



Date: July 26, 2016
To: Audit Committee
From: Soubhagya Parija
Senior Vice President and Chief Risk Officer
Subject: Company Policy - Executive Risk Management Committee Charter

SUMMARY

The Audit Committee is requested to review and recommend adoption by the Trustees of a revision to the Company Policy – Executive Risk Management Committee Charter (the ‘Charter’) attached hereto as Exhibits ‘A’.

The proposed Charter, in accordance with leading industry practice, is intended as an affirmation of the philosophy, framework and delegation of authority for the Authority’s risk management activities, including the management of enterprise risks and energy commodity and credit risk.

BACKGROUND

At their meeting of March 29, 2016, the Trustees approved the 2016 Charter. This Charter has been updated and is now submitted to the Trustees for adoption.

DISCUSSION

The Charter establishes the Authority’s governance related to risk management, including the management of enterprise risks and energy commodity and credit risk. As the enterprise risk management program matures, the Charter expands and improves the governance structure and controls and further establishes accountabilities for all Authority risk management activities.

Proposed changes include a modification of the Executive Risk Management Committee (‘ERMC’) membership composition, Chairmanship will be on a rotational basis amongst the voting members, and clarification of roles and responsibilities of the Chairperson and the ERMC members.

RECOMMENDATION

The Senior Vice President - Chief Risk Officer recommends that the Audit Committee review and recommend approval by the Trustees of a revision to the Company Policy –Executive Risk Management Committee Charter as reflected in Exhibits ‘A’ and discussed above.

The Executive Vice President and Chief Financial Officer, the Executive Vice President and Chief Operating Officer, the Executive Vice President and General Counsel and I concur in the recommendation.

Gil Quiniones
President and Chief Executive Officer

Executive Risk Management Committee
Charter

Revision Date(For BCG Use Only)	Revision #	Description/Modification	Revision Section (s)	Author
6/6/2016	2	Corrected formatting	all	Thomas Araneo (Senior Credit Analyst)
4/1/2016	1	Annual Review process and conversion to new format; annual review as well as realigning and combine sections to be consistent with new format. Risk Appetite has been added to sections 4 and 5 Risk Management Framework has been added CFO general responsibilities have been added	 4.2, 4.6 and 5.2 5.3 5.2 & 5.3	Thomas Araneo (Senior Credit Analyst)
6/30/2016	3	Chairperson definition was added and Hedge Transaction definition was modified General Responsibilities of the ERMC, Chairperson, Members, and CRO were modified Chairperson will be determined on a rotational basis among the ERMC Members	2 3 4.1	Thomas Ho (Senior Director)

1 PURPOSE

The Executive Risk Management Committee (ERMC) is hereby established by the Board of Trustees to provide Risk Management oversight in accordance with the requirements of the New York Power Authority (the Authority) Company Policy 2-15 – Risk Management.

The Board of Trustees herein delegates to the ERMC the authority to:

- a. Establish and assess the Authority's Risk Profile and Risk Appetite
- b. Assign risk sponsors the authority to pursue risk mitigation strategies

2 INITIALISMS (ACRONYMS) AND DEFINITIONS

CEO – Chief Executive Officer

CFO – Chief Financial Officer

Chairperson – Individual that presides over the ERMC Meeting

CME – Chicago Mercantile Exchange

Counterparty - An entity that has an executed, active master agreement with the Authority and is approved to participate in commodity related hedging activities.

CRO – Chief Risk Officer

EMC – Executive Management Committee

ERMC – Executive Risk Management Committee

Hedge Transaction – A transaction between NYPA and a Counterparty or a transaction cleared using CME or ICE which will therefore define the price of commodities for future delivery of a specified quantity against the expected output of NYPA's generating units.

ICE – Intercontinental Exchange

Risk – Any triggering event, action or inaction which is likely to prevent the Authority from achieving its goals and objectives (directly or indirectly).

Risk Appetite – The amount of risk the Authority is willing to accept in pursuit of our mission. Strategic risk-taking can help achieve business objectives while maintaining adherence to organizational values and purpose.

Risk Management – An integrated approach to identifying, assessing and addressing areas of uncertainty that could materially impair or enhance the achievement of the Authority's mission and objectives.

