Independent Electricity System Operator

Enterprise Risk Management Maturity Assessment and Leading Practices Review – Draft Report

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4. ERM MATURITY ASSESSMENT & RELATED LEADING PRACTICES

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Current State

The IESO has demonstrated many attributes of the criteria for Level 2 Risk Leadership, including:

- Senior management involvement in updates relating to cyber-security, Ontario Fair Hydro Plan, and Market Renewal Program at request of the Board of Directors and Audit Committee; and,

- ELT review of risk assessments, mitigation plans for key risks, annual Corporate Risk Profile, and definition of risk tolerance.

Each business unit has an appointed staff member who completes the risk assessment, manages mitigation plans, and reports information relating to mitigation plan status to Audit Committee on a quarterly basis. Some business units demonstrated advanced capabilities and incorporation of risk management into their day-to-day activities.

This current approach, facilitated through a Corporate Risk Team has been effective for the IESO to achieve their current level of maturity. As the IESO strives to improve their ERM maturity, the approach will need to become more top-down, with the retirement of the Corporate Risk Team and senior management taking the lead.

Suggested Maturity Level: 4.0 *- Senior management are proactive in driving and maintaining the embedding and integration of risk management; in setting criteria and arrangements for risk management and in providing top down commitment to well managed risk taking to support and encourage innovation and the seizing of opportunities.*

At this level, organizations start to build core competency in risk management and this often leads to achievement of strategic and financial goals. Often organizations see a significant improvement in operational efficiency.

Applicable leading practices for the IESO (Opportunities for continuous improvement):

- Leadership and management should reinforce and sustain risk capability, organizational and business resilience and commitment to excellence. (I.e. Assign formal responsibility for risk mitigation strategies).
- Senior management are proactive in driving and maintaining the embedding and integration of risk management; in setting criteria and arrangements for risk management and in providing top down commitment to well managed risk taking to support and encourage innovation and the seizing of opportunities.
- Allocation of accountability for key risks should be agreed upon by the Board and senior management.

Short-Term Action Items:

- Shift responsibility of risk assessment to senior leadership as appropriate.
- The Board and ELT should approve an ERM Mandate.

The Board and ELT should reallocate accountability for newly defined key risks and formally allocate responsibility for risk mitigation strategies.

Role of the Board of Directors:

- Establish and encourage an organizational culture that views ERM as an enabler. Motivate risk dialogue at all levels.

Long-Term Action Items:

- Risk management should be a standing agenda item in all regular ELT and Board meetings, to facilitate a proactive top-down approach to risk management.

- Establish an annual continuous improvement training course for the Board and ELT

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