

Crisis Management

How Internal Audit can evaluate and enhance power and utilities crisis management programs

Improved decision response time during crisis events increases operational resiliency and limits negative consequences

Significant global and US crisis events have highlighted the need for timely, coordinated, and tested crisis management programs in the power and utilities industry. These programs, when properly designed and implemented, help ensure company executives are well prepared to guide the organization through a crisis by demonstrating the leadership, compassion, and fiscal responsibility stakeholders expect.

Crisis management plans that focus on emergency response have been a strength within the power and utilities industry, especially when responding to natural disasters. Consider power outages after a storm due to downed power lines, for example. Timely messages to the public about the dangers of the downed power lines illustrate the industry's adeptness at handling crisis and emergency management. However, while transmission and distribution and generation operators encounter small-scale events on a regular basis, we've seen power and utilities companies falter when met with large-scale disasters.

The power of crisis management

Ultimately, a crisis management program embraced at all levels within an organization puts the company in the position to be seen as a leader by their constituents when it comes to grace under pressure. Decisive, timely, and appropriate crisis responses following a major event are much more likely to leave a positive lasting impression — internally and with the public — and to reduce negative financial and operational impact.

Understanding what's really at stake

The list of constituent groups that can be potentially impacted by a utility's crisis event keeps growing. In addition to affecting the customer, a crisis event can also resonate with other stakeholders and interested parties who can individually or collectively influence aspects of the organization's public image. Poorly managed crisis events can invoke negative regulatory consequences, damage the

industry's reputation with customers and investors, influence US energy policy, and potentially increase the cost of doing business.

Expanding use of crisis management

Progressive companies increasingly activate their crisis management plan for what had previously been thought to be non-traditional uses in the power and utilities industry. Events such as unsolicited acquisition bids, defective product accusations, environmental damage allegations, service reductions, merger-integration-related crisis events, and major public-facing issues at large capital projects have all benefited from an effective crisis management program. The concept of pre-activating elements of the crisis management program before a crisis escalates is receiving more attention to align management for quick action.

Our approach

PwC's experienced risk management team helps internal audit departments better understand where their organization is positioned on the crisis management preparedness spectrum. We can provide a turnkey assessment or participate as a subject matter specialist to your internal audit team.

To help clients assess their crisis management programs, we leverage our risk management experience, power and utilities industry operational knowledge, and crisis management program design expertise. Our assessments focus on the following key areas:

Governance and organization

- Is there linkage between the enterprise-wide risk management and crisis management plans that promotes improved crisis event preparation?
- Does the organization have a clearly defined and documented crisis management framework that establishes control measures that facilitate plan activation and implementation?
- Is there an appointed crisis manager? Has an alternate been identified?
- Has a cross-functional crisis management team been established?

Roles and responsibilities

- Have defined roles and responsibilities been communicated to relevant parties?

- Does the crisis management plan provide a process for coordinating with local agencies and emergency services?

- Does the company exercise the crisis management program and incorporate lessons learned from actual internal/external crisis events?

Plan activation and operations

- Does the crisis management team have the capability and authority to set incident-related priorities; properly manage incidents; capture events and issues as they arise; and identify, allocate, and coordinate critical resources?
- Does the crisis management plan require an emergency operations center (EOC) whether physical or virtual (e.g., via teleconference)?
- Are there resources available at the EOC to support the crisis management team?

Communications

- Has the organization identified lines of communication and the availability of these mechanisms during a disruption?
- Does the crisis management plan provide a process for notifying staff and other stakeholders, including the use of social media?
- Does the organization have a media response plan that can be invoked after an incident?

Maintenance and testing

- Has responsibility been assigned for plan testing and maintenance and defined at all levels of the organization, testing, and maintenance roles?

Helping clients get sustainable, measurable results

By drawing upon our extensive knowledge of the power and utilities industry and our experience in reviewing crisis management programs, our professionals can help internal audit provide tangible benefits through practical and achievable recommendations, resulting in increased efficiency and improved risk management.

pwc.com/us/utilities

To have a deeper conversation about any of the issues in this paper, please contact:

Jim Hanlon

US utilities internal audit leader

Phone: (214) 754 5007

Email: james.r.hanlon@us.pwc.com

Amanda Herron

US utilities director

Phone: (214) 754 7579

Email: amanda.c.herron@us.pwc.com

Phil Samson

Governance, risk and compliance partner

Phone: (214) 754 7269

Email: phil.samson@us.pwc.com

Neil Kaufman

Governance, risk and compliance director

Phone: (646) 471 7976

Email: neil.kaufman@us.pwc.com