

National Energy
Board



Office national
de l'énergie

File OF-Surv-OpAud 0101
21 March 2019

To: All Companies under National Energy Board Jurisdiction
Canadian Energy Pipeline Association
Canadian Association of Petroleum Producers
Provincial and Territorial Regulators

Re: **National Energy Board Information Advisory**
NEB IA 2019-001
Gaps found across companies audited in 2017-2018

Please find attached Information Advisory IA 2019-001.

The National Energy Board (NEB) has issued the attached Information Advisory to provide clarity regarding its interpretation and expectations of focused management system audits in the areas of pre-construction activities and emergency management.

The NEB expects that this Information Advisory will be given wide circulation to all relevant personnel within your organization.

Yours truly,



for



Secretary of the Board

Attachment

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Management System Gaps Identified in 2017-2018 Audits

Basis for Issuance

Safety and environmental oversight is a core responsibility for the National Energy Board (NEB). As part of ongoing oversight, the NEB verifies compliance to regulatory requirements on a company-specific basis. In the 2017-2018 fiscal year, the NEB's audit program evaluated aspects of the management system and program areas as they related to specific operations areas across several companies. For these focused audits, the NEB chose operational areas that play a significant role in preventing harm to people and the environment through the prevention of incidents – namely:

- Pre-Construction Readiness Audits; and
- Emergency Management (EM) Program Audits.

The management system gaps identified for these operational activities are shared here as potential learning areas for improvements to the management system and program areas of all NEB-regulated companies.

Background

The audits were designed to target management oversight as well as field-level activities to verify the links between the field activities and the management system processes.

The companies audited for Pre-Construction Readiness were specifically selected because they were about to embark on pipeline construction projects. The objective of the audits was to verify that the companies had established the necessary oversight measures to manage construction-related safety and environmental protection for the projects in advance of construction activities commencing

The companies selected for the EM Program audits were chosen based on the NEB's existing compliance data and risk prioritization model. The objective of these audits was to evaluate the adequacy of key EM Program components in hazard identification, risk analysis and contingency planning for the identified hazards.

The resulting 2017-2018 audit program had EM Program audits conducted on four companies, and Pre-Construction Readiness audits carried out on two companies. The requirements for the audits were drawn from the NEB's *Onshore Pipeline Regulations* (OPR). The companies audited have completed or are working on corrective action plans and the NEB is monitoring their progress.

For information on the outcomes of the audits, please refer to the audit reports and the protocols posted on the NEB website at <http://www.neb-one.gc.ca/sftnvrnmnt/cmplnc/rpts/dt/index-eng.html>.

NEB Expectations

While the audits identified strong practices and approaches consistent with the requirements, collectively there are also areas where companies can strengthen their practices. Upon review of the results of the 2017-2018 audits, the Board identified several management system gaps that could be considered and addressed across all NEB regulated companies to improve company management systems and operational areas, including:

- Companies were not always providing adequate **direction and oversight over their contractors' activities**, specifically:

Companies, as certificate holders, are required to establish and implement documented **quality assurance programs designed to provide adequate oversight over contractors** to ensure they are working in compliance with legal requirements and in accordance with contract arrangements. During pipeline construction, compliance activities such as inspections, audits and management reviews must be conducted at an appropriate frequency by the regulated companies to ensure compliance, and identify potential program deficiencies so that corrective actions can be taken quickly and efficiently. Similarly, audit, inspection, measurement and monitoring activities must be conducted to ensure the pipeline is built in a manner that ensures its long term integrity while protecting people and the environment. **[OPR para. 6.5(1)(u)(w)(x) and 53(1)]**

In some cases companies were inclined to rely on their prime or general contractors to identify construction-related hazards and mitigate risks. The Board reminds certificate holders that the Board holds them **accountable for the safety, security and protection of the environment**. During construction activities, the Board expects regulated companies to be directly involved in the identification of hazards and mitigation of safety, security and environmental risks.

Companies had not **integrated construction activities into their management systems** and were handling them as stand-alone projects with separate management system processes that were not linked to each other. Doing so results in duplication of processes and organizational structures, which leads to confusion and break-down in communications. During construction activities, the Board expects the management and oversight of operational activities to be fully integrated into, and directed by, the company's management system processes and programs. **[OPR s. 6.1]**

- Companies are required to establish and implement processes within their management systems that, by design, intentionally, drive their activities. During the audit, companies were able to explain what actions they were doing and point to some records, but, in some cases, they were unable to provide a **documented process** that would ensure a systematic repeatable process. These processes, and the procedures that support them, must be fully and explicitly documented in order to be repeatable and consistent. Processes must contain required actions including roles, responsibilities and authorities for staff that are establishing, managing and implementing the process. **[OPR subsections 6.5(1)(2)(3)]**
- In some cases, companies could not fully demonstrate that they had documented processes for **developing contingency plans to address abnormal events** that may occur during construction, operation, maintenance, abandonment or emergency situations. Companies rely on their emergency plans and emergency management structure to develop contingency plans when needed. However, companies must review their inventory of hazards and potential hazards to identify circumstances that can be reasonably expected to occur, and then develop appropriate contingency plans to deal with them. This process should include criteria for determining when new contingency plans are required. **[OPR para. 6.5(1)(r)(t)]**

The NEB will apply these learnings in future compliance activities of its regulated companies. Getting to well-designed management systems and protection programs means that all companies must take the opportunity to leverage learnings from across industry.