

Business Continuity: Have Energy Companies Weathered the Storm?

World Energy® interviews Protiviti Director Michael Porier

Many energy companies have facilities, locations or headquarters in areas that are subject to natural disasters, civil unrest or even epidemics. Have companies prepared enough for these types of events? When is it enough? World Energy interviewed a business continuity expert at Protiviti to discuss this issue.

World Energy: The concept of "business continuity" has been around for quite some time, yet there is still much discussion about preparedness. Have the risks changed?

Porier: The risks haven't changed, but the likelihood of occurrence certainly has. The risk profile has shifted such that certain events that were previously considered as low risk are now perceived to have a higher likelihood of occurrence. For instance, prior to Sept. 11, 2001, most discussion related to BCP [business continuity plans] centered around restoring critical business processes and key data center systems and applications. After Sept. 11, 2001, businesses began rethinking the likelihood of terrorist activities in the United States and the potential impact it would have on their operations. They also began reassessing the likelihood of a regional event that affects areas as large as multiple city blocks or entire sections of a city.

Then with Hurricane Katrina, an entire city had to be relocated, which presents additional ramifications to continuity plans. Now organizations are assessing the potential of the avian flu and its implications on operations such as losing key personnel. In a relatively short period of time, seemingly low-likelihood events have actually occurred. As a result, business continuity strategists have shifted their focus from system outages to local site outages, regional and citywide outages and now personnel outages. Many believe another shift on the horizon may yet deal with the higher potential for civil unrest in politically sensitive areas of the world, in which many energy companies are located. The risk environment continues to change and organizations must adapt in order to stay ahead.

World Energy: Have any new developments taken place that organizations need to be aware of?

Porier: The most recent conversations have revolved around the potential for the avian flu to evolve and the impact it would have on most companies. This is another example of how the risk profile can change from year to year as the likelihood of certain risks increases or decreases. This particular risk is unique in that it primarily deals with the potential that personnel on a large scale will be unavailable to continue critical business operations. It necessitates the following questions: Are personnel appropriately cross-trained? Do personnel currently have the capacity to work from alternate locations, such as their homes? This represents a situation that hasn't been considered on this scale in most business continuity plans, so companies are already having these discussions in an effort to craft preliminary contingency plans.

World Energy: Given the nature of the current regulatory environment, aren't organizations already required to have recovery procedures in place?

Porier: It is true that the current regulatory environment has been heightened primarily due to the Sarbanes-Oxley Act; however, it specifically excludes components related to business continuity. Regulatory requirements issued by the Federal Energy Regulatory Commission and New York Stock Exchange Rule 446 entail limited views of certain BCP-related aspects, but neither comes close to mandating a comprehensive review of the various critical components of a business continuity plan.

World Energy: Is there anything that makes energy companies unique with respect to business continuity planning?

Porier: First of all, many energy companies possess a unique risk profile based solely on the geographic area in which they operate. Many refineries are located in the Gulf Coast, which is subject to hurricanes,

flooding and other risks. Many energy companies are headquartered in Houston, the energy capital of the world, which is also affected by this risk profile. Given the tropical activity in 2005 and the long-term forecasts, this represents a very real and present risk. Many refining operations are located in politically sensitive areas of the world, which necessitates that respective crisis plans be developed to protect personnel. Additionally, outages at companies such as utilities can be very visible and affect a very large number of personnel.

The risk profile is specific to each organization, but certainly the energy segment has its unique challenges.

World Energy: Once a plan has been created and documented, what kind of maintenance is required to ensure it remains viable and reflective of the changing risk environment?

Porier: This is a great question because it is an area that most organizations struggle with after the development of what they perceive as a comprehensive plan. The key point to remember is that a business continuity plan is not a static document.

In order for the plan to remain a viable asset to the organization, it must be continuously refreshed. Changes in the organizational structure of the company or business units; acquisitions or mergers; information technology [IT] infrastructure changes; implementation or upgrading of key business applications; adding or deleting locations; changes to business processes or operations – any of these items can necessitate revising or updating the existing plan.

The best-practice scenario is for companies to build a process into their culture to consider business continuity ramifications during their internal change management and project meetings. In today's environment, "change" happens. Assuming that the old plans will work is one of the most common mistakes.

Michael Porier is a Certified Business Continuity Professional (CBCP) and has assisted organizations around the world in preparing their business processes and technical environments for outage situations.

Questions Worth Asking

Michael Porier offers questions whose answers may indicate a need to revise or update your risk plan:

- Has a risk assessment been performed (or updated) that accurately depicts the likelihood and severity of the risks currently facing the organization?
- Have changes to the organization's business, technologies, processes or personnel affected the scope of prior recovery plans?
- When was the last time the various plan components were tested?
- Have the appropriate business owners approved of the recovery time windows that IT has developed for recovery purposes?
- Have business recovery procedures been developed to tie into the technological recovery procedures?
- Would personnel know what to do if they were not allowed to go to the office tomorrow? Do communication mechanisms exist?

Protiviti is a leading international provider of independent internal audit and business and technology risk consulting services. Protiviti helps companies worldwide identify, source and mitigate business and technological risks faced within their critical operations. Protiviti's Business Continuity professionals assist clients around the world in managing their risk associated with service outage events, crisis management, assessments and best practice guidance.

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