project trend data enabled the project team to identify where risks were happening and the amount of contingency budget that was being used.

Classifying projects according to different factors – greenfield projects (building new developments), brownfield (repairing or replacing equipment or capital on existing sites), the time of year the project starts (for example weather dependencies affecting timings) has enabled the team to identify possible overruns/issues that might result in spending contingency.

"By tracking the PCRs every time, contingency was drawn down and doing this over 12 months or more has given us statistically sound data to present a business case on the amount of contingency that is required for different projects. This has been instrumental in giving us the confidence to reduce our contingency spend provision of approx. \$122 million, which we have been able to reallocate into capital investment while still hitting our targets.

"It gives us more flexibility and visibility as to what is going on and the ability to invest more in our infrastructure projects – which in turn benefits our customers and stakeholders," explained Hendry.

Organizational learning

This knowledgebase has also been invaluable as new projects are started. The risk team is able to draw and build risk registers from previous projects, rather than having to start with a blank sheet. Data can be applied from all levels, from project, program or portfolio, giving complete visibility of risks.

A recent internal audit on the Illinois Rivers project covered the scope of the program, including the risk management process and lessons learned, identifying the use of ARM as best practice.

Responding to how information on the project was captured and managed, Hendry outlined to the audit team how the use of ARM was integrated into operations, such that risks were identified dynamically and changes made accordingly, rather than at the end of the project.

"Using ARM we have developed a true 'lesson learned' process that captures, analyzes, and integrates project risk and change data quickly and effectively into ongoing operations. Simply stated, we have developed a powerful organizational learning model," concluded Hendry.

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