



**energysafetyservice**

*te ratonga whakaruru pūngao*

# BLUEPRINT

FUTURE DIRECTIONS 2006-2009







BLUEPRINT ARTICULATES AT A HIGH LEVEL THE FUTURE DIRECTION FOR THE ENERGY SAFETY SERVICE (ESS). IT IS IMPORTANT TO SHARE THIS DIRECTION WITH THE ENERGY INDUSTRY SO THAT AS A TEAM WE CAN PURSUE SAFETY OUTCOMES TOGETHER.

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Energy Safety is an important issue for the government, the energy industry and the general public. The ESS is committed to ensuring the safe supply and use of electricity and gas.

In September 2006 the Ministry of Economic Development publicly released the recommendations of an organisational review of the ESS. While the benefits of the changes to the ESS business are likely to be realised in the medium term, three significant movements have already taken place.

- ESS has a new senior management team focused on core business and achieving operational excellence by building organisational capability and performance.
- ESS is now located within the Business Services branch of the Ministry alongside the Radio Spectrum Management Group (RSM). Both these businesses have an engineering core competency and the operational synergies will allow a speedier and more cost effective implementation of changes for ESS.
- The organisational review called for ESS to develop a shared understanding of its regulatory philosophy and develop a willingness to play an appropriate role. The new ESS team has worked on a long term business strategy which provides a clear picture of what that philosophy looks like in reality. Blueprint details our strategy map for your information and it alerts you to the new ESS vision – ESS is the power behind energy safety.

We will take a leadership role both in how we organise with other regulators and in our engagements with industry towards innovative energy safety solutions. We will become a hub through which energy safety intelligence is exchanged and this knowledge will help in choosing the optimal regulatory ‘lever’ to achieve the best impact on energy safety. We will be an energetic, competent and accountable team empowered to execute our plan.

I trust that Blueprint provides a valuable, fresh perspective on the changes which are currently being implemented within ESS. While reading this document I am sure you will also consider where your organisation fits in the role of ensuring safe use of gas and electricity.

As always we value your feedback and invite you to contact the Energy Safety Service to discuss any aspects of it.

A handwritten signature in blue ink, appearing to read 'Sanjai Raj'. The signature is stylized with a large, sweeping horizontal stroke.

Sanjai Raj  
GROUP MANAGER

## VISION

The Energy Safety Service (ESS) has a new vision for its future: ESS is the power behind energy safety. To achieve this Vision, we will enhance our effectiveness as a safety regulator within a dynamic and changing environment. We will proactively lead New Zealand in gas and electrical expertise to the benefit of consumers, workers, industry and other government agencies with safety accountabilities.

We will focus on three goal streams to accomplish this Vision:

- **Criticality of issues** – early and accurate identification through systematic analysis of shared data
- **Clarity of expectations** – an internationally-aligned regime implemented without fear or favour
- **Conformance and confidence** – encouraging appropriate safety behaviour.

Through our Vision we will influence the regulatory environment to recognise changing risks that accompany a modern economy. We will work to improve industry compliance with the rules, and promote better decision making by the public around their interaction with electricity and gas.

## WHO WE ARE

ESS is the part of the Ministry of Economic Development which monitors and encourages compliance with the laws relating to energy safety. We achieve this by working with both the general public and industry to create an environment in which:

- people and property are safeguarded from the dangers of gas and electricity
- gas and electrical appliances, installations, supply, and electrical generating systems are safe
- the quality and measurement of gas and electricity is maintained.

We will be a smart and effective centre focusing on the right energy safety issues.

OUR WORK IS VITAL IN  
ENSURING CONSUMERS ENJOY  
THE BENEFITS OF ENERGY SAFELY.

WHAT WE DO

The ESS is committed to ensuring the safe supply and use of electricity and gas. We work with industry to promote high safety and quality standards in networks, installations and products. ESS also works to ensure the appliances people use are safe and they are used safely. Our work is vital in ensuring consumers enjoy the benefits of energy safely.

We also monitor, encourage and enforce compliance with the laws relating to energy safety.

