

ACHIEVING MANAGED GROWTH THROUGH DIVERSIFICATION

THE MEARIE CONFERENCE
MUSKOKA, ON

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NAVIGANT

AS THE POTENTIAL FOR EXPANSION
AND DIVERSIFICATION OF
OPERATIONS BEYOND TRADITIONAL
DISTRIBUTION OPEN UP, CERTAIN
ASPECTS OF DIVERSIFICATION
POSE POTENTIAL RISKS

THIS SESSION WILL EXPLORE HOW
TO AVOID AND EXPLOIT THE RISKS
INHERENT TO BUSINESS
DIVERSIFICATION AND EXPANSION
OF SCOPE ACROSS A RANGE OF
RISK FACTORS

THE OPPORTUNITY

OLD

§71 (1) of the *Ontario Energy Board Act, 1998* states that, subject to certain specific exceptions, a transmitter or distributor shall not, except through one or more affiliates, carry on any business activity other than transmitting or distributing electricity

NEW

Bill 112 - *Strengthening Consumer Protection and Electricity System Oversight Act, 2015* **added** the following to §71

Exception in special circumstances

Despite subsection (1) the Board may, if in its opinion special circumstances of a particular case so require, authorize a transmitter or distributor to carry on a business activity other than transmitting or distributing electricity other than through one or more affiliates, in accordance with an order of the Board

THE OPPORTUNITY

OLD

§73 of the *Ontario Energy Board Act, 1998* limited the activities of affiliates to:

1. Transmitting or distributing electricity
2. Owning or operating a generation facility
3. Retailing electricity
4. Distributing or retailing natural gas
5. Activities that enhance 1, 3, or 4
6. Activities that use the assets of the distributor or an affiliate more effectively
7. Water or wastewater utility
8. Renting or selling hot water heaters
9. Conservation and clean energy services

NEW

Bill 112 - *Strengthening Consumer Protection and Electricity System Oversight Act, 2015* **repealed** §73 of the *Ontario Energy Board Act, 1998*

THE OPPORTUNITY



Diversification from a financial perspective ***reduces exposure to any one particular risk***



Diversification from a strategy perspective ***creates opportunity for growth and introduces new risks***

