

Hydro one – essay

Business, Risk Management



Hydro one helps it to analyze the risks and opportunities in an integrated manner to improve the allocation of resources. It also enables it to prepare for the changing corporate governance requirements, deregulation of markets and future risks Like OLL spill etc. The process of ERM at Hydro one involves the identification of 50-70 business risks which are then reduced to ten most significant risks through interviews and focus groups.

Voting is accomplished using the Delphi Method to quickly identify and prioritize risks based on the ignited and probability in order to focus on major risks. Five point risk tolerance scale from Minor to worst case Is used to estimate the Impact of a risk on the corporate objectives and five point probability rating scale is used to estimate the probability of the risk materializing. Each investment program is evaluated in terms of the cost and severity of the risk It attempts to mitigate.

Capital expenditures are allocated to the prioritize investment projects according to the greatest overall risk reduction per dollar spent (Bang for the buck index). Overall risk score is assigned to each combination of impact and probability assessment. It is a rational and better- coordinated process for allocating capital as: 1 . It improves the capital expenditure process and can help the firm select an optimal portfolio of projects. 2. It enables the firm to delegate theresponsibilityto manage the risk to the risk owner while making risk awareness an indispensable part of companyculture. . The company credit rating given by S&P, Moody improved resulting in lower credit costs for the many as the company exhibited Improvements in efficiency. 4. The process takes Into account the benefits of risk reduction In a wide gamut of risk categories (regulatory, financial, reliability, safety, reputation) and

assesses the qualitative impact of various risks also. 5. It helps the company achieve an optimum balance between business risks and returns.

Thus, the ERM implementation process makes use of a variety of tools and techniques, including the " Delphi Method," risk trends, risk maps, risk tolerances, risk refills, and risk rankings etc. It has succeeded In overcoming most of the issues as follows: * The use of Delphi method facilitates open discussions and causes managers to shed their rigid views and develop a common understanding of the risks. They are able to concur on the corporate plan for proportioning action and the resources to manage such risks. The attention of top management is secured by espousing that risk management Is everyone's responsibility, from the Board of Directors to individual employees. The classification of risks enables the managerial attention to be concentrated on high risk factors. * As risks are continuously evolving and the magnitude and probability of a certain risk is affected by the Internal controls (mitigation efforts In the past) as well as the external changes In the environment. Thus, monitoring and reporting are fundamental to effective management of business risks.

Hydro one engaged in extensive reviews and 1 OFF Incorporated outside views In ten corporate rills prattle Walt ten Nell AT attaches room other sources like workshops, media scans along with structured interviews with the top 40 to 50 executives together. * Regulatory compliance is ensured through a separate classification of regulatory risks and potential loss of credibility. Thus, the risk based investment planning system has yielded many benefits for the firm, but as the risks faced by the firm are changing,

the company continuously needs to incorporate those risks in its ERM system in order to succeed in achieving its strategy.