



Risk Instructions

Investment Planning Process

Other Information Required

- Corporate Strategy
- Customer feedback and requests
- Asset condition information
- Asset demographics
- System impact information
- Benchmarking information
- Equipment performance information
- Field reports and studies
- Historical cost and accomplishment levels by investment type
- Other information specific to a business value (e.g. customer survey results)

Business Values

- Investments are assessed based on the 7 Business Values (Financial, Reputation, Reliability, Regulatory, Customer, Business Efficiency, H,S&E)
- Benefits are expressed as the ability to mitigate risk
- Each successive funding level must mitigate an increasing amount of risk
- Residual Risk is the remaining risk after the injection of funding at the end of **5 years**

Funding Levels

- **Minimum Level**
 - Investments represent the minimum work required to keep Hydro One out of the red zone over the 5 year period. Over a longer time, this will result in deteriorated asset condition.
- **Asset Need**
 - The investments defined in the strategy
 - An amount of work and associated cost required to mitigate residual risk of an investment driver to within the Prudent Residual Risk Target Band (PRRTB)

Risk Assessment

	Minor	Moderate	Major	Severe	Worst Case
Very Likely (>95%)				Unacceptable Risk Zone	
Likely (65 to 95%)					
Medium (25 to 65%)					
Unlikely (5 to 25%)					
Remote (< 5%)					

Decreasing Risk

Important Concepts

Likelihood Scale for Business Risks



Likelihood Scale	Expectation of Event Frequency in years	Probability in Any Given Year	Probability in Planning Period (5 years)
Very Likely	>1 in 2	> 0.45	> 95%
Likely	1 in 2 <i>to</i> 1 in 5	0.45 <i>to</i> 0.19	95% <i>to</i> 65%
Medium	1 in 5 <i>to</i> 1 in 20	0.19 <i>to</i> 0.05	65% <i>to</i> 25%
Unlikely	1 in 20 <i>to</i> 1 in 100	0.05 <i>to</i> 0.011	25% <i>to</i> 5%
Remote	<1 in 100	< 0.011	< 5%

Risk Tolerances

- Minor – Noticeable disruption to results
 - Manageable
- Moderate – Material deterioration in results
 - A concern
 - May not be acceptable
 - Management response may be considered
- Major – Significant deterioration in results
 - Not acceptable
 - Management response
- Severe – fundamental threat to operating results
 - Immediate senior management attention
- Worst Case – results are really really bad
 - Threaten survival of company in current form
 - Potential full time senior management response until resolved

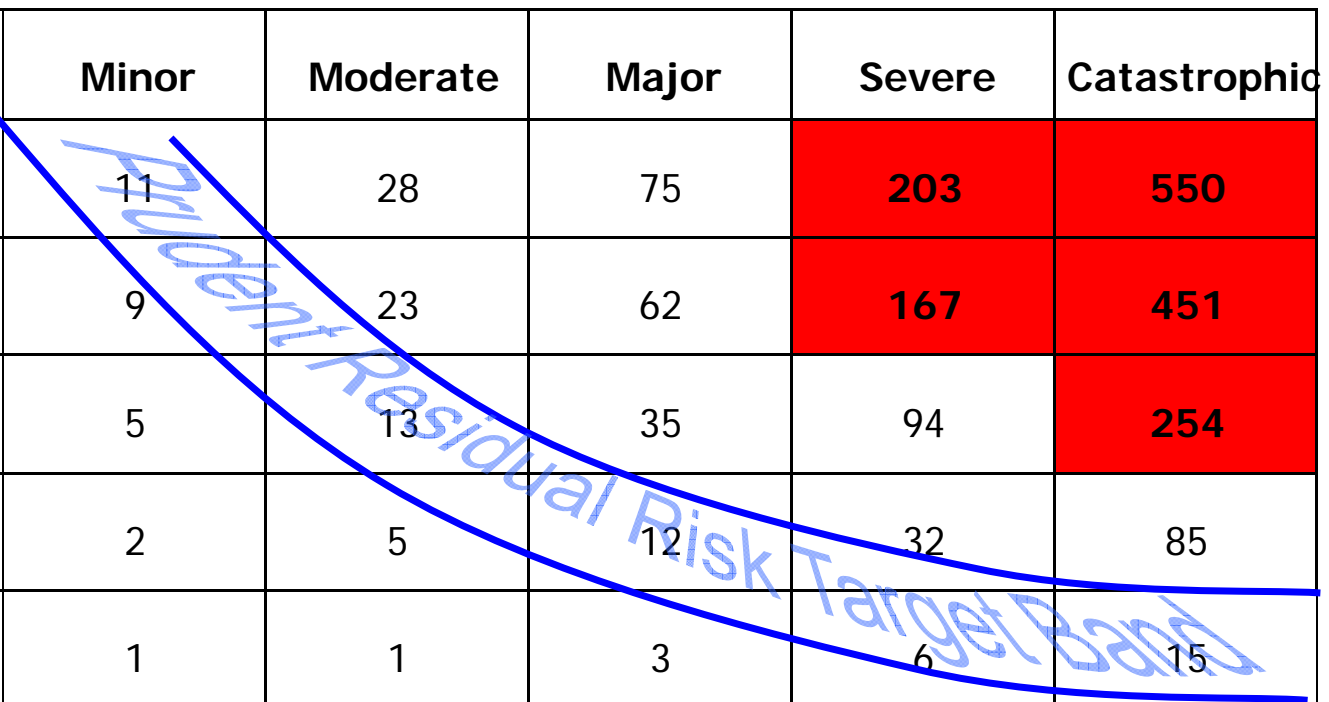
Important Concepts

What is Asset Need?