ESS oversees the safety, supply quality and measurement requirements of the Electricity Act 1992 and the Gas Act 1992, and enforces provisions of the Hazardous Substances and New Organisms Act 1996 for fuel gases, by:

→ developing and applying internationally accepted standards for New Zealand's systems of electricity and gas safety, supply quality and measurement

- networking with other interested national and international organisations
- publicising energy safety, and advising consumers and business about the safety of energy products and services
- ensuring gas and electrical appliances and fittings are safe for use in New Zealand through industry surveillance and product monitoring
- undertaking investigations, corrective action and enforcement.

## STRATEGIC OVERVIEW

As our stakeholders, industry and government colleagues are already aware, ESS has been undergoing a high-level review during 2006. The resulting recommendations ultimately will have a positive impact on the energy safety environment in New Zealand.

Energy safety is a team effort. Energy safety outcomes can only be achieved if government, industry and the public are clear about their respective roles and responsibilities, and each takes up its share in the responsibility for safe energy, safe people and safe property.

ESS' clarity of regulatory philosophy, combined with a shared understanding of this philosophy and a willingness to execute it, are essential to achieving energy safety.

### ALIGNMENT

Supporting ESS' work programme and Vision are initiatives that are aligned with ESS' three streams and the Ministry of Economic Development's Strategic Priorities, which underpin the Government's goals.



## ESS AS A MODERN REGULATOR

ESS has always played an important role in helping New Zealand use and work with energy safely. Our work matters because it affects people's lives – their home and work environments, the quality and safety of appliances, and the overall quality and safety of gas and electricity supply. Today we play an increasing role in New Zealand's economic future.

The Government wants to promote growth through trade, consumers want access to and choice in the latest technology at a reasonable price, businesses want reduced compliance costs and increased investment, manufacturers expect access to world markets – all these market forces impact New Zealand's economy and ESS' role as a modern regulator.

We must balance our responsibilities as a regulator that protects the integrity of the safety regime with our responsiveness to stakeholders. We must ensure that the energy safety sectors in New Zealand and overseas have the knowledge they need to comply with our regulations, accept the consequences of regulatory breaches, and are enabled to better serve their own constituents.

We also must balance our role as modern regulator with our recognition of the importance of trade and economic growth to businesses and the New Zealand economy as a whole. This supports the Government's goal of sustainable economic growth.

To achieve desired energy safety outcomes, over the next three years ESS will:

- become the leader in energy safety expertise by collecting, analysing, and applying quality information so that ESS is an effective decisionmaker
- identify high-risk issues and effectively communicate with stakeholders, consumers, and other government agencies with safety roles
- strengthen the regulatory environment with a robust and transparent compliance and enforcement strategy
- strengthen international linkages, particularly with China and Australia, to support the Government's trade goals.

The clarity of purpose and direction we have achieved through our review and strategy planning will result in a better ESS for the wider energy safety environment.

## LOCATION

The review recommended that the Department of Labour was the best fit for ESS' objectives and operations. Location with a regulator with similar functions would leave ESS, and the government, less vulnerable to capability risks going forward. This future planning aspect has been an important concern to the continuity of energy safety services in New Zealand.

The Chief Executive of the Ministry of Economic Development (MED) decided to retain ESS within the MED. This decision reflected the MED's internal reorganisation to better support the Government's economic transformation agenda, changes being made within the Department of Labour, and the work ESS is undertaking to strengthen itself.

From 1 October 2006, ESS was co-located with the Radio Spectrum Management (RSM) group, part of the MED's Business Services Branch, in an enlarged Radio Spectrum Management and Energy Safety Group. The energy safety policy resource will move in June 2007 to enable completion of key projects already underway.

This location change is designed to lift ESS' capability and effectiveness in delivering on key elements in its Strategy, and will better align two work groups with similar operational and regulatory responsibilities.

ESS will be able to take advantage of a number of synergies with RSM, including:

- significant education, monitoring, compliance, auditing and enforcement roles
- mutual recognition arrangements pursuant to international trade agreements for electrical products
- incident investigation roles that directly and indirectly affect public safety
- procedural arrangements around infringement offences
- use of private sector engineers and other competent persons
- Business Services Branch support services including the Contact Centre, the National Enforcement Unit and the National Data Processing Centre.