Risk Management Framework – A structured process that provides the foundation and organizational resources for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization.

Risk Profile – The portfolio of risks across the enterprise.

Risk Response – Action or measure taken in advance of, or after, a risk occurs aimed at achieving the Authority's mission and objectives.

3 GENERAL RESPONSIBILITIES

3.1 The ERMC's general responsibilities include:

- a. Provide oversight and guidance on the Authority's Risk Management practices in accordance with the requirements of Company Policy 2-15 – Risk Management
- b. Establish the Authority's Risk Profile and Risk Appetite
- c. Review and monitor the Authority's top Enterprise risks
- d. Identify emerging risks and ensure effective and timely implementation of actions
- e. Review and monitor financial and other risk exposures, including credit, market, fiduciary, liquidity, reputational, operational, fraud, technological and strategic
- f. Authorize a program for energy commodity risk management, which may include the use of commodity Hedge Transactions utilizing both physical and financial instruments.
- g. Approve new products not specifically listed in Procedure for Energy Commodity & Credit Risk Management
- h. Ensure assigned risk sponsors have ERMC approval, which provides the necessary permission to commit the Authority to terms necessary for the conduct of its business within its established Risk Appetite

3.2 The Chairperson's general responsibilities include:

- a. Direct and lead discussions on the most relevant risk topics at each meeting
- b. Provide guidance and leadership to any Risk Response activities

3.3 The member's general responsibilities include:

- a. Identify and escalate new internal or external risks that may have an impact to NYPA
- b. Provide support and input on the risk topics discussed at each meeting

3.4 The CRO's general responsibilities, as they pertain to the ERMC, are as follows:

- a. Provide all necessary administrative support for the conduct of the ERMC meetings
- b. Advise the CEO, Board and other members of the committee as well as business units within NYPA on potential risks
- c. Develop and communicate the Authority's Risk Management Framework
- d. Consult on strategic management process
- e. Develop Risk Management procedures
- f. Work with business units and ERMC to monitor and manage risks
- g. Provide updates to the ERMC, EMC and NYPA's Board of Trustees



4 COMMITTEE COMPOSITION

4.1 The ERMC shall consist of a minimum of five (5) voting members, with a rotating Chairperson amongst the Voting Members as shown below. The Voting Members are appointed at the sole discretion by the President and CEO of the Authority with the latest Voting Members list posted on LiveLink under the document (ERMC Voting Members list).

4.1.1 Voting Members as of the publication date consist of the following:

1. Chief Financial Officer
2. Chief Commercial Officer
3. Chief Operating Officer
4. General Counsel
5. Chief Information Officer

4.2 The CRO is a de facto, non-voting, member of the ERMC.

4.3 The business unit leads of Internal Audit, the Controller's Office, and the Treasury group have a standing invitation to attend ERMC meetings but such attendance does not constitute ERMC membership or voting rights. Furthermore, at the request of the Voting Members; other officers, employees, or consultants to the Authority may attend the meeting.

5 APPROVAL PROCESS

5.1 ERMC business shall only be conducted during an ERMC meeting.

5.2 An ERMC meeting quorum shall consist of any three (3) members including the chairperson; 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.

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

6 RECORDS

The minutes for all ERMC meetings shall be recorded and motioned for approval at the next regularly scheduled meeting. All approved ERMC minutes are retained in the Records Management System, available to all NYPA employees and available to the public pursuant to a formal request process.



7 COMMUNICATIONS

- 7.1** At the direction of the Chairperson and/or CRO, members of the Risk Management Department shall coordinate the meeting of the ERMC, including maintaining the schedule, agenda and minutes.
- 7.2** The ERMC shall meet monthly and/or as determined necessary by the Chairperson and/or CRO.
- 7.3** Except in the case of an emergency, the notice period for a meeting in person shall be at least ten business days prior to the date of such meeting.

8 MEETING SCHEDULE

- 8.1** This document must be reviewed and approved annually or as business needs require.
- 8.2** The ERMC shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Audit Committee for their approval as well as approval by the Board of Trustees.
- 8.3** Records will be retained in accordance with the Authority's approved records retention schedules and/or in compliance with all applicable legal requirements pertaining to the Authority.