Asset Need is an amount of work and associated cost required to mitigate residual risk of an investment driver to within the Prudent Residual Risk Target Band (PRRTB)

Prudent Residual Risk Target Band (PRRTB)

	Minor	Moderate	Major	Severe	Catastrophic
Very Likely	11	28	75	203	550
Likely	9	23	62	167	451
Medium	5	13	35	94	254
Unlikely	2	5	12	32	85
Remote	1	1	3	6	15

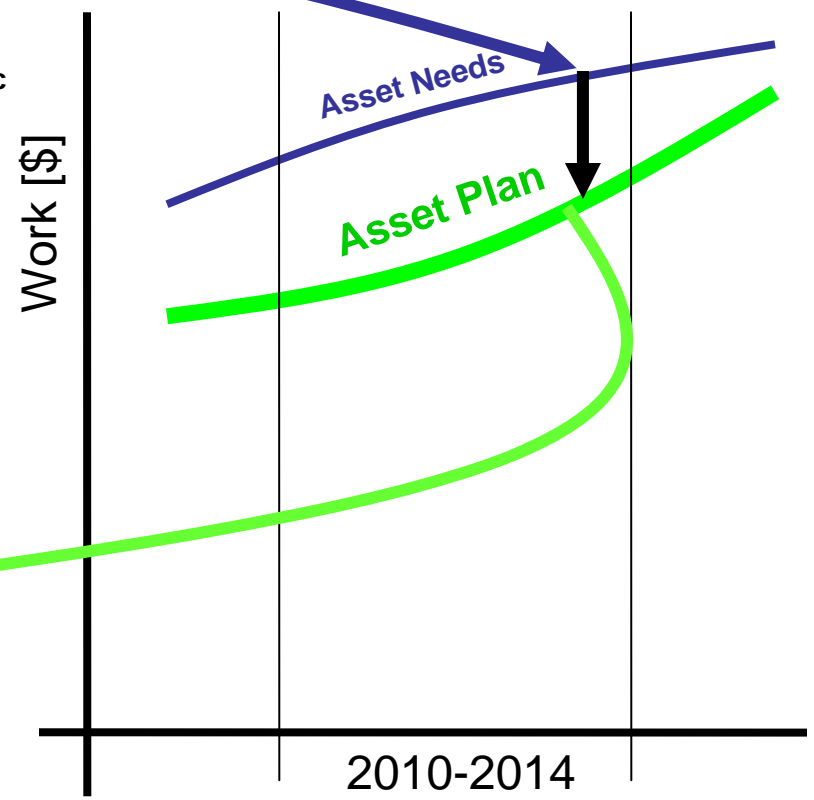


Important Concepts

Asset Need – Asset Plan

Prudent Residual Risk Target Band (PRRTB)

	Minor	Moderate	Major	Severe	Catastrophic
Very Likely	11	28	75	203	550
Likely	9	23	62	167	451
Medium	5	13	35	94	254
Unlikely	2	5	12	32	85
Remote	1	1	3	6	15



Constraints

- Financial & Regulatory
- Resources
- Materials
- Outages
- Other Commitments

Risk Assessment (Example)

												RISK ASSESSMENT																	
												Financial		Reliability		Customer		Safety & Env		Reputaion		Business Efficiency		Business Efficiency		WAR			
<u>DRIVER</u>	<u>TITLE</u>	<u>LEVEL</u>	<u>LEVEL DESCRIPTION</u>	<u>Mitigated Risk</u>	<u>PIndex</u>	<u>2009</u>	<u>2009 Accum</u>	<u>Proposed \$</u>	<u>2010</u>	<u>2010 Accum</u>	<u>Proposed \$</u>	mit	res	mit	res	mit	res	mit	res	mit	res	mit	res	mit	res	mit	res		
DM103	Vegetation Management	Minimum	9-Year Cycle (10,000 km Annual Accomplishment)	9999	100000	112.7	112.7		112.9	112.9		9999	94	9999	94	9999	75	9999	75	9999	94	9999	94	9999	94	9999	94	9999	94
DM103	Vegetation Management	Level 1	8-Year Cycle (12,600 km Annual Accomplishment by 2008)	94	70	13.2	125.9		13.1	126.0		94	62	94	62	75	35	75	62	94	62	94	62	94	62	94	62	94	62
DM103	Vegetation Management	Level 2	7-Year Cycle (14,300 km Annual Accomplishment by 2011)	62	70	0.1	126.0		8.3	134.3		62	23	62	28	35	13	62	28	62	28	62	28	62	28	62	28	62	28
DM103	Vegetation Management	Level 3	7-Year Cycle (14,300 km Annual Accomplishment by 2008)	28	70	16.1	142.1		7.5	141.8		23	9	28	9	13	5	28	5	28	9	28	9	28	9	28	9	28	9
DM103	Vegetation Management	Level 4	6-Year Cycle (16,700 km Annual Accomplishment by 2011)	9	8	0.1	142.2		11.3	153.1		9	2	9	2	5	1	5	2	9	2	9	2	9	2	9	2	9	2

Detailed Instruction to the Planners



- Information on the database
- Inputting costs and accomplishments
- Doing the risk assessment
- Providing the rationale
- Attaching relevant information