Consistent with the recommendation of the review, the fuel quality monitoring function will transfer to the Measurement and Product Safety Service (MAPSS), part of the Ministry of Consumer Affairs.

THE CLARITY OF PURPOSE AND DIRECTION WE HAVE ACHIEVED THROUGH OUR REVIEW AND STRATEGY PLANNING WILL RESULT IN A BETTER ESS FOR THE WIDER ENERGY SAFETY ENVIRONMENT.

#### INTERNAL STRUCTURE

As proposed in the review, reorganising staff into an enforcement and monitoring team, and an operational policy team, will facilitate a more targeted yet integrated approach, fresh perspectives on the energy safety environment, and more opportunities for proactivity.

Following the October 2006 co-location with RSM, the internal structure for ESS includes an Electricity and Gas Operations Manager focusing on investigations, monitoring and enforcement and an Operational Policy Manager. RSM staff will serve as acting Managers to facilitate ESS' transition to the new Group, or until permanent Managers are appointed.

With the creation of the Radio Spectrum Management and Energy Safety Group, the Group Manager of RSM became responsible for the management of ESS.

As noted under 'Location', the energy safety policy resource will transfer to ESS in June 2007, while the fuel quality measurement function has already transferred to MAPSS.

#### ENERGY SAFETY REVIEW BILL

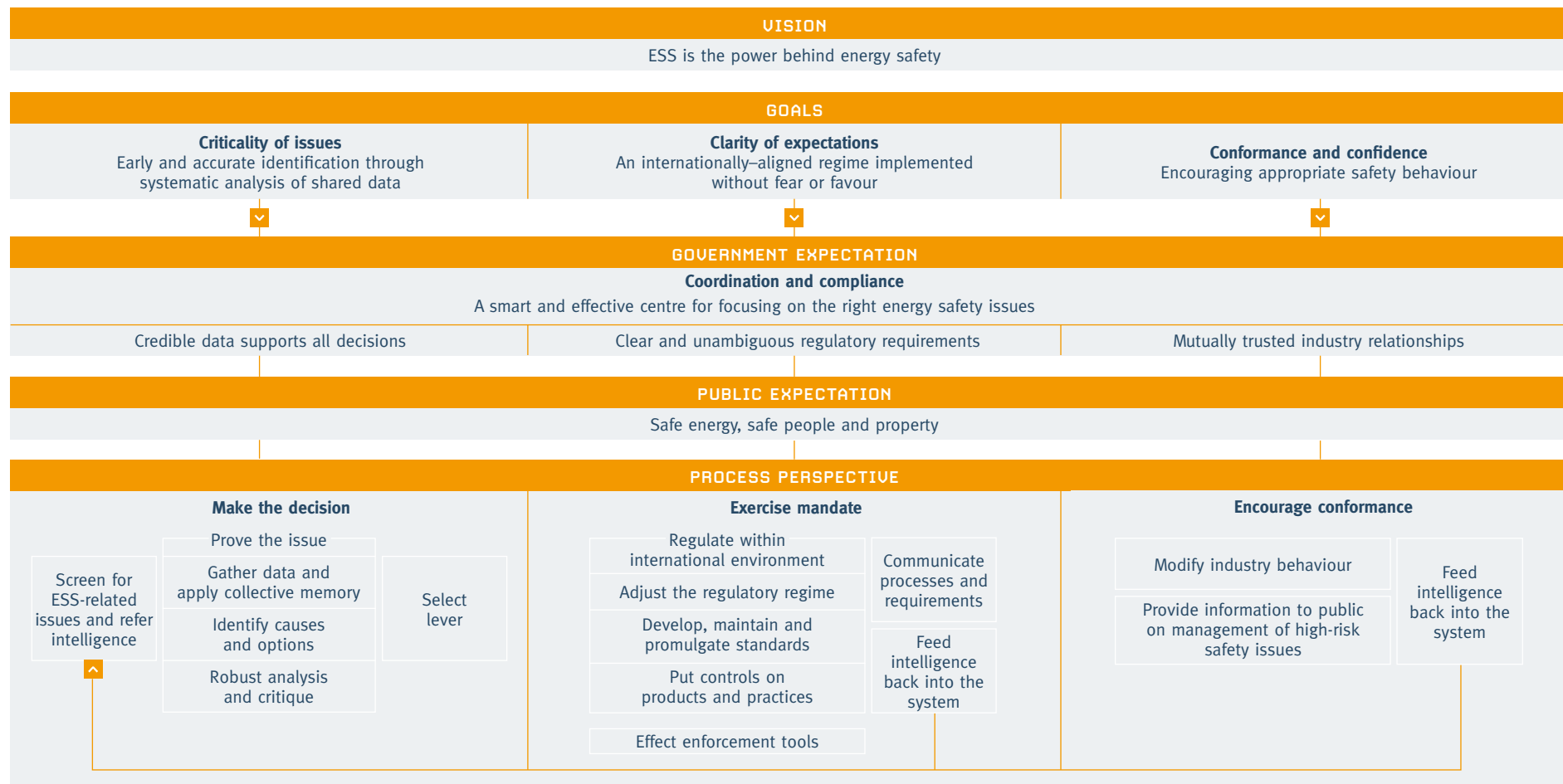
The purpose of the Energy Safety Review Bill ("ESRB") is to improve the electricity and gas safety regimes to effectively protect members of the public and property, and to improve the occupational regulation of electrical workers, gasfitters, plumbers and drainlayers. The Bill implements decisions based on the EnergySafe Working Party recommendations made in 2001. It represents an ongoing commitment by government to the safe delivery and use of electricity and gas.