***LUCK IS WHAT HAPPENS WHEN
PREPARATION MEETS
OPPORTUNITY***

- Seneca

THE PREPARATION

Identify the business risk areas and the qualitative distinctions between them

External
Environment

Business Strategies

People

Analysis and
Reporting

Business Process
Execution

Technology and
Data

External
risks

Strategy
risks

Preventable
risks

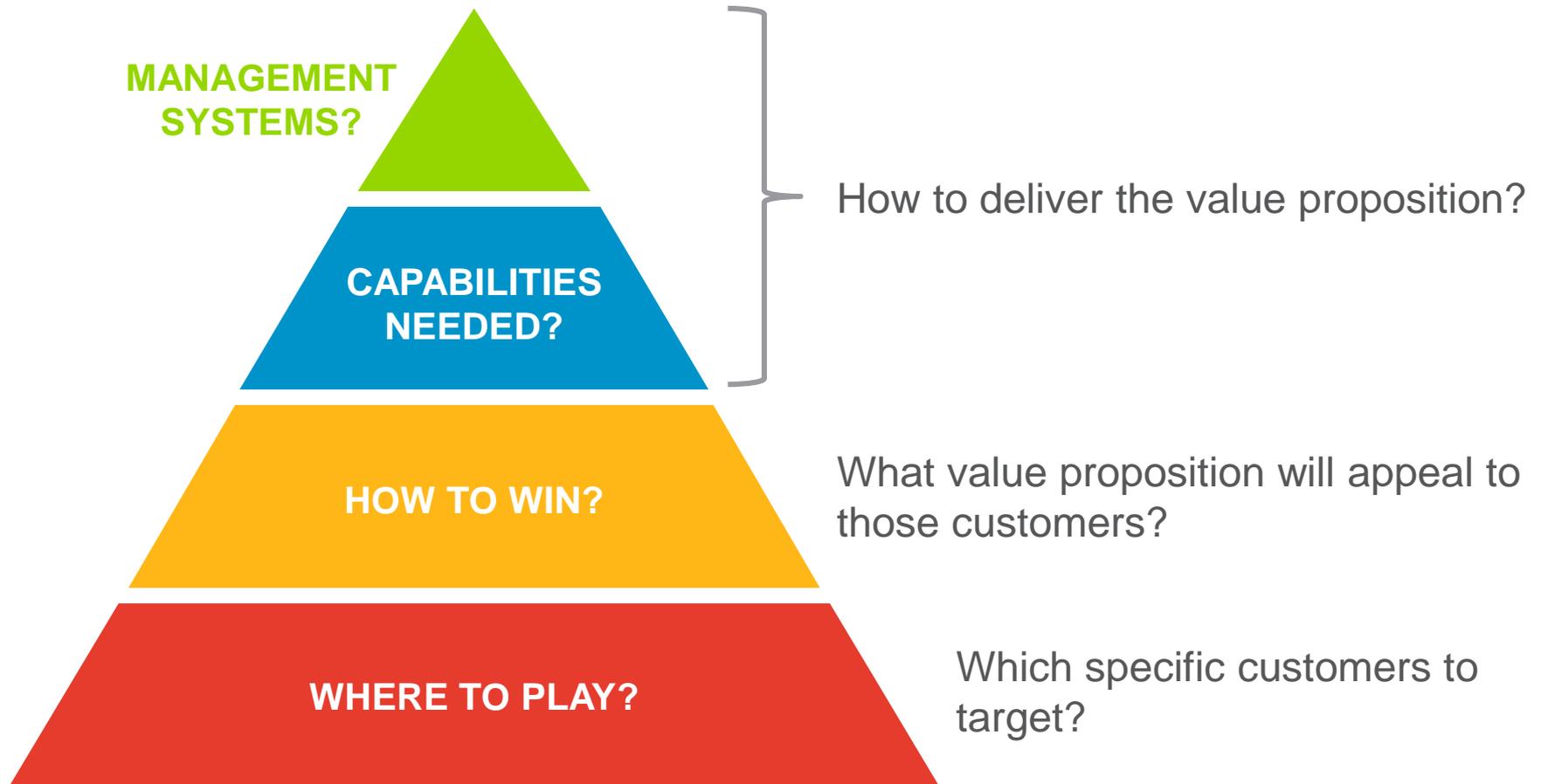
THE PREPARATION

Rely on two tools to mitigate and exploit the risks inherent with diversification



THE PREPARATION – STRATEGY

Use strategy to outline your winning aspiration



THE PREPARATION – RISK MANAGEMENT

Use enterprise risk management to identify, manage, and mitigate risks

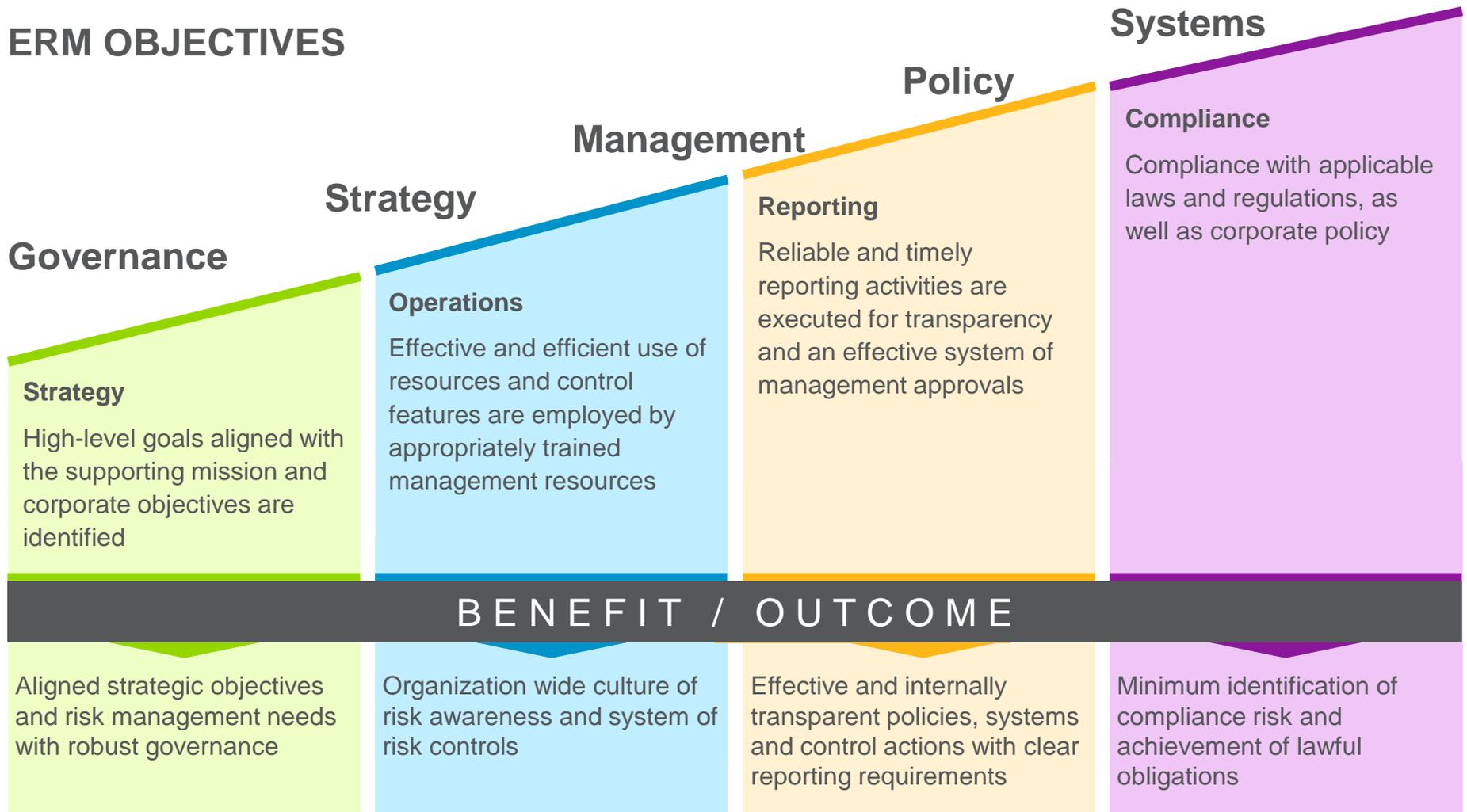
- The Committee of Sponsoring Organizations (COSO) is a worldwide leader in developing frameworks and guidance for Enterprise Risk Management (ERM)
- COSO defines ERM as:
 - “a process effected by an entity’s board of directors, management, and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives”*
- An enterprise-wide ERM is considered the most effective and optimal risk management approach for utility organizations