9 CHARTER REVIEW

- 9.1** Company Policy 2-15 – Risk Management
- 9.2** Procedure for Energy Commodity & Credit Risk Management

Executive Risk Management Committee
Charter

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<u>6/30/2016</u>	<u>3</u>	<u>Chairperson definition was added and Hedge Transaction definition was modified</u> <u>General Responsibilities of the ERMC, Chairperson, Members, and CRO were modified</u> <u>Chairperson will be determined on a rotational basis among the ERMC Members</u>	<u>2</u> <u>3</u> <u>4.1</u>	<u>Thomas Ho</u>

1 PURPOSE

The Executive Risk Management Committee (ERMC) is hereby established by the Board of Trustees to provide Risk Management oversight in accordance with the requirements of the New York Power Authority (the Authority) Company Policy 2-15 – Risk Management.

The Board of Trustees herein delegates to the ERMC the authority to:

- a. Establish and assess the Authority's Risk Profile and Risk Appetite
- b. Assign risk sponsors the authority to pursue risk mitigation strategies, which could include entering into Hedge Transactions, to remain within the Authority's established Risk Appetite.

2 INITIALISMS (ACRONYMS) AND DEFINITIONS

CEO – Chief Executive Officer

CFO – Chief Financial Officer

Chairperson – Individual that presides over the ERMC Meeting

CME – Chicago Mercantile Exchange

Counterparty - An entity that has an executed, active master agreement with the Authority and is approved to participate in commodity related hedging activities.

CRO – Chief Risk Officer

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Risk Appetite – The amount of risk the Authority is willing to accept in pursuit of our mission. Strategic risk-taking can help achieve business objectives while maintaining adherence to organizational values and purpose.

Risk Management – An integrated approach to identifying, assessing and addressing areas of uncertainty that could materially impair or enhance the achievement of the Authority's mission and objectives.

Risk Management Framework – A structured process that provides the foundation and organizational resources for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization.

Risk Profile – The portfolio of risks across the enterprise.

Risk Response – Action or measure taken in advance of, or after, a risk occurs aimed at achieving the Authority's mission and objectives.

3 GENERAL RESPONSIBILITIES

3.1 The ERMC's general responsibilities include:

- a. Provide oversight and guidance on the Authority's Risk Management practices in accordance with the requirements of Company Policy 2-15 – Risk Management
- b. Establish the Authority's Risk Profile and Risk Appetite
- c. Review and monitor the Authority's top Enterprise risks
- d. Identify emerging risks and ensure effective and timely implementation of actions
- e. Review and monitor financial and other risk exposures, including credit, market, fiduciary, liquidity, reputational, operational, fraud, technological and strategic
- f. Authorize a program for energy commodity risk management, which may include the use of commodity Hedge Transactions utilizing both physical and financial instruments.
- g. Approve new products not specifically listed in Procedure for Energy Commodity & Credit Risk Management
- h. Ensure assigned risk sponsors have ERMC approval, which provides the necessary permission to commit the Authority to terms necessary for the conduct of its business within its established Risk Appetite

3.2 The Chairperson's general responsibilities include:

- a. Direct and lead discussions on the most relevant risk topics at each meeting
- b. Provide guidance and leadership to any Risk Response activities

3.3 The member's general responsibilities include:

- a. Identify and escalate new internal or external risks that may have an impact to NYPA
- b. Provide support and input on the risk topics discussed at each meeting

3.4 The CRO's general responsibilities, as they pertain to the ERMC, are as follows:

- a. Provide all necessary administrative support for the conduct of the ERMC meetings
- b. Advise the CEO, Board and other members of the committee as well as business units within NYPA on potential risks
- c. Develop and communicate the Authority's Risk Management Framework
- d. Consult on strategic management process
- e. Develop Risk Management procedures
- f. Work with business units and ERMC to monitor and manage risks
- g. Provide updates to the ERMC, EMC and NYPA's Board of Trustees



3.4 COMMITTEE COMPOSITION

4.1 ~~3.1~~ The ERMC shall consist of a minimum of five (5) voting members, with ~~the CFO as its a rotating eChairperson amongst the Voting Members as shown below. The Voting Members and a minimum of four (4) additional members as are appointed at the sole discretion~~ by the President and CEO of the Authority with the latest Voting Members list posted on LiveLink under the document (ERMC Voting Members list).

a. _____

4.1.1 Voting Members as of the publication date consist of the following:

- 1. Chief Financial Officer
- 2. Chief Commercial Officer
- 3. Chief Operating Officer
- 4. General Counsel
- 5. Chief Information Officer

~~3.24.2~~ The CRO is a de facto, non-voting, member of the ERMC.