The Bill proposes amendments to offence and fine provisions, including the introduction of an "instant fine" regime via infringement notices. It also improves the powers of the Chief Executive of the Ministry of Economic Development to deal with safety concerns.

Another significant component is the Bill's requirement that every owner of an electricity or gas supply system must implement and maintain a safety management system to ensure there is no significant risk of serious harm to the public or significant damage to property.

ESS anticipates passage of the Bill by the end of 2006 or early 2007.

## OUR STRATEGY MAP



TO ACHIEVE ITS VISION, ESS WILL ALIGN ITS WORK PROGRAMME ALONG THREE STREAMS. THE HIGH-LEVEL STRATEGIC APPROACH FOR EACH IS MORE FULLY ARTICULATED IN THIS SECTION.

## STRATEGIC APPROACHES: CHARACTERISING OUR FUTURE DIRECTION

### CRITICALITY OF ISSUES - EARLY AND ACCURATE IDENTIFICATION THROUGH SYSTEMATIC ANALYSIS OF SHARED DATA

ESS' main source of 'power' is robust information to justify decisions and to provide quality advice. This goal focuses on early selection of critical issues, gathering accurate and full data, analysing underlying causes and choosing the optimal regulatory lever to achieve the best impact on energy safety. This stream of the Strategy underpins ESS' entire regulatory philosophy – to base all decisions to act (or not to act) on robust and credible justification.

- ESS' information role is central to its role as a regulator. Investments in this area have the potential to provide a greater return in energy safety outcomes than any other investment.
- ESS will act as a hub, drawing in and disseminating information on energy safety to other regulators and industry organisations that have a common objective of energy safety.
- ESS will develop a more systematic approach to identify emerging strategic issues, and design its monitoring and research strategies to better understand and address high-risk issues. This involves a wider scope of stakeholder involvement than in past years, including ESS, policymakers, research and information staff, and other regulators and industry groups both in New Zealand and overseas.
- Credible data will support all issues and actions.

### CLARITY OF EXPECTATIONS - AN INTERNATIONALLY-ALIGNED REGIME IMPLEMENTED WITHOUT FEAR OR FAVOUR

ESS has a mandate to regulate and enforce as and when required. This goal focuses on ensuring a well-understood regulatory regime that delivers safety outcomes in a cost-effective way while facilitating trade and innovation. This stream is based on an expectation of clear and unambiguous regulatory requirements. Industry can be confident that a defined level of compliance is being achieved fairly.

### LEADING THE ENERGY SAFETY SECTOR

- ESS will coordinate energy safety matters across the various regulatory regimes that touch on energy safety, for example pursuing coordination among regulators as well as clarifying respective roles and responsibilities.
- ESS recognises that safety issues are not specific to New Zealand, but are international and can have global impacts. To address these issues proactively we will draw on international best practice and exploit international expertise.
- ESS' international work will leverage off international expertise through formal arrangements that secure the safety of products entering the New Zealand market, facilitate trade, and encourage the development of regulatory arrangements in countries which export products to New Zealand.