THE PREPARATION – RISK MANAGEMENT

ERM COMPONENTS

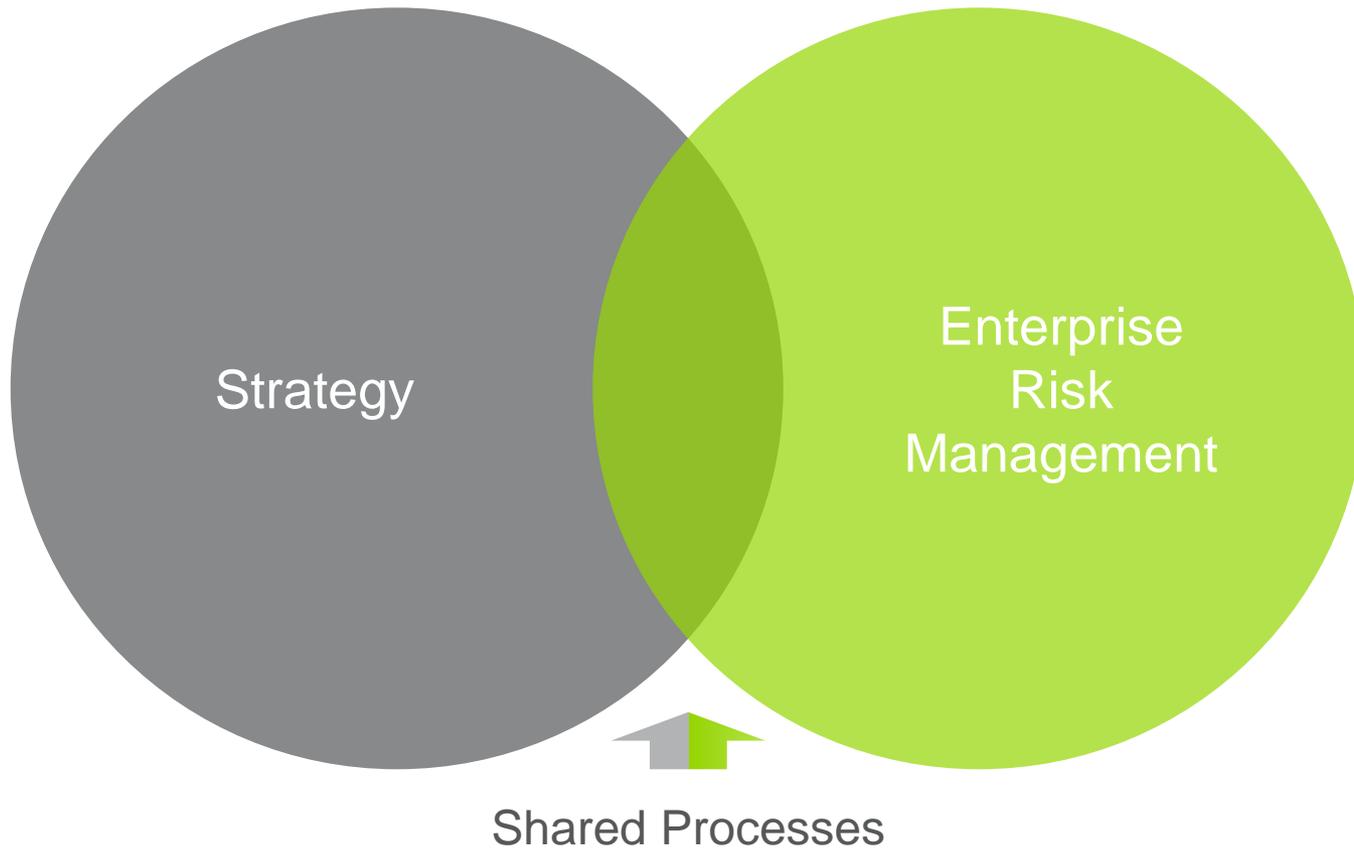


THE PREPARATION – RISK MANAGEMENT



THE PREPARATION

Enhance strategy and enterprise risk management by fostering a symbiotic relationship



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