~~3.34.3~~ The business unit leads of Internal Audit, ~~the~~ Controller's Office and the Treasury group and Wholesale Commercial Operations each have a standing invitation to attend ERMC meetings but such attendance does not constitute ERMC membership or voting rights. Furthermore, at the request of the Voting Members; other officers, employees, or consultants to the Authority may attend the meeting.

~~4~~ **AUTHORITY**

The ERMC is authorized to:

- ~~4.1 Provide oversight and guidance to management on all the Authority's Risk Management in accordance with the requirements of Company Policy 2-15 Risk Management.~~
- ~~4.2 Establish and assess the Authority's Risk Profile and Risk Appetite.~~
- ~~4.3 Ensure that assigned risk owners have ERMC approval which gives them the authority to support Risk Response plans.~~
- ~~4.4 Authorize a program for energy commodity and credit risk management which may include the use of commodity hedge transactions utilizing both physical and financial instruments.~~
- ~~4.5 Delegate to approved personnel the necessary permission to commit the Authority to the terms of physical and financial derivative transactions necessary for the conduct of its business within its established Risk Appetite.~~



~~5~~ GENERAL RESPONSIBILITIES

~~5.1~~ The ERMC's general responsibilities are as follows:

- ~~a. May request any other officer, employee, or consultant to the Authority to meet with any members of, or consultant to, the committee~~
- ~~b. May request Authority personnel to prepare Risk Response strategies such as Hedge Transactions to be presented to the committee for review, approval and execution as outlined in related procedures or as otherwise requested by members of the committee.~~
- ~~c. Approve Risk Appetite~~

~~5.2~~ The CFO's general responsibilities, as they pertain to the ERMC, are as follows:

- ~~a. Chair all ERMC meetings or delegate that responsibility to another member~~
- ~~b. Provide guidance as it pertains to the Risk Appetite~~

~~5.3~~ The CRO's general responsibilities, as they pertain to the ERMC, are as follows:

- ~~a. Provide all necessary administrative support for the conduct of the ERMC meetings~~
- ~~b. Advise the CEO, Board and other members of the committee as well as business units within NYPA on potential risks~~
- ~~c. Develop and communicate the Authority's Risk Management Framework~~
- ~~d. Consult on strategic management process~~
- ~~e. Develop Risk Management procedures~~
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~~65.3~~ Voting on ERMC matters shall be on a one member-one vote basis. When a quorum is present, the vote of a majority of the ERMC members shall constitute the action or decision of the ERMC.

~~76~~ RECORDS

The minutes for all ERMC meetings shall be recorded and motioned for approval at the next regularly scheduled meeting. All approved ERMC minutes are retained in the Records Management System, available to all NYPA employees and available to the public pursuant to a formal request process.

87 COMMUNICATIONS

~~8.1~~ All ERMC meeting schedules shall be coordinated with the Chairperson.

~~8.27.1~~ At the direction of the CFO-Chairperson and/or CRO, members of the Risk Management Department shall coordinate the meeting of the ERMC, including maintaining the schedule, agenda and minutes.

~~7.28.3~~ The ERMC shall meet monthly and/or as determined necessary by the CFO-Chairperson and/or CRO.

~~7.38.4~~ Except in the case of an emergency, the notice period for a meeting in person shall be at least ten business days prior to the date of such meeting.

98 MEETING SCHEDULE

~~9.18.1~~ This document must be reviewed and approved annually or as business needs require.

~~98.2~~ The ERMC shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Audit Committee for their approval as well as approval by the Board of Trustees.

~~89.3~~ Records will be retained in accordance with the Authority's approved records retention schedules and/or in compliance with all applicable legal requirements pertaining to the Authority.

109 CHARTER REVIEW

~~109.1~~ Company Policy 2-15 – Risk Management

~~940.2~~ Procedure for Energy Commodity & Credit Risk Management