



**New York Power  
Authority**

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Generating more than electricity

# **Enterprise Risk Management Update**

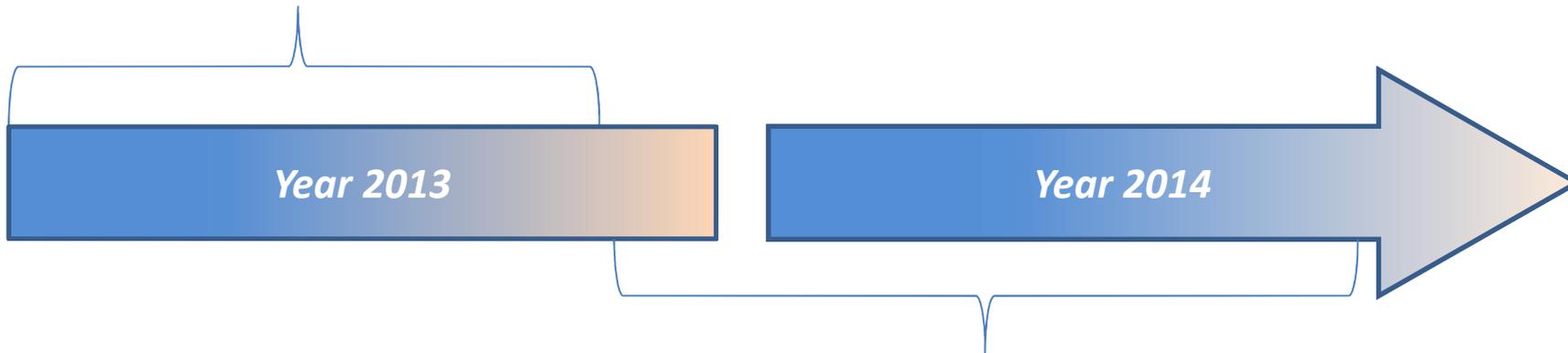
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**Director Enterprise Risk**

**September 24, 2013**

Audit Committee of the Board of Trustees Meeting

# Enterprise Risk Management Process

- Enhanced governance
- 2013 Assessment Process – Consistent Framework & Common Definition
- Conducted 18 Risk Workshops - Bottom-Up and Top-Down Assessment Processes
- Implemented Quality Control Measures (including SME review)
- Correlated Results to Articulate Enterprise Risks
- Reviewed Enterprise Risks with Executive Management



- Ongoing Response Plan Development, Implementation & Monitoring
- Key Risk Indicator Development
- Structured 2014 Assessment Process – Supported by Periodic Updates to Individual Risks as Warranted

## 2013 Risk Assessment Results

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### Bottom Up Assessment Results:

- 185+ Risks in the Inventory
- 28 “Top Risks” (Impact X Probability Score > 15)

### Top Down Assessment:

- Executive Risk Management Committee members were surveyed
- Survey results correlated well with the Bottom Up Assessment results

## Summary of Enterprise Risks

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Enterprise Risks represent the correlation of risk events into categories. These risk areas require integrated response by NYPA as there is no single risk owner:

- ❖ **Infrastructure**: NYPA's generation and transmission assets or their supporting infrastructure may not operate as planned.
- ❖ **Catastrophic Events**: Catastrophic events may negatively affect NYPA's ability to achieve its mission including effects on its cash flows, results of operations, financial condition, workforce and customers.
- ❖ **Regulatory Compliance**: NYPA or the facilities it operates may become subject to new laws, regulations and orders, and existing laws and regulations may be revised or reinterpreted in a way that adversely affects NYPA's ability to achieve its mission including effects on its cash flows, results of operations, and financial condition as well as the way NYPA conducts its business.
- ❖ **Cyber Security**: NYPA may become the target of a cyber-attack(s) that could impair the operability of its information technology assets or result in a data breach.

## Summary of Enterprise Risks (Continued)

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The five remaining Enterprise Risks relate to uncertainty that surrounds and/or impacts NYPA's workforce and highlights the importance of human capital as a critical asset at NYPA:

- ❖ **Attract/Retain Key Personnel:** Failure to attract and retain an appropriately qualified workforce may negatively affect NYPA's results of operations.
- ❖ **External Influences:** New laws, regulations, administrative orders, NYS policies, or NYS Legislative action/inaction, may negatively affect NYPA's ability to achieve its mission including effects on its cash flows, results of operations, and financial condition, as well as the way NYPA conducts its business.
- ❖ **Internal Communications:** Ineffective communication within NYPA may negatively affect NYPA's decision-making, results of operations, financial condition and the morale/productivity of its workforce.
- ❖ **Safety:** Relaxed safety mindset or deferred investment in safety infrastructure may lead to injury or loss of life.
- ❖ **Organizational Fatigue:** The uniqueness of NYPA as a New York State Public Authority operating in a competitive marketplace may place its workforce in a position where organizational fatigue could affect the results of NYPA's operations.

## Emerging Risks

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Internal and external factors continue to evolve that could impact the Authority's mission objectives. The following are examples of important emerging risk topics to the Authority.

**Transco:** Proposed public-private partnership of NY Transmission Owners. Uncertainties include:

- legislative approval of this new entity
- awards to competing developers of projects that may disrupt partnership planning or NYPA specific projects (upgrade of Moses Adirondack 1&2)
- FERC agreement, and
- NY Transco rate of return differing from NYPA rate if projects were pursued independently

**Distributed Generation:** The energy industry appears to be entering a period of transformative change driven by rising environmental consciousness and greater diversity in the energy marketplace. As investments in energy efficiency increase, the future demand for electricity may be impacted significantly leading to the inability of NYPA, as well as other electrical utilities, to support generation and transmission infrastructure.

# Next Steps



## Executive Risk Management Committee (ERMC)

**Complete Jan/May/Sep 2013**

- Priority Consensus Top Risks

## Incorporate Risk in Capital Allocation

- Asset Investment Planning



**Governance**  
- Finalize Materials  
- Audit Committee Update  
**Complete March 2013**



## Key Risk Indicators (KRI)

- Development

## Enhance Coordination

- Strategy
- Audit
- Compliance