**COMPLIANCE AND ENFORCEMENT**

- ESS will develop and implement a new compliance and enforcement strategy.
- ESS will communicate its monitoring and enforcement strategy to its stakeholders.
- ESS will adopt a cooperative and educational approach with industry to encourage compliance with the regulatory regime and provide clarity around consequences.
- ESS will tailor its compliance and enforcement strategy as appropriate to different groups to achieve optimal compliance outcomes.
- ESS will be prepared to move up the enforcement pyramid when and as necessary, without fear or favour.

**INVESTIGATIONS AND AUDITS**

- ESS will undertake investigations and audits in accordance with best practice investigatory techniques which are common to both gas and electricity sectors. We will implement quality assurance processes both to benchmark practices and provide assurance that quality standards are being met.
- ESS will retain in-house investigative and technical expertise, while recognising the need to deepen the pool of expert third parties to undertake investigations on our behalf.
- ESS' investigations and audits make an important contribution to better energy safety outcomes, and we will reach agreements with other agencies with a shared role in achieving these outcomes. These agreements will define the role we should play relative to these other bodies and policies and procedures that support this role.

**SAFETY MANAGEMENT SYSTEM (SMS)**

- ESS will carry out its statutory responsibilities under the Safety Management System (subject to the passage of the Energy Safety Review Bill). We will also work with industry to ensure that there are appropriate checks, balances, relationships, and behaviours within the framework.
- ESS will also work with international certification and accreditation bodies such as the Joint Accreditation System of Australia & New Zealand (JAS-ANZ) to ensure the Safety Management System is robust and internationally benchmarked.

**REGULATIONS AND CODES OF PRACTICE/STANDARDS DEVELOPMENT**

- ESS will participate in the Standards development processes, both domestically and internationally, as it is important to our centre of capability approach. This provides access to the often small group of experts in particular technologies or risks, and allows us to contribute to Standards development from a technical point of view where we have particular expertise, and with a view to aligning Standards with regulations.
- ESS will review its investment in both domestic and international Standards work, with the objective of ensuring that 'essential safety', which is the foundation of the regulatory regime, is supported.
- ESS will also work to ensure the standards and compliance framework maximises international trade opportunities.
- ESS and policymakers will explore the potential for a risk-based framework for determining when and how to regulate, and more robust processes for regulatory impact analysis.
- ESS will align its electricity and gas regimes towards a common framework, giving greater clarity and transparency to all sector participants.

## POLICY DEVELOPMENT

- ESS recognises the close relationship between its regulatory approach (reflected in legislation) and its operational policy, which translates the regulatory approach into rules, Standards and enforcement strategies. Because requirements in legislation are often quite high level, we recognise that effective translation into 'operations' is critical to industry and other stakeholders.
- ESS will use its information and research capabilities to identify strategic issues and encourage incorporation into good policy.
- ESS will assess the viability of, and risks associated with, performance-based regulation for implementation in New Zealand.

## CONFORMANCE AND CONFIDENCE - ENCOURAGING APPROPRIATE SAFETY BEHAVIOUR

ESS plays a role in energy safety beyond that of regulator – it provides information and tools to industry and the public to manage high-risk issues. This goal is focused on ensuring industry understands the value of safety, and the public have knowledge of how to manage issues that can affect them. All stakeholders in energy safety and quality should have an understanding of regulatory system performance and with ESS, address areas for improvement.

- ESS recognises the value of interactions with other regulators to increase regulatory efficiency and reduce regulatory costs. We will partner with other organisations when desirable or possible, and will take a leadership role whenever required.
- ESS will foster an industry culture of voluntary compliance based on transparency, education, and industry ownership of safety issues.
- ESS will be enabled to act for and on behalf of other regulators in carrying out energy safety related work where it has a comparative advantage, such as in investigations.
- ESS will pursue information and education strategies, including guidance notes, warnings and alerts, and public awareness strategies.
- ESS recognises the need for increased commitment and resources for an effective communications strategy to underpin all its work.



## CONTACT ESS

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