

Executive Risk Management Committee (ERMC)

Charter

1.0 PURPOSE

The objective of the Executive Risk Management Committee (“ERMC”) is to provide oversight for the management of NYPA’s Risk Profile. The Risk Profile is a representation of the entire portfolio of risk across the enterprise.

The ERMC advises the President and Chief Executive Officer (“CEO”), Executive Management Committee (“EMC”), and Audit Committee of the Board of Trustees in accordance with the Corporate Policy 2-15 – Risk Management 3/21/2013 and the Resolution by the Board of Trustees dated March 21, 2013.

The Board of Trustees has delegated to the ERMC the authority by which NYPA staff may enter into energy commodity related hedge transactions as necessary to offset financial risks to the Authority or its customers.

2.0 DEFINITIONS

- 2.1 Risk Management – An integrated approach to identifying, assessing and addressing areas of uncertainty that could materially impair or enhance achievement of the Authority’s mission objectives.
- 2.2 Risk Profile – representation of the portfolio of risks across the enterprise.
- 2.3 Risk Tolerance – predefined limits of risk exposure to Authority’s mission objectives.
- 2.4 Risk Threshold – early warning metrics or indicators established as intermediate values between the planned outcome and the Risk Tolerance to identify potential risk impacts and trigger a Risk Response.
- 2.5 Risk Response – action or measure taken in advance of, or after, a risk occurs aimed at achieving the Authority’s mission objectives.
- 2.6 Strategic Goal – a specific, quantifiable ambition that is set and committed to by an organization in order to achieve its mission and vision.
- 2.7 Energy Related Hedge Transaction – a contract with an exchange or directly with a counterparty company, establishing the price for future delivery of a specified energy related commodity quantity, or the financially settled equivalent of such future delivery, where such contract offsets an existing risk exposure.

3.0 MEMBERSHIP AND ORGANIZATION

3.1 COMMITTEE COMPOSITION

The ERMC shall consist of a minimum of five (5) members, including the Chief Financial Officer (“CFO”) and four (4) additional members as appointed annually by the President and CEO.

It shall be chaired by the CFO; or, in the absence of the CFO, another member delegated this responsibility by the CFO.

The Chief Risk Officer (“CRO”) is a de facto, non-voting, participant of the ERMC but shall remain independent. The CRO develops the Risk Management approach and provides risk reports to the ERMC. The CRO will work with the ERMC to ensure implementing procedures are maintained to direct Risk Management processes.

The Vice President of Internal Audit, the Energy Resource Management Department and the Controller’s Office, each have a standing invitation to attend regular ERMC meetings but such attendance does not constitute ERMC membership nor voting rights.

A member of the Risk Management Department shall act as a coordinator to the ERMC maintaining the meeting schedule, agenda and meeting minutes.

3.2 QUORUM and VOTING

A quorum shall consist of any three (3) members including the chair; participation may be in-person, by video link or by telephone when reasonable assurance is provided of the identity and ability of such members to participate in the meeting discussion.

Voting on ERMC matters shall be on a one member-one vote basis. When a quorum is present, the vote of a simple majority of the ERMC members shall constitute the action or decision of the ERMC.

3.3 MEETINGS

All ERMC meetings shall be scheduled through the Chairperson.

The ERMC shall meet monthly or as often as it determines to be necessary. The ERMC may meet with the Board of Trustees, Audit Committee or CEO by telephone or video conference.

The ERMC may request any other officer, employee, or consultant of the Authority to meet with any members of, or consultants to the ERMC.

Authority staff shall prepare risk reports to be presented to the ERMC for review as outlined in related procedures or as otherwise requested by the ERMC.

Authority staff shall prepare risk response strategies to be presented to the ERMC for review and approval as outlined in related procedures or as otherwise requested by the ERMC.

Except in the case of an emergency, the suggested notice period for a meeting in person shall be at least ten business days prior to the date of such meeting.

3.4 RESPONSIBILITIES

Responsibilities of the ERMC are the following:

- Establish and assess the corporate Risk Profile, Risk Tolerances and Risk Thresholds across the enterprise.
- Ensure adequate resources are being applied to risks including appropriateness of risk ownership and response planning.
- Provide guidance to NYPA management regarding all aspects of Risk Management. Approve written procedures and other governance materials developed to support Risk Management activities to ensure consistency with the Corporate Policy 2-15 – Risk Management.
- Authorize a program for Energy Commodity and Credit Risk Management which may include the use of energy related commodity hedge transactions to offset an existing risk exposure, within appropriate processes and control limits governing their use, to offset a corresponding risk exposure.

Hedge transactions may include physical and financially settled transactions for:

- electrical energy,
- capacity, ancillary services,
- transmission rights and congestion contracts,
- natural gas, natural gas transportation, natural gas locational basis,
- fuel oil,
- traded emissions, environmental attributes, and

- other energy-market products used for generation, the fulfillment of customer load obligations or related requirements.

Such transactions shall be for no more than four (4) years beyond the last day of the month in which the transaction is entered. Transactions of more than four (4) years term, as well as competitive solicitations relating to such transactions require the prior approval of the Board of Trustees.

- Authorize energy related commodity hedge transactions in accordance with the Authority's Risk Management Policy and related implementing procedures.
- Regularly review and reassess the adequacy of this Charter and recommend any proposed changes to the Audit Committee for approval.

4.0 REFERENCES

Corporate Policy 2-15 – Risk Management

Risk Management Trustee Item - March 21, 2013 Trustee meeting

Audit Committee Charter

Procedure for Energy Commodity & Credit Risk Management