

Financial Management of Distribution Assets (FIMDA)

Solution for financial management of assets' maintenance and renewal

ADVISORY

KPMG's FIMDA solution is designed for the management of assets' maintenance and renewal. The concept was primarily meant for utilities; however, with minor adjustments it can be applied in other industry areas as well. The aim of the solution is to provide the owner of assets with the structured information needed for economically-based management decisions (e.g., maintenance and repairs versus modernisation and reconstruction). The concept is based on the modelling of the future technical conditions of assets; subsequently, the impact on changes in OPEX, CAPEX, and allowed revenues (regulated business) is evaluated; and finally, the impact on economic criteria (DCF, NOPAT, etc.) is calculated and the optimised schedule of OPEX and CAPEX is prepared over a selected time horizon. A client customised economic model is used in order to compute future trends and to approach the optimization problem. A detailed analysis of historical data concerning the technical conditions and management costs of assets must be performed prior to all calculations.

Design

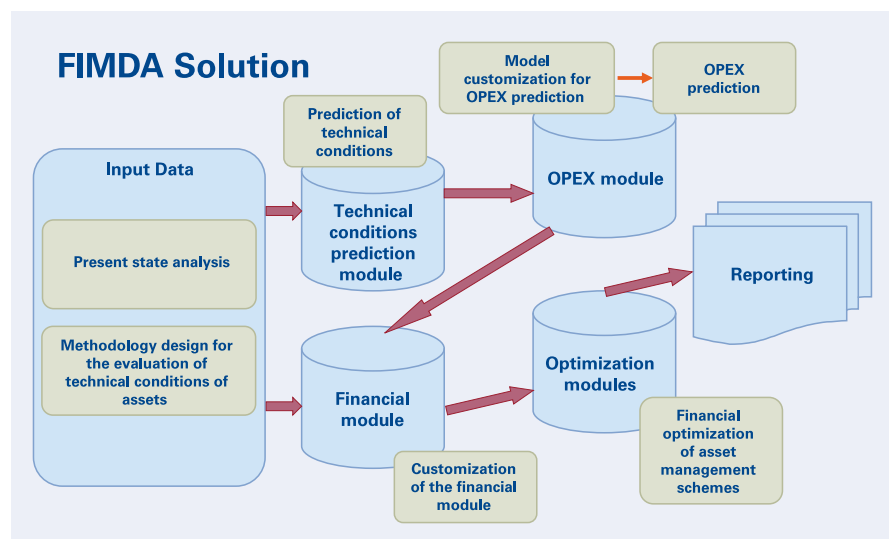
FIMDA is based on an SW model. The model compares different asset management schemes (e.g. maintenance and repairs or modernisation and reconstruction) and evaluates relevant economic criteria (impact on economic result = effect on NOPAT, impact on cash flow, etc.).

The solution evaluates the technical conditions of assets using failure curves estimated for all types of technological equipment.

The applied model permits prediction of future technical conditions and links

such forecasts to expected operational expenditures (OPEX) and expected investments (CAPEX).

Complex results of calculations provide future expenditure trends divided between OPEX and CAPEX for all the individual years of a selected time horizon. For all individual assets a detailed optimal treatment is proposed (e.g. modernise the asset A in 2011). The optimal distribution of OPEX and CAPEX for each year within the selected time horizon can also be evaluated for all individual assets taking into account set CAPEX limits for each year.





Internal client systems provide technical and economic input data. The application itself represents a comprehensive set of modules for financial evaluation of optimal asset management schemes. The application's computational kernel is composed of modules performing individual calculations. It consists of the module for prediction of future technical conditions of assets, OPEX calculation module, module for the evaluation of all asset management schemes, and two optimisation modules: the local optimisation module finds an optimal solution for every individual asset; the global optimisation module finds an optimal solution for OPEX and CAPEX plans over the selected time horizon. User interface permits application control and manual input of parameters. A set of reports presents the results and an internal database stores partial and temporary results.

Major solution benefits can address the following areas:

- FIMDA implementation introduces an independent approach to asset management, which can form the base for optimal planning of future operational and capital expenditures.
- FIMDA can review and consolidate technical and expenditure data in one system using a standardised format.
- FIMDA can provide you with a unique system for the evaluation of technical conditions of assets based on historical data and selected criteria.
- FIMDA can reduce your cost (OPEX + CAPEX).
- FIMDA can help you simulate future company development scenarios by changing many different parameters of the model.

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