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Natural Resources

August 31, 2017

Minister Coady Releases EY Report

Today, the Honourable Siobhan Coady, Minister of Natural Resources, released the final report from EY which assessed the status of implementing the April 2016 interim report recommendations related to planning and forecasting, contingency and risk management, and overall project governance and project reporting. The report is available at www.gov.nl.ca/mfoversight/

EY observed:

- Substantial progress in revising planning and forecasting processes to explicitly include the regular reporting of a fully risk-adjusted final forecast of cost and schedule. Risks identified by the project team are now quantified in terms of contingency allowances and are incorporated into the June 2017 forecast;
- The project has increased its confidence level for cost estimates;
- Tactical and strategic risks identified by the project team are now quantified in terms of contingency allowances and are incorporated into the June 2017 forecast;
- A greater degree of diligence in the project team's assessment of risk and the inclusion of risk contingencies in monthly forecasts;
- Strengthening of project governance and independent oversight at the project, Nalcor board, and government levels; and
- Improvements in the quality of project reporting at the project team, Nalcor board and Oversight Committee levels.

EY noted material changes since the issuance of the interim report which have reduced the project's risk profile and provide the opportunity for the project to achieve an improved level of certainty regarding cost and schedule to complete.

EY indicated that the project still has a high level of risk because of high construction activity and expenditures, complexity of the work, and the approaching winter season.

In addition, EY made suggested recommendations including:

- To define a process for when and how the project team will retire unneeded contingency;
- To perform additional schedule modelling on a monthly basis to better inform decisions regarding schedule management;
- To formally document its monthly internal risk modelling analyses;
- An opportunity exists to further strengthen project governance by implementing an enhanced independent assurance function; and
- Additional opportunities exist to standardize and synchronize project reporting where appropriate.

Government is currently reviewing and considering these recommendations.

Since issuing the interim report, a number of significant actions related to the Muskrat Falls Project have been undertaken:

- Stan Marshall was appointed CEO of Nalcor Energy in April 2016. He subsequently made changes in the organizational structure separating generation and transmission resulting in a positive impact on the management of the project;
- In November 2016, the additional federal loan guarantee of \$2.9 billion was secured www.nr.gov.nl.ca/nr/pdf/flg2_agreement_execute.pdf
- New members were appointed to Nalcor's Board of Directors in November 2016 including new chair, global business leader Brendan Paddick;
- The contract with Astaldi was finalized;
- Four new independent members were appointed to the Muskrat Falls Project Oversight Committee in April 2017 and methods for reporting in the public were revised;
- Progress has been made resolving other commercial disputes with major contractors;
- A new Quantitative Risk Assessment (QRA) for the project was completed; and
- Updates on the project's cost and schedule were given in June 2016 and June 2017.

Quotes

“Since coming to office, our government has worked methodically and diligently to ensure the Muskrat Falls Project is managed better with greater accountability and transparency. The actions taken by this government since December 2015 – reinforced by EY's comments and observations – demonstrate that we have made significant progress. We are focused on continuous improvement with the construction of the project which, as of June 2017, was 78 per cent completed.”

Honourable Siobhan Coady
Minister of Natural Resources

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Learn more

Government Opens Books on Muskrat Falls Project
www.gov.nl.ca/releases/2015/exec/1221n04.aspx

Government Releases EY's Interim Report on the Muskrat Falls Project
www.gov.nl.ca/releases/2016/exec/0412n02.aspx